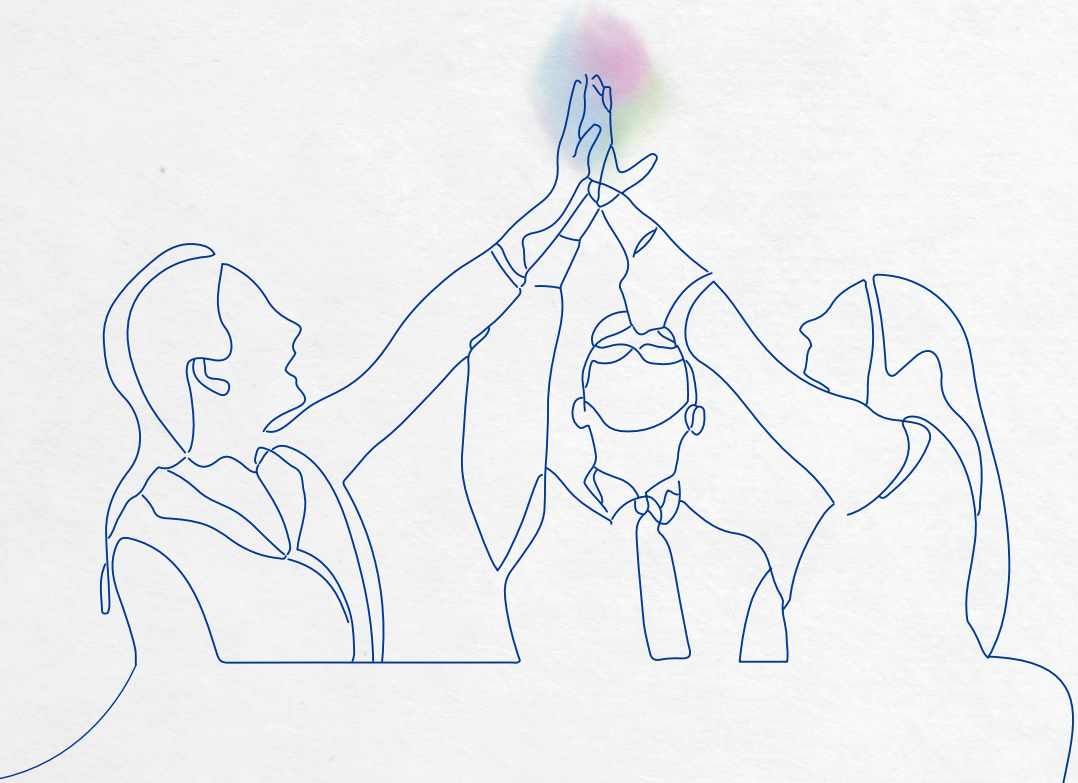


Chapter 5

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.

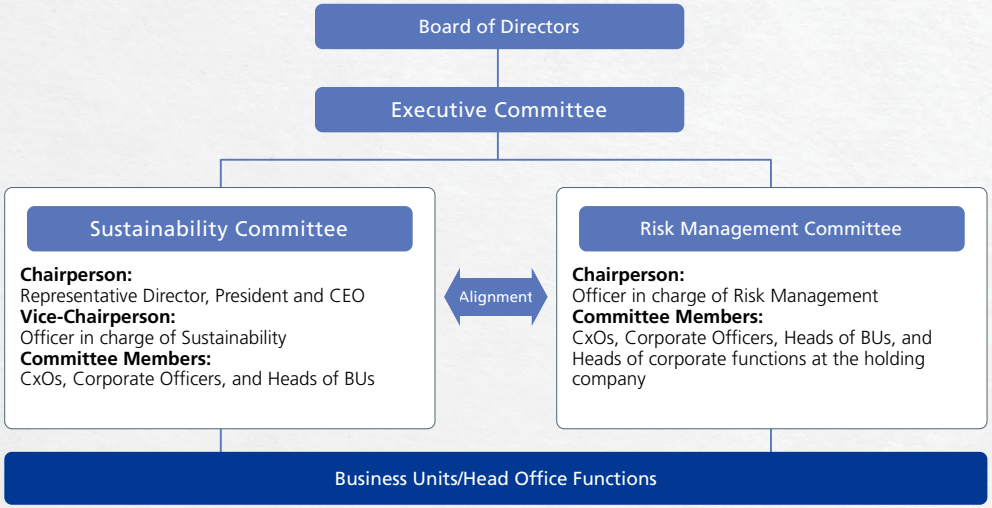
The objectives of the committee are to discuss and examine the Group's overall sustainability-related strategies and measures before Board of Directors and Executive Committee meetings, determine concrete processes and share the latest external knowledge concerning sustainability and ESG so that decisions 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

