

Basic Philosophy and Materiality Topics on Environmental Sustainability

Materiality Topic	KPI	Targets
Climate Change	Scope 1 & 2 CO ₂ emission reduction	Carbon neutral by 2040
	Scope 3 CO ₂ emission reduction	TBD (set after identifying current scope 3 emission)
Preservation of Natural Resources	Percentage of reduction of water withdrawal at production sites / labs on a per revenue basis	15% reduction (vs. 2022) by 2030
	Percentage of reduction of packaging material on a per revenue basis	10% reduction (vs. 2022) by 2030
	Percentage of reduction of waste generated at production sites / labs on a per revenue basis	20% reduction (vs. 2022) by 2030
Circularity	Percentage of total waste recycled at production sites / labs (The recycling percentage does not include thermal recycling.)	90% by 2030
	Percentage of recycled content in plastic packaging materials	10% by 2030

Environmental Initiatives

PHC Group recognizes environmental sustainability as one of the most important challenges that businesses face today. In accordance with our environmental policy, we implement initiatives to support our business activities while helping contribute to environmental sustainability.

Employee Education to Improve Environmental Awareness

To encourage each employee to take action in support of environmental sustainability, we work to enhance environmental knowledge and awareness. Every year in June, which is Environment Month in Japan, we conduct outreach to employees to raise awareness about our environmental priorities. We aim to deepen employee understanding especially of the environmental priorities outlined in our global ESG strategy.

Environmental Policy

PHC Group contributes to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people.

Compliance, integrity, and high ethical standards are fundamental principles in our business. As part of this philosophy, we believe that environmental consciousness is essential not only for the present but also for future generations and that it is necessary to minimize the impact of our business activities on the environment.

In order to support our business activities and contribute to the realization of a sustainable society, PHC Group implements environmental initiatives and complies with the laws and regulations in the countries and regions where the group is expanding our business.

We recognize the importance of positioning environmental factors as a core part of our business activities.

Targets and Goals

PHC Group focuses our efforts on three global environmental issues: climate change, preservation of natural resources, and circularity.

PHC Group strives to maintain a sustainable environment at our manufacturing bases around the world. In Japan and the outsides, we have obtained ISO 14001 certification and are engaged in activities to conserve the environment; for example, efficient energy use and environmentally friendly product development. In particular, our ESG strategy is focused on climate change, preservation of natural resources, and circularity as important global environmental issues that must be addressed.

Climate Change

Background of Materiality Assessment, Past Initiatives, and KPIs

The impact of climate change on the health of society is a major issue for communities and businesses globally. Therefore the healthcare industry must take responsibility for addressing climate change, especially efforts to reduce greenhouse gas emissions. To contribute to this global priority, each company in PHC Group is working to reduce greenhouse gases (Scope 1 and 2), mainly CO₂.

At each of our plant locations, we are switching to LED lighting to reduce electricity use and therefore CO₂ emissions. The Biomedical Division of PHC Corporation has adopted LED lighting in the Gunma site. Starting in fiscal 2019, the IVD Division of PHC Corporation converted factory lighting to LED lights and was able to reduce power consumption by 334 MWh by fiscal 2022. To date, the division's manufacturing site at Narita has converted approximately 96% of its lighting to LED.

We have also reduced power consumption by updating facilities and equipment to energy-efficient specifications. For example, the IVD Division of PHC Corporation has progressively updated its air conditioning equipment since fiscal 2018 and reduced electricity consumption by 80 MWh by fiscal 2022. The Narita Site of IVD Division, PHC Corporation reduced annual power consumption by 137 MWh by updating its air conditioning facilities to individual air conditioning units, enabling each room to control temperature, turn units off, and operate heating/cooling functions. PHC Indonesia's plant is saving energy by updating its compressor to an inverter type, thereby reducing power consumption by 225 MWh in fiscal 2021 compared to the

previous year, and by a further 169 MWh in fiscal 2022. EpreDia has also reduced CO₂ emissions by replacing old equipment with new equipment which is more energy efficient.

We have also taken measures to reduce energy consumption by eliminating unnecessary use of lighting and equipment. For example, EpreDia has installed timers on select equipment and lighting so unused equipment can be turned off when the facility is not in operation. LSI Medience has also introduced timer control for air supply and exhaust fans at Shimura Central Laboratory and the IVD Division of PHC Corporation shortened the operating time of blower pumps for wastewater treatment equipment at its Narita Manufacturing Site.

Furthermore, the Biomedical Division of PHC Corporation has expanded its product lineup by developing an ultra-low temperature freezer that contributes to reducing the burden on the global environment by using CFC-free refrigerants and by reducing power consumption. By leveraging natural refrigerants with higher energy efficiency and employing a new type of high-output compressor, the ULT freezer is designed to help laboratories minimize their power consumption and achieve their sustainability goals.

PHC Group will promote initiatives to further reduce greenhouse gas emissions and aims to achieve carbon neutrality by 2040.



Inverter-compatible compressors



CFC-free ultra-low temperature freezer certified under the International ENERGY STAR program (a model for North America)

Preservation of Natural Resources

Background of Materiality Assessment, Past Initiatives, and KPIs

A global culture of mass production, mass consumption, and mass waste has contributed to the depletion of natural resources and disruption of ecosystems. It has become essential for companies to use resources efficiently in all stages of business, from procurement of raw materials to disposal of waste. PHC Group designs products with environmental consideration in mind, including the effective use of natural resources and non-use of environmentally hazardous substances. In manufacturing processes, we are also actively working to reduce water consumption and waste emissions through improvements in each of our processes.

PHC Group will continue to promote the reductions of environmental impact in our business activities in alignment with the materiality topics listed on page 56 as the targets.

Reduction of Water Withdrawal at Production Sites, Laboratories, and Other Sites

We have taken steps to recycle water and reduce the intake of water at our manufacturing sites and laboratories. For example, EpreDia has reduced its water consumption by implementing water recycling initiatives at its manufacturing facilities. PHC Indonesia saves water by performing regular maintenance on its water pumps and implementing timed shut-offs on holidays.



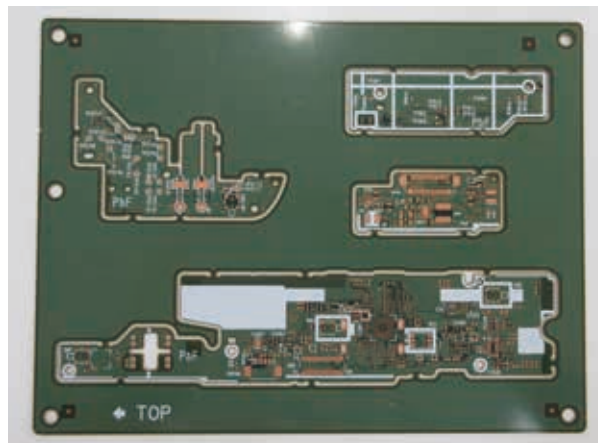
Water Pump Operation

Reduction of Packaging Materials

We continue to work on improving the packaging efficiency of manufactured goods at all of our manufacturing sites. For example, the Biomedical Division of PHC Corporation has reduced cardboard waste by eliminating filling materials. EpreDia works with its customers and vendors to reduce the amount of packaging required to transport products to end users and to identify points in its value chain where packaging can be reused. EpreDia also reuses pallets received from vendors and intercompany transportation and has introduced a delivery system that utilizes reusable containers for its main vendors.

Reduction of Waste at Manufacturing Sites, Laboratories, and Other Sites

We are actively working to reduce waste and recycle resources and are exploring zero-waste manufacturing processes, as well as the introduction of materials that do not generate harmful substances. The IVD Division of PHC Corporation actively uses halogen-free materials that do not emit dioxins and other substances and has achieved an adoption rate of over 90% for halogen-free materials.



Halogen-Free Circuit Board

Circularity

Background of Materiality Assessment and Basic Approach to Circularity

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

Percentage of Total Waste Recycled at Production Sites / Labs

Reducing waste at production sites also reduces the risk of environmental pollution from waste containing any hazardous substances.

By simultaneously expanding our business and increasing the proportion of waste that is recycled in manufacturing activities, we aim to balance efficient resource utilization, economic growth, and preservation of the environment.

Promoting the recycling of waste at production sites, and adopting more environmentally-friendly technologies and production methods helps us reduce the amount of waste generated. This will reduce the environmental impact caused by our production sites and consumers, including our customers.

