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

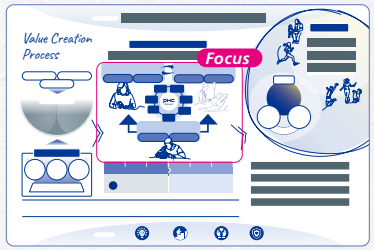
PHC Group's Area of Focus

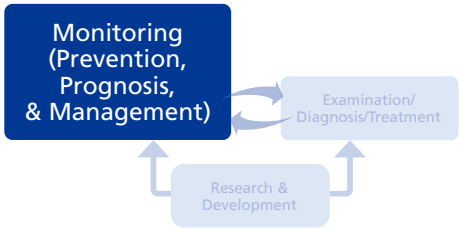
PHC Group is leveraging these strengths and taking action to help solve healthcare challenges around the world. In accordance with our value-based healthcare approach centered on enhancing the quality of medical care, expanding access to healthcare, and improving cost-effectiveness, we develop products 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.

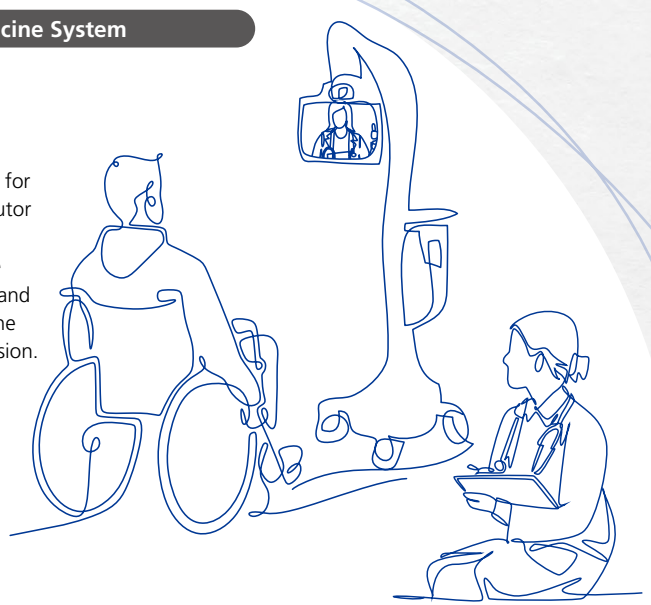
Hiromi Yoshioka
Manager
Preventive Medicine Promotion Section, Wellness Solutions Department
Wemex Corporation

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

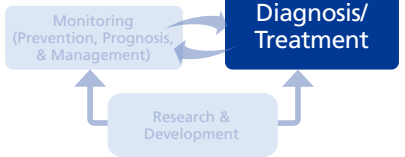
The blood glucose monitoring (BGM) systems provided by Ascensia empower people with diabetes to manage their condition effectively, contributing to improved comfort and quality of life.

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

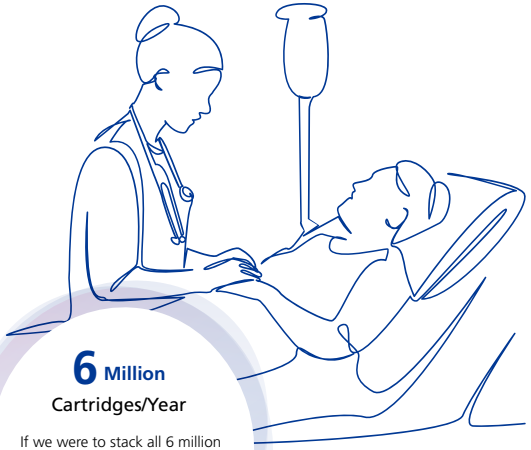
LSI Medience has partnered with 7,000 medical institutions across Japan, establishing a robust system capable of processing approximately 950,000 tests per day to support physicians in making accurate diagnoses.

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.