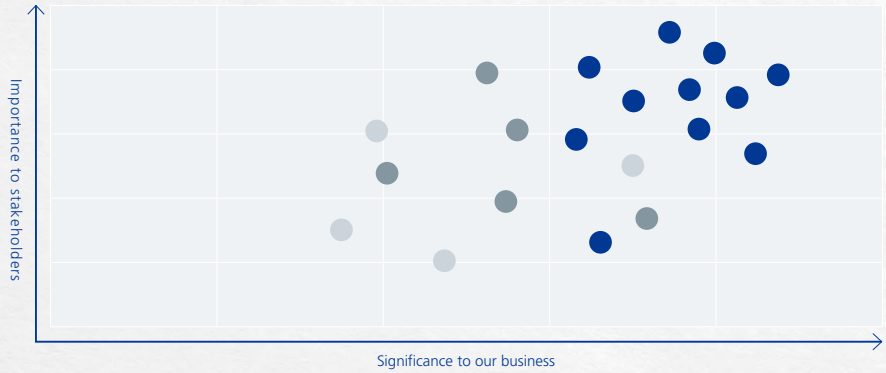
Identification of materiality universe

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

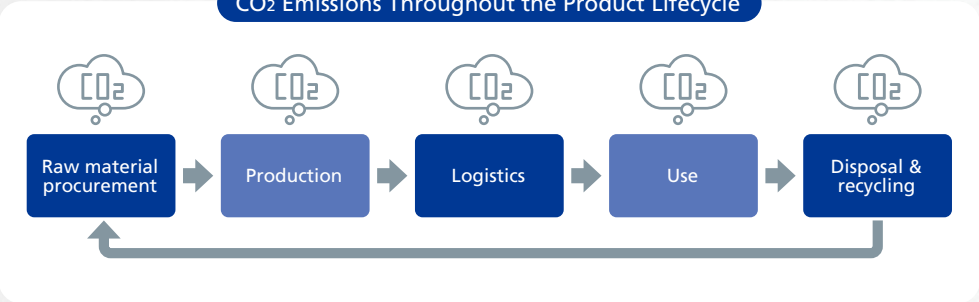
—Enhancing Competitiveness Through CFP Calculation and ACT Ecolabel Certification—

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.

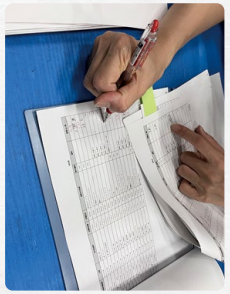
CO_2 Emissions Throughout the Product Lifecycle



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.

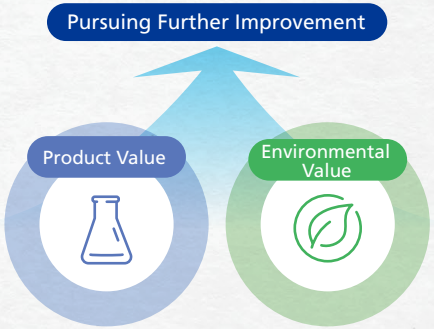
Future Developments

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.

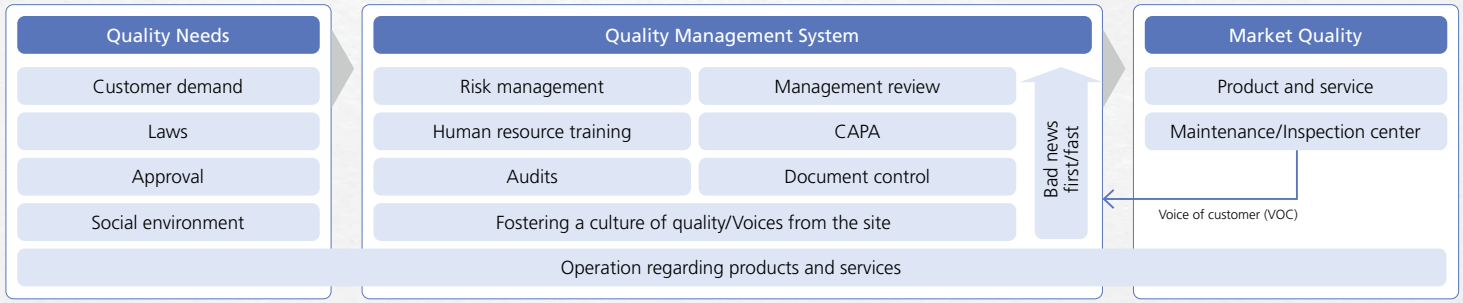
Safety-First Mindset and Action

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.