By implementing these measures, we will reduce the amount of waste generated at our production sites by promoting waste recycling, thereby helping to protect the global environment.

Percentage Recycled Content in Plastic Packaging Materials

By simultaneously expanding our business and increasing the proportion of recycled plastic in packaging materials, we will seek to balance economic growth with the efficient use of petroleum resources used as raw materials for plastics.

Increasing the proportion of recycled plastics in packaging materials allows for less wasteful use of resources, and leads to adopting environmentally-friendly technologies and production methods.

By implementing these measures, we will strive to reduce the amount of waste generated and protect the environment by promoting the recycling and reuse of plastics.

Initiatives to Address Sustainability

Materiality Topics	KPI	Targets
Healthcare Innovation	Number of new patent applications	—
	Number of registered patents	—
	Number of new products and services launched	—
	Revenue from the “Growth Areas” (Advanced Therapy Development, Digital Health, Personalized Testing and Diagnostics)	86.0 bn/JPY by 2025
Product Excellence	Number of warning letters issued (e.g., FDA warning letter)	0
	Number of recalls issued	—
Supply Chain	Percentage of response rate to PHC Group supplier survey	95%
Expanded Access	Consolidated sales in emerging and developing markets	—
People & Culture	Ratio of gender diversity at manager level or above	Non-male ratio: 30% or higher by 2030
	Employee Engagement Score: increase from the previous year	1 point+ improvement vs. PY
	Enhanced employee learning and skill development	—

Social Initiatives

The social materiality topics that PHC Group has defined in our ESG strategy express how we seek to achieve 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” and help advance Value-Based Healthcare through our business.

As we create new value through healthcare innovation, we recognize the magnitude of our potential impact on people’s health as a healthcare company. First and foremost, it is of the utmost importance to fulfill our responsibility for product safety and quality. We contribute to improving the quality of healthcare by providing high-quality, cutting-edge products and contributing to the development of new treatments. We also believe that expanding our sales in emerging and developing markets will enable us to help offer health technology and therapies to more people, thereby leading to improved access to healthcare.

We also view strengthening our supply chain as an important social issue to ensure that we are providing products and services that our customers can use with confidence. As a group, we will work together to fulfill our supply responsibilities as a manufacturer and to ensure responsible procurement practices.

Employees play a leading role in business activities that deliver value to society. It is vital to create a workplace where people with diverse backgrounds and experiences, one of our strengths, can work together collaboratively. We will continue to pursue the development of a vibrant organization and culture for our employees.

Healthcare Innovation

■ Vision

As stated in our mission, creating new healthcare solutions is the source of our value to society. PHC Group possesses unique technologies that we have developed and accumulated over the years. However, our commitment to innovation means we will continue to advance digital and precision technologies in the pursuit of better health. Furthermore, if we can create new value by combining our technologies with others, we will actively collaborate with universities, research institutes, and business partners to realize these synergies.

By developing and combining healthcare technologies in this way, we will seek to create innovative new products and services.

■ Initiative Example (1)

Ultra-low temperature freezer: VIP ECO® SMART
The PHCbi brand VIP ECO SMART series of ultra-low temperature freezers is capable of achieving industry-leading energy-saving performance and improved convenience.

PHCbi has developed a wide range of life science equipment, including class-leading ultra-low temperature freezers. The VIP ECO SMART series pushes the limit of energy-saving performance, reducing power consumption approximately 30% compared to current models and putting the VIP ECO SMART series (the North American models) in the top position^{*1} among ultra-low temperature freezers as ranked by ENERGY STAR®.

Regarding new functions that improve convenience, the VIP ECO SMART series offers enhanced security through password authentication, facial recognition, or an optional near-field communication (NFC) authentication^{*2}, to accommodate a variety of facility and customer needs. Furthermore, sensors are installed for more accurate monitoring of equipment status, enabling centralized management of the equipment’s condition. Also, the cloud-connectable monitoring device allows updating of the software in the main unit. These features are designed to reduce the burden on users in terms of operation monitoring and maintenance management, while also supporting safer and more secure operations^{*3}.

Furthermore, by developing a new platform with a shared design, we have reduced man-hours and easily expanded the platform to develop a global scale and to support various life science equipment.



*1 Global Assessment of Life Science Equipment Market 2022 (Frost & Sullivan) *2 Applicable only to models for Japan, North America, and Europe *3 The products are currently available only in the U.S.

■ Initiative Example (2)

Accelerating R&D activities by establishing the Pathology Innovation Incubator with 3DHISTECH Ltd.

The Pathology Innovation Incubator was established in March 2023 through a joint investment between EpreDia and 3DHISTECH Ltd., our partner in the digital pathology business. By sharing knowledge and technology accumulated over many years, the two companies will seek to drive research and development forward mainly in immunohistochemical staining (IHC) with the aim of turning today’s ideas into tomorrow’s diagnostic solutions.

Cancer diagnostics requires precision and is becoming more complex. Diagnosis is normally performed by staining tissues and observing the morphology of cells and tissues. IHC is a process that allows proteins in living tissues to be stained and visualized individually with markers. By examining the types of protein expression, pathologists can determine the stage of cancer diagnosis, detect the organ from which cancer has metastasized, and assess the effectiveness of drugs. These capabilities make IHC an extremely important diagnostic method.

Previously, tissue suspected of being a tumor was diagnosed by observation under a microscope. However, in recent years, digital pathology, which is a method for scanning tissue and viewing digital images on computers, has become more popular. 3DHISTECH is a leading global provider of high-quality devices in the field of digital pathology. EpreDia is a global leader in the equipment, reagents, and microscope slides necessary to process and stain biological tissue for diagnosis. Together, the two companies have formed a partnership in digital pathology to contribute to the advancement of healthcare by improving the accuracy of cancer diagnosis. This partnership seeks to advance research into IHC solutions and promote other new innovations in precision cancer diagnostics.



Product Excellence

■ Vision

PHC Group promotes effective quality management by reflecting customer needs, legal and licensing requirements, and other product needs in the creation of our products and services. We particularly focus on the following three points.

- Customer-centric manufacturing and service
- Driving effective and efficient quality management
- Quality-first approach

■ Initiative Example

Promoting an effective quality management system based on a quality-first philosophy

Each of our businesses has acquired international quality certifications, such as ISO 9001 and ISO 13485. Our business operates by incorporating the important elements of the ISO

quality management system into our systems. For instance, each business holds meetings such as quality management reviews with participation from management to reinforce quality as a top priority. We value the voices of customers and on-site employees and seek to create systems and environments that facilitate corrective and preventive action (CAPA) if needed, such as a commitment to voluntary recall at the earliest sign of a problem.

“Customer-centric” manufacturing and service

In each of our businesses, we collect data reflecting the voice of customers (VOC) using a range of mechanisms. We reflect the feedback we receive in the development of our products and services.



Supply Chain

■ Vision

When it comes to our supply chain, PHC Group believes that our supplier companies are partners in creating products and services that deliver value to our customers. We work to ensure that our suppliers understand our group's management philosophy and to advance supply chain quality initiatives together.

■ Initiative Examples

CSR procurement guidelines

Reflecting the demands of the international community, clarified CSR items outlined supply chain priorities such as human rights and labor, health and safety, the environment, corporate ethics and compliance, information security, quality and safety, social contribution, and quality management systems. By working together with supplier companies to promote business activities that comply with these CSR priorities, we seek to ensure that our core principles related to human rights, environmental protection, and fair business dealings are reflected throughout our supply chain.

These guidelines seek to promote responsible and transparent corporate activities in PHC Group's supply chain, and are designed to inform and improve our collaboration with supplier companies.

Supplier survey

(CSR Procurement Self-Assessment Questionnaire)

Based on the results of a supplier survey, we work with our supplier companies to identify any potential social and environmental issues and monitor the progress of efforts by suppliers.

Supplier Meeting (in Japan)

We invite our direct suppliers in Japan to an annual meeting held to share updates about activities across PHC Group and

topics related to each business. We work to increase opportunities for improved inter-business unit communication.



Supplier Meeting (fiscal 2023 results) Number of companies attending: 138
Number of attendees: 207

Supplier meeting (in Indonesia)

PHC Indonesia invites its major supplier companies to an annual meeting to share PHC Group updates and procurement activities in Indonesia. The meetings are attended by both local and Japanese suppliers. In this way, we strive to provide opportunities for information gathering and communication across borders.



