

# The 10th Annual General Meeting of Shareholders

## Convocation notice

### ◆ Date and time

**2:00 pm, June 23 (Friday), 2023**

(Reception starts at 1:30 p.m.)

### ◆ Venue

1-1-1 Shiba-Koen, Minato-ku, Tokyo

**Sumitomo Fudosan Onarimon Tower  
Bellesalle Onarimon Tower  
4th Floor Hall**

### ◆ Agenda items to be resolved

Agenda item No. 1: Appropriation of Surplus

Agenda item No. 2: Partial Revision of  
the Articles of Incorporation

Agenda item No. 3: Appointment of  
Eight (8) Directors

**PHC**  
GROUP

## Notice of Convocation of the 10th Annual General Meeting of Shareholders

To Our Shareholders,

We would like begin by expressing our sincere gratitude for your continued support.

In convening this General Meeting of Shareholders, the information contained in the Reference Documents for the General Meeting of Shareholders (information to be disclosed electronically) is disclosed electronically on the following Internet websites. Please access any one of these websites to confirm the information.

[PHC website]

<https://www.phchd.com/jp/ir/meeting>

(Access the above website and select [10th Annual General Meeting of Shareholders] to view the information.)



Listed Company Information Service (Tokyo Stock Exchange)

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(Access the above website, enter and search for stock name (company name) or securities code, and click on [Basic Information] > [Documents for Perusal/Public Relations].)



[Shareholders Meeting Portal® (Sumitomo Mitsui Trust Bank)].

<https://www.soukai-portal.net>

(Scan the QR code on the voting form or enter your ID and initial password. For more information, please refer to the [Shareholders Meeting Portal®] leaflet.)

\* Each website may not be accessible due to routine maintenance or the performance of other tasks.

In the event you are unable to view this website, you can check the content for another website or try to access the website later.

**If you are unable to attend the meeting, you may exercise your voting rights in writing (by mail), via the Internet, and other methods, as described in [Exercise of Voting Rights] on page 3. Please study the reference documents for the General Meeting of Shareholders below and exercise your voting rights by 5:30 p.m. on Thursday, June 22, 2023 (Tokyo time).**

Yours sincerely

## Notice

### 1 Time

**June 23, 2023 (Fri), 2:00 p.m.** (Reception begins at 1:30 p.m.)

### 2 Place

1-1-1 Shiba-Koen, Minato-ku, Tokyo

## Sumitomo Fudosan Onarimon Tower Bellesalle Onarimon Tower 4th Floor Hall

(Please note that the meeting this year will take place in a different venue from last year. Please refer to the [Guide Map of the General Meeting of Shareholders Venue] at the end of this document to make sure you have the correct venue information.)

### 3 Purposes of the General Meeting

#### Reports

1. Business Report and Consolidated Financial Statements for the 10th Business Year (from April 1, 2022 to March 31, 2023) and the Accounting Auditor's Report and the Audit & Supervisory Board's Report on the Consolidated Financial Statements
2. Report on the non-consolidated financial statements for the 10th business year (April 1, 2022 through March 31, 2023)

#### Matters to be Resolved

- Agenda item No. 1: Appropriation of Surplus  
Agenda item No. 2: Partial Revision of the Articles of Incorporation  
Agenda item No. 3: Appointment of Eight (8) Directors

### 4 Exercise of Voting Rights

Please refer to [Exercise of Voting Rights] on page 3.

- For those attending the shareholder meeting in person, submit the Voting Rights Exercise Form at the reception desk. In addition, bring this convocation notice of the General Meeting of Shareholders as agenda materials.
- Should revisions occur to information that is disclosed electronically, the information prior to and post revisions are stated on the first page and uploaded to each website.
- As part of our efforts to save electricity, we will control the air conditioning at the venue on the day of the event. In addition, please note that our staff will be dressed in light clothing (so called Cool Biz).
- The privacy notice regarding this General Meeting of Shareholders is posted at the following URL. Please agree to the contents of the URL below before participating on the day of the event.  
URL: [https://www.phchd.com/jp/~Media/phchd/privacy/Shareholders\\_Meeting.pdf](https://www.phchd.com/jp/~Media/phchd/privacy/Shareholders_Meeting.pdf)
- Owing to revisions to the Companies Act, as a general rule confirm the electronically disclosed information on first page after accessing each website. We previously sent documents only to shareholders who requested the delivery of documents by the record date. However, as of this General Meeting of Shareholders, we will uniformly send the documents mentioned in the electronically disclosed information regardless of whether a request was made for the delivery of documents.  
Note that of the information that is disclosed electronically, the following matters are not mentioned in the documents we send as stipulated in accordance with the laws and ordinances, and Article 17 of Articles of Incorporation. Consequently, a portion of said documents are audited by the Corporate Auditors or the Accounting Auditor when preparing the audit report.
  1. Consolidated statement of changes in equity and notes to the consolidated financial statements in the consolidated financial statements
  2. Statements of changes in equity and notes to non-consolidated financial statements in the non-consolidated financial statements
- The meeting will be streamed live via the Internet. See page 5 for more information on the live streaming.
- Please note the following regarding the meeting:
  - There will be no souvenirs for shareholders this year.
  - The staff members in the venue will wear facial masks.
- If any significant change occurs regarding the scheduled operation of the meeting, we will announce it on the Company's website (<https://www.phchd.com/jp/ir/meeting>).

# Exercise of Voting Rights

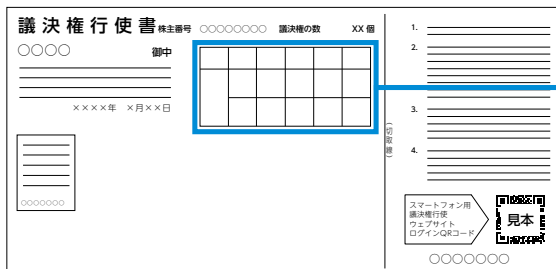
Voting rights in the General Meeting of Shareholders are important rights of shareholders.

Please exercise your voting rights upon considering the reference documents for the General Meeting of Shareholders later described.

There are three methods to exercise the voting rights follows:

When exercising voting rights by attending the General Meeting of Shareholders	When exercising voting rights in writing (postal mail)	When exercising voting rights by the Internet, etc.
 <p>Please submit the voting rights exercise form at the reception desk.</p> <p><b>Date</b> June 23, 2023 (Friday) 2:00 p.m.</p> <p><b>Place</b> 1-1-1 Shiba-Koen, Minato-ku, Tokyo <b>Sumitomo Fudosan Onarimon Tower Bellesalle Onarimon Tower 4th Floor Hall</b></p> <p>(Please refer to the "Guide Map for the General Meeting of Shareholders" at the end.)</p>	 <p>Please indicate your approval or disapproval for each agenda item on the enclosed voting rights exercise form and return it.</p> <p><b>Exercise Deadline</b> 17:30 on June 22, 2023 (Thursday)</p> <p>If neither approval nor disapproval is indicated in the voting rights exercise form for an agenda item, then the agenda item shall be deemed as approved.</p>	 <p>Please enter your approval or disapproval for each agenda item following the instructions on page 4.</p> <p><b>Exercise Deadline</b> Input shall be completed by 17:30 on June 22, 2023 (Thursday)</p>

## How to fill in the voting rights exercise form



\* Voting rights exercise form is just a picture image.

Please indicate your approval or disapproval for the Agenda Item.

Agenda Items No. 1 and 2

- If you approve the Agenda item >> Mark ○ in “賛” (approval)
- If you disapprove the Agenda item >> Mark ○ in “否” (disapproval)

Agenda Items No. 3

- If you approve all the candidates >> Mark ○ in “賛” (approval)
- If you disapprove all the candidates >> Mark ○ in “否” (disapproval)
- If you disapprove one or some of the candidates >> Mark ○ in “賛” (approval) and write the No. of the candidates you disapprove.

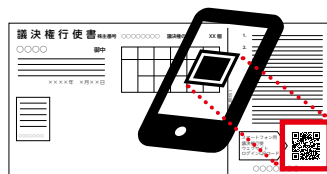
Should a shareholder exercise their voting rights both in writing (postal mail) and via the Internet, etc., the voting rights exercised via the Internet, etc. shall be deemed as valid. Also, should a shareholder exercises their voting rights more than once via the Internet, etc., the last exercised voting right shall be deemed valid.

