PHC GROUP

Integrated Report 2026

Guidance for Integrated Report 2026

Theme for Integrated Report 2026

Our Story, Made Visible

From specialized medical equipment to healthcare IT solutions to research tools,
our brands help people make better healthcare decisions and deliver higher-quality care.
Our goal is a future where high-quality healthcare is accessible to all.
We partner with scientists and medical professionals to provide precision healthcare technology where it is needed most.
Together, we are powering the future of healthcare.

Point.1

Visualizing Progress and Commitment Behind the Value Creation Plan 2027* Through the Words of Our CxOs

CEO's Letter

Message From Our COO/CSO

Message From Our CFO

Message From Our CHRO

* PHC Group's mid-term management plan for FY25-FY27

Point.2

Visualizing Precision Technology Through Factory Floor Interviews and Employee Voices

Manufacturing at the Matsuyama Factory: Continuously Evolving Through Precision Technology and On-Site Capabilities

Message From Our CTO

Value Creation Process
Close-Up on PHC Group's Value Contribution Areas

Precision Technologies Across our Businesses

Point.3

Visualizing the Results of Sustainability Initiatives Across the Group

Message From Our Officer in Charge of Corporate Strategy and Sustainability

Chapter 5: Sustainability

Message From Our Full-time Audit and Supervisory Board Member

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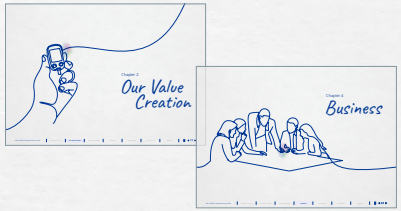
Information Disclosure Framework

PHC Group provides information through a variety of disclosure channels to address the diverse information needs of our stakeholders. We have organized our disclosure channels according to their respective purposes and the information they provide, including this Integrated Report, which presents an overview of the Group as well as our medium- to long-term value creation and growth strategies, financial information, ESG initiatives, and governance framework. We hope this guide will help you identify the most appropriate source of information for your specific needs.

Key Information Needs of Stakeholders	Informational Materials
Gain an overview of PHC Group	Company guide (brochure) Company overview presentation
Understand our medium- to long-term value creation **Understand our strategies and track the progress of the Value Creation Plan**	**Integrated Report (this document)**
Check our latest financial results	Financial Results, Presentation Materials
Review priority matters	Timely disclosure documents (investor relations information)
Access comprehensive and detailed data	Securities reports (Japanese only), Investor relations web page
Learn about ESG initiatives	Sustainability web page
Review governance structures and effectiveness	Corporate governance reports Governance initiatives
Review agenda items and decision-making rationale from shareholder meetings	Convocation notices (business reports), Shareholder newsletters

About the Cover and Page Design

The glowing colors at the center represent a flame burning at the heart of our operations. This flame serves as a source of energy for co-creation with colleagues and micron-level attention to detail, in pursuit of a healthy future for all. The hands forming the base symbolize the manufacturing expertise behind our precision technology. The entire design expresses how we infuse our technology with a passion for excellence, creating a secure and promising future.



Editorial Policy
Through this report, we seek to deepen stakeholders' understanding of PHC Group, a global group of healthcare companies with roots in Japan, and of our strategies and initiatives to realize our vision. In preparing this report, key departments and management have collaborated closely to ensure that both the editorial process and the content are appropriately and transparently presented.

Report Period
April 1, 2025 to March 31, 2026 (including certain information and developments occurring after the reporting period)

Organizations Covered
PHC Holdings Corporation and our consolidated subsidiaries (collectively called PHC Group)

Guidelines Referenced
Integrated Reporting Framework, Guidance for Collaborative Value Creation

Publication Date
October 2026

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 report is for the purpose of sharing company information and is not intended for advertising or promotional purposes.

Chapter 1

Executive Summary

Mission, Vision, & Values

At PHC Group, we believe nothing is more important than health.
From specialized medical equipment to health IT systems to research tools,
our brands help people make better healthcare decisions and deliver higher-quality care.
Our goal is a future where high-quality healthcare is accessible to all.
We partner with scientists and medical professionals
to provide precision healthcare technology where it is needed most.
Together we are powering the future of 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.

VISION

Be a leader in precision technology that powers the future of healthcare.

VALUES

Curiosity

- We seek to expand our understanding of the world and welcome inspiration from all sources.
- We continually ask how we can better serve our customers.

Courage to Act

- We challenge ourselves to unlock our true potential.
- We encourage one another to take on new challenges.

Respect & Collaboration

- We thrive as a global team—One PHC—based on mutual respect.
- We exchange and embrace diverse perspectives across borders and disciplines.

Integrity

- We prioritize ethical behavior above all else.
- We hold ourselves to the highest standards of honesty, fairness, and transparency.

Significance and Positioning of Our Vision and Values

In November 2024, PHC Group announced a new vision—"Be a leader in precision technology that powers the future of healthcare"—to coincide with the launch of our Value Creation Plan 2027.

Our strength is precision technology used throughout the healthcare journey, from basic research to development, design, and high-quality manufacturing of products and services. This is the legacy handed down throughout our history to each PHC Group company, starting with our founding as Matsushita Kotobuki Electronics. By leveraging this strength, we aim to contribute to a society where high-quality healthcare is accessible to everyone. We do this by supporting the work of healthcare professionals and researchers, building trust, and fostering co-creation. Through these efforts, we aspire to become an indispensable presence in the medical and healthcare sectors.

We also established a new set of values to help us realize this vision. These values serve as the guiding principles for all PHC Group employees, forming the foundation for achieving our goals and driving our collective success.

In this year's Integrated Report, we focus on precision technology, PHC Group's key strength, and explain it from a variety of perspectives.

CEO's Letter

Growing PHC Group into a Recognized Leader in Precision Technology for Healthcare

1. "One PHC"— From Principle to Practice

Fiscal year 2025 was a year in which PHC Group put our Value Creation Plan 2027 into practice to achieve the new vision we announced in November 2024. As the first year of the plan, we fulfilled our promises one by one, and I feel a strong sense of accomplishment that we have started to transition our slogan "One PHC" from a declaration of mindset into everyday business practice.

Since I was appointed Group CEO in April 2024, I have focused my efforts on instilling our mission, vision, values, and the "One PHC" concept across our connected businesses. PHC Group is a global healthcare enterprise that originated in Japan and has grown through M&A and business integration. The fact that each PHC Group business has grown as part of this enterprise while also valuing its unique culture, background, and business characteristics is a major asset of the Group. It is also because of these distinctive characteristics, however, that PHC Group as a whole has not always seen clearly what we aspire to become.

I have worked to clearly define the positioning of PHC Group and to build a foundation for co-creation that combines our diverse knowledge and resources across business domains and regions.

The precision technology solutions we provide have many different points of contact with customers and end users within the medical, health, and research sectors, in the fields of monitoring (prevention, prognosis, and management); testing, diagnosis, and treatment; and research and development. I believe that by organically connecting these contact points we can generate even greater value.

To make this possible, over the two years since becoming CEO, I have visited our major sites in approximately 10 countries, including Japan, the United States, and countries across Europe and Asia. During these trips I have met and talked directly with more than 1,000 employees one-on-one and in roundtable discussions. Rather than one-way communications where executives speak and employees listen, I sought to better understand what employees think about the policies conveyed by management and to learn about issues and opinions that may not be visible from headquarters. The objective of this dialogue was to create mutual visibility between management's perspective and employees' day-to-day realities.

When each employee fully understands where PHC Group is headed, what that direction means to them personally, and how their individual roles contribute to the Group's success, the collective strength of our approximately 9,000 employees becomes a more powerful driving force for growth. In fiscal years 2024 and 2025, we worked to strengthen the foundations of this understanding.

As part of these efforts, I have prioritized observing daily operations at our major manufacturing sites. In my visits to major plants in North America, Japan, Indonesia, and China, I was struck again and again by the breadth of technological expertise and capabilities of PHC Group. At the same time, I also learned much about how we can deploy these technologies to reach more people around the world.

At the monthly global town hall meetings I host for all PHC Group employees, I share information about the latest business

Kyoko Deguchi
President, Representative Director, and CEO
PHC Holdings Corporation

K. Deguchi

developments throughout the Group as well as practical examples of our values in action and powerful synergies created across businesses. Simply talking about "One PHC" as a concept will not by itself create a unified organization. Rather, making tangible changes and results in the workplace on a daily basis and ensuring they are visible to every business and region is crucial to building our corporate culture.

In Japan, for example, bringing two nearby sales teams together to share office space facilitated natural information sharing, cross-selling opportunities and joint participation at industry exhibitions between our former IVD and Biomedical businesses, which now make up our Life Sciences business. After this initiative was introduced during a global town hall meeting, interest in similar efforts spread to other regions. In the United Kingdom, members of the Pathology and the former Biomedical businesses voluntarily formed a joint team that is now generating new sources of revenue.

By repeatedly showcasing and sharing these examples, employees across the Group have come to recognize that creating synergies begins with cultivating the right mindset and that opportunities to collaborate exist everywhere. This has created a shift from a focus on optimizing individual companies to the creation of value throughout the Group as a whole. I believe that the emergence of these ripple effects was a major step forward in fiscal year 2025.

These changes do not happen through a single communication. What matters is consistently delivering messages that are both simple and compelling. In 2024, there were times when I felt as though I was carrying the One PHC banner alone. However, thanks to the strong support of colleagues across the organization, including our corporate communications and human resources teams, the message continued to spread. By 2025, employees across our businesses and locations had begun taking action on their own initiative. This transformation gives me tremendous confidence in the direction of PHC Group.

2. Leveraging Employee Feedback to Drive Organizational Change

In fiscal year 2025, approximately 9,300 employees participated in our annual engagement survey, and we received more than 86,000 comments. To me, the volume of feedback reflects our employees' strong commitment to PHC Group and their desire to help shape its future.

Over the past several years, PHC Group has undertaken strategic business integrations and organizational restructuring. During periods of change, strong relationships between employees, their supervisors, and their colleagues become even more important. To support those relationships, our Human Resources and other functions have introduced ongoing training programs and opportunities for dialogue. The engagement survey results indicate that we still have opportunities to improve, particularly in strengthening dialogue between management and employees, supporting individual career development, and demonstrating visible actions in response to employee feedback.

Efforts to improve employee engagement are not simply about achieving higher survey scores. Rather, they are about creating an environment where employees find purpose and fulfillment in their work, understand how they contribute to PHC Group's direction, and feel empowered to take initiative and reach their full potential. I believe these efforts will contribute not only to stronger business performance, but also to sustainable growth and long-term corporate value creation.

3. Progress in the First Year of Value Creation Plan 2027 and Strengthening Our Growth Foundations

Fiscal year 2025, the first year of Value Creation Plan 2027, was an important year in building a strong management foundation for future growth.

PHC Group's revenue reached JPY 364.4 billion and operating profit totaled JPY 22.7 billion, both increases from the previous fiscal year and reached record highs since our listing in 2021. While favorable foreign exchange rates contributed to these results, operating profit also exceeded the earnings forecast that we revised upward during the fiscal year. Delivering steadily on the commitments we made to our stakeholders in the first year of the plan represents an important step toward future growth. As CEO, I believe it is our responsibility to translate the goals we set into action and tangible results.

In Value Creation Plan 2027, we have consolidated our priorities for the three years through fiscal year 2027 into the following three areas:

1. Structural reform to strengthen the profit base
2. Improve portfolio management
3. Focus on Diagnostics & Life Sciences

With respect to structural reform, we seek total profit improvement of JPY 8.0 billion to JPY 12.0 billion by fiscal year 2027. In fiscal year 2025, we generated JPY 3.1 billion in profit improvement, putting us firmly on track to achieve our goals. Initiatives include consolidating sales offices and warehouses, integrating organizations, and advancing global procurement. In procurement, we are shifting from optimizing activities at individual companies to pursuing group-wide sourcing. Involving procurement teams from the earliest stages of product development is already helping us create products that combine high performance with strong cost competitiveness.

In improving portfolio management, we evaluate each business through the dual lenses of ROIC and growth potential. By optimizing the allocation of management resources across the portfolio, we aim to achieve sustainable growth and enhance corporate value over the long term.

In fiscal year 2025, we advanced the development of methodologies for calculating and managing ROIC, and beginning in fiscal year 2026, we have enhanced monitoring at the individual business level. As one outcome of these efforts, we completed the transfer of the Eversense® continuous glucose monitoring (CGM) commercial business in fiscal year 2025. We continue to view Eversense® as a product with significant growth potential and have invested in its development over many years. However, after carefully assessing the scale of future investments required, the expected returns, and the strategic alignment of the business with the areas on which PHC Group should focus on its resources, we decided to proceed with the divestiture.

Pursuing innovation and maintaining bold ambitions for the future are important drivers of corporate growth. At the same time, management has a responsibility to determine best to allocate limited resources to support the sustainable growth of the Group as a whole. I believe this decision represents a concrete example of our commitment to stronger portfolio management and symbolizes our shift toward a management approach that balances capital efficiency with growth potential.

To support future growth, we established the Core Technology Laboratory (CoreTech Lab) in April 2026. The laboratory is responsible for creating the core technologies that will underpin the Group's future growth. PHC Group possesses a wide range of advanced technologies, including sensing, fluid control, specimen processing, preservation and cultivation, and digital technologies. Through the CoreTech Lab, we will accelerate the development of next-generation technologies, particularly in the Diagnostics & Life Sciences domain, creating new growth opportunities and contributing to the enhancement of corporate value over the mid- to long-term.

The former Biomedical business, now part of our Life Sciences business, has built a strong reputation among researchers and healthcare professionals through products such as ultra-low temperature freezers and CO_2 incubators. However, these products are designed to be used for long periods of time and are not subject to frequent replacement, making it important for us to develop the next pillars of growth. Going forward, we will seek to increase the share of recurring revenue that comes from consumables and services while advancing into areas where we can expect growth, such as the CGT field and digital pathology. To do this, it will be crucial that we connect technologies and expertise across businesses and create systems that can promote technology development throughout the Group.

The establishment of the CoreTech Lab is one example of our investment in future growth. By placing this laboratory at the center of our innovation efforts, we will continue developing the technologies that will drive the next stage of PHC Group's growth.

4. The Power of "One PHC" Seen in Tariff Response

Fiscal year 2025 was also a year in which uncertainty in the business environment increased significantly. In the United States, research-related demand stagnated due to reductions in government funding, while changes in U.S. tariff policies had the potential to impact PHC Group significantly. In particular, responding to tariffs became an important management challenge, requiring us to reassess our manufacturing footprint to minimize the impact on profitability.

Transferring production between manufacturing sites is a complex task. It requires coordinating multiple factors including facilities, human resources, quality assurance, regulatory affairs, logistics, and supply chains while maintaining stable operations and product quality.

At that time, the leaders across our global manufacturing network and business units stepped up on their own initiative. What products should be manufactured at which plants to optimize the impacts of tariffs? Which sites have capacity, and which products can be transferred to them? PHC Group's manufacturing sites around the world worked together to assess conditions including capacity, labor costs, transportation costs, and supply chain status, and optimized manufacturing sites in just a few months.

Specifically, we advanced measures to rotate some production from China to the U.S. and from the UK to Indonesia, as we expanded capacity in the UK for new products. Furthermore, in addition to responding to tariffs, we worked to establish a structure capable of meeting the needs of the Chinese market as well by localizing production of solutions for use in China. Each manufacturing site and business units examined what they needed to do to achieve this and implemented the changes, including quality assurance and regulatory submissions, within a short period.

I believe this series of actions demonstrated the true strength of "One PHC." When a particular business was impacted by changes in the external environment, teams across the Group came together to pool their knowledge and resources and identify the best solution. Rather than focusing on what was optimal for individual businesses, people acted from the perspective of what was best for the Group as a whole, making the most effective use of limited management resources to support collective growth. Through this experience, I felt that this mindset has steadily taken root as part of our organizational culture.

Trade disruptions are certainly not desirable. However, it is precisely when we face unpredictable changes in the external environment that the true strength of an organization is tested. Responding to tariffs was an extremely challenging experience for PHC Group, but it also helped generate a new mindset in which each business stays alert to unforeseen external changes, proactively anticipates future developments, and takes action while complementing and supporting one another. Fiscal year 2025 was also a year in which we were able to reaffirm the strength of "One PHC."

5. Leveraging Precision Technologies to Drive Future Growth

The source of PHC Group's competitiveness lies in the precision technologies we have cultivated throughout our long history. Building on the manufacturing excellence inherited from the Matsushita Kotobuki Electronics era, we have accumulated a diverse range of technologies and know-how, including high-precision measurement technologies such as glucose sensing, life sciences and diagnostic equipment, as well as software and services that support digital transformation in healthcare. These capabilities are important assets that support our sustainable growth and differentiate us from our competitors.

One symbolic example of this strength is LiCellMo™, the live-cell metabolic analyzer launched in 2024. LiCellMo™ was created by integrating sensor technologies developed in the former IVD business and device development expertise cultivated in the former Biomedical business. Its ability to measure cellular metabolism in real time enables researchers to continuously monitor changes in cell activity without removing samples from the CO_2 incubator, capturing insights that conventional point-in-time measurements cannot. By reducing the risk of contamination associated with handling samples, LiCellMo™ also helps improve both the efficiency and quality of research and development.

Innovations born from this type of technological synergy have earned international recognition in fiscal year 2025 and stand as a testament to the technological capabilities of PHC Group.

I believe PHC Group possesses many technologies and areas of expertise that have yet to be fully leveraged. Going forward, uncovering these technological assets, connecting them across businesses and regions, and translating them into new products and services will be an important driver of our next stage

of growth.

PHC Group has established strong market positions across multiple business domains. In Japan, our Healthcare IT Solutions business holds the leading market share in electronic medical record systems for clinics and medical-receipt computers for clinics and hospitals*1. In our Life Sciences business, we hold the second-largest global market share in products such as ultra-low temperature freezers*2.

These positions reflect the trust our customers place in the quality of our products and services and provide a strong foundation for achieving our ambition to become the Group people turn to first in these fields.

In addition, products and services across PHC Group, including LiCellMo™, Epredia's E1000Dx Digital Pathology Solution, and the call center operations of our Healthcare IT Solutions business, have received numerous major awards and recognition. These achievements demonstrate that our technologies and services are competitive on a global stage. Encouraged by this recognition, we will continue connecting technologies and expertise across businesses and regions to create even greater value in the future.

*1 Source: Fuji Keizai Co., Ltd., "Current Status and Future Outlook of the Healthcare Collaboration and Healthcare Platform-Related Market, 2022." Based on 2020 company market share (unit basis) for medical billing computer systems (PHC results).

*2 Source: "Global Assessment of Life Science Lab Equipment Market 2025," Frost & Sullivan.

6. Transforming Sustainability Initiatives into Drivers of Growth

We also made steady progress in our sustainability initiatives during fiscal year 2025. Our non-fluorocarbon ultra-low temperature freezers and products designed to reduce electricity and water consumption are among our flagship offerings that help lower environmental impact. PHC Group views sustainability initiatives as a management foundation that supports sustainable growth, and we are advancing them as an integral part of our business operations. Building on the ESG data collection platform and Group-wide framework established in fiscal year 2024, we achieved validation of our greenhouse gas emissions reduction targets from the Science Based Targets initiative (SBTi) as planned in fiscal year 2025. In addition, our EcoVadis and CDP assessments exceeded the fiscal year 2027 target levels set in Value Creation Plan 2027 by two years. These efforts have not only enhanced our external evaluations but have also helped expand opportunities to participate in bids and win new business. Furthermore, our non-fluorocarbon ultra-low temperature freezers and energy- and water-efficient product portfolio contribute to reducing customers' environmental impact while also strengthening PHC Group's competitiveness.

7. Our Role in an Era of Aging Populations, Healthcare Personnel Shortages, and AI

The business environment surrounding us is undergoing profound change. As populations age and life expectancy increases around the world, the number of people living with diabetes and other lifestyle-related diseases, cancer, cardiovascular disease, and dementia is expected to continue rising, driving further growth in demand for healthcare services. At the same time, declining working-age populations are intensifying shortages of healthcare professionals, creating an urgent need to deliver high-quality healthcare sustainably for society despite limited healthcare resources.

These challenges are also becoming more evident in the pathology field. Amid growing shortages of pathologists and increasing concerns about excessive workloads, healthcare providers need more advanced workflows that improve both efficiency and quality in diagnostic operations. Reducing the burden associated with diagnostic processes while enabling faster and more accurate diagnoses contributes not only to improving working conditions for healthcare professionals but also to delivering better care for patients.

To help address these societal challenges, PHC Group will contribute to realizing sustainable healthcare by providing solutions that integrate medical devices, software, digital technologies, AI, and data. By leveraging our diverse touchpoints across medical and healthcare workflows, and the precision technologies we have cultivated over many years, we are working to improve diagnostic and treatment quality by increasing operational efficiency, reducing workloads for healthcare professionals, and minimizing the risk of human error in diagnosis and treatment.

Looking ahead, we will continue helping ensure that essential healthcare reaches the people who need it most, even amid healthcare workforce shortages. By improving healthcare quality and access while helping optimize healthcare costs, we will create value by addressing societal challenges while enhancing corporate value.

8. Becoming the Group People Turn to First in Our Fields

Our ambition is to be recognized by customers around the world as the partner they turn to first in the healthcare fields we serve. From ultra-low temperature freezers to electronic medical record systems for clinics, PHC Group's products and services have earned the trust and high regard of our customers. Yet we are far from satisfied with where we are today. I believe that the technological capabilities, expertise, and global business foundation we have built over many years hold significant value and potential that have not yet been fully realized or delivered to society.

We will connect the strengths developed across our businesses and regions, leverage the integration of technologies and expertise, and accelerate the creation of new value.

As we continue our journey of challenge and transformation, with the ambition of becoming the group people turn to first in the fields we serve, I invite you to look forward to the next stage of our growth.

PHC Group History & Evolution of Technology

As a partner supporting healthcare professionals and researchers, PHC Group has contributed to the advancement of medical treatment and healthcare for many years. Integrating our heritage with manufacturing excellence, we consistently deliver high-quality and trusted products and services.

1960- | 2000- | 2010- | 2015- | 2020- | 2025-

1941
Sales of BGM products by Miles Laboratories started

1991
BGM management business launched (Matsushita Kotobuki Electronics Co., Ltd.)

2016
Acquisition of diabetes care business from Bayer AG to establish Ascensia Diabetes Care Holdings AG

2020
The commercial operation of Eversense CGM system launched in collaboration with Senseonics Holdings, Inc.

2026
The commercial operation of Eversense CGM system transferred to Senseonics Holdings, Inc.

Diabetes Management Business

2023
IVD businesses of PHC Corporation and LSI Medience Corporation integrated

1966
Sales of pharmaceutical refrigerators started by Sanyo Iyou Kiki Hanbai Co., Ltd.

2012
Acquisition of the healthcare business from Sanyo Electric Co., Ltd.

Biomedical business launched in PHC Group

2018
PHCbi brand launched

Life Sciences Business

2026
Biomedical business and IVD business integrated and Life Sciences business launched

1972
Sanyo Electric Co., Ltd. launched the medical systems business

Medicom business launched in PHC Group

2023
Wemex Corporation began operations*2

Healthcare IT Solutions Business

1969
Founded as Matsushita Kotobuki Electronics Co., Ltd.

2010
Renamed as Panasonic Healthcare Co., Ltd.

2014
Carved out from Panasonic Group, started operations as Panasonic Healthcare Holdings Co., Ltd.

2018
Corporate brand changed from Panasonic Healthcare to PHC and business brand established

2021
PHC Holdings Corporation listed on the First Section (Currently Prime Market) of the Tokyo Stock Exchange*1

1962
Yatron Laboratories, Inc. established and reagents for measuring serum transaminases (GOT and GPT) launched (later, the IVD business)

2019
Acquisition of all shares of LSI Medience from Life Science Institute, Inc.

1975
Medical Science Co., Ltd. established and clinical testing business started

2007
Mitsubishi Chemical Medience Corporation established (later, LSI Medience)

Clinical Testing Business

2023
Mediford Corporation began operations*3

1977
Mitsubishi-kasei Institute of Toxicological and Environmental Sciences, Co., Ltd. established and non-clinical contract research service launched (later, the CRO business)

CRO Business

Pathology Business

1937
Shandon/Thermo Bio Analysis established in the UK

2019
Acquisition of anatomical pathology business from Thermo Fisher Scientific Inc. to establish Epredia Holdings Ltd.

*1 Newly listed on October 14, 2021 (Securities Code: 6523, TSE Prime).
*2 Integration of Medical Information Systems (Medicom) Business Unit of PHC Corporation and PHC Medicom Corporation.
*3 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.

PHC Group History: A Journey of Precision Technology & Manufacturing Excellence

1960– 1990– 2020– Today

Blood Glucose Monitoring (BGM) Systems

1969 Launched the first-ever portable blood glucose monitoring (BGM) device

Industry's 1st

1991 Launched electrochemical blood glucose monitoring (BGM) system

World's 1st

Development Stories 2

2003 Introduced CONTOUR®, the first self-monitoring blood glucose meter with No Coding technology

Sold over 3 billion sensors annually, **ranking third globally in market share**

2024 Introduced LiCellMo™, leveraging blood glucose sensor technology to enable visualization of indicators of cell metabolism

2026 Introduced LiCellGrow™*, which automatically adjusts cell culture based on measurements of cell metabolism

Development Stories 4

Laboratory & Medical Support Equipment

1966 Launched pharmaceutical refrigerators

Japan's 1st

1977 Launched ultra-low temperature (ULT) freezers

1991 Introduced ULT freezer capable of achieving industry's lowest temperature in Japan

Industry lowest temperature

1998 Launched ULT freezers equipped with vacuum insulation panels

2020 Our equipment was utilized globally for storage of COVID-19 mRNA vaccines, contributing to their distribution

Development Stories 3

Continued innovations in energy efficiency and dual cooling systems, **achieving the second-highest global market share and the top share in Japan**

1984 Launched CO_2 incubators

2009 Launched CO_2 incubator with H_2O_2 decontamination

Industry's 1st

2014 Launched CO_2 incubator with integrated inner chamber and shelf support

Pursued high-precision control, contamination prevention, and ease of use, **achieving the second-highest global market share and the top share in Japan**

Diagnostic Devices

1982 Launched latex agglutination chemiluminescent immunoassay analyzer (LPIA-1)

Industry's 1st diagnostic technology

Development Stories 1

2007 Launched STACIA®, a fully automated clinical testing system featuring six measurement methods

2019 Launched STACIA® CN10, a fully automated blood coagulation analyzer, offering simplified operation and four measurement techniques

2005 Introduced PATHFAST™, a rapid and highly sensitive compact device employing the CLEIA method

2016 Introduced a lightweight version of PATHFAST™ designed for emergency care

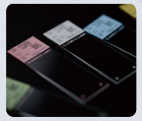
2025 Introduced an improved model with an updated control system including a larger screen

Pathology Solutions

1988 Launched SuperFrost™ Plus microscope slides, which later became the industry benchmark

2021 Improved surface flatness by 33% through continuous innovation

2023 Launched eco-friendly SlideMate Laser PLUS microscope slides for laser printers, **achieving the top global market share**



Healthcare IT Solutions

1972 Began sales of medical-receipt computers

Japan's 1st

1980 Launched medical-receipt computers for pharmacies

1999 Launched electronic medical record (EMR) systems

2007 Launched EMR systems integrated with medical-receipt computers

2025 Launched fully cloud-based EMR systems

Contributed to the Japanese government's digital transformation of healthcare by facilitating the adoption of the Online Eligibility Verification System and electronic prescription systems

* Currently under development outside of Japan as of March 2026.

Behind-the-Scenes Development Stories & New Product Feature

The People, Challenges, and Breakthroughs Behind Our Technology

A Turning Point That Shaped the Technological Lineage

Development Stories 1 1966-1982

Industry-First Diagnostic Technology

The Latex Diagnostics Technology that Transformed Time for Diagnosis

In the 1960s, manual testing methods regularly took several hours to reach a diagnosis. The introduction of latex agglutination equipment and reagents reduced this to just minutes. This technology, born from the conviction that patients should not have to wait for answers, culminated in the launch of LPIA-1 in 1982. This was an industry-leading breakthrough that simultaneously achieved both precision and speed in fully automated immunoassay testing.

"Seeing the faces of patients waiting for their test results is a driving force for us."

Development Stories 2 1985-1991

Technological Integration

A Revolution for Diabetes: Creation of a 50-Gram Blood Glucose Meter

Triggered by the shift in business direction that followed the 1985 Plaza Accord, PHC Group began working to integrate biotechnology and electronics. Developers spent three years on mass-production development of technology for the precise control of electrodes. "It was a never-ending series of challenges," one developer recalled. In 1991, a portable glucose meter weighing just 50 grams was introduced, marking the advent of an era when people with diabetes could manage their own care.

"People with diabetes can measure their blood glucose at home. How many lives can be saved just from this breakthrough?"

Development Stories 3 2020

Responding to a Crisis

The Mission of Ultra-Low Temperature Freezers During the Pandemic

In 2020, as the COVID-19 pandemic spread around the world, our biomedical factory in Gunma, Japan, switched to 24-hour operation. The supply system was rapidly reorganized to enable worldwide delivery of -80°C freezers, critical for preserving mRNA vaccines. One Gunma worker commented that they "felt a profound sense of responsibility as a provider of critical social infrastructure."

"The factory played a role in protecting and delivering vaccinations around the world."

Development Stories 4

NEW

LiCellGrow™ Cell Expansion System

A Legacy of Blood Glucose Sensor Technology Opens the Door to Regenerative Medicine

Product Overview

LiCellGrow™ is a cell expansion system that enables real-time visualization of cell conditions during the manufacturing of cell therapy products. PHC Group's proprietary in-line sensor technology continuously measures glucose and lactate, and automated culture control maintains optimal culture conditions. This contributes to improved cell quality, reduced cost, and increased efficiency in therapy development.

Background to Development

We expanded into the cell culture field by leveraging the In-Line Monitoring technology developed through our work on blood glucose sensors. Full-scale development began around 2019 with the goal of addressing challenges related to quality variability and process control in the manufacturing of cell therapy products.

Value to Patients and Customers

LiCellGrow™ supports the advancement of cell therapy product development and manufacturing processes and contributes to lower costs, shortened development cycles, and the stabilization of cell quality. Through this system, we seek to support a stable supply of high-quality cell therapy products, drive the advancement of cutting-edge cell therapies, and ultimately expand the provision of treatments to more patients.

Technological Lineage:

- **1969** — Portable glucose monitor
- **1991** — Electrochemical blood glucose monitoring (BGM) system
- **2003** — CONTOUR® No Coding technology
- **2024** — **LiCellMo™ live cell metabolic analyzer**
- **2026** — **LiCellGrow™ cell expansion system**

Message From Our CTO

Powering Growth through PHC Group's Technological Excellence

To strengthen our technological foundation and accelerate sustainable growth, PHC Group established the role of Chief Technology Officer (CTO) in July 2026. We also restructured our internal R&D organization Core Technology Laboratory (CoreTech Lab), overseen by Senior Executive Corporate Officer and CTO Ryuichi Hirashima, in April 2026 by expanding the former Diagnostic and Life Sciences Domain R&D into a Corporate R&D organization for all of PHC Group. Through CoreTech Lab, we will seek to introduce the core and adjacent precision technologies that will drive PHC Group's next phase of growth as well as our vision to power the future of healthcare.

Ryuichi Hirashima
Senior Executive Corporate Officer,
Chief Administrative Officer (CAO),
Chief Human Resources Officer (CHRO),
and Chief Technology Officer (CTO),
PHC Holdings Corporation

I took on the newly established role of CTO on July 1, 2026. Our Group is now transitioning from Phase 1 of the Value Creation Plan 2027, which focused on strengthening our business foundation, to Phase 2, where growth will become the primary strategic focus.

Growth can be achieved through both inorganic approaches, such as M&A, and organic approaches based on our own R&D and technological innovation. In recent years, the Group has focused more heavily on the inorganic path. While inorganic expansion remains a vital pillar of our strategy, we are now committed to further strengthening our organic growth. By returning to our core identity as a global collection of healthcare companies providing medical devices and services, we will focus on how best to integrate and leverage our technologies, technical expertise, and strengths to deliver innovative products that bring new value to customers.

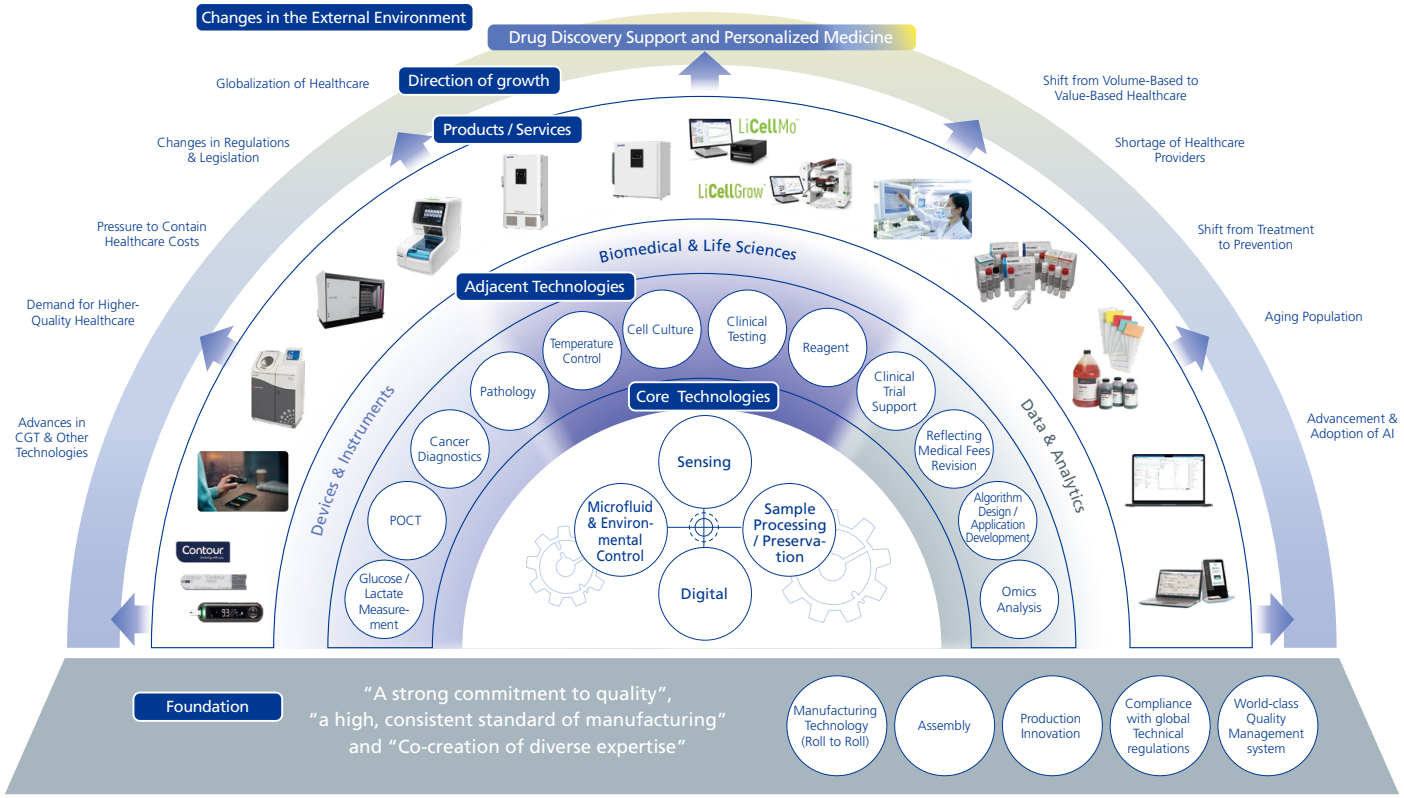
PHC Group possesses a wide range of outstanding technologies. The technical strengths that underpin PHC Group's business, and serve as a common foundation for all our technologies, are our strong commitment to quality and the manufacturing excellence inherited from Panasonic and other legacy companies.

Based on this foundation, our core solutions include sensing technologies that use enzymatic electrodes, optics, and microfluidics, as well as environmental control technologies that are utilized across a wide range of our products. Furthermore, our expertise extends to processing, preservation, and cell culture technologies for blood and cells, along with the digital technologies that power our healthcare IT solutions.

Surrounding these core technologies are various adjacent technologies and specialized forms of know-how.

Together, these technologies can be broadly categorized into three areas: "Devices & Instruments"; "Biomedical & Life Sciences"; and "Data & Analytics." The combination of core and adjacent technologies enables us to develop products and services that provide unique value to our customers.

By combining these technologies, we aim to accelerate the development of new products and expand the value we provide to customers, particularly in fields such as drug discovery support and personalized medicine. Building on the technological assets we have cultivated over many years, we will use these technologies to further accelerate PHC Group's unique growth strategy.



At a Glance

PHC Group is a global collection of companies offering a range of products and services in precision technology for healthcare.
Below are some key facts and figures about the Group.

Consolidated revenue*1

364.4 billion JPY

Conducting business globally

Number of group companies*3

80

Building a global network

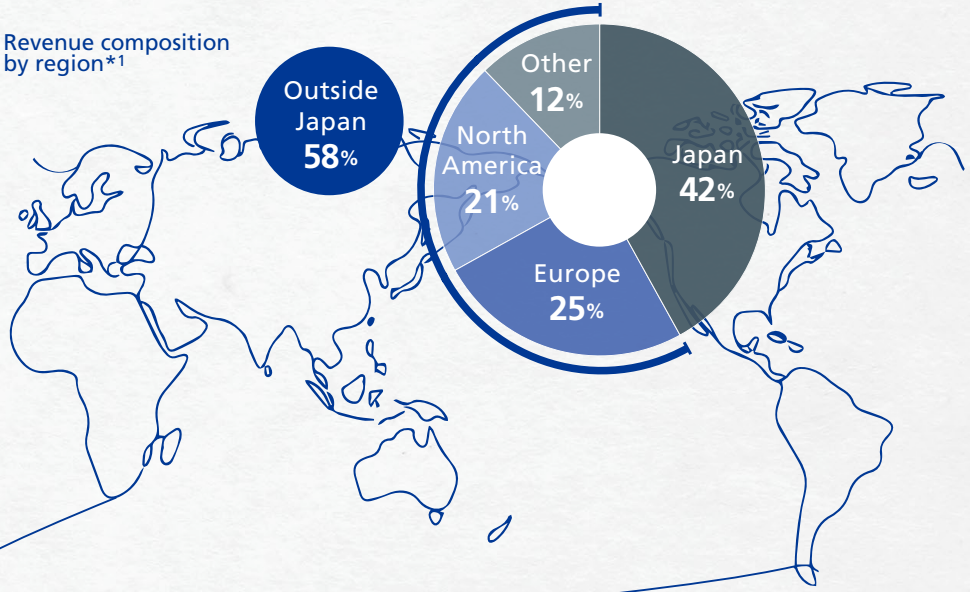
Where we conduct business*2

More than

125 countries and regions

Extensive global sales experience

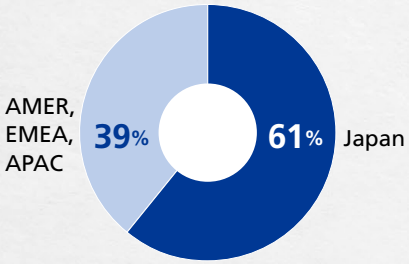
Revenue composition by region*1



Number of employees*2

8,647

A diverse workforce of talented employees



Number of PHC Group registered patents*2

4,162

*1 Fiscal year 2025; exchange rates: 175 JPY/EUR; 151 JPY/USD
*2 As of the end of March 2026
*3 Not including PHC Holdings Corporation (as of the end of March 2026)

Chapter 2

Our Value Creation

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.

Value Creation Process

Enhancement in Medical Care Quality | Improvement in Healthcare Access | Improvement in Cost Effectiveness

Healthcare Issues

- Growth of disparities in healthcare access
- Increase in healthcare costs
- Digitalization of healthcare
- Aging population
- Rise in chronic diseases (cancer, diabetes, etc.)
- Epidemic of infectious diseases

Our Strengths

- Man-ufacturing excellence with high precision and quality based on precision tech-nology
- Industry-leading products and services
- Global reach to a wide range of customers

The Group's history spanning nearly 60 years

PHC Group's Value Contribution Areas

Contributing to the improvement of Value-Based Healthcare through co-creation with stakeholders

Monitoring (Prevention, Prognosis, & Management)

Effective symptom management and early disease detection

Improvement in Healthcare Access ↗ | Improvement in Cost Effectiveness ↗

Examination/Diagnosis/Treatment

Accurate and rapid examination and measurement

Enhancement in Medical Care Quality ↗ | Improvement in Cost Effectiveness ↗

Research & Development

Enhance efficiency in research practice and drug discovery

Enhancement in Medical Care Quality ↗ | Improvement in Cost Effectiveness ↗

FY25	FY26	FY27	FY28	FY29	FY30
Phase 1			Phase 2		

Value Creation Plan 2027

Key Initiatives
1. Structural reform to strengthen the profit base
2. Improve portfolio management
3. Focus on Diagnostics & Life Sciences

Value Creation Plan 2030

Achieving sustainable growth centered on Diagnostics & Life Sciences

Reinforcing Financial Capital ➡P38 Message From Our CFO
Improving the Efficiency of Manufacturing Capital ➡P22 Manufacturing at the Matsuyama Factory: Continuously Evolving Through Precision Technology and On-Site Capabilities
Reinforcing Intellectual Capital ➡P13 Message From Our CTO
Reinforcing Social Capital ➡P27 Stakeholder Engagement
Reinforcing Human Capital ➡P42 Message From Our CHRO
Strengthening Natural Capital/Environmental ➡P69 Chapter 5 Sustainability, Environment

The Society We Seek to Create

Working toward a future where high-quality, accessible healthcare is available to everyone = Achieving Value-Based Healthcare

VISION

Be a leader in precision technology that powers the future of healthcare.

- Contributing to more accurate and timely cancer diagnoses
- Contributing to development of advanced new cancer treatments

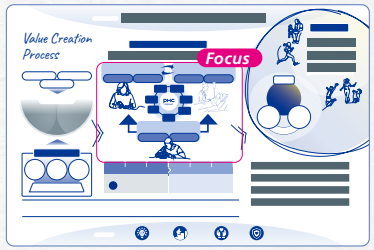
PHC Group's Area of Focus

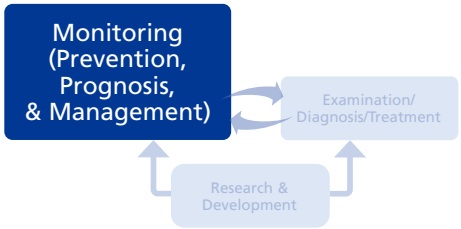
PHC Group is leveraging these strengths and taking action to help solve healthcare challenges around the world. In accordance with our value-based healthcare approach centered on enhancing the quality of medical care, expanding access to healthcare, and improving cost-effectiveness, we develop products and services with stakeholders and deliver value along the entire healthcare journey. To create even greater value, we formulated and are now carrying out our Value Creation Plan and are making steady progress toward achieving our vision to be a leader in precision technology that powers the future of healthcare. With the objective of achieving a future where high-quality healthcare is accessible to everyone, PHC Group will continue to increase the total value that we provide.