Supplier Meeting (fiscal 2023 results) Number of companies attending: 52

Expanded Access

■ Vision

Disparities in healthcare access are a top challenge facing the healthcare industry. In addition to disparities in the quality of medical care available from country to country, there are also differences within developed countries between urban areas and rural or less populated areas.

By expanding sales of a range of products to emerging and developing markets, PHC Group will seek to contribute to creating a society in which health technologies and therapies can reach more people. We are also working to address disparities in healthcare access by promoting telemedicine initiatives that allow people in rural or less-populated areas to connect with doctors through digital devices. This makes it possible for people to receive diagnoses and medical treatment regardless of where they live.

■ Initiative Example

Teladoc HEALTH is a real-time telemedicine system that can be remotely controlled by a physician. Based on the concept of providing peace of mind by easily connecting with physicians at any time in any setting, the system provides online connection for healthcare institutions that have few specialists and with specialists in remote areas. Teladoc HEALTH is used in a variety of telemedicine situations such as the following:

- Remote area healthcare
- Perinatal/neonatal care
- Emergency/intensive care
- Disaster medical care
- Infectious disease control
- Home care

Examples of uses include online diagnosis to provide D to P with N¹ in areas with challenges such as an aging population of residents or physicians and a lack of medical resources. Benefits include reducing the burden of travel on patients and creating a backup system in the absence of physicians.

The limited healthcare resources in rural or remote areas

¹ D to P with N: Abbreviation for “Doctor to Patient with Nurse.” This refers to online healthcare treatment conducted by a doctor for a patient in a remote location via a local nurse.
² A medical MaaS vehicle produced by Toyota Auto Body Co., Ltd. This vehicle helps maintain and improve the health of people who are unable to travel to medical examinations or health checkups.

can mean lack of access to a wide range of specialties, and the burden of travel on patients in order to visit a physician can be significant. To address these healthcare issues in remote areas, we are conducting a pilot program of online diagnosis using the healthcare Mobility as a Service (MaaS) vehicle MEDICAL MOVER², which is equipped with a telemedicine system.

We expect MEDICAL MOVER to contribute to an evolution in the ways physicians can work, adding flexibility without diminishing the quality of healthcare.

As for future developments in telemedicine technology, we will expand our collaboration with healthcare institutions and also work on collaborations with other companies where we identify synergistic effects.



People & Culture

■ Vision

We believe that the growth of individual employees is the driving force behind the development of our group. To encourage such growth, we aim to create a vibrant and inclusive workplace environment where people with diverse backgrounds and experiences can learn new skills and technologies, create new innovations, solve problems as part of a team, and experience personal growth on a global scale. To realize this goal, we have established three pillars of our activity policy: “respect for diversity,” “creation of a foundation for collaboration,” and “activation of human resources.”

■ Initiative Examples

Respect for diversity

- To support the creation of synergies among businesses, we are implementing talent exchanges both in-country and internationally, as well as between different companies and business divisions.
- We will strengthen global recruitment, increase the number of employees with diverse abilities and experiences, and further enhance our working environment to ensure that a

diverse workforce can thrive.

Creation of a foundation for collaboration

- By introducing a global human resources management system, we will build a structure that supports collaboration of teams across countries and businesses, including the professional development of future managers and executives.

Employee engagement

- We conduct groupwide employee engagement surveys and regular global town hall meetings hosted by executives, and are working to strengthen job satisfaction through ongoing two-way communication with employees around the world.
- Through a mentorship system, we support the development and growth of individuals who are interested in building and shaping unique career paths at PHC Group.
- In addition to in-house training programs, we support self-directed challenges and growth and provide opportunities for skill development through subsidies for external training and certifications.

List of Directors and Officers (as of April 1, 2023)

Directors



Shoji Miyazaki

Representative Director, President and CEO

Date of Birth July 12, 1967
 April 1990 Matsushita Kotobuki Electronics Co., Ltd.
 April 2009 Head of BU, diagnostics BU, Panasonic Shikoku Electronics Co., Ltd.
 April 2014 Director, Corporate Officer and General Manager of Diagnostics Business Division, Panasonic Healthcare Co., Ltd. (currently PHC Corporation)
 April 2015 Director, Associate Senior Corporate Officer and General Manager of Diagnostics Business Division, Panasonic Healthcare Co., Ltd.
 June 2018 Managing Executive Officer, PHC Holdings Corporation
 June 2018 Representative Director, President and CEO, PHC Holdings Corporation
 June 2018 Director, PT PHC Indonesia
 April 2019 Representative Director, Senior Executive Vice President, COO, PHC Holdings Corporation
 April 2020 Director, PHC Holdings Corporation
 April 2020 Director, LSI Medience Corporation
 April 2022 Representative Director, President and CEO, PHC Holdings Corporation (incumbent)

In Charge of Group Management and Internal Audit



Koichiro Sato

Representative Director, Senior Executive Vice President, COO

Date of Birth May 25, 1973
 April 1997 MITSUI & CO., LTD.
 February 2007 Vice President of Planning, Secondment to Novus International, Inc. (USA)
 June 2011 Assistant to Representative Corporate Officer, President, Die and Mold Business Company, MISUMI Corporation
 May 2012 Director in charge of Die and Mold Business for India, MISUMI Corporation (India)
 April 2014 Deputy General Manager, Die and Mold Business for China, MISUMI Corporation (China)
 November 2015 MITSUI & CO., LTD.
 April 2016 General Manager, Healthcare Business 1st Department, Healthcare Business Division, MITSUI & CO., LTD.
 March 2017 Outside Director, PHC Holdings Corporation
 April 2017 General Manager, Healthcare Business 3rd Department, Healthcare Business Division, MITSUI & CO., LTD.
 April 2018 DeVita Care Pte. Ltd, Director
 April 2021 General Manager, Asia Business Department, Healthcare Business MITSUI & CO., LTD.
 June 2021 MBK HEALTHCARE MANAGEMENT PTE. LTD., Hong Kong Branch Chief Executive Officer
 June 2021 Director, ALM Inc. (incumbent)
 July 2022 Representative Director, Senior Executive Vice President, COO, PHC Holdings Corporation (incumbent)

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

External Directors



Hirofumi Hirano

External Director

Date of Birth March 14, 1961
 April 1983 Nikko Securities Co., Ltd. (Currently: SMBC Nikko Securities Inc.)
 October 1998 President, Nikko Europe PLC (Currently: Citigroup Capital Partners Japan Ltd.) (concurrent assignment as) General Manager of Asset Management Department, Nikko Cordial Corporation
 April 1999 CEO and Chairman, Nikko Principal Investments Ltd.
 June 2003 Member of Board, Nikko Cordial Corporation
 April 2008 AllPartners Asia LLC
 January 2010 Representative of Japan, AllPartners Asia LLC
 October 2010 Head of Financial Services of Asia, AllPartners Asia LLC
 April 2013 Chief Executive Officer, KKR Japan Ltd. (incumbent)
 August 2013 Outside Director, Orion Investment Co., Ltd. (Currently: PHC Holdings Corporation) (incumbent)
 March 2015 Outside Director, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
 May 2017 CK Holdings Corporation (Currently: Marelli Holdings Co., Ltd.) (incumbent)
 October 2017 Outside Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)
 June 2019 Outside Director, Hitachi Koki Electric Inc.
 September 2019 Chief Executive Officer, KKR Japan Ltd. (concurrent assignment as) Co-Head of Private Equity for KKR Asia Pacific (incumbent)
 March 2021 Outside Director, KOKUSAI ELECTRIC CORPORATION (incumbent)
 April 2022 Director, KJR Management (incumbent)
 March 2023 Outside Director, Hitachi Transport System, Ltd. (currently Logisteed, Ltd.) (incumbent)