## ❖ How to exercise your voting rights via the Internet, etc.

Exercise deadline via  
the Internet  
17:30 on June 22, 2023  
(Thursday)

### How to exercise your voting rights using a smartphone

- 1 Scan the QR Code to fill out the voting rights exercise form
- 2 Click on the “exercise voting rights” button from the Shareholders Meeting Portal.
- 3 The top page, Smart Exercise®, will be displayed. From this point forward, follow the guidance on the screen and input approval or disapproval for each proposal.



\* QR Code is a registered trademark of DANESO WAVE INC.



### How to exercise your voting rights using a personal computer

Access the voting rights exercise form by entering the login ID and password for the voting rights exercise form using the URL below. After you login, in accordance with the guidance shown on the screen, select approval or disapproval for each proposal.

#### URL for the Shareholders Meeting Portal®

▶ <https://www.soukai-portal.net>

You can continue to use the website for exercising voting rights.

▶ <https://www.web54.net>

Institutional investors can use the platform for exercising voting rights, which is operated and managed by ICJ (Investor Communications Japan), Inc.



Click on [Exercise voting rights]!

#### Notes:

- Should you want to change your vote after exercising your voting right, you will need to enter the “code for exercising voting rights” and the “password” which are in the voting rights exercise form.
- In the event you exercise your voting rights both in writing and by other means, such as via the Internet, the voting rights exercised via the latter method shall be deemed as valid. Also, should a shareholder exercise their voting rights more than once by the Internet or other means, the last voting rights that were exercised shall be deemed and treated as valid.

#### Contact for inquiries

Sumitomo Mitsui Trust Bank, Limited  
Stock transfer agent website

**0120-652-031**

Dedicated phone number  
(Inquiries are taken from 9:00 to 21:00)



Make sure to check  
the Q&A.

## ◆ Information on live streaming via the Internet and acceptance of questions prior to the meeting

Live streaming will be available for shareholders via the Internet. In addition, prior to the holding of the General Meeting of Shareholders, we will accept questions regarding the agenda for this General Meeting via the Internet.

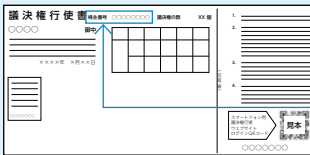
Live streaming		Acceptance of questions	
<b>Start time:</b>	<b>June 23 (Friday), 2023 2:00 p.m.</b> (The live stream site will be opened around 1:45 pm)	<b>Deadline for acceptance:</b>	<b>June 16 (Friday), 2023 5:00 p.m.</b> (Pre-meeting question acceptance starts from June 8th (Thursday))
<b>How to watch:</b>	Please access the live stream site from the following QR code or URL on your computer or smartphone, etc., and enter your ID and password. After logging in, please press the join button.	<b>How to enter:</b>	After logging in to the below site, press the "Pre-meeting question" button, enter your question, and send it to us.

### Live streaming and pre-meeting question site

▶ <https://6523.ksoukai.jp>

◆ **ID:** 9-digit shareholder number written on the voting right exercise forms


◆ **Password:** 9-digit postal code written on the voting right exercise form



The 9-digit number printed on the voting right exercise form is the shareholder number.

XXXXXXXXXX

Shareholder number (9 digits)



### Inquiries regarding live streaming and pre-meeting questions

<b>1 About ID and Password</b>	<b>Sumitomo Mitsui Trust Bank, Limited</b> (Telephone number) 0120-782-041 <b>Reception period:</b> June 8 (Thursday) until the end of the General Meeting of Shareholders (9:00-17:00, excluding weekends and holidays)
<b>2 About technical aspects</b>	<b>V-cube Co., Ltd.</b> (Telephone number) 03-6833-6290 <b>Reception period:</b> June 23 (Friday), 9:00 am to the end of the General meeting of Shareholders

### Precautions regarding live stream and acceptance of pre-meeting questions

- Live streaming does not constitute attendance under the Companies Act, and you cannot exercise your voting rights or ask questions. Please exercise your voting rights in advance after checking the "Instructions for exercising your voting rights" on pages 3 and 4 of the "Notice of Convocation of the General Meeting of Shareholders" mailed to shareholders.
- We will take into account the privacy of our shareholders, etc., when filming the venue for the live stream, but there may be cases where shareholders attending the meeting are unavoidably included in the footage. Please be aware of that.
- Only the shareholder himself/herself will be able to view the live stream.
- Please note that there may be problems with the video or audio, or you may not be able to watch it, depending on the device you are using or your Internet connection environment.
- Expenses (communication equipment, Internet connection charges, communication charges, etc.) for viewing the live stream will be borne by the shareholder.
- Filming, recording, recording, saving, publishing, etc. of the live stream is strictly prohibited.
- Please limit your questions to the content of the proposals for the General Meeting of Shareholders. In addition, please limit the number of your questions to 3.
- Among the questions we receive in advance, we plan to answer those related to matters that are of the greatest interest to our shareholders at the time of this General Meeting of Shareholders. Please note that we cannot answer all questions.
- If for some reason live streaming and pre-meeting questions are not possible, we will inform you on our website (<https://www.phchd.com/jp/ir/meeting>).

# ◆ Reference documents for the General Meeting of Shareholders

## Agenda item No. 1 ◆ Appropriation of Surplus

We plan to distribute our surplus earnings as follows:

### Matters related to dividends

The PHC Group recognizes the maximization of shareholder profits as one its key management goals. Regarding profit distribution, by comprehensively factoring in the Company's earnings trends and financial condition, business and investment plans going forward, and other factors, it is the basic policy of the PHC Group to maintain stable dividend payouts while balancing internal reserves and repayment of borrowings. The Company plans to maintain a consolidated dividend payout ratio of 30%-plus, aiming for a 40% ratio in the medium term, in accordance with cash-based net income, which is the net income attributable to owners of the parent company less non-cast items, including the amortization of intangible assets related to M&A, valuation gains/losses on convertible loans and other items. Based on this basic policy, we propose a year-end dividend of 36 yen per share for the current fiscal year. Combined with the interim dividend of 36 yen already paid, the annual dividend for the current fiscal year will be 72 yen per share.

Types of dividend assets	Money
Matters related to and total amount concerning the allocation of dividend assets	<b>36 yen</b> per common share Total dividend payout: <b>4,511,164,788 yen</b> Combined with the interim dividend of 36 yen already paid, the annual dividend for the current year will be 72 yen per share.
Date the dividend (distribution of surplus) takes effect	June 26, 2023

# Partial Revision of the Articles of Incorporation

## 1. Reason for proposal

Article 3 (head office location) of the Articles of Incorporation is to be amended from Minato-ku, Tokyo to Chiyoda-ku, Tokyo to reflect the relocation of the head office for the purpose of reducing fixed costs at the head office, improving management efficiency and enhancing the convenience of business activities.

In addition, in line with this amendment, given the location (address) of the head office shall remain unchanged during the period of relocation, supplementary provisions shall be established as transitional measures. This amendment shall take effect on the date of the head office relocation, which will be determined at a meeting of the Board of Directors to be held by March 31, 2024. A provision to that effect will be stipulated in the Supplementary Provisions of the Articles of Incorporation. The said supplemental provision shall be deleted after the effective date of the head office relocation.

## 2. Content of changes to be made

The changes to be made are as follows:

(The underlined portion is the part to be changed)

Current Articles of Incorporation
(Registered head office location) Article 3 The Company shall have its head office in <u>Minato-ku</u> , Tokyo.
(New)

Proposed change
(Registered head office location) Article 3 The Company shall have its head office in <u>Chiyoda-ku</u> , Tokyo.
<u>Chapter 8: Supplementary Provision</u> <u>(Effective date)</u> <u>The amendment of Article 3 (Registered head office location)</u> <u>shall take effect on the date of the head office relocation to be</u> <u>determined at a meeting of the Board of Directors to be held by</u> <u>March 31, 2024. The Supplementary Provisions shall be deleted</u> <u>after the effective date of the head office relocation.</u>



# Appointment of eight directors

The terms of office of all eight (8) directors will expire at the conclusion of this General Meeting of Shareholders, and we therefore propose the election of all these eight (8) directors.