VALUES Curiosity | Courage to Act | Respect & Collaboration | Integrity

Close-Up on PHC Group's Value Contribution Areas

PHC Group is committed to improving healthcare quality and accessibility while enhancing cost-effectiveness in three focus areas: Monitoring (Prevention, Prognosis, & Management), Examination/Diagnosis/Treatment, and Research & Development. We contribute to these areas by enabling appropriate condition management and early detection of disease, delivering accurate and rapid testing and measurement, and driving efficiencies in research practice and drug discovery. In the following pages, we explain the value we seek to create in each area, featuring the voices of PHC Group employees.





By offering health checkup support services and telemedicine systems, we contribute to improving healthcare accessibility and cost-effectiveness. These solutions support early disease detection, appropriate disease management, and blood glucose monitoring for people with diabetes.

Wellness (Prevention/Pre-Symptomatic Care)

WEMEX

Wemex Health Guidance Solutions

Each year, Wemex supports lifestyle improvements for approximately 270,000 people in Japan by offering health guidance solutions tailored for corporate employees who are members of health insurance associations.

Approximately
270,000
People/Year

Supporting healthy habits for approx. 270,000 people annually

Users particularly appreciated the ability to engage in the two-way communication necessary for health guidance using contact methods tailored to each individual, such as email, LINE,* and SMS, as well as the error-checking function that streamlines claims and billing processes with insurers.

* LINE is a registered trademark of LY Corporation.

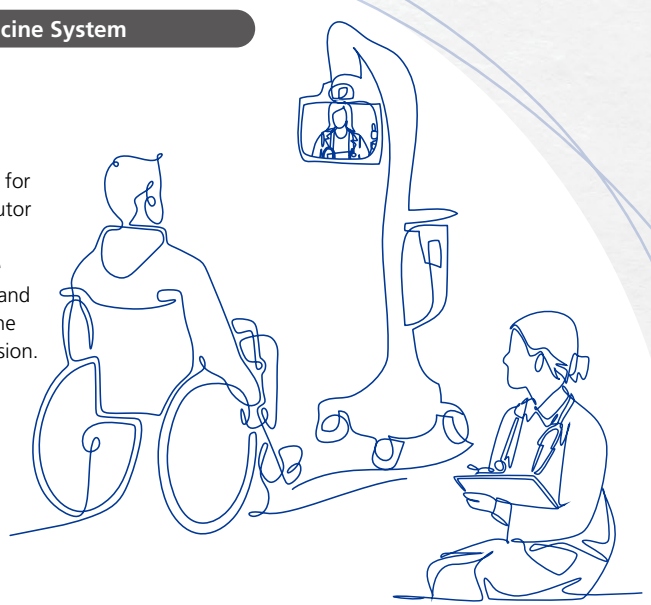
Hiromi Yoshioka
Manager
Preventive Medicine Promotion Section, Wellness Solutions Department
Wemex Corporation

Real-time Telemedicine System

WEMEX

Teladoc HEALTH

Teladoc HEALTH, a virtual care device for which Wemex is the exclusive distributor in Japan, is designed to enhance the accessibility of healthcare, encourage patients to seek timely consultation, and help healthcare professionals intervene remotely in potential disease progression.



Because physicians operate Teladoc HEALTH remotely, the burden on on-site staff is minimal. By connecting the system to peripheral medical devices, healthcare professionals can assess a patient's condition with the same speed and sense of presence as if they were there in person. The system has been well received as a means of improving regional access to routine and specialty healthcare, maintaining quality of care, and supporting sustainable working practices for healthcare professionals.

Naoya Tsukihara
Manager
Business Planning Section, Hospital Solutions Department
Wemex Corporation

32 Prefectures
Across Japan

Introduced in 32 prefectures within five years of its launch (as of the end of July 2026)

Blood Glucose Monitoring Systems

ASCENSIA Diabetes Care

Blood Glucose Monitoring Systems

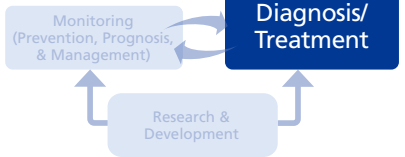
The blood glucose monitoring (BGM) systems provided by Ascensia empower people with diabetes to manage their condition effectively, contributing to improved comfort and quality of life.

Over **3 Billion**
BGM Sensors/Year

Each year, Ascensia distributes over 3 billion BGM sensors.

Healthcare professionals see value in different approaches for different patients, but we consistently hear appreciation for the accuracy, simplicity, and ease of use of CONTOUR® systems. For women with gestational diabetes, accuracy is especially important in supporting treatment decisions for both mother and baby, while features such as the smartLIGHT indicator and Second-Chance® sampling are designed with the practical needs of people managing diabetes in mind.

Aldridge Friedman
Regional Sales Manager,
Ascensia Diabetes Care Germany



We contribute to improving the quality of healthcare and enhancing cost-effectiveness through accurate and rapid testing and measurement through clinical testing and diagnostic equipment. Additionally, we are advancing medical digital transformation (DX) initiatives, such as the adoption of electronic medical records in Japan.

Clinical Testing Services

LSI Medience

Clinical Testing Services

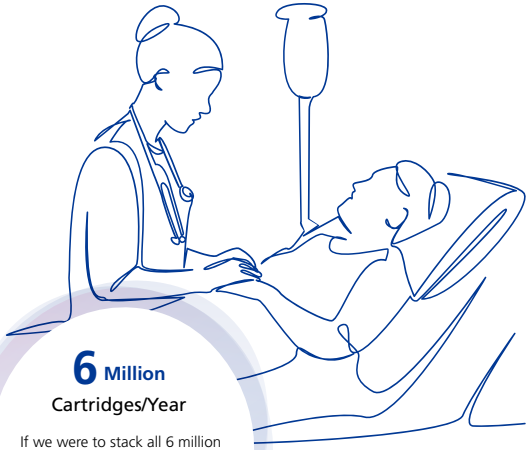
LSI Medience has partnered with 7,000 medical institutions across Japan, establishing a robust system capable of processing approximately 950,000 tests per day to support physicians in making accurate diagnoses.

READsystem® is a comprehensive diagnostic system for malignant lymphoma for which LSI Medience provides testing services. Malignant lymphoma is generally regarded as a challenging disease to diagnose, requiring a comprehensive assessment based not only on clinical information but also on a variety of diagnostic data, including cytogenetic and genetic analyses. READsystem® enables accurate and rapid diagnosis by simultaneously performing the necessary tests and integrating the findings through a comprehensive evaluation by highly experienced pathologists with the results of relevant diagnostic testing. The system has been adopted by numerous medical institutions throughout Japan and provides information that enhances physicians' diagnostic efficiency and supports patients in selecting the most appropriate treatment options.

Junichi Tashiro
Shinagawa (Japan) Sales Office, Metropolitan District Branch No. 1,
Sales Coordination Department, Clinical Testing Business Division
LSI Medience Corporation

120,000
Specimens/Day

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



6 Million
Cartridges/Year

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

Diagnostic Equipment

PHC

PATHFAST™ Immunoanalyzer

PHC PATHFAST™ Immunoanalyzer provides rapid, multi-parameter testing for whole blood, plasma, and serum, producing results in as little as 17 minutes to support timely decision-making in medical practice.

PATHFAST, which enables rapid testing using whole blood, has been praised in emergency settings for shortening turnaround time for test results. It supports rapid diagnostic decision-making and earlier patient care.

Shunpei Taniguchi
Tokyo Metropolitan District Branch No. 3,
Sales Department, Domestic Sales Division,
Life Sciences Business Unit
PHC Corporation

Pathology Diagnostic Equipment

epredia

Digital Pathology

Epredia's digital pathology solutions deliver high-resolution scans of digital images, enabling precise observation of specimens on integrated screens. These systems are also capable of integrating with AI software in certain geographies and enhancing workflow efficiency.

In cancer diagnostics, the final step in the digital pathology workflow is image acquisition. Epredia's E1000 Dx Digital Pathology Solution, introduced in 2024, combines high-throughput scanning with advanced workflow management to help laboratories accelerate their transition from traditional microscopy to digital diagnosis. Together, SuperFrost™ Plus slides, SlideMate Laser technology, and the E1000 platform demonstrate how Epredia's precision technologies work seamlessly across the pathology workflow—from specimen preparation to digital image analysis—helping pathologists deliver faster, more accurate cancer diagnoses.

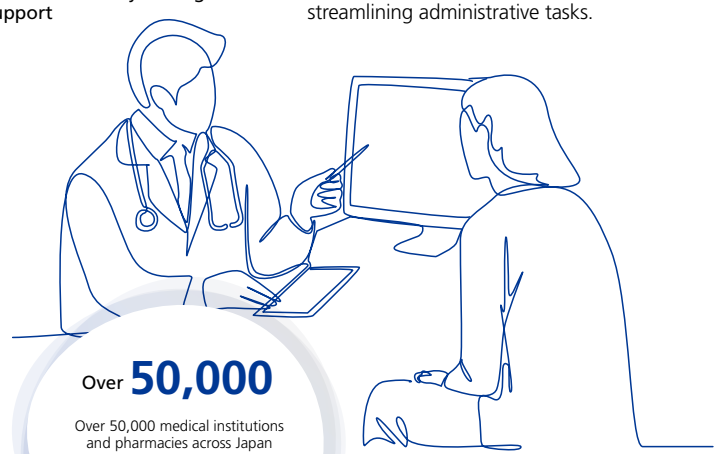
Dr. Balazs Liposits
Chief Strategy Officer & Chief Commercial Officer
Epredia Holdings Ltd.

Electronic Medical Record System/ Medical-Receipt Computer/Pharmacy System

WEMEX

Medicom cloud-based EMR system
Medicom-HRf core
PharnesX-MX
Wemex Pharmacy Management Support

Wemex's suite of solutions—including electronic medical records, medical-receipt computers, and pharmacy systems—supports medical institutions and healthcare professionals in managing clinical records and streamlining administrative tasks.



Over **50,000**

Over 50,000 medical institutions and pharmacies across Japan use Wemex's medical-receipt computers. This means that one in five medical institutions and pharmacies in Japan chooses Wemex.

Medicom Cloud EMR includes extensive medical-receipt checking functions and an AI-powered automated billing support function that identifies billable items from information entered in the medical record. Leveraging more than 50 years of experience in developing medical-receipt computers, this proprietary reimbursement support feature helps clinics operate and manage their practices more efficiently.

Kinya Matsunaga
General Manager, Product Planning Department
Wemex Corporation

Through our life science equipment and pathology consumables, we contribute to improving the quality of healthcare and enhancing cost-effectiveness by improving the efficiency of research sites and drug discovery.

Non-Clinical Testing/Clinical Trial Services

mediford

Non-Clinical Contract Research Service

Mediford provides a variety of testing and analysis services in Japan to ensure the safety and efficacy of pharmaceutical products available on the market.

Approximately **30%**

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

We are currently involved in pharmaceutical regulatory applications for many vaccines developed by Japanese manufacturers. We recently established a biosafety level 3 (BSL-3) facility, one of the few in Japan capable of supporting pharmaceutical regulatory submissions. Previously, obtaining the data required for regulatory submissions related to the development of vaccines and therapeutic drugs in preparation for pandemics and other public health emergencies required reliance on facilities outside Japan, but we can now conduct this work in-country.

Masaki Goto
Immunology & Infectious Disease Pharmacology Group, Research Unit 1, Drug Creation Innovation Center
Mediford Corporation

Life Science Equipment

PHC

Ultra-Low Temperature Freezers

CO_2 Incubators

PHC's ultra-low temperature freezers and CO_2 incubators are market leaders in Japan and rank second globally*1. As high-quality products, they play a vital role in supporting the value chain throughout research and manufacturing processes.

All Top **20** Companies

PHC is the trusted partner of all top 20 global pharmaceutical companies*2, delivering unparalleled technology and products.

These ultra-low temperature freezers maintain temperatures in the -80°C range. Their dual-cooling systems use two independent refrigeration circuits and non-HFC refrigerants, maintaining an internal temperature of -75°C even if one circuit fails. This reduces the risk of sample loss and improves energy efficiency.

Maiki Moriguchi
Marketing Section, Marketing Department, Biomedical Business Group, Life Sciences Business Unit, PHC Corporation

The unit precisely controls the optimal temperature, CO_2, and humidity for cell culture. A proprietary active humidification system maintains stable humidity and achieves rapid recovery after the door is opened and closed. This reduces the risk of culture medium dehydration and condensation, enabling researchers to achieve a culturing environment with a high degree of reproducibility.

Takane Ozawa
Marketing Section, Marketing Department, Biomedical Business Group, Life Sciences Business Unit, PHC Corporation

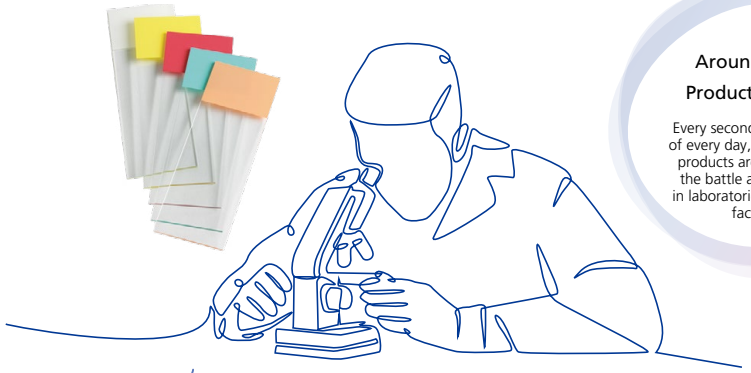
*1 Source: In-house research
*2 Top 20 among the 50 largest revenue pharma companies in the world in 2022
https://www.drugdiscoverytrends.com/2023-pharma-50-largest-companies/

Pathology Consumables

epredia

Microscope Slides

Epredia's microscope slides, designed to support pathologists in making efficient and accurate diagnoses, offer one of the highest levels of optical clarity on the market.



Around **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.

In cancer diagnostics, even the most advanced technologies depend on a simple starting point: the microscope slide. For almost 30 years, Epredia's SuperFrost™ Plus slides have been the gold standard within the industry. Strong tissue adhesion is especially important in modern techniques such as H&E, special stains, and immunohistochemistry (IHC). Maintaining specimen integrity helps laboratories deliver reliable and consistent diagnostic results with the patients in mind.

Dr. Balazs Liposits
Chief Strategy Officer & Chief Commercial Officer
Epredia Holdings Ltd.

Life Science Equipment

PHC

LiCellMo™ Live Cell Metabolic Analyzer

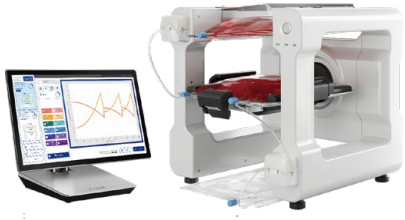
LiCellMo™ Live Cell Metabolic Analyzer uses proprietary high-precision In-Line sensors to continuously measure key indicators of cell metabolism without manual sampling, supporting research on cancer and stem cells.

LiCellMo™ allows researchers to visualize changes in cellular metabolism in real time. High-precision In-Line sensors measure glucose and lactate, enabling users to understand and evaluate the metabolic state of cells. This supports the acquisition of metabolic data in fields such as cancer immunotherapy, including CAR-T therapy, stem cell research, and process development.

Kanae Sawamura
Global Application Business Promotion Section, Business Development Department, Biomedical Business Group, Life Sciences Business Unit, PHC Corporation

LiCellGrow™ Cell Expansion System

PHC's LiCellGrow™ Cell Expansion System automatically exchanges culture media based on data from In-Line sensors that visualize metabolic changes. By constantly adjusting and optimizing the cell culture environment, it is designed to improve the quality, cost efficiency, and delivery (QCD) of cell therapy manufacturing processes.



Continuous measurement using In-Line sensors enables visualization of changes in glucose and lactate concentrations. Automated culture control maintains the optimal culture environment, contributing to improved cell quality and greater process stability in manufacturing of cell therapies including CAR-T therapy.

Ayano Dojo
Global Application Business Promotion Section, Business Development Department, Biomedical Business Group, Life Sciences Business Unit, PHC Corporation

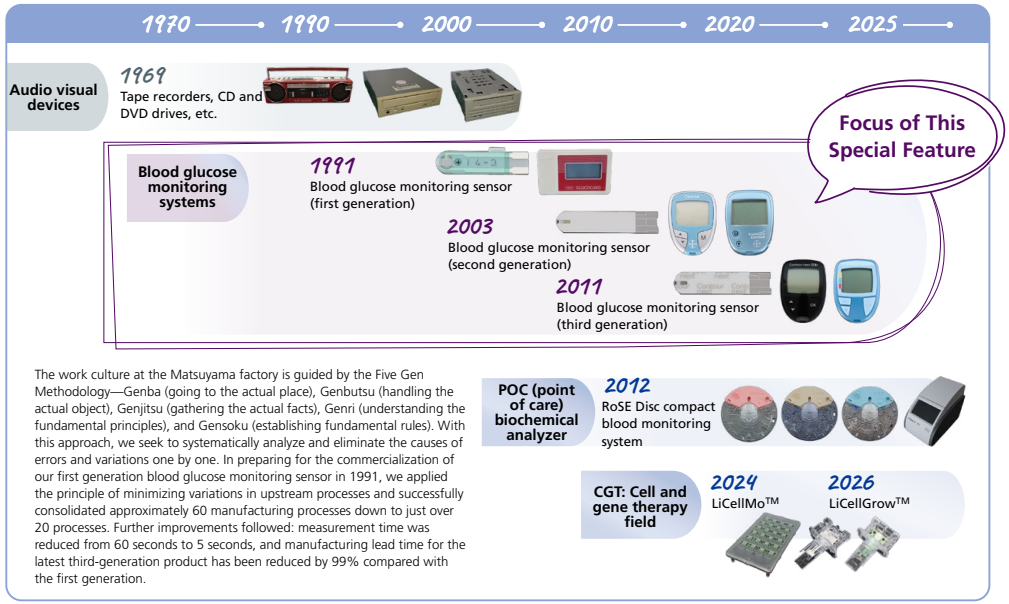
Manufacturing at the Matsuyama Factory: Continuously Evolving Through Precision Technology and On-Site Capabilities

—The Source of Our Value Creation: Process Technology and a Vertically Integrated Model—

The blood glucose monitoring (BGM) systems manufactured by PHC Corporation and sold by Ascensia are currently used by approximately 10 million people with diabetes in over 90 countries. PHC Corporation's Matsuyama factory, located in Toon City, Ehime, Japan, develops and manufactures blood glucose sensors, the cornerstone of these BGM systems. What gives this factory its strong competitive edge? How has the site been able to reliably and continuously deliver high-quality, high-precision products for people with diabetes? Behind this success are insights from the manufacturing floor, which cannot be reduced to a single technology or data set, along with a culture of relentless improvement that refines these insights into reproducible technical capabilities, and an uncompromising commitment to quality. In this special feature, we take a behind-the-scenes look at the Matsuyama factory, which contributes to PHC Group's competitiveness and value creation while sharing technical expertise and operational capabilities in blood glucose sensors to the next generation.

Matsuyama District / Matsuyama Factory

History of Products Developed and Manufactured at Matsuyama Factory



The work culture at the Matsuyama factory is guided by the Five Gen Methodology—Genba (going to the actual place), Genbutsu (handling the actual object), Genjitsu (gathering the actual facts), Genri (understanding the fundamental principles), and Gensoku (establishing fundamental rules). With this approach, we seek to systematically analyze and eliminate the causes of errors and variations one by one. In preparing for the commercialization of our first generation blood glucose monitoring sensor in 1991, we applied the principle of minimizing variations in upstream processes and successfully consolidated approximately 60 manufacturing processes down to just over 20 processes. Further improvements followed: measurement time was reduced from 60 seconds to 5 seconds, and manufacturing lead time for the latest third-generation product has been reduced by 99% compared with the first generation.

1. The Foundations of Our Competitiveness: A Customer-Centric Approach and an Uncompromising Commitment to Quality

Although PHC Group's blood glucose sensor business was not the first to the market, it has achieved global success and currently ranks third in terms of global market share. The factors that drove this success included a strong sense of unity within the organization, a keen awareness of the challenges ahead, and an uncompromising commitment to quality based on a customer-centric approach. In the late 1980s, the Matsuyama Division—at that time part of our predecessor Matsushita Kotobuki Electronics Co.—found itself in a state of stagnation in its existing businesses. However, this situation gave rise to a strong determination to launch a new business. Furthermore, guided by the Matsushita Group's traditional spirit of employee entrepreneurship*1, departments such as development, manufacturing, and quality assurance began collaborating across departmental boundaries. This was bolstered by swift decision-making from top management, enabling the team to transform technology that other companies had considered difficult to commercialize into a successful product. It was this sense of urgency and unity across departments that enabled our remarkable turnaround as a relative latecomer to the BGM market.

The starting point for our development was the pursuit of a product that people with diabetes could use on a daily basis. Initially, high manufacturing costs posed a challenge; however, by conducting a thorough analysis of on-site processes and minimizing upstream variations, we reduced the number of production steps by two-thirds. This operational efficiency enabled us to overcome the previously high cost barrier and provide a product that minimized the financial burden on patients.

Furthermore, we prioritized patient safety over competition for product features. While user convenience, including sensor measurement time, was a key consideration, we focused first on eliminating the risk of life-threatening "false highs"*2 in blood glucose readings. To this end, we collaborated with a supplier to develop an enzyme that was not in use in any other product on the market at the time, incorporating it into the sensors to produce a more sensitive next-generation sensor capable of avoiding false highs. This uncompromising commitment to safety became our foundation as a healthcare company.

This commitment is reflected in our Zero Defect philosophy, an approach that shifts the focus from detecting product defects or faulty items through post-production inspection to preventing the production of faulty items in the first place. We have rigorously enforced quality assurance at the single sensor level and resolved potential issues based on the Five Gen Methodology. Furthermore, as variations in patient usage patterns can affect measurement results, we have conducted user studies in the U.S. and elsewhere and turned the findings into reproducible technology that provides accurate measurements regardless of who uses the device or where it is used. This dedication to protecting lives, combined with hands-on field observation and rigorous data management, enables us to live by the Zero Defect philosophy.

*1 Viewing employees as independent professionals in their own right, taking responsibility for and taking pride in their work to create value, rather than merely relying on the company. Source: *Konosuke Matsushita, Shain Kagyo (The Employee Business Strategy)*, PHP Institute.

*2 A phenomenon whereby, although the actual blood glucose level is normal, test results appear abnormally high due to factors such as errors in the diagnostic equipment or interference from medication. Inappropriate treatment (such as an excessive dose of insulin) based on these incorrect results could lead to serious, life-threatening complications.

2. The Ultimate Competitive Advantage: Our Vertically Integrated Model

A core strength of the Matsuyama factory lies in its vertically integrated manufacturing process, which covers the entire production chain—from the collaborative development, selection, procurement, and processing of materials with manufacturers through the application and drying of reagents, lamination, cutting, inspection, and packaging. We can explain the benefits of this vertically integrated model by breaking it down into three interconnected strengths.

Strength 1: The "End-to-End" System and the Role of the Process Technology Department

The Matsuyama factory's "end-to-end" system enables PHC Corporation to handle every step in the production process in-house, from the development and procurement of materials to packaging. We are able to centrally manage changes in material conditions and process parameters, which can be difficult to monitor when outsourcing, and identify and control upstream factors that may affect quality.

Furthermore, at the heart of the system is the Process Technology Department, which acts as a bridge between research and development and the mass production process. By working closely with the development, manufacturing, and quality control departments to ensure that performance achieved during the research phase is consistently reproduced, the Process Technology Department supports the continuous and stable production of high-precision blood glucose sensors.

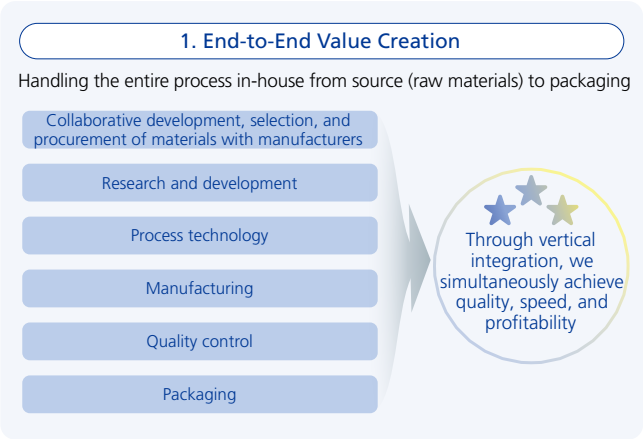
Strength 2: A Black Box Strategy That Protects Competitive Advantage

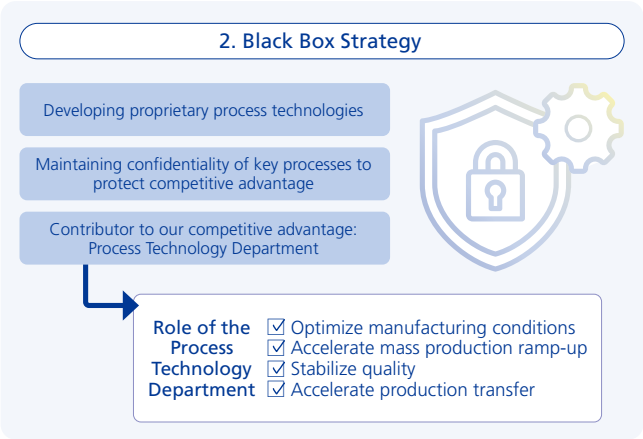
At the Matsuyama factory, we have adopted a "black box" strategy, which involves strategically distinguishing between technologies disclosed as patents and know-how kept confidential within our manufacturing process. By deliberately keeping confidential those process conditions that are difficult to identify from the finished product, we protect the unique value of our offerings. This strategy enables PHC Corporation to maintain a technological edge over competitors in the blood glucose sensor business. Furthermore, this approach enables the factory to explore expanding its reach into other product lines, supporting potential future growth for PHC Group.

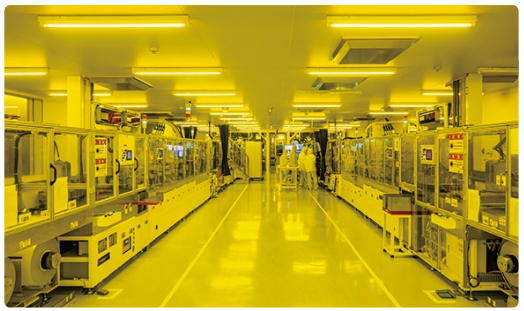
Strength 3: High-Precision Manufacturing at an Affordable Price

We provide essential, high-precision diabetes technology at a price that helps maintain affordability for people with diabetes. This dual objective of quality and accessibility is the driver of our vertically integrated manufacturing process at the Matsuyama factory. While we previously purchased product parts from external suppliers, the cost of a part purchased from an external supplier dictated the price of the finished product. By purchasing raw materials and manufacturing all parts in-house, we are instead able to retain the value that we would otherwise have paid to external suppliers, helping us keep costs down.

This vertically integrated system, which keeps outsourcing costs to a minimum, ensures quality control, limits variation and waste, and enables us to simultaneously achieve stable quality and price competitiveness. This is the foundation of profitability for the Matsuyama factory.







At the Matsuyama factory, highly accurate blood glucose sensors are consistently manufactured at scale through meticulous control of process conditions across every stage of production, from material surface treatment and reagent coating and drying to lamination, cutting, inspection, and packaging. The process technologies developed through blood glucose sensor production are now being applied to products for point-of-care (POC) chemistry analyzers and the cell and gene therapy field and have become a core source of the Matsuyama factory's competitive advantage.

3. Four Examples of Precision Technology

Our Commitment to Materials Development

In materials development, which forms the upstream stage of manufacturing, the development and selection of enzymes that react with glucose in the blood are crucial to achieving high measurement accuracy. During the development of blood glucose sensors in the early 2000s, the market was in the midst of a race to reduce the amount of time required to measure a sample. However, it became apparent that the enzyme used at the time could react with maltose present in certain infusion solutions, resulting in falsely elevated blood glucose readings. Serious incidents involving other manufacturer's product, which endangered patients' lives, were reported in the market, and the U.S. FDA and other regulatory authorities warned of the associated risk. To resolve this issue, driven by our absolute commitment to safety, we collaborated with an enzyme manufacturer to develop a blood glucose sensor incorporating an enzyme that was not used in any other products on the market at the time. This enabled us to produce a next-generation sensor with further refinements, including shorter measurement times. This commitment to protecting patients' lives became a defining expression of our Integrity value as a global healthcare organization.

Roll-to-Roll Technology for Minimizing Minute Variations

Blood glucose sensors are manufactured by laminating and processing electrodes, reagents, and cover materials onto a film substrate. At the Matsuyama factory, we utilize Roll-to-Roll technology, which involves conveying this film material in roll form and carrying out the application and drying of reagents, lamination, and cutting in a continuous process. The characteristics of distortion and warping in film material vary depending on whether it is at the beginning or end of a roll, or at the center or edge. In the manufacture of high-precision medical sensors, these subtle differences affect how the reagents spread, their crystalline state after drying, and their solubility when blood is introduced, all of which have a direct impact on measurement accuracy.

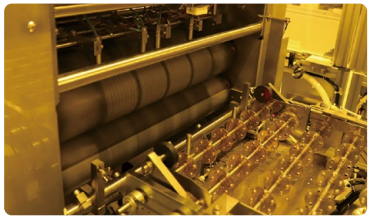
To ensure consistency, at the Matsuyama factory we use high-speed cameras, evaluation tests, and simulations to visualize and analyze these differences, optimizing temperature, humidity, airflow, and the condition of the material surface. By ensuring uniformity in the spread of reagents, the crystalline state after drying, and solubility upon contact with blood, we maintain stable measurement accuracy during mass production. This precise continuous processing technology enables the Matsuyama factory to mass-produce consistently high-precision blood glucose sensors.

Achieving Zero Laminating Defects Through Predictive Management

In the manufacture of blood glucose sensors, there is a process involving the lamination of cover materials onto a film-like substrate. This is a critical process in which heat and pressure are applied using rollers to form a structure that ensures the electrodes and reagents are functioning correctly, while preserving the microscopic channels through which blood flows. In this process, lamination defects caused by roller deterioration were a known problem. Critically, by the time a fault could be detected and the process shut down, defective products would have already been produced, all of which would have to be disposed of.

At the Matsuyama factory, we therefore shifted our approach from "responding after a problem has occurred" to "predictive management" aimed at detecting early warning signs of potential faults. First, after consulting external experts, we built test equipment capable of reproducing faults and used it to repeatedly verify effective parameters for early-warning detection. Furthermore, through collaborative research with universities and a process of trial and error, we trained the system using vast amounts of data from both normal and abnormal conditions, establishing a mechanism that reliably detects deviations from the norm.

After several years of careful work, we are now able to detect in advance the occurrence of defective sensors caused by roller deterioration, and we have completely eliminated this cause of faulty sensors.



Dramatic Reduction in Processing Time Achieved Through Painstaking Experimentation

In the manufacture of blood glucose sensors, a minute amount of reagent is applied to the sensor surface for blood glucose measurement and then allowed to dry. The rate at which the reagent dissolves in blood varies depending on the degree of dryness, which has a significant impact on measurement accuracy. It was previously thought that maintaining a constant temperature, humidity, and air velocity while allowing the sensor to dry slowly would create a homogenous crystalline state and ensure accuracy. However, this drying process was also a production bottleneck. While the sensors move through the rest of the production line at high speed, the drying process takes considerable time. How could this process be shortened while maintaining or improving quality? This was a challenge in enhancing productivity.

We therefore set about visualizing and quantifying the drying conditions. We altered various conditions—such as temperature, humidity, air velocity, and drying time—one by one, using high-speed cameras to film and analyze how the reagent changed, and identified the optimal conditions. As a result, we discovered that the conditions at the precise moment the reagent solidifies are the crucial factor for achieving the optimal state. This meant there was no need to dry a batch slowly from start to finish; instead, we could rapidly remove moisture in the first half of the process and then uniformly and slowly dry during the period when the reagent solidifies. This method enabled us to significantly shorten the drying time compared to conventional methods. By freeing ourselves from existing practices and diligently pursuing the optimal method—even if it took more time to discover—we were able to significantly improve productivity and achieve substantial cost reductions.

4. Creating Precision Technology: Behind the Scenes

Vertically Integrated Model: Achieving Both High Quality and Low Costs Through Manufacturing Excellence

Development

Hiroyuki Tokunaga
Director, PHC Corporation

The blood glucose sensor business began in a challenging environment. However, faced with the goal of reducing manufacturing costs while maintaining quality, we placed our hopes in a technology that other companies had given up on. At that time, Matsushita Kotobuki Electronics Co., a company within the Matsushita Group specializing in manufacturing, was responsible for businesses serving the North American market, among others. Since its foundation, the company had prided itself on its development, manufacturing, and production technology capabilities, and had been committed to creating products that were one-of-a-kind or market-leading.

While the company had confidence in its manufacturing excellence, it was the establishment of the vertically integrated model that transformed this conviction into a technical breakthrough. The decision to start making parts that were typically sourced externally was a difficult one. However, this eliminated quality risks associated with dependence on external suppliers and enabled us to control the entire process ourselves. As a result, we were able to achieve both significantly lower costs and consistently high quality. We believe that the true reason the Matsuyama factory has maintained its competitiveness for over 30 years lies in our continued commitment to using concrete technological choices and organizational actions to protect patient health.

The technologies we have cultivated through more than 30 years of blood glucose sensor development are now being applied to cutting-edge areas of the life sciences, such as in the live cell metabolic analyzer LiCellMo™ for the cell and gene therapy field, creating new value.

Process Technology: Bridging the Gap Between the Laboratory and the Manufacturing Floor

Process Technology

Koji Takahashi
Head of the Manufacturing Promotion Management Department, Common Functional Division, Life Sciences Business Unit, Matsuyama District, PHC Corporation

"Process Technology" is a department name that is probably not familiar to most people. Its role is to bridge the gap between development—such as experimentation and design—and manufacturing. When data obtained in the laboratory cannot be reproduced on the manufacturing floor, the department investigates the cause. Its members must meticulously investigate factors that are not readily apparent—such as drying conditions, material handling, temperature, humidity, and equipment behavior—while gaining an understanding of chemical reactions and material properties. The members ultimately translate these findings into optimal conditions for our equipment and processes. This involves a continuous series of painstaking tasks: evaluating, collecting data, and investigating causes time and time again. However, without this cumulative effort, it would be impossible to mass-produce our blood glucose sensors.

We are also fortunate to have an organizational culture characterized by close collaboration with other departments—such as design, production technology, manufacturing, and quality assurance—and minimal silo mentality. While respecting each other's roles, we engage in lively and spirited debate, working together to refine laboratory technologies to achieve the quality required for mass production, all united by the goal of continuous improvement. We believe this sense of unity is the driving force behind the Matsuyama factory's success.

Bringing Design Concepts to Life and Ensuring Stable Operation 24/7

Production Technology

Eiji Ninomiya
Factory Manager (Former Head of Production Technology), Shikoku Factory (Wakimachi Factory), Biomedical Business Group, Life Sciences Business Unit, Wakimachi District, PHC Corporation

The Production Technology Department is responsible for reliably translating the vision of design and development engineers into reality on the manufacturing floor, combining detailed supporting data generated by process technology, and a commitment to quality control, and the on-site expertise of manufacturing leaders. To ensure the continuous production of products with consistent quality 24/7, the department is responsible for a wide range of activities, from the development of necessary manufacturing techniques to the conceptual design, installation, and establishment of production equipment, as well as the maintenance and improvement of equipment and related parts.

We have not only sought to further stabilize quality but have also taken on the challenge of establishing construction methods, equipment, and mass production processes to reduce costs and realize a vertically integrated model. Throughout this process, we have worked in close collaboration with relevant departments—including design, process technology, manufacturing, and quality control—and have gone beyond theoretical analysis to conduct on-site verification and implement continuous improvements. We believe in taking on challenges while adapting flexibly to changing conditions and new requirements, building safer and more efficient production systems, and continuing to evolve.

Aiming for Quality That Builds Trust

Quality Control

Toshiharu Yoshioka
Head of the Quality Assurance Department, Diabetes Group, Matsuyama District, PHC Corporation

PHC Group is committed to improving quality on a daily basis to ensure that our customers can use our products with complete peace of mind.

The Quality Control Department plays a wide-ranging role, extending beyond simply verifying product quality to include parts management, manufacturing process management, quality-building at the design stage, and the identification of quality-related information in the market. Furthermore, it acts as the point of contact for sales companies and business partners, receiving feedback and quality-related information from customers and collaborating with related departments to drive improvement initiatives.

Quality cannot be maintained through a single initiative. Better quality is fostered by continually building on day-to-day observations and shared information.

For this reason, our group holds daily Quality Approval Meetings attended by members from the manufacturing, production technology, quality control, and technical departments. We share information that could potentially affect quality, such as changes to materials or the condition of equipment, and confirm any points requiring attention in advance.

By focusing each day on how to prevent problems rather than responding after they occur, we are able to maintain consistent quality.

We will continue to prioritize quality in our manufacturing processes so that we can keep delivering products and services that earn the trust of our customers, business partners, and all other stakeholders.

5. From Matsuyama to the Rest of Japan and the World: Precision Technology Passed Down Through the Generations

Technology Transfer Based on Mutual Cultural Respect

The manufacturing expertise cultivated at the Matsuyama factory has already been rolled out to other production sites. For example, at PHC Corporation's Gunma factory in Japan, the process improvement approach developed in Matsuyama is being utilized to enhance productivity and promote quality control activities. At sites outside Japan, workers who have gained experience in Matsuyama are involved in spreading this manufacturing approach. Furthermore, we began production of blood glucose sensors in Algeria in fiscal year 2025. Technology transfer does not succeed if it is led solely by the originating party. We approach technology transfer with the understanding that the receiving site has unique strengths, and through ongoing dialogue and mutual accommodation, we encourage self-driven improvement. In this way, we are spreading manufacturing best practices from Matsuyama to the world.

A tour of the Matsuyama factory for members of PHC Group offices outside Japan

Preserving Craftsmanship and Sharing Skills With the Next Generation

Talent development is crucial to sustaining manufacturing in the future. One challenge our company is facing is how to pass on the know-how of our skilled technicians, who have supported manufacturing for many years, to the next generation of workers within a short timeframe. Highly technical skills cannot be learned simply through the traditional craftsman-style approach of watching senior colleagues at work. We are thoroughly committed to documenting our unique and specific know-how and making it accessible to new workers.
We are making continuous efforts to preserve the techniques and principles accumulated over the years in a tangible form, such as by creating panels detailing past challenges, successes, and examples of improvements, which are then displayed throughout the factory.

Training session led by an experienced engineer

Panels detailing past challenges, successes, and examples of improvements displayed in the factory corridors

6. Message for the Future

Evolving as a Core Business and Breaking New Ground

We have manufactured world-class blood glucose sensors. Going forward, to further strengthen this core business for PHC Group, we will pursue extensive streamlining measures, including optimizing our entire supply chain and bringing packaging processes in-house. As part of these efforts to manage all processes, the Matsuyama team has conducted on-site verifications and applied the same manufacturing excellence and process design expertise cultivated in production of blood glucose sensors. We intend to enhance the profitability of the entire business by making persistent and diligent improvements.

Looking ahead, we will assess the potential for new products related to diabetes management. If we can develop products that go beyond blood glucose monitoring to contribute in other ways to the lives of people with chronic health issues, we can expect further growth for the business. In recognition of our intent to expand our business beyond blood glucose monitoring, in fiscal year 2026 we changed the name of the BGM Business Unit to the Diabetes Management Business Unit. Our company possesses a history, technology, and capabilities developed by our predecessors, and it is our responsibility to inherit and develop them further. While contributing to PHC Group as a core business, we intend to continue taking on new challenges and creating further opportunities for growth.

Yoshihiro Ito Group Leader, Diabetes Group, Matsuyama District, PHC Corporation

Carrying on Our End-to-End Manufacturing Excellence and Shaping the Future Through Company-Wide Participation

The manufacturing excellence cultivated at the Matsuyama factory forms the foundation of our blood glucose sensor business. At the same time, it serves as an asset for the future of PHC Group. End-to-end manufacturing through vertical integration, process design expertise, production technology, quality control, improvement initiatives, proprietary know-how, and the experience of our workforce—all these elements work in concert to build our strengths. Simply preserving past technologies does not in itself create value. It is vital that we pass them on, improve them, and adapt them as necessary to drive our future growth. When it comes to site operations, safety takes absolute priority. Safety is non-negotiable. We ensure that new employees are made fully aware of the importance of safety from the very outset. If a risk is identified, it must not be ignored; employees are required to raise the alarm and take action. Furthermore, we must value our people. Our best work is not done alone, but as a team. We emphasize the importance of respecting others and valuing our team members.

Going forward, we will seek to further extend the manufacturing excellence of the Matsuyama factory to our other global sites. Rather than simply transferring equipment and methods, we intend to spread our approach to improvement, our commitment to quality, and our staff development systems across PHC Group, ensuring the continuous evolution of our manufacturing excellence.

Atsushi Irie
Factory Manager, Diabetes Factory (Matsuyama Factory), Diabetes Group, Matsuyama District, PHC Corporation

Stakeholder Engagement

At PHC Group, we seek open and constructive dialogue with the wide variety of stakeholders who contribute to our business.
We sincerely consider the views and expectations of these stakeholder groups, including customers, employees, business partners, shareholders, local communities, government agencies, and the media. By ensuring timely and appropriate disclosure of business information and fostering two-way communication, we aim to build and maintain strong, trusting relationships.
When sharing information about our business activities and initiatives, we prioritize timeliness, fairness, and accuracy. Through ongoing dialogue with our stakeholders, we stay closely attuned to their needs and expectations and incorporate those insights into our business activities, with the goal of driving sustainable growth and enhancing our long-term corporate value. (Figures in the text are actual results for FY2025.)

Customers

VOC Submissions Collected **1,375**

Customer-Driven Product and Service Development

PHC Group regards the voice of the customer (VOC) as the starting point for value creation and focuses on using VOC effectively.

Rather than viewing VOC simply as requests for improvement, we regard it as a key management asset that helps us better understand customer expectations and underlying needs. By gathering a wide range of feedback from the field, analyzing it to transform it into insight, and applying those insights to improvements in products, services, and business processes, we create new value for our customers.

- Collection and accumulation of customer feedback
  ---Encouraging customer comments on "what might be", not only "what is"
- Visualization of issues and needs through AI-powered analysis and knowledge sharing
- Application of insights to make product, service, and operational improvements and create new value

In fiscal year 2025, we collected approximately 1,375 VOC submissions. Going forward, we plan to advance our use of AI to analyze customer voices from the field and deliver the results to management, to enable faster management decisions and further advance customer-driven product and service development.