Eiji Yatagawa

External Director

Date of Birth January 20, 1978
 April 2002 Goldman Sachs Japan
 August 2006 KKR Japan Ltd. (incumbent)
 August 2013 Outside Director, Orion Investment Co., Ltd. (Currently: PHC Holdings Corporation) (incumbent)
 March 2015 Outside Director, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
 June 2015 Transphorm Inc. Board Director (incumbent)
 September 2015 Outside Director, Transphorm Japan Inc. (incumbent)
 October 2016 Outside Director, CK Holdings Co., Ltd. (Currently: Marelli Holdings Co., Ltd.)
 June 2017 Outside Director, Transphorm Japan Alzu Co., Ltd.
 October 2017 Outside Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)
 June 2018 Outside Director, KOKUSAI ELECTRIC CORPORATION
 August 2019 Outside Director, From Scratch Corporation (Currently: dataX Inc.) (incumbent)
 September 2020 Director, GANOVATION, PTE. LTD. (incumbent)
 March 2021 Director, Sanyo Holdings Co., Ltd. (incumbent)
 April 2021 Director, NETSTARS Co., Ltd. (incumbent)
 June 2021 Outside Director, PHC Holdings Corporation (incumbent)
 March 2022 Outside Director, Yayoi Co., Ltd. (incumbent)
 March 2022 Director, Altoa, Inc. (incumbent)
 June 2022 Outside Director, PHC Holdings Corporation (incumbent)
 March 2023 Outside Director, Hitachi Transport System, Ltd. (currently Logisteed, Ltd.) (incumbent)



Sen Sakaguchi

External Director

Date of Birth October 31, 1969
 April 1992 MITSUI & CO., LTD.
 June 1995 Medical Equipment Dept., Health Industry Div.
 February 2002 Rossignol Co., Ltd. (seconded)
 August 2003 Bussan Marketing Service Co., Ltd. (seconded)
 April 2004 Kansai Lifestyle Dept., Lifestyle Business Unit
 November 2006 Manager, Mitsui & Co. Italia S.p.A.
 December 2011 General Manager, Global Service Business Dept., Service Div., Mitsui & Co., Ltd.
 April 2016 General Manager, Strategic Planning Dept., Healthcare & Service Business Unit, Mitsui & Co., Ltd.
 June 2019 General Manager, Pharmaceutical Business Division, Healthcare & Service Business Unit, Mitsui & Co., Ltd.
 April 2021 General Manager, Wellness Business Division, Mitsui & Co., Ltd.
 April 2021 Director, HOKENDOHJINSHA Inc. (Currently HOKENDOHJIN FRONTIER Inc.) (incumbent)
 April 2022 Director, HUMAN ASSOCIATES HOLDINGS, Inc. (Currently: MBK Wellness Holdings & Co., Ltd.) (incumbent)
 April 2022 Director, Raxi Co., Ltd. (incumbent)
 June 2022 Outside Director, PHC Holdings Corporation (incumbent)
 October 2022 THINKIE Inc. Director (incumbent)
 April 2023 General Manager, Wellness Solution Business Division, MITSUI & CO., LTD. (incumbent)



Kyoko Deguchi

External Director Independent

Date of Birth December 12, 1965
 April 1989 Bain & Company Japan Inc.
 February 1998 Planning Senior Director, Disney Store Japan Ltd. (Currently: The Walt Disney Company (Japan) Ltd.)
 February 1999 Senior Finance Director, Disney Store Japan Ltd. (Currently: The Walt Disney Company (Japan) Ltd.)
 March 2001 Director and CFO, GE Plastics Japan Ltd.
 April 2004 Janssen Pharmaceuticals Inc. (Currently: Ono Neurologics Inc.) (USA) Product Director
 September 2005 General Manager, Gastroenterology, Pain and OTC Business Division, Janssen-Cilag Pty Ltd. (Australia)
 January 2007 Deputy General Manager, Marketing Headquarters, Janssen Pharmaceutical K.K.
 August 2009 Director and Vice President, Global Marketing, Stryker Japan K.K.
 January 2012 President, Stryker Japan K.K.
 March 2013 General Manager, Senior Corporate Officer and President's Office (concurrent assignment as) Head of Accounting and Finance Headquarters, BELLSYSTEM24, Inc.
 March 2014 President, AbbVie GK
 July 2014 Outside Director, Nippon Ski Resort Development Co., Ltd.
 February 2015 Chief Operating Officer, Shikoku Medical Corporation
 April 2015 Professor, Kenichi Ohmae Graduate School, BBT University (incumbent)
 March 2016 Outside Director, Cookpad Inc.
 June 2016 Outside Director, T-Gaia Corporation (incumbent)
 August 2017 Vice President, Shikoku Medical Corporation
 June 2019 Outside Director, NIKI Technologies, Inc. (incumbent)
 January 2020 Outside Director, Heartseed Inc. (incumbent)
 June 2021 Outside Director, PHC Holdings Corporation (incumbent)
 September 2022 Vice Director, Doya Rehabilitation and Orthopedic Clinic (incumbent)



Ivan Tornos

External Director Independent

Date of Birth July 29, 1975
 June 1995 CEO, Operating Partner, Audibest Bausch and Lomb Group Iberia (Currently: Bausch Health Companies Inc.)
 July 1997 Johnson & Johnson
 May 2008 Vice President, General Manager, Corvis, Johnson & Johnson
 August 2008 Head Strategy & Business Development, Renal/Life Sciences / Medication Delivery Businesses, AMERICAS, Baxter International Inc.
 August 2011 Head of Emerging Markets /South Group, Becton Dickinson and Company
 January 2017 Group President of Urology/Ischemic Tech/ Critical Care/Medical Group, Becton Dickinson and Company
 November 2018 Group President, Zimmer Biomet Group
 February 2021 Chief Operating Officer, Zimmer Biomet Group (incumbent)
 September 2021 Outside Director, PHC Holdings Corporation (incumbent)



David Sneider

External Director Independent

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

Audit and Supervisory Board Members



Koichi Ikeuchi

Audit and Supervisory Board Member

Date of Birth December 3, 1963
 April 1986 Matsushita Kotobuki Electronics Co., Ltd. (currently PHC Corporation)
 January 2010 Director, ODD Technology Center, Optical Device Company, Panasonic System Networks Co., Ltd. (currently Panasonic System Solutions Japan Co., Ltd.)
 January 2012 Director, Panasonic Precision Devices Co., Ltd. (liquidated), Planning / New Business Oversight
 April 2013 Director, Incubation Center, Panasonic Healthcare Co., Ltd. (Currently: PHC Corporation)
 June 2016 Audit & Supervisory Board Member, Panasonic Healthcare Holdings Co., Ltd. (Currently: PHC Holdings Corporation) Audit & Supervisory Board Member (incumbent), Panasonic Healthcare Co., Ltd. (Currently: PHC Corporation)

External Audit and Supervisory Board Members



Shannon Hansen

External Audit and Supervisory Board Member Independent

Date of Birth May 27, 1965
 July 1987 E. I. DU PONT DE NEMOURS & CO
 January 1994 Kirkland & Ellis
 January 1997 Foreign Legal Specialist, Mori Sogo Law Firm (Currently: Mori Hamada & Matsumoto)
 June 1998 Kirkland & Ellis, Associate
 October 2000 Kirkland & Ellis, Partner
 August 2006 Associate Solicitor, United States Patent & Trademark Office
 May 2009 Division Counsel, Patents, Diabetes Division, Abbott Laboratories
 January 2013 Division Counsel, Commercial and Patents, Diabetes Division, Abbott Laboratories
 June 2015 Division Vice President and Associate General Counsel, Medical Devices, Abbott Laboratories
 June 2017 Division Vice President and Associate General Counsel, Patents, Abbott Laboratories
 April 2020 General Counsel & Corporate Secretary & Chief Privacy Officer, Alto Pharmacy (incumbent)
 August 2021 External Audit and Supervisory Board Member, (Currently: PHC Holdings Corporation) (incumbent)

External Audit and Supervisory Board Members



Tetsuo Kitagawa

External Audit and Supervisory Board Member Independent

Date of Birth August 17, 1961
 September 1985 Aoyama Audit Corporation
 March 1989 Received CPA license
 July 2002 Representative Employee, Chuo-Aoyama Audit Corporation
 September 2006 Representative Employee, Arata Audit Corporation (Currently: PricewaterhouseCoopers Arata LLC), Group Leader of Risk Management and Compliance Division, Arata Audit Corporation (Currently: PricewaterhouseCoopers Arata LLC)
 July 2013 Vice Chairperson of the Ethics Committee of the Japanese Institute of CPA
 June 2016 Resigned from Arata Audit Corporation (Currently: PricewaterhouseCoopers Arata LLC)
 July 2016 Representative, Tetsuo Kitagawa Certified Accountant Office (incumbent)
 June 2017 External Auditor, T-Gaia Corporation (incumbent)
 December 2017 Member of the Committee for CPA Examination at the Financial Services Agency
 June 2019 External and Independent Director, Daio Paper Corporation
 June 2022 External Audit and Supervisory Board Member, PHC Holdings Corporation (incumbent)