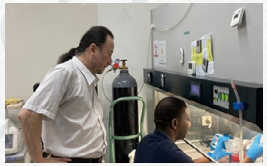
To address this global challenge, Hokkaido University in Japan and the University of Zambia have worked to strengthen infectious disease control in Africa through joint research for more than 40 years. Their base of activity, the School of Veterinary Medicine at the University of Zambia, has received 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

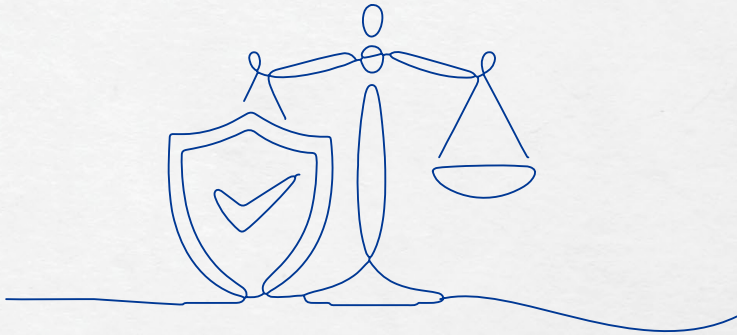
PHC Group operates a series of processes, from risk identification, evaluation, and response to monitoring and improvement, centered on the Risk Management Committee.

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

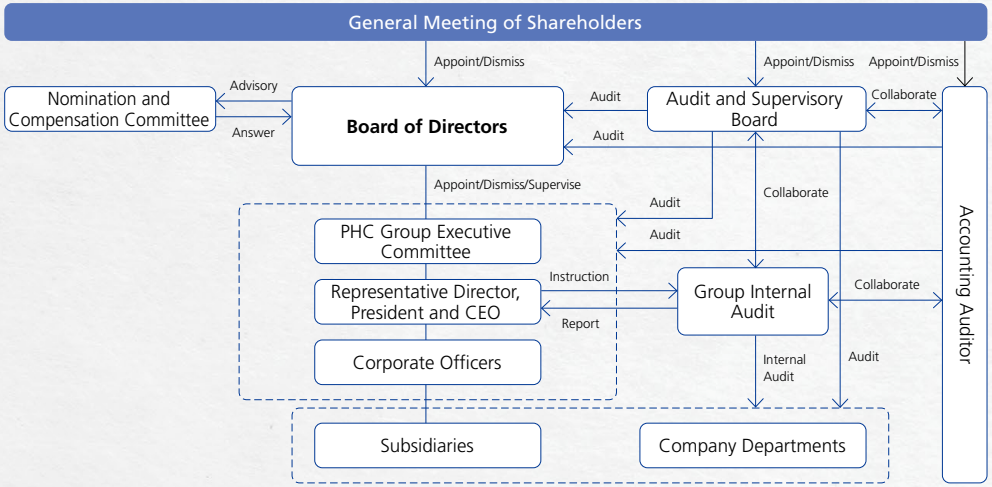
PHC Group offers compliance helplines for use by employees, contractors and others. Employees, contractors and others are encouraged to report potential compliance issues, such as suspected fraudulent activity or human rights violations, by multiple methods, such as phone or email. Helplines can be used 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.

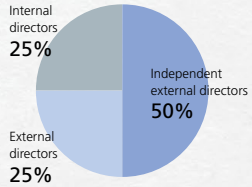
Audit and Supervisory Board

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

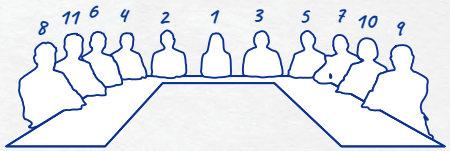
Financial results briefings*1	4 (quarterly)
Individual meetings with institutional investors and analysts	123
Business briefings for institutional investors and analysts	1

*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

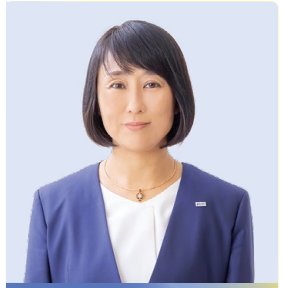
Over the course of the past year, my views on the concerns and confirmation points that I had before taking office have gradually changed. I have gained a strong sense that a culture of open information sharing is at the foundation of audits. And with respect to mechanisms for priority management of 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