* Number of VOC submissions collected by the Global VOC Promotion Section, Corporate Strategy Department

Employees/ Families

Global Town Hall Meetings **24** (12 in Japanese and 12 in English)

CEO Roundtable Discussions with Employees **90**

PHC Group HQ Family Days **8**

Creating Virtuous Cycles for Employees and Their Families

PHC Group holds monthly live-streamed town hall meetings led by CEO Deguchi in Japanese and English. These meetings provide an opportunity for the CEO and other members of management to share business news, strategy, and plans with employees across the Group. CEO Deguchi also held 90 roundtable discussions with employees in fiscal year 2025 during visits to our global workplaces. Through direct dialogue, we not only promote understanding of our mission, vision, and values (MVV), but also create an environment in which every employee can see how their work contributes to society.

In addition, since September 2025, PHC Group has held Family Days every month at our Tokyo headquarters. This program provides employees' family members with an opportunity to visit the workplace and see firsthand where their loved ones work. By deepening understanding of our workplace and fostering a culture of open dialogue and support, we aim to create a positive cycle that benefits employees, their families, and the organization as a whole.

Shareholders/ Investors (Financial Institutions)

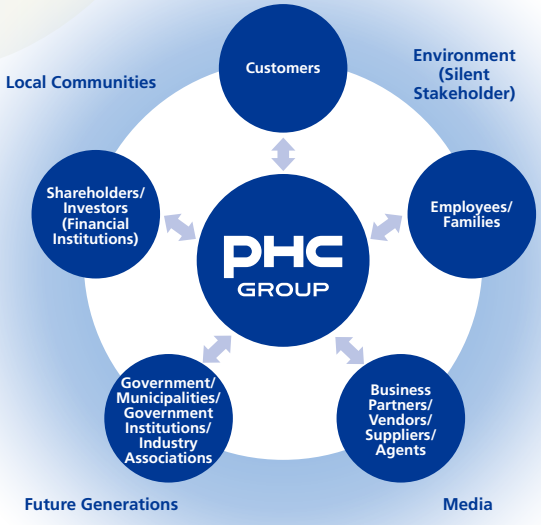
Meetings with Institutional Investors and Analysts **123**

Financial Results Briefings **4**

Enhancing Management Through Constructive Dialogue with Shareholders and Investors

PHC Group strives to build and maintain strong relationships based on trust, including through timely, accurate, and transparent disclosure of business information. Through quarterly financial results briefings and more than 120 dialogue sessions with investors and analysts each year, we provide explanations of our business performance and factors behind it, as well as our future outlook, Value Creation Plan progress report, and strategic direction.

Concerns, expectations, and other feedback received from shareholders are periodically reported to the Board of Directors and utilized as valuable input for management improvement.



Business Partners/ Vendors/ Suppliers/ Agents

Supplier Survey Response Rate **97%**

Encouraging Sustainable Procurement and Building Strong Partnerships

Through PHC Group supplier surveys, which received a 97% response rate in fiscal year 2025, we maintain a high level of visibility into suppliers' human rights practices, labor conditions, and environmental impacts. We aim to grow together with business partners that share common ESG standards, moving beyond a conventional purchaser-supplier relationship.

Using VOC as a Source of Value Creation: A Global Improvement Case Study at Epredia

Positioning VOC as a Source of Corporate Value

PHC Group aims to serve society and shape the future by leveraging the voice of the customer. We view the VOC not simply as customer requests, but as a source of corporate value that fosters new insights and trust and ultimately leads to sustainable growth. Through the Global VOC Promotion Section of our Corporate Strategy Department, we have built a system that rapidly links the diverse feedback collected from customers and end-users in and outside Japan to the evolution of products and services.

Product Improvement Through Cross-Border Collaboration

We recently received valuable recommendations from a user in Japan regarding the operability of one of Epredia's anatomical pathology instruments. In response, the Global VOC Promotion Section in Japan, Epredia's global leadership team, and the business's Engineering Center of Excellence in Shanghai collaborated to validate the proposed specification changes and to develop an improved design. Their work showcased the type of impact our teams make across national and organizational boundaries.

Relationships of Trust Fostered by Sincere Dialogue

After the updated product was launched in response to the VOC, team members visited the customer to explain the enhancements. The customer commented: "Many companies conduct surveys, but we highly value the way PHC sincerely incorporates our feedback into its products and acts quickly."

This case demonstrates PHC Group's commitment to putting the entire cycle—from VOC collection through product development to user evaluation—into practice globally. Going forward, we will continue to listen closely to customers and transform their feedback into meaningful value through dialogue.

Creating Bonds With Local Communities for More Than 30 Years: Building Trust Through Support for Soccer Tournaments

PHC Corporation, which houses the Life Sciences business of PHC Group, has for many years supported the Donut League, a junior soccer tournament that seeks to foster the healthy growth of children and to revitalize local communities in the Chuyo region of Ehime Prefecture in Japan, where PHC Corporation has operations. This tournament has a long history and deep roots in the local community—the division for fifth and sixth graders was established in 1989, and the division for fourth graders and under was established in 1996. PHC Corporation has supported the tournament through sponsorship contributions, and with the change in company name from Panasonic Healthcare to PHC in 2018, we increased our support to raise awareness of the PHC brand in the local community while also supporting the development of local children. Today, the tournament bears the PHC name and we are deepening our involvement by participating in tournament operation and providing championship trophies, participation awards, and support for tournament operations.

Most recently, the PHC Donut League District Soccer Tournament (fourth grade and younger division) was held on June 13, 2026 at the Iyo Civic Stadium. Approximately 80 players from six teams selected from Toon City, Iyo City, and Iyo District participated, competing to demonstrate the skills they had developed through daily practice. Koichiro Sato, Representative Director and Senior Executive Vice President of PHC Group, visited the venue and spoke with community members, encouraging the young participants, and participating in the awards ceremony. The event also featured a soccer clinic led by a professional coach, helping children develop a spirit of challenge through sports.

Our ongoing involvement in local communities has become an important foundation for building trust between PHC Corporation and the communities where we live and work. In fact, some past participants in this tournament are current employees of PHC Corporation. Going forward, PHC Group will continue to support the healthy development of children through community-based activities and, as a member of the local community, continue to grow together with the communities we serve.

Top left: A soccer clinic in progress
Bottom left: COO/CSO Sato (second from left) also joined the children in exercise
Right: Children practicing soccer under the guidance of professional coaches

Chapter 3

Corporate Strategy

Message From Our COO/CSO

Be a Leader in Precision Technology That Powers the Future of Healthcare and Maximize Stakeholders' Joyspan

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

1. Review of the First Year of the Value Creation Plan 2027: Promising Progress Towards Sustainable Growth

In fiscal year 2025, the first year of the Value Creation Plan 2027, we made steady progress as planned on three key initiatives: implementing structural reforms to strengthen the profit base, improving portfolio management, and focusing on Diagnostics & Life Sciences.

To achieve our vision for 2030, we have established two phases: Phase 1, which will continue until fiscal year 2027, when we will build the foundations for growth, and Phase 2, which will end in fiscal year 2030, when we will achieve sustainable growth. We consider building a lean and agile organization that can compete as a system, rather than simply cutting costs, to be an achievement of this first year.

Key Initiative 1. Structural Reform to Strengthen the Profit Base

The first key initiative, structural reforms to strengthen the profit base, prioritizes optimization of costs, locations, and organizations across the Group and aims to improve profits by JPY 8 billion to JPY 12 billion over the three-year period ending in fiscal year 2027. In fiscal year 2025, profit improvement effects of JPY 3.1 billion were achieved, making steady progress.

This achievement is the result of progress in initiatives implemented in each domain. In the Diabetes Management domain, we achieved improvement effects of approximately JPY 900 million. We consolidated packaging operations that were previously distributed across multiple sites at a single location, brought packaging and other work that had been outsourced in-house, and negotiated prices for materials with suppliers. The integration of warehouses, optimization of transportation routes to customers, and adoption of common product platforms increased efficiency in design, manufacturing, and procurement, all contributing to reducing costs.

The Healthcare Solutions domain achieved improvements of approximately JPY 600 million. We made progress in optimizing procurement, including changing and consolidating suppliers for reagents and consumables used in LSI Medience's testing, conducting competitive bidding, and changing suppliers for Wemex's hardware devices. In addition, we reduced fixed costs and advanced structural reforms through the relocation and consolidation of business sites.

In the Diagnostics & Life Sciences domain, we achieved profit improvements of approximately JPY 1.6 billion. In the pathology business, we reduced manufacturing costs by bringing manufacturing in-house and improving processes. In the biomedical business (now the Life Sciences Business Unit), we changed suppliers for materials and switched to lower-cost materials. In addition, we lowered fixed costs by streamlining organizations, including integrating Japan sales organizations and standardizing global back-office operations.

What we kept in mind as we implemented these structural reforms is that we are not seeking to simply reduce costs, but to build competitive structures. We created the Smart Spend program to break down organizational silos and leverage the Group's global scale. The program initially focused on the procurement of indirect materials, with each business unit adopting standardized methods, and has already achieved meaningful cost reductions. Going forward, we plan to expand the scope to include the procurement of direct materials. In this way, we have created a framework that can maximize our strengths while making organizations leaner and stronger.

Key Initiative 2. Improve Portfolio Management

The second key initiative is improving portfolio management. PHC Group is clarifying the positioning of each business based on growth potential and return on invested capital (ROIC), and strategically pursuing a strategy of selection and concentration.

First, PHCbi (now part of the Life Sciences Business Unit) is a growth business that drives growth through continued investment, and we are investing in the cell and gene therapy (CGT) field and the life sciences field with a focus on building the foundations for growth over the medium to long term. We are making strategic investments to develop nurture businesses into growth businesses. We transferred the continuous glucose monitoring (CGM) business (discussed below), and improved the profitability of the manufacturing departments of Epredia while investing in digital pathology. We also integrated PHCbi and PHC IVD and unified Japanese sales organizations in the Life Sciences Business Unit and streamlined corporate organizations. This reorganization is helping to realize synergies including more effective use of resources.

The Diabetes Management segment, a foundational business that strengthens existing business foundations and maintains stable earnings, improved profitability by capturing market share in Europe, implementing unit price improvement measures in the U.S., and increasing operational efficiency. Wemex continues to launch cloud products and capture medical DX demand and is working to strengthen cash generating capability by integrating businesses and implementing structural reforms with Wemex

Healthcare Systems (WHS). Also, LSI Medience, a restructuring business for which we are exploring business reorganization including external partnerships and the use of outside capital, profitability has improved, ISO certification has been reacquired, and business restructuring is progressing steadily. This fiscal year, we are reviewing the business foundations of Mediford, including updating management structures.

Among these developments, the most significant was the transfer of the CGM business, which had been positioned as a nurture business. In last year's Integrated Report, we reported that we were strengthening CGM sales and that Eversense® 365, launched two years ago, was a highly differentiated product with growing user numbers, although not at the levels that we initially anticipated. As part of the portfolio management improvement process, we examined return on investment (ROI) and found that achieving growth would require further investment. A second issue is that while our Diabetes Management segment is a mass-market business that supplies hospitals and pharmacies, Eversense required an implantation procedure which in turn required highly specialized systems and infrastructure involving direct interaction with doctors and patients. This departed substantially from our core BGM business model, and therefore, after comprehensively considering the issue from these perspectives, we concluded that uniting the business within Senseonics, which has an integrated and specialized structure spanning development, manufacturing, and sales, would maximize the product value and would be the optimal course of action for the company from the perspective of investment efficiency. Based on this, we decided to transfer the business. The result was an improvement in overall consolidated profitability.

Key Initiative 3. Focus on Diagnostics & Life Sciences

The third key initiative is to focus on Diagnostics & Life Sciences and leverage the precision technologies that are the Group's strength. Our goals for 2030 and beyond are to be an innovator in cancer diagnostic solutions that enables more accurate, timely, and simpler diagnoses and to act as an accelerator and enabler of advanced cancer treatments, facilitating their early adoption.

To achieve this goal, we adopted an approach in the Value Creation Plan 2027 to strengthen business foundations in Phase 1 (through fiscal year 2027), create domain solutions in Phase 2 (through fiscal year 2030), and expand solutions through new businesses from fiscal year 2030 onward. In fiscal year 2025, we optimized our manufacturing sites as one aspect of strengthening business foundations. For example, we transferred the assembly work for some Epredia products, which had been performed in the UK, to PHC Indonesia, a manufacturing site with a 35-year history, improving both cost competitiveness and supply stability. We also transferred PHCbi CO_2 incubator production from Indonesia to our site in China as a strategic response to policies favoring domestic production in China, thereby establishing a structure that will contribute to expanding sales in the Chinese market.

We also strengthened R&D, which is responsible for producing next-generation technologies. In July 2025, we established Diagnostics & Life Sciences Domain R&D and in April 2026 expanded this initiative as Core Technology Laboratory (CoreTech Lab), which handles technology development for the entire Group. With a slogan of "Healthcare with Precision - Invent the Core, Create the Future," the lab is advancing technological innovation across PHC Group. CoreTech Lab will continue to focus on the Diagnostics & Life Sciences domain, while seeking to expand research areas over the long term in the Diabetes Management and Healthcare Solutions domains as well, ultimately building a corporate R&D organization that contributes to each business, building development sites from a global perspective and driving development across all business domains. Joint projects are already underway with the Institute of Science Tokyo, and we are accelerating the pace of development through external collaboration.

At the same time, we are navigating challenges in expanding our growth areas. While we are making steady progress on business foundations, expanding into new areas brings new challenges. In particular, we are strengthening our product lineup related to cell and gene therapy (CGT), and although there is some overlap with existing products in terms of customers, the specialized knowledge required is different. It is essential that we strengthen technical sales personnel who can converse on equal footing with experts in fields different from our existing products and who have the ability to leverage the specialized knowledge and technical capabilities of our existing products. While strengthening our so-called last-mile sales structure, which directly impacts customer purchasing intent, we also need to focus on how to strategically address the current U.S. market environment with reduced research-related demand due to lower government funding, until the U.S. once again becomes a tailwind.

2. As COO/CSO: Linking Strategy with Execution and Responding to Geopolitical Risks and the AI Era

I currently serve as both Chief Operating Officer (COO) and Chief Strategy Officer (CSO). I oversee management strategy, business development, and healthcare policy and am also responsible for PHC Group's product manufacturing, quality control, and procurement functions. What I particularly emphasize here is deepening collaboration between strategic and execution departments and improving execution precision so that the strategies we formulate can be brought to life. Our commitment to steadily carrying out our established strategies remains steadfast. Although fiscal year 2025, the first year of our Value Creation Plan 2027, was weighted slightly toward foundational elements, in fiscal year 2026, we will be allocating investment and resources to growth initiatives in each business and steadily making preparations to become more proactive under the next mid-term management plan.

Initiatives as COO: Responses to Geopolitical Risks and Strengthening Manufacturing

PHC Group, which conducts business globally, is affected by both geopolitics and geo-economics. Various risk factors have emerged in the past year, including rising costs due to tariff issues in the U.S. and the situation in the Strait of Hormuz as well as ripple effects from surging prices on plastics and urethane materials. In Japan, there was a situation where the heavy fuel oil essential for air conditioning at the CRO business's research facility in Kumamoto temporarily became unavailable. To resolve that situation, we reached out to various partners to secure necessary supplies, but this and other scenarios have led us to reevaluate how we build resilient supply chains. We must leverage the advantages of our global footprint and think strategically about our supply chain as a whole.

Initiatives as CSO: Strengthening DX and AI and Advancing Business

As CSO, I believe that we must stay informed and active in the era of generative AI. We introduced Microsoft Copilot as the standard AI tool throughout PHC Group to enable all employees to improve their individual productivity and contribute to overall operational efficiency. At the same time, engineers in the Business Development Department are serving as mentors for an internal program that uses AI to solve problems in individual business units. Last year, the first cohort of five employees obtained certification as AI engineers, and have begun playing active roles in operations. Our plan for the future is to continue strategic adoption of AI so that we can offer services that incorporate AI into the Group's product portfolio.

In the AI era, true competitiveness does not come from AI itself, but from having high-quality data to process and professionals who can accurately assess the results generated by AI. PHC Group benefits from both accumulated data and high levels of expertise, and I believe that by linking these strengths to AI, we can create new value and grow our business.

3. Preparing for Next Growth: Fiscal Year 2026 Business Targets and Transformation of the Business Architecture

In fiscal year 2026, we will continue to steadily carry out the Value Creation Plan 2027. In terms of business performance, the improvement effects of structural reforms and improved portfolio management are steadily emerging, and we expect profitability to improve significantly. At the same time, looking ahead to where we will generate growth under the next three-year mid-term management plan, our priority will be to build systems that can guide us to growth areas.

In the Diabetes Management segment, we will seek to maintain stable foundations in developed countries and sustain stable cash-generating capacity by streamlining organizations and improving operational efficiency in response to shrinking markets. As a result of the transfer of the CGM business, we are currently focusing on our core strength in BGM, but by leveraging the Group's market access and strengths, we will continue to search for new growth opportunities.

In the clinical diagnostics business, we will pursue further improvement of profitability through price increases and by strengthening genetics-related fields. Also, in the CRO business, we will seek to improve utilization rates by strengthening order-taking activities.

In the healthcare IT solutions business, in response to the shift toward cloud computing and current policy trends, we will seek to expand the sales of Medicom Cloud, our cloud-based EMR system launched in fiscal year 2025, and also develop a cloud-based system for dispensing pharmacies. Japan's current healthcare system is centered on treatment, but we can see that social interest is shifting toward preventive healthcare. Now that digital utilization makes it possible to achieve personalized preventive healthcare, we will seek to leverage this development as an opportunity and develop services that support health management into a new pillar of growth.

In the pathology business, we will prioritize the transformation of the existing model centered on consumables, such as glass slides and reagents, toward the digital pathology domain, where AI may be applied and scan data are archived. We will continue improvements targeting this growth market, including updating our sales and marketing organizations, launching new products, and optimizing production systems.

In the Life Sciences business, we will leverage our newly integrated organizational capabilities to expand sales in the cell and gene therapies field using our LiCellGrow™ automated cell expansion system and LiCellMo™ live cell

metabolic analyzer. We also plan to expand sales of in vitro diagnostic reagents and instruments.

What I see as a Group-wide issue as we implement these initiatives is reframing our business to meet evolving needs. Until now, we have been conducting business in an era where quality products can succeed on their merits, but added value in current markets is shifting to software and data. This means we need to transform our outstanding technologies into reliable profit and customer value. I believe that strengthening our organizational capability to build and deliver end-to-end businesses based on market value is an essential step toward our next phase of growth.

4. Outlook for 2030 and Message to Readers: Co-Creating Joyspan

Last year, I discussed the pursuit of both sustainability and innovation and valuing our base businesses while incorporating new technologies. This strategy remains today.

I have been paying close attention to the concept of "joyspan" advocated by U.S. gerontologist, Dr. Kerry Burnight. This is the idea of extending the period in which one feels richness from the small joys of daily life and connections with others. In other words, it refers to extending one's emotionally fulfilling and happy life span. I personally believe that true richness can be achieved only when the heart is fulfilled, not through physical health alone. Looking to the future, as a global healthcare group, I see a new potential goal of maximizing people's joyspans.

Burnight identifies four ways to extend one's joyspan: Grow, by stepping outside one's comfort zone and continuing to develop; Connect, by building relationships with society and other people; Adapt, by responding flexibly to changing environments; and Give, by contributing to others. These four points align closely with the four values set by PHC Group: Curiosity, Courage to Act, Respect and Collaboration, and Integrity.

Healthcare professionals, who are among our stakeholders, have worked diligently under demanding conditions including long working hours. To extend the joyspan of our stakeholders, including healthcare professionals and customers, we ourselves must have a deep understanding of its importance and approach it with a sense of openness. This means that each and every employee must go outside their comfort zones and achieve personal growth. It also means co-creation by teams and continuously returning value to customers while adapting to change. I am confident that it is this chain of action and the sense of fulfillment of employees in their work that will be the source from which our next innovations will be created.

PHC Group seeks to be an organization that first expands this circle, starting with its employees, and continuously provides to stakeholders the time to feel richness in their hearts— that is, joyspan. I request your continued support and guidance.

Value Creation Plan 2027 Progress Report

During the first year of Phase 1 of the Value Creation Plan, we advanced three key initiatives to build a foundation for growth.

FY25	FY26	FY27	FY28	FY29	FY30
Phase 1			Phase 2		

Vision for 2030

Be a leader in precision technology that powers the future of healthcare

Value Creation Plan 2030

Achieving sustainable growth centered on Diagnostics & Life Sciences

Value Creation Plan 2027

Strengthening our foundation for growth

Key Initiatives

1. Structural reform to strengthen the profit base
2. Improve portfolio management
3. Focus on Diagnostics & Life Sciences

Management Objectives of Value Creation Plan 2027

		Financial	Non-Financial		
		FY27 Target *	Environment		
Profitability	Revenue growth rate (YoY, excluding FX)	4 - 5%	GHG Emissions From the Group's Energy Sources (Scope 1 and 2) 42% Reduction	GHG Emissions From Supply Chain (Scope 3) 25% Reduction	Waste Recycling Rate 90% Achievement
	Operating profit margin	8 - 10%			
	EPS	More than double the FY24 level	Governance	Human Capital	
Efficiency	ROE	10% -	Compliance Training Attendance Rate 100%	Engagement Survey Index 68 pt or more (Improvement of 1 pt or more compared to the previous year)	
	ROIC	8% -			

* The assumed exchange rates are 1 USD = 140 JPY and 1 EUR = 155 JPY.

Key Initiative 1: Structural Reform to Strengthen the Profit Base

Key Initiative 1: Structural Reform to Strengthen the Profit Base aims to deliver improvements of JPY 8.0–12.0 billion over the three years from fiscal year 2025 through fiscal year 2027. We are implementing this initiative with a focus on cost optimization through process improvements and supply chain optimization as well as personnel optimization through consolidation of sites and organizations. In fiscal year 2025, we achieved benefits of JPY 3.1 billion and expect benefits of JPY 3.6 billion in fiscal year 2026, with both figures net of structural reform costs. The structural reform costs were JPY 1.0 billion in fiscal year 2025 and are expected to be JPY 0.4 billion in fiscal year 2026, with cost efficiency expected to improve progressively.

Assumptions in the Value Creation Plan			Progress	
		Impact of Measures* (Improvement Amount in FY27 Compared to FY24)	FY25 Result	FY26 Forecast
Cost Optimization	Cost Optimization Including Process Improvement and Supply Chain Optimization	**+8-12 billion** JPY	approx. JPY **3.1 billion**	approx. JPY **3.6 billion**
Optimization of Locations and Organizations	Optimization of Personnel Numbers Through the Consolidation of Bases and Organizations			

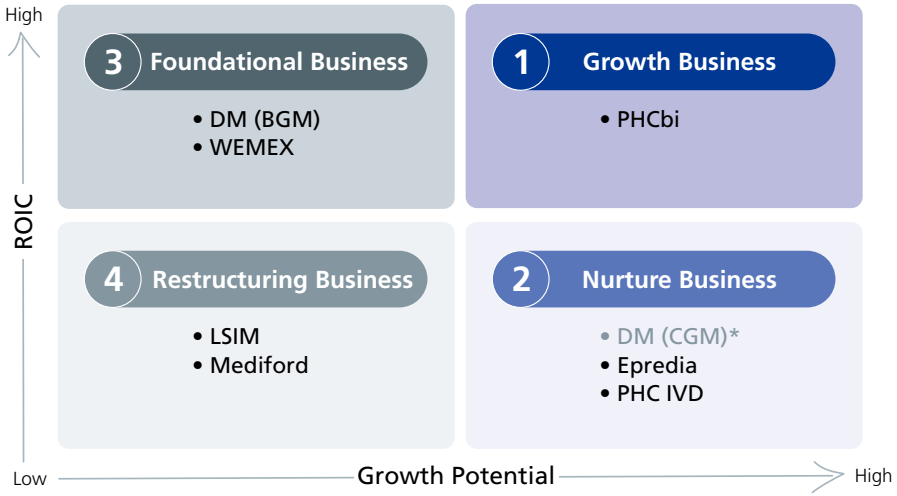
Breakdown by Segment

	Key Initiatives	FY25 Results	FY26 Forecasts
Diabetes Management	Optimization of Supply, Cost, and Operational Structures • Lower packaging and procurement costs through insourcing and consolidation of operations sites • Efficiency improvements through consolidation of logistics and warehouse networks • Improved efficiency and reduced costs through product and platform consolidation	approx. JPY **0.9 billion**	approx. JPY **1.3 billion**
Healthcare Solutions	Improvement of Procurement and Fixed Cost Structures • Reduction of material and outsourcing costs through supplier changes and consolidation • Reduction of fixed costs through site consolidation, relocation, and structural reforms	approx. JPY **0.6 billion**	approx. JPY **0.4 billion**
Diagnostics & Life Sciences	Optimization of Procurement and Production Structures • Reduction of procurement costs through supplier changes, consolidation, and increased local sourcing rates • Improvement of costs and productivity through insourcing and process enhancement • Rationalization of fixed costs and organizational structure	approx. JPY **1.6 billion**	approx. JPY **1.9 billion**
Others/Group-Wide	Reorganization of Corporate Functions Group-Wide Cost Reduction (Smart Spend Program)		

*Excluding the effects of inflation and FX rates, after deducting related costs

Key Initiative 2: Improve Portfolio Management

Key Initiative 2: Improve Portfolio Management involves assessing our entire business portfolio based on two factors: return on invested capital (ROIC) and growth potential. We then organized each business into four quadrants: growth, nurture, foundational, and restructuring. We are advancing the strategic allocation of management resources based on the positioning of each business. In fiscal year 2025, we enhanced business value across the portfolio by continuing to invest in PHCbi, a growth business; transferring the CGM business, a nurture business; strengthening the competitiveness of the foundational BGM and WEMEX businesses; and strengthening the business foundations of the restructuring businesses LSIM and Mediford. We also strengthened working capital management through the introduction of ROIC and will begin full-scale use of ROIC as an internal management metric at the business-unit level starting in fiscal year 2026.



* Divestiture of CGM was completed in FY26.

1	Lead as a Future Growth Driver	PHCbi	Continued investment in the CGT and life sciences areas to build a foundation for medium- to long-term growth through reorganization and enhanced R&D.
2	Shift to Growth Businesses With Strategic Investments	CGM	Divestiture
		Epredia	Improved profitability through structural reforms and optimized manufacturing footprints, and invested in digital pathology, a key growth area.
		IVD	Integrated with PHCbi to improve capability and efficiency, and reviewed profitability and growth potential by product.
3	Generate Stable Cash Flow	BGM	Enhanced cash generation through sales in Europe and the U.S., and achieved cost reductions through improved operational efficiencies.
		WEMEX	Integrated with WHS and restructured, captured demand in Healthcare DX, and launched new cloud-based products.
4	Prioritize Improving Profitability	LSIM	Regained ISO certification and implemented initiatives including pricing to improve profitability.
		Mediford	Enhanced bookings, increased pricing in focused areas, and strengthened high-value-added segments.

Initiatives for Introducing ROIC

FY2025

Established Internal Infrastructure for Operation

Developed calculation and management methodologies

Promoted internal understanding and established a collaborative framework across business units

FY2026

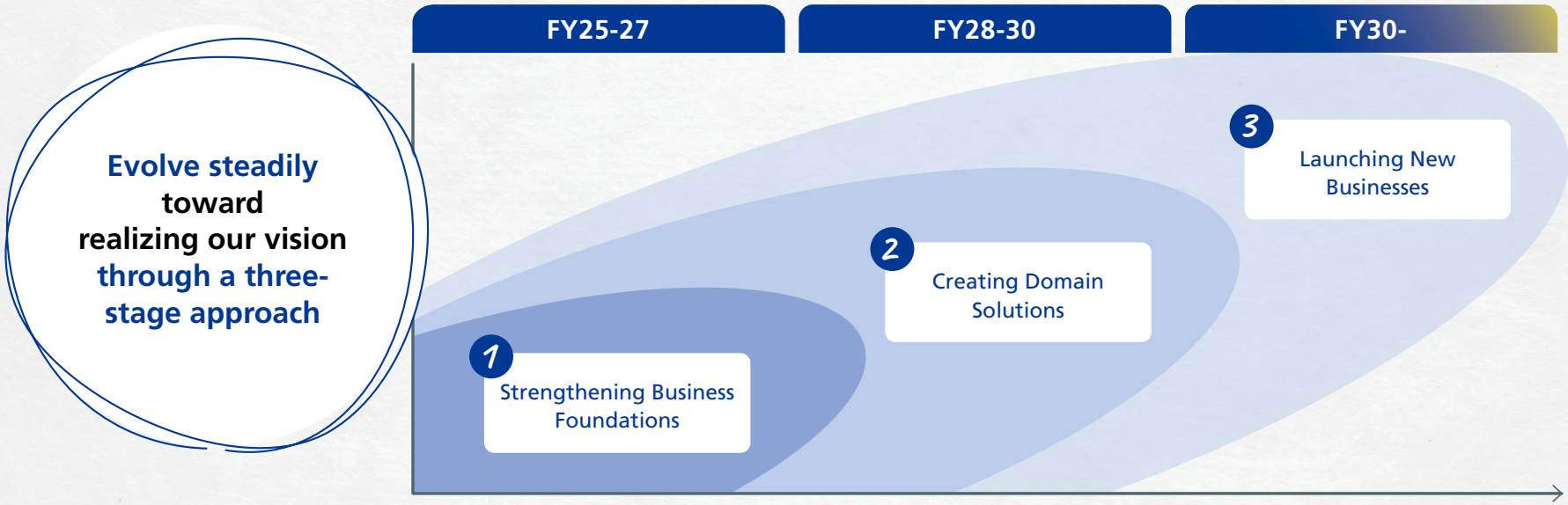
Started Operations to Ensure Adoption

Adjust management metrics to align more closely with business conditions

Conduct periodic monitoring

Key Initiative 3: Focus on Diagnostics & Life Sciences

In fiscal year 2025, with a primary focus on strengthening our business foundation, we enhanced operational efficiency and competitiveness by optimizing manufacturing sites, streamlining sales organizations, and reorganizing business units. At the same time, we began to strengthen R&D in preparation for the next phase of growth. We established the Core Technology Laboratory and developed and launched the LiCellGrow™ automated cell expansion system for the cell and gene therapy field, thereby building a technology foundation for creating future domain solutions and expanding into new businesses. From fiscal year 2026 onward, we will move into full-scale implementation of growth initiatives.



FY2025 Progress 1 2 3

Drove Synergy Across Domains in Manufacturing Operations	Reorganized Sales Operations in Japan	Reorganized Sales Organizations Outside Japan (Europe and China)	Integrated Biomedical and IVD Business Units	Strengthening R&D
• Optimized production sites through production transfers: From the UK to Indonesia • Responded to China's local product preference policy: Partially shifted CO_2 incubator production from Indonesia to China	• Integrated sales and customer support functions within the domain • Consolidated sales offices • Integrated CRM systems	• Improved efficiency in sales and customer support • Integrated back-office functions • Consolidated offices and product warehouses • Conducted joint marketing activities across the domain	• Formed the Life Sciences Business Unit (effective April 1, 2026)	• Launched the Core Technology Laboratory • Developed and launched the cell expansion system, LiCellGrow™ in Japan and other select countries

Message From Our CFO

Improving Profitability and Capital Efficiency to Build a Sustainable Growth Foundation that Earns Market Confidence

Kaiju Yamaguchi
Director, Senior Executive Corporate Officer, and Chief Financial Officer (CFO)
PHC Holdings Corporation

1. Review of Fiscal Year 2025: Record-High Revenue and Operating Profit Achieved While Making Progress Toward Stabilization

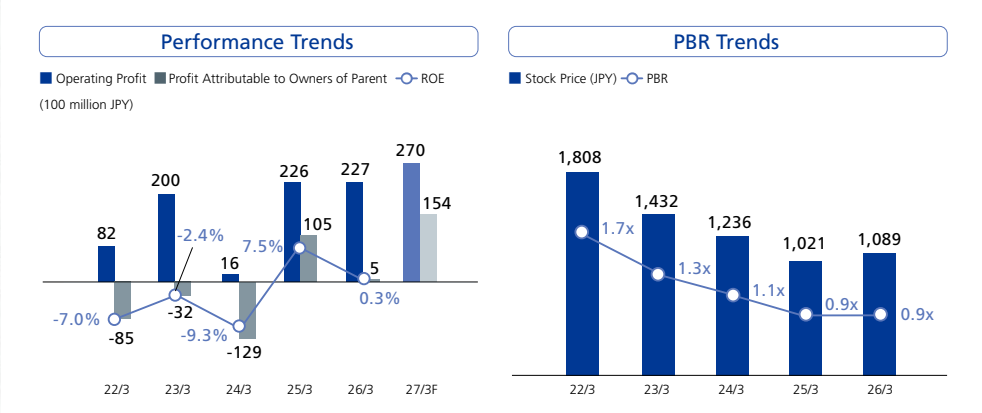
Fiscal year 2025, the first year of the Value Creation Plan 2027, was a year when we achieved solid results in terms of business performance. Revenue was JPY 364.4 billion and operating profit was JPY 22.7 billion, both record highs since the company's shares were publicly listed, and we achieved our targets. Operating profit was about JPY 5.0 billion more than our initial forecast of JPY 17.4 billion. We revised the initial forecast upward at the time of announcement of the second quarter results, but we surpassed even the revised plan figure of JPY 20.0 billion. However, due to recording approximately JPY 10.5 billion in foreign exchange valuation losses and other factors, profit attributable to owners of the parent was JPY 500 million, substantially below the initial forecast. I recognize that while business performance is progressing in line with or even better than expected, this performance has not been fully reflected in basic earnings per share (EPS).

Looking to performance in each segment, revenue in the Diabetes Management segment increased 2.9% year-on-year. A key initiative under the Value Creation Plan 2027 is to curtail the decline in BGM sales revenue from a CAGR of -7.5% between fiscal year 2021 and fiscal year 2025 to -2.4% from fiscal year 2025 to fiscal year 2027. Results for fiscal year 2025 included a year-on-year increase in revenue and exceeded the plan. Operating profit also rose 44.6% year-on-year. This partly reflects the benefits from improvements in the CGM business, but the key factors were the sales growth achieved in the U.S. market through the implementation of BGM measures and further market share gains in Europe, where we have strong business foundations.

In the Healthcare Solutions segment, revenue increased slightly, up 0.1% year-on-year. The market for the clinical testing business was stable, and our efforts to improve profitability produced results. In the Healthcare IT Solutions business, revenue was impacted by a decline in demand related to electronic prescriptions, but this was offset by increased sales of electronic medical record systems. However, the product mix deteriorated, which had an impact on profit margins. In the CRO business, both revenue and profit declined due to the revocation of LSI Medience's ISO certification. Since LSI Medience regained ISO certification in November last year, orders have been recovering, and improvement is expected in fiscal year 2026.

The Diagnostics & Life Sciences segment, which is positioned as a priority area under the Value Creation Plan 2027, reported a 2.0% year-on-year decrease in revenue and a 46.3% year-on-year decrease in operating profit. Operating profit included the impact of U.S. tariffs and the transfer of certain head office costs to the business, so underlying performance was not as weak as the figures suggest. Nevertheless, profit declined due to sluggish equipment demand in the U.S. Even so, performance in the second half was better than in the first half. In the U.S., demand from pharmaceutical manufacturers is showing signs of recovery, and revenue increased in the second half in regions outside the U.S. I see positive signs toward fiscal year 2026.

2. Management Conscious of the Cost of Capital and the Stock Price: A Path Toward Closing the Gap With Market Expectations



We take the current level of the company's share price, particularly the fact* that the price-to-book ratio (PBR) is below 1x, as a serious management issue. I believe that we need to thoroughly address the factors that are raising the cost of capital including past instability in performance, financial risks, and the complexity associated with having multiple businesses.

On the other hand, in fiscal year 2025, we reported profits for the second consecutive year and have forecast a further increase in profit in fiscal year 2026. I believe the market's assessment of the company is beginning to change compared with the period when the company reported losses for three consecutive fiscal years. We will improve profitability and stabilize performance by implementing the structural reform measures specified in the Value Creation Plan 2027. We will also emphasize cash flow and work to reduce working capital and improve capital efficiency. In addition, we will respond to issues including the volatility of net profit. It is our hope that as a result of these efforts, our share price valuation will be reassessed. Our performance is

* At the time of the interview (June 2026)

improving, so I believe that this is possible.

When speaking with investors and analysts, I get a real sense that assessments of the company are changing. The number of meetings is increasing, and the number of investors who have become shareholders is also growing. Regarding the details of these discussions, in the past, questions focused mainly on when performance would stabilize, but now, since performance has stabilized to a certain degree, we are receiving more questions about how we plan to grow in the future.

Through the profitability improvement initiatives and improved portfolio management outlined in the Value Creation Plan 2027, we aim to improve capital efficiency with a strong focus on cash flow and build a company capable of generating sustainable earnings. We will also work to stabilize BGM performance while driving growth through the Diagnostics & Life Sciences segment. It is equally important that we communicate these results clearly to investors through proactive IR activities.

3. Profitability Improvement: Steadily Improving Profitability and Strengthening Fundamental Earning Power Amid Inflation

We are making steady progress with structural reforms to strengthen the profit base. In the Value Creation Plan 2027, we set a target to improve profit by JPY 8.0 billion to JPY 12.0 billion compared to fiscal year 2024 by fiscal year 2027. In fiscal year 2025, the first year of the plan, we generated benefits of approximately JPY 3.1 billion and expect further improvement of JPY 3.6 billion in fiscal year 2026. Thus, we are making steady progress toward the target amount. However, the impact of inflation has been greater than when the plan was initially formulated, and this has partially offset the benefits of cost reductions. We plan to continue our efforts to improve profitability while taking inflation into account.

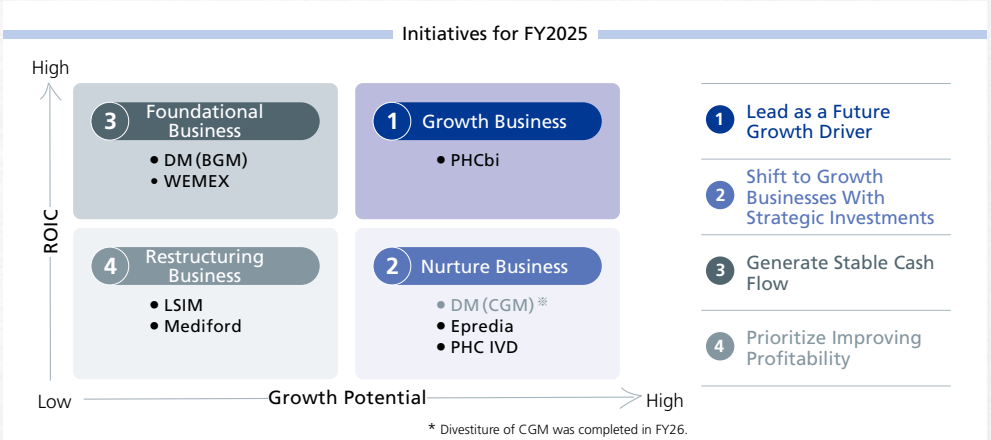
Going forward, we will continue our cost-cutting efforts, but I believe that there is still room for further improvement by optimizing which products are manufactured at each site and making use of highly competitive plants. In terms of sales, even if the price of a product is increased, for example, there are cases where it ends up being sold at a discount. We need to raise awareness, not just of sales revenue, but also of securing appropriate margins.

That said, awareness of focusing on profitability and cash flow is gradually taking root, and I feel that awareness has changed substantially, particularly among division heads and members across the CFO-led functions. Free cash flow has been included in the KPIs applicable to division heads, and division heads are now taking action, such as considering what needs to be done to improve ROIC and negotiating payment terms that are as favorable as possible in procurement in order to reduce working capital. I hope to improve profitability even further by raising awareness and implementing improvement measures throughout the Group.

Assumptions in the Value Creation Plan			Progress	
		Impact of Measures* (Improvement Amount in FY27 Compared to FY24)	FY25 Result	FY26 Forecast
Cost Optimization	Cost Optimization Including Process Improvement and Supply Chain Optimization	+8-12 billion JPY	approx. JPY 3.1 billion	approx. JPY 3.6 billion
Optimization of Locations and Organizations	Optimization of Personnel Numbers Through the Consolidation of Bases and Organizations			

*Excluding the effects of inflation and FX rates, after deducting related cost

4. Enhancing Capital Efficiency Through Improved Portfolio Management: Introduction of ROIC and Transfer of the CGM Business



* Divestiture of CGM was completed in FY26.

I have gained a renewed understanding of how important it is to clearly define the positioning of each business in order to improve portfolio management. For businesses designated as restructuring businesses, this makes it clear that their primary mission is to improve profitability. Likewise, for nurture businesses that receive strategic investment, the transfer of the CGM business demonstrated that withdrawal remains an option if adequate returns cannot be achieved. I believe that the decision itself to withdraw from a business that had previously been positioned as a growth area and received substantial investment has been viewed positively by the market.

Initiatives for Introducing ROIC

FY2025

Established Internal Infrastructure for Operation
- Developed calculation and management methodologies
- Promoted internal understanding and established a collaborative framework across business units

FY2026

Started Operations to Ensure Adoption
- Adjust management metrics to align with actual business conditions
- Conduct periodic monitoring

As we improve portfolio management, we are also making efforts to introduce ROIC as a performance KPI. PHC Group conducts monthly performance reviews and holds annual strategy and budget meetings, and we have started to use ROIC within this management cycle. We will establish a cycle of clarifying the expectations for each business, taking action, and monitoring. I believe that it is important to establish this type of cycle to guide the Group as a whole in a positive direction.

5. Strengthening Our Financial Structure: Instilling a Cash Flow-Oriented Approach and Optimizing Financing

During the current Value Creation Plan 2027 period, our policy is to prioritize strengthening the financial foundation to establish a system that allows for stable increases in shareholder returns along with business growth in the next Value Creation Plan.

— Expected cumulative amount for FY25 to FY27 —

130 to 140 Billion JPY
Improvement in profitability of each business (including restructuring), reduction in working capital, etc.

Operating CF

- **Capital Investment** — **35 to 40 Billion JPY**: Maintenance and renewal investment in equipment and strategic investments, etc.
- **Repayment** — **Approximately 90 Billion JPY**: Repayment of borrowings including lease payments
- **Shareholder Returns** — **5 to 15 Billion JPY**

* The assumed exchange rates are 1 USD = 140 JPY and 1 EUR = 155 JPY.

Since becoming CFO, the message that I have focused on is the importance of cash flow. In fiscal year 2025, this policy began to show results. We were able to reduce working capital by JPY 9.1 billion from the end of the previous fiscal year. This improvement alone was enough to cover our capital expenditures for fiscal year 2025 (approximately JPY 9.0 billion). For fiscal year 2026, we project even further improvement as a result of the transfer of the CGM business, and I believe that we are making steady progress toward the Value Creation Plan's operating cash flow target of JPY 130 billion to JPY 140 billion.