Corporate Officers

Shoji Miyazaki

Koichiro Sato

Ryuichi Hirashima

Frederick Reidenbach

Kaiju Yamaguchi

Robert Schumm

Nobuaki Nakamura

Takayuki Otsuka

Haruo Watanabe

Steven Lynum

Skill Matrix

Name	Position	Independence	Expertise and Experience							
			Medical device industry	Life science industry	Pharmaceutical industry	Finance/accounting	M&A	Production/supply chain management	R&D	Legal & risk management
Shoji Miyazaki	Director		○						○	○
Koichiro Sato	Director			○				○	○	
Hirofumi Hirano	Director					○		○		
Eiji Yatagawa	Director					○		○		○
Sen Sakaguchi	Director		○	○				○	○	
Kyoko Deguchi	Director	○	○		○	○				
Ivan Tornos	Director	○				○		○	○	
David Sneider	Director	○					○	○		○
Koichi Ikeuchi	Audit and Supervisory Board Member		○						○	○
Shannon Hansen	Audit and Supervisory Board Member	○	○		○					○
Tetsuo Kitagawa	Audit and Supervisory Board Member	○					○		○	

Corporate Governance

Materiality Topics	KPI	Targets
Corporate Governance	Percentage of nationality diversity of the Board of Directors	—
	Board effectiveness assessment	1/year
	Number of meetings with institutional investors and securities analysts	—
Risk Management	Number of Enterprise Risk Management Committee Meetings	2+/year
	Percentage of employees taking compliance training (e.g., code of conduct, insider trading)	100%
Cybersecurity	Percentage of employees who participate in information security and data protection training	100%
	Biannual vendor security reviews - percentage of critical vendors reviewed	100%
	Number of PHC Group Cybersecurity Committee Meetings	4+/year

Basic Philosophy for Corporate Governance

Our basic philosophy for corporate governance is based on our mission: "We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people." To put this philosophy into practice, we have built a governance system that enables management to efficiently confirm compliance with applicable laws and regulations and the Articles of Incorporation. Furthermore, we prioritize corporate governance from the perspective of ensuring management soundness, efficiency, transparency, and sustainably increasing corporate value.

Strengthening Corporate Governance

Strong corporate governance is essential to ensure transparency, fairness, and timeliness in management, and to achieve sustainable corporate growth and improvement in corporate value. One concept related to these goals is the establishment of a system for management execution and supervision. In order to increase the timeliness of corporate

management decisions and activities, we have introduced an executive officer system with an Audit and Supervisory Board. This structure promotes accountability and creates two layers of auditing for legal compliance through supervision by the Board of Directors and the Audit and Supervisory Board.

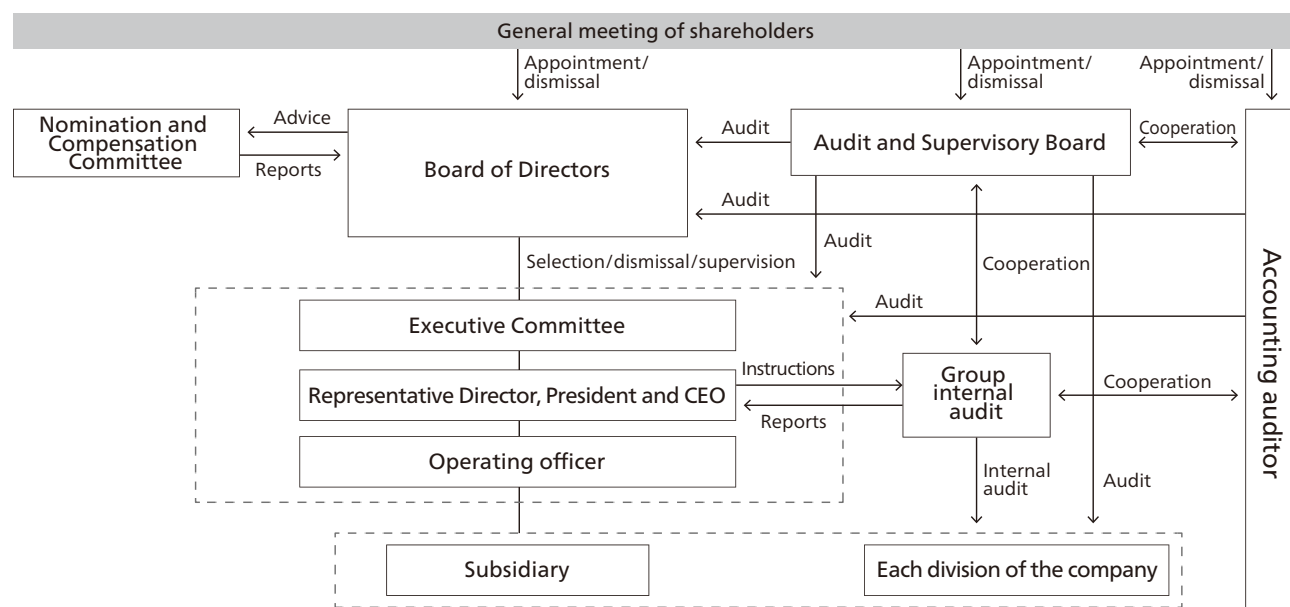
We have strengthened our governance functions by separating the business supervisory and business execution functions in corporate management and by clearly defining the responsibilities of directors.

Regarding the supervisory system, PHC Group strives for effective supervisory functions and highly transparent management by appointing multiple independent external directors to the Board of Directors.

The majority of members on our Audit and Supervisory Board are external auditors, and we have established a highly independent auditing system for the execution of duties by directors. In this way, we have established a system to monitor and advise the overall effectiveness of the Board of Directors from an objective and neutral standpoint.

Also, in order to support the Board of Directors, PHC Group has established a voluntary Nomination and Compensation Committee, whose main members are independent external directors.

PHC Group Governance Structure Chart



Board of Directors

The Board of Directors is composed of eight directors, including six external directors. In addition to regular monthly meetings, the Board also holds extraordinary meetings as necessary. The Board makes decisions on important business matters related to overall management, and supervises the execution of duties by directors. The Board shares the company's management philosophy, vision, and values. Based on these principles, the Board discusses and decides on mid-term management plans, single-year plans, and other important measures.

The Board of Directors also receives regular reports from management on the status of business activities and makes decisions on important business matters based on these reports.

Nomination and Compensation Committee

To support the Board of Directors, PHC Group has established a voluntary Nomination and Compensation Committee, whose main members are independent external directors. The Nomination and Compensation Committee deliberates and makes recommendations on matters related to the appointment and dismissal of directors, succession plans for representative directors and executive officers, and matters related to compensation of directors and executive officers to be submitted to the general meeting of shareholders.

Regarding the position of Representative Director and President (CEO), the Nomination and Compensation Committee is responsible for selecting a person who demonstrates leadership in realizing our corporate mission and management philosophy and achieving sustainable growth of the company.

Activities of the Nomination and Compensation Committee

In fiscal 2022, the Committee held a total of eight meetings, and the attendance rate of Committee members at each meeting was 100%. The main topics of deliberations and reports were as follows:

- Succession plan following retirement of business managers
- Appointment of new executive officers, new compensation, and setting of performance targets
- Report on the status of review for skill matrix revisions, succession plans, and new remuneration systems
- Report on status of review for in-house training programs

Executive Committee

PHC Group has established an Executive Committee for the purpose of streamlining management-related decision-making and clarifying decision-making procedures. Meetings of the committee are held monthly. The Executive Committee is an executive meeting body that decides on important matters related to the management of the group (including all capital subordinate companies) and manages the objectives and progress of plans for the entire group.

The current composition of the Executive Committee is as follows: Members: Shoji Miyazaki (Chairman), Koichiro Sato, Ryuichi Hirashima, Frederick Reidenbach, Kaiju Yamaguchi, and Koichi Ikeuchi (Observer).

Appointment of Officers

The Articles of Incorporation stipulate that resolutions for the appointment of officers shall be made by a majority of votes at a general meeting of shareholders attended by at least one-third of the shareholders who are eligible to exercise their voting rights. Moreover, the Articles of Incorporation stipulate that cumulative voting shall not be used for resolutions to elect officers.