The candidates for director are as follows:

Candidate Number	Name	Current position in the Company			
1	Shoji Miyazaki	Representative Director, President & CEO	Reappointment		
2	Koichiro Sato	Representative Director, Senior Executive Vice President & COO	Reappointment		
3	Hirofumi Hirano	Director	Reappointment	Outside	
4	Eiji Yatagawa	Director	Reappointment	Outside	
5	Sen Sakaguchi	Director	Reappointment	Outside	
6	Kyoko Deguchi	Director	Reappointment	Outside	Independent
7	Ivan Tornos	Director	Reappointment	Outside	Independent
8	David Sneider	Director	Reappointment	Outside	Independent

## <Reference> Nomination policy and procedures for candidate directors

The Company has set up a voluntary Nomination/Remuneration Committee as a function to support the Board of Directors. The Nomination/Remuneration Committee decides the content of the recommendations after deliberation on matters related to the appointment and dismissal of Directors and the nomination of Representative Directors to be submitted to the General Meeting of Shareholders.

The basic requirement for the appointment of Directors is that they must satisfy legal requirements, have an excellent personality and insight, and be able to fulfill their responsibilities. For appointment, the policy of nomination is to comprehensively consider the degree of contribution to management, achievements in each job, job opinion, ability, etc.

Regarding the candidate Outside Directors, they are nominated in consideration of their high expertise and abundant experience in various fields, including business management and law.

The Board of Directors shall approve those candidates for Directors and Corporate Auditors there were considered for nomination by the Nomination/Remuneration Committee.

The Nomination/Remuneration Committee, which is advised by the Board of Directors, reports on candidates, and after a resolution of recommendation by the Board of Directors based on said report, are then appointed by a resolution of the General Meeting of Shareholders.



### Reappointment

Number of shares held in the Company	84,398 shares
Board of Directors attendance record	20/20 times
Tenure	4 years

Candidate  
number



**Shoji Miyazaki** (Date of birth: July 12, 1967)

### ◆ Career summary, position and responsibility in the Company

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

### ◆ Key concurrent position —

#### Reasons for nomination as a candidate for director

Mr. Shoji Miyazaki, after leading the diagnostic/life science and diabetes management business, which are deployed globally, made a major contribution to the business activities of the PHC Group over a long period of time, including taking on the responsibility of management at PHC Corporation, a major subsidiary of the Company.

In addition, he has a wealth of knowledge and experience not only in management but also in product development, manufacturing and sales. We have therefore nominated him as a candidate for Director based on our determination that he will be able to continue to lead the management activities of the Group going forward.



### Reappointment

Number of shares held in the Company	0 shares
Board of Directors attendance record	20/20 times
Tenure	6 years

Candidate  
number



**Koichiro Sato** (Date of birth: May 25, 1973)

### ◆ Career summary, position and responsibility in the Company

April 1997	MITSUI & CO., LTD.
February 2007	Vice President of Planning, Secondment to Novus International, Inc. (in the 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 (in India)
April 2014	Deputy General Manager, Die and Mold Business for China, MISUMI Corporation (in China)
November 2015	MITSUI & CO., LTD.
March 2016	Director, MBK Healthcare Network 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	DaVita Care Pte. Ltd, Director
April 2021	General Manager, Asia Business Department, Healthcare Business MISUI & 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)

### ◆ Key concurrent position

Director, ALM Inc.

### Reasons for nomination as a candidate for director

Mr. Koichiro Sato has experience as the General Manager, Healthcare Business 3rd Department, Healthcare Business Division, MITSUI & CO., LTD., General Manager of the Asia Business, and as CEO of MBK HEALTHCARE MANAGEMENT PTE. LTD. (Hong Kong Branch). He has a wide range of knowledge and experience in the healthcare industry in general. In addition, as an outside director, he has been involved in management since March 2017. Following his appointment to the position of Senior Executive Vice President and Representative Director in July 2022, as the Chief Operating Officer (COO) he is in charge of the Company's business operations overall. We nominated him as a candidate for Director as we deem he will leverage his strong leadership in the areas of management and oversight of the Company to contribute to the further business growth of the PHC Group moving forward.



Candidate  
number

3

**Hirofumi Hirano** (Date of birth: March 14, 1961)

### Reappointment

### Outside

Number of shares held in the Company	0 shares
Board of Directors attendance record	19/20 times
Tenure	9 years

### Career summary, position and responsibility in the Company

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	AlixPartners Asia LLC
January 2010	Representative of Japan, AlixPartners Asia LLC
October 2010	Head of Financial Services of Asia, AlixPartners 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 Kokusai 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)

President, KKR Japan KK  
(concurrent assignment as) Co-Head of Private Equity for KKR Asia Pacific  
Director, Marelli Holdings Co., Ltd.  
Outside Director, Koki Holdings Co., Ltd.  
Outside Director, KOKUSAI ELECTRIC CORPORATION  
Director, KJR Management Co., Ltd.  
Outside Director, Logisteed Ltd.

### Key concurrent position

### Reasons for nomination as a candidate for director and expected role

We have nominated Mr. Hirofumi Hirano as a candidate for Outside Director as we deem he is expected to give appropriate advice and supervision to the management of the Company since he has been engaged in the management of many companies as the president of an investment fund and has a wide range of knowledge about corporate management.



### Reappointment

#### Outside

Number of shares held in the Company	0 shares
Board of Directors attendance record	13/13 times
Tenure (total period of service)	8 years

Candidate  
number



**Eiji Yatagawa** (Date of birth: January 20, 1978)

### Career summary, position and responsibility in the Company

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 Aizu 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)
December 2020	Director, GANOVATION, PTE. LTD. (incumbent)
March 2021	Director, Seiyu 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)

Partner, KKR Japan KK  
Board Director, Transphorm Inc.  
Outside Director, Transphorm Japan Co., Ltd.  
Outside Director, Koki Holdings Co., Ltd.  
Outside Director, dataX Inc.  
Director, GANOVATION, PTE. LTD.  
Director, Seiyu GK Holdings, Inc.  
Director, NETSTARS Co., Ltd.  
Outside Director, Yayoi Co., Ltd.  
Director, Altoa, Inc.  
Outside Director, Logisteed Ltd.

### Key concurrent position

### Reasons for nomination as a candidate for director and expected role

As an outside director, Mr. Eiji Yatagawa has engaged in the management of many companies and also served as an investment fund partner. Given his wide range of knowledge about corporate management, we nominated him as a candidate for Outside Director, as he is expected to give appropriate advice and supervision to the management of the Company.



### Reappointment

### Outside

Number of shares held in the Company	0 shares
Board of Directors attendance record	13/13 times
Tenure	1 year

Candidate  
number

5

**Sen Sakaguchi** (Date of birth: October 31, 1969)

### Career summary, position and responsibility in the Company

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, 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)

General Manager, Wellness Solution Business Division, MITSUI & CO., LTD.  
Director, MBK Wellness Holdings Inc.  
Director, HOKENDOHJIN FRONTIER Inc.  
Director, Raxi Co., Ltd.  
Director, THINKIE Inc.

### Key concurrent position

### Reasons for nomination as a candidate for director and expected role

Mr. Sen Sakaguchi has experience as the General Manager of the Strategic Planning Dept., Healthcare & Service Business Unit of Mitsui & Co., Ltd, and the Pharmaceutical Business Division, and the Wellness Business Division. Given his wide range of knowledge and experience in the healthcare industry as a whole, we nominated him as a candidate for Outside Director as we determined he is likely to provide appropriate advice and supervision to the management of the Company.



Reappointment

Outside

Independent

Number of shares held in the Company	0 shares
Board of Directors attendance record	20/20 times
Tenure	2 years

Candidate  
number

6

**Kyoko Deguchi** (Date of birth: December 12, 1965)

### Career summary, position and responsibility in the Company

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: Ortho 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, AbbView GK
July 2014	External Director, Nippon Ski Resort Development Co.
February 2015	Chief Operating Officer, Shikikuukai Medical Corporation
April 2015	Professor, Kenichi Ohmae Graduate School, BBT University (incumbent)
March 2016	Outside Director, Cookpad Inc.
June 2016	External Director, T-Gaia Corporation (incumbent)
August 2017	Vice President, Shikikuukai Medical Corporation
June 2019	External Director, NHK Technologies, Inc. (incumbent)
January 2020	External Director, Heartseed Inc. (incumbent)
June 2021	Outside Director, PHC Holdings Corporation (incumbent)
September 2022	Vice Director, Doya Rehabilitation and Orthopedic Clinic (incumbent)

Professor, Kenichi Ohmae Graduate School, BBT University  
External Director, T-Gaia Corporation  
External Director, NHK Technologies, Inc.  
External Director, Heartseed Inc.  
Vice Director, Doya Rehabilitation and Orthopedic Clinic

### Key concurrent position

#### Reasons for nomination as a candidate for director and expected role

Ms. Kyoko Deguchi has experience as an accounting/finance manager and a marketing department manager. She also has extensive experience serving as an Outside Director at multiple companies. We have nominated her as a candidate for Independent Outside Director as we deem she is expected to give appropriate advice and supervision to the management of the Company by utilizing her knowledge and experience.



