

Chapter 1

PHC Group Overview and Vision

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Since the establishment of our business in Japan in 1969, PHC Group has supported healthcare professionals and researchers at various stages of the healthcare journey. By providing high-quality products and services in the fields of diagnostics, medical devices, healthcare IT, and life sciences, PHC Group has grown into a global collection of healthcare companies. We will continue to provide best-in-class solutions through our businesses and contribute to addressing research and medical issues around the world.

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

In 2014, we carved out from Panasonic Group and started operations as Panasonic Healthcare Holdings Co., Ltd. Through this "Second Founding," we established a new mission statement and values to create a renewed corporate culture. We reorganized our subsidiaries under the core company, Panasonic Healthcare Holdings Co., Ltd., into a corporate group, completing a transformation process to form the foundation of our current business.



PHC Holdings Corporation Listed on the First Section (currently Prime Market) of the Tokyo Stock Exchange

On October 14, 2021, PHC Holdings Corporation was listed on the First Section of the Tokyo Stock Exchange (now called the "prime" market). Before the listing, we expanded our business portfolio by acquiring the diabetes care business from Bayer AG in 2016, the pathology business from Thermo Fisher Scientific, Inc. and LSI Medience Corporation from Life Science Institute, Inc. both in 2019.

In 2018, we also changed our corporate brand to "PHC" and structured our existing business brands. Upon listing on the Tokyo Stock Exchange, to enhance our investor relations and public relations functions, we separated and spun off them from the Corporate Planning Department as the IR/Corporate Communication Department. This allows us to improve awareness of our corporate brand and enhance the IR activities we undertake as a publicly listed company.

*1 Integration of Medical Information Systems (Medicom) Business Unit of PHC Corporation and PHC Medicom Corporation
*2 The clinical trial business of LSI Medience Corporation was integrated into a subsidiary of LSI Medience Corporation, and made the company a subsidiary of PHC Holdings Corporation.



**Creating synergies together as One PHC,
and accelerating technology for the future of healthcare**

K. Dezuichi

President, Representative Director and CEO
PHC Holdings Corporation

Unlocking the potential of PHC Group to create more value

For over 20 years in the healthcare industry, working to improve human life and health, I have engaged in a wide range of businesses, including drug development, chemical manufacturing, artificial joints, biotech, and orthopedic clinic management. Throughout my career, I have pursued patient-first approaches to address issues in medical care, such as healthcare disparities, uneven access, and quality improvement.

As CEO, my goal is to bring my diverse business experiences to unlock the potential of PHC Group. Today, the healthcare industry is undergoing rapid changes, including a digital transformation. We are determined to grow PHC Group by incorporating fresh insights from a range of businesses and sectors rather than limiting ourselves to industry norms.

PHC Group offers a wide range of products and services from research to diagnosis, treatment, and prevention of disease, with a global presence in three domains: Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences. By fully leveraging our global business capabilities, PHC Group will create value for our customers as well as society and contribute to helping solve medical and healthcare issues in these areas.

Creating synergies through the concept of “One PHC,” as revealed by dialogue with over 500 employees

As CEO I am an advocater for the concept of “One PHC,” which is the idea that as a business we are stronger when we bring together the unique individual strengths of companies across our Group. Each of our operating companies has a different history and expertise, but they also share a common thread as part of PHC Group. In order to achieve the greatest collective impact, we encourage our employees at every level and business unit, from R&D to sales to customer service, to incorporate the idea of One PHC into their daily work.

In my first quarter as CEO in 2024, I visited all of PHC Group’s key business locations around the world and led small roundtable discussions with more than 550 employees to engage in direct dialogue about how we can make a greater impact in precision technology for healthcare. Through these lively discussions, I listened to employees voices and received many suggestions for how we can grow our business. I was inspired by these earnest thoughts and aspirations for the Group.

One of the PHC Group’s strengths lies in our many touch points across the healthcare field, and we seek to leverage this strength by creating synergies through collaboration among the Group’s businesses. Recent examples include joint bidding for hospital contracts, shared customer service in overlapping regions, and a collaboration between business units like Clinical Testing and Healthcare IT Solutions

to add new and improved services for our customers. We have also begun streamlining activities to standardize parts and reduce assembly labor hours among our adjacent businesses. Through collaborations between our interconnected businesses, we have expanded our geographic and customer coverage and ability to respond to customer needs.

Healthcare is becoming increasingly personalized

The digital transformation of the healthcare industry is of great interest to PHC Group. In some areas, digital technology is accelerating, helping researchers to automate and streamline their work processes and allowing healthcare providers to reach patients through telemedicine. Technologies such as AI-enhanced diagnostics and monitoring continue to be developed, and technology companies continue to enter the healthcare market.

In area like medical practice, the digital transformation has not progressed at the same rate. In Japan, tens of thousands of small medical clinics are operated by a single physician and a few staff members. These clinics face challenge like a lack of personnel and the inability to make substantial investments. We believe that in the medical frontlines closest to patients, digitization that automates tasks and saves time will be indispensable for increasing access to medical care, improving staff work environments, and reducing medical costs.

Moving forward, we believe that the nature of medical care itself will change to embrace more personalized medicine that tailors prevention, diagnosis, and treatment to each individual patient. While ten years ago, it may have been common to rely on an annual checkup for all health information, today more and more people wear smartwatches and other devices to measure blood pressure, heart rate, and sleep cycles and manage their health in real-time. We expect technological innovations and behavioral changes to manage health will continue, and we will continue to support it with innovations like the world’s first fully implantable continuous glucose monitoring (CGM) system.

As the global population ages, conditions like dementia and cancer are expected to grow, and it will become increasingly important to improve the access to and quality of treatment, prevention, and diagnosis. Treatments based on regenerative medicine are also expected to expand. To advance these opportunities, PHC Group has established a structure to engage in basic research related to regenerative medicine and non-clinical testing.



Each business domain has expertise in unique technology

PHC Group has three business domains: Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences, and each offers unique value.

In the Diabetes Management business domain, the market has been shifting from blood glucose monitoring (BGM) systems to continuous glucose monitoring (CGM) systems in recent years. Our Ascensia BGM systems are distributed in more than 100 countries and regions, and this market is expanding in China, India, and Southeast Asia. At the same time, a shift to CGM is taking place in Europe and the United States. As the product mix changes, our challenge in the Diabetes Management domain is how we generate profits in the future.

The CGM system we offer, the Eversense® CGM developed by Senseonics, is the industry's first and only fully implantable system that enables the measurement of glucose levels over a long period. In April 2024, Eversense® received iCGM* designation from the U.S. Food and Drug Administration (FDA), making it possible to link it with an insulin pump. We hope to offer this integrated system to patients who require continuous insulin administration in the near future. Once this fully implantable CGM system becomes more widely recognized as an innovative option for people with diabetes, we are confident that it will be a key driver in the market.

In the Healthcare Solutions business domain, Mediford Corporation is engaged in drug development support and will enhance its support services for Contract Research Organization (CRO) and analytical needs in the non-clinical and clinical testing fields, as well as services for global pharmaceutical companies and analytical laboratories. Other factors for growth include partnerships with pharmaceutical and biotech companies in cutting-edge scientific fields such as regenerative medicine. Also in this business domain, Wemex develops, distributes, and services medical-receipt computers, electronic medical record systems, and electronic

medication history systems. One of its main strengths is the ability to serve a wide range of medical institutions such as clinics, pharmacies, and dental clinics across Japan. In the future, Wemex will offer data services to contribute to personalized medical care, including diagnosis, prescription of medicines tailored for patients, and guidance on medication.