Regarding interest-bearing debt, we executed refinancing in March 2026. Previously, all borrowings were long-term loans premised on scheduled repayment, but considering the actual circumstances of our business, we refinanced the portion corresponding to required working capital through a short-term committed revolving facility with no scheduled principal repayments. This improved our financial flexibility and created a framework for more dynamic business operation and greater cash flow stability.

Regarding shareholder returns, our fundamental policy of prioritizing the expansion of our capital base during the term of the Value Creation Plan 2027 remains unchanged, but we kept the dividend at the same level as in the previous fiscal year. Since cash-generating capability has been strengthened, I believe that the risk of a dividend reduction, which was anticipated when the Value Creation Plan was announced, has been substantially reduced, and we are in the process of building a framework for stable dividend payments.

Awareness of the importance of focusing on cash flow is increasing within the company, and I believe that we are making progress in line with the capital allocation policy set out in the Value Creation Plan 2027. Going forward, we plan to continuously generate cash flow while building a structure that will enable investment for growth in the next mid-term management plan.

6. Progress Toward the Value Creation Plan Targets, Financial Challenges, and Fiscal Year 2026 Targets and Actions

Having completed the first year of the Value Creation Plan 2027, my assessment is that we have made steady progress. In fiscal year 2025, the implementation of structural reforms resulted in a one-time increase in expenses, but even so, the operating profit margin was at roughly the same level as in the previous fiscal year. Although earnings per share (EPS) and return on equity (ROE) declined, mainly due to effects from foreign exchange valuation losses, both improved on a basis excluding those valuation losses.

The earnings forecast for fiscal year 2026 announced in May included a planned increase in operating profit, in part due to the transfer of the CGM business. Under the current Value Creation Plan, the operating

		FY24 Results	FY25 Results	FY26 Forecasts	FY27 Targets
Profitability	Revenue growth rate (YoY) (excluding FX)	**2.2% (-0.2%)**	**0.8% (-0.7%)**	**-1.3% (1.2%)**	**4-5%**
	Operating profit margin	**6.2%**	**6.2%**	**7.5%**	**8-10%**
	EPS	**83 JPY**	**4 JPY**	**122 JPY**	**Two times FY24 or higher**
Efficiency	ROE	**7.5%**	**0.3%**	**-**	**10% or higher**
	ROIC	**3.8%**	**3.9%**	**-**	**8% or higher**

profit margin target is 8% to 10% by fiscal year 2027, and if results in fiscal year 2026 are in line with plans, the operating profit margin will be 7.5%, a level where achieving the target by fiscal year 2027 is well within sight. If profit attributable to owners of the parent is also in line with projections, ROE and ROIC will also improve.

On the other hand, there is a gap regarding the sales growth rate—the target is 4% to 5%, but the forecast for fiscal year 2026 is just 1.2% after excluding the impact of foreign exchange. How we can raise this figure is an issue that we need to address, and looking toward the next mid-term management plan, which will emphasize growth, we need to build structures capable of achieving sales growth in the 4% to 5% range. We will continue implementing measures to improve profitability, but I believe that it will be necessary to manage our businesses in fiscal years 2026 and 2027 with an awareness of sales growth as well.

The EPS target is to achieve more than double the level of fiscal year 2024, which specifically comes to about JPY 166 per share. In fiscal year 2025, EPS was JPY 4 per share, but if foreign exchange valuation losses are excluded, there was a year-on-year improvement. The plan for fiscal year 2026 is EPS of approximately JPY 122 per share, and I believe that JPY 166 is within an attainable range. By achieving our earnings forecasts in this fiscal year, I hope to make steady progress toward the targets for fiscal year 2027 set out in the Value Creation Plan.

Regarding future finances, we will strengthen global cash management. PHC Group conducts business globally, but since loan repayments and dividend payments are made in Japan, we need to bring the cash generated overseas back to Japan. We have set a fundamental policy of centrally managing cash for the entire Group, but looking at the Group as a whole, there are still some areas where cash management is not yet efficient, so we will make improvements while using methods such as pooling. In parallel with central cash management, we also plan to optimize foreign-exchange hedging throughout the Group. We conducted refinancing in fiscal year 2025, clearing a major milestone, and accordingly, we will address global cash management in fiscal year 2026.

7. Message to Shareholders, Investors, and Other Stakeholders

In the past, the company's performance was at times volatile, including three consecutive years of net losses. As a result, the majority of our dialogue with investors tended to be defensive, with investors asking questions when losses would end and where the risks were. Since I became CFO, however, we have adopted a rigorous policy of focusing on cash flow, and we are strongly advancing measures under the Value Creation Plan 2027, leading to a stabilization and improvement of performance. As a result of the decisive implementation of key measures including improvement of working capital, group-wide structural reforms, and transfer of the CGM business, our earnings power, cash-generating capability, and financial position are steadily strengthening.

The company currently has a PBR below 1x,* and valuation remains low. On the other hand, we are making steady progress with the Value Creation Plan 2027, and our businesses have high market shares, strong competitiveness, and solid cash-generating capabilities. We want to start by eliminating the discount relative to competitors resulting from the instability of performance in the past and other factors and then raise valuation by advancing initiatives for future growth.

Our investor relations and public relations activities, including the publication of this Integrated Report, are one part of our efforts to clearly show the company's value, not only to investors but to a broad range of stakeholders. I believe that it is important for us to clearly convey what types of businesses the Group conducts, what kind of company we are, and what value we can create. Building this awareness ultimately contributes to business results and share price. I hope to reinforce these efforts in order to increase corporate value by raising awareness of PHC Group and increasing understanding of our business among investors, employees, customers, and the general public.

* At the time of the interview (June 2026)

Message From Our CHRO

The Path to Remaining an Employer of Choice

Ryuichi Hirashima
Senior Executive Corporate Officer,
Chief Administrative Officer (CAO),
Chief Human Resources Officer (CHRO),
and Chief Technology Officer (CTO),
PHC Holdings Corporation

1. Turn the Sum of Individual Growth into Growth for PHC Group

At the foundation of our HR strategy is a simple conviction: that the sum of the growth of each individual becomes the growth of the Group. Each employee at PHC Group has the opportunity to learn, take on challenges, and produce results. I believe that the accumulation of these efforts translates into the competitiveness of our business, creates value for customers, and ultimately leads to the sustainable growth of PHC Group.

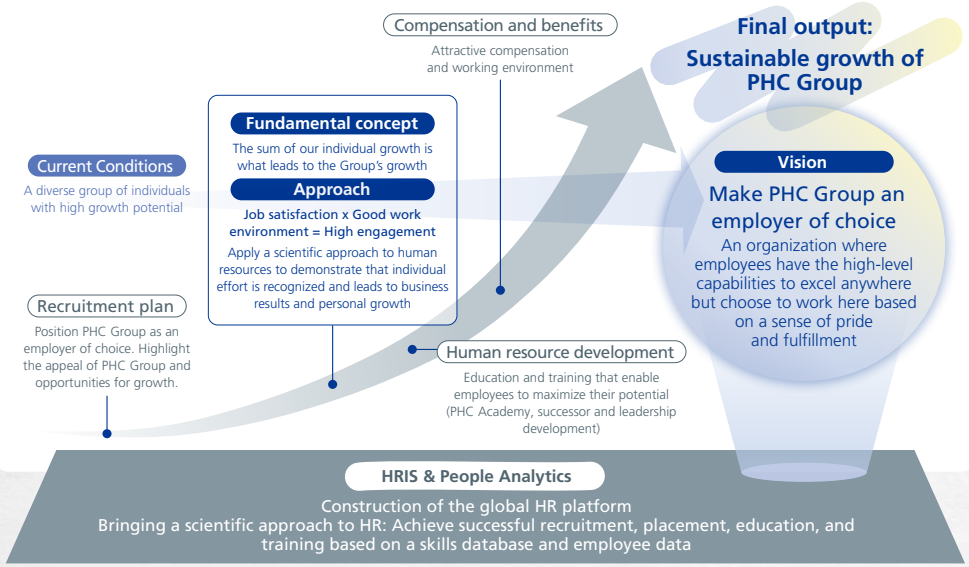
For this reason, we seek to nurture our people as the drivers of value creation, rather than viewing personnel management as a cost. This approach is the basis of our HR initiatives. The value we provide to customers, society, and shareholders can only be sustained when employees are able to grow, feel fulfilled in their work, and fully apply their abilities. Our HR strategy is not simply a support function for management strategy; it plays a central role in the creation of corporate value. We therefore seek to synchronize our human capital strategy with our management strategy and consider the direction of our business together with the development of both our people and our organization in an integrated manner.

PHC Group has a wide range of talented employees, including engineers in our pathology business, researchers in our life sciences businesses, managers who oversee regional and global teams, colleagues who transitioned from other industries, and recent graduates with a strong drive to grow. It is our responsibility to enable each individual to achieve their maximum growth potential within PHC Group. We are committed to ensuring that our employees are properly guided, fairly evaluated, and provided an environment in which they can feel a sense of fulfillment, so they can unlock their potential and turn their contributions into a force that can drive the business.

By addressing this challenge, identifying the talent requirements and resources that are still lacking, and creating an environment that connects each employee's growth to the growth of the Group, I believe I can fulfill my responsibility as CHRO.

Overview of PHC Group's Human Resource Strategies

Premise: Synchronization of management and HR strategies



2. Identifying Human Resource Needs for the Next Stage of Growth

PHC Group is currently addressing three priority measures to achieve the Value Creation Plan 2027: structural reforms to strengthen the profit base, improving portfolio management, and increasing focus on Diagnostics & Life Sciences. Ultimately, it is our people who will drive these initiatives. No matter how precisely a management strategy is described, it requires highly skilled people and organizational execution abilities to produce results.

To achieve the Value Creation Plan 2027 and future growth, we need specialists who will create new value in the Diagnostics & Life Sciences domain, personnel who can transform business and operations by leveraging IT and AI, and talent with management and leadership experience who can lead organizations in the midst of change.

To do this, we must build our capacity for specialized skills through training, recruiting, and M&A. I especially believe we must leverage the human resources, assets, and technologies that we already have to create the next stage of growth. What experience can employees build within PHC Group, what capabilities can they develop, and what challenges can they turn their attention to? Making these possibilities visible across the Group and linking them to human resource requirements in growth areas is an important role of our human capital strategy.

As a global collection of healthcare companies, what new products can PHC Group create by applying the technologies that we have already developed? How can we become more useful to society through new

products? What value can we deliver to patients, providers, and researchers? We need to deepen these types of discussions.

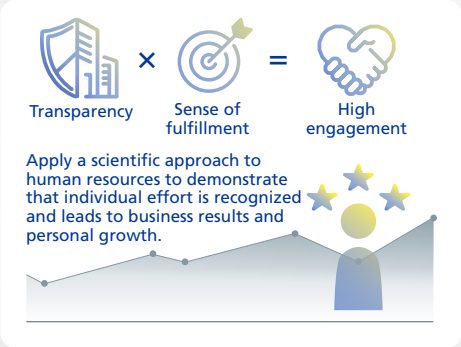
Group growth is not something that should be left to a select few. It is the sum of each individual's growth and a Group-wide effort that requires the full commitment of the entire organization. I believe that developing the mindset that everything starts with human resources will lead to us achieving the Value Creation Plan 2027 and to sustainable growth in the future.

3. Combining a Supportive Work Environment with a Sense of Fulfillment to Build a Highly Engaged Organization

In implementing our human capital strategy, we place great importance on both transparency and a sense of fulfillment for our employees. Ultimately, we seek to build an organization where employees have the high-level capabilities to excel anywhere, but choose to work at PHC Group because they feel a sense of pride and fulfillment working here. To achieve this goal, we must continuously create opportunities and develop an environment that will lead to employees' personal growth.

Transparency at work is a foundation that enables employees to build and demonstrate their abilities with peace of mind. A working environment with fair evaluations and freedom to express opinions with confidence allows employees to grow. However, transparency by itself is not sufficient. A sense of fulfillment also requires an environment that supports flexible ways of working and work that enables employees to take on challenges and feel that they are truly growing and personally contributing to the growth of the company. I hope that through the combination of this kind of transparency and a sense of fulfillment, we can drive high levels of employee engagement.

To measure our progress each year, PHC Group conducts an annual employee engagement survey. This survey is an important mirror that reflects the status of the organization from the perspective of employees. In fiscal year 2025, the survey included 10,793 employees and contractors, and the response rate was 87%. Our engagement score in fiscal year 2025 was 68 out of 100, an improvement of one point from the previous year.



In fiscal year 2025, we expanded the survey scope to include LSI Medience and Mediford, increasing the number of participants by 47% from the previous year. Our engagement score under the previous scope was 68 out of 100, an improvement of one point from the previous year, while the score under the expanded scope was 64 out of 100.

One topic where I am paying particular attention is the trend regarding "trust in supervisors." This is a topic where our score has continuously improved, from 67 in fiscal year 2022 to 78 in fiscal year 2025. I believe that this is one of the results of our efforts to improve manager skills through Group leadership training and other programs. Trust between employees and their supervisors is essential for an organization to succeed during periods of change such as structural reforms.

Our engagement survey has also revealed that there is further room for improvement with respect to freedom of expression, career paths, and taking action as a result of the survey. In particular, our employees seek confirmation that the company is taking action in response to employee feedback. This is one reason why we prioritize monthly CEO town halls and regular roundtable discussions, which in total are held about 90 times each year. These forums serve to convey management thinking directly to employees while also inviting employee opinions and taking action based on those opinions.

I believe that an attitude of examining the survey results with earnestness, listening closely to employee opinions, and using this dialogue to make improvements in the working environment will lead to sustained employee engagement.

4. Three Pillars Supporting Human Resource Growth

To achieve this vision of the future, we are implementing our human resource strategy centered on three areas: (1) recruitment, (2) talent development, and (3) compensation and benefits.

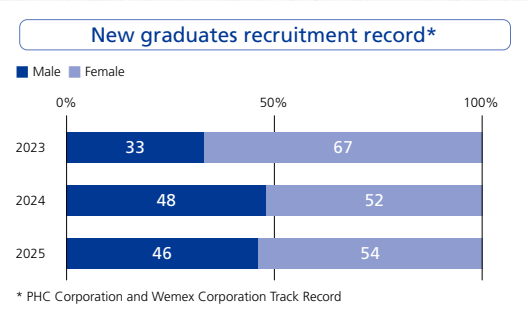
(1) Recruitment: Leveraging PHC Group's Impact to Become an Employer of Choice

When it comes to recruiting, I am keenly aware that it is not sufficient for a company to choose its people. We should instead be asking, what criteria do people use when selecting a company? What do they look for, and what do they expect? Unless we think carefully about these questions, we will not become an employer of choice for outstanding talent.

I believe that there are three main factors when a candidate selects a company. First, whether they can envision their own growth by working for the company. Second, whether they feel that the company is useful and necessary to society. And third, whether the company has created an environment where one can demonstrate their abilities. In our recruiting activities, we emphasize not just the conditions of employment but the significance of working for PHC Group and the growth opportunities that employees can expect here.

PHC Group received Gold Awards in two categories of the ONE CAREER Job Hunting Review Awards 2026: the "Science and Engineering Students' Choice" Special Category and the "Kanto Region Ranking" Regional Category. The awards are

presented by ONE CAREER Inc., a company that provides job-hunting and recruitment support services in Japan. Being selected from among approximately 50,000 Japanese companies is an indication that students are talking about the appeal of PHC Group. Even so, this is just one milestone. While we appreciate signs that we are an employer of choice, I believe there is still much to improve upon.



For instance, to recruit recent graduates in Japan, we are forming connections with students through initiatives such as guest lectures at universities in the Shikoku region, where our Matsuyama Factory (one of the Group's main manufacturing sites) is located, as well as local recruiting activities. In fiscal year 2025, we launched an alumni platform called "PHC Career Connect," creating a channel for past employees to learn about our ongoing impact and opportunities to return to PHC Group.

Recruiting is an entry point. Long-term, we seek to create an environment where employees experience a sense of growth and plan to grow their careers here. Based on this, in fiscal year 2025 we launched a training initiative called the New Career Growth Program for employees in their first to fifth years after joining PHC Group, in order to strengthen retention among newer employees. Specifically, we have prioritized employee retention between three to five years of tenure and are implementing measures that combine trainer training with input to management-level personnel.

(2) Human Resource Development: Fostering the Next Generation of Management Today

One of our top priority human resources initiatives is PHC Academy, a global training and enrichment program aimed at developing the next generation of management in two tiers: senior management (potential successor candidates), and the next generation. PHC Academy is designed to help participants build functional knowledge in areas such as strategy, finance, digital transformation, and marketing, as well as real-world learning, including English training and group educational opportunities in locations such as Australia and Singapore.

New Employee Entrance Ceremony at the Hibiya Office

Joint orientation for new hires at Narita Factory

PHC Group leaders must be able to make sound business decisions for today as well as imagine the kind of value they can create 10 or 20 years in the future. What type of impact may be possible if we think beyond existing frameworks? Through PHC Academy, we offer our future leaders not just the type of knowledge that could be gained by obtaining an MBA, but also liberal arts topics, participation in learning and awareness-raising events, dialogue with outside experts, and visits to other companies. Through PHC Academy, we seek to cultivate a balance of logical business thinking and broad social and cultural perspective.

We are also continuing PHC Group Leadership Training for managers in Japan. In fiscal year 2025, 549 managers participated in training with the objective of gaining the management skills to motivate and increase the efficacy of their direct reports. Behavioral changes among managers are extremely important for raising engagement throughout an organization. In addition, we have created a learning ecosystem for all employees that combines Udemy Business, language learning, and specialized training. We believe that creating a culture of self-initiated continuous learning leads to the growth of the organization as a whole.

Overview of PHC Academy	
Participants and results	Senior management tier FY2024: 19 participants (12 from Japan and 7 from outside Japan) Next-generation tier FY2025: 23 participants (15 from Japan and 8 from outside Japan)
Curriculum	• Functional knowledge: Strategy, finance, digital transformation, HR, marketing • Action learning: English training, training in Australia and Singapore
Educational philosophy	• Balance of business thinking with liberal arts social training • Educational and awareness-raising events such as lectures by outside experts and a visit to OMRON Corporation

Overview of Group Leadership Training	
Participants and results	All company managers and above in Japan FY2024: 620 participants, 92% satisfaction FY2025: 549 participants, 85% satisfaction
FY2024 training details	• Culture building: Creating open, inclusive, and respectful work environments • Management development: Enhancing labor management and compliance awareness among managers
FY2025 training details	• Training comprised a program for reinforcing PHC Group's MVV (mission, vision, values) and improving organizational capabilities with the objective of unifying employee mindsets and enhancing engagement to achieve growth • Training sought to impart management skills for motivating and increasing effectiveness of direct reports

(3) Compensation and Benefits: Building a Structure That Rewards Meaningful Contribution

At PHC Group, we consider compensation and benefits to be an important element in being an employer of choice. We have adopted a grade system based on the roles and responsibilities of each individual position, not just on seniority. Employees may in certain instances change job categories by taking on new challenges, and have an opportunity to increase their compensation by assuming greater roles. We seek to create systems that link individual growth to compensation to encourage employees to take on new challenges.

In fiscal year 2026, we increased the upper limit of the compensation range for managers at PHC Holdings Corporation based on benchmarking of other companies. This does not mean that everyone's compensation immediately increased. However, establishing a framework that enables us to offer market-competitive

compensation to outstanding talent is a necessary condition for remaining an employer of choice. We have also created mechanisms that enable employees to align PHC Group's growth with their own growth and achievements, including an Employee Stock Purchase Program (ESPP) and a long-term incentive (LTI) plan for eligible employees, which includes in certain instances both restricted stock units (RSUs), a type of post-delivery stock compensation, and performance share units (PSUs), which are performance-based stock compensation.

Regarding work transparency, we have also taken action to improve working conditions at our office environments. At our Tokyo headquarters, we have shifted to non-assigned seating and developed an office environment that facilitates spontaneous communication among departments. Additionally, Ascensia hosts an annual Global Learning Day for all PHC Group employees. This is a group-wide peer learning opportunity in which members of our group serve as instructors, offering more than 40 sessions annually to promote understanding of PHC Group's business and products and to enhance leadership and digital skills.

In addition, Ascensia's Poland site was ranked 14th in the medium-sized companies category in the "Best Workplaces™ Poland 2026" list in 2026, an annual recognition by Great Place to Work®, a global organization that certifies companies with outstanding workplace cultures. Of the approximately 200 companies evaluated, only the top 25 highest-ranking companies receive this certification.

In this way, we believe that fostering a culture in which each individual continues to learn autonomously not only drives the growth of the organization as a whole, but also enhances employee well-being, job satisfaction, and engagement.

5. Supporting Human Resource Growth Using Data and Dialogue

HR information systems (HRIS) & People Analytics are the foundation that supports our three human capital pillars of recruitment, human resource development, and compensation and benefits. At PHC Group, we have introduced a global HR platform (Workday) and are progressively rolling it out across our subsidiaries. It serves as a common platform across the Group, supporting employees throughout their journey from onboarding to separation.

Across PHC Group, we are pursuing HR management that relies not just on experience and intuition but on data and dialogue. By visualizing employees' skills, experience, and career aspirations, we will be able to have a common language for considering placement, development, and career formation.

People are much more than data. We seek to use data not to judge but to deepen dialogue between employees and supervisors, and to provide appropriate growth opportunities. By employing HRIS & People Analytics, we seek to increase transparency and fairness in HR and create a platform that can support the growth of each individual.

The ability to see a clear career path is an important issue for remaining an employer of choice. As PHC Group has acquired some of our businesses through M&A, we are always aware of the risk of individual businesses becoming siloed or fragmented. We seek to enable employees to communicate and interact, not just within the business where they work but also in other Group businesses globally. Sharing employees' skills, experience, and career aspirations and linking them to growth opportunities within the Group will be an important foundation for achieving growth.

6. Transforming Worldwide Diversity and Discipline into Forces for Value Creation

PHC Group currently conducts business in more than 125 countries and regions. This reach reflects a wide range of worldwide diversity within our organization in terms of businesses, regions, cultures, areas of expertise, and careers.

Worldwide diversity can be a source of innovation. Challenges discussed by people with different backgrounds, different experiences, and different ways of thinking may lead to new ideas and new solutions. When leaders with different areas of expertise and values collaborate and bring their perspectives together, new products, services, and markets emerge. As a global collection of healthcare companies, PHC Group has delivered value to customers around the world through our high-quality and precision manufacturing. In order to consistently produce high-quality products, a shared attitude and set of values regarding quality and discipline are essential. PHC Group's highly standardized and uniformly high-level manufacturing is a strength that derives from commitment and discipline.

An effective approach to human resources brings together a wide range of experiences and areas of expertise. At the same time, our people share a commitment to quality and dedication to providing value for customers, patients, and researchers. I believe that when we balance worldwide diversity and discipline, we create value distinctive to PHC Group.

It is our responsibility to develop an environment where motivated and talented human resources can grow regardless of background, country of origin, age, or gender.

7. Transforming Individual Growth into Our Collective Strength

My role as Chief Human Resources Officer is to ensure that PHC Group's human capital strategy is incorporated into concrete HR measures and our organizational culture. Through recruitment, talent development, compensation and benefits, HRIS and people analytics, and engagement improvement, we will create an organization where employees feel pride and fulfillment and which they view as an employer of choice.

To achieve this, we must continuously create working environments and opportunities that make employees feel that working for PHC Group leads to personal growth. We must also create mechanisms that connect individual effort to results and that link a willingness to take on challenges to future opportunities. Furthermore, it means creating the kind of growth opportunities that employees are looking for. I believe that the accumulation of these efforts will instill pride and affinity for PHC Group and build long-term trust between employees and the Group.

Message From Our CHRO

Companies have responsibilities to various stakeholders including customers, shareholders, and local communities. As CHRO, I believe that employees are the most important stakeholders.

If every person working for PHC Group feels a sense of fulfillment and is able to thrive, we will be able to deliver high-quality products and services and contribute to society in a sustainable way.

It is precisely for this reason that I believe that PHC Group employees should be able to pursue the path of their choosing, whether that means section manager or executive. Our employees can seek to work in a different department or seek a position that will shape the future of the company. What is important is for each employee to consider what kind of value they seek to create, and then have available opportunities to achieve it. I want PHC Group to be a place that supports employees when they take on new challenges, and that recognizes and commends employees when they try something new.

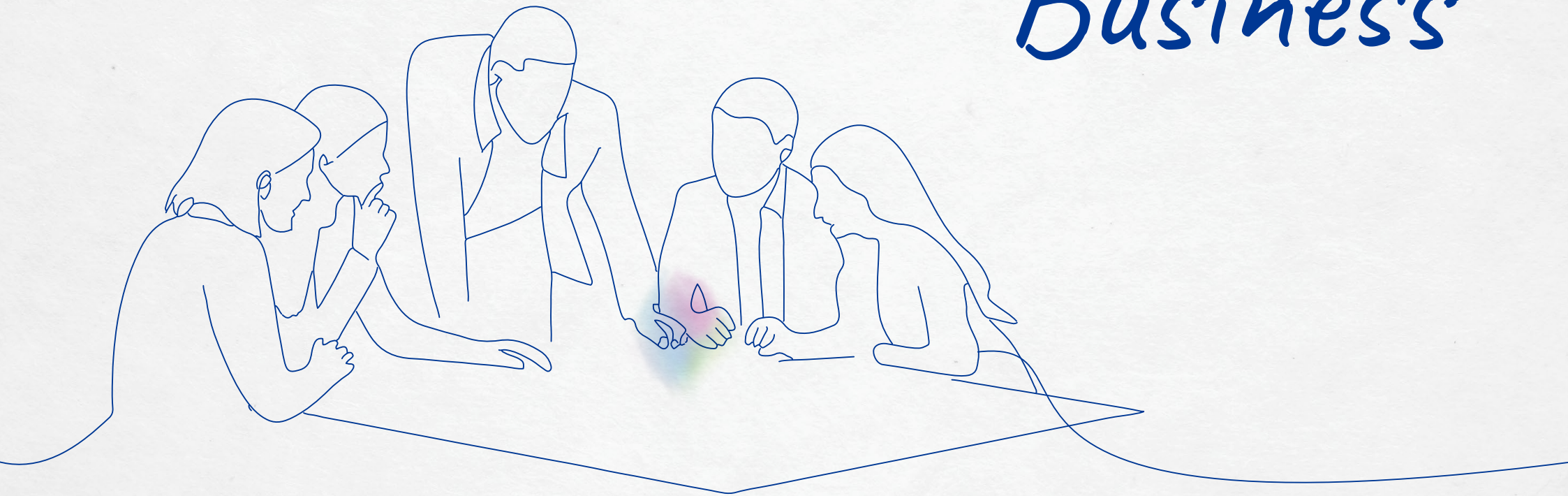
When employees choose to tackle new challenges, they open the door to company growth.

PHC Group is implementing structural reforms as we prepare for our next stage of growth. I am confident that our employees have the strength to navigate this change. Our ability to leverage their experiences, curiosity about new technologies, desire to contribute to society and healthcare, and the motivation for career development is precisely the greatest strengths of our human capital strategy.

The collective growth of all individual employees becomes the growth of PHC Group. I believe that this mindset is critical for our organizational culture. Linking each individual's growth and challenges to PHC Group's next stage of growth is my responsibility as CHRO, and that is what I will strive to achieve through our human capital strategy.

Chapter 4

Business



PHC Group Structure

Effective April 1, 2026, PHC Group renamed and reorganized some business units. The name changes are intended to provide stakeholders with a clearer understanding of our businesses. Through the reorganization, we will further strengthen our business foundations in line with the Value Creation Plan 2027 by establishing the organizational structures needed to accelerate business expansion in growth areas.

Name Changes

BGM Business Unit ▸▸ **Diabetes Management Business Unit**
LSIM Business Unit ▸▸ **Clinical Testing Business Unit**

Reorganization

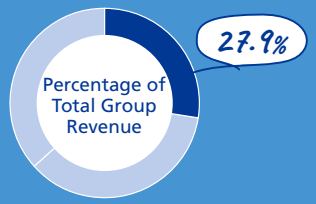
Integration of the Biomedical Business Unit and IVD Business Unit ▸▸ **Life Sciences Business Unit**

	Diabetes Management	Healthcare Solutions			Diagnostics & Life Sciences		
FY2025	**BGM Business Unit**	**LSIM Business Unit**	**Healthcare IT Solutions Business Unit**	**CRO Business Unit**	**Pathology Business Unit**	**Biomedical Business Unit**	**IVD Business Unit**
	ASCENSIA Diabetes Care	LSI Medience	WEMEX	mediford	epredia	PHCbi*	PHC IVD
FY2026-	**Diabetes Management Business Unit**	**Clinical Testing Business Unit**	**Healthcare IT Solutions Business Unit**	**CRO Business Unit**	**Pathology Business Unit**	**Life Sciences Business Unit**	
	ASCENSIA Diabetes Care	LSI Medience	WEMEX	mediford	epredia	PHC	
	• Blood Glucose Monitoring Systems • Digital Diabetes Management Solutions	• Clinical Testing • Food Sanitation & Hygiene Analysis • Doping Control Sample Analysis	• IT Systems for Clinics, Hospitals, Pharmacies, and Dental Clinics • Operational Efficiency Solutions for Corporations, Health Insurance Associations, and Health Checkup Institutions	• Non-clinical Contract Research • Bioanalysis Services • Central Laboratory Services	• Anatomical Pathology Instruments, Consumables, and Microscope Slides • Digital Pathology and Software Solutions • Instrument Maintenance Service	• Life Science Research/Medical Support Equipment • Diagnostic Reagents and Instruments • Instrument Maintenance Service • Development and Manufacturing Contract Service	

* PHCbi will continue as a product brand.

Diabetes Management Domain

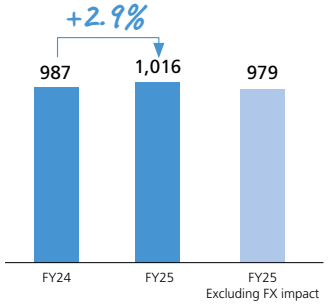
In our Diabetes Management domain, we deliver innovative solutions for managing diabetes, including through the development, manufacturing, and sales of blood glucose monitoring (BGM) systems. Leveraging highly accurate measurement technology with seamless data connectivity and digital diabetes management tools, our products help people with diabetes to accurately monitor their blood glucose levels so they can better manage their condition and enhance their quality of life.



Fiscal Year 2025 Results

Revenue

(Unit: 100 million yen)

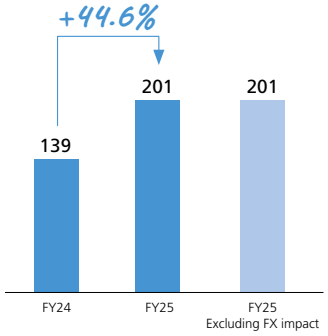


Despite the market contraction in BGM, revenue grew YoY due to solid sales in Europe and the U.S., favorable FX impact against the EUR, and increased CGM sales.

- (+) Share gains in developed markets
- (+) ASP increase / sales volume growth initiatives in the U.S.
- (+) Favorable FX impact of JPY against EUR
- (+) Progress on localization in Algeria
- (+) Increased sales of CGM (up to Q3)
- (−) Market decline in developed countries
- (−) Market shifts to low-price channel

Operating Profit

(Unit: 100 million yen)



Operating profit increased significantly, driven by strong BGM sales, cost-reduction initiatives, and lower amortization expenses. CGM also contributed to profit growth through increased revenue up to Q3 and reduced losses following the business transfer in Q4.

- (+) Strong performance in profitable developed countries
- (+) Profitability improvement initiatives in the U.S.
- (+) Cost improvement effects
- (+) Decreased amortization costs
- (+) Reduced losses due to CGM business transfer
- (−) JPY 300M impact from corporate function transfer

Operating profit margin: 19.8%

Domain Strategy

Transition to a New Structure to Continue Supporting People With Diabetes Worldwide

In the Diabetes Management Domain, the business has been helping people with diabetes monitor their condition for over 80 years. Today our products are used in more than 90 countries and regions around the world.

In fiscal year 2025, our BGM business delivered steady progress despite market contraction. Strong performance was particularly evident in developed markets. In the U.S., we achieved sales growth, supported in part by the launch of new products, and acquired contracts with approximately 50 commercial and government payers, while maintaining our No. 1 market share* as a national brand in the OTC channel. In Europe, we further strengthened our market-leading positions across key markets. Additionally, we began sales of locally manufactured products in Algeria.

Beyond these efforts, we made two major strategic decisions in fiscal year 2025. The first was the transfer of the continuous glucose monitoring (CGM) business. Alongside our BGM business, we also previously offered implantable CGM systems through our partnership with Senseonics, the maker of Eversense. As this business continued to grow, however, it increasingly evolved away from our core BGM business model. Recognizing the need for an integrated business structure, we concluded that unifying development, manufacturing, and distribution under Senseonics would best position the CGM business to accelerate growth and realize its full potential, and we therefore decided to transfer the business back to Senseonics. The decision also aligns with our Value Creation Plan 2027, which identifies improved portfolio management as a key priority. Following the CGM transfer, we expect the overall profitability of this domain to improve significantly.

The second strategic decision was a change in leadership for Ascensia Diabetes Care, which is responsible for the BGM business. After leading both organizations, I handed over these responsibilities to Peter Bodlund in April 2026. Peter has over two decades of senior leadership experience in the healthcare industry and had served as Chief Operating Officer of Ascensia since 2022. We are confident that his wealth of experience and proven leadership will drive further growth and advancement of our Diabetes Management business.

Fiscal year 2026 marks our inaugural year under this new leadership structure. As a leading company in diabetes management, we will continue to dedicate ourselves to improving quality of life for people with diabetes.

* Source: Data on file

Koichiro Sato
Senior Executive Vice President,
Representative Director,
COO, CSO,
Head of Diabetes Management Domain,
PHC Holdings Corporation

Maintain and Improve Profitability

BGM: **Strengthen focus segments and improve profitability through cost optimization**

Operating profit margin improvement: **2.5% (Fiscal Years 2024–2027)**

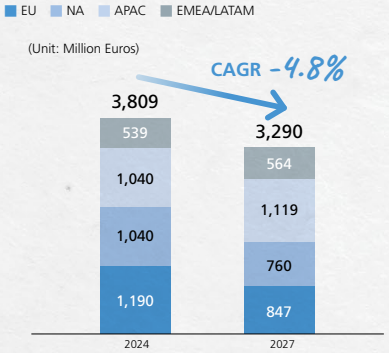
Diabetes Management Business*

ASCENSIA Diabetes Care

* The organization name was changed from the BGM Business Unit effective April 1, 2026. For details, see the PHC Group Organizational Chart.

Market Environment & Outlook

BGM Market Trends



Source: In-house research

Market Environment

- Patients with high testing frequency are transitioning from BGM to CGM, primarily in mature markets.
- BGM remains an important diabetes management tool for many people, used alongside CGM. In emerging markets, demand for BGM continues amid a growing population of people with diabetes, where affordability and access remain key considerations.
- In some markets, downward pricing pressure is limiting growth in value terms.

Outlook

- While CGM adoption will continue to expand, we expect BGM declines to moderate further.
- We expect average pricing to erode as 1) high-price markets decline and low-price markets grow, and 2) inflation in healthcare costs puts pressure on pricing.

Business Strategy

Peter Bodlund
Corporate Officer,
PHC Holdings Corporation
President & CEO, Ascensia Diabetes Care Holdings AG

The blood glucose monitoring (BGM) business is pursuing a focused strategy to sustain profitability. Based on a combination of market profitability, trends, and our strengths, we prioritize key markets and ensure resources are deployed toward opportunities with the highest ROI. We also tailor our go-to-market approach based on market environments. In high-margin markets where we have a strong presence, gaining market share is our priority. In lower-margin markets, operational efficiency and selective participation across channels and segments are most important to maintain a sustainable business model.

While the overall BGM market is still expected to decline, we believe the pace of decline will be moderate. In addition, our outlook is strengthened by the growth trend of the over-the-counter business in the U.S., as well as our re-entry into Algeria via localized manufacturing at the end of fiscal year 2025. Despite pricing pressure from inflation and shifting payer priorities, the business aims to maintain a solid foundation, outpacing the market, and targets a -3% revenue CAGR for fiscal years 2024–2027.

Key Products & Services

CONTOUR®

CONTOUR® products enable highly accurate, easy-to-use blood glucose monitoring for people with diabetes. Sold in more than 90 countries, CONTOUR® solutions are used by an estimated 10 million people worldwide.

Global market share ranking:

Source: In-house research

Our Precision Technologies

Trusted Accuracy Through Innovation

Since launching the world's first glucose monitoring device in 1941, our diabetes business has continued to pursue innovation. To date, our CONTOUR® Blood Glucose Monitoring system is consistently ranked as one of the most accurate BGMs by independent investigator initiated research studies.*1*2 Our smartLIGHT design also reduces the burden of interpreting glucose readings for people living with diabetes, offering them additional peace of mind in glucose management. In fact, consumer research has shown that the two most important features for people with diabetes are accuracy and ease of use. In the same research, CONTOUR® was rated higher than competitors on both attributes.

Our most recent market research in the U.S., conducted during Q1 in fiscal year 2026, shows that CONTOUR® continues to lead in Net Promoter Score vs. other leading BGM manufacturers.*3

Our precision technology helps improve diabetes management for approximately 10 million users worldwide. Going forward, we will remain focused on meeting the needs of people with diabetes, and serving as a trusted partner throughout the diabetes management journey.

*1 Pleus S. et al., User Performance Evaluation and System Accuracy Assessment of Four Blood Glucose Monitoring Systems, 2022.
*2 Kenning et al., Comparative System Accuracy of Blood Glucose Monitoring Systems, 2024.
*3 A metric that measures users' willingness to recommend a product or service to others.

Strategy & Target

Strategy

- Prioritize allocation of resources to profitable segments to drive market share growth
- Invest in selected commercial initiatives that have strong ROI.
- Change go-to-market approach in low-margin markets to improve profitability
- Ongoing optimization of support functions to reduce structural costs and other operating expenses

Target (Fiscal Years 2024–2027)

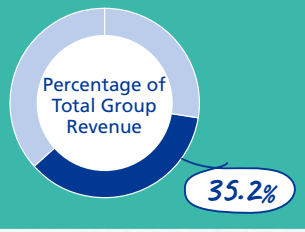
Revenue CAGR: -3.0%

Main drivers for trend improvement:

- U.S.: End of headwinds from partnership sunsetting and ability to pursue new opportunities
- Algeria: Localization realized at the end of fiscal year 2025, with full year benefits in fiscal 2026

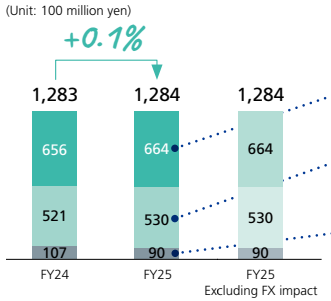
Healthcare Solutions Domain

In the Healthcare Solutions domain, we support the healthcare field by offering clinical testing services, developing and distributing healthcare IT solutions, and providing drug development support services. For medical institutions, we offer clinical testing services and healthcare IT solutions, including medical-receipt computers and electronic medical record systems. For pharmaceutical companies, we deliver research and development services, including non-clinical testing and clinical trial support. By supporting healthcare professionals and patients, we contribute to the advancement of medicine and drug discovery across Japan.



Fiscal Year 2025 Results

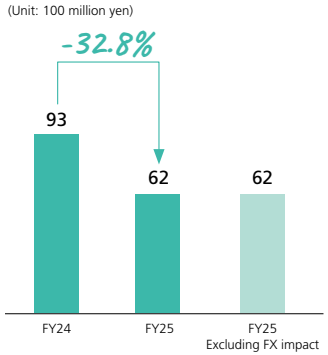
Revenue



Revenue increased year on year, driven by growth in genetic testing in the Clinical Testing business and higher sales of EMR/medical-receipt systems in the Healthcare IT Solutions business, which more than offset lower e-prescription software sales and reduced revenue in the CRO business.

- (+) Increased sales of genetic testing
- (+) Growth in EMR/medical-receipt system sales
- (−) Decline in e-prescription software demand
- (−) Decrease in large-scale testing projects
- (−) Decrease in clinical trial orders

Operating Profit



Despite revenue growth and cost reductions, operating profit decreased due to changes in the sales mix, higher procurement and amortization costs, lower CRO revenue, and restructuring costs.

- (+) Impact of increased revenue
- (+) Effect of cost reductions
- (−) Lower sales of high-margin e-prescription software
- (−) Increased procurement costs/amortization costs
- (−) Decreased revenue in CRO business
- (−) Restructuring costs
- (−) JPY 80M impact from corporate function transfer

Operating profit margin: 4.9%

Domain Strategy

Koichiro Sato
Senior Executive Vice President,
Representative Director,
COO, CSO,
Head of Healthcare Solutions Domain,
PHC Holdings Corporation

Providing Solutions to Support Healthcare in Japan, Where Challenges Are Emerging

Japan's healthcare system faces a wide range of challenges, including rising healthcare expenditures associated with an aging population, increasing burdens on the working-age population that supports the system, shortages and geographic imbalances of healthcare professionals, worsening operating conditions for medical institutions, and regional disparities in access to healthcare services.

The Healthcare Solutions Domain supports healthcare institutions and professionals through a broad portfolio of services designed to address the needs of Japan's medical frontline.

In fiscal year 2025, the domain achieved a modest increase in revenue, while operating profit declined. In the Clinical Testing business, market conditions remained stable, growth in our strategic genetic testing services continued, and cost reduction initiatives proved effective. In addition, the Central Laboratory of LSI Medience Corporation successfully regained ISO 15189 accreditation, and performance improvements continue to progress steadily in line with the Value Creation Plan 2027. In the Healthcare IT Solutions business, demand for e-prescription solutions slowed compared with fiscal year 2024 despite continued Japanese government-led promotion of healthcare digital transformation initiatives. Strong sales of key offerings, including electronic medical record (EMR) and medical-receipt systems, helped offset the decline. We also reinforced our growth platform through the complete integration of Wemex Healthcare Systems and the introduction of Medicom Cloud Karte, a cloud-based EMR solution integrating EMR/medical-receipt functionality for clinics. In the CRO business, lower clinical trial demand resulting from the impact of the previously revoked ISO accreditation negatively affected performance. To support recovery, we are continuing initiatives to expand business opportunities and enhance profitability.

In fiscal year 2026, the Clinical Testing business will continue to offer a wide range of testing services while enhancing its capabilities in cancer diagnostics and genetic testing. Through these efforts, we will contribute to disease prevention, rapid and accurate diagnosis, and more effective treatment. In the Healthcare IT Solutions business, we will focus on expanding sales of Medicom Cloud Karte and capturing demand related to digital transformation in healthcare aimed at achieving a 100% EMR adoption rate in Japan by 2030. The CRO business has recently updated its management structure. In addition, we established a new infectious disease research facility (BSL-3 facility) to support the development of vaccines and other therapies in preparation for potential future pandemics. We seek to continue contributing to the advancement of emerging treatment modalities.

As an indispensable partner to Japan's healthcare community, the Healthcare Solutions Domain will continue supporting the operations of healthcare institutions and healthcare professionals while contributing to solutions for the challenges facing Japan's healthcare system.