Reappointment

Outside

Independent

Number of shares held in the Company	0 shares
Board of Directors attendance record	19/20 times
Tenure	1 year

Candidate number

7

Ivan Tornos (Date of birth: July 29, 1975)

Career summary, position and responsibility in the Company

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, Cordis, 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)

Key concurrent position

Chief Operating Officer, Zimmer Biomet Group

Reasons for nomination as a candidate for director and expected role

Mr. Ivan Tornos has experience as a group manager and regional manager for multiple global medical device companies, and possesses extensive experience and knowledge in the medical device industry, especially the Med Tech business, which combines medicine care with technology. We have nominated him as a candidate for Outside Director as we deem he is expected to give appropriate advice and supervision to the management of the Company by utilizing his knowledge and experience.





### Reappointment

Outside

Independent

Number of shares held in the Company	0 shares
Board of Directors attendance record	13/13 times
Tenure	1 year

Candidate  
number



# David Sneider

(Date of birth: July 25, 1957)

## Career summary, position and responsibility in the Company

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)
June 2023	Outside Director, Mitsubishi UFJ Financial Group, Inc. (tentative)

## Key concurrent position

Lawyer

## Reasons for nomination as a candidate for director and expected role

As a lawyer, Mr. David Sneider is also well-versed in handling global M&A deals, including in Japan, and capital market transactions. He has been advising Japanese and multinational companies for many years. We have nominated him as a candidate for Independent Outside Director as we deem he is expected to give appropriate advice and supervision to the management of the Company by leveraging his knowledge and experience.

### (Notes)

- There is no special interest between the candidates and the Company.
- Mr. Hirofumi Hirano, Mr. Eiji Yatagawa, Mr. Sen Sakaguchi, Ms. Kyoko Deguchi, Mr. Ivan Tornos and Mr. David Sneider are outside directors.
- Pursuant to Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with each of all outside directors and outside corporate auditors to limit their liability for damages under Article 423, paragraph (1) of the same Act. Should they be appointed, the Company will continue to enter into a contract with these outside directors. The limit of the liability for damage compensation under such contracts is the amount stipulated by law as long as the outside director or outside corporate auditor has performed the duties that caused such liability in good faith without gross negligence.
- The Company enters into liability insurance policy for directors, etc. with an insurance company as stipulated in Article 430-3-1 of the Companies Act. The scope of the insured party under said insurance policy extends to employees in the position of director, executive officer, corporate auditor, operating officer, accounting advisor, and manager/supervisor at all companies and subsidiaries as stipulated under the Companies Act, regardless of whether a direct or indirect investment exceeds 50%. The insured party is not responsible for insurance premiums. In the event of a claim for damages be filed against the insured party due to their conduct as a company director, the policy will provide coverage for damages of up to 3 billion yen. However, to ensure that the appropriateness of the insured party's execution of duties is not impaired, damage caused intentionally or due to gross negligence is not covered by the policy. In addition, said insurance policy is slated to contain the same content at the time of the next renewal.
- The Company has registered Ms. Kyoko Deguchi, Mr. Ivan Tornos, and Mr. David Sneider as independent directors as defined by the Tokyo Stock Exchange. If they are reappointed as outside directors, the Company will continue to register them as independent directors.

[Reference] Skill matrix of the Directors (Directors, Corporate Auditors)

Name	Position	Independence	Expertise and experience							
			Medical device industry	Life science industry	Pharmaceutical industry	Finance/ Accounting	M&A	Production/ SCM	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	Corporate auditors		○					○	○	
Shannon Hansen	Corporate auditors	○	○		○					○
Tetsuo Kitagawa	Corporate auditors	○				○	○			

## ◆ 1 Current Performance in the Corporate Group

### (1) Trends at businesses in the fiscal year under review

#### (1) Progress and results of business operations

During the fiscal year ended March 31, 2023 (hereinafter “the fiscal year under review”), while the economy showed signs of recovery with the easing of restrictions on economic activity as the occurrence of new COVID-19 infection cases slowed down, the outlook remained uncertain due to the deterioration of the situation in Ukraine and soaring prices.

The PHC Group generated revenue of JPY 356,434 million, up 4.7% compared to the previous year (hereinafter “year on year”). There was generally a positive impact from foreign exchange rates, and revenue increased year on year in Diabetes Management. In Healthcare Solutions, revenue declined year on year, affected by the lowering of medical service fees for COVID-19 PCR testing by the Japanese government, despite the positive impact of demand for the new Online Eligibility Check System. Revenue increased year on year in Diagnostics and Life Sciences boosted by the favorable impact of product price revisions and strong sales of digital pathology and consumables in Epredia as well as strong general demand in the laboratory and medical support equipment business in addition to continued demand for ultra-low temperature freezers for mRNA vaccine storage from companies manufacturing mRNA vaccines in Biomedical (PHCbI).

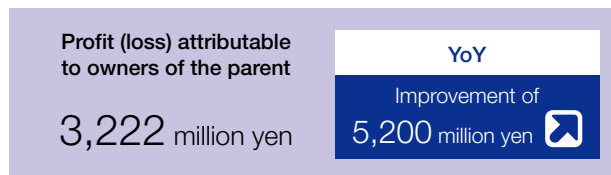
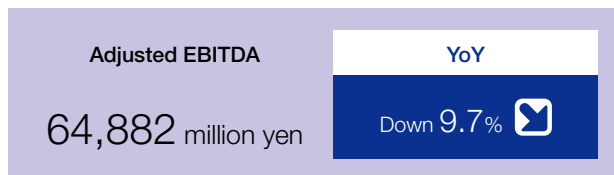
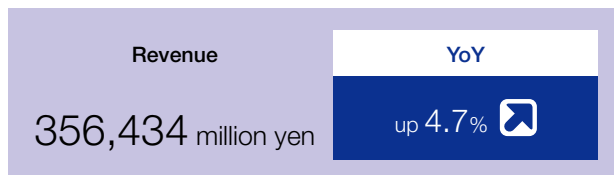
Operating profit was JPY 20,000 million (an increase of 144.7% year-on-year). In Diabetes Management, operating profit increased year-on-year. Although the profit margin declined due to a changes in product mix, depreciation expense and one-off costs declined. In Healthcare Solutions, operating profit decreased due to the impact of the lowered medical service fees for PCR testing. In Diagnostics and Life Sciences, revenue trended upward at Epredia. However, although profit margins improved owing to the implementation of various measures, we posted an impairment loss of 8,717 million yen, as we were not able to offset the rise in the weighted average cost of capital (WACC) due mainly to an increase in interest rates. In comparison with the previous fiscal year, operating loss decreased reflecting an increase in revenue, benefits from an improvement in profit margins, and a decline in impairment losses.

Adjusted EBITDA was JPY 64,882 million, down 9.7% year on year. Major adjustment items include one-time income/expenses relating to transformational M&A pre-acquisition and integration costs (addition of JPY 578 million), one-time income/expenses relating to restructuring (addition of JPY 4,289 million), one-time income/expenses relating to special compensation to officers/employees (addition of JPY 1,540 million), and other one-time income/expenses (subtraction of JPY 145 million).

Profit before taxes was JPY 179 million (a decline of 94.0% year-on-year). This decrease was primarily attributable to financial costs which were impacted by a valuation loss of 9,189 million yen (versus JPY 3,311 million in valuation loss in the previous year) in accordance with the mark-to-market measurement of convertible loans to Senseonics, a listed company in which the Company owns a noncontrolling interest, a rise in interest expenses and foreign exchange translations.

Consequently, net loss attributable to owners of the parent came to JPY 3,222 million (versus JPY 8,460 million in net profit in the previous year). This had an impact on profit before taxes. In addition, we drew down deferred tax assets in comparison with the previous fiscal year. And in the same period a year earlier and in the fiscal year under review, we posted an impairment loss and recorded income taxes of JPY 3,228 million, (versus JPY 11,302 million a year earlier) mainly reflecting to a high ratio of profit in Japan, which has a high tax rate.

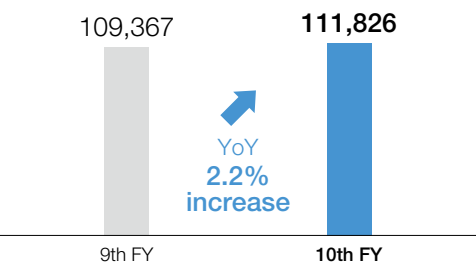
Cash-based profit attributable to owners of the parent was JPY 22,473 million, down 9.5% year on year.