The Diagnostics & Life Sciences business domain is a priority area for PHC Group's growth. Ultra-low temperature freezers made by our Biomedical Division offer industry-leading energy-saving performance to support researchers and laboratories. We will also accelerate our operations toward the practical application of cell & gene therapy and cancer genome medicine. One example is the Live Cell Metabolic Analyzer (LiCellMo), which tracks indicators of cell metabolism in real time. Traditionally, cell metabolism analysis in cell culture requires researchers to take periodic measurements, rather than receiving continuous metabolic data. Allowing cells to be evaluated without interruption can offer researchers a deeper understanding of how those cells perform or respond to drugs. LiCellMo is an example of horizontal deployment of our technology across multiple businesses, leveraging both our laboratory expertise and technologies for measuring blood glucose levels.

In the anatomical pathology field, EpreDia continues to offer digital pathology technology and has now begun manufacturing high-definition digitization technology for analyzing tissue specimens for research use. We are looking to offer this technology for integration with AI and other technologies to help aid in improving the speed and accuracy of cancer diagnosis.

In these examples and many others, PHC Group has a strong pipeline of unique and innovative technology, and integrating and expanding these capabilities will pave the way for our future growth. We are at a significant turning point in our evolution as a comprehensive healthcare company, where our companies work together as one united entity to address healthcare challenges.

Details on Mid-term Plan revisions to be released in November

In May 2024, we announced that we would conduct a revision of our Mid-term Plan (Value Creation Plan), which currently covers our goals through fiscal 2025. While the details of this revision will be released in November this year, our approach will have three parts. The first is a restructuring to enhance the earnings base. Over the course of 18 months, we will enhance our cash generation capability and improve our financial stability. The second is to improve portfolio management. We will examine our business units and new businesses with a mindset focused on Return on Invested Capital (ROIC). The third is to narrow the range of our growth strategies. While creating synergies across the businesses, we will focus on the Diagnostics & Life Sciences business domain, which is projected to grow significantly.

Creating a positive growth cycle through ESG management

PHC Group's ESG strategy is now a core part of our business operations. For example, developing equipment that does not emit chlorofluorocarbon gases creates value for customers while contributing to our profits by increasing the competitive advantage of our products in terms of environmental sustainability.

In August 2023, PHC Group defined and announced 11 sustainability topics that are material to our business. This year, we will take action to achieve the targets we set for each of these materiality topics. For instance, addressing climate change is a priority for our Group, so we have expressed our commitment to the Science Based Targets initiative (SBTi) and are preparing to obtain official validation in FY2025. We have also begun efforts to calculate Scope 3 greenhouse gas (GHG) emissions and will formulate GHG emission reduction targets and action plans this fiscal year.

Furthermore, in order to comply with EU chlorofluorocarbon gas regulations starting in 2025, we are accelerating plans to make our ultra-low temperature freezers chlorofluorocarbon-free. We will continue to move forward with sustainability activities that respond to the needs and requirements of each country where we do business.

Regarding social sustainability, PHC Group remains committed to our mission to create healthcare solutions that improve lives. We also continue to build a diverse and inclusive workforce, with specific targets for female leadership.

In terms of governance, we comply with the Corporate Governance Code and operate a Board of Directors with diverse experience and expertise. This year, an incidence of inappropriate quality management at the Central Laboratory of LSI Medience Corporation, our wholly owned subsidiary in Japan, resulted in regrettable concern for patients, medical providers, customers, shareholders, investors, and other stakeholders. Based on a proposal made in the final report by the external investigative committee, we have reaffirmed our mission to offer clinical testing services and are committed to preventing such inappropriate business practices in the future. PHC Group will continue to monitor and enforce compliance obligations across our global businesses.

Our greatest strength: Precision technology powered by exceptional talent

By creating synergies both within and across our businesses, PHC Group will continuously create new value to help improve the lives of people and the health of society. Our most significant strengths are our precision technology capabilities and our outstanding people who bring these capabilities to their full potential. Moving forward, with "One PHC" as our shared mindset, we will further unite as a group to contribute to the future of healthcare. We invite you to join us in the continued growth and innovation of PHC Group.

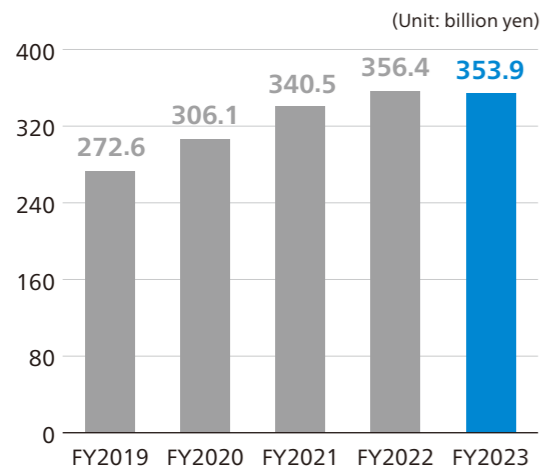


* The iCGM designation enables integration with compatible medical devices such as insulin pumps as an automated insulin delivery (AID) system.

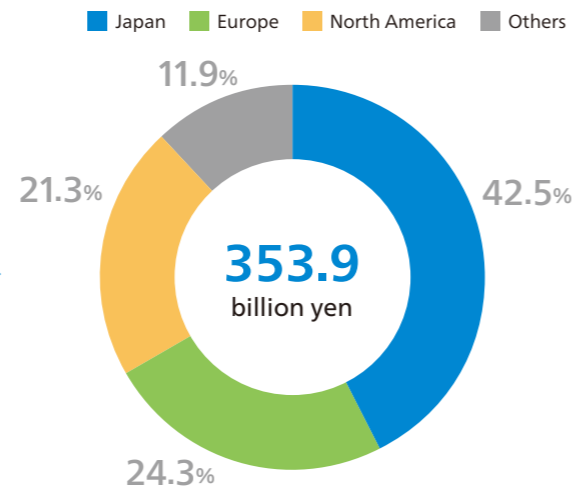
Financial

As of March 31, 2024

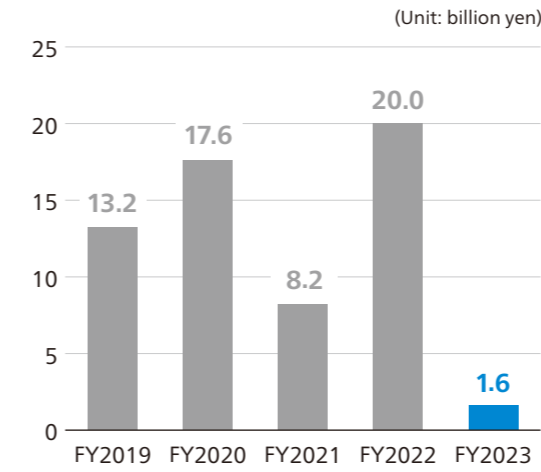
Consolidated revenue



Ratio of consolidated revenue



Consolidated operating profit



Cash based profit per share, dividends, dividend payout ratio

	FY2022	FY2023
Cash based profit attributable to owners of the parent per share*1 (yen)	180.2	84.7
Dividend per share (yen)	72	54
Dividend payout ratio*2 (%)	39.9	63.7

*1 Cash based profit attributable to owners of the parent company = Profit attributable to owners of the parent + Impairment loss (excluding marketable securities) + M&A related income and expenses (depreciable assets) + mark-to-market gain/loss from convertible notes + tax effect for adjustment items. Per share calculation for FY21 and FY22 is based on the average number of shares outstanding during the period (net of treasury stock), and those for FY23 (forecast) are based on the number of shares outstanding at the end of the fiscal year ended March 31, 2023 (after deducting treasury stock at the end of the fiscal year).
*2 Dividend payout ratio (%) = Dividend per share/CBNI per share

Non-Financial

As of March 31, 2024

PHC GROUP

Over **125** Countries and Regions

PHC Group's wide range of products and services are used in more than 125 countries and regions.