Improving Profitability and Efficiency

WEMEX:
Creation of synergies with the acquired business and distribution of cloud-based solutions

LSIM, Mediford:
Restructuring business

Operating profit margin improvement:
2.0% (Fiscal Years 2024–2027)

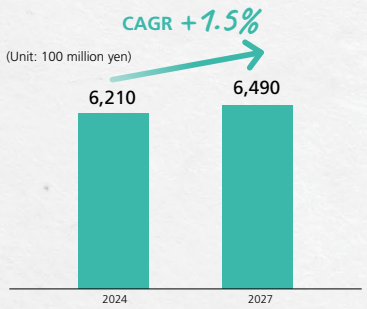
Clinical Testing Business*

LSI Medience

* The name was changed from the LSIM business effective April 1, 2026. For details, see the PHC Group Organizational Chart.

Market Environment & Outlook

Japanese Contract Clinical Testing Market Trends



Source: In-house research

Market Environment

- General contract testing is recovering, with particularly strong growth in the genetic field.
- Demand for the implementation of FMS*1/Branch*2 Lab services remains strong, driven by efforts to reduce expenses and convert fixed costs into variable costs.

*1 FMS (FMS method): A service that supplies testing equipment, systems, reagents, consumables, etc. to hospital testing departments and provides testing laboratory management know-how.
*2 Branch (branch lab method): A model in which specimen testing is conducted within medical institutions. The service provides the personnel, testing equipment and systems, and other resources required to establish and operate a laboratory.

Outlook

- Although contract testing will be affected by price reductions resulting from medical fee revisions, continued growth is expected in the genetic field.
- A more strategic approach will be required to expand FMS and Branch Lab adoption.

Business Strategy

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

Although demand for general contract testing is recovering, we recognize that rising fuel and material costs due to global instability, together with intensifying competition for talent in Japan due mainly to the declining birth rate and aging population, remain significant challenges.

After resolving a quality management issue, restoring the trust of customers and society was our highest priority in fiscal year 2025. We strengthened our quality management systems, while also focusing on profitability and efficiency.

To achieve the Value Creation Plan 2027, we will adjust our site network based on regional strategies—including collaboration with regional hub medical institutions and partner testing centers—strategically reallocate resources, and review workflows to improve the operating efficiency of the Central Laboratory.

In the growth areas of genetics and non-reimbursed testing, we will strengthen our presence in the research testing market for cancer genetics and expand services through strategic business partnerships that address market needs, aiming for sustainable growth and enhanced corporate value.

Key Products & Services

Clinical Testing Services

As part of our clinical testing services, we offer a diverse range of tests in biochemistry, hematology, immunology, microbiology, genetics, and other fields. We help meet the need for greater accuracy and speed in advanced clinical testing through our laboratory automation systems.

Additionally, we maintain a sales network across Japan and serve a broad range of customers, including medical institutions ranging from university hospitals to clinics, as well as government and public-sector institutions.

Japan market share ranking:

Source: In-house research

Our Precision Technologies

Development of New Tests Using a Digital PCR Method

As a wide variety of tests based on PCR technology are being implemented and genetic testing becomes increasingly sophisticated, we are focusing on digital PCR, a technology that enables efficient and quantitative analysis of multiple target genes, and are proceeding with the development of new testing assays.

Digital PCR achieves absolute quantification by dividing a sample into microscopic partitions, performing PCR in each partition, and digitally counting the results. Because no standard curve is required, the process allows for efficient measurement and high workflow productivity, even when used with multiple target genes. Leveraging these characteristics, we launched a Multiplex Quantitative Analysis for Opportunistic Viral Infections. Opportunistic infections arise when immune function is compromised; the risk of severe illness is especially high in immunosuppressed patients following transplantation, making early therapeutic intervention essential. Because multiple viruses can cause these infections and are often difficult to identify from clinical symptoms alone, this test can detect several viruses simultaneously within a short timeframe. Clinicians have praised it as a test that is genuinely useful in actual clinical practice.

Going forward, we will continue to listen to the voices of healthcare professionals and bring needed tests to market.

Strategy & Target

Strategy

- Promote price optimization initiatives
- Expand business areas in genetic testing and uninsured sectors
- Optimize business footprints
- Improve testing operations and strengthen quality management systems through IT utilization

Target (Fiscal Years 2024–2027)

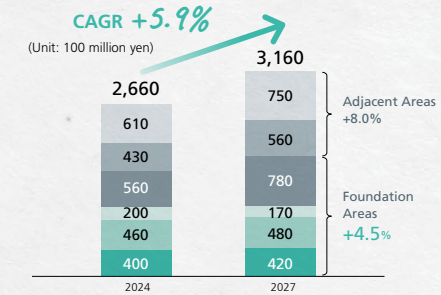
Revenue CAGR: 2.1%

Healthcare IT Solutions Business

WEMEX

Market Environment & Outlook

Healthcare Information Systems Market Trends



Source: In-house research

Market Environment

- With the advancement of the digital transformation (DX) of healthcare in Japan, the adoption of electronic medical record information sharing services is expected to accelerate, in addition to online verification of eligibility and e-prescriptions. To support this trend, a certification program for electronic medical record systems compliant with government-defined standard specifications was introduced.
- Adoption of affordable cloud-based electronic medical record systems is increasing among newly established medical institutions.

Outlook

- Policies are being promoted to achieve a 100% adoption rate of electronic medical records by 2030. More than 40,000 medical institutions in Japan have yet to introduce electronic medical records, so the market is expected to continue growing.
- Driven by Japanese government policy and systems, and continued adoption by small- and medium-sized companies, we expect continued significant growth in the health management field.

Key Products & Services

Systems for Clinics

By providing cloud-based, on-premises, and hybrid systems, we offer electronic medical record systems integrated with medical-receipt computers and tailored to customer needs. Robust claims-checking capabilities reduce data-entry burdens and prevent billing omissions and errors.

Japan market share ranking*:

Systems for Pharmacies

Standard inclusion of medication checking functions. Electronic medication history (EMH) to prevent prescription errors and support pharmacy management.

Strategy & Target

Strategy

- Develop the business around healthcare DX in Japan by supporting healthcare policy initiatives and providing highly innovative solutions
- Generate synergies and enhance competitiveness through the business integration with Wemex Healthcare Systems (WHS) in fiscal year 2025
- Strengthen the customer base and expand market share through the enhancement of cloud products
- Strengthen health management-related products and solutions

Target (Fiscal Years 2024–2027)

Revenue CAGR: 5.4%

* No.1 share in electronic medical records for clinics
Source: Fuji Keizai Co., Ltd., "2025 Current Status and Future Outlook of the Medical, Healthcare, and Pharmaceutical DX-Related Markets," 2024 results (value basis), electronic medical records for clinics (on-premises/cloud-based)
No.1 share in medical-receipt computer systems for clinics and hospitals
Source: Fuji Keizai Co., Ltd., "2022 Current Status and Future Outlook of the Medical Collaboration Medical Platform-related Markets," based on 2020 Company shares (volume basis), medical-receipt computer systems (PHC results)

Business Strategy

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

Wemex integrated with Wemex Healthcare Systems (WHS) on October 1, 2025, bringing the two companies together as one. With a customer base of more than 50,000 and a nationwide support network, we are combining the businesses, technologies, and customer bases of both organizations amid rapid changes in the external environment. By accelerating management decision-making and improving operational efficiency, we are creating synergies and strengthening competitiveness. We are seizing opportunities arising from government-led healthcare DX initiatives and applying the latest technologies to products and services that address both policy trends and customer needs. For clinics, we offer a full lineup of cloud-based, on-premises, and hybrid solutions, including Medicom Cloud EMR, a cloud-based electronic medical record system integrated with medical-receipt functionality that was launched in April 2025. For pharmacies, we provide the Generative AI Medication Record Input Support Service and Wemex Pharmacy Management Support, a comprehensive management support system. By improving operational efficiency at major pharmacy chains and drugstores, these solutions enable pharmacists to spend more time with patients. In the area of prevention and pre-symptomatic diseases, we are providing preventive medicine solutions that improve operational efficiencies for companies, health insurance associations, and others. In telemedicine, we are developing support frameworks for healthcare in remote areas as well as organ donation, helping reduce the burden on healthcare professionals and improve patients' access to care.

Our Precision Technologies

A Development Leader Discusses How the Precision Technologies Behind Medicom Cloud EMR Solve Challenges in Healthcare Settings

Wemex developed Japan's first medical-receipt computer in 1972 and has advanced the digitalization of healthcare operations for more than 50 years. The expertise accumulated through close engagement with healthcare settings, coupled with persistent efforts to solve a wide range of challenges, is what underpins the precision-engineered design of Medicom Cloud EMR ("MCK"), which we launched in April 2025. One example of MCK's problem-solving capabilities is its innovative integration with external testing centers. With conventional on-premises EMR systems, each medical institution had to manage and maintain test master data for approximately 80 external testing centers. Implementation staff at each institution were required to configure testing centers, import test master data, create and link test codes, and build order-entry screens, creating a substantial workload. MCK centrally manages testing-center master data in the cloud, enabling test orders and results to be exchanged without configuration work at the medical institution. This innovation dramatically reduces the implementation burden at healthcare sites and supports the rapid adoption of MCK. A patent application has been filed for the function, and we have built valuable capacity on our development team. Going forward, we will continue addressing challenges in healthcare settings and applying cutting-edge technologies, including generative AI, to stay at the forefront of healthcare DX.

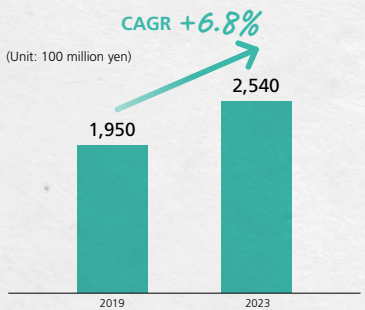
Atsushi Ohata
General Manager
Medical Development Department, Development Division
Wemex Corporation

CRO Business

mediford

Market Environment & Outlook

Japanese CRO Market Trends



Source: In-house research

Market Environment

- Both the non-clinical and clinical trial markets in Japan are expanding, driven by factors including increasing R&D expenses at Japanese and global pharmaceutical companies, growth in Japan's clinical trial market resulting from efforts to address drug loss and drug lag, and Japanese government initiatives to strengthen the domestic ecosystem for academia and biotech ventures.

Outlook

- The narrowing and deepening of target areas by pharmaceutical companies and the growing number of pharmaceutical developments with new modalities are leading to a rising demand for CRO testing technology and responsiveness.

Key Products & Services

Non-Clinical Contract Research Service

Utilizing facilities that comply with GLP standards and state-of-the-art equipment, we conduct a wide variety of activities including tests for pharmaceutical approval applications, exploratory studies in the early stages of research and development, and consulting for private sector companies such as pharmaceutical and food companies, government and public offices, and academia.

Bioanalysis Service

We provide analytical method development, method validation, and biological sample analysis for drugs, their metabolites, and biomarkers. Leveraging a broad range of analytical techniques, we offer services tailored to each stage of research and development for new therapeutic modalities.

Strategy & Target

Strategy

- Strengthen competitiveness and expand the business through testing technologies and product offerings
- Expand engagement with academia and venture companies through networks with AMED and other organizations

Target (Fiscal Years 2024–2027)

Revenue CAGR: 4.5%

Business Strategy

Tetsuya Ueda
Representative Director and President,
Mediford Corporation

Mediford is a leading contract research organization (CRO) in Japan that provides end-to-end support to global customers ranging from non-clinical and clinical fields through post-marketing activities. Amid the major changes taking place in the drug development environment, Mediford uses technical expertise accumulated over many years and state-of-the-art equipment to support a wide range of drug development areas, from analytical method development to safety and efficacy evaluation. In addition to small-molecule drugs, the business also addresses new modalities such as nucleic acid therapeutics and cell therapy products. The pharmaceutical industry in Japan is facing serious challenges of "drug lag" and "drug loss," and we are working to help solve these issues by helping drug developers deliver innovative medicines to patients as quickly as possible. Separately, the adoption of new approach methodologies (NAMs) by the FDA and EMA is advancing in the United States and Europe, and in light of this global trend, we are building systems that can respond to increasingly diverse modalities and clinical trial markets, which are expected to expand. Going forward, we will continue to strengthen partnerships with academia and bio-ventures, adopt new technologies, and expand the areas we can support, all with the aim of achieving sustainable growth and enhancing corporate value. We see change as an opportunity and will continue to contribute to society as a partner in drug development.

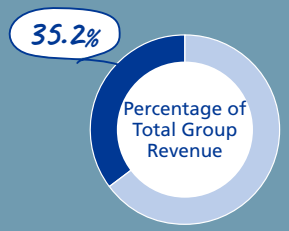
Our Precision Technologies

Deploying the PAC-LC Contract Analysis Service to Accelerate the Development of New Modalities

In January 2025, we launched a cutting-edge contract analysis service using peptide adsorption-controlled liquid chromatography (PAC-LC) under a consulting agreement with Future Peak Co., Ltd., led by Ryoya Goda, the inventor of the technology. PAC-LC uses a proprietary adsorption-control mechanism. Compared with conventional liquid chromatography (LC) systems, it not only enables highly precise and sensitive analysis but also greatly simplifies complex sample-preparation processes, dramatically improving the speed and efficiency of drug-discovery research. This technology is particularly valuable for measuring highly complex new modalities and in vivo biomarkers that are essential for understanding pharmacokinetics. These new modalities include mid-sized therapeutics such as peptide and nucleic acid drugs, as well as antibody drugs and antibody-drug conjugates (ADCs), all of which are becoming increasingly prevalent in modern drug discovery. By combining Mr. Goda's exceptional expertise from 28 years leading analytical operations and quantitative-method development at Daiichi Sankyo Co., Ltd., with our robust drug-discovery support platform, we have fundamentally strengthened our ability to meet increasingly complex analytical needs. From discovery research through clinical trials, we support earlier market introduction of new drugs by providing high-quality, scientifically robust data. We will work to support delivery of innovative treatment options to patients as quickly as possible.

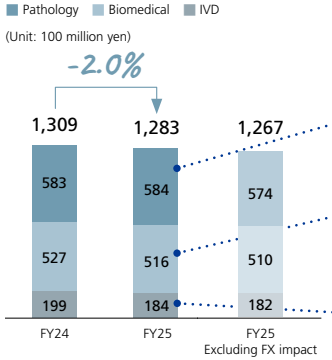
Diagnostics & Life Sciences Domain

In the Diagnostics & Life Sciences domain, we support the advancement and efficiency of diagnostics and life sciences research. We develop, manufacture, sell, and service products including anatomical pathology laboratory solutions, diagnostic reagents and devices, research and medical support equipment. By providing highly accurate and comprehensive solutions that enable precise and rapid diagnosis of diseases such as cancer, as well as products that support advanced life sciences research, we contribute to improving the quality of healthcare.



Fiscal Year 2025 Results

Revenue



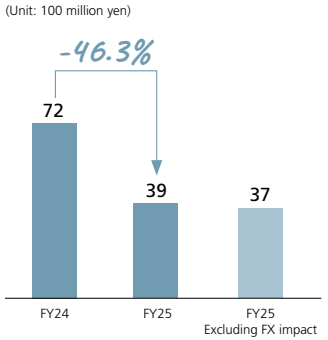
Despite solid performance in Europe and favorable FX, revenue declined mainly due to lower diagnostic reagent sales and continued weakness in equipment demand in the U.S.—despite signs of recovery.

- (+) Strong performance in Europe / Asia
- (+) Effect of pricing revision
- (+) Favorable FX
- (−) Stagnated equipment demand in the U.S.

- (+) Recovery in Europe / Japan
- (+) Acquisition of large pharmaceutical projects in the U.S.
- (+) Favorable FX
- (−) Demand slowdown due to U.S. policy changes

- (−) Decline in reagent revenue
- (−) Decreased sales in motorized digital injectors
- (−) One-time income recorded in FY24

Operating Profit



Operating profit increased significantly in Q4, driven by the effects of price revisions and manufacturing footprint optimization. However, full-year operating profit declined substantially YoY, largely due to lower revenue, tariffs, and corporate function transfer.

- (+) Pricing revision
- (+) Cost reduction initiatives (e.g., supply chain optimization)
- (+) Approx. JPY 500 M in other income from the re-classification of affiliate
- (−) Impact of decreased revenue
- (−) Inventory reduction impact
- (−) Tariff impact of approx. JPY 1.0B
- (−) JPY 1.2B impact from corporate function transfer
- (−) One-time income of JPY 630M recorded in FY24

Operating profit margin: 3.0%

Domain Strategy

Nobuaki Nakamura
Executive Corporate Officer,
Head of Diagnostics & Life Sciences Domain,
PHC Holdings Corporation
President, Representative Director,
PHC Corporation

Bringing Together the Comprehensive Strengths of the Domain to Become a Driving Force of Group Growth

In fiscal year 2025, the Diagnostics & Life Sciences domain experienced a difficult year in terms of business performance, impacted by tariffs in the United States and a slowdown in demand for laboratory equipment. On the other hand, business in Europe performed well, and signs of demand recovery began to emerge in the U.S. in the second half of the year, including continuing acquisition of large-scale orders in the pharmaceutical and biotech sectors throughout the fiscal year. Under these circumstances, we implemented many of the initiatives set forth in the Value Creation Plan 2027. Regarding sales, we integrated sales and customer support of the three businesses within this domain in Japan and restructured organizations to expand sales even further. We also launched numerous collaborative initiatives in Europe and China. In terms of manufacturing, we implemented measures to strengthen cost competitiveness by transferring production in the pathology business from our UK facility to our Indonesia facility. We also expanded use of the pathology facility in China in response to China's policies that prioritize domestic production, thereby steadily advancing optimization across the domain. In the cell and gene therapy (CGT) field, following the launch of the LiCellMo™ live cell metabolic analyzer in fiscal year 2024, we released the LiCellGrow™ cell expansion system in some geographies in fiscal year 2025. We also released an improved version of the PATHFAST™ portable immunoassay analyzer as well as new models of ultra-low temperature freezers and CO_2 incubators.

In fiscal year 2026, we will bring together the comprehensive strengths of this domain to accelerate further growth. First, we established the Life Sciences Business Unit by integrating the Biomedical and IVD Business Units. Through this integration, we will advance optimization and productivity improvements in the sales, manufacturing, and operational functions, strengthening business foundations even further. In addition to continuing domain optimization in both sales and manufacturing, we are also collaborating with the Core Technology Laboratory, which drives technology development throughout the entire Group, to advance the development of new solutions that leverage our core technologies.

Under the Value Creation Plan 2027, this domain is positioned as a driving force of Group growth. We seek to become an innovator in cancer diagnostics that enables more accurate, efficient, and simple diagnosis, and an accelerator of the development of advanced cancer treatments. To achieve this vision, we are steadily strengthening business foundations and advancing R&D as a unified domain. We aim to develop solutions that support faster diagnosis and personalized medicine for cancer, and technology that supports new modalities such as cell and gene therapy, creating new value and contributing to the advancement of healthcare worldwide.

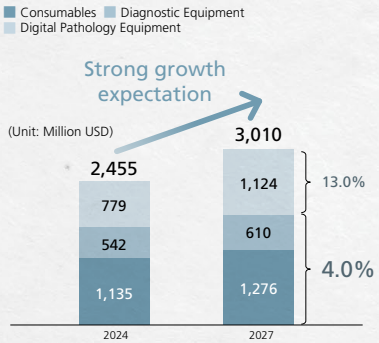
Concentration of Management Resources on Growth and New Business Development

Operating profit margin improvement:
7.1% (Fiscal Years 2024–2027)

Pathology Business

Market Environment & Outlook

Consumables and Pathology Testing Equipment Market Trends



Source: In-house research

Market Environment

- The market for pathology testing solutions is expanding due to the increasing number of cancer cases globally.
- More laboratories are adopting digital pathology to automate workflows, enable remote collaboration, use AI-assisted diagnostics, and improve efficiency.
- Regulatory approvals and government-funded programs are helping to speed up the use of high-throughput digital pathology solutions in the United States, Europe, and China.

Outlook

- The market is expected to continue expanding due to the increasing number of cancer cases and the growing demand for complex pathology testing.
- In addition, due to the demand for workflow efficiency improvements associated with the above, an overall pre-analytical market growth of 4% is expected for equipment and reagents.
- Demand for workflow optimization and high-throughput scanning solutions is increasing as pathology laboratories face both staffing shortages and growing testing volumes.
- Price competition is intensifying due to the rise of low-cost manufacturers.

Key Products & Services

Pathology Consumables

Our business has 85 years of history supplying one of the broadest core consumable portfolios focused on quality and precision for the clinical laboratory.

Pathology Equipment

We support every step in the pathology workflow with a comprehensive portfolio of high quality, precision instruments used in cancer diagnostics around the world.

Digital Pathology

With a comprehensive offering of digital pathology solutions for clinical and research purposes, we lead the way in the modern-day pathology lab, which requires efficiency, accuracy, and high throughput.

Strategy & Target

Strategy

- Focus on tissue processing, digital pathology, and eco-friendly laser marking equipment as growth areas
- Improve quality and strengthen cost competitiveness
- Improve operational efficiency and manufacturing capabilities
- Advance environmentally responsible and sustainable product development

Target (Fiscal Years 2024–2027)

Revenue CAGR: 4.8%

Continue to exceed pre-analytical market growth rate, where we remain the global leader, and begin share expansion in strategic growth areas.

Business Strategy

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

Epredia is a global leader in precision cancer diagnostics, offering integrated solutions for tissue processing, staining, slide printing, consumables, digital pathology, and AI-powered image management. We are expanding our digital pathology offerings to meet the growing need for efficient and accurate cancer diagnostics.

The increasing adoption of digital pathology is transforming laboratory operations by enabling high-resolution whole-slide imaging, remote pathology review, workflow standardization, and AI-assisted analysis. Epredia's E1000 Dx Digital Pathology Solution supports laboratories with high-throughput scanning capabilities of up to 1,500 slides per day, advanced quality control functionality, and interoperability with existing laboratory systems.

Epredia continues to invest in digital pathology solutions including hardware and software, automation, and AI partnerships to strengthen laboratory workflow efficiency and diagnostic confidence. Epredia has strategic collaborations with companies such as 3DHISTECH and Mindpeak that will permit expansion of capabilities in digital imaging, including AI-powered image recognition.

The company is also focused on operational excellence through automation and sample chain of custody, environmentally responsible technologies, and recurring consumables. By combining proprietary technologies with a global commercial network, Epredia aims to strengthen its position as a comprehensive pathology workflow solutions provider and support sustainable long-term growth.

Our Precision Technologies

Epredia E1000 Dx Digital Pathology Solution: Powering the Future of Digital Pathology

The Epredia E1000 Dx Digital Pathology Solution showcases Epredia's expertise in advanced imaging and digital workflow technologies. The platform enables pathology laboratories to convert traditional glass slides into high-quality digital images, helping improve operational efficiency, information sharing, and diagnostic workflows. Epredia's continued commitment to enhancements in automation, image quality, and AI readiness has earned significant industry recognition. Most notably, the E1000 Dx received the 2026 MedTech Breakthrough Award for Best New Diagnostic Technology Solution and top performance recognition in the EMPAIA International Scanner Benchmark, which evaluates digital pathology scanners for image quality, speed, and AI interoperability.

A key component of the E1000 Dx is Epredia's Image Management System (IMS), which provides secure storage, organization, and sharing of digital pathology images across laboratories and healthcare networks. Together, the E1000 Dx and IMS create an integrated digital pathology workflow that allows pathologists to access cases more efficiently, facilitate diagnostic support remotely, and manage growing image volumes with ease. For customers, this translates into improved productivity, greater workflow flexibility, and a future-ready platform that supports the growing adoption of AI-enabled diagnostics and digital healthcare solutions.

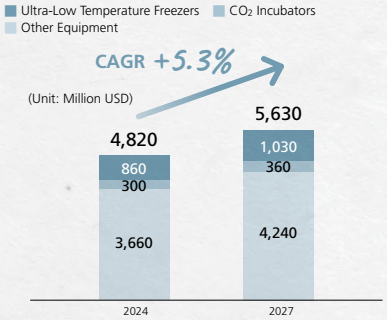
Life Sciences Business Unit (formerly the Biomedical Business Unit)*

PHC

* Effective April 1, 2026, the Biomedical and IVD Business Units were integrated into a single business unit called the Life Sciences Business Unit.
For details, see the PHC Group Organizational Chart.

Market Environment & Outlook

Life Sciences Equipment Market Trends



Source: In-house research

Market Environment

- Despite ongoing economic slowdowns and restrained investment in some regions, signs of recovery are beginning to emerge in key markets.
- Among pharmaceutical companies and CDMOs, demand to replace equipment with energy-efficient models and requests for business partners to address ESG requirements are becoming more evident.

Outlook

- Focused investment continues in advanced therapy technology development and manufacturing processes, including CGT, and market growth is expected to accelerate toward 2027.
- With the expansion of life science research markets using cells, demand for ultra-low temperature freezers, CO_2 incubators, and other laboratory products is expected to grow steadily over the medium to long term.

Key Products & Services

Ultra-Low Temperature Freezers

Research support through temperature stability, energy saving performance, and ease of use essential for specimen storage.

Global market share ranking: 2
Japan market share ranking: 1

Source: In-house research

CO_2 Incubators

Improved cell culture efficiency and reproducibility through proprietary humidification control and contamination prevention functions.

Global market share ranking: 2
Japan market share ranking: 1

Source: In-house research

Cell Expansion System

Culture medium is automatically exchanged based on data from In-Line sensors that monitor metabolic changes in cells. By continuously optimizing the cell-culture environment, the system contributes to improved cell quality, greater efficiency, and lower costs by reducing manufacturing losses.

Strategy & Target

Strategy

- Expand the product lineup and drive sales growth through differentiated technologies, including energy-efficient and environmentally conscious products, and value creation through IoT
- Develop and commercialize CGT products, including the LiCellMo™ Live Cell Metabolic Analyzer and LiCellGrow™ Cell Expansion System

Target (Fiscal Years 2024–2027)

Revenue CAGR: 5.6%

Business Strategy

Chikara Takauo
Corporate Officer,
PHC Holdings Corporation
Representative Director &
Senior Executive Director,
PHC Corporation

As the core products of the Life Sciences Business, ultra-low temperature freezers and CO_2 incubators play a fundamental role in supporting research and development in the life sciences market. Supported by recovering capital investment across regions, we will continue to offer researchers laboratory solutions with the stable quality and performance they need to conduct research with confidence.

The cell and gene therapy (CGT) field, which offers the prospect of curative treatments, is expected to grow rapidly as pharmaceutical companies and CDMOs expand manufacturing investment. We aim to increase market adoption of metabolic analyzers and cell expansion systems that leverage our core technologies and, through collaboration with partner companies, establish our position as a solution provider that contributes to solving challenges in CGT manufacturing processes.

In addition, under the Value Creation Plan 2027, we have designated Diagnostics & Life Sciences as our priority domain. We will contribute to an environment in which more people can access advanced therapies while both strengthening our earnings base and investing in growth.

Building on stable growth in our existing businesses, we will lead the further development of the life sciences market by combining the expansion of solutions in new areas with the provision of added value through IoT technologies.

Our Precision Technologies

Insights From the Head of Development: Precision Core Technologies Built Over Decades

Since joining PHC Group, I have been involved in product and technology development in the Biomedical Business Unit, now part of the Life Sciences Business Unit. From that experience, I have seen firsthand how our precision technologies have evolved. The Biomedical Business Unit entered Japan's life science equipment market in 1966 as a division of a consumer electronics manufacturer. The market was then small and dominated by manufacturers outside Japan. As the domestic market grew, however, the business steadily expanded in Japan and then globally, and today we hold the No. 1 share in Japan and the No. 2 share* worldwide. At first, our product development drew on existing safety-design technologies. Yet the distinctive characteristics of life science equipment presented numerous challenges, which we tackled through trial and error. Working closely with suppliers, we improved components and enhanced quality, while establishing manufacturing processes and inspection systems. Through this work, we built an end-to-end technology platform for laboratory equipment, from product development to commercialization. We also continued to meet the exacting requirements of highly specialized customers with rigorous evaluation standards, including researchers in the pharmaceutical and biotechnology fields. This process refined performance attributes such as accuracy, reproducibility, and reliability. Our dedication to continuous improvement extended beyond product development and design to production engineering and manufacturing processes, which strengthened quality assurance across the business even more. Alongside deepening laboratory freezer and incubator technologies, we have maintained a strong spirit of taking on new fields, broadening our capabilities to create new value. By advancing those existing technologies while also pursuing new ones like live cell metabolic analyzers and cell expansion systems, we remain agile in responding to environmental change and evolving customer needs.

These accumulated precision technologies enable stable data acquisition and high reproducibility in research environments, contributing to the reliability of our customers' research outcomes. Going forward, we will combine the expertise accumulated over decades to continue advancing technologies that support the future of life sciences.

* Source: In-house research

Susumu Kobayashi
General Manager LS Solutions Development Department, PHC Corporation

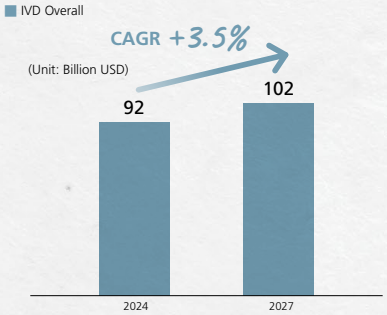
Life Sciences Business Unit (formerly the IVD Business Unit)*

PHC

* Effective April 1, 2026, the Biomedical and IVD Business Units were integrated into the Life Sciences Business Unit. For details, see the PHC Group Organizational Chart.

Market Environment & Outlook

In Vitro Diagnostics (IVD) Market Trends



Source: In-house research

Market Environment

- **IVD**
  The market is expanding as the prevalence and incidence of chronic and infectious diseases continue to rise.
- **Injectors**
  The market is growing due to the increased adoption of biopharmaceuticals.

Outlook

- **IVD**
  Further market expansion is expected, especially in developing countries, as these solutions contribute to early disease detection even in environments with limited medical resources.
- **Injectors**
  The market for motorized digital injector is expected to grow as the use of self-administered injectable drugs continues to increase.

Key Products & Services

Diagnostic Reagents

Extensive development of in vitro diagnostic reagents for measuring blood components, including those used in blood coagulation and fibrinolysis testing.

Diagnostic Equipment

The portable immunoassay analyzer delivers highly sensitive and rapid measurements. Additionally, systems like the fully automated blood coagulation testing system are designed to meet the needs of large medical institutions.

Strategy & Target

Strategy

- Strengthen and accelerate the reagent business
- Leverage our strengths in coagulation and fibrinolysis to expand our presence in the cardiovascular field, particularly in thromboembolism, a high-risk complication associated with cancer and other diseases

Target (Fiscal Years 2024–2027)

Revenue CAGR: 5.9%

Business Strategy

Chikara Takauo
Corporate Officer,
PHC Holdings Corporation
Representative Director &
Senior Executive Director,
PHC Corporation

The In Vitro Diagnostics Division is committed to enhancing the reagent business to accelerate growth.

PATHFAST™, one of our flagship portable immunoassay analyzers, recently marked its 20th anniversary on the market. It has supported rapid testing at medical institutions in Japan and approximately 50 countries and regions across North America, Europe, Asia, the Middle East, and Latin America. An updated model was launched in Japan in March 2026. The redesigned PATHFAST™ features a larger operating screen and an intuitive graphical user interface (GUI), as well as a wide-access door for smooth reagent loading and removal. It also includes a built-in barcode reader and a status indicator light, further improving ease of use. Going forward, we aim to launch the updated PATHFAST™ in the United States, Europe, and other Asian markets.

PHC Group will work to create new value based on our core products, including reagent development technology, biosensing technology, reagents, and point-of-care testing devices.

Our Precision Technologies

Precision Technology Behind the Development of an sCLEC-2 Measurement Reagent

The IVD Business Unit developed reagents for measuring soluble C-type lectin-like receptor 2 (sCLEC-2), a marker of platelet activation, by leveraging the precision technology platform cultivated in the coagulation and fibrinolysis fields.

The precision technologies in our coagulation and fibrinolysis reagents can accurately reproduce blood reactions occurring in the body within a test system, reliably capturing only the targeted substances and minimizing variability in results. For example, in the case of D-dimer*, highly specific antibodies are used to detect only the target substance, while for PT* and APTT*, the reagent composition is adjusted to achieve a stable coagulation reaction. As a result, we achieve highly reproducible measurement performance, enabling reliable testing in clinical settings.

These reagents were jointly developed with the University of Yamanashi and were commercialized as dedicated reagents for the STACIA® fully automated clinical testing system. As a biomarker that reflects platelet activation, sCLEC-2 is expected to be used as a biomarker for early detection and risk evaluation of arterial thrombotic events such as cerebral and myocardial infarction. A key feature of the reagents is that they overcome the blood collection and sample handling constraints associated with conventional markers, enabling simple measurement using standard citrated plasma. They were launched in Japan in March 2025 as reagents for certified laboratory testing, and we are working to obtain approval for their use as in vitro diagnostic products while we accumulate clinical data. By expanding applications beyond arterial thrombosis into a broader range of disease conditions, we seek to further grow our business in the cardiovascular field related to thromboembolism.

* Types of blood coagulation tests

Yuichi Shintani
General Manager, Technology Development Department, Diagnostic Reagents Business Group, Life Sciences Business Unit, PHC Corporation

Anniversary Special Feature

Marking Our 60th and 35th Anniversaries With a Renewed Commitment to Greater Contributions

In 2026, the Biomedical Business of Life Sciences Business Unit and PHC Indonesia celebrated landmark anniversary years.
Over time, we have continuously taken on challenges and made improvements. Here, we present the path we have traveled with determination, along with commemorative events and messages.

Life Sciences BU Marks 60th Anniversary of Biomedical Business: 60 Years of Overcoming Challenges in the Medical and Research Fields

The 60-Year History

Since launching the healthcare industry's first pharmaceutical refrigerator in 1966, PHC Group's biomedical business has continuously taken on challenges and pursued improvements in response to the changing times, expanding its business scope from refrigeration and cold storage equipment, to incubation equipment and other laboratory environment equipment for regenerative medicine.

Era	Main Themes	Main Topics
1960s	First steps into the healthcare field Origins of the biomedical business	1966 Industry's first pharmaceutical refrigerator launched
1970s	Era of field-driven refinement of manufacturing	1973 Japan's first automatic tablet packaging machine launched
		1977 -85°C ultra-low temperature freezer launched
1980s	Era of technological innovation and business expansion	1984 CO_2 incubator launched
		1987 World's first bio clean bench launched
1990s	Era of global expansion toward world standards	1991 Ultra-low temperature freezer that can maintain a temperature of -152°C, the world's lowest, launched
2000s	Growth into a brand that is praised and chosen	2001 World's first CO_2 incubator with UV decontamination function launched
2010s	Brand transition SANYO to Panasonic to PHCbi	2010 Renamed Panasonic Healthcare Co., Ltd.
		2018 Company name changed from Panasonic Healthcare to PHC. Concurrent with this change, the biomedical business brand was changed to PHCbi.
2020s	Full-scale entry into cell and gene therapy (CGT) equipment market	2024 LiCellMo™ live cell metabolic analyzer launched
		2026 LiCellGrow™ automated cell expansion system launched

60th Anniversary Logo and Slogan

We invited employees to submit their ideas for the logo and slogan and selected the final versions from their submissions.

PHCbi 60 YEARS
PRESERVING YESTERDAY, INCUBATING TOMORROW

At the center of PHCbi's journey is a passion that continues to burn. This passion is what drives PHCbi forward and is the driving force behind the development and improvement of its products. This spirit is reflected in the red color included in the "60" of the 60th anniversary logo, along with PHC Group's signature blue.
The slogan is "Preserving Yesterday, Incubating Tomorrow." This slogan embodies the group's determination to preserve the trust that we have built up until now and to incubate the innovations that we will create for future generations.

60th Anniversary Special Website

To mark the 60th anniversary of the foundation of the biomedical business, we have launched a limited-time 60th Anniversary Special Website on PHC Corporation's corporate website. The site features the biomedical business group's history, product lineup, employee interviews, and more. We invite you to take advantage of this opportunity and view the site.

https://www.phchd.com/apac/biomedical/about-phcbi/60th-special

Authorized Agent Conference and Suppliers Meeting Held

At our authorized agent conference held in May 2026, we invited the presidents of approximately 90 authorized agents and presented a retrospective on the past 60 years and our vision for the future. The presentation was met with an enthusiastic response.

We also held a suppliers' meeting in near our manufacturing site in Gunma, Japan, in July 2026. We invited representatives from more than 100 suppliers to this event, where we gave a presentation on the company's 60-year history and conveyed our gratitude for their continued support.

Message

Nobuaki Nakamura
Executive Corporate Officer,
Head of Diagnostics & Life Sciences Domain, PHC Holdings Corporation
President & Representative Director,
PHC Corporation

Chikara Takauo
Corporate Officer, Head of Life Sciences Business Unit, R&D, PHC Holdings Corporation
Representative Director & Senior Executive Director,
PHC Corporation

"We would like to express our deep and heartfelt gratitude to our customers and business partners around the world and to the employees who have worked in manufacturing day after day, for supporting our business.
"Since launching the industry's first pharmaceutical refrigerator in 1966, we have expanded our business domains from research and medical support equipment with a focus on storage and incubation devices to support cell and gene therapy development, while emphasizing a spirit of social contribution.
"In particular, during periods when infectious diseases—including E. coli O157 infections, SARS, and COVID-19—were spreading worldwide, PHCbi refrigerator and freezer products played important roles on the front lines of research and medical care and gave us a renewed appreciation of the significance of our business.
"Even now, after transitioning from Sanyo to Panasonic to the PHC brand, our enduring strength lies in our commitment to consistent quality. By combining quality manufacturing with advancements driven by digital transformation and AI, we continuously refine both our products and experiential value in line with the times.
"Looking ahead to the next 10 to 20 years, I hope to build a company that all of us can be even more proud of. I would like to convey my deep gratitude for your support to date and respectfully ask for your continued support."

35th Anniversary of Founding of PHC Indonesia: A Manufacturing Hub Supporting Global Growth

PHC Indonesia boasts the longest history among the 192 companies (including 123 Japanese-affiliated companies) located in the MM2100 Industrial Town in the Bekasi Regency. In 2026, PHC Indonesia celebrated the noteworthy milestone of its 35th anniversary.

Main Events in PHC Indonesia's 35-Year History

Era	Main Topics
1991	Established as PT Kotobuki Electronics Indonesia (KEI)
1998	Company name changed to PT Matsushita Kotobuki Electronics Indonesia (MKI)
2005	Company name changed to PT Panasonic Shikoku Electronics Indonesia (PSECI)
2011	Company name changed to PT Panasonic Healthcare Indonesia (PHCI)
2018	Company name changed to PT PHC Indonesia (PHCI)

A Scene From the Commemorative Ceremony

A commemorative ceremony marking the 35th anniversary of PHCI's founding was held on May 20, 2026. Participants in the ceremony included not only persons associated with PHC Group, but also the Director for Medical Devices Production and Distribution at the Indonesian Ministry of Health, the CEO and Directors of Gobel Group, the President Director of JETRO Jakarta, and representatives of partner companies.

At the commemorative ceremony, many stakeholders from both within and outside the Group gathered at the venue.

CEO Kyoko Deguchi (far left) and Business Unit Head Takauo (second from left) planting a commemorative tree.

Message

Yuuji Okada
President
PT PHC Indonesia

"PHC Indonesia is the longest-established company in the MM2100 Industrial Town, where we are based. We have been a partner in Indonesia's industrial development for the past 35 years.

At the time of the company's founding, we manufactured audiovisual equipment and grew to become a world-leading manufacturing base for video equipment. In 2011, we made a major transition to the manufacture of medical devices. The transition was by no means easy. We faced many challenges, including transforming our business structure, reorganizing the workforce, and embracing new technologies. At the same time, in alignment with the Indonesian government's "Making Indonesia 4.0" vision, we have placed technology transfer and talent development at the core of our management approach. Today, the employees who work for the company are the embodiment of world-class QCD (quality, cost, delivery), delivering products that fuse manufacturing DNA originating in Japan with Indonesian passion to customers around the world.

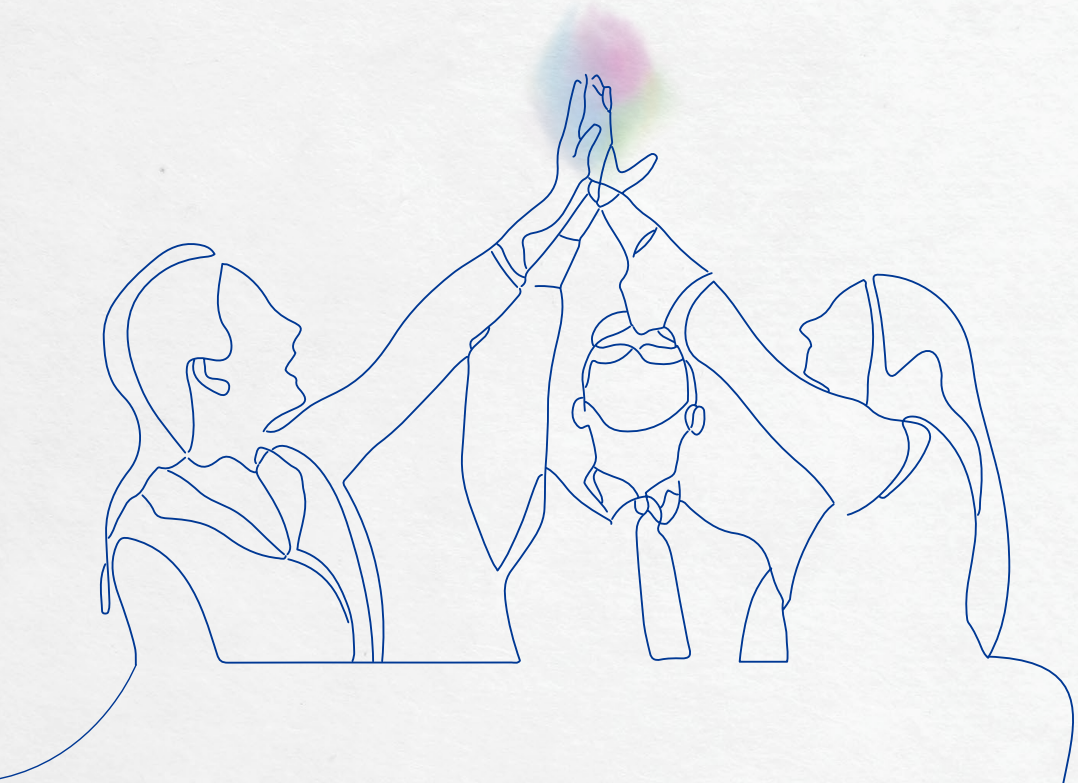
Currently, PHC Indonesia has evolved into a multi-purpose plant producing a wide range of products, with a focus on BGM meters and medical refrigerators, freezers, and incubators for life sciences applications, as well as ventilators and ultrasound diagnostic devices for other companies.