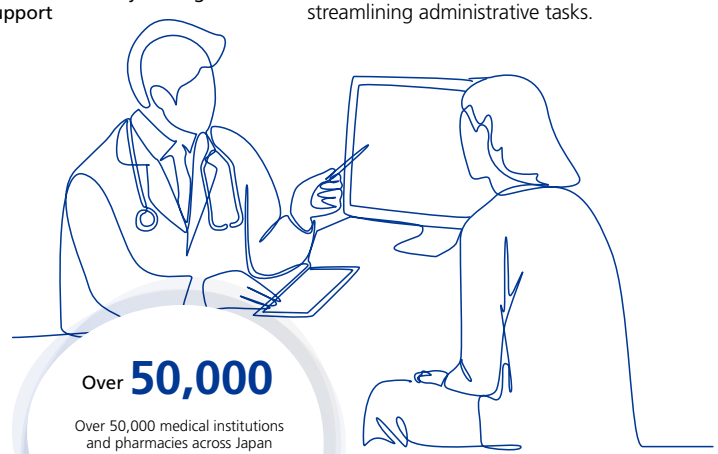
Dr. Balazs Liposits
Chief Strategy Officer & Chief Commercial Officer
Epredia Holdings Ltd.

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

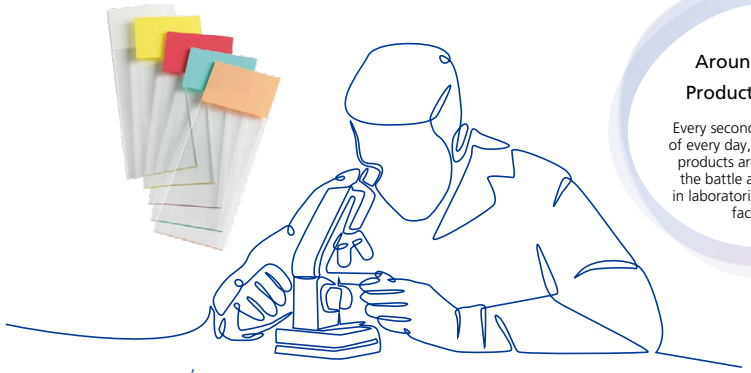
*1 Source: In-house research
*2 Top 20 among the 50 largest revenue pharma companies in the world in 2022
https://www.drugdiscoverytrends.com/2023-pharma-50-largest-companies/

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

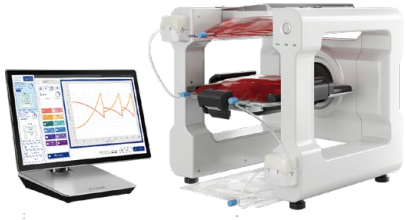
LiCellMo™ Live Cell Metabolic Analyzer uses proprietary high-precision In-Line sensors to continuously measure key indicators of cell metabolism without manual sampling, supporting research on cancer and stem cells.

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

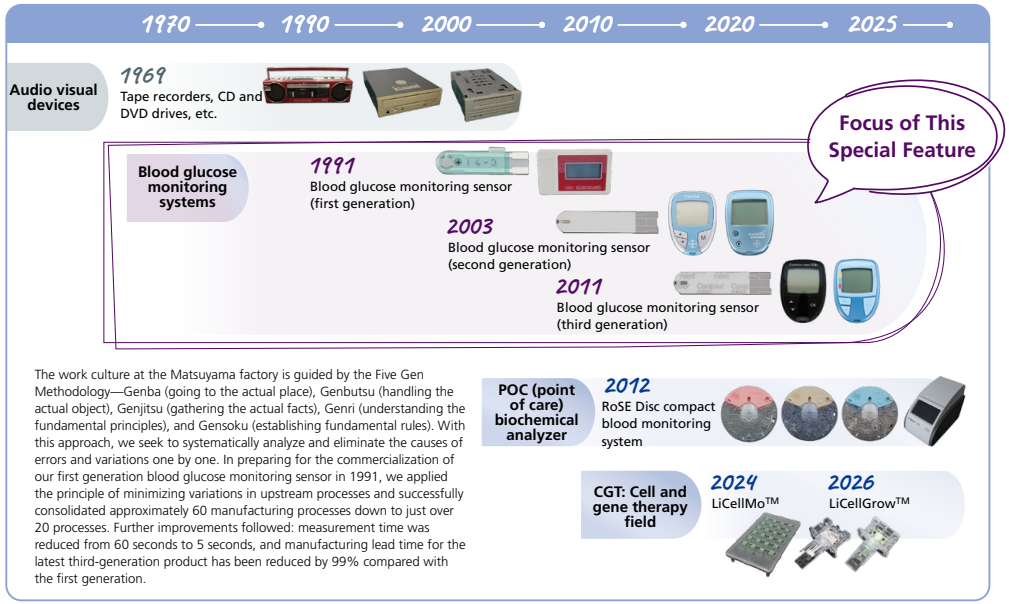
Manufacturing at the Matsuyama Factory: Continuously Evolving Through Precision Technology and On-Site Capabilities

—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.