Ratio of employees outside Japan: **39%**

Ratio of female managers*: **25.9%**

*PHCHD

ASCENSIA

Around **10** million Users

An estimated 10 million people with diabetes use Ascensia's blood glucose monitoring (BGM) products worldwide.

ASCENSIA

Over **3** billion Sensors/Year

Each year, Ascensia distributes over 3 billion BGM sensors.

LSI Medience

120,000 Specimens/Day

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

LSI Medience

Around **950,000** Tests/Day

LSI Medience runs around 950,000 tests daily, outsourced by hospitals and clinics across Japan.

LSI Medience

Around **7,000** Places

LSI Medience provides clinical testing services to around 7,000 medical institutions (hospitals and clinics) in Japan.

WEMEX

Over **50,000** Medical Institutions and Pharmacies

More than 50,000 medical institutions and pharmacies in Japan are using Wemex medical-receipt computers. This means that every fifth medical institution or pharmacy in Japan has chosen Wemex.

WEMEX

Nearly **100,000** Users

Nearly 100,000 healthcare professionals in Japan are users of Wemex medical-receipt computers.

WEMEX

Around **1.2** million Cases/Day

The daily number of cases registered in Wemex's electronic medical record/medical-receipt systems at medical institutions, including dental clinics, across Japan is around 1.2 million.

mediford

Around **30%**

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

epredia

48 Products/Second

Every second of every hour of every day, 48 of Epredia's products are employed in the battle against cancer in laboratories and medical facilities.

phcbi

Over **150,000** Units

Today, more than 150,000 units of PHCbi's Ultra-Low Temperature Freezers are in use around the world.

phcbi

42 km

If we were to line up PHCbi's Ultra-Low Temperature Freezers, shipped globally to store vaccines for COVID-19, they would reach far enough to complete a full marathon.

phcbi

All Top **20** Companies

PHCbi is the trusted partner of all top 20 global pharmaceutical companies*, supplying them with unsurpassed technology and products.

*Top 20 in the 50 largest revenue pharma companies in the world in 2022

PHC IVD

6 million Cartridges/Year

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

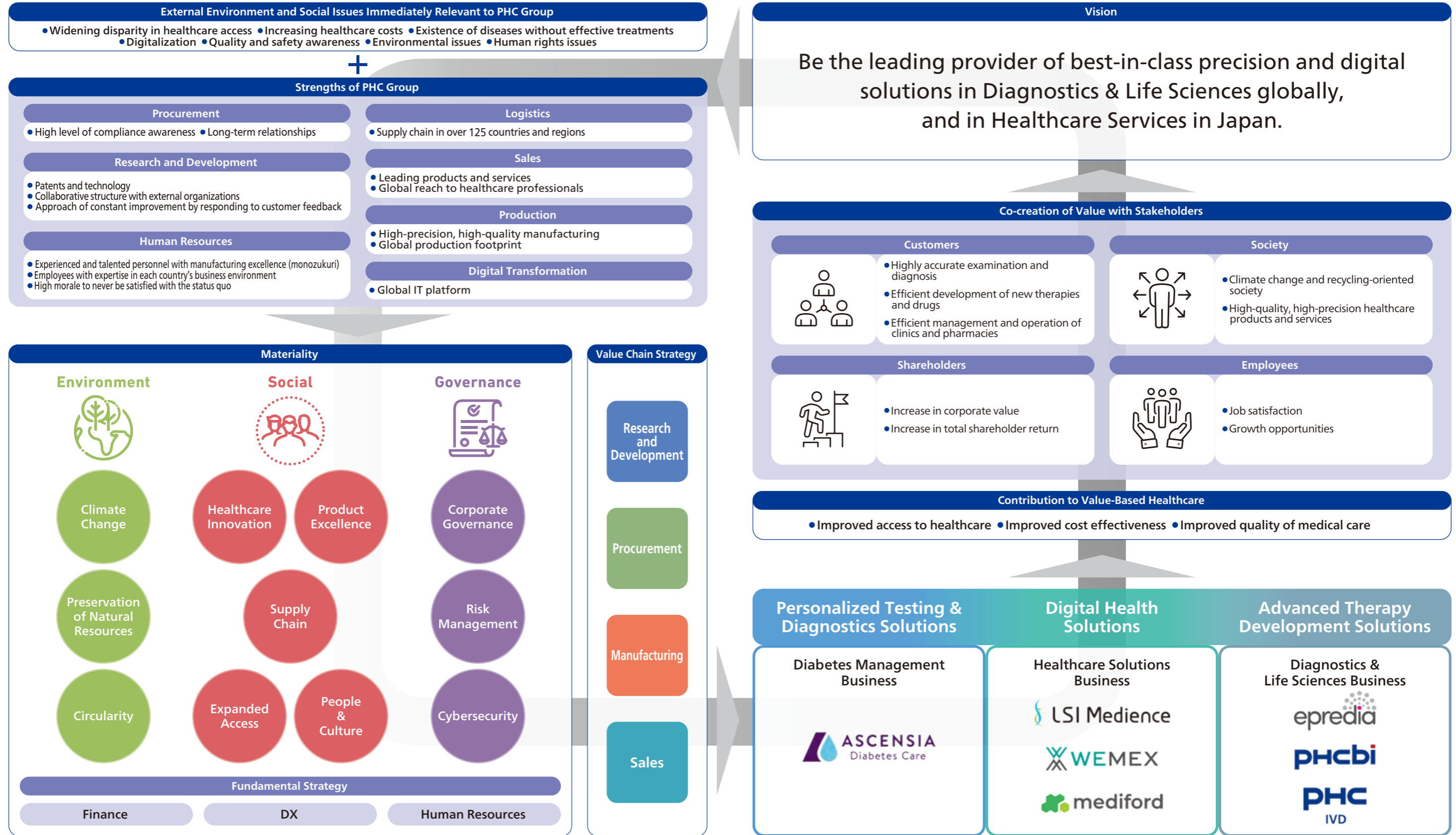
PHC IVD

Over **130,000** Units

Cumulative shipments of digital injectors exceeded 130,000 units. If we were to stack these injectors vertically, they would reach a height nearly triple that of Mt. Everest*.

*In some areas or countries, it may be called Chomolungma, Sagarmatha, or other names.

We will leverage the strengths of the PHC Group and work on the chosen materiality across the entire group to contribute to Value-Based Healthcare.