When selecting external officers, our basic policy is to consider the skills and experience of full-time officers and executive officers, and then select individuals who have the skills and experience to supplement the company's needs as external officers.

Criteria and Qualities for Evaluating the Independence of Independent External Directors

When appointing external directors and external auditors, the company determines its independence based on the independence standards set by the Tokyo Stock Exchange and the "Standards for Independence of Outside Directors" stated by the company based on specific figures or amounts. The company appoints individuals who are capable of making appropriate contributions to its management from an objective perspective based on their extensive knowledge and experience. When appointing external directors and external auditors, the Nomination and Compensation Committee shall deliberate on compatibility with independence standards and policies, and the results shall be escalated to the Board of Directors, which will deliberate upon those results and make a decision.

Officer Training Policy

The company provides various training opportunities not only for directors and members of the Audit and Supervisory Board, but also for all employees to acquire and appropriately update the knowledge necessary for their responsibilities and work. Training for officers is also based on the same policy.

In addition to providing opportunities for directors and members of the Audit and Supervisory Board to acquire and update necessary knowledge, the company will bear the costs of seminars, networking events, etc., in which each officer voluntarily participates according to his or her needs.

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

Support System for External Directors (External Auditors)

For external directors and external auditors, the Legal & Compliance Department provides support such as advance explanations of proposals for meetings of the Board of Directors and information to enable sufficient discussion at those meetings. For external auditors, information and other support is provided by members of the Audit and Supervisory Board and by the Auditing Office, which is comprised of full-time staff and functions as the secretariat for the Audit and Supervisory Board.

Evaluation of the Effectiveness of the Board of Directors

From February to March 2023, the company conducted a questionnaire survey and individual interviews regarding the effectiveness of the Board of Directors as a whole among all directors (eight people) and members of the Audit and Supervisory Board (three people). The survey covered the following topics:

- (1) Composition of the Board of Directors
- (2) Matters related to the operation of the Board of Directors
- (3) Effectiveness of the Board of Directors as a whole
- (4) System related to support and cooperation with external directors

In order to ensure objectivity, we received support from a third-party organization in setting the survey content, conducting individual interviews, and analyzing and assessing evaluation results. Based on the results of the analysis by the third-party organization, the Board of Directors assessed the current situation and issues.

1. Summary of evaluation results

We believe that the Board of Directors as a whole is functioning appropriately and effectively. However, to further improve effectiveness, we recognize the following points as the main priorities going forward.

- Expediting the timing of bringing important proposals (particularly, investment projects, etc.) to the Board of Directors and the distribution of documents for the meeting
- Conducting periodic follow-up after implementation of investment projects

2. Future measures

In addition to taking steps to advance the priorities identified above, we will continue to conduct effectiveness evaluations every year and continue efforts to improve the effectiveness of the Board of Directors as a whole.

Regarding Executive Compensation

1. Basic policy

- Compensation is appropriate, and is linked to the growth and improvement of performance by our group.
- Compensation takes into account the link between company performance and individual performance.
- Industry benchmarking is conducted and measures are taken to ensure that decision making is transparent and can be explained to stakeholders; for example, deliberation is conducted by the Nomination and Compensation Committee, for which more than half of the members are independent external directors.

2. Compensation structure

- Director compensation consists of monthly compensation, short-term performance-linked compensation, and retirement benefits.
- Compensation for external directors consists of monthly remuneration only, while the compensation of independent external directors consists of monthly remuneration and stock compensation.
- The compensation of external auditors consists only of monthly remuneration.

3. Basic compensation

This is a regular monthly compensation that is determined depending on roles and responsibilities, as based on the results of a survey by an external organization.

4. Short-term performance-linked compensation

- We provide short-term performance-based compensation as an incentive for achieving business performance goals.
- The evaluation indicators for short-term performance-linked compensation are "core sales" as an indicator for evaluating business growth potential, and "operating income" and "net income" as indicators for evaluating profitability.

5. Medium- to long-term performance-linked compensation (stock compensation)

In order to provide incentives for sustainable improvement of corporate value and to promote further sharing of value between directors and shareholders, we allocate stock options as stock compensation within the compensation limit resolved at the general meeting of shareholders.

6. Compensation governance

- The compensation structure, compensation composition ratio, base compensation level, and performance indicators

and evaluation methods for performance-linked compensation are determined based on deliberations and reports from the voluntary Nomination and Compensation Committee.

- The amount of compensation for each director is determined by a resolution of the Board of Directors, based on the deliberations and reports of the voluntary Nomination and Compensation Committee, of which more than half are independent external directors.

*Please refer to the Convocation Notice for the 10th Ordinary General Meeting of Shareholders for the total amount of compensation, etc., for officers and consolidated remuneration, etc., for each officer (100 million yen or more) in fiscal 2022.
<https://ssl4.eir-parts.net/doc/6523/announcement1/89942/00.pdf>

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)	1,898	116	15	268	902 ^{*3}	595	15 ^{*4}	3
Audit & Supervisory Board Members (excluding external auditors)	23	21	—	—	1	—	—	1
External officers	87	79	7	—	—	—	7 ^{*5}	7 ^{*6}

*1 The stated amount of stock options is the calculated price as of the end of March 2023.

*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.

*3 Retirement benefits for directors (excluding external officers) include a retirement allowance of 739 million yen for Mr. John Marotta, who retired as director on April 28, 2022, as per the resolution of the ordinary general meeting of shareholders held on June 29, 2022.

*4 The stated amount of stock options is the calculated price as of the end of March 2023, and is recorded as non-monetary compensation.

*5 The limit for stock option compensation for independent external directors will be 70 million yen or less per year (the number of independent external directors at the time of the resolution is 3), as determined by a resolution at the ordinary general meeting of shareholders held on June 29, 2022. The stated amount of stock options is the calculated price as of the end of March 2023, and is recorded as non-monetary compensation.

*6 The number of external officers includes external directors who retired during the period, but excludes the number of unpaid external directors and external auditors.

*7 The maximum amount of compensation for directors is 1,500 million yen or less per year (the number of directors at the time of the resolution is 7), as per the resolution of the extraordinary general meeting of shareholders held on November 30, 2020.

*8 The maximum amount of compensation for corporate auditors is set at 60 million yen or less per year (the number of corporate auditors at the time of the resolution is 3), as per the resolution of the extraordinary general meeting of shareholders held on August 13, 2021.

	Evaluation index	Weight	Goals for fiscal year ended March 31, 2023	Achievements	Level of achievement
1	Core sales	26.0%	335,264 million yen	356,434 million yen	107%
2	Adjusted EBITDA	30.0%	64,504 million yen	64,882 million yen	101%
3	ROIC	19.0%	10%	Δ3%	Δ30%
4	Individual performance goals	25.0%	Set for each person	Set for each person	Set for each person

Internal Control System

The company will develop the following systems in accordance with our basic policy regarding the development of internal control systems.

- Systems for ensuring that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation
- A system for storing and managing information related to the execution of duties by directors
- Rules and other systems for managing the risk of loss
- Efficient execution of duties by directors
- Systems for ensuring that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation
- Systems for ensuring the appropriateness of operations within the corporate group consisting of the Company and its subsidiaries
- Matters related to employees who assist the duties of members of the Audit and Supervisory Board and the independence of those employees from directors
- Matters related to ensuring the effectiveness of instructions from members of the Audit and Supervisory Board to employees who assist those members in their duties
- Systems for directors and employees of the company as well as directors, corporate auditors and employees of subsidiaries to report to the members of the company's Audit and Supervisory Board
- Systems to prevent unfavorable treatment if a person has made a report to members of the Audit and Supervisory Board
- Policies for processing expenses or debts arising from the execution of duties by members of the Audit and Supervisory Board
- Other systems to ensure that audits by members of the Audit and Supervisory Board are conducted effectively

Cross-Shareholdings

In principle, the company has a policy of not holding cross-shareholdings. However, if cross-shareholdings are held from the perspective of business strategy, the significance of the holdings must be confirmed by the Board of Directors at the time of acquisition. In addition, the Finance Department regularly conducts an inventory to determine the significance of cross-shareholdings, and if it is determined that holding the shares is not meaningful, the company will consider selling the stock. The results of the review are reported to the Board of Directors every year.