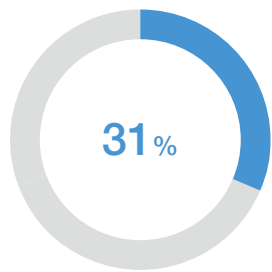


# Diabetes Management

Sales revenue (unit: million yen)



Sales revenue composition ratio



In Diabetes Management, revenue in the fiscal year under review totaled JPY 111,826 million (a growth of 2.2% year-on-year). In the Blood Glucose Monitoring (hereinafter “BGM”) business, revenue slightly increased due to the positive impact of foreign exchange rates. In the U.S., sales declined due to the continued impact of the termination of a sales collaboration despite gaining market share in channels for self-funded purchasers that are not covered by insurance. Sales in the United Kingdom and Italy also decreased as the market continued to shrink while sales grew in emerging markets including the Asia Pacific region. Sales of continuous glucose monitoring (hereinafter “CGM”) systems increased, as Eversense E3, an implantable CGM system developed by Senseonics, was launched in the U.S. in the first quarter. In the IVD business, sales increased due to growth in rapid specimen testing (POCT) and the introduction of new electric medicine injection products.

Operating profit in Diabetes Management in the fiscal year under review was JPY 26,737 million (an increase of 14.9% versus a year earlier). This year-on-year increase was mainly due to a decrease in depreciation/amortization expenses mainly due to the ending of amortization of some intangible assets (a decrease of JPY 3,588 million year on year) and because there was a one-time business restructuring expense of JPY 3,456 million in the previous year for the restructuring of the BGM sales structure. Negative factors include increased SG&A expenses resulting from an initiative to strengthen the CGM sales structure and foreign exchange rate effects despite efforts to reduce sales expenses in BGM.

Adjusted EBITDA was JPY 37,168 million (a drop of 9.4% year-on-year). Major adjustment items in the previous period included one-time income/expenses relating to restructuring (addition of JPY 3,456 million) and one-time income/expenses relating to disposal/sales of assets (subtraction of JPY 847 million).

**ASCENSIA**  
Diabetes Care

Glucose monitoring systems, continuous glucose monitoring systems and digital diabetes management solutions

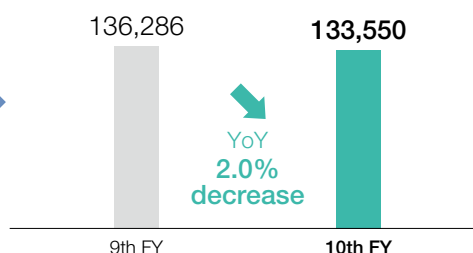
**PHC**  
IVD

Contracted development and manufacturing services, drug delivery and digital health solutions

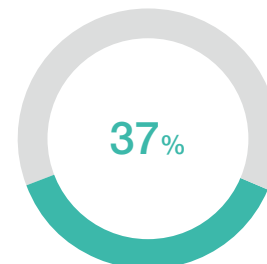


# Healthcare Solutions

Sales revenue (unit: million yen)



Sales revenue composition ratio



In Health Solutions, revenue was JPY 133,550 million (a drop of 2.0% year-on-year). In the LSI Medience business, revenue totaled JPY 95,621 million (a decrease of 7.5% versus the previous year). In the Medicom business, revenue reached JPY 37,928 million (a growth of 15.0%).

In LSI Medience, revenue decreased year on year. In the clinical testing, revenue decreased as the number of general patients declined due to the seventh and eighth waves of COVID-19 pandemic in Japan, and demand for COVID-19 PCR testing rapidly decreased in the fourth quarter with the eighth wave settling down as well as easy-to-use COVID-19 antigen test kits becoming widely used. In addition, the medical service fees for PCR testing were reduced by the Japanese government. Revenue of the In Vitro Diagnostics business decreased year on year due to a decline in sales of COVID-19 related reagents that are mainly used for severe cases as the Omicron strain which has a low rate of severe cases became mainstream overseas, although testing kits that can detect both COVID-19 and influenza were launched and sales of antigen test kits for COVID-19 infections increased. Revenue of the drug development service business increased year on year due to strong sales of clinical trials and drug analysis for COVID-19.

In Medicom, revenue increased year on year. Sales of medical systems remained strong supported by the replacement of older models with the Medicom-HRf series, an electronic medical records system for clinics. The series has been offered as a package deal with the new Online Eligibility Check System promoted by Japanese Government, which has subsequently become mandatory in April 2023. In pharmacy systems, sales increased owing to progress in sales of the mainstay PharnesV series, and continued brisk sales to major pharmacy chains. Also, an Electronic Prescriptions system was launched from January 26, 2023, mainly for major pharmacy chains.

Operating profit of Healthcare Solutions for the fiscal year under review was JPY 9,829 million, down 42.2% year on year. In Medicom, although an increase in one-time restructuring expenses was offset by an increased profit from strong revenue, the operating profit decreased mainly affected by the reduced medical service fees for PCR testing and a decrease in demand for PCR testing in LSI Medience.

Adjusted EBITDA was JPY 21,994 million (a drop of 21.5% year-on-year). Major adjustment items include one-time income/expenses relating to restructuring (addition of JPY 1,029 million in the fiscal year under review and JPY 148 million in the previous period, respectively).

## Group Companies

**medicom**

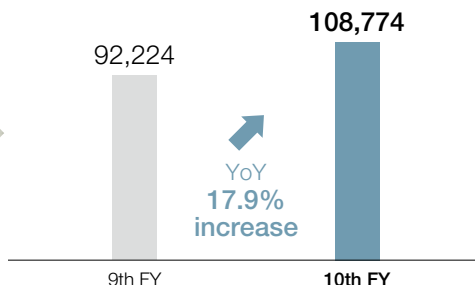
Healthcare IT solutions

 **LSIメディエンス**

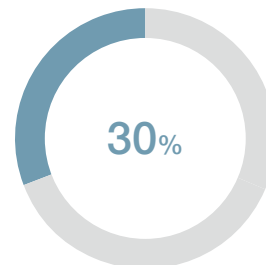
Diagnostic drugs/devices,  
clinical testing and drug  
discovery support

# Diagnostics and Life Sciences

Sales revenue (unit: million yen)



Sales revenue  
composition ratio



In the fiscal year under review, revenue in Diagnostics and Life Sciences was JPY 108,774 million (a rise of 17.9% year-on-year). In the Epreidia and Biomedical (PHCbI) business, revenue totaled JPY 49,508 million (an increase of 26.8% versus the previous year). In the Biomedical business, revenue reached JPY 59,265 million (a growth of 11.4%).

In Epreidia, revenue increased driven by the positive impact of foreign exchange rates, product price revisions, the introduction of digital pathology, and strong sales of consumables in EMEA and other areas while sales of slides decreased.

In Biomedical (PHCbI), revenue of the laboratory and medical support equipment business significantly increased year on year. In the Americas, a large number of orders for the new set-up and expansion of life science laboratories were acquired from drug and biotech companies. In EMEA, sales for general demand increased, and large orders for ultra-low temperature freezers were received from companies manufacturing mRNA vaccines; in both regions. Revenues significantly increased combined with a positive foreign exchange rate impact. In Japan, sales to general demand grew significantly. However, overall revenue declined because sales of ultra-low temperature freezers for mRNA vaccine storage could not surpass those in the first quarter of the previous year when demand for them was enormous. In China, we made efforts to increase sales to cover the impact of the lockdown in Shanghai in the first quarter. However, sales remained sluggish, and revenue declined mainly due to the government's preferential policy for domestic equipment and customers' reluctance to invest due to financial deterioration. Revenue from dispensing support equipment and other categories increased due to the positive impact of foreign exchange rates despite a temporary slump in the Americas' in the second quarter associated with M&A involving an OEM customer.

In Diagnostics and Life Sciences, operating loss in the fiscal year under review was JPY 1,065 million (versus a loss of 14,140 million yen in previous fiscal year). At Epreidia, revenue trended upward. Although profit margins improved owing to the implementation of various measures, we posted an impairment loss of 8,717 million yen, as we were not able to offset the rise in the weighted average cost of capital (WACC) due mainly to an increase in interest rates. However, in a year-on-year comparison, operation losses contracted owing to an increase in revenue, benefits from an improvement in profit margins, and a decline in impairment losses. In Biomedical (PHCbI), operating profit rose despite a decline in COVID-19-related demand versus the previous year.