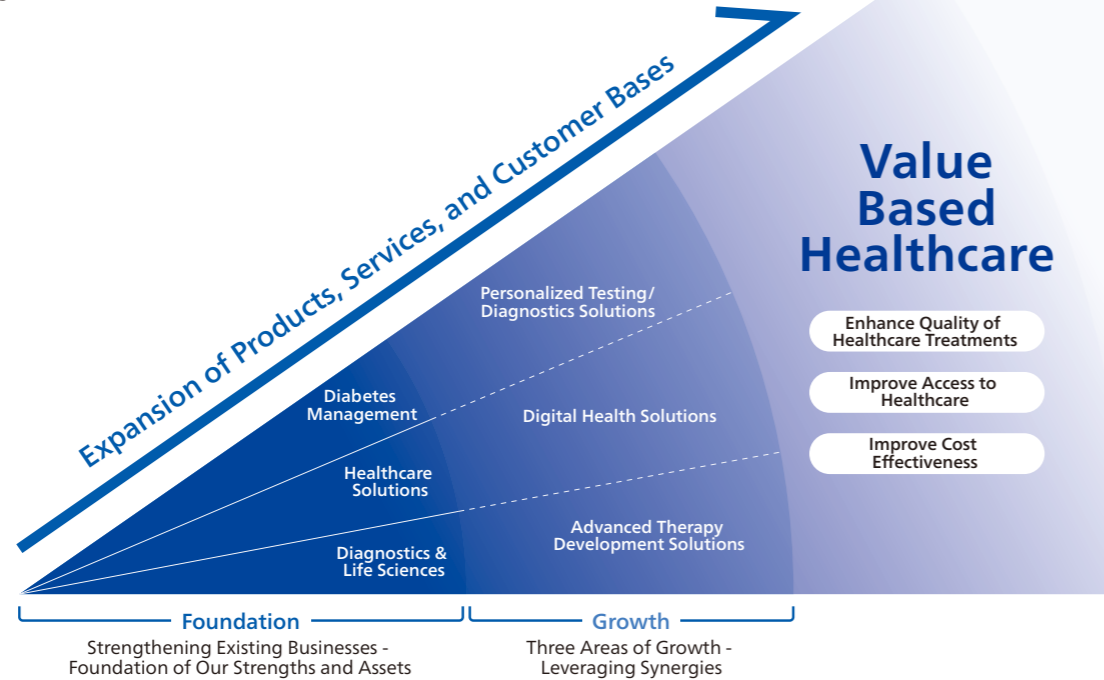


Mission

We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people

Overview of Mid-term Plan

On November 16, 2022, PHC Group announced our Mid-term Plan, Value Creation Plan (FY2022-2025). We aim to achieve further growth by contributing to Value-Based Healthcare in the three Growth Areas listed below.



Definition of Foundation Areas and Growth Areas

In clarifying our growth strategy, PHC Group has classified our businesses into Foundation Areas and Growth Areas. The definitions of each are as follows.

Foundation Areas: Businesses with core technologies and assets that generate revenue while the markets grow at a solid pace

Growth Areas: Businesses that expand products, services, and customer bases around Foundation Areas and capture high market growth while expanding technologies and assets

To expand Growth Areas, it is essential to fully utilize the strengths of each business in PHC Group. We currently have three business domains, and each has a related Growth Area. However, the boundaries between each Growth Area are not as clear as the boundaries between the Foundation Areas, and we will expand the Growth Areas while pursuing synergies among our businesses. The Foundation and Growth Areas of the current domains are as shown in the table below.

Business Domains	Foundation Areas	Growth Areas
Diabetes Management 	<ul style="list-style-type: none"> Blood glucose monitoring (BGM) systems 	<ul style="list-style-type: none"> Continuous glucose monitoring (CGM) systems
Healthcare Solutions 	<ul style="list-style-type: none"> Clinical testing Healthcare business support solutions (medical-receipt computers, electronic medical record and electronic medication history systems, etc.) 	<ul style="list-style-type: none"> Digital health solutions, such as health management, big data analysis, etc. Drug development support solutions for clinical trials, etc.
Diagnostics & Life Sciences 	<ul style="list-style-type: none"> Anatomical pathology equipment, reagents, glass slides, etc. Life sciences equipment such as ultra-low temperature freezers and pharmaceutical refrigerators 	<ul style="list-style-type: none"> Digital pathology/immunohistochemistry (IHC) staining, etc. Products related to cell/gene therapy Point Of Care Testing (POCT) devices

Strategies for Foundation Areas and Growth Areas

In our Foundation Areas, we develop strategies to align closely with the market trends in each product and country/region. For Growth Areas, we leverage synergies between our businesses to provide unconventional solutions through new technologies and services. Details are described on the pages for each business.

Since the Mid-term Plan was announced, the following initiatives have progressed, especially in our Growth Areas.

Drug Development Support Business (Clinical Trials and Other Drug Development Support Solutions): On November 1, 2023, we established Mediford Corporation to drive the integration of expertise and technologies from the non-clinical and clinical trial businesses. Technologies such as imaging mass spectrometry and anti-cancer drug testing using the Patient-Derived Xenograft (PDX) model will evolve, resulting in the enhancement of analytical and evaluation technologies required for new drugs and therapies.

Challenge in New Fields (Cell and Gene Therapy): PHC Group also focuses its efforts on the field of cell and gene therapy, seeking significant market growth. In cell culture, it has so far not been conventionally feasible to continuously monitor the metabolic condition of cells by manually measuring metabolites intermittently. The Live Cell Metabolic Analyzer (LiCellMo), developed by PHC Corporation, applies blood glucose measurement technology to continuously monitor cell metabolites and provide data about the condition of cells in real time. This technology will seek to enable researchers to uncover new insights and contribute to the stable production of cells for therapeutic use.

Business Restructuring within the Group and Business Domain Realignment

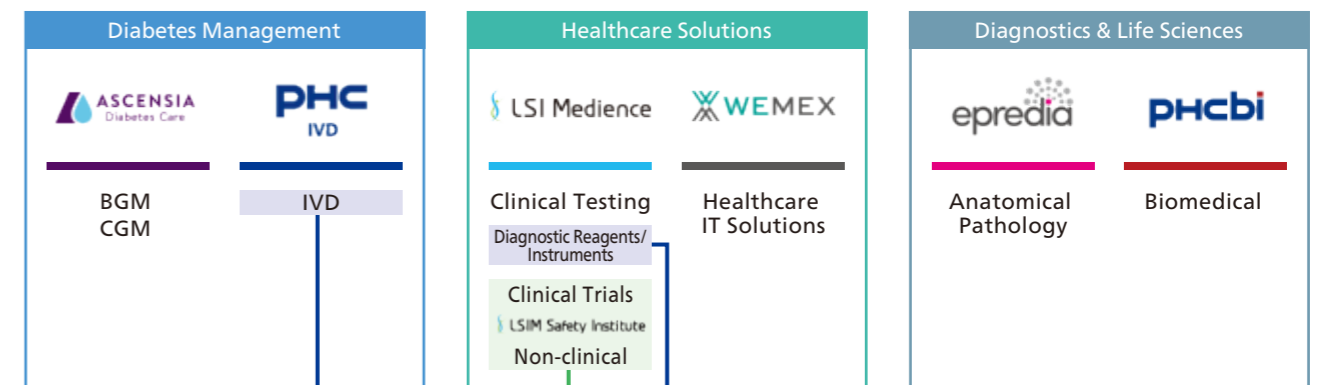
In the last year, PHC Group restructured our businesses and realigned business domains to enhance the Growth Areas defined in the Mid-term Plan.

In November 2023, we restructured the businesses of LSI Medience and PHC IVD to create further synergies and allocate resources more intensively and efficiently to priority areas.

In addition, we made LSI Safety Science Institute a wholly-owned subsidiary of PHC Holdings Corporation, enabling us to make strategic decisions more quickly and to create a business structure that will seek to further accelerate our growth.

In April 2024, the IVD Business Unit joined the Diagnostics & Life Sciences business domain. By optimizing our business domains to reflect this business restructuring, we will seek to accelerate synergies among our business units and increase efficiency of business operations.