We will remain a company rooted in Indonesia, creating local employment and leading technological innovation while continuing to contribute to Indonesia's economy and society and the health of its people.

This 35th anniversary is only one milestone. Under the "One PHC" banner, I pledge that we will aim even higher and create value from Indonesia that will improve the world.

We look forward to continuing to walk this path together with our partners toward an even brighter future, and we kindly ask for your continued support and guidance."

President Okada delivering a speech at the commemorative ceremony



Chapter 5

Sustainability

Message From Our Officer in Charge of Corporate Strategy & Sustainability

Building Management Foundations to Support the Future of Healthcare

Takahide Watanabe
Corporate Officer,
PHC Holdings Corporation

Building Management Foundations for Sustainable Growth Through Global Business Experience

As the officer in charge of corporate strategy, my role is to drive PHC Group's growth strategies for sustainable improvement of corporate value and support the execution of those strategies. The areas that I am currently responsible for include corporate strategy, sustainability, digital transformation and AI strategy, risk management, voice of the customer (VOC), and information technology (IT). All of these areas are important management foundations directly linked to our corporate value, and I believe that it is important to advance all of them as a single, linked management strategy, rather than approach each individually. As the head of the Corporate Strategy Department since October 2023, I have led the formulation of the Value Creation Plan 2027 in conjunction with the establishment of a new management structure in 2024. Currently, I am working with the CxOs, each business, and Group members around the world to implement that plan.

In my career, including working in the U.S. and collaborating with European and American companies, I have worked to close the gaps between Japanese and global standards and business practices and between customer requirements and internal systems. In working to the technologies, quality, and standards required by global customers into the company and incorporating them into concrete systems, I have learned that simply presenting the correct way of thinking by itself does not lead to organizational change. Rather than looking for reasons why something can't be done, what is important is to think about how it can be achieved and to move forward while involving diverse talent. This attitude remains unchanged in my current role. In our sustainability initiatives as well, we are actively using frameworks and practical knowledge that are more advanced in Europe and other regions while building effective foundations on a global scale.

For PHC Group, ESG is itself a management strategy for achieving improved corporate value. I believe that enhancing the quality of management capital, including people, data, technology, supply chains, and governance, will lead to sustainable business growth and the establishment of competitive advantage. ESG is our "License to Operate" for conducting business in global markets and is a prerequisite for continuing to be chosen by our customers. Europe is an important market that accounts for approximately 30% of PHC Group's revenue, and it is also a strategic region supporting the future growth of our Life Sciences business. Among global pharmaceutical companies, which are key customers for the Group, requirements concerning human rights, climate change, and supply chains are becoming stricter every year, and our ability to respond to those requirements has become a part of our competitiveness. Our ESG strategy is a foundation for business continuity and at the same time is an important driver for acquiring new growth opportunities.

Accelerating Results Through the Collective Strength of the Group

Under the Value Creation Plan 2027, building the foundations for future growth is a priority topic. Regarding sustainability, we disclosed materiality topics in fiscal year 2023 and began full-scale operation of a Group-wide ESG structure in fiscal year 2024. Under the oversight of the Board of Directors, we created a governance structure including a Sustainability Committee, and with strong CEO commitment and appropriate oversight by the Board of Directors functioning in tandem, we are working to increase the speed of decision-making and enhance management transparency. At the same time, we quickly established by the most efficient path, the foundations necessary to respond to global requirements including human rights due diligence, management of supply chain

GHG emissions, supplier due diligence, and information disclosure infrastructure.

These efforts have started to produce results. We introduced a system for managing environmental data and built a structure that can quantitatively ascertain supply chain GHG emissions, waste, water usage, and other data for the entire Group. We have enhanced the Group's cross-functional capability to address ESG issues through global training programs that leverage knowledge from our European sites, the advancement of human rights due diligence, and other initiatives. The results of this work are starting to appear in external evaluations, such as the bronze medal we received from EcoVadis, our improved CDP score, and our inclusion in the MSCI and FTSE ESG indices. These accomplishments are the result of achieving the targets set in the Value Creation Plan 2027 two years ahead of schedule, and I believe that they are important milestones that will lead to the acceleration of growth in the future.

We position the use of digital transformation and AI as an important element supporting the enhancement of corporate value. To raise our ESG and risk management to a higher level, accurate and rapid data acquisition and analysis will be essential. By using digital technologies including AI, we can improve the quality of management decision-making while increasing operational efficiency and achieving new value creation. To do this, it is essential that we do not allow under my responsibility, including corporate strategy, ESG, digital transformation, and AI to function as separate initiatives. Instead, we need to organically link them as a single growth strategy and build an organization that can demonstrate the combined strength of these areas.

Toward Becoming a "Precision Healthcare Solutions Company" That Continues to Be Chosen

PHC Group has set as its vision for 2030 to "be a leader in precision technology that powers the future of healthcare." As I look ahead to 2030, my objective is for the Group to evolve beyond medical device manufacturing to become a "Precision Healthcare Solutions Company" making tangible contributions to society. To achieve this, it is essential that we integrate not only the precision technology capabilities we have cultivated over many years, but also engaged human resources, highly reliable data, resilient supply chains, and a deep understanding of the voice of the customer and compliance. ESG is a natural part of our management strategies and an important element supporting the improvement of our corporate value.

PHC Group is currently formulating our next mid-term management plan. Within this process, we are starting from our management philosophy and incorporating the approach of "double materiality," which takes into account both the impact of social issues on the Group's finances and the impact that our business activities have on society and the environment. We will carefully examine both risks and opportunities and link this to competitive advantage for PHC Group. We can also improve our corporate value by linking our management philosophy, materiality topics, management strategy, while advancing our business strategy, human capital strategy, DX and AI strategy, and sustainability strategy.

We seek to transform changing social issues and customer needs into growth opportunities and to be a company that continues to be chosen by customers and society. By bringing together PHC Group's diverse businesses, human resources, and regional strengths, we will create both social and economic value. Through this challenge, we will realize our 2030 vision and achieve sustainable improvement of corporate value. To this end, I take responsibility for management decision-making and execution, and I will steadily drive our efforts forward.

Sustainability Structure & Governance

In the Value Creation Plan 2027, PHC Group defined the growth areas of our business, clarified the pillars that will drive future business growth, and declared our commitment strengthening our approach to sustainability. Today, the entire Group is working together to drive the role of sustainability as a core component to Group management.

Sustainability Structure & Governance

PHC Group has established a Sustainability Committee, which operates under the oversight of the Board of Directors. The committee, chaired by the President and CEO, who also serves as Representative Director, and comprised of the executive officer responsible for sustainability (vice chair), CxOs, and business unit heads, meets quarterly. Heads of corporate functions at the holding company and sustainability team leaders of each business unit attend as observers, creating a structure that allows insights from the field to be reflected in deliberations.

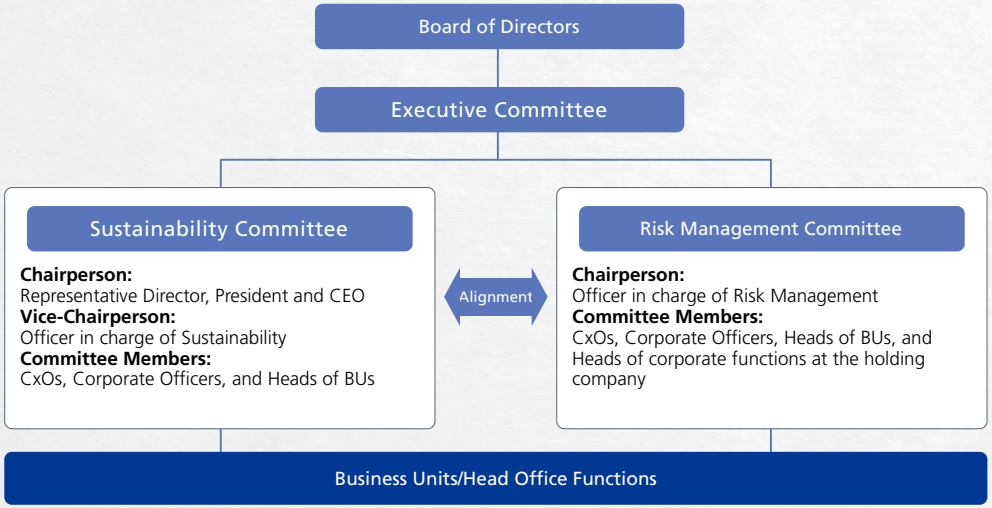
The objectives of the committee are to discuss and examine the Group's overall sustainability-related strategies and measures before Board of Directors and Executive Committee meetings, determine concrete processes and share the latest external knowledge concerning sustainability and ESG so that decisions can be made from a management perspective. Priority areas for the committee include ensuring business continuity and competitiveness, promoting initiatives that will contribute to Group growth, ensuring compliance, enhancing customer responsiveness, and improving ESG evaluations.

The Sustainability Committee is responsible for identifying PHC Group materiality topics, determining the related key performance indicators (KPIs) and targets, evaluating performance, providing improvement instructions, and monitoring. Additionally, the committee oversees group-wide sustainability initiatives, including compliance with new regulations and guidelines, and conducts discussions and deliberations related to sustainability matters and decision-making.

Beginning in fiscal year 2026, the committee established topic-specific subcommittees, including the Environmental Subcommittee and the Human Rights Subcommittee. These subcommittees perform more detailed monitoring of key topics that should be addressed across the Group, promote topic-specific measures, and report the results to the Sustainability Committee.

Decisions made by the Sustainability Committee are directed to the Sustainability Team, which includes representatives from each business unit and corporate function across PHC Group. This team oversees the implementation of initiatives to achieve sustainability targets and advances other sustainability-related activities, forming a group-wide framework for sustainability management. Matters reported, discussed, and deliberated in the Sustainability Committee are submitted and reported to the Executive Committee and the Board of Directors in accordance with internal regulations. Based on these reports, the Board of Directors manages and oversees the appropriateness, effectiveness, and risks of sustainability initiatives. In fiscal year 2025, the committee submitted sustainability reports to the Board three times, and on one such occasion, the Board resolved to approve two agenda items: updating the Group's human rights policy and setting the Group's 2050 net zero greenhouse gas (GHG) emissions target.

Sustainability Management Structure Chart



Overview of Fiscal Year 2025 Sustainability Committee Meetings (4 Meetings in Total)

Date	Agenda
2025 April	• The impact of geopolitics on sustainability and ESG measures and our approach • Fiscal year 2024 sustainability and ESG activity results report • Priority sustainability and ESG issues for the Group (resolution) • Fiscal year 2025 sustainability and ESG strategies and action plan • Report on measures for achieving both greenhouse gas reductions and cost reductions at production sites
2025 July	• Results report on main ESG evaluations • Report on validation of SBT near-term targets • Carbon footprint project kickoff and progress report • Human rights due diligence project kickoff and progress report • 2050 net zero target in the context of climate change (resolution)
2025 October	• Results report on main ESG evaluations • Greenhouse gas calculation results report • Human rights due diligence project progress report • Report on global ESG training and awareness-raising measures • European due diligence regulation project kickoff and progress report
2026 January	• Results report on main ESG evaluations • Carbon footprint project and ACT Ecolabel progress report • Report on global ESG training and awareness-raising measures • Latest trends in sustainability disclosure regulations • Fiscal year 2026 Sustainability Committee and subcommittee structure (resolution)

Sustainability Risk Management

To address sustainability-related risks to PHC Group's business, the Sustainability and Risk Management Departments collaborate closely to conduct risk assessments, taking into account changes in both internal and external environments. Specifically, sustainability-related risks and opportunities are identified, assessed, and managed through the following process.

Identification and assessment

The Sustainability Committee and its subordinate subcommittees periodically identify, review, and assess sustainability-related risks and opportunities based on the Group's management strategies and business environment, taking into account changes in the business environment such as regulatory trends, market conditions, and stakeholder expectations. In performing such assessments, response priorities are set by considering the degree of impact on business and the likelihood of occurrence.

Risk assessment by topic

For topics deemed to be of high importance, the Sustainability Committee conducts risk assessments covering the entire value chain. Regarding climate change, GHG emissions including supply chain emissions are calculated and risks are assessed based on scenario analysis. With regard to human rights, human rights due diligence activities are performed across the Group's value chain. In light of regulatory developments in Europe, PHC Group is progressing its due diligence efforts regarding battery-related products.

Integration with Group-wide risks

The Sustainability Committee evaluates identified risks and corresponding countermeasures and manages them in coordination with the Risk Management Committee. Sustainability-related risks determined to be of high importance Group-wide are managed by integrating them into key risks addressed by the Risk Management Committee. To address key topics including human rights due diligence and responses to European regulations, the Sustainability and Risk Management departments have formed a joint project team to drive an integrated approach from risk identification through the development of countermeasures.

Co-Creation Across Regions: Global ESG Workshop

PHC Group's sustainability initiatives are driven not by the unilateral leadership of its Japan-based holding company, but through collaboration across regions and functions with global members, including those in Europe, a region at the forefront of ESG. In February 2026, members from relevant head office functions and global Group companies gathered, both in person at our Tokyo headquarters and online, for an ESG workshop featuring an external lecturer to discuss the identification and assessment of double materiality.

During the workshop, participants shared information on European ESG disclosure regulations (CSRD and ESRS), trends concerning the Sustainability Standards Board of Japan, how investors view the relationship between sustainability and financial impact, effects of sustainability activities on business, and best practices from other companies. Rather than being bound by conventional methods, the participants discussed and adopted whatever approaches were appropriate at the time, and the PHC Group value of "Respect & Collaboration" was reflected in the implementation of the workshop.

Workshop participants shared challenges with common themes. For instance, successful ESG initiatives depend on collaboration among multiple departments, and the definition, quality, and central management of data are keys to future action. At the same time, participants shared the view that ESG is directly linked to investor trust, business continuity, and the competitiveness required to remain a preferred choice among customers, and that it supports the creation of long-term corporate value. This type of dialogue among internal stakeholders from different regions, businesses, and functions helps to support and shape PHC Group's sustainability strategy. Insights gained through these discussions are also contributing to the Group's assessment of double materiality for the next mid-term management plan.

Materiality Identification Process

Identification of Materiality Topics

In 2023, PHC Group disclosed key issues (materiality topics) that form the foundation of medium- to long-term value creation.

Under the Value Creation Plan 2027, the entire Group is working together to advance our sustainability strategy, using these materiality topics as the starting point while refining and reviewing our measures and KPIs to reflect the rapidly changing business environment and the evolution of our management strategies.

At this time, we are also reviewing these materiality topics with an eye toward our next stage of growth. By seeking to address social issues while achieving business growth, we will continue contributing to the development of a sustainable society and the enhancement of corporate value.

STEP 1

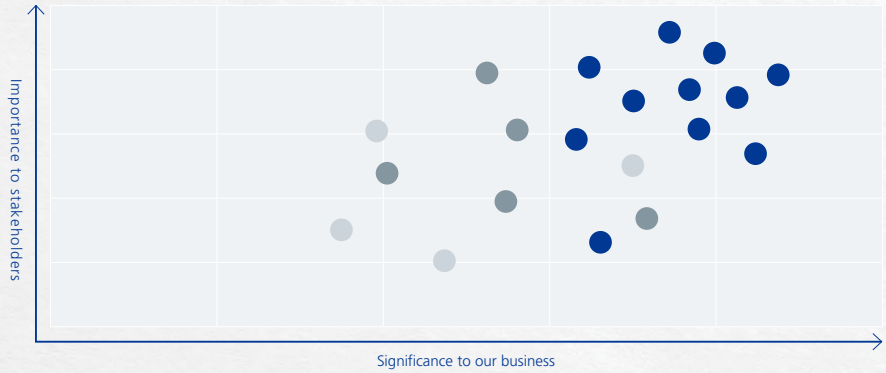
Identification of materiality universe

We developed a comprehensive list of potential ESG issues for the Group to address, based on respected global sustainability standards and indices including the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), UN Sustainable Development Goals (SDGs), and International Organization for Standardization (ISO 26000).

STEP 2

Materiality assessment

We evaluated the list of potential materiality topics based on two factors: importance for society and external stakeholders, and importance for PHC Group to realize our mission and achieve our stated business goals. To weigh these factors, we gathered input from customers, suppliers, business partners, and employees worldwide, ranging from junior staff to senior executives.



We also conducted workshops with each business unit and corporate function and, based on the results of the materiality assessment described above, narrowed down the identified issues and developed a shortlist of key material topics.

STEP 3

Target setting

We established targets to drive initiatives related to the shortlisted material issues. Based on our commitment to fulfilling our responsibilities to society, these targets were developed through repeated discussions with the business divisions and corporate functions responsible for advancing each initiative.

STEP 4

Adoption

The identified material topics and related targets were approved following discussions and deliberations by the Management Committee and the Board of Directors.

Review of Materiality Topics and Our Approach for the Future

These materiality topics remain valid as key management issues for the Group, and we are advancing measures based on individual KPIs and targets. At the same time, we are conducting a review of the materiality topics to ensure that they reflect how the business environment is changing, demands relating to sustainability in the healthcare industry are rising, and sustainability disclosure standards are advancing. In conducting this review, our main focus is on strengthening alignment with management strategies, refining the assessment of financial impacts, and reorganizing the structure of measures and KPIs. We are conducting the review through the following steps:

- Analysis of current conditions: In light of changes in the external environment and stakeholder expectations, we are reassessing materiality topics and examining priorities from the perspectives of the impact on business and finances and the impact of the Group on society and the environment.
- Internal deliberation and approval: Following deliberations by the Sustainability Committee, any updates to our materiality topics will be subject to the Board of Directors for approval.
- Alignment with management strategy: We will formulate our KPI and target framework based on the new or updated materiality topics and ensure alignment with the next Value Creation Plan.

After the review is completed, we plan to disclose our assessment of risks and opportunities associated with each materiality topic, their connection to our business strategies, and specific measures and KPIs.

Materiality KPIs, Targets & Progress

Classification	Materiality	KPI	Targets*1	Fiscal Year 2023 Actual, Progress	Fiscal Year 2024 Actual, Progress	Fiscal Year 2025 Actual, Progress*2
Environment	Climate Change*3	Scope 1 & 2 CO_2 emission reduction	Carbon neutral by 2040 42% reduction (vs. 2023) by 2030	Scope 1: 15,861 tCO_2e (standard value) Scope 2: 35,304 tCO_2 (standard value)	Scope 1 & 2: 50,259 tCO_2e Base year comparison: -1.8%	Disclosure planned for the second half of 2026
		Scope 3 CO_2 emission reduction	25% reduction (vs. 2023) by 2030	Scope 3: 793,687 tCO_2 (standard value)	Scope 3: 804,771 tCO_2e Base year comparison: +1.4%	Disclosure planned for the second half of 2026
	Preservation of Natural Resources	Percentage of reduction of water withdrawal at production sites/ labs on a per revenue basis	15% reduction (vs. 2023) by 2030	1.2 m^3/million JPY (standard value)	1.1 m^3/million JPY; base year comparison: -8%	Disclosure planned for the second half of 2026
		Percentage of reduction of packaging material on a per revenue basis	10% reduction (vs. 2023) by 2030	12.8 kg/million JPY (standard value)	10.4 kg/million JPY base year comparison: -19%	Disclosure planned for the second half of 2026
		Percentage of reduction of waste generated at production sites/ labs on a per revenue basis	20% reduction (vs. 2023) by 2030	17.0 kg/million JPY (standard value)	16.6 kg/million JPY Base year comparison: -2%	Disclosure planned for the second half of 2026
	Circularity	Percentage of total waste recycled at production sites/labs (excluding thermal recycling)	90% by 2030	46%	50%	Disclosure planned for the second half of 2026
		Percentage of recycled content in plastic packaging materials	10% by 2030	0%	2.20%	Disclosure planned for the second half of 2026
Social	Creating Healthcare Innovation that Supports Business Development	Number of new patent applications (including design and utility)	-	155	164	108
		Number of PHC Group registered patents (including design and utility)	-	4,306	4,160	4,162
		Number of new products and services launched	-	93	55	63
	Product Excellence	Number of warning letters issued (e.g., FDA warning letter)	0	0 (achieved)	0 (achieved)	0 (achieved)
		Number of recalls issued	-	2	3	3
	Enhancement of Supply Chain Management	Percentage of response rate to PHC Group supplier survey*4	95%	95% (achieved)	95% (achieved)	97% (achieved)
	People & Culture	Employee Engagement Score: increase from the previous year	1 point+ improvement YoY	62 YoY -1pt	67 YoY +5pt	68 YoY +1pt (achieved) *5
		Enhanced employee learning and skill development	-	PHC Academy Skill Database	PHC Academy (Next Generation) Skill Database	PHC Academy (Next Generation) Group Leadership Training
Governance	Strengthening Corporate Governance	Percentage of nationality diversity of the Board of Directors	-	25.0%	30.0%	18.2%
		Evaluation of the Effectiveness of the Board of Directors	1/year	1 (achieved)	1 (achieved)	1 (achieved)
		Number of meetings with institutional investors and securities analysts	-	95	106	123
	Risk Management	Number of Enterprise Risk Management Committee meetings	2/year	Kick-off held	4 (achieved)	4 (achieved)
		Percentage of employees taking compliance training (e.g., Code of Conduct, insider trading prevention)	100%	100% (achieved)	100% (achieved)	100% (achieved)
	Cybersecurity	Percentage of employees who participate in information security and data protection training	100%	100% (achieved)	100% (achieved)	100% (achieved)
		Percentage of critical IT vendors subjected to cybersecurity reviews*6	100%	100% (achieved)	100% (achieved)	100% (achieved)
		Number of PHC Group Cybersecurity Committee meetings	4+/year	4 (achieved)	4 (achieved)	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 the materiality topics of Climate Change, Preservation of Natural Resources, and Circularity for fiscal year 2025 are currently under calculation. We plan to disclose this information on our website in Q3 2026.
*3 Greenhouse gas (GHG) emissions categories are based on the GHG Protocol as outlined below:
Scope 1: Direct emissions from the company through the combustion of fuel, etc.
Scope 2: Indirect emissions as a byproduct of energy generation such as the above or purchased electricity
Scope 3: Indirect emissions other than under Scope 2 (purchased products or services, transportation, disposal of sold products, etc.)
*4 This covers the major suppliers for materials procurement in each business unit.
*5 Starting from fiscal year 2025, the scope of the survey has been expanded to cover the entire PHC Group. As a result, the value is 64 points.
*6 All vendors were reviewed over a two-year period. From an information security perspective, the fiscal year 2023 review covered entities within the scope of ISMS certification in Japan. From fiscal year 2024 onward, the scope has been expanded to include all of PHC Group.

Main External Evaluations

Participation in Initiatives

Acquisition of near-term science-based target validation from the Science Based Targets initiative, an international climate change initiative

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

PHC Group obtained Near-Term Science-Based Targets validation from the Science Based Targets initiative (SBTi) for our greenhouse gas (GHG) reduction targets for fiscal year 2030.

The SBTi is an international initiative that evaluates and validates science-based GHG emission reduction targets set by companies to meet the Paris Agreement goal of limiting the rise in global temperature to 1.5 degrees Celsius above pre-industrial levels.

https://sciencebasedtargets.org/

Environmental disclosures through CDP

CDP Discloser 2025

PHC Group obtained a "B" rating in the CDP's* 2025 survey. Going forward, we will continue our efforts to improve performance relating to global environmental issues.

* Carbon Disclosure Project: a nongovernmental organization managed by a charitable organization in the UK. Since its founding in 2000, CDP has operated a global disclosure system for investors, companies, countries, regions, and cities to manage climate, forest, and water-related impacts.

https://japan.cdp.net/

External Evaluations

Received Bronze Medal in EcoVadis Sustainability Assessment

BRONZE | Top 35%

ecovadis

Sustainability Rating

DEC 2025

PHC Group received a bronze medal for the first time in the 2025 sustainability assessment conducted by EcoVadis, an international rating organization for sustainability performance.

We achieved improvements in scores from the previous year in all four areas assessed by EcoVadis: Environment, Labor and Human Rights, Ethics, and Sustainable Procurement. As a result, the Group placed in the top 35% of assessed companies worldwide.

https://ecovadis.com/

Selected for Sustainability-Related Indexes

MSCI Japan ESG Select Leaders Index

This comprehensive ESG index, developed by Morgan Stanley Capital International (MSCI), comprises companies with strong ESG performance. PHC Group has been continuously selected for inclusion in the index since 2024.

https://www.msci.com/

Morningstar Gender Diversity Tilt Index (ex-REITs)

This index identifies companies based in Japan that incorporate gender diversity into their workplace culture and provide equal opportunities to employees regardless of gender. PHC Group has continued to be ranked in Group 1, the highest scoring group, since 2025.

https://indexes.morningstar.com/gender-diversity-indexes

FTSE Blossom Japan Sector Relative Index

This index comprises Japanese companies that take environmental, social, and governance considerations into account. PHC Group has been selected as a constituent of the index since June 2026.

https://www.lseg.com/en/ftse-russell/indices/blossom-japan

Environment

PHC Group's global sustainability strategy addresses environmental, social, and governance (ESG) issues. When it comes to the environment, we are focused on three materiality topics—Climate Change, Circularity, and Preservation of Natural Resources—and we address these topics on a Group-wide basis.

Climate Change Initiatives

Governance

PHC Group's climate change governance structures are described in the "Sustainability Management Structure" section of this report (P64).

The Board of Directors manages and monitors the status of climate change-related initiatives including greenhouse gas (GHG) emissions performance and the progress of Science Based Targets (SBT*) based on reports from the Sustainability Committee, which are submitted at least twice annually. In the fiscal year that ended March 2026, the Board approved our 2050 net-zero GHG emissions target by resolution. The Sustainability Committee, which meets quarterly, deliberates progress management for climate change-related initiatives and assesses climate-related risks and opportunities. In addition, the Environmental Subcommittee, established in fiscal year 2026, performs detailed monitoring and promotion of GHG emission reduction measures and reports the results to the Sustainability Committee. Implementation of these measures is led by sustainability departments or sustainability teams within each business unit.

* Our near-term targets have been validated by the Science Based Targets initiative (SBTi). Our other targets, including the 2040 carbon neutral target and the 2050 net-zero target, represent our own commitments and have not been validated by the SBTi.

Risk Management

Risks and opportunities related to climate change are identified and assessed by the sustainability departments of each business unit under the guidance of the Sustainability Committee through scenario analyses conducted every three years and annual inventories of risks and opportunities. Any climate-related risks deemed significant on a company-wide basis are reported to the Sustainability Committee and the Risk Management Committee and are then integrated into the Group-wide risk map. In light of the review of materiality topics that PHC Group will undertake beginning in fiscal year 2026, we intend to further integrate climate change risks into Group-wide risk management and strengthen alignment with our management strategies. Progress against KPIs associated with major climate-related risks is monitored quarterly and reviewed by the Environmental Subcommittee, and countermeasures are revised as necessary.

Strategy

PHC Group conducts scenario analysis based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to better understand the impact of climate change on its business activities, support business sustainability, and contribute to a sustainable society. The most recent analysis was conducted in fiscal year 2025, and, in principle, the analysis is reviewed every three years. In the scenario analysis, we used multiple scenarios that assume different degrees of progression of climate change. The analysis covered the Group's entire value chain and used 2030 (medium term) and 2050 (long term) as the assessment horizons. PHC Group conducted the analysis based on the following two scenarios.

1.5°C Scenario	This scenario assumes a world in which strict decarbonization policies and technological innovation progress to limit the temperature increase to no more than 1.5°C. • SSP1-1.9: In this scenario, climate measures are introduced to limit the temperature rise from the pre-industrial era to 2100 to within 1.5°C and achieve carbon neutrality by 2050 on a foundation of sustainable development. • NZE (Net Zero Emissions by 2050): This scenario seeks to achieve energy-related sustainable development goals while keeping the temperature rise to within 1.5°C.
4°C Scenario	This scenario assumes that climate change measures are insufficient and the temperature rise reaches 4°C. • SSP5-8.5: In this scenario, fossil fuel-dependent economic development continues, no climate measures are introduced, and the temperature rises at least 4°C by 2100. • STEPS (Stated Policies Scenario): A scenario based on policy commitments announced by countries through 2021 in which emissions from energy sources decline somewhat, while industrial emissions increase and overall emissions remain at roughly current levels.

Definitions of Timing of Occurrence

- Short-term: 1–2 years (annual business plan cycle)
- Medium-term: 3–5 years (period covered by the Value Creation Plan; roughly corresponds to SBTi near-term targets)
- Long-term: 6 years or more (for the 2040 carbon neutrality goal and 2050 net-zero goal)

Definitions of Financial Impact

- Impact – Large: A level potentially requiring significant additional investment
- Impact – Medium: A level manageable within the scope of existing responses but requiring continued monitoring
- Impact – Small: A level with limited impact on business

Transition risks		Timing of occurrence	1.5°C	4°C	Response measures
Policies & regulations	Higher manufacturing costs due to carbon taxes	Medium-term	Large	Small	Implementation of roadmap to achieve SBTi targets (promote Scope 1 & 2 reduction measures, introduce renewable energy, prioritize energy-saving investment, and ascertain emissions and cost impacts for each site)
	Higher capital investment costs due to initiatives to address decarbonization measures (such as developing energy-saving products)	Medium-term	Large	Small	
Technology	Higher R&D and capital investment costs to introduce new technologies	Medium to long term	Medium	Small	Determine LCA (CFP) and GHG data for individual products and develop energy-saving products
Markets	Reduced sales of the Group's products if decarbonization transition is delayed	Short to medium term	Medium	Small	Establish structures to respond to customer requests for GHG, human rights, and environmental data and strengthen collaboration with sales departments
Reputation	Harm to reputation among customers and investors due to inadequate climate change initiatives	Short to medium term	Large	Small	Advance information disclosures, manage progress after acquisition of SBTi certification, continue improvement actions based on external evaluation results

Physical risks		Timing of occurrence	1.5°C	4°C	Response measures
Chronic	Reduced productivity in conjunction with deterioration of working environments due to more high-temperature days	Short to medium term	Small	Large	Implement occupational health and safety measures, improve air conditioning and working environments, reinforce BCP
Acute	Changes in raw material procurement sources and higher costs in conjunction with suspension of production at plants and supply chain disruptions due to natural disasters	Medium to long term	Medium	Large	Strengthen supply chain management, reinforce BCP
	Suspension of raw material supplies from affected locations and suspension of operations at the Group's plants due to heightened risks of infectious disease outbreaks caused by high temperatures	Medium to long term	Small	Large	Reinforce BCP including pandemic responses, establish structures for business continuity including at-home and remote work

Opportunities		Timing of occurrence	1.5°C	4°C	Response measures
Products & Services	Increased sales due to higher demand for the Group's environmentally-conscious products	Medium to long term	Medium	Small	Organize energy-saving performance and reduced environmental impact as product value, reflect this in explanatory materials for customers, prepare environmental data for individual products, acquire external certification
Markets	Increased opportunities for our products to be selected by customers, mainly in Europe and the U.S., as our environmental responses are recognized	Short to medium term	Medium	Small	Continuously improve ESG evaluations and disclosures, strengthen ability to respond to customer environmental requirements, and highlight environmental value through collaboration with sales departments
Resource efficiency	Reduced costs due to energy-saving, waste reduction, and improved resource efficiency	Short to medium term	Medium	Small	Promote energy-saving measures at each site, advance energy management, promote measures to reduce waste
Resiliency	Maintain and increase sales volumes through reinforced resiliency	Medium to long term	Medium	Medium	Reinforce BCP, evaluate and respond to risks at key sites and in supply chains
Reputation and capital markets	Increased trust from investors and customers due to climate change responses and high-level ESG disclosures	Short to medium term	Medium	Medium	Continuously disclose SBT progress, strengthen responses to ESG evaluation organizations, enhance investor engagement

Through our businesses in the Healthcare Solutions and Diagnostics & Life Sciences Domains, PHC Group recognizes that opportunities associated with climate change may contribute to business growth from the following perspectives:

- Strengthened competitiveness of environmentally-conscious products: Highly energy-efficient medical devices and analytical instruments are becoming increasingly important selection criteria for customers, particularly in European markets where environmental regulations are stringent, and are serving as a source of product differentiation.
- Improved operational efficiency: Investment in energy savings and advancement of energy management contribute not only to GHG reductions but also to bolstering cost competitiveness.

PHC Group seeks to appropriately manage risks and opportunities related to climate change and ensure the sustainability of our businesses over the medium to long term. We also promote initiatives toward the realization of a sustainable society. Based on a materiality review that has been underway since fiscal year 2026, we will refine the assumptions used in scenario analysis and financial impact assessments, integrate climate change risks into our Group-wide risk management framework, and strengthen alignment with management strategies. We will also work to monitor climate-related measures and improve the effectiveness of countermeasures through the Environmental Subcommittee, which we established in fiscal year 2026.

Metrics and Targets

PHC Group sets medium- and long-term targets as responses to climate change and is working to reduce GHG emissions.

Target Year	Details
2030	Reduce Scope 1 & 2 emissions by 42% and Scope 3 emissions by 25%, compared to fiscal year 2023
2040	Achieve carbon neutrality for Scope 1 & 2
2050	Maintain carbon neutrality for Scope 1 & 2 and achieve net-zero emissions for Scope 3

In June 2025, our 2030 targets were certified by the Science Based Targets initiative (SBTi) as Near-Term science-based targets aligned with the 1.5°C pathway. We also acquired third-party assurance for Scope 1, 2, and 3 emissions performance data in the base year (fiscal year 2023) and fiscal year 2024.

Actual GHG emissions and progress toward the targets are presented in the "Materiality KPIs, Targets and Progress" section (page 67). It should be noted that Scope 3 emissions in fiscal year 2024 increased by 1.4% compared to the base year, primarily due to an increase in emissions related to purchased goods and services (Category 1). We will seek to improve calculation accuracy and supplier engagement in stages, with a focus on those categories with the highest emissions. Please refer to our website for detailed data, including a breakdown of Scope 3 emissions by category and the third-party assurance statement.

https://www.phchd.com/global/sustainability/environment/environmental_data

Creating Environmental Value Throughout the Product Lifecycle

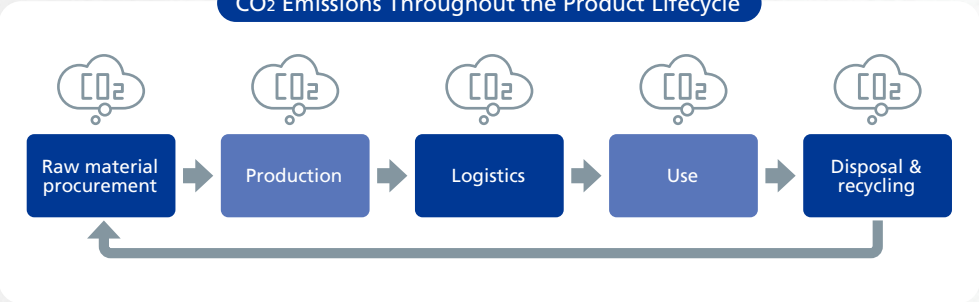
—Enhancing Competitiveness Through CFP Calculation and ACT Ecolabel Certification—

PHC Group is working to visualize environmental impact at the product level and acquire external certification of our efforts to address climate change and achieve sustainable growth. In the Life Sciences business, we have integrated processes from calculating carbon footprint (CFP) to earning the ACT Ecolabel, strengthening our ability to respond to customer requirements and increase product value. Customers and society as a whole are increasingly demanding not only performance on the individual product level, but also that we quantify and reduce environmental impact throughout the entire product lifecycle, from raw material procurement to disposal and recycling. In the pharmaceutical and research fields in particular, there is a growing need to visualize Scope 3 emissions, and ensuring transparency including in supply chains has become a source of competitiveness.

CFP Project — Building a Data Infrastructure Through a Site-Led Approach —

This project goes beyond simply calculating emissions. By visualizing emission sources across each stage, from raw material procurement and production to logistics, use, disposal, and recycling, and identifying reduction opportunities. This has enabled design-led improvements that incorporate environmental impact reduction considerations from the product design stage.

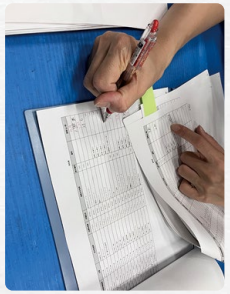
CO_2 Emissions Throughout the Product Lifecycle



In addition, rather than ending as a formal calculation process, this project was driven as a site-led initiative by going back to the level of the components that make up each product.

- The weight of approximately 800 components was individually measured to obtain primary data.
- Each component was linked to an emissions factor (IDEA code) to calculate GHG emissions.
- Multiple departments, including R&D, Manufacturing, Procurement, Logistics, General Affairs, and Planning collaborated to ensure data accuracy.

When ascertaining detailed data on the component level, numerous innovations were needed to organize and closely examine non-standardized information. Through this process, we created data infrastructure that can be used across the Group and established a framework that enables smooth deployment across other products.



For situations that cannot be quantified through drawings and existing data alone, we performed CFP calculations by measuring and verifying data on-site in collaboration with many departments across the organization. On-site measurement and verification closed the gap between theoretical and actual values, contributing to improved data accuracy that more closely reflects actual on-site conditions. With the participation of on-site departments, concrete improvement initiatives aimed at achieving both environmental sustainability and productivity are also progressing.

ACT Ecolabel Certification — Making Value Visible Through Third-Party Evaluation —

Using the data obtained through the CFP calculation as a base, we acquired the My Green Lab ACT Ecolabel, an international certification that evaluates the environmental performance of laboratory equipment, for 27 models of our ultra-low temperature freezers.

This certification comprehensively evaluates a product's energy usage, materials, and disposability, as well as environmental initiatives at manufacturing sites and the company. Its importance has increased in recent years as a part of the procurement requirements of pharmaceutical companies.

ACT Ecolabel is an internationally recognized indicator that evaluates environmental impacts from multiple perspectives throughout a product's lifecycle and enhances transparency and credibility for customers through objective third-party assessment. We created a system for quantitatively demonstrating our environmental performance by responding to this evaluation process based on our CFP data.

Ultra-Low Temperature Freezer
MDF-DU703VH-PA/PE

my green lab.
ACT Ecolabel

My Green Lab, Inc. owns and manages the ACT registered trademark. See the ACT official website for details.

https://act.mygreenlab.org

Through these initiatives, we are visualizing previously unseen environmental value in the form of quantitative data, enhancing our ability to respond to customer procurement standards and ESG evaluations. In the European and U.S. markets in particular, cases are increasing where environmental performance is a condition for bidding or has a direct impact on purchasing decisions, and these initiatives are contributing to the expansion of business opportunities.

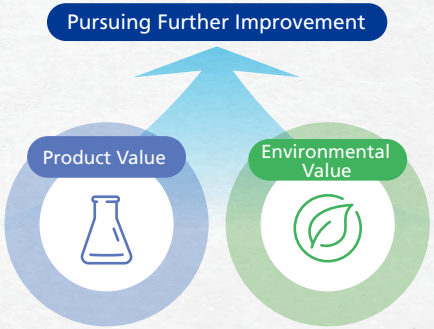
Future Developments

These initiatives are creating the credibility of the following value:

- Responding to the Scope 3 emissions reduction needs of pharmaceutical companies and research institutions
- Expanding opportunities for our products to be adopted as a result of complying with sustainable procurement standards
- Enhancing the credibility of ESG disclosures and evaluations (CDP and others)
- Enhancing differentiation as high-value-added products and price competitiveness

Going forward, we will expand the scope of covered products, including CO_2 incubators, and roll out these initiatives across the Group. We will also leverage CFP data to improve products and enhance ACT Ecolabel scores, with the aim of further enhancement of both product value and environmental value.

Furthermore, we will use these data to enable inter-product comparisons and improvement simulations with the aim of establishing a continuous environmental performance improvement cycle. In the future, with a circular economy perspective, we will accelerate value creation throughout the entire product lifecycle.



Comment From the Project Leader

Through this initiative, we built a foundation for understanding and improving emissions throughout the product lifecycle across departments, including R&D, Procurement, and Manufacturing. With the results achieved through this cooperation as our starting point, we will embed environmental considerations even more deeply into our product design and business activities in the future and seek to help create a circular economy by incorporating the principle of resource circulation. We will continue our efforts to transform environmental value into new competitiveness to remain a company that is trusted by customers and society.

Koji Ushikubo,
ESG Leader, Life Sciences Business Unit, PHC Corporation

Social

Occupational Health and Safety Initiatives

PHC Group is committed to continuous improvement to provide all employees with a safe and healthy work environment that enables them to perform at their best. We view occupational health and safety as both a corporate responsibility and a foundation of sustainable management, and we are dedicated to maintaining rigorous health and safety management practices. We regularly conduct health and safety risk assessments for employees at all locations, particularly at our manufacturing sites and laboratories, and take appropriate actions based on the findings. Additionally, we carry out regular safety inspections of workplace environments and safety audits or inspections of workplace equipment. These efforts enable us to detect any potential risks to employees early and implement effective countermeasures.

Health and Safety Management Systems in Japan

At our major Group companies in Japan, we regularly conduct health and safety risk assessments for employees and formulate action plans to prepare for potential emergencies. We provide all employees with education and training on potential health and safety risks as well as proper work practices. Additionally, we have established grievance procedures to allow employees to report any potential occupational health or safety concerns.

In addition to conducting equipment safety inspections and providing periodic health checkups for employees in Japan, we are advancing a wide range of initiatives to prevent repetitive strain injuries (RSIs), address stress and mental health concerns, and limit exposure to potentially hazardous substances and noise. In addition, we have implemented measures to ensure the health and safety of part-time employees and contract workers working on our premises. Through these initiatives, PHC Group seeks to provide a healthy and safe working environment for all employees.

Health and Safety Governance at PHC Corporation

PHC Corporation conducts annual health and safety risk assessments. In fiscal year 2025, we identified 13,603 potential risk items through our risk assessment process and have put in place occupational accident prevention measures tailored to each risk. In addition, the business conducts checks on compliance with health and safety-related laws and regulations twice a year and internal audits once a year, and works to improve the operational status of health and safety management systems and on-site accident prevention measures. The Health and Safety Committee shares information internally—including the results of stress checks, and facilitates exchange of views between workers and management, striving to ensure that the business's initiatives reflect the voices of its employees. At the same time, PHC Corporation strives to raise safety awareness among employees through initiatives such as workplace exercises, regular workplace inspections by occupational health experts and health supervisors, activities to improve hazard awareness, and safety education. As a result of these ongoing efforts, PHC Corporation's lost-time injury frequency rate in fiscal year 2025 was below the industry average.

PHC Corporation has been recognized for eight consecutive years under Japan's Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category), which honors companies that demonstrate excellent health management.

People & Culture

Vision

We believe that the physical and mental health and safety of our employees provide the foundation for individual growth, and that the growth of each employee is the driving force behind PHC Group's success. PHC Group complies with applicable laws and regulations and treats every individual with fairness, equality, and respect.

For more details about the PHC Group Human Capital Strategy, please refer to Chapter 3, Corporate Strategy, Message from CHRO.