Adjusted EBITDA was JPY 16,054 million (a rise of 14.0% year-on-year). Major adjustment items include other one-time income/expensess, including a gain from terminating service contracts (subtraction of JPY1,055 million in the fiscal year under review, compared to an addition of JPY 108 million in the previous year), one-time income/expenses relating to transformational M&A pre-acquisition and integration costs (addition of JPY 439 million in the fiscal year under review, compared to an addition of JPY 1,493 million in the previous year), and one-time income/expenses relating to restructuring (addition of JPY 561 million in the fiscal year under review compared to an addition of JPY 1,444 million in the previous year).

## Group Companies



Research/medical support  
devices



Clinical testing/research-use  
Anatomical pathology solutions

## (2) Capital investment trends

Total capital investment at the PHC Group was JPY 11,516 million in the consolidated fiscal year under review. The following are details by segment.

Segment	Capital investment (JPY million)	Details and goals of capital investments
Diabetes Management	1,071	Increase in machinery and equipment
Healthcare Solutions	7,755	Software investment Newly installed and renovated testing facilities
Diagnostics and Life Sciences	2,547	Production facility investment
Headquarters, etc.	143	IT system investment
Total	11,516	

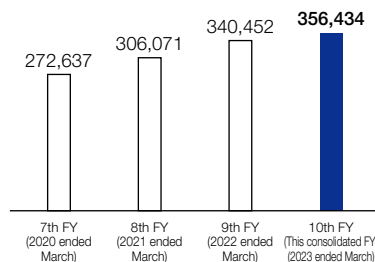
## (3) Fundraising trends

On May 31, 2021, the PHC Group integrated its borrowings through the refinancing of LBO loans with different terms and conditions to enhance the efficiency of debt management. On October 14, 2021, PHC Holdings issued 6,611,700 new shares via a public offering to increase capital in line with its listing on the 1st section of the Tokyo Stock Exchange (TSE). Reflecting this, the Company procured JPY 20,628 million in capital. There were no special items to be noted during the fiscal year under review.

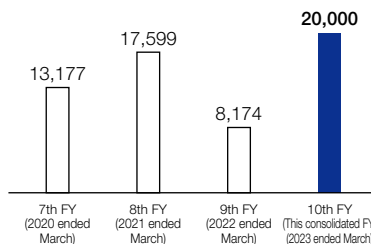


## (2) Assets and profits/losses in the most recent 3 fiscal years

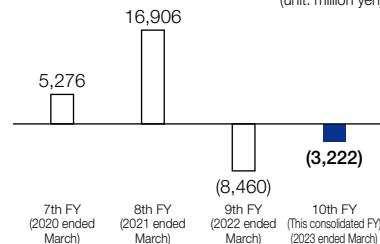
### » Revenue (unit: million yen)



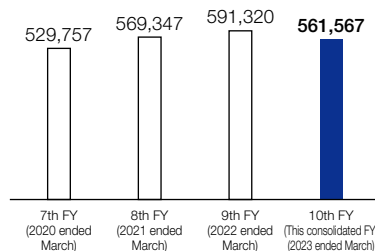
### » Operating income (unit: million yen)



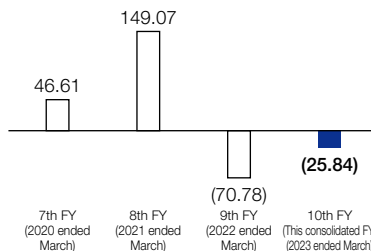
### » Profit (loss) attributable to owners of the parent company in the current FY (unit: million yen)



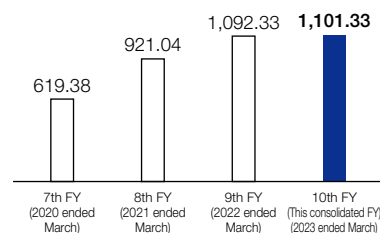
### » Total assets (unit: million yen)



### » Basic earnings per share in the current FY (unit: yen)



### » Equity attributable to owners of the parent company per share (unit: yen)



Category		Term 7 (Fiscal year ended March 2020)	Term 8 (Fiscal year ended March 2021)	Term 9 (Fiscal year ended March 2022)	Term 10 (Consolidated fiscal year under review) (Fiscal year ended March 2023)
Revenue	(Million yen)	272,637	306,071	340,452	356,434
Operating profit	(Million yen)	13,177	17,599	8,174	20,000
Profit (loss) attributable to owners of the parent	(Million yen)	5,276	16,906	(8,460)	(3,222)
Basic earnings per share attributable to owners of the parent	(Yen)	46.61	149.07	(70.78)	(25.84)
Total assets	(Million yen)	529,757	569,347	591,320	561,567
Equity attributable to owners of the parent	(Million yen)	70,275	107,018	135,374	138,008
Equity attributable to owners of the parent per share	(Yen)	619.38	921.04	1,092.33	1,101.33

### (3) Status of significant subsidiaries

Company name	Capital	Ratio of voting rights owned by PHC Holdings	Main business activities
PHC Corporation	7,907 million yen	100%	Development, manufacturing and sales of healthcare products
Ascensia Diabetes Care Holdings AG	CHF 100,000	100%	Diabetes management business
Ascensia Diabetes Care US Inc.	USD 1	100%	Diabetes management business
Ascensia Diabetes Care Deutschland GmbH	EUR25 thousand	100%	Diabetes management business
Epredia Holdings Ltd.	USD 50,000	100%	Anatomical pathology solutions business
New Erie Scientific LLC	USD 100	100%	Anatomical pathology solutions business
LSI Medience Corporation	3,000 million yen	100%	Clinical testing, diagnostic drugs, drug discovery support business

(Note) Conditions at specified wholly-owned subsidiaries as of the final day of the fiscal year under review are as follows.

Name of the specified wholly-owned subsidiary	PHC Corporation
Location of the specified wholly-owned subsidiary	2131-1, Minamigata, Touon-shi, Ehime Prefecture
Book value of the shares of the specified wholly-owned subsidiary held by the Company and the Company's wholly-owned subsidiary	100,324 million yen
Total asset value of PHC	457,319 million yen

### (4) Issues that should be addressed

#### a. Management indicators being targeted

In line with our vision, “Be the leading provider of best-in-class precision and digital solutions in Diagnostics & Life Sciences globally, and in Healthcare Services in Japan,” the PHC Group aims to become one of the world’s leading healthcare companies. To realize these goals, sales (revenue), operating profit, (adjusted) EBITDA and (adjusted) net profit attributable to owners of the parent are positioned as key management indicators. Our policy is to track progress of our business operations and analyze the degree of achievement of the targets to address management issues.

#### b. Business and financial issues that should be addressed as a priority

##### (i) Build and strengthen an in-house system to support growth in the medium/long term on a global scale

The PHC Group acquired the diabetes care business of Bayer AG in 2016, the anatomical pathology business of Thermo Fisher Scientific, Inc. in 2019 and LSI Medience Corporation from Life Science Institute, Inc. (a member of the

Mitsubishi Chemical Holdings Corporation). Through this, the PHC Group strengthened its business infrastructure and is working to expand its business operations. Meanwhile, owing to this rapid expansion, the number of overseas subsidiaries and employees also rose. In light of this, the PHC Group aims to improve its group governance globally, strengthen systems related to internal control, and to build and strengthen in-house systems aimed at full-fledged legal compliances in each country in which the Group operates.

(ii) Expand business operations and the earnings base

In November 2022, the PHC Group revised the Value Creation Plan into a medium-term management plan for fiscal 2022 through 2025.

With our mid-term management strategy, as described below, we will further strengthen our three existing core businesses, and work on three growth areas by pursuing synergies among businesses to acquire new customers and markets.

[Core Business Areas]

<Diabetes Management>

- Strengthen the growth segment in the blood glucose measurement system.

<Healthcare Solutions>

- Shift to cloud-based services and capture government policy-related demand in the digital health business area. Strengthen the development of global clinical trials and POCT by enhancing cancer and genetic testing in the testing service and small measuring equipment business.

<Diagnostics and Life Sciences>

- Develop new life science equipment products that pursue energy-saving performance and IoT, and optimize global development and manufacturing operations.
- Expand the share of pathological examination equipment and strengthen sales channels by region and segment.

[Growth Areas]

<Personalized Testing and Diagnostic Solutions>

- Expand sales of continuous glucose monitoring (CGM) systems and strengthen POCT development.