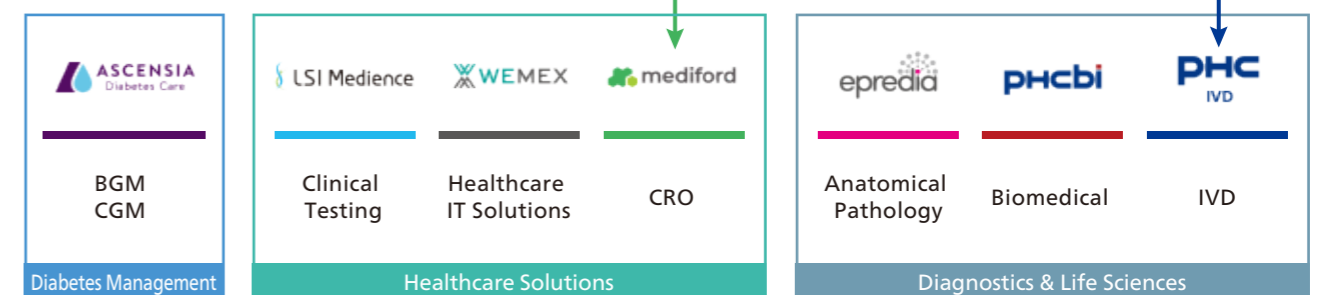
FY23



Business integration in November 2023

Newly established Mediford Corporation in November 2023

FY24





Koichiro Sato

Senior Executive Vice President, Representative Director
 Chief Operating Officer (COO)
 Chief Strategy Officer (CSO)
 Head of Diabetes Management domain
 Head of Healthcare Solutions domain

Business Strategy

In November 2022, PHC Group announced our Mid-term Plan, "Value Creation Plan FY2022-2025." Following this plan, we have been driving growth initiatives, such as restructuring the Group businesses including the business division split of LSI Medience, expanding our customer base through M&A in the Healthcare Solutions domain, and entering the cell and gene therapy field by developing a live cell metabolic analyzer.

On the other hand, the declining profitability of the BGM business, stagnating CGM user growth, delay of turnaround in the pathology business, inappropriate quality management at LSI Medience, and other factors have created a significant discrepancy between our current progress and the targets set in the Mid-term Plan. This situation has highlighted three critical issues: a decline in cash generation capability, deterioration in capital efficiency, and delays in achieving profitability in the three Growth Areas outlined in the plan.

As announced in May this year, we will revise our Mid-term Plan to prioritize addressing these challenges. Specifically, we will reassess the target values of the current Mid-term Plan, which concludes in FY2025, and implement a restructuring period until mid-FY2025 to focus on addressing the existing issues.

In the new Mid-term Plan, we will focus on three strategic initiatives: restructuring to enhance the earning base, improving portfolio management, and narrowing the scope of the Growth Areas.

Regarding restructuring to enhance the earning base, we see enhancing cash generation capability and improving financial stability as priority initiatives.

To improve our portfolio management, we will have a stricter capital cost mindset, introduce ROIC (return on invested capital) management, and proceed with a review and concentration of our portfolio. To narrow and focus the scope of Growth Areas, we will allocate more management resources to our Diagnostics & Life Sciences business.

In November this year, we plan to announce a new Mid-term Plan through FY27, including initiatives during the restructuring period.

PHC Group will seek to generate stable cash flow in our Foundation Areas and drive our growth primarily in the Diagnostics & Life Sciences domain.



Ryuichi Hirashima

Senior Executive Corporate Officer
 Chief Administrative Officer (CAO)
 Chief Human Resources Officer (CHRO)
 Chief Transformation Officer (CTO)

Commitment to Driving Diversity and Improving Engagement

In our ESG efforts, social and governance themes are integral elements. Our focus in social sustainability lies in cultivating a dynamic organizational culture. This involves prioritizing the promotion of gender diversity at leadership levels, pursuing diversity in nationality and race in our Board of Directors, and enhancing employee engagement while striving to enrich employee education and skill development. We are dedicated to building a fair and vibrant workplace and contributing to sustainable growth and the health of society through these efforts.

In late FY23, we experienced a significant compliance issue within one of our Group companies, and it caused considerable concern and inconvenience to our customers and stakeholders. We take the findings of the external investigation committee very seriously and will work diligently to prevent any recurrence, to regain the trust of our customers and all related parties.

Since 2021, PHC Group has been implementing a unified HR platform across our major Group companies in Europe, North America, and Japan. The purpose of this platform is to create a central employee database for information sharing, training, and internal networking. We regard this platform as the cornerstone of our Group's human capital management strategy. Furthermore, this year, we defined 208 skill categories for our engineers in Group companies and worked to build a skills database. We intend to utilize this skills database to support employee recruitment, placement, education training, retention, and new business initiatives. Through these efforts, we aim to enhance employee engagement and, ultimately, grow our corporate value from the perspective of human capital.



Kaiju Yamaguchi

Executive Corporate Officer
 Chief Financial Officer (CFO)

Enhancing Our Profitability and Financial Foundation to Achieve Sustainable Growth

Our consolidated revenue for FY2023 was JPY 353.9 billion (down 0.7% YoY), operating income was JPY 1.6 billion (down 92.2% YoY), and as for net profit/loss attributable to owners of the parent, we recorded a net loss of JPY 12.9 billion due to foreign exchange (FX) losses in addition to the decrease in operating profit.

In Diabetes Management, despite the positive impact of FX and revenue growth in blood glucose monitoring (BGM) markets in emerging countries, revenue and operating profit decreased due to the declining BGM market in developed countries. In Healthcare Solutions, despite capturing digital transformation-related demand and expanding the customer base through M&A, revenue and operating profit declined due to factors including the recovered demand for general and esoteric testing and the adoption rate of electronic prescriptions, both of which were lower than expected, and the recording of an impairment loss in the third quarter. As for Diagnostics & Life Sciences, declining demand for capital investment, mainly in the European and U.S. markets, had a negative impact. However, new product launches, price increases, and other factors mitigated the influence, and a tailwind from favorable FX resulted in higher revenue and operating profit despite the impact of increased costs related to FX and an impairment loss recorded in the second quarter.

Considering the lower financial results in FY2023 and decreased earning power, we need to improve our financial balance by enhancing our cash-generating ability. Consequently, we have decided to revise the Mid-term Plan (Value Creation Plan), which had targeted revenue of JPY 420 billion and operating profit of JPY 56 billion for the target year ending in FY2025, to enhance our earnings base, introduce return on invested capital (ROIC) to improve portfolio management, and to narrow the scope of our Growth Areas. We will announce the revised plan in November 2024, taking the opportunity to present specific initiatives and a portfolio-wide approach.

We will continue to enhance communications with our shareholders and investors and strive to continue to build their trust. We are truly grateful for your continued support.



Nobuaki Nakamura

Executive Corporate Officer
 Head of Diagnostics & Life Sciences domain

Advancing Precision Healthcare through High-Quality Solutions in the Diagnostics & Life Sciences Domain

We provide precision instruments, reagents, related materials, and operation and data management software designed to help enable faster and more accurate diagnostic processes, including in vitro diagnostics and anatomical pathology testing. Our goal is to support more precise treatment decisions made by healthcare professionals.

This domain also provides equipment and services to support R&D and manufacturing in drug development processes. In addition, we seek to contribute to improving quality, cost, and delivery of cell and gene therapy, which is a promising approach to treatment for a range of diseases.