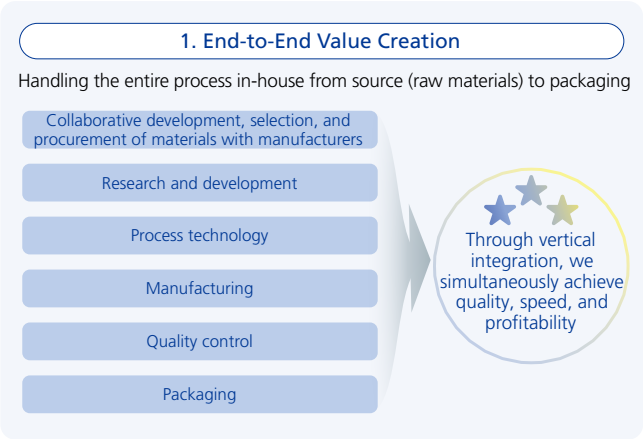
Strength 2: A Black Box Strategy That Protects Competitive Advantage

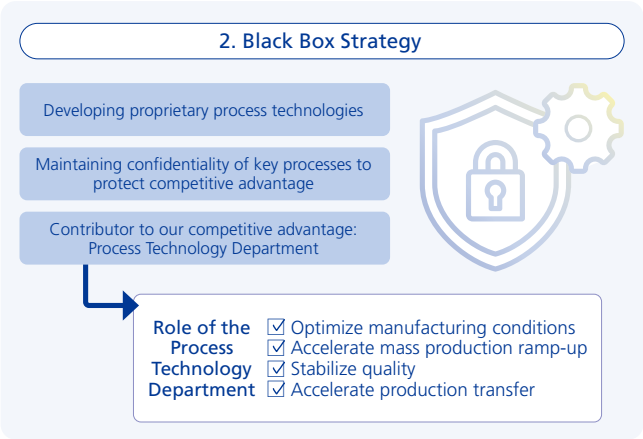
At the Matsuyama factory, we have adopted a "black box" strategy, which involves strategically distinguishing between technologies disclosed as patents and know-how kept confidential within our manufacturing process. By deliberately keeping confidential those process conditions that are difficult to 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.

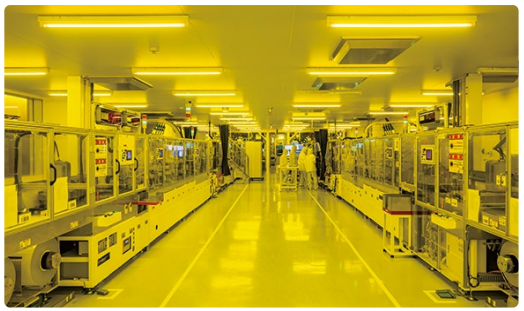
Strength 3: High-Precision Manufacturing at an Affordable Price

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.

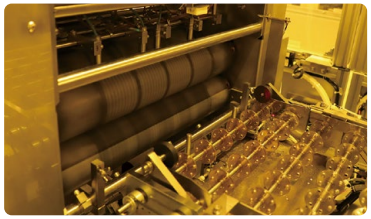
To ensure consistency, at the Matsuyama factory we use high-speed cameras, evaluation tests, and simulations to visualize and analyze these differences, optimizing temperature, humidity, airflow, and the condition of the material surface. By ensuring uniformity in the spread of reagents, the crystalline 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)

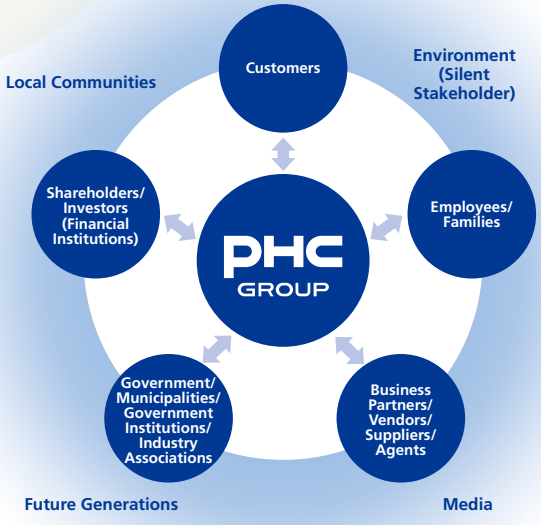
Meetings with Institutional Investors and Analysts **123**

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