In regard to exercising voting rights, we do not set uniform standards, but rather respect the management policies and strategies of investee companies, and exercise voting rights after making a comprehensive judgment of whether doing so will contribute to improving the company's corporate value over the medium to long term.

Policy Regarding Constructive Dialogue with Shareholders

In building a relationship of trust with our shareholders and other stakeholders, we believe that it is important to understand shareholder expectations and reflect them appropriately in management, and we will proactively respond to IR/SR activities.

Activity results

- At our company, the executive officer in charge of IR is in charge of the group's IR activities. We have established an IR & PR Department, which proactively accepts telephone interviews and small meetings with investors. We also hold financial results briefings for analysts and institutional investors, where

the president and CFO provide explanations. Dialogues (interviews) with shareholders are conducted by the President and Representative Director, the CFO, and the executive officer in charge of IR, with support from the IR & PR Department.

- As a support system for dialogues, the IR & PR Department collaborates with each business department and management department on a regular basis.
- We will hold financial results briefings for shareholders and investors, and will also hold roadshows and other events for investors outside Japan as appropriate. In addition, we will continue to hold small meetings with investors.
- Feedback on IR/SR activities is regularly reported to the Board of Directors by the executive officer in charge of IR.
- When communicating with investors, whether at financial results briefings or small meetings, we manage insider information by focusing on matters related to the company's sustainable growth and increasing corporate value over the medium to long term.

Audit and Supervisory Board

The Audit and Supervisory Board is composed of three members, including two external auditors. In addition to regular meetings, the Audit and Supervisory Board holds extraordinary meetings as necessary to discuss the state of governance and to hold audits of daily management activities related to the status of execution of duties by directors and the status of assets. Based on our management philosophy, we fully consider the positions of various stakeholders, including not only shareholders but also employees, customers, business partners, creditors, and local communities, and ensure appropriate collaboration with those stakeholders. At the same time, we strive to fulfill our fiduciary responsibilities to our shareholders, enhance the shared interests of the company and its shareholders, and strive for sustainable growth and the creation of medium- to long-term value.

If deemed necessary by members of the Audit and Supervisory Board, they will have the opportunity to interview directors or employees of the company and the group. Members of the Audit and Supervisory Board hold regular meetings to collaborate with accounting auditors and the corporate auditors of important subsidiaries, and attend important meetings.

Status of Internal Audits

The company has established the Group Internal Audit Department as an organization under the direct control of the Representative Director, President and CEO. A total of 15 members, including the Group Internal Audit Manager, conduct internal audits (operational audits and internal control audits) of all divisions and subsidiaries of the company in a planned manner. Audit results are reported in writing (audit report) by the Group Internal Audit Department to the Representative Director, President and CEO, and related officers.

The Group Internal Audit Department reports on the status of internal audit activities to the Representative Director, President and CEO once per quarter, and reports on the status of each audit, exchanges information, and exchanges opinions with members of the Audit and Supervisory Board once per month. External officers receive reports on internal audits through the Board of Directors and the Audit and Supervisory Board, and provide their opinions to improve the practicality of audits.

Message from External Audit and Supervisory Board Member



Shannon Hansen

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

It is critically important for PHC to continue to invest in internal and external programs to fuel growth, and to continue to invest in PHC Group's human capital.

As we navigate an increasingly complex and competitive landscape, the imperative for PHC Group to persistently invest in both internal and external programs for fueling growth, as well as in our human capital, cannot be overstated.

Growth is the lifeblood of our organization. It is not merely about expanding our market footprint or enhancing profitability; it is about continually evolving to meet the ever-changing needs of the healthcare sector. By investing in internal programs, we continue to strengthen our core competencies, drive innovation, and maintain or strengthen our competitive edge. This includes enhancing our technological capabilities, improving our operational and structural efficiencies, and continually advancing our product offerings.

Simultaneously, external programs open doors to new opportunities for PHC Group. They allow us to forge strategic partnerships, expand into new markets, and gain valuable insights into emerging trends and consumer needs. Such investments ensure we are not just participants but leaders in the healthcare industry, shaping its future direction.

However, the cornerstone of our growth strategy is a focus on our people, who are our most valuable asset. Investing in human capital is investing in the future of PHC Group. This means not only attracting top talent but also nurturing and retaining it. Through continuous learning and development programs, we can empower our employees, fostering an environment of innovation, creativity, and excellence. By doing so, we ensure that our team is not only equipped to meet the challenges of today but is also prepared to seize the opportunities of tomorrow.

Our commitment to human capital also reflects our values as an organization. By supporting our employees' growth, we build a culture of trust and respect, enhancing our reputation as an employer of choice and positively impacting our overall organizational performance.

The dual strategy of investing in growth-driving programs and human capital is not just a business imperative; it's a commitment to our future. As we continue on this journey, we should embrace these investments with the conviction that they are pivotal to our enduring success and the betterment of the healthcare landscape.

I will use my expertise and experience in strategic insights, leadership, ESG, risk management and governance to help PHC's efforts in improving its sustainability, governance, and overall success, ensuring its long-term viability and positive impact on society.



Tetsuo Kitagawa

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

Under a strong governance system, we will set high goals and embrace challenges in order to use our technology and innovation for the health of people around the world.

PHC Group's revenue is well-balanced and diversified, with 55% of our revenue coming from markets outside of Japan and over 30% coming from each of our three business segments. This business composition is the result of a series of significant M&A activities both in Japan and globally over the past eight years.

PHC Group has a corporate culture of setting high goals and constantly embracing challenges. Under the Mid-Term Plan, or VCP, we are forecasting operating cash flow of 200 to 250 billion yen from FY2022 to FY2025. Of this cash flow, we plan to allocate 100 to 130 billion yen to business investments, including M&A. During the process of formulating the VCP, many independent external directors raised numerous points regarding changes in the business environment and future risks, and we incorporated these insights into the plan.

PHC Group carefully considers each investment. At board meetings, there are very lively discussions about investment projects. While the passion and aspirations of executives is conveyed at these meetings, there are also many incisive opinions from external directors to help ensure that plans are achievable. It is not uncommon for agenda items to be carried over to the next board meeting, whereupon the items are revisited by executives, the investment plan is reinforced, and then discussed again at the next board meeting. There is a high degree of uncertainty in today's business environment. Even after extensive discussion and careful consideration, business results may fall short of business plans due to environmental changes which were impossible to predict at the time of making investment decisions. If we determine that recovery to the original plan cannot be expected even after analyzing causes and devising improvement measures, we maintain a high degree of discipline in writing off impairment losses.

PHC Group's most important task is to steadily implement our VCP and use business investment to generate profits that exceed the cost of capital. We believe that steadily accumulating profits and creating a corporate structure that is capable of continuous profit increases will create confidence in our future growth.

I encourage all stakeholders to support PHC Group's robust management efforts, centered on our corporate philosophy and medium- to long-term management strategy.

Compliance and Risk Management

Compliance

Code of Conduct

We have the PHC Group Code of Conduct, which applies to all countries and employees. It is organized by each of our values: "Diversity & Collaboration," "Innovative Thinking," "Challenging Spirit," and "High Standards of Integrity." We focus on the key risks of our business and key principles for acting ethically and in compliance with company policies.

In addition to our Code of Conduct, we also comply with applicable local, national, regional, and international rules, regulations, and legal doctrines. If there is a conflict between our policies, standards and Code of Conduct, and applicable laws and regulations, we will follow the most stringent regulation.

Please click the following link to learn more about our Code of Conduct.

 https://www.phchd.com/-/media/phchd/csr/activities/code-of-conduct/PHC_Code_Conduct_EN.pdf

Training and education

Continuous training and education activities are essential for promoting compliance with company policies. In fiscal 2022, the year following our listing on the Tokyo Stock Exchange, we hosted a training on the critical topic of preventing insider trading. We provided the training to executives, managers, and employees who have opportunities to come into contact with insider information, as specified in our group policy. The attendance rate for the training was 99.8% (excluding employees who were unable to attend due to leave of absence, maternity leave, childcare leave, etc.). We also implemented a system in which employees who do not fall under one of the categories above can voluntarily attend training on insider trading.

We will continue to provide training necessary to ensure compliance.

Internal control systems

PHC Group has introduced a group-wide compliance helpline for use by employees. Compliance issues such as potential fraud or human rights violations can be reported by phone and email. The helpline can be used anonymously. In addition to contact points at each company, third-party reporting points such as law firms are also available in various regions around the world, thereby creating an environment which facilitates consultation and reporting by employees. Each company responds to any reported cases of noncompliance, and PHC Group has an escalation policy in place to handle any serious cases.