The following are updates on the three business units within our Diagnostics & Life Sciences domain: Our Biomedical Division has launched a series of ultra-low temperature freezers with industry-leading energy efficiency and added security features, along with a series of freezers that significantly minimize frost accumulation, which may cause damage and deterioration of freezer components. Moreover, leveraging PHC's technological prowess in blood glucose monitoring systems, we have launched LiCellMo, a live-cell metabolic analyzer that continuously measures cellular metabolic changes, offering researchers a deeper understanding of how those cells perform or respond to drugs. This device represents our full-scale entry into the field of cell and gene therapy.

In our Pathology Division, we have introduced the SlideMate™ Laser printer, which enables high-resolution printing on microscope slides to improve patient sample traceability. This innovation received the "Best New Pathology Solution" award in the 8th annual MedTech Breakthrough Awards in 2024. Additionally, we launched the P480 Dx whole-slide digital scanner, a compact model of the P1000, the largest-capacity whole-slide scanner on the market. We also released the E1000 Dx™ Digital Pathology Solution, a new device for clinical use, in Europe and the UK. Through new technologies including digital pathology, we are committed to improving the efficiency of pathology processes and contributing to quicker and more precise diagnoses of cancer.

In our In-Vitro Diagnostics (IVD) Division, we integrated LSI Medience's diagnostic reagents and instruments business with the IVD business in fiscal year 2023. The PATHFAST® compact immunoanalyzer, which is distributed by PHC IVD, has obtained FDA clearance for a high-sensitivity cardiac Troponin I test used to aid in the diagnosis of acute myocardial infarction, which we expect to significantly boost sales in the U.S. market. In Japan, we will accelerate the transition to the fully automated blood coagulation system STACIA CN10, aiming to enhance sales by leveraging synergies within the domain.

PHC Group Products and Services Supporting Our Everyday Life

PHC Group is a global healthcare company offering precision technology in diverse settings, ranging from medical institutions such as hospitals and clinics to everyday locations like homes and restaurants. For these special pages, we use illustrations to explain how PHC Group's products and services are integrated into one's daily routine and life. We invite you to see how PHC Group is dedicated to enhancing your quality of life.

Hospital (laboratory, pathology laboratory)



In pathology laboratories, pathologists observe tissues and cells collected from patients and make diagnoses essential for the appropriate treatment of diseases like cancer. EpreDia offers equipment and reagents for preparing specimens, microscope slides, and slide scanners to process specimens into image data.



In pathology laboratories, blood and urine samples taken from patients are tested. LSI Medience operates testing laboratories in hospitals, and performs clinical testing, including for health checkups and cancer screening tests contracted by hospitals and clinics.



PHC IVD's PATHFAST, a compact immunoassay analyzer, quickly measures biomarkers to detect conditions such as heart failure, myocardial infarction, thrombosis, and sepsis. In addition, PHCbi offers Delicart, a food catering cart that enables hospitals to keep foods at the optimum temperature. This power-assisted cart carries up to 60 meals simultaneously with minimal manual effort required.

Home



Tailored to the lifestyles of patients from young children to seniors, PHC IVD's motorized drug delivery devices help patients continue treatment and improve their quality of life by minimizing the strain of self-injection.



Ascensia is the exclusive distributor of EVERSENSE®, a long-term implantable continuous glucose monitoring (CGM) system for people with diabetes. This system helps patients manage their condition and makes their daily lives more comfortable.



Pharmacy

Pharmacies in Japan use Wemex's electronic medication history systems^{*1} and PHCbi's automatic tablet counting and packaging systems^{*2}.



^{*1} The system is linked to medical-receipt computers at dispensing pharmacies and electronically records the prescription history, effects, side-effect history, medication guidance, and inquiries to physicians and dentists.
^{*2} A device that automatically pads pills into bags tailored to the contents of the prescription.

Remote area

Wemex provides a virtual care device, Teladoc HEALTH, that enables medical institutions with a limited number of onsite specialists to connect with remotely located specialists online. The system helps to address issues such as the shortage of medical resources in rural areas in Japan.



WEMEX

Sports competitions

LSI Medience

At international sports events, doping tests are conducted using athletes' blood and urine samples to ensure the fairness of competitions and official records. LSI Medience is the only World Anti-Doping Agency (WADA) accredited laboratory in Japan that analyzes samples for doping tests at sporting events.



Restaurant

LSI Medience

LSI Medience offers a wide range of food safety services, including microbiological, physiochemical, and pesticide residue testing for foods and ingredients.



Research lab

PHCbi offers life sciences equipment to support research activities at pharmaceutical companies and research and medical institutions. Mediford provides a variety of testing and analysis services in Japan to ensure the safety and efficacy of pharmaceutical products.

mediford PHCbi



Clinics, Dental clinics

WEMEX

At medical and dental clinics, Wemex's electronic medical record systems³ and medical-receipt computers⁴ are widely used in medical and dental clinics in Japan.



³The system allows providers to input and manage medical records as electronic information.
⁴These computers prepare medical fee statements for billing payments to health insurance associations and other payment institutions.

PHC Group held an online roundtable with employees and management from major global sites to discuss the Group's sustainability initiatives, challenges, and prospects in each region (held on July 8, 2024).



Participants

1	Laura Cardozo Smodlaka PHC Europe B.V.	ESG and Communication Specialist, Legal and Compliance, PHCEU Joined PHCEU in September 2023 in the role of ESG and Communication Specialist. She resides in Italy.
2	Hirotake Harada epredia	Vice President, Corporate Planning, Epredia (New Erie Scientific LLC) Currently stationed in the U.S., having transferred to Epredia in February 2024. Prior to his secondment, he was the head of the CEO Office at PHC Holdings Corporation and leader of the Project Management Office for PHC Group's ESG strategy.
3	Novi Khodijah PT PHC Indonesia	Corporate Secretary, PHCbi Joined PHC Indonesia in 1997. She leads the Kartini ^{*1} , an employee team that promotes women's empowerment in Indonesia.
4	Mikolaj Tyborowski ASCENSIA Diabetes Care	ESG Manager, Quality Engineer EU, Ascensia Diabetes Care Joined Ascensia in March 2023. He is based in Poland and promotes the company's sustainability activities.
5	Shiho Ota PHC GROUP	Sustainability Promotion Office, Corporate Strategy Department, PHC Holdings Corporation Since joining PHC Holdings Corporation in February 2024, she has led the sustainability activities of the entire Group.
6	Kaiju Yamaguchi PHC GROUP	Executive Corporate Officer, Chief Financial Officer (CFO), PHC Holdings Corporation Served as Vice Chairman of the Sustainability Committee while in the position of Chief Strategy Officer (CSO) of PHC Holdings Corporation. Since July 2024, he has served as CFO and a member of the committee.

*1 Kartini is a national leader of Indonesia who has worked hard to improve women's rights and education. She is known for her ideas and activism on women's education and empowerment.

● Introduction — Accelerating Sustainability Activities at PHC Group



Yamaguchi: Today, I hope we can have an open discussion about sustainability at PHC Group. Our Group's efforts for sustainability are gaining momentum as the entire Group has earnestly begun to address these initiatives to meet the demands of business partners and various regions. After listing on the Tokyo Stock Exchange in October 2021, we announced an amplified focus on sustainability activities in our Mid-term Plan disclosed in 2022. We defined materiality topics and KPIs for the entire Group in 2023, and issued our first integrated report early this year. We also enhanced our efforts by establishing a Sustainability Committee. Additionally, we are progressing in our responses to certifications such as SBTi^{*2}, which are becoming increasingly critical for our business.



Ota: At our meeting in April this year, the Sustainability Committee identified gaps between global ESG guidelines and requests from business partners and the Group's initiatives. Most recently, we shared the status of our response to CSRD^{*3} in Europe, which helped to deepen the understanding among our corporate officers, heads of each business unit, and other concerned parties.