Securing Talent and Energizing Our Team

Ensuring Broad-Based and Equitable Recruitment

PHC Group conducts fair and broad-based recruitment and fosters an environment in which people with diverse backgrounds and experiences can thrive. In fiscal year 2025, the gender ratio for new graduate recruits in Japan was balanced at 46% men and 54% women. In Japan, we also maintained a 50:50 ratio between new graduates and mid-career hires to help ensure a well-balanced mix of experiences and backgrounds. Through these efforts, we seek to build an organization with diverse perspectives to support growth.

Recruitment at PHC Holdings and PHC Corporation (Japan)

Type	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
Number of permanent hires	157	76	59
Number of mid-career hires	142	45	32
Percentage of mid-career hires	90.40%	59.20%	54.24%

Employee Engagement Surveys

Every year, PHC Group conducts an engagement survey for all employees. In fiscal year 2025, approximately 10,793 employees were invited to participate in the survey, representing a response rate of 87%. Our overall engagement score was 64 out of 100 (68 out of 100 for the same survey population as in fiscal year 2024).

	Fiscal Year 2024	Fiscal Year 2025
Participants	6,335	8,647
Response rate	88%	87%
Overall Group score	67	64 (-3pt) 68 (+1pt)*
Engagement (How much would you recommend your company to someone outside the company?)	65	61 (-4pt) 67 (+2pt)*
Satisfaction (How satisfied overall are you with working at your company?)	73	66 (-7pt) 70 (-3pt)*

* Score excluding LSI Medience and Mediford, which were newly included in the survey scope in fiscal year 2025.

Commitment to Product Safety, Quality and Compliance

At PHC Group, we prioritize protecting the safety and health of people above all else. Our concept of "quality" encompasses the passion and effort of everyone involved in developing and delivering our precision healthcare solutions, culminating in products and services that are safe, reliable, and trusted by our customers. We believe that this embodiment of quality is what sustains our corporate trust and growth. Based on this principle, we have built a rigorous system of safety and quality management aligned with global standards. Our approach to quality assurance spans the entire product lifecycle—from product risk management in the planning phase to regulatory compliance and supplier management. We continuously implement companywide, cross-divisional quality assurance activities and operate a company-wide quality management system (QMS) designed to ensure ongoing quality control. We are focused on the following three priority areas to fulfill our social responsibility through quality and to enhance trust across PHC Group.

Creating Customer-Oriented Products and Services

At PHC Group, guided by the belief that quality should exceed customer expectations, we implement ongoing customer-centric improvement activities, from the planning and design of products and services to sales and support.
We have established a company-wide system for sharing and applying feedback gathered from the voice of customers (VOC), ensuring that this feedback is reflected in our products and services.
We will continue this approach of advancing quality together with our customers, seeking to achieve an even higher level of trust and social responsibility as a company.

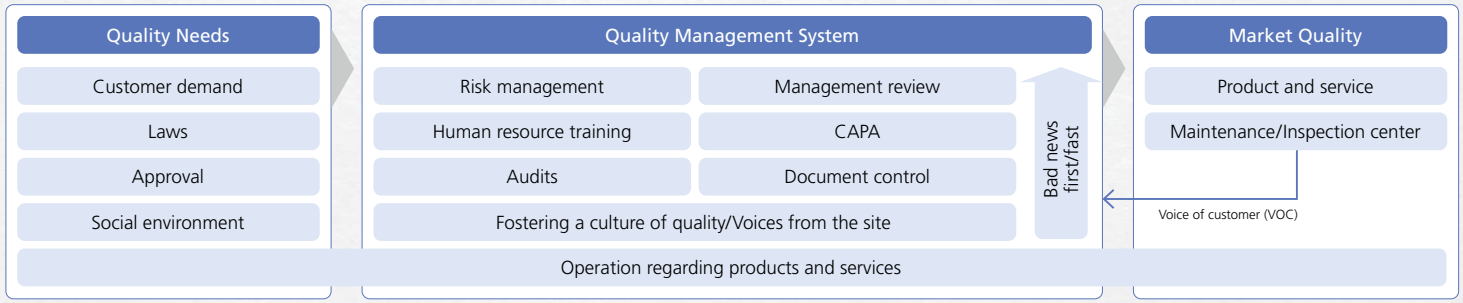
Safety-First Mindset and Action

At PHC Group, "safety first" is the foundational approach to all our quality-related activities. We are committed to fostering a corporate culture in which every employee thinks and acts with safety as their starting point. Through quality review meetings and education programs, we work to entrench awareness and behavior, and from the early stages of product development we implement rigorous risk management to prevent safety risks from manifesting and to ensure quality is built in at the design stage. In the event of any serious safety incident, we are prepared to respond by sharing information quickly and taking corrective actions. We also focus on analyzing root causes of any potential safety issues and preventing recurrence by applying corrective and preventive action (CAPA). Through these activities, we have established a culture of quality where we continually seek to earn the trust of society and our customers.

Promoting Quality Management Systems

At PHC Group, we apply quality management systems (QMS) based on international standards such as ISO 9001 and ISO 13485 in each of our businesses. In addition to complying with legal regulations and country-specific certification requirements, we have established frameworks for continuous quality improvement and enhanced customer satisfaction. Through mechanisms such as internal audits, corrective and preventive action (CAPA), education and training, and competency management, we ensure the reliable execution of business processes and the implementation of improvement cycles. Looking ahead, we will continue to strengthen our quality assurance systems with a focus on trust and transparency, guided by our shared Group-wide focus on quality.

Management Process that Bridges Societal Needs and Market Quality



Supply Chain Management

Vision

PHC Group aims to support corporate social responsibility in our supply chain by working with our suppliers to advance our policy of being a "partner in creating products and services that deliver value to our customers."

Initiatives

PHC Group Third Party Code of Conduct

PHC Group has established and published the PHC Group Third Party Code of Conduct on our website. This Code sets out expectations in key areas including labor and human rights, occupational health and safety, environmental responsibility, ethics, and management systems, in alignment with internationally recognized standards. It also incorporates considerations such as patient safety and access to information. Through this Code, PHC Group continues to engage in ongoing dialogue and collaboration with its third-party partners to build a more responsible and sustainable value chain.

*Note: The PHC Group Third-Party Code of Conduct is an enhanced version of the CSR Procurement Guidelines previously in operation.

PHC Group Third Party Code of Conduct
https://www.phchd.com/global/~/Media/phchd_g/sustainability/pdf/PHC_CSR_Procurement_Guideline.pdf

Supply Chain Management

PHC Group conducted a supplier survey (self-assessment questionnaire based on CSR Procurement Guidelines*) with our major business partners, and in fiscal 2025, achieved a response rate of over 97%. The contents of the survey are reviewed every year and updated as appropriate. Additionally, as part of our environmental audits, our technical and quality management departments collaborated to formulate a supplier checklist for auditing management systems for chemical substances contained in products. Based on this, PHC Group checks supplier responses for the parts each supplier provides, informs suppliers about any relevant social and environmental issues regarding those parts, and monitors supplier changes. Additionally, we are implementing internal procurement initiatives to seek cost optimization and reduction of environmental impact, as part of our efforts to be a sustainable business.

Initiatives to Increase Transparency and Efficiency of the Procurement Process

PHC Group prioritizes the transparency and efficiency of our procurement process, increasing group-wide understanding of our overall supply chain. Specifically, we promote transparency of expenditures by category and lead workshops that bring together the procurement departments of business divisions to maximize synergistic effects in the procurement of direct and indirect materials across PHC Group. Through these efforts, we seek to reduce supply risks while working to optimize costs and promote sustainable procurement activities.

Moreover, we are constantly aware of the effects on procurement demanded by ESG management and compliance with the laws and regulations of each country, and we engage in strengthening the resilience of procurement activities in PHC Group with the goal of increasing the sophistication of our procurement organization and digitalizing operations.

We will continue to develop our sustainable supply chains through collaboration with suppliers and standardization of procurement processes. These activities will contribute to the stability of business overall in PHC Group and improving our business competitiveness.

Human Rights

PHC Group provides products and services in precision technology for healthcare, guided by 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." As a corporate Group, we consider it a vital responsibility to respect the human rights of all stakeholders involved in our business activities. We are committed to contributing to a more sustainable and equitable society.

Basic Approach

PHC Group's fundamental approach is to support and respect internationally recognized human rights norms, including the International Bill of Human Rights, the ILO Core Labour Standards, the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, and the OECD Due Diligence Guidance. In 2025, we revised our Human Rights Policy in conjunction with the launch of our Human Rights Due Diligence Project, with advice from external experts and approval from the Board of Directors. The following points were revised and added:

- Reaffirmation and clarification of our support for international standards
- Clarification of human rights due diligence initiatives
- Express statement of our expectation for business partners across the value chain to respect human rights

This policy applies to the entire PHC Group, and we expect suppliers and other business partners to comply with the policy and cooperate in its implementation.

Human Rights Policy
https://www.phchd.com/global/sustainability/social/humanrights

PHC Group Code of Conduct
https://www.phchd.com/global/sustainability/governance/code-of-conduct

Human Rights Due Diligence

In fiscal year 2025, PHC Group conducted an initial assessment of human rights risks across our entire value chain, making reference to the UNGPs and OECD Due Diligence Guidance. Specifically, we identified and evaluated potential human rights risks by combining the following three approaches:

- Questionnaire targeting internal stakeholders (departments involved in personnel, procurement, human rights, risk management, and other matters)
- Interviews of outside experts (including ESG risk evaluation companies and an NGO in the medical device field)
- Analysis of public and media information

Based on these results, we evaluated the locations where human rights risks are most likely to occur within the value chain and the severity (high, medium, or low) and created a human rights risk map. Through this assessment, we structurally organized an overall picture of the Group's human rights risks. We confirmed that these risks are most likely to materialize in the following areas:

- Risks relating to the upstream value chain (procurement and raw materials)
- Risks relating to stakeholders unique to healthcare companies such as patients and clinical trial participants

Based on this, we identified key topics that we should address as a Group in the future.

Key Topics to be Addressed

Action Area	Main Stakeholders Involved	Main Risk Categories
Sanitation at manufacturing sites, local residents	Factory workers, local residents	Health and safety, land rights, water pollution
Customers, clinical trial participants	Patients, clinical trial participants	Safety, privacy, informed consent
Procurement of high-risk materials	Mine workers and local residents	forced labor and conflict minerals
Foreign workers	Technical intern trainees, foreign workers	Labor conditions, wages, safety
Warehouse and logistics workers	Warehouse workers, delivery personnel	Working hours, labor management, wages

Starting in fiscal year 2026, we are implementing risk screenings, self-assessment questionnaires (SAQs), monitoring of high-risk areas, and preparation of human rights due diligence operational manuals for Group companies and business partners, in stages, centered on these topics. In parallel, we published a Third-party Code of Conduct to clarify our expectations toward business partners in fiscal year 2026.

Remediation and Redress

PHC Group operates the PHC Group Compliance Helpline to enable employees to report any compliance-related concerns, including human rights issues. In addition to supervisors, the Human Resources department, the Legal and Compliance department, PHC Group CEO and Corporate Officers, and members of Audit and Supervisory Board, we have established external reporting channels that allow for anonymity and protection of whistleblowers.

<Channels for reporting and consultation>

- Immediate supervisor
- Nearby workplace manager
- Human Resources department
- Legal and Compliance department
- PHC Group CEO and Corporate Officers
- PHC Group Audit and Supervisory Board members
- Compliance Helplines

https://www.phchd.com/global/sustainability/governance/helpline

Future Initiatives

Human rights initiatives are never completed. As an enterprise involved in global healthcare, PHC Group will fulfill our responsibilities regarding human health and dignity and make ongoing improvements while continuing dialogue with stakeholders.

Contributing to Society through Our Products

PHC Biomedical Business Group Provides Products for Official Development Assistance (ODA)

Since entering the global market for laboratory equipment in 1980, the Biomedical Business Group has supplied products for Official Development Assistance (ODA) and United Nations projects in more than 50 countries worldwide. Our freezers and refrigerators are used not only in the healthcare field, but also in international projects related to education, agriculture, fisheries, and the environment.

In addition to our contributions to regional healthcare, PHC Group believes that its social mission is to make a sustained contribution to improve the health of society by providing essential equipment for the development of new therapies and pharmaceuticals around the world. By providing products that can be used with confidence even in developing countries, we are helping to improve medical and research infrastructure and the quality of life of communities around the world.

Examples of Product Supply Projects

Epidemiological Research on Viral Zoonotic Diseases in Sub-Saharan Africa

Photo courtesy of Hokkaido University

Building capacity for sustainable infectious disease response in Zambia and the Democratic Republic of the Congo by enhancing diagnostic and research capacities at core infectious disease institutions and supporting human resource development.

- Ultra-low temperature freezers, CO_2 incubators, biomedical freezers, pharmaceutical refrigerators, Blood Bank Refrigerators

Construction of the Royal Centre for Infectious Diseases in Bhutan

Photo courtesy of Marubeni Protechs Corporation

Project to strengthen infectious disease control in Bhutan and build a sustainable disease response system through provision of medical equipment to the Royal Centre for Infectious Diseases

- Ultra-low temperature freezers, CO_2 incubators, biomedical freezers, pharmaceutical refrigerators

Restoration of Mongolian Grasslands through Nomadic Traditional Knowledge

Project to select useful grassland plants based on the knowledge of nomadic communities and scientifically verified through component and genetic analysis, while efforts to restore degraded grassland ecosystems and the maintenance of livestock health.

- Growth chambers, ultra-low temperature freezers, biomedical freezers, CO_2 incubators

Forest Preservation in Bolivia

Support to identify current forest resource conditions and formulate management plans, contributing to sustainable forest management and promoting climate change countermeasures in the forestry field through greenhouse gas emissions reductions

- Biomedical freezers

Construction Project for the Advanced Research Center for Infectious Diseases at the Noguchi Memorial Institute for Medical Research

Construction of a new Advanced Research Center for Infectious Diseases and provision of equipment to advance its functions as a research, testing, and educational institution, thereby strengthening infectious disease response capabilities across West Africa.

Photo courtesy of JICA (photo by Akio Iizuka)

- Heated incubators, pharmaceutical refrigerators, and other equipment

Procurement of Education and Research Equipment for Egypt-Japan University of Science and Technology (E-JUST)

Support for the provision of educational and research equipment in the field of engineering, promoting practical education based on experiments, hands-on training, and local talent who can contribute to the industrial and social development of Egypt

Photo courtesy of JICA

- Biomedical freezers

https://www.phchd.com/jp/biomedical/about-phcbi/oda (in Japanese only)

Employee Voices

In international cooperation projects, including ODA initiatives, it is important not only to respond accurately to local needs, but also to foster the self-reliance of local talent and ensure sustainability and effectiveness from a long-term maintenance and operational perspective. When I served as a member of the Japan Overseas Cooperation Volunteers, there were many situations where I benefited from medical equipment provided through such assistance amid limited resources, and I came to truly appreciate how much local communities are grateful for Japan's support. From this experience, I truly hope that our company's products will meet the needs of developing countries and can be used effectively and continuously in international cooperation. I believe that each of our efforts, accumulated one by one, can ultimately lead to the realization of a sustainable society.

Nachiko McIlroy

Marketing Division, Biomedical Business Group, Life Sciences Business Unit PHC Corporation

Tackling Zoonotic Diseases in Africa

More Than 40 Years of Collaboration Between Hokkaido University's International Institute for Zoonosis Control and the University of Zambia of Veterinary Medicine to Address a Global Challenge

Viral zoonotic diseases, including Ebola hemorrhagic fever and avian influenza, infect both animals and humans and pose serious health risks worldwide. In particular, the major Ebola outbreaks that occurred in West Africa from 2013 to 2016 claimed more than 10,000 lives, renewing recognition of the importance of diagnostic systems capable of responding rapidly to infectious diseases and sustained research infrastructure.

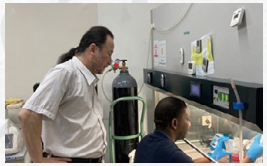
To address this global challenge, Hokkaido University in Japan and the University of Zambia have worked to strengthen infectious disease control in Africa through joint research for more than 40 years. Their base of activity, the School of Veterinary Medicine at the University of Zambia, has received technical cooperation from Hokkaido University researchers since its establishment in 1985 through Japanese grant aid, supporting the development of research infrastructure and talent. Various projects have been continuously implemented locally with the support of Japan's Ministry of Education, Culture, Sports, Science and Technology and Ministry of Foreign Affairs.

We spoke with Professor Ayato Takada, the project leader, and Associate Professor Masahiro Kajihara, a collaborating researcher, about their research projects on the epidemiology of viral zoonotic diseases in Africa. These projects, conducted from 2019 to 2024, sought to establish and further advance diagnostic technologies while enhancing the research and testing capabilities of local researchers.

Identification of Virus-Carrying Wildlife

—What kind of research are you conducting in Zambia?

Prof. Takada: We are researching zoonotic diseases such as the Ebola virus. These infectious diseases arise when a virus carried by wild animals is transmitted to humans. Because of this, it is difficult to control the spread of disease based solely on human behavior, and it is crucial that we identify the natural hosts of the virus. At this time, bats are a likely candidate, and we are collecting blood and organ samples from individual specimens gathered locally and conducting genetic analysis. So far, we have tested more than 1,000 bats. We are also working to develop diagnostic methods and have developed a rapid diagnostic kit for Ebola virus antigens. The kit can be stored at room temperature and does not need electricity or specialized equipment, so we expect that it can be used in regions with inadequate medical infrastructure.



(Left) Professor Ayato Takada

(Right) Associate Professor Masahiro Kajihara

PHCbi Products Supporting This Research

—The University of Zambia School of Veterinary Medicine has used PHCbi products since the lab was established. How are these products used?

Associate Prof. Kajihara: PHCbi products are easy for local staff to use because the English labeling and instructions are clear and intuitive. Its pharmaceutical refrigerators are used to store reagents and culture media, while CO_2 incubators are used to culture cells. Biomedical and ultra-low temperature freezers are essential for preserving PCR reagents and samples collected locally. Storage at –80°C in particular plays a key role in maintaining the activity of viruses and cells.

Prof. Takada: There can be frequent power outages in Zambia, so emergency power sources are used, but this can lead to equipment failures, which means there is a risk of losing samples and research results. It is not easy to get equipment repaired or obtain replacements, so durability is an essential factor. For that reason, we place strong trust in Japanese products represented by PHCbi.

Results of Human Resource Development

—What do you see as the key outcomes of this project?

Prof. Takada: In addition to the research results themselves, the biggest outcome has been talent development. Through our joint research and foreign study programs over many years, we have helped to increase the number of researchers in Zambia with advanced technical skills in this field. Now, a cycle is emerging where those researchers are developing the next generation of talent. It is precisely because this foundation existed that the University of Zambia could play a critical role as the sole domestic institution technologically capable of conducting genetic diagnosis at the time of the 2014 Ebola outbreak. Based on those results, the university was designated by the Zambian government as a testing institution during the COVID-19 pandemic.

Associate Prof. Kajihara: In the past, people aspiring to become researchers often had few choices but to pursue opportunities abroad, but today an environment is gradually being established that allows them to continue their research within Zambia.

Addressing Global Challenges

—What is your outlook for the future of zoonotic disease research?

Associate Prof. Kajihara: We are working on new methods for disease monitoring and prevention, including research to track the behavior of bats. I believe that linking viral behavior with animal ecology will make more accurate disease forecasts possible.

Prof. Takada: In addition to Zambia, this project is also moving forward in the Democratic Republic of Congo and other neighboring countries. Following the declaration of an mpox outbreak in the DRC in 2021, research on the mpox virus has been conducted at the Central Veterinary Laboratory and National Institute of Biomedical Research in the DRC. We secured the genetic material used for PCR diagnostics and provided technical guidance with a view to supplying neighboring African countries as well. As a result, it has become possible to isolate the virus from clinical specimens and conduct genetic analysis locally. These capabilities are expected to be used in the future development of diagnostic and therapeutic methods. Infectious diseases are a cross-border issue, and solutions cannot be achieved by protecting only one's own country or certain countries. I hope more people will come to view and address these challenges from a global perspective.

Profile of Professor Takada

Professor and Director of the Hokkaido University International Institute for Zoonosis Control. Visiting Professor at the University of Zambia School of Veterinary Medicine. Specializes in virology and is a leading authority on Ebola virus research. He is also engaged in public outreach, communicating his research findings through his book *Virus is Rogue?* and appearances on television documentary programs including *Passionate People and The Professionals*.

Profile of Associate Professor Kajihara

Associate Professor at the International Institute for Zoonosis Control, Hokkaido University, and Visiting Professor at the School of Veterinary Medicine, University of Zambia. Specializes in virology and veterinary medicine. His research focuses on elucidating zoonotic infectious diseases through investigations of bat-derived viruses and field research in Africa. He also engages in outreach activities in Japan and internationally, including presentations at the GHIT R&D Forum, to share insights gained through his research.

Governance

Risk Management

To achieve sustainable growth and maximize our corporate value, PHC Group recognizes the importance of appropriately identifying and assessing the various potential risks inherent in our business activities and preventing or mitigating their effects.
With this in mind, we have created a risk management system based on our Basic Risk Management Regulations, which stipulate PHC Group's policies and systems on this topic. We have also established processes to systematically identify important Group risks and promote Group-wide risk management and response.

Risk Management System

PHC Group has established a Risk Management Committee with the purpose of comprehensively managing potential business risks and strengthening our risk management system. The Risk Management Committee is chaired by the Risk Management Officer, and its members include corporate officers, business managers from different countries and regions, and heads of corporate departments. The committee meets four times a year, or more often as needed, to formulate and confirm the implementation of measures to avoid business risks and minimize their impact. The committee also evaluates and reviews these measures and reports the results to the independent Board of Directors to support sustainable business operations.

Risk Management Cycle

Risk Identification
- Conduct top interviews to capture risks recognized by senior management
- Business units and corporate functions comprehensively extract and organize risks from both perspectives, and identify target risks

Risk Analysis and Evaluation
- Analyze and evaluate the significance of risks based on factors such as potential impact and likelihood of occurrences
- The Risk Management Committee deliberates on the validity of the "Group Key Risks"
- Report the "Group Key Risks" to the PHC Group Executive Committee and the Board of Directors

Implementation of Countermeasures
- Designate a risk owner (Corporate Officer and responsible function) for each "Group Key Risk"
- Prepare countermeasures and execution plans (measures, deadlines, structures, KPIs, etc.)
- Promote and implement the measures in line with the plan

Monitoring
- The Risk Management Function monitors the status of countermeasures continuously
- Report progress to the Risk Management Committee, and revise or take additional actions as needed based on its deliberations
- Issues identified through the year's activities are reflected in the following year's activity plan

Business Risk Identification and Management Process

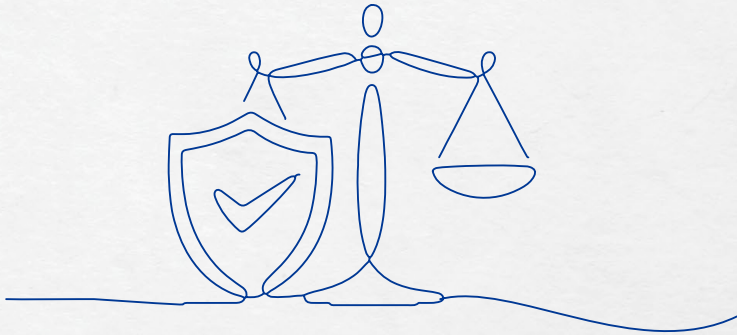
PHC Group operates a series of processes, from risk identification, evaluation, and response to monitoring and improvement, centered on the Risk Management Committee.

First, we conduct interviews of top management and use other means to identify risks recognized by management and, taking into account the perspectives of both business divisions and head office divisions, comprehensively identify and organize risks and then specify target risks. The identified risks are analyzed and assessed from the perspectives of the degree of impact and likelihood of occurrence, and after the Risk Management Committee discusses the validity of the identified risks, potentially significant risks are reported to the Group Executive Committee and Board of Directors.

Risk owners are designated for these potentially significant risks, countermeasures and action plans are formulated, and action is taken based on those plans. Risk control departments monitor the status of implementation and report on progress to the Risk Management Committee. Responses are then reviewed based on discussions within the Risk Management Committee. Issues identified through activities conducted over the course of the year are reflected in the following year's activity plans to achieve improvement. In the event that a risk materializes, a Group Countermeasures Headquarters is established and responsible for responding promptly to minimize business impact and prevent recurrence.

For further details on business-related and other risks, please refer to the following webpage.

Business risks
https://www.phchd.com/global/ir/risk



Cybersecurity

PHC Group Cybersecurity Policy

PHC Group has prepared policies and standards for the entire Group based on the framework of the ISO 27001 international information security standard. We operate and manage these standards on a global basis through a unified system and set of rules.

Cybersecurity Committee

PHC Group holds meetings of our Cybersecurity Committee, where members discuss the Group's cybersecurity policy, key performance indicator (KPI) reviews, incident reports, and remedial measures to address any potential security vulnerabilities. These meetings are attended by all PHC Group Corporate Officers, including the CEO. At the meetings, members discuss any cybersecurity concerns and potential responses related to our business and determine necessary response measures.

Training and Education

As part of cybersecurity training in fiscal year 2025, PHC Group conducted two e-learning training sessions for employees at all Group companies globally: (1) Information security training (general education) and (2) targeted email attack countermeasures training. The completion rate was 100% for both training programs (excluding employees without an email address). In addition, training on data protection is conducted annually for the entire Group. The training participation rate in fiscal year 2025 was 100% (excluding employees who do not have an email address). The attendance rate of training and education related to cybersecurity and data protection has increased due to active engagement by employees. Our cybersecurity efforts are widely disseminated among employees, and we continue to work together to build a secure digital environment.

Information Security Reviews for Vendors

PHC Group is actively working to reduce potential cybersecurity risk by conducting annual information security reviews for high-risk vendors. Specifically, we investigate the status of ISO 27001 and Privacy Mark certifications for outsourced vendors, as applicable. If vendors are not certified, we use a cybersecurity standard checklist and require that vendors have a score of 90 out of 100 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 implemented these initiatives for 174 companies after identifying high-risk vendors based on three criteria: the level of confidential information they handle, their degree of access to the critical systems and networks involved, and the key business processes involved. We achieved a 100% implementation rate, successfully reducing our cybersecurity risks.

Compliance

Code of Conduct

PHC Group's Code of Conduct applies to all employees in every country we operate. In the Code of Conduct, we focus on potential risks to our business and key principles for acting ethically and in compliance with company policies. We also comply with all applicable local, national, regional, and international laws, rules, regulations, and legal doctrines. If any conflict arises between our policies, standards, Code of Conduct, and applicable laws and regulations, we follow the most stringent applicable regulation.

Education and Training

Continuous training and education activities are essential for promoting compliance with company policies. In fiscal year 2025, we conducted training for all PHC Group employees on the critical topic of the Code of Conduct. The completion rate for the training was 100%. We will continue to provide necessary training to ensure compliance on this essential topic.

PHC Group Reporting System

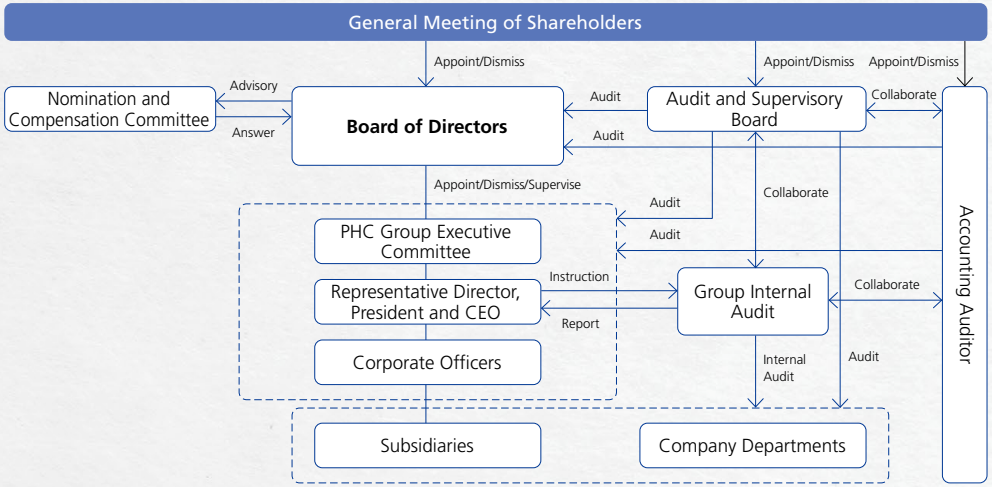
PHC Group offers compliance helplines for use by employees, contractors and others. Employees, contractors and others are encouraged to report potential compliance issues, such as suspected fraudulent activity or human rights violations, by multiple methods, such as phone or email. Helplines can be used anonymously. In addition to contact points at each company, third-party reporting points such as law firms are available to help create an environment that facilitates consultation and reporting. Each PHC Group company is responsible for investigating and responding to any reported cases of noncompliance, and serious cases are handled by PHC Holdings Corporation in accordance with the escalation policy.

Corporate Governance

Basic Philosophy for Corporate Governance

Our basic approach to corporate governance is rooted in our corporate 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 strive to build a governance framework that enables the management team to efficiently oversee compliance with laws, our Articles of Incorporation, and internal policies and regulations. PHC Group is committed to building and implementing appropriate governance, with a view to ensuring management soundness, efficiency, and transparency, and to continuously enhancing corporate value.

PHC Group Governance Structure



Board of Directors

The Board of Directors is composed of eight directors, including five external directors. When appointing external directors and external auditors, we apply a skills matrix to ensure a balance of knowledge, experience, abilities, and perspectives among the candidates, and to enhance objectivity and transparency of our appointment policies and procedures. Our Nomination and Compensation Committee deliberates on any selection or dismissal involving management, taking into consideration the business environment and nature of our operations. The results are submitted to the Board of Directors, which then deliberates and makes the final resolution. Furthermore, the three independent external directors have management experience in other companies and organizations, and bring the necessary qualifications to contribute to our sustainable growth and corporate value improvement over the medium to long term.

Activities of the Board of Directors

A total of 16 meetings were held during fiscal year 2025, and the main deliberations and reports were as follows:

Discussions and report content	Details
Matters related to Group performance	Monthly performance reports, approval of quarterly and annual financial results, etc.
Matters related to business plans	Approval of business plans for the next fiscal year. Assessment of U.S. tariff potential impacts on business plans
Matters related to financial activities	Group cash management, short- and long-term financing, the holding status of cross-shareholdings, etc.
Matters related to business strategies	Discussion concerning strengthening of business foundations, growth strategies, etc. in the Diagnostics & Life Sciences domain
Matters related to the business portfolio	Discussion related to transfer of the Eversense® continuous glucose monitoring (CGM) system business, business portfolio management, etc.
Matters related to appointment and compensation of directors and executives	Appointment of directors, CxOs, executives, domain heads, and others, setting target values for short-term performance-linked compensation, granting of post-delivery stock compensation, etc.
Matters related to employee engagement	Analysis of employee engagement survey results, granting of post-delivery stock compensation, etc.
Matters related to key risks	Analysis of any key risks and consideration of countermeasures
Matters related to compliance, litigation, or disputes	Status reports on any pending compliance matters, litigation, or disputes within the Group
Matters related to sustainability	Reports on Group ESG initiatives and their results, establishment of a human rights policy and net-zero target for greenhouse gas emissions, and implementation of training by outside experts
Matters related to audits	Reporting on audit policies, plans, and results by the Audit and Supervisory Board and the Internal Audit Department
Matters related to the effectiveness of the Board of Directors	Evaluation of the effectiveness of the Board of Directors, examination of issues and responses based on the evaluation results

Details of Deliberation on Individual Agenda Items: Transfer of the Eversense® Continuous Glucose Monitoring (CGM) System Commercial Business

In fiscal year 2025, the company adopted a resolution to transfer the Eversense® continuous glucose monitoring (CGM) system commercial business from Ascensia Diabetes Care Holdings AG, a consolidated subsidiary, to Senseonics Holdings, Inc., the manufacturer of Eversense®. PHC Group, Ascensia, and Senseonics agreed that unifying development, manufacturing, and distribution within Senseonics would enable Eversense® to accelerate growth and realize its full potential faster than under the previous structure. For PHC Group, this decision also aligned with the portfolio management component of our Value Creation Plan 2027. The transfer was carefully discussed in meetings of the Board of Directors and through exchanges of opinions outside the Board. During the process, the external officers raised numerous questions and opinions, leading to a lively discussion.

Main Opinions Expressed by External Officers

- Although we have continued to invest in this business given its strong growth potential, we should consider reassessing the assumption that we will continue the business in light of the current competitive environment.
- Given the Company's cash flow situation, the investment required for this business is substantial, and there may be a gap between this investment and the types of investments our shareholders expect us to make.
- As the business transfer will take place across multiple countries, are there any constraints under labor laws that need to be considered?

There was also active discussion of other matters, including temporary income and costs associated with the transfer, its expected impact on business performance, the structure and terms of the agreements, and potential risks.

Criteria and Qualities for Evaluating the Independence of Independent External Directors

When appointing external directors and external auditors, PHC Group determines independence based on standards set by the Tokyo Stock Exchange. We appoint individuals who are capable of making appropriate contributions to our management from an objective perspective, based on their extensive knowledge and experience. When appointing external directors and external auditors, the Nomination and Compensation Committee considers compatibility with independence standards and policies, and escalates the results to the Board of Directors, which deliberates upon those results and makes a decision.

Support System for External Directors (External Auditors)

To ensure that the Board of Directors can engage in thorough discussions, the executive team provides support to external directors and external auditors, such as advance briefings and information prior to Board of Directors meetings. 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, also provides information and other support to external auditors.

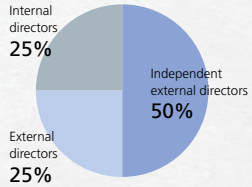
Audit and Supervisory Board

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 governance practices and the status of daily business operations and assets.

Number of Audit and Supervisory Board meetings held: **13**

When deemed necessary, the members of the Audit and Supervisory Board arrange opportunities to interview directors or employees of PHC Holdings Corporation and PHC Group. In addition, they hold regular meetings to collaborate with accounting auditors and the corporate auditors of key subsidiaries, and attend important meetings. The Audit and Supervisory Board creates opportunities to share information with the Internal Audit Department on a monthly basis, mutually confirming the details of audits and exchanging opinions. In addition, the Audit and Supervisory Board has established a system for providing regular updates and sharing opinions regarding audit plans, reports, and implementation with the accounting auditor. This system enables sharing of information on key matters related to internal controls, as identified through audits by Audit and Supervisory Board members as well as internal audits.

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 Annual 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 the company's management philosophy and achieving sustainable growth. The Nomination and Compensation Committee consists of four members: two independent external directors, one external director, and the Representative Director.

Activities of the Nomination and Compensation Committee

Meeting	Discussions and report content
1st Meeting	Agenda items to be submitted to the Annual General Meeting of Shareholders in 2025 regarding nomination and compensation
2nd Meeting	Individual performance evaluation of officers, amounts of short-term performance-linked compensation
3rd Meeting	Performance of officers, individual target setting
4th Meeting	Succession plan for officers
5th Meeting	Interim evaluation of officers, policy for determining individual compensation for officers
6th Meeting	Compensation of officers
7th Meeting	Appointment and compensation of officers

Fiscal year 2025 **7 meetings held**

PHC Group Executive Committee

We established the PHC Group Executive Committee for the purpose of streamlining management-related decision-making and clarifying decision-making procedures. Meetings of the committee are held monthly. The PHC Group Executive Committee is an executive meeting body that decides important matters related to the

management of PHC Group (including all subsidiaries) and manages the objectives and progress of plans for the entire Group.

The current composition of the Executive Committee is listed below.

Members: Kyoko Deguchi (Chairperson/CEO), Koichiro Sato (Chief Operating Officer, Chief Strategy Officer), Kaiju Yamaguchi (Chief Financial Officer), Ryuichi Hirashima (Chief Administrative Officer, Chief Human Resources Officer, Chief Technology Officer), Takahide Watanabe (Observer/Corporate Officer), Toru Yoshimitsu (Observer/Full-time Audit and Supervisory Board Member)

Appointment of Officers, Board Members (Including Audit and Supervisory)

When appointing directors and Audit and Supervisory Board members, we carefully consider candidates' expertise, experience, abilities, and diversity of perspectives. To ensure objectivity and transparency in the selection process, we utilize a proprietary skills matrix.

For the appointment of external directors and External Audit and Supervisory Board members, our basic policy is to assess the skills and expertise of our existing Directors, Audit and Supervisory Board Members, and Corporate Officers, and then select individuals who possess the skills and experience to supplement the company's needs. Additionally, we confirm candidates' independence based on the Tokyo Stock Exchange's independence criteria and select individuals with extensive knowledge and experience who can contribute objectively to our company management.

When appointing directors, the appointment is reviewed by the Nomination and Compensation Committee, approved by the Board of Directors, and then submitted to the Annual General Meeting of Shareholders as a proposal for resolution. When appointing Audit and Supervisory Board members, the consent of the Audit and Supervisory Board is obtained first, and the matter is then submitted to the Annual General Meeting of Shareholders as a proposal for resolution.

Status of Internal Audits

PHC Group has established our Group Internal Audit Department as an organization under the direct control of the CEO. A total of 13 members, including the Group Internal Audit Manager, conduct operational and internal control audits of PHC Holdings Corporation and its subsidiaries. Audit results are reported in a written report by the Group Internal Audit Department Manager to the CEO, and related officers.

The Group Internal Audit Department Manager reports monthly to the CEO on the internal audit activities status. The Manager also reports on a monthly basis to the company's auditors about the status of audits and exchanges information and opinions with the auditors. Other directors and auditors receive internal audit reports through the Board of Directors and the Audit and Supervisory Board, and share their opinions to improve the usefulness of the audit. In addition, the Group Internal Audit Department maintains appropriate links with auditors, directors, and outside auditors of subsidiaries and affiliates as necessary, and strives to carry out efficient internal auditing.

Regarding Executive Compensation

Compensation for directors is determined by the following basic policy:

- Compensation should contribute to securing and retaining excellent global talent who can lead the realization of PHC Group's vision.
- Compensation takes into account the link between Group performance and individual performance.
- Compensation is linked to the sustainable enhancement of PHC Group's corporate value to align interests with shareholders.
- Transparency and objectivity are ensured.

Compensation Standards Policy

To secure and retain excellent talent, compensation for directors is set at competitive and appropriate levels commensurate with their role and responsibilities at a global healthcare company. Specifically, we set benchmarks based on compensation levels in the countries and regions that are our main recruiting markets using compensation data from external research organizations and determine compensation in each fiscal period through relative comparison.

Specifically, the compensation amounts for individual directors are determined by the CEO pursuant to authority delegated by the Board of Directors. The CEO determines individual compensation amounts based on an overview of the Company's overall management situation and evaluations of each director's duties. To ensure objectivity and transparency in the determination process, the compensation amounts of each individual are deliberated on by the voluntary Nomination and Compensation Committee. Based on the recommendations of the committee, the CEO finalizes the specific compensation amounts of each director in accordance with the policy for determining individual compensation amounts established by the Board of Directors.

Compensation Structure

Compensation for Directors (excluding external directors)

Compensation for directors (excluding external directors) consists of fixed monthly compensation, short-term performance-linked compensation as variable compensation, stock compensation, and retirement benefits. Regarding stock compensation, the company adopts a performance share unit (PSU) plan and a restricted stock unit (RSU) plan, both of which are post-delivery type arrangements.

Structure	Outline		
Monthly Compensation	Regular monthly compensation commensurate with roles and responsibilities		
Short-Term Performance-Linked Compensation	Short-term incentives for achieving business performance goals over the year		
	Performance Indicators and Weights for Short-Term Performance-Linked Compensation in Fiscal Year 2026	Return on Invested Capital (ROIC)	25.0%
		Operating Profit	25.0%
		Net Profit	25.0%
		Individual Performance Goals	25.0%
Stock Compensation	Medium- to long-term incentives designed to enhance value sharing between directors and shareholders		
Retirement Benefits	In accordance with the stipulations in the Rules for Directors and Corporate Auditors		

Compensation for Audit and Supervisory Board Members (Excluding External Auditors)

Compensation for auditors comprises monthly compensation and retirement benefits pursuant to discussions and a decision by the Audit and Supervisory Board.

Compensation for External Directors

Compensation for independent external directors is based on monthly compensation and stock compensation. Note that independent external directors are the only external directors to receive compensation.
Regarding stock-based compensation, we introduced a post-delivery restricted stock unit (RSU) plan with the aim of further expanding our global business and achieving growth goals. The objective is to further increase incentives for share price appreciation and corporate value enhancement while also securing top talent.

Compensation for External Auditors

Compensation for external auditors is determined based on discussions and a decision by the Audit and Supervisory Board and consists of monthly compensation only.

Total Amount of Compensation, etc., by Officer Classification (Actual for the fiscal year ended March 31, 2026)

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)	404	145	-	104	41	113	113*3	3
Audit and Supervisory Board Members (excluding external auditors)	24	21	-	-	2	-	-	2*5
External directors	112	60	1	-	-	50	52*4	3*6
External auditors	25	25	-	-	-	-	-	3*5

*1 The amounts stated for stock options are the calculated values as of the end of March 2026 for options granted in or before the fiscal year under review.
*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. Also, the table below shows the actual results for the fiscal year ended March 2025, which were applied to compensation for the fiscal year ended March 2026.

Evaluation index	Weight	Target for the fiscal year ended March 2025	Achievements	Level of achievement
Core sales	26.0%	360,047 million yen	348,572 million yen	97%
Operating profit	30.0%	20,378 million yen	22,232 million yen	110%
Net profit	19.0%	10,278 million yen	10,485 million yen	103%
Individual targets	25.0%	Set for each person	Set for each person	Set for each person

*3. Non-monetary compensation, etc. is the amount of long-term incentives to be recorded as expenses for the current fiscal year. The amount of non-monetary compensation, etc. for directors (excluding external directors) includes stock options, post-delivery performance share units (PSUs), and post-delivery restricted stock units (RSUs). The compensation limits for stock-based compensation for directors (excluding external directors) were set by resolution at the Annual General Meeting of Shareholders held on June 25, 2025 as described below (number of directors excluding external directors at the time of the resolution: 3).
- Post-delivery performance share units (PSUs): Up to 229,000 shares per year and up to 573 million yen per year
- Post-delivery restricted stock units (RSUs): Up to 187,000 shares per year and up to 468 million yen per year for directors as a whole, including independent external directors

*4. The amount of non-monetary compensation, etc. for external directors includes stock options and post-delivery restricted stock units (RSUs). The compensation limit for stock options for independent external directors is up to 70 million yen per year (resolved at the Annual General Meeting of Shareholders held on June 29, 2022; number of directors at the time of the resolution: 3). The compensation limits for post-delivery restricted stock units (RSUs) for independent external directors are up to 72,000 shares per year and up to 180 million yen per year (resolved at the Annual General Meeting of Shareholders held on June 25, 2025; number of independent external directors at the time of the resolution: 3).
*5. The number of Audit and Supervisory Board members indicated includes auditors who retired during the fiscal year.
*6. The number of external directors indicated excludes two uncompensated external directors.