Risk Management

We manage various risks based on the PHC Group Risk Management Policy, which defines the basic policies, systems, and initiatives for the entire group. Every year, the entire group identifies risks that affect business continuity, such as natural disasters, geopolitical risks, cybersecurity issues, and technology inheritance. For priority risk areas, we have designated risk managers, and have created and implemented mitigation plans to avoid their occurrence and minimize their impact should they occur.

The Chief Operating Officer (COO) of PHC Holdings serves as the officer in charge of risk, conducts group-wide activities based on regulations, and reports to the Board of Directors on risk details and response policies.

We will establish a Risk Management Committee in fiscal 2023 to further systematize and promote these initiatives.

Business Continuity Plan (BCP) Initiatives

Under business continuity management (BCM), our company has established business continuity plans (BCPs) in each business division and department to manage situations that may threaten business continuity, such as earthquakes, floods, snow damage, typhoons, pandemics, cyberattacks, or acts of terrorism. In this way, we are prepared for emergencies at all times. The basic policies of the BCM guidelines established by PHC Group are as follows:

- (1) **Prioritize the lives of employees;**
- (2) **Maintain product supply quantities or service levels acceptable to stakeholders;** and
- (3) **Restore business and operations within the deadline permitted by stakeholders.**

We have established these as our basic policies and are preparing for potential emergencies through the development of various countermeasures and education initiatives. We also conduct practical training at plants, laboratories and sales offices. This includes disaster prevention drills conducted by fire prevention and disaster prevention teams organized within workplaces and offices, training by the IT Department to operate websites in the event of a core system outage, and review of procedure manuals through desk training. Through such training, we are instilling emergency preparedness within the company and our operations.

Cybersecurity and Data Protection

Company-wide policy

PHC Group has prepared standard documents such as information security management standards for group companies based on the framework of the international information security standard ISO 27001. We operate and manage these standards on a global scale by using a unified system and rules.

Please click the following link to learn more about our company's cybersecurity efforts.

 <https://www.phchd.com/global/sustainability/activities/security>

Training and education

As part of cybersecurity training in fiscal 2022, we conducted two e-learning training sessions for group employees in Japan: (1) Information security training (general education) and (2) Targeted email attack countermeasures training. The training attendance rate was 99.4% for (1), excluding employees transferred internationally or within Japan and those on long-term leave, and 97.0% for (2), excluding employees without email addresses.

From fiscal 2023, we will provide training on data protection to employees across the entire group, including outside Japan.

Vendor review

We aim to conduct cybersecurity reviews at 100% of our outsourced vendors, and conduct annual measures for management of vendors. Based on the degree of cybersecurity impact, we target high-risk outsourced vendors from the following three perspectives.

- **Data:** Vendors who receive, store, process and transmit "strictly confidential" or "confidential" information
 - **System/network access:** Vendors who directly access the networks or systems of PHC Group
 - **Business processes:** Vendors who support important business processes or require certain qualifications
- Specifically, we investigate the status of ISO 27001 and Privacy Mark certifications for outsourced vendors. If vendors are not certified, we use a cybersecurity standard checklist and require that they have a score of 90 or higher, or that they have security standards that are equivalent to or higher than those of PHC Group. If compliance standards are not met, we consult with the outsourced vendors and take measures to avoid and reduce risks. We also conduct regular reviews and strive to maintain security standards.

Cybersecurity Committee

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

Message from External Directors

When appointing external directors, the company's basic policy is to consider the skills and experience of full-time directors and officers, and then select individuals who possess the skills and experience to supplement the company's needs. Through the appointment of external directors, PHC Group aims to achieve sustainable growth and strengthen its corporate governance by obtaining recommendations on the management of PHC Group from objective perspectives that are based on the extensive experience and knowledge of external directors.

The company's independent external directors possess a wealth of experience and knowledge from numerous companies based in Japan and globally, and fulfill an important role in achieving sustainable growth for the group. Below are messages from our three independent external directors on topics including our company's unique characteristics and strengths our future and possibilities, and how personal skills and experience can be utilized in management.



Kyoko Deguchi

Director (Independent External Director)

My role in supporting PHC Group as a truly global company

PHC Holdings Corporation was listed on the Tokyo Stock Exchange in 2021 with three core business segments as its pillars. Each segment has a growth strategy, but the company is prioritizing continuous glucose monitoring (CGM) systems in the growing diabetes market and digital transformation services for healthcare providers. Our future challenge is to create synergies amongst business units. We need to accelerate collaboration across business units as well as to raise awareness of the "One PHC" concept, where we aim to become a true global company that harnesses diversity, inclusion and strong business results.

In addition to my experience working at global pharmaceutical and plastic engineering manufacturing companies I also leverage my experience in managing biotech and medical material manufacturers as well as operating medical institutions. Based on my healthcare background, I monitor and advise PHC Group's key businesses on compliance operating efficiencies, and business strategies. I actively engage in dialogue with employees, thereby conveying the voices of on-site employees to management, and candidly offer recommendations to the Board of Directors. As M&A activities are expected to increase in the future, we will need to pay close attention to potential compliance issues that can be detected through on-site visits. The three independent external directors have a diverse background and skill sets as depicted in the skill matrices. Each director complements each other in supporting the management team.

Currently, as chairperson of the Nomination and Compensation Committee, I am focusing on succession planning and talent development for the next generation. As a result, PHC Group will launch the first global talent development program in 2024, with the aim of building a solid skillset foundation and creating a cross divisional global career path for next-generation executives.



Ivan Tornos

Director (Independent External Director)

Through ESG initiatives, I will contribute to the competitive advantage of PHC Group.

Our company's commitment to ESG is very strong, as demonstrated by the investments made in this area and the results obtained so far. Having been around ESG metrics around the world for quite some time, it is clear to me that our management is deeply focused on making ESG a key competitive advantage for our company and the potential and benefits to society are limitless.

On the environmental side, CO₂ emissions are expected to be reduced steadily in both our Japan sites and international locations. Manufacturing sites both within and outside Japan have gained ISO14001 certifications and now have very concrete goals for further improvement to identify "materiality" and set specific KPIs for all ESG items.

From a social commitment standpoint, we are contributing to society through products and service launches that are advancing healthcare innovation at a very rapid pace. Furthermore, the company is committed to advancing diversity both at the board and management levels as evidenced by the most recent hirings across key leadership and board positions. We take engagement with employees seriously and we track it with the same meticulous rigor as we track all of our operating activities.

Lastly, but equally important, from a governance standpoint the company has advanced at a relentless pace in the last few years creating board committees for strong governance across critical areas for the enterprise, from talent to rigor in financial management and overall corporate responsibility. I am proud to be a member of the team!



David Sneider

Director (Independent External Director)

Based on PHC Group's management philosophy, I will utilize my own experience to contribute to achieving the company's goals.

I have been an external director at PHC Holdings Corporation for approximately 18 months. I was elected to the external director role around the same time that our new management team, led by Shoji Miyazaki and Koichiro Sato, assumed the leadership of the company. I have been impressed by the energy and enthusiasm with which management has been addressing the significant challenges facing PHC Group.

PHC Group has an honorable mission to contribute to the health of society through efforts to create healthcare solutions that have a positive impact and improve the lives of people. The company and its shareholders can take pride that during the COVID-19 crisis, LSI Medience processed PCR tests for many people in Japan who had symptoms and PHC's cutting-edge ULTs were utilized extensively to store vaccinations to protect against COVID-19.

PHC Group is seeking to enhance its value through its diverse portfolio of healthcare solution companies. In each of its businesses, PHC Group is addressing distinct challenges with respect to competition, technology and other factors. For example, in Diabetes Management, Ascensia Diabetes Care seeks to leverage its position in the established blood glucose monitoring market while working with Senseonics to grow sales of the innovative Eversense continuous glucose monitoring system. And in Japan, Wemex has recently strengthened its position in the Healthcare IT market through its acquisition of FUJIFILM Healthcare Systems' electronic medical record and medical-receipt systems business.

As an external director with long experience as a lawyer working with Japanese companies on their capital markets and M&A strategies, I am working to assist the board and management in achieving their ambitious goals for the future of PHC Group.