● Employees' Understanding of Sustainability Initiatives



Yamaguchi: I'm curious to hear how the materiality topics and KPIs of PHC Group are being perceived at each site and how deeply they are being embraced. First off, how are things in the U.S.? How's it going at Epredia?



Harada: When I moved to the U.S. in February this year, my initial impression was that employees are really into sustainability initiatives. In April this year, the company held a kick-off meeting with all employees. Epredia is emphasizing sustainability. This makes me feel that there's a strong interest in sustainability at Epredia. Although the business unit is different, how about the situation in Europe where Laura is?



Cardozo Smodlaka: From our team's perspective, it seems that efforts to enhance ESG across PHC Group are widely supported by our employees in Europe. The challenge ahead is to further integrate ESG into our workforce, which can be supported by raising awareness. Increasing understanding of these topics, which may be new to many employees, will help them grasp the impact on our business and the reasons behind our practices. We hope that our efforts in Europe can serve as a model for other PHC Group locations globally. How is the situation in other regions?



Khodijah: Our company has been involved in ESG initiatives in Indonesia for many years. Recently, volunteer activities have also emerged, like the women's empowerment team "Kartini" that we launched in 2020. Although understanding of ESG among employees in Indonesia is still developing, the efforts of volunteer team members are gradually improving the situation. Since many employees have not felt connected to ESG before, we conducted an ESG training for all employees in fiscal year 2023. Moving forward, we aim to develop our activities in Indonesia further by leveraging the efforts of PHC Group.

*2 The abbreviation for Science Based Targets initiative. These targets are greenhouse gas emission reduction goals set by companies aiming for 5 to 15 years in the future, aligning with the standards outlined in the Paris Agreement to limit the rise in global temperature to well below 2 degrees Celsius (WB2°C) above pre-industrial levels, and to limit it to 1.5 degrees Celsius.
Related links: https://www.env.go.jp/earth/ondanka/supply_chain/files/SBT_syousai_all_20210810.pdf (only in Japanese)

*3 Corporate Sustainability Reporting Directive, which refers to the EU's sustainability disclosure regulation, effective January 5, 2023. EU member states were required to take domestic legislative measures by July 6, 2024, to achieve the targets set out in the CSRD. The CSRD will be applicable to fiscal years starting as early as January 1, 2024.



Tyborowski: PHC Group defined its materiality topics and KPIs last year. These were very useful in prioritizing our initiatives in Europe, especially in the environment category. Today, responding to environmental needs is a most urgent issue. The defined materiality topics and KPIs clarified what we need to do while triggering the creation of our roadmap as we move forward. We were also able to share our goals with clients and other parties. We now have a clear picture of where we want to go and what we need to do to achieve our goals. This was a great starting point for preparing for CSRD compliance. Like for Laura's team which is based in the Netherlands, CSRD is an essential topic for us in Germany, one of Ascensia's main bases in Europe, and we want to ensure we respond to it.



Yamaguchi: We expect that efforts to respond to sustainability issues will expand in Europe first and then across the world. As a first step, we will proceed with our initiatives to continue to comply with CSRD at our subsidiaries in Europe. We started this work to establish a structure that will enable us to respond to various disclosure requests promptly. Then, in addition to our companies based outside of Europe, similar standards are scheduled to be issued in various countries, requiring a Group-wide response. More and more of our customers' requests improve sustainability throughout the supply chain, and ESG assessments and certifications are becoming increasingly important. We look forward to a successful initiative in Europe first, to accelerate our sustainability response throughout PHC Group.

● Sustainability Initiatives and Current Status in Each Region



Yamaguchi: Now, please tell us about unique efforts or approaches in your region. Mikolaj, how about in Europe?



Tyborowski: Lately, we have been striving to reduce the volume of packaging materials we use. We believe it will help reduce the environmental impact, improve customer satisfaction, and enhance our market competitiveness. Customers demand environmentally responsible products. Both we and our competitors are actively working to reduce packaging materials. It also improves sustainability throughout the value chain because it requires significant collaboration with suppliers and vendors. We believe the balance between environmental and social aspects is crucial and will be evaluated highly from a business perspective. Harada-san, how are things going in the U.S.?



Harada: EpreDia has manufacturing sites in Europe, as well as in the U.S. and China. Wherever we operate, our dedication to sustainability efforts is unwavering, with a strong focus on the U.S. After I started my current role, I set up a sustainability team within EpreDia. We hold monthly meetings to discuss our progress, and our management team shares and debates these updates. EpreDia's KPIs align with the goals of PHC Group, focusing on reducing CO₂ emissions, cutting waste, improving recycling rates, and minimizing packaging materials. We're taking a cross-functional approach, involving departments like R&D and procurement. Additionally, we're making specific strides at each manufacturing site, such as installing solar panels at our site in China and using renewable power at our UK site. As we continue to receive customer inquiries, we need to be diligent in addressing supply chain evaluations and product life cycle assessments. Novi-san, how do you engage in your initiatives in Indonesia?



Khodijah: Let me share a bit more about the team "Kartini" that we set up in 2020. This team consists of 18 female employees, including myself. Initially, our goal was to support the company's sustainability targets through seminars and campaigns and to keep employee motivation high, but we felt that wasn't enough. Given our long-standing experience in supporting an orphanage in Bekasi, Indonesia, we realized that to be more dedicated,

we needed to motivate our employees more effectively. With PHC Group's overall sustainability policy now outlined, we were able to focus more on activities closely related to ESG efforts. Our team aims to highlight the importance of protecting the planet, raise the consciousness among employees and the local community, and make us the top manufacturing site in PHC Group in sustainability promotion. We've just started with simple activities. But we are confident that we're making steady progress.



Cardozo Smodlaka: At PHCEU, our current main activities focus on CSRD compliance. While our efforts to reduce our environmental impact are in the early stages, we have already made significant strides. For instance, PHCEU has relocated to a new headquarters that operates on green energy. This is just one part of our ESG efforts and represents an important step towards reducing GHG^{*4} emissions.

Another key initiative is collaboration. For example, we are working closely with the HR department to improve social initiatives and corporate culture based on the results of our global employee engagement surveys. Additionally, we are enhancing collaboration among PHC Group ESG team members, focusing on the implementation of projects and activities that align with the overall ESG strategy of PHC Group.



Yamaguchi: With customer inquiries constantly increasing, with our good collaboration, it is vital that we also build effective management methods and responses within the organization.



Tyborowski: We work closely with the sales department to manage and respond to customer needs. By collaborating with the sales team, which interacts directly with customers, we prepare the best responses to meet their requirements. Additionally, we need to align our efforts not just regionally but with the entire PHC Group. For instance, it's vital to think about what is needed in the long-term from the customer's perspective and show something like a pipeline. As the pipeline progresses, it will involve not just the sales department but other stakeholders as well.

To improve our responsiveness, it's also essential to deepen our understanding and recognition of ESG. We plan to work with Laura's team at PHCEU to organize ESG training for employees. I think employee training is crucial, not just to answer the questions we frequently receive but also to help them understand how to address other questions they may have about ESG activities and what their customers are essentially looking for.



Cardozo Smodlaka: At PHCEU, I receive ESG-related customer inquiries through the sales team in my role as the ESG specialist. To improve our response, we began training the sales team, starting with our Sales Meeting this past June. This approach will ensure that they are equipped to handle general questions themselves, allowing us to consistently address inquiries and demonstrate to customers that we take sustainability seriously.