<Digital Health Solutions>

- Enhance health management that supports employees' health and preventive medicine through synergies between businesses; provide solutions for doctors through telemedicine administrative agency services. Contribute to reducing medical costs and improving treatment efficiency by integrating and analyzing medical big data.

<Advanced Treatment Development Solutions>

- Expand global sales by making full use of mutual pharmaceutical customer networks. Develop high-quality, high-speed models for future hospitals by expanding the product lineup of cell metabolism analyzers and pathological examination equipment.

(iii) Repayment of borrowing

The Company's borrowings are at a level that is equivalent to the majority of total assets, including M&A deals conducted in the past. Going forward, we believe expected free cash flow will be at a level sufficient for repaying loans. In the fiscal year under review, the Company did not procure new borrowings. We used cash on hand for business investment, facility expansion, and repayment of borrowings. We will continue considering capital demand in our businesses while working to strengthen our financial position early on.

(iv) Improving the recognition of the PHC Group

The PHC Group was carved out of the Panasonic Group in 2014. In April 2018, the Company changed its group corporate brand to "PHC." We possess businesses and product brands that have been familiar to customers for many years. In October 2021, we debuted our shares on the 1st Section of the Tokyo Stock Exchange (presently listed on Tokyo Stock Exchange Prime). Using this as an opportunity, we will further strengthen our businesses and product brands to enhance recognition as a corporate group. We will also implement IR and PR activities through various media to improve the recognition of the PHC Group globally among investors and other stakeholders.

**(5) Main business activities** (as of March 31, 2023)

The PHC Group comprises 17 domestic companies and 78 overseas companies, including the holding company, and the major subsidiaries PHC Corporation, Ascensia Diabetes Care Holdings AG, Epredia Holdings Ltd. and LSI Medience Corporation. There are three main business domains. First is Diabetes Management. This domain carries out the development, manufacturing and sales of blood glucose self-monitoring systems (monitoring systems and sensors) and Point of Care Testing (POCT) as well as in-vitro diagnostic equipment and electronically-driven drug injection devices (injectors). Second is Healthcare Solutions. This domain engages in the development and sales of healthcare IT products, including medical systems and electronic medical records and an electronic medical history system, and the clinical testing business. Third is Diagnostics and Life Sciences. This domain handles the development, manufacturing and sales of products, including research and medical support devices and pathology and diagnostic devices, such as storage and culture medium devices.

**(6) Major offices and plants** (as of March 31, 2023)**(1) PHC Holdings Corporation**

Head office	2-38-5 Nishishimbashi, Minato-ku, Tokyo
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**(2) Subsidiaries**

PHC Corporation	Head office: Minato-ku, Tokyo Plant: Toon City, Ehime Prefecture, Ora-gun, Gunma Prefecture
PHC Medicom Corporation	Taito-ku, Tokyo
LSI Medience Corporation	Head office: Minato-ku, Tokyo Offices: Itabashi-ku, Tokyo; Katori-gun, Chiba Prefecture; etc.
PHC Europe B.V.	Netherlands
PHC Corporation of North America	United States
PT PHC Indonesia	Indonesia
Ascensia Diabetes Care US Inc.	United States
Richard-Allan Scientific LLC	United States
New Erie Scientific LLC	United States
Epredia Laboratory Products Manufacturing (Shanghai) Co., Ltd.	China
Epredia Holdings Ltd.	Cayman Islands (British Overseas Territory)
Ascensia Diabetes Care Holdings AG	Switzerland
Shandon Diagnostic Ltd.	Great Britain

**(7) Employees** (as of March 31, 2023)**(1) Employees in the corporate group**

Business segment	Number of employees	
Diabetes Management	2,639	(23)
Healthcare Solutions	3,864	(1,943)
Diagnostics & Life Sciences	2,388	(482)
Headquarters, etc.	512	(46)
Total	9,403	(2,494)

(Note) The number of employees is the number of workers. The annual average number of part-time and contract employees is shown in brackets and is not included in the employee headcount.

## (2) Employees at PHC Holdings Corporation

Number of employees	Average age	Average years of service
151 (16) employees	47.2 years old	16.2 years

(Note) The number of employees is the number of workers. The annual average number of part-time and contract employees is shown in brackets and is not included in the employee headcount.

## (8) Principal lenders (as of March 31, 2023)

Lenders	Amount of borrowings (million yen)
Sumitomo Mitsui Banking Corporation (SMBC)	114,662
MUFG Bank, Ltd.	94,081
Mizuho Bank, Ltd.	73,501
Sumitomo Mitsui Trust Bank, Limited	11,760

## 2 Current status of the Company

### (1) Shares (as of March 31, 2023)

(1) Total number of authorized shares 460,000,000 shares

(2) Total number of shares outstanding 125,522,074 shares

(3) Number of shareholders 20,210 people

#### (4) Major shareholders

Shareholder names	Shareholding (thousand shares)	Shareholding ratio (%)
KKR PHC Investment L.P.	47,994	38.30
Mitsui & Co., Ltd.	21,870	17.45
Life Science Institute, Inc.	12,297	9.81
Panasonic Holdings Corporation	11,266	8.99
LCA 3 Moonshot LP	5,714	4.56
The Master Trust Bank of Japan, Ltd. (Investment account)	3,884	3.10
Custody Bank of Japan, Ltd. (Investment account)	1,337	1.07
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	892	0.71
PHC Holdings Employee Stock Ownership Plan	683	0.55
STATE STREET BANK AND TRUST COMPANY 505001	500	0.40

(Note) The shareholding ratio is calculated after deducting treasury shares (211,941 shares).

## (2) Share acquisition rights

### (1) Share acquisition rights held by PHC Holdings directors and exchanged on the final day of the fiscal year under review as consideration for the execution of duties

		No. 1 Class A shares to be issued upon the exercise of share acquisition rights	No. 1 Class B shares to be issued upon the exercise of share acquisition rights
Issuance resolution date		June 25, 2014	June 25, 2014
Number of shares to be issued upon the exercise of share acquisition rights		4,480 units	45,000 units
Class and number of shares for the purpose of share acquisition rights		Common stock 4,480 shares (One common share per one share acquisition right)	Common stock 45,000 shares (One common share per one share acquisition right)
Price for share acquisition right		Payment shall not be required in exchange for share acquisition rights	3 yen
The price of assets to be contributed upon the exercise of share acquisition rights		500 yen per one share acquisition right (500 yen per share)	500 yen per one share acquisition right (500 yen per share)
Period for exercising rights		From June 25, 2016 to June 24, 2024	From July 5, 2014 to June 24, 2024
Conditions for exercising rights		(Note 1)	(Note 2)
Director shareholdings	Directors (excluding external directors)	Number of shares to be issued upon the exercise of share acquisition rights 4,480 units Number of shares for the purpose of share acquisition rights 4,480 shares Number of shareholders One person	Number of shares to be issued upon the exercise of share acquisition rights 45,000 units Number of shares for the purpose of share acquisition rights 45,000 shares Number of shareholders One person
	External directors	—	—
	Corporate auditors	—	—

(Notes) 1. Conditions for exercising the share acquisition rights

- (1) These share acquisition rights can only be exercised when one or more of the following applies.
  - (i) Common shares are listed on a financial instruments exchange in Japan and/or on a securities exchange outside of Japan
  - (ii) As of the allocation date for these share acquisition rights, shareholders that possess a majority of voting rights related to these PHC shares (controlling shareholders), as a result of the transfer of these PHC shares, the ratio of voting rights attached to the shares being held to the total voting rights for the Company's total shareholders (However, in cases where a business that is directly or indirectly possessed by the parent company, subsidiaries, affiliate and Kohlberg Kravis Roberts & Co. L.P. related to controlling shareholders (persons related to controlling shareholders)). The number of said voting rights shall be calculated as the voting rights related to PHC shares