Evaluation of the Effectiveness of the Board of Directors

In January and February 2026, PHC Group conducted a questionnaire and individual interviews regarding the effectiveness of the Board of Directors as a whole, targeting all directors (eight directors) and members of the Audit and Supervisory Board (three members) at the time. The questionnaire and interviews covered the topics listed below.
(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) Relationship with shareholders and investors
(8) Protection of minority shareholders
(9) Others (Status of responses to issues pointed out in the previous effectiveness evaluation, etc.)

To ensure objectivity, we received support from a third-party organization regarding the design of the questionnaire content, the implementation of individual interviews, and analysis and assessment of the evaluation results.

Based on the results of the analysis by the third-party organization, the Board of Directors assessed the current situation and issues.

Evaluation Results

We believe that our Board of Directors is functioning appropriately and effectively. Regarding the issues of "monitoring the status of ESG initiatives" and "discussion of key sustainability issues," which were identified as the main issues in the previous effectiveness evaluation, significant improvement was observed as a result of conducting training on human rights led by external experts, sharing progress on ESG and sustainability initiatives, and holding discussions on related topics. Improvement was also observed regarding "clear sharing of concerns based on audits with the Board of Directors."

Comments From Individual Officers in the Effectiveness Evaluation

Some of the comments made by individual officers in the evaluation of the effectiveness of the Board of Directors are presented here. Based on these inputs, we are continuously working to improve our governance and the functioning of the Board.

- I believe that effectiveness overall is achieved through discussions of business plans, Value Creation Plan, and individual investment matters. At the same time, amid the TSE's capital market reforms, I believe that we need to continue strengthening our efforts in areas of growing importance, including being conscious of the cost of capital, ESG initiatives, and coordination of shareholder relations with institutional investors.
- Responding to immediate issues takes time, and more time should be allocated to the Company's management from a comprehensive and long-term perspective.
- Based on current regulations, I believe that the frequency of Board of Directors meetings and the criteria for selecting agenda items are appropriate, but there is also the view that the division of responsibilities between the Board and the executive side should be reviewed, with more authority delegated to the executive side. Specifically, I believe that this should include matters such as reviewing monetary thresholds for referral to the Board and renewal of business-related contracts.
- The timing of the advanced distribution of materials to the Board has improved somewhat compared to the previous fiscal year, but further improvement is still needed.
- The transfer of the CGM business was thoroughly discussed, and this decision is an example of appropriate follow-up being carried out after investment implementation.

Officer Training Policy

The company provides a range of training opportunities not only for directors and members of the Audit and Supervisory Board, but also for all employees to acquire the skills and knowledge necessary for their work. When new external directors and members of the Audit and Supervisory Board are appointed, in addition to their legal roles and responsibilities, the company provides information necessary for those officers to contribute to effective supervision of the company's management (for example, industry information, company history, business overview, financial information, strategy, and organization). In addition, to support deliberations of the Board of Directors, we provide opportunities to acquire and update the knowledge necessary for management supervision. The company also bears the cost of seminars, networking events, and the like in which officers voluntarily participate based on their individual needs.

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 consideration of sales are reported to the Board of Directors each year. Regarding the exercise of voting rights in relation to cross-shareholdings, 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 as to whether doing so will contribute to improving our corporate value over the medium to long term.

Policy Regarding Constructive Dialogue With Shareholders

To build trusting relationships with our shareholders and other stakeholders, we believe that it is essential to understand stakeholder expectations and reflect them appropriately in management practices. We seek to respond to IR/SR activities proactively.

(i) The CFO serves as senior executive corporate officer in charge of IR and oversees the Group's IR activities. In addition, the Investor Relations & Corporate Communications Department, which proactively handles IR-related meetings such as individual interviews with institutional investors and analysts, was established under the CFO. Financial results briefing sessions are held online so that anyone can participate, with explanations given primarily by the CEO, COO, and CFO. Meetings with shareholders are conducted by the CFO with support from the Investor Relations & Corporate Communications Department. The CEO and other officers also respond as necessary.

(ii) As a support system for shareholder dialogue, the IR & Corporate Communications Department collaborates with each business department and management department on a regular basis.

(iii) In addition to holding financial results briefing sessions and business briefing sessions, the company participates in domestic and international conferences run by securities companies and others, and holds small meetings with investors.

(iv) The CFO periodically reports feedback acquired through IR/SR activities to the Board of Directors.

(v) When engaging in dialogue with investors, whether at financial results briefings, individual meetings, or small meetings, we closely manage undisclosed material facts and comply with fair disclosure rules.

Fiscal Year 2025 Dialogue Results

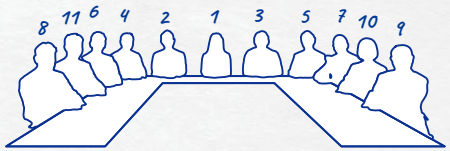
Financial results briefings*1	4 (quarterly)
Individual meetings with institutional investors and analysts	123
Business briefings for institutional investors and analysts	1

*1 Financial results briefings are held using an online conference format and are available to anyone to view. English-language materials are also displayed and simultaneous interpretation is conducted. Videos of briefings are made publicly available at a later date, and the Q&A sessions are also published in written form.

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 an opportunity to become shareholders in PHC Holdings Corporation. The purpose of the plan is to create a culture of shared 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.

List of Directors & Officers (as of June 24, 2026)



Directors

Kyoko Deguchi 1
Representative Director, President and CEO

No. of PHC Group shares held	11,400 shares
Years With PHC Group	5 years

Koichiro Sato 2
Representative Director, Senior Executive Vice President, COO/CSO

No. of PHC Group shares held	8,000 shares
Years With PHC Group	9 years

Kaiju Yamaguchi 3
Director, Senior Executive Corporate Officer and Chief Financial Officer (CFO)

No. of PHC Group shares held	27,000 shares
Years With PHC Group	1 year

External Directors

Hirofumi Hirano 4
External Director

No. of PHC Group shares held	0 shares
Years With PHC Group	12 years

Eiji Yatagawa 5
External Director

No. of PHC Group shares held	0 shares
Years With PHC Group	11 years

Independent Ivan Tornos 6
External Director

No. of PHC Group shares held	2,430 shares
Years With PHC Group	4 years

Independent David Sneider 7
External Director

No. of PHC Group shares held	3,069 shares
Years With PHC Group	4 years

Independent Shizuto Yukumoto 8
External Director

No. of PHC Group shares held	0 shares
Years With PHC Group	-

Audit and Supervisory Board Member

Toru Yoshimitsu 9

Audit and Supervisory Board Member

No. of PHC Group shares held	0 shares
Years With PHC Group	1 year

Independent External Audit and Supervisory Board Members

Yukiko Moriyama 10

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

No. of PHC Group shares held	0 shares
Years With PHC Group	1 year

Yoshikuni Noguchi 11

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

No. of PHC Group shares held	0 shares
Years With PHC Group	-

Skill Matrix

Name		Position	Independence	Expertise								
				Medical Device Industry	Life Sciences Industry	Pharmaceutical Industry	Finance/ Accounting	M&A	Production/SCM	R&D	Legal & Risk Management	Human Resources & Labor
Kyoko Deguchi		Director		○		○	○					
Koichiro Sato		Director			○			○	○			
Kaiju Yamaguchi		Director		○			○	○				
Hirofumi Hirano		Director					○	○				
Eiji Yatagawa		Director					○	○		○		
Ivan Tornos		Director	○	○		○		○	○			
David Sneider		Director	○				○	○			○	
Shizuto Yukumoto		Director	○		○			○	○			○
Toru Yoshimitsu		Corporate Auditor				○	○			○		
Yukiko Moriyama		Corporate Auditor	○	○							○	
Yoshikuni Noguchi		Corporate Auditor	○				○	○			○	

Message From External Directors

PHC Group's Independent External Directors possess extensive experience and high-level expertise in the management of various companies both in Japan and globally. They play a vital role in providing supervision and advice to ensure the Group's sustainable growth. In this section, our three Independent External Directors share their perspectives on the Group's strengths and potential, as well as how they intend to leverage their professional skills and experience in management decision-making.

Enhancing Corporate Management Transparency through Strategic Advice and Independent Oversight

Ivan Tornos
Director (Independent External Director)

PHC Group's Value Creation Plan 2027 identifies a clear commitment to achieving sustainable growth through a stronger focus on the Diagnostics & Life Sciences business as a key strategic priority. In pursuing this objective, the Group is making steady progress by leveraging its unique precision technologies and global business foundation to execute a range of initiatives. From an Independent External Director's standpoint, several management challenges deserve ongoing attention: (1) further improving capital efficiency across the business portfolio, (2) responding effectively to evolving conditions in global markets, and (3) maintaining an effective balance between growth investments and financial discipline. To support management in addressing these issues, I provide guidance from three perspectives: introducing global best practices, optimizing the business portfolio with a strong focus on capital efficiency, and establishing KPIs to manage the progress of strategic initiatives. I also oversee a balanced framework that ensures effective resource allocation and strong governance. Looking beyond the near term, I place particular emphasis on disciplined investment decisions and the quantitative monitoring of investment outcomes. Management's ability to execute strategy amid changing market conditions and demonstrate a credible path toward realizing returns on these investments will be critical. At the same time, I remain committed to supporting a culture that embraces diverse employee perspectives and encourages innovation.

Creating Sustainable Value through Disciplined Portfolio Management and Independent Governance

David Sneider
Director (Independent External Director)

The Board of Directors at PHC Group evaluates its effectiveness annually and continues to make improvements by verifying the transparency of its proceedings and decision-making processes through quantitative indicators, while incorporating Japanese and global governance best practices.

As an Independent External Director, I work to ensure that key decisions regarding capital allocation and portfolio management are made through a robust process, supported by sound rationale and accountability.

Fiscal year 2025 marked a year in which the priorities outlined in the Value Creation Plan 2027—namely improving investment efficiency and strengthening portfolio management—were translated into concrete decisions and actions. A key example was the decision to transfer the Eversense® continuous glucose monitoring (CGM) commercial business from Ascensia back to Senseonics. As Eversense continued to grow, it became increasingly clear that bringing development, manufacturing, and commercialization together within a unified structure would best support the product's long-term growth potential.

PHC Group has invested in the CGM business for many years. This decision was reached through an objective assessment of investment efficiency and future potential, and I regard it as a compelling example of disciplined portfolio management.

Contributing to Value Creation through Fair Governance on the Front Lines

Shizuto Yukumoto
Director (Independent External Director)

To continuously improve corporate value, it is essential for a company to have a clear philosophy and objectives and to fulfill its responsibility to the market through management that exceeds the cost of capital. PHC Group has a strong awareness of both of these aspects and a goal of powering the future of healthcare through the introduction of ROIC-based management.

I have practiced ROIC-based management in conjunction with an on-site transformation at OMRON Corporation, including a V-shaped recovery of its European business. I currently serve as a director for multiple companies, including OMRON, where I participate in the nomination, compensation, and other committees, working to build highly effective governance including the evolution of institutional design.

As a result of my experience in both execution and oversight, I am certain that no matter how sophisticated a strategy may be, it cannot function if it diverges from the realities and attitudes on the ground, where customer value is created.

As an independent external director, I focus intently on whether management policy and autonomous actions on the front lines are aligned and the rationality of that alignment. I will oversee management that drives both corporate philosophy and capital efficiency from an objective perspective that values fairness to all stakeholders and will contribute to the sustainable creation of corporate value.

Message From Our Full-time Audit & Supervisory Board Member

PHC Group's Current Governance: From Building Frameworks to Enhancing Effectiveness

Toru Yoshimitsu
Audit and Supervisory Board Member

In June 2025, Mr. Toru Yoshimitsu, who brings extensive external experience, assumed the position of Full-time Audit and Supervisory Board member of PHC Holdings Corporation. What does PHC Group's current governance structure look like through the eyes of someone with no prior connection with the Group? Now, one year after his appointment and with a deeper understanding of the organization, he shared his views on the Group's current state from an external perspective, as well as the challenges that remain in further strengthening governance.

Expectation and Understanding Before Appointment

Before assuming the position of Audit and Supervisory Board member of PHC Holdings Corporation in 2025, I studied the company's governance structures based on its Integrated Reports, securities reports, and other materials. The composition, independence, and skill matrices of the Board of Directors and Audit and Supervisory Board as well as the voluntary Nomination and Compensation Committee were appropriately designed, and my impression was that the Group had built a solid structure within the relatively short period since its public listing in 2021.*

Conducting effective audits as an Audit and Supervisory Board member, however, requires more than well-designed systems and structures. It is necessary to access all information and make accurate determinations regarding potential risks and opportunities. From my perspective as an appointee from outside the Group, I initially wondered whether I would be able to make accurate determinations regarding the Group's risks and opportunities in a short period of time.

I also regarded the level of borrowings and repayment plans, their relationship to future business growth, and how the multiple businesses formed through M&A would generate synergies in practice as important points to examine.

* The company's shares were listed on the First Section (now the Prime Market) of the Tokyo Stock Exchange on October 14, 2021 (securities code: 6523).

Open Information Sharing and the Effectiveness of Management Controls

Since my appointment, my impressions have changed in a positive way. One reason is that the management team, including the CxOs, are extremely open. As an Audit and Supervisory Board member, I naturally conduct site visits and interviews, but the management side also reaches out and invites me to participate in meetings. I have also been fortunate to participate in roundtable discussions to interact directly with personnel on the junior, mid-career, and veteran levels.

At times, I hear unfiltered opinions from employees that include uncertainty. What has made a greater impression on me is seeing new employees who have accumulated small successes actively discussing them with enthusiasm to pass on their experiences to others. Hearing the opinions and comments of employees from up close makes me feel strongly that the Group attracts people who are eager to make change and take action on their own initiative.

Prior to assuming my role, I was mindful of the need for access to the information necessary to fulfill my supervisory responsibilities. In practice, I have found myself in an environment where I can fully engage with the information needed. While some information may require additional time to obtain due to differences in systems and processes across the Group, management and employees have consistently responded openly. This culture of transparency has been a significant support in fulfilling my responsibilities.

There was something that surprised me about management control after I took office. One of the Group's deliberative bodies, the monthly performance review meeting confirms the results, future outlook, and risks and opportunities of each business unit on a monthly basis. It also sets targets for and manages working capital to ensure that cash circulates appropriately. I feel that the fact that these matters are examined in such detail is an indication of management's commitment to pursue the implementation of its policies, rather than letting them be just words.

Regarding the level of borrowings and repayment plans, which was a point of interest to me before I took office, I believe that repayment plans should not be viewed in isolation. Rather, they should be examined along with cash generated from operating activities, excess funds that can be allocated to investment, and the outlook for future business growth. In this sense, I have come to see the monthly confirmation of each business's status, outlook, risks, and opportunities through the Performance Review Conference and the emphasis placed on cash management as a key management control mechanism for continuously monitoring the Group's financial position.

Some issues that should be examined more deeply in the future include the synergies among the multiple businesses that have been formed through M&A and business integration. Looking across the Group, I also see opportunities to deepen the value created through the combination of multiple businesses acquired and integrated over time. As the Group continues to evolve, further alignment in areas such as talent management frameworks, organizational grading structures, and investment evaluation methodologies would further enhance decision-making and resource allocation. To translate synergy into tangible value, it is important not only to evaluate each business independently, but also to establish a common foundation that enables management to compare alternatives and make resource allocation decisions from a Group-wide perspective. I believe this will be a key consideration in further strengthening our portfolio management going forward.

Collaboration among the Board of Directors, Audit and Supervisory Board, and Internal Audit

Considering that PHC Group has an Audit and Supervisory Board, the Board of Directors operates as a management board that deliberates and adopts resolutions on key agenda items. I feel that the way that agenda items are selected is appropriate. For particularly important matters, rather than proceeding directly to a resolution, information is shared from an early stage in the form of a reporting item and the matter is discussed more deeply in stages ultimately leading to a resolution.

The Board of Directors also includes members with diverse backgrounds and business experience, as well as expertise in areas such as law, finance, and accounting, enabling discussions from a wide range of perspectives. It is my impression that during the Board's deliberations, questions are raised about points that fundamentally need to be confirmed in order to pass a resolution about the matter in question. Regarding risk

identification, the legal function, which serves as the secretariat for the Board, identifies potential risks before agenda items are submitted, consults external experts as necessary, and shares this information with Board members.

Audit and Supervisory Board members have no voting rights at Board of Directors meetings, yet the Group has an atmosphere where I can express my opinions without hesitation. The external Audit and Supervisory Board members express opinions based on their respective areas of expertise, for instance, as a certified public accountant or an attorney. As a full-time Audit and Supervisory Board member, I participate in deliberations based on information that I obtain from within the Group and share that information with the external members. In the past year, there have been instances where points raised by an Audit and Supervisory Board member led to additional or follow-up deliberation, which shows that all voices are welcome.

In one case, considering the Companies Act, I believed that a comprehensive policy and process should be established. When I pointed this out to the executive team, it was added as a new agenda item. In another example involving follow-up deliberation, the matter concerned the balance between cost and risk/benefit. A proposal was made to reduce costs from the previous fiscal year, but I noticed that risks arising from matters outside the scope of responses had been increasing recently, so I expressed my opinion to the Board of Directors. As a result, the matter was set for follow-up deliberation. I see this as an indicator that an Audit and Supervisory Board member's opinion helped deepen discussion by the Board of Directors.

Within the operations of the Audit and Supervisory Board, it is important that the full-time members serve as an information hub. I hold one-on-one meetings with the CxOs every month, record the information and insights gained in reports, and share those insights with the external members. At Audit and Supervisory Board meetings, I also share agenda items and the details of discussions at Group Executive Committee meetings. Board of Directors meeting agenda items are in principle discussed at the Group Executive Committee before being referred to the Board, and sharing this information with Audit and Supervisory Board members is also meaningful as a kind of advance briefing on Board of Directors meeting agenda items.

This kind of information sharing is also important for raising the quality of discussions at Audit and Supervisory Board meetings. The members operate under an independent authority system, but sharing information on risks and how to assess them, including perceptions of risk levels and specific items, enhances the effectiveness of audits by the Audit and Supervisory Board.

In the relationship with internal audit departments, Audit and Supervisory Board members do not have the authority to direct or issue orders to internal audit departments and do not have any authority regarding personnel evaluations, but in practice, we work in close collaboration. At the stage of formulating audit plans, we share knowledge with each other, and during the fiscal year, whenever an internal audit report is issued, we align our understanding of the findings and the effectiveness of remedial measures. There are cases where the audit items overlap, but I believe that the important point is not to mechanically eliminate the overlap. Audit and Supervisory Board members and internal audit departments each have distinct roles. It is precisely for this reason that it is important to coordinate the perspectives from which audits are conducted, leading to effective and efficient audits overall.

Building Foundations to Support Growth Investment and Global Expansion

Looking to the future, one issue that I consider particularly important to resolve is improving business portfolio management in preparation for the next stage of growth. The Group is currently in the stage of solidifying its foundations, including structural reform, in preparation for future growth. Considering that business growth leads to improved corporate value, it is important to set rules and establish evaluation criteria for appropriately determining which businesses and projects the Group will allocate limited management resources to.

For example, certain evaluation rules are needed to compare investments in efficiency improvements that are expected to yield short-term earnings improvements with medium- to long-term growth investments requiring three to five years of development costs on an equal footing. Also, to make maximum use of human resource assets throughout the Group, it is necessary to consider the extent to which personnel systems and approaches to job grades, which differ from company to company, should be standardized. It is important for the Group to have highly effective and unified rules and structures to support business growth so that the entire Group can move in the same direction. Such rules and structures will serve as a foundation enabling businesses formed through M&A to function in a more integrated manner as a Group and generate synergies. However, the Audit and Supervisory Board members themselves cannot create such rules. What we do is closely monitor whether rules are properly established and enforced and speak up firmly if we believe that something is amiss. I hope that by doing this, we are able to guide the Group as a whole in a positive direction.

Global governance will be a key area in the future. We have conducted on-site visits, including visits to global subsidiaries, to confirm governance, compliance, and systems for ensuring adherence to laws and regulations at each location. Going forward, in addition to these visits, I believe that it will be important to confirm from the perspective of global headquarters whether internal control systems are appropriately established and operated for each function throughout the Group. Instead of just looking at locations individually, it is necessary to confirm whether controls are functioning effectively across the Group as a whole.

Working Toward Governance That Can Adapt to Change

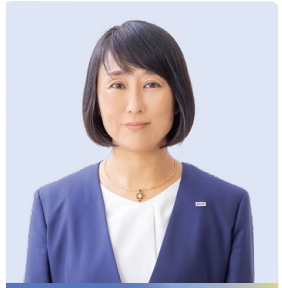
Over the course of the past year, my views on the concerns and confirmation points that I had before taking office have gradually changed. I have gained a strong sense that a culture of open information sharing is at the foundation of audits. And with respect to mechanisms for priority management of cash and monthly confirmation of the status of each business, I feel that mechanisms are operating effectively. I see the creation of synergies among multiple businesses and global governance as matters whose effectiveness should be enhanced even further in the future.

Governance does not have a fixed and completed form. I believe that optimal governance will change with the times. I think that the ideal status is one where a culture and environment exist that allow us to steer in the necessary direction and take action when necessary by asking questions about what should be done in the near term and what should be prioritized looking further into the future. To do this, the Group needs to develop a culture where employees have open mindsets and can engage in free and active discussion, and management creates that type of culture while establishing flexible governance structures. I believe that this is the vision for governance we should seek. The Audit and Supervisory Board will also seek to identify priority themes in response to changes in the business environment and management challenges, support the development of such a culture and foundation, and contribute to strengthening governance and ensuring its effectiveness in ways that support the enhancement of PHC Group's corporate value.

Message From External Audit & Supervisory Board Members

PHC Group's Independent External Audit and Supervisory Board members possess extensive expertise and objective perspectives based on their extensive practical experience at Japanese and global corporations. They play a crucial role in establishing a sound corporate governance structure to support the Group's sustainable growth. In this section, our two Independent External Audit and Supervisory Board members share their messages regarding the Group's strengths and challenges from an objective viewpoint, and their approaches to auditing activities utilizing their specialized knowledge.

Supporting Highly Transparent and Sound Corporate Management



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

It has been one year since I was appointed an Independent External Audit and Supervisory Board member. Over the past year, through auditing the execution of duties by PHC Group's Board of Directors, I have renewed my appreciation of the importance placed on the information-sharing, deliberation, and decision-making processes that form the foundation for management decisions in pursuit of our vision to "be a leader in precision technology that powers the future of healthcare." Regarding governance structures, I recognize that officers with diverse experience and expertise offer advice and perform oversight from different perspectives and that efforts to enhance transparency and soundness are making progress.

I believe that the most important mission required of an External Audit and Supervisory Board member is to maintain a perspective that is objective and independent from management and to audit the execution of duties by the directors from the perspectives of shareholders and other stakeholders. I make an effort to use this independence as the axis of my decisions and to express my candid opinions at Board of Directors and Audit and Supervisory Board meetings. In particular, I provide advice and conduct audits from a perspective of transparency, examining whether appropriate processes are being performed for important decision-making and whether the systems and processes related to information disclosure are functioning in a timely and appropriate manner and from the standpoint of whether legal compliance is truly rooted in the corporate culture, rather than just being a formality.

I am committed to enhancing audit functions and further strengthening the governance structures of the Group by leveraging the knowledge and experience I have gained as a lawyer working in corporate legal affairs, establishing compliance frameworks, addressing harassment issues, and managing crises. I have also served as an external director of other organizations (including as an Audit Committee member of a company with a nominating committee), where I have contributed to management oversight and the enhancement of governance. I will fulfill my responsibilities as an Independent External Audit and Supervisory Board member so that PHC Group can achieve sustainable growth and enhance corporate value over the medium to long term, based on legal compliance and high ethical standards, and earn even greater trust from society.

Contributing to Governance that Supports the Enhancement of Corporate Value

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

PHC Group seeks to create a future where high-quality healthcare is accessible to all. As an External Audit and Supervisory Board member, I will make every effort to ensure the reliability of financial reporting and to strengthen internal controls toward achieving sustainable growth and the enhancement of corporate value for the Group.

As the Group's business continues to globalize and expand through M&A, governance functions for the entire Group including subsidiaries outside Japan are becoming increasingly important for maintaining and improving corporate value.

As a certified public accountant, I have gained experience with various forms of group governance by conducting accounting audits of numerous listed companies, and I have also contributed to the reinforcement of governance as an external Audit and Supervisory Board member of other companies. I will leverage this experience and work in collaboration with the Group's Internal Audit Department and the accounting auditor to contribute to improvements in the effectiveness of Group governance. I will also exercise oversight functions from an ESG perspective and fulfill my roles as an Audit and Supervisory Board member who lives up to the trust of stakeholders.

PHC Executive Team (Corporate Officers & Division Heads)

We have established the PHC Executive Team (PET), comprising Group CxOs and the Corporate Officers or Division Heads responsible for overseeing specific domains and businesses. Under the slogan "One PHC," the PET drives group-wide management by addressing increasingly complex business challenges while respecting our various stakeholders.

Kyoko Deguchi 1
Chief Executive Officer (CEO)

Koichiro Sato 2
Chief Operating Officer (COO)
Chief Strategy Officer (CSO)
Head of Diabetes Management Domain
Head of Healthcare Solutions Domain

Kaiju Yamaguchi 3
Senior Executive Corporate Officer
Chief Financial Officer (CFO)

Ryuichi Hirashima 4
Senior Executive Corporate Officer
Chief Administrative Officer (CAO)
Chief Human Resources Officer (CHRO)
Chief Technology Officer (CTO)

Nobuaki Nakamura 5
Executive Corporate Officer
Head of Diagnostics & Life Sciences Domain

Steven Lynum 6
Corporate Officer
Head of Pathology Business Unit

Kenichi Uchino 7
Corporate Officer
Head of Clinical Testing Business Unit

Chikara Takauo 8
Corporate Officer
Head of Life Sciences Business Unit

Hideaki Takahashi 9
Corporate Officer
Head of Healthcare IT Solutions Business Unit

Takahide Watanabe 10
Corporate Officer
Corporate Strategy, DX/AI Promotion, Risk Management, Information Technology

Peter Bodlund 11
Corporate Officer
Head of Diabetes Management Business Unit

Tetsuya Ueda 12
Head of CRO Business Unit

Data Section

Financial Data

Consolidated statement of financial position

(unit: million JPY)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and cash equivalents	39,592	**39,820**
Trade receivables	70,530	**70,283**
Inventories	51,694	**53,095**
Other financial assets	4,308	**4,925**
Other current assets	6,665	**8,055**
Total current assets	172,790	**176,180**
Non-current assets		
Property, plant and equipment	48,374	**49,242**
Goodwill	206,500	**221,524**
Intangible assets	80,649	**74,371**
Investments accounted for using equity method	1,821	**730**
Other financial assets	13,932	**10,988**
Deferred tax assets	6,120	**6,482**
Other non-current assets	2,293	**2,990**
Total non-current assets	359,691	**366,330**
Total assets	532,482	**542,510**
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	65,665	**72,379**
Borrowings	34,278	**78,254**
Income taxes payable	4,207	**2,588**
Provisions	7,725	**8,234**
Other financial liabilities	5,812	**5,709**
Other current liabilities	22,865	**22,467**
Total current liabilities	140,555	**189,634**
Non-current liabilities		
Trade and other payables	597	**537**
Borrowings	220,982	**156,303**
Retirement benefit liability	5,544	**5,962**
Provisions	4,575	**4,955**
Other financial liabilities	8,358	**11,278**
Deferred tax liabilities	9,291	**11,472**
Other non-current liabilities	1,405	**1,487**
Total non-current liabilities	250,755	**191,995**
Total liabilities	391,310	**381,630**
Equity		
Share capital	48,623	**48,785**
Capital surplus	42,039	**42,636**
Retained earnings	2,991	**(3,846)**
Treasury shares	(568)	**(568)**
Other components of equity	48,553	**74,662**
Equity attributable to owners of parent	141,639	**161,668**
Non-controlling interests	(468)	**(788)**
Total equity	141,171	**160,880**
Total liabilities and equity	532,482	**542,510**

Consolidated statement of profit or loss

(unit: million JPY)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Revenue	361,593	**364,403**
Cost of sales	195,369	**199,138**
Gross profit	166,224	**165,264**
Selling, general and administrative expenses	144,249	**144,664**
Other income	1,761	**2,818**
Other expenses	784	**810**
Share of profit (loss) of investments accounted for using equity method	(371)	**79**
Operating profit	22,580	**22,688**
Finance income	1,504	**341**
Finance costs	5,262	**16,640**
Profit before taxes	18,823	**6,390**
Income tax expense	8,458	**6,170**
Profit	10,364	**219**
Profit (loss) attributable to		
Owners of parent	10,485	**492**
Non-controlling interests	(120)	**(273)**
Earnings per share		
Basic earnings per share (Unit: JPY)	83.13	**3.90**
Diluted earnings per share (Unit: JPY)	82.58	**3.87**

Consolidated statement of comprehensive income

(unit: million JPY)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit	10,364	**219**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(228)	**845**
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,102	**(3,450)**
Items that may be reclassified to profit or loss		
Effective portion of cash flow hedges	(14)	**17**
Exchange differences on translation of foreign operations	(4,929)	**26,893**
Share of other comprehensive income of investments accounted for using equity method	(11)	**(380)**
Other comprehensive income, net of taxes	(4,081)	**23,925**
Comprehensive income	6,283	**24,144**
Comprehensive income attributable to		
Owners of parent	6,400	**24,464**
Non-controlling interests	(116)	**(319)**
Comprehensive income	6,283	**24,144**

Consolidated statement of changes in equity

(unit: million JPY)

	Equity attributable to owners of parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeas-urements 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, 2024	48,423	41,797	(2,773)	(568)	-	(1,110)	(3)
Comprehensive income							
Profit	-	-	10,485	-	-	-	-
Other comprehensive income	-	-	-	-	(228)	1,102	(14)
Total comprehensive income	-	-	10,485	-	(228)	1,102	(14)
Issuance of new shares	200	(154)	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-
Dividends to owners of parent	-	-	(4,917)	-	-	-	-
Forfeiture of share acquisition rights and Restricted Stock Units	-	(203)	199	-	-	-	-
Share-based payment transactions	-	600	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	(3)	-	228	(225)	-
Transactions with owners	200	242	(4,720)	-	228	(225)	-
As of March 31, 2025	48,623	42,039	2,991	(568)	-	(233)	(17)

	Equity attributable to owners of parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using equity method	Total	Total	Non-controlling interests	Total
As of April 1, 2024	53,380	369	52,635	139,515	(351)	139,163
Comprehensive income						
Profit	-	-	-	10,485	(120)	10,364
Other comprehensive income	(4,933)	(11)	(4,085)	(4,085)	3	(4,081)
Total comprehensive income	(4,933)	(11)	(4,085)	6,400	(116)	6,283
Issuance of new shares	-	-	-	45	-	45
Purchase of treasury shares	-	-	-	-	-	-
Dividends to owners of parent	-	-	-	(4,917)	-	(4,917)
Forfeiture of share acquisition rights and Restricted Stock Units	-	-	-	(3)	-	(3)
Share-based payment transactions	-	-	-	600	-	600
Transfer from other components of equity to retained earnings	-	-	3	-	-	-
Transactions with owners	-	-	3	(4,275)	-	(4,275)
As of March 31, 2025	48,447	357	48,553	141,639	(468)	141,171

(unit: million JPY)

	Equity attributable to owners of parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeas-urements 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 March 31, 2025	48,623	42,039	2,991	(568)	-	(233)	(17)
Comprehensive income							
Profit	-	-	492	-	-	-	-
Other comprehensive income	-	-	-	-	845	(3,450)	17
Total comprehensive income	-	-	492	-	845	(3,450)	17
Issuance of new shares	161	169	-	-	-	-	-
Purchase of treasury shares	-	-	-	(0)	-	-	-
Dividends to owners of parent	-	-	(5,306)	-	-	-	-
Forfeiture of share acquisition rights and Restricted Stock Units	-	(183)	112	-	-	-	-
Share-based payment transactions	-	609	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	(2,136)	-	(845)	2,982	-
Transactions with owners	161	596	(7,330)	(0)	(845)	2,982	-
As of March 31, 2026	48,785	42,636	(3,846)	(568)	-	(701)	-

	Equity attributable to owners of parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using equity method	Total	Total	Non-controlling interests	Total
As of March 31, 2025	48,447	357	48,553	141,639	(468)	141,171
Comprehensive income						
Profit	-	-	-	492	(273)	219
Other comprehensive income	26,940	(380)	23,971	23,971	(46)	23,925
Total comprehensive income	26,940	(380)	23,971	24,464	(319)	24,144
Issuance of new shares	-	-	-	331	-	331
Purchase of treasury shares	-	-	-	(0)	-	(0)
Dividends to owners of parent	-	-	-	(5,306)	-	(5,306)
Forfeiture of share acquisition rights and Restricted Stock Units	-	-	-	(70)	-	(70)
Share-based payment transactions	-	-	-	609	-	609
Transfer from other components of equity to retained earnings	-	-	2,136	-	-	-
Transactions with owners	-	-	2,136	(4,435)	-	(4,435)
As of March 31, 2026	75,387	(23)	74,662	161,668	(788)	160,880

Trends in Key Financial Data

Consolidated statement of cash flows

(unit: million JPY)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before taxes	18,823	**6,390**
Depreciation and amortization	27,871	**27,119**
Interest expenses	4,929	**5,876**
Decrease (increase) in trade receivables	3,061	**3,989**
Decrease (increase) in inventories	(193)	**2,229**
Increase (decrease) in trade payables	(2,602)	**2,917**
Other	(1,915)	**5,655**
Subtotal	49,974	**54,178**
Interest and dividends received	354	**309**
Interest paid	(6,568)	**(5,334)**
Income taxes paid	(3,977)	**(7,021)**
Income taxes refund	2,160	**326**
Net cash provided by operating activities	41,941	**42,458**
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(11,610)	**(9,093)**
Proceeds from sales of property, plant and equipment, and intangible assets	902	**448**
Proceeds from sale of investments accounted for using equity method	307	**296**
Other	1,927	**(106)**
Net cash used in investing activities	(8,473)	**(8,454)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,329)	**(2,063)**
Proceeds from short-term borrowings	-	**50,195**
Proceeds from long-term borrowings	1,962	**185,801**
Repayments of long-term borrowings	(27,003)	**(260,404)**
Repayments of lease liabilities	(6,814)	**(5,931)**
Dividends paid to owners of parent	(4,916)	**(5,306)**
Other	32	**(2,111)**
Net cash used in financing activities	(39,068)	**(39,821)**
Effect of exchange rate changes on cash and cash equivalents	(1,851)	**6,044**
Net increase (decrease) in cash and cash equivalents	(7,451)	**227**
Beginning balance of cash and cash equivalents	47,044	**39,592**
Ending balance of cash and cash equivalents	39,592	**39,820**

(unit: million JPY)

	Ended March, 2022	Ended March, 2023	Ended March, 2024	Ended March, 2025	Ended March, 2026
Results of operations					
Revenue	340,452	356,434	353,900	361,593	**364,403**
Operating profit	8,174	20,000	1,566	22,580	**22,688**
Finance income	2,348	411	648	1,504	**341**
Finance costs	7,520	20,231	15,464	5,262	**16,640**
Profit attributable to owners of parent	(8,460)	(3,222)	(12,893)	10,485	**492**
R&D expenses	10,262	9,931	11,971	10,727	**10,914**
CAPEX	11,736	11,516	14,630	11,610	**9,093**
Depreciation	31,077	29,015	27,933	27,871	**27,119**
Impairment loss (excluding investment securities, etc.)	18,405	9,568	16,657	(54)	**(8)**
EBITDA	57,656	58,583	46,158	50,397	**49,800**
Adjusted EBITDA	71,872	64,882	49,713	50,095	**51,959**
Financial position					
Total assets	591,320	561,567	564,327	532,482	**542,510**
Total equity	136,065	138,827	139,163	141,171	**160,880**
Cash and cash equivalents	95,232	60,933	47,044	39,592	**39,820**
Goodwill	197,754	199,707	208,719	206,500	**221,524**
Gross debt	307,936	292,615	285,045	255,260	**234,557**
Net debt	212,704	231,682	238,001	215,668	**194,737**
Net debt/Adjusted EBITDA	3.0x	3.6x	4.8x	4.3x	**3.7x**
Cash flow					
Cash flows from operating activities	51,053	21,376	41,304	41,941	**42,458**
Cash flows from investing activities	(12,521)	(17,520)	(21,072)	(8,473)	**(8,454)**
Cash flows from financing activities	(7,015)	(40,832)	(39,139)	(39,068)	**(39,821)**
Per share data					
Basic earnings per share attributable to owners of parent (unit: JPY)	(70.78)	(25.84)	(102.48)	83.13	**3.90**
Equity attributable to owners of parent per share (unit: JPY)	1,092.33	1,101.33	1,106.98	1,122.36	**1,277.89**
Dividend per share (unit: JPY)	38.00	72.00	54.00	42.00	**42.00**
Others					
Operating profit margin	2.4%	5.6%	0.4%	6.2%	**6.2%**
ROE	(7.0%)	(2.4%)	(9.3%)	7.5%	**0.3%**
ROIC	-	-	0.3%	3.8%	**3.9%**

List of Main Companies (As of March 31, 2026)

Region	Country	Name	Participating interest	Main activities
Japan	Japan	PHC Corporation	100%	Development, manufacturing, and sales of healthcare products and services
	Japan	LSI Medience Corporation	100%	Clinical testing
	Japan	Wemex Corporation	100%	Healthcare IT solutions
	Japan	Mediford Corporation	100%	Drug discovery support
North America	Canada	Ascensia Diabetes Care Canada Inc.	100%	Diabetes care products and services
	USA	Ascensia Diabetes Care US Inc.	100%	Diabetes care products and services
	USA	New Erie Scientific LLC	100%	Development, manufacturing, and sales of microscope slides and coverglass for the pathology business (Epredia)
	USA	Richard-Allan Scientific LLC	100%	Global development and manufacturing base for cancer diagnostics reagents for the pathology business (Epredia), and North American distribution hub
	USA	PHC Corporation of North America	100%	Sales, technical service, and validation for PHCbi biomedical products in North and South America and Latin America
EMEA	Switzerland	Ascensia Diabetes Care Holdings AG	100%	Diabetes care products and services
	Germany	Ascensia Diabetes Care Deutschland GmbH	100%	Diabetes care products and services
	Italy	Ascensia Diabetes Care Italy S.R.L.	100%	Diabetes care products and services
	Poland	Ascensia Diabetes Care Poland Sp. z o.o.	100%	Diabetes care products and services
	U.K.	Shandon Diagnostics Limited	100%	Manufacturing and sales of equipment for the pathology business (Epredia) including digital pathology
	Netherlands	PHC Europe B.V.	100%	Sales and maintenance for PHCbi biomedical products in Europe
APAC	Australia	Ascensia Diabetes Care Australia Pty Limited	100%	Diabetes care products and services
	China	Ascensia Diabetes Care Shanghai Co., Ltd.	100%	Diabetes care products and services
	China	Epredia Laboratory Products Manufacturing (Shanghai) Co., Ltd.	100%	Development and manufacturing base for equipment for the pathology business (Epredia)
	Indonesia	PT PHC Indonesia	95%	Manufacturing of diabetes management and life sciences products
	Singapore	SciMed (Asia) Pte Ltd	100%	Sales and maintenance for life sciences products, including PHCbi products, in Southeast Asia, the Middle East, and Central Asia

PHC Group Overview (As of March 31, 2026)

PHC Group Overview

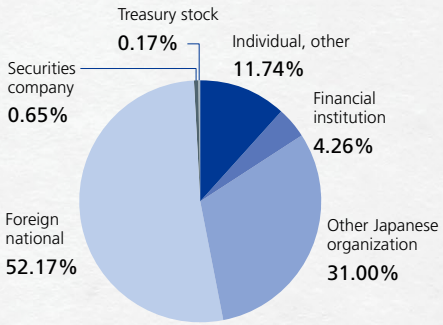
Company Name	PHC Holdings Corporation
Business Address/Head Office	15F DAI-ICHI LIFE HIBIYA FIRST 1-13-2 Yurakucho, Chiyoda-ku, Tokyo 100-8403, Japan
Founded	1969 (as Matsushita Kotobuki Electronics Co., Ltd.)
Leader	President, Representative Director and CEO Kyoko Deguchi
Share Capital	48,785 million JPY
Listed Market	Tokyo Stock Exchange Prime Market (TSE 6523)
Main Businesses	• Diabetes Management • Healthcare Solutions • Diagnostics & Life Sciences

Stock Information

Shares

Total number of authorized shares	460,000,000
Total number of shares outstanding	126,724,020
Number of shareholders	23,537

Stock Share Distribution Status by Owner



For further information, please visit the following pages on our website.

Investor Relations https://www.phchd.com/global/ir

Products & Services https://www.phchd.com/global/products

Sustainability https://www.phchd.com/global/sustainability

Major Shareholders

Shareholder names	Shareholding (thousand shares)	Shareholding ratio (%)
KKR PHC Investment L.P.	47,994	37.94
Mitsui & Co., Ltd.	18,570	14.68
Mitsubishi Chemical Corporation	12,297	9.72
Panasonic Holdings Corporation	7,766	6.14
The Master Trust Bank of Japan, Ltd. (Investment account)	4,400	3.48
LCA 3 Moonshot LP	2,614	2.07
J.P. Morgan Securities plc	2,370	1.87
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,904	1.51
Interactive Brokers LLC.	1,490	1.18
Hidetomo Oka	1,220	0.97

* The shareholding ratio is calculated after deducting treasury shares (211,966 shares)

Editorial Note

One PHC

Core Production Team of the Integrated Report 2026

On the Publication of the Integrated Report 2026

We would like to express our heartfelt gratitude to everyone, both inside and outside PHC Group, who contributed to the creation of the "Integrated Report 2026," as well as to all our stakeholders who continue to support us.

In this report, the fourth for PHC Group, we aim to communicate the essence of precision technology, the source of our value creation, from multiple perspectives and workplaces.

Technology as we define it is not limited to just product specifications and manufacturing processes. It is a comprehensive capability that unites our 60-year history of manufacturing with our persistent drive to take on challenges, pride in quality, and sincere commitment of each individual to solving social problems. In this report, we feature the faces and voices of employees to help readers feel a more personal connection to the strengths and inspiration manifested in our daily work.

The special feature on the Matsuyama Site provides a detailed behind-the-scenes look at how we have combined our highly precise technology and organizational culture to generate innovative value. In interviews, our CxOs discuss our medium- to long-term management strategies, along with previews of the future in which our business, technology, and human resources are fully integrated.

On the topic of governance, through an interview with a corporate auditor, we present a look at the discussions conducted to date to improve the effectiveness of our oversight and auditing processes.

Going forward, PHC Group is committed to continuing to support research, medical care, and healthcare settings around the world. Above all, we seek to contribute to human health so that we may continue to deserve the trust of society. We hope that this Integrated Report will serve as a helpful resource in deepening your understanding of and engagement with PHC Group.

PHC GROUP

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