Harada: Creating a website or intranet that offers valuable information for the sales department would be a good idea. In responding to inquiries or questions from customers, the sales team often needs to search for information from various departments, so having a centralized source of information would save time and be convenient. It would be ideal if this source included aggregated ESG data, policies, a list of initiatives, and certificates from evaluation agencies to share with customers.



Yamaguchi: PHC Group has a global group intranet called One PHC, and I think it would be another good idea to promote information sharing on this intranet.

*4 Abbreviation for Green House Gas. It refers to emissions of greenhouse gases such as carbon dioxide and methane.



Ota: Wouldn't it be great if we could showcase our efforts on a two-way communication platform rather than just a one-way? Sharing progress in real-time and boosting communication and discussions will help us create an environment where all our global employees actively engage in sustainability.

● Challenges Ahead from Regional Perspectives



Cardozo Smodlaka: I recognize there are two challenges. Firstly, as ESG initiatives expand, it's necessary to invest time and effort to keep up with these initiatives and demonstrate progresses, which is not an easy task. Secondly, ESG-related topics are progressing at different speed in different countries and regions. While Europe is leading the pack, we need to consider when and how to take actions by referring to the situation in other regions.



Harada: I have two points to add. First, when discussing how to achieve KPIs, I think it's crucial to share how other teams in the Group are tackling the issues. For example, by brainstorming ideas for waste reduction or cutting down on packaging materials, we can learn from each other and share success stories. This way, the entire Group can respond more effectively and quickly. It's also a great opportunity to showcase the power of the concept of "One PHC." Second, we need to think about how to integrate our sustainability efforts with corporate growth. In order to operate our business sustainably, we should leverage sustainability as a growth driver. So, let us continue to discuss together a clear strategy and realize it in the best possible way.



Ota: As you all pointed out, sharing information, awareness, and best practices are crucial points, especially when progress varies by region. We're already working on this by regularly updating and discussing the latest EU information with Mikolaj and Laura through our internal ESG community site and weekly meetings. This approach is super effective in aligning our strategy up to speed, so we'd like to expand this effort by bringing in more participants.



Khodijah: The Indonesian government is assessing how much each company contributes to sustainable goals. So, even small initiatives are beneficial for obtaining business permits and import/export licenses. Last year, as part of our environmental activities, we ran a food waste reduction campaign and tree-planting activities. We would like to enhance our efforts in the coming years.



Tyborowski: ESG factors are often included as part of the terms and conditions when winning contracts through market bidding. It's fair to say that ESG initiatives can impact bidding. In any case, as we seek to advance our business, we must keep sustainability in mind, in addition to product quality and usability.

● Striving for Sustainability and What We Hope to Achieve as PHC Group



Harada: PHC Group's sustainability activities are still in their early stages, but we want to use momentum from enhancing these activities to grow the company. What are your expectations for the future of PHC Group?



Khodijah: I hope that PHC Group will go beyond its business and take serious global steps towards environmental protection for future generations.



Cardozo Smodlaka: I hope PHC Group will continue to contribute to a sustainable society. Adapting quickly to changes is crucial for this. I believe that this will not only drive innovation in healthcare but also enhance the company's overall sustainability.



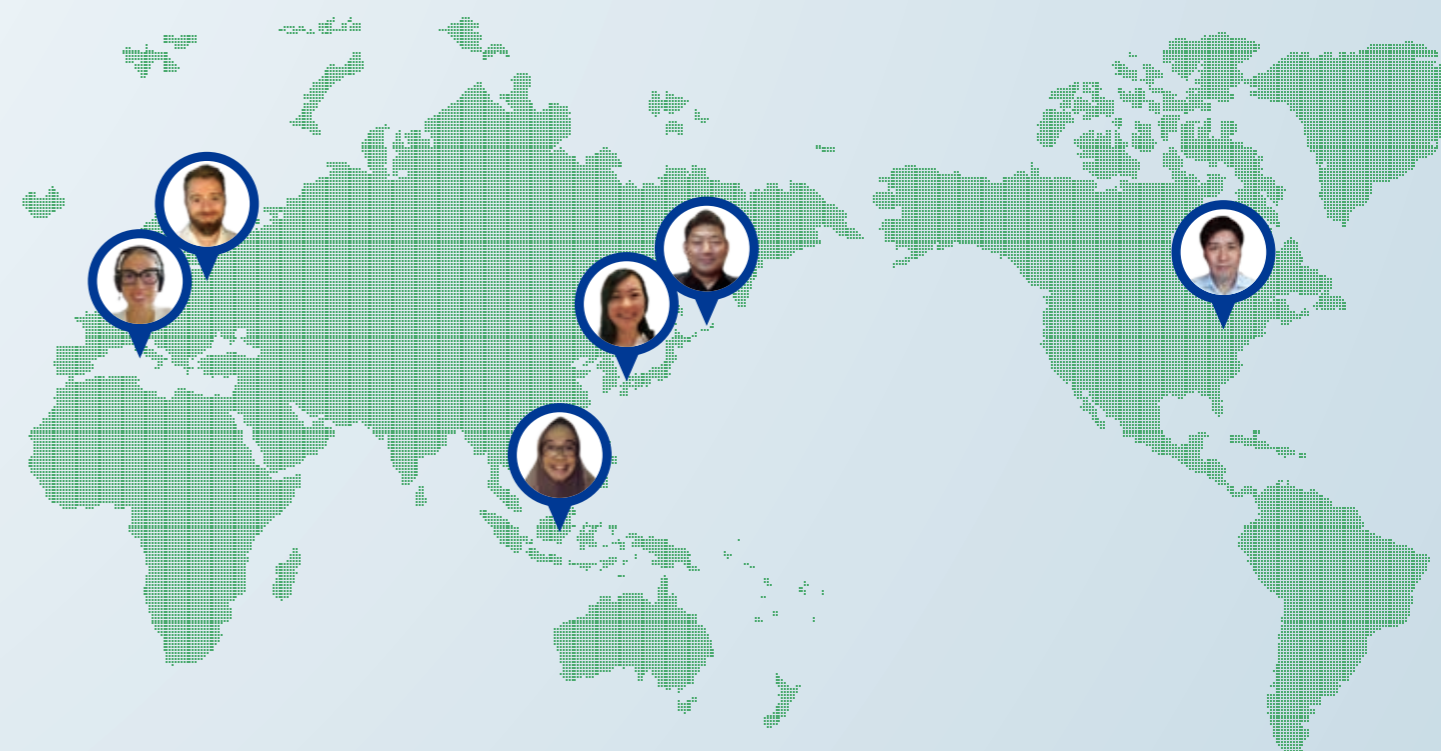
Tyborowski: We should take responsibility for the environmental and social aspects of the entire process of delivering products and services. In other words, we need to be sustainable and responsible throughout the lifecycle of our business.



Ota: PHC Group seeks fully sustainable management by 2030. We believe that integrating ESG into our management plan and its evaluation, and ensuring long-term financial strength, is critical to supporting sustainable growth. In addition, "precision manufacturing" is embedded in the DNA of PHC Group, and we expect that this will be part of the ESG activities that will be deeply rooted in the DNA of PHC Group in the future.



Yamaguchi: Moving forward, PHC Group will strive to improve lives and provide excellent services in the healthcare industry. To aim for sustainable growth, we will also collaborate with our stakeholders, including suppliers and customers around the world. Today's discussion has revealed a lot of learning and insights. We also realized that there is a lot of potential for us to grow as a Group. We appreciate all of your efforts. Thank you very much for your participation today.



We are promoting sustainability activities worldwide with the "One PHC" mindset.