- possessed by controlling shareholders.
- (iii) In cases where the shareholding ratio is 5% or more of the voting rights of the Company's total shareholders for voting rights related to PHC shares that are to be transferred and the shares held by controlling shareholders are transferred to a third-party
  - (iv) In cases where a share acquisition rights holder ceases to be a director and/or an employee of PHC Holdings and/or its subsidiary (the Company) owing to a legitimate reason Note that a "legitimate reason" is defined as the death or illness, etc. of the holder of these share acquisition rights which makes it extremely difficult or impossible to execute duties; a significant decline in compensation or position within the Group, or other reasons that the Board of Directors deems similar to the aforementioned reasons. (1) Taking into consideration the retirement age of the director as stipulated in the director regulations of the Company and PHC Corporation, that time when the holder of these share acquisition rights ceases to be a director and/or employee of the Company owing to their resignation due to expiration of their tenure or retirement, and (2) the holder of these share acquisition rights at the time of resignation or retirement from the Company is separately approved by the Board of Directors of the Company. The same shall apply to the following.
  - (v) Should the holders of the share acquisition rights cease to be a director or employee of the Company due to reasons other than those deemed as legitimate,
- (2) Regardless of (1) above, these share acquisition rights cannot be exercised in the event of the following reasons. However, this does not apply if the Company's Board of Directors separately resolves that there are reasonable grounds to approve the exercise of these share acquisition rights.
- (i) 180 days have passed since the day the holder of the share acquisition rights ceases to be a director or employee of the Company for a legitimate reason.
  - (ii) 30 days have passed since the day the holder of the share acquisition rights ceases to be a director or employee of the Company for a reason other than a legitimate reason.
  - (iii) A petition is filed by or against the holder of the share acquisition rights for bankruptcy, civil rehabilitation, special liquidation and corporate reorganization procedures
  - (iv) The holder of the share acquisition rights violates provisions in a share acquisition rights allotment agreement that has been entered into between the share acquisition rights holders, the Company and the controlling shareholders.
- (3) Share acquisition rights cannot be exercised in part.
2. The details of the content in 1. are the same as for the No. 1 Class A shares to be issued upon the exercise of share acquisition rights



		No. 1 Class D shares to be issued upon the exercise of share acquisition rights	No. 1 Class H shares to be issued upon the exercise of share acquisition rights
Issuance resolution date		June 25, 2014	March 31, 2021
Number of shares to be issued upon the exercise of share acquisition rights		18,800 units	27,000 units
Class and number of shares for the purpose of share acquisition rights		Common stock 18,800 shares (One common share per one share acquisition right)	Common stock 27,000 shares (One common share per one share acquisition right)
Price for share acquisition right		1 yen	Payment shall not be required in exchange for share acquisition rights
The price of assets to be contributed upon the exercise of share acquisition rights		500 yen per one share acquisition right (500 yen per share)	1 yen per one share acquisition right (1 yen per share)
Period for exercising rights		From July 5, 2014 to June 24, 2024	From April 1, 2021 to March 31, 2031
Conditions for exercising rights		(Note 1)	(Note 2)
Director shareholdings	Directors (excluding external directors)	Number of shares to be issued upon the exercise of share acquisition rights 18,800 units Number of shares for the purpose of share acquisition rights 18,800 shares Number of shareholders One person	Number of shares to be issued upon the exercise of share acquisition rights 27,000 units Number of shares for the purpose of share acquisition rights 27,000 shares Number of shareholders One person
	External directors	—	—
	Corporate auditors	—	—

(Notes) 1. The details of the content in 1. are the same as for the No. 1 Class A shares to be issued upon the exercise of share acquisition rights

2. Conditions for exercising the share acquisition rights

(1) These share acquisition rights can only be exercised when one or more of the following applies.

- (i) The Company announces its quarterly or fiscal year-end earnings results after common share are listed on a financial instruments exchange in Japan or a securities exchange outside of Japan
- (ii) Prior to the listing of shares, (a) when the ratio of the number of voting rights of total shareholders in the Company to the number of voting rights shares in the Company held by the companies directly or indirectly controlled by KKR PHC Investment L.P. and its parent company, subsidiaries, affiliates and KKR & Co. Inc. (excluding the Company. Hereinafter, “parties related to controlling shareholders”; controlling shareholders and parties related to controlling shareholders are referred to “controlling shareholders, etc.”) (i.e. the controlling interest ratio) drops to 20% or lower reflecting the transfer of shares to a third party. (This excludes controlling shareholders, etc. Note, to avoid doubt, third parties include the Company. This shall apply hereinafter.) (That being said, to avoid doubt, this

- includes cases where the controlling shareholders, etc. controlling interest ratio drops to below 20% immediately before the transfer is carried out.) Also (b) when said share are transferred to a third party owing to the execution of security interest related to these shares held by controlling shareholders (in addition to matters resulting from legal procedures, includes the execution of voluntary sales and payment in substitute not related to legal procedures).
- (iii) Should the holder of these share acquisition rights cease to be a director and/or an employee of the Company or a subsidiary of the Company for a legitimate reason (This includes the loss of these positions due to the death of the holder of these share acquisition rights. Ceasing to be a director or employee of the Company is hereafter referred to a “resignation/retirement”). Note that the term “legitimate reason” refers to the following: (a) severe difficulty or impossibility in executing duties due to death or illness of the holder of the share acquisition rights, (b) a significant decline in holder of the share acquisition rights compensation or position within the Company, (c) resignation/retirement owing to the completion of the years of service stipulated in the Company’s internal regulations (this includes resignation/retirement in tandem with retirement by the director owing to the completion of tenure, taking into consideration the director’s reaching of retirement age as stipulated in the Company’s internal regulations), and (d) other reasons that the Board of Directors rationally deems similar to the aforementioned reasons.
- (2) Regardless of (1) above, these share acquisition rights cannot be exercised in the event of the following reasons. However, this does not apply if the Company’s Board of Directors separately resolves that there are reasonable grounds to approve the exercise of these share acquisition rights.
- (i) Should the holder of the share acquisition rights resign/retire for a legitimate reason, the share acquisition rights can be exercised (a) the next business day after the day of resignation/retirement; (b) should the obligation to hold shares acquisition rights and/or common shares, which is the goal of the share acquisition rights is imposed upon the holder of the share acquisition rights (this includes the obligation not to exercise the share acquisition rights; this shall apply hereafter) in accordance with regulations of the financial instruments exchange or a securities exchange outside of Japan, the day this obligation is lifted; (c) (i) in the event the obligation to hold shares acquisition rights and/or common shares, which is the goal of the share acquisition rights is imposed upon the holder of the share acquisition rights, reasonably decide through discussions with the lead manager when the Company lists its shares on a financial instruments exchange or a securities exchange outside of Japan or (ii) should the exercise of these share acquisition rights violate the obligations/responsibilities of the Company, as reasonably decided through discussions with the lead manager, in which case a holding period of 60 days from the latest date in (i) or (ii) shall be observed. That said, the date for (b) shall be deemed the same as the date in (a) should the obligation in (b) not existence; and the date for (c) shall be deemed the same as in (a) should the obligation in (c) not existence. However, this excludes cases stipulated in (ii).
- (ii) Should the Company not file for listing related to this listing and should the holder of the share acquisition rights resign/retire for a legitimate reason by the last day of the fiscal year following the fiscal year in which the allotment date occurs, a holding period of 60 days from the (a) business day that immediately follows the resignation/retirement date, or (b) the final day of the fiscal year following the fiscal year in which the allotment date occurs, whichever is later, must be observed
- (iii) The holder of the share acquisition rights resigns/retires for some reason other than reasons deemed legitimate

- (iv) A petition is filed by or against the holder of the share acquisition rights for bankruptcy, civil rehabilitation, special liquidation and corporate reorganization procedures
  - (v) The holder of the share acquisition rights violates provisions in a share acquisition rights allotment agreement that has been entered into between the share acquisition rights holders, the Company and the controlling shareholders.
  - (vi) The holder of the share acquisition rights violates the internal regulations (including but not limited to job regulations) of the Company that apply to the holder of the share acquisition rights and/or commits improper conduct, as recognized by the Board of Directors of the Company
- (3) Share acquisition rights cannot be exercised in part.

		No. 3 Class B shares to be issued upon the exercise of share acquisition rights	No. 3 Class D shares to be issued upon the exercise of share acquisition rights
Issuance resolution date		August 31, 2016	August 31, 2016
Number of shares to be issued upon the exercise of share acquisition rights		47,773 units	27,775 units
Class and number of shares for the purpose of share acquisition rights		Common stock 47,773 shares (One common share per one share acquisition right)	Common stock 27,775 shares (One common share per one share acquisition right)
Price for share acquisition right		10 yen	1 yen
The price of assets to be contributed upon the exercise of share acquisition rights		900 yen per one share acquisition right (900 yen per share)	900 yen per one share acquisition right (900 yen per share)
Period for exercising rights		From September 2, 2016 to August 30, 2026	From September 2, 2016 to August 30, 2026
Conditions for exercising rights		(Note)	(Note)
Director shareholdings	Directors (excluding external directors)	Number of shares to be issued upon the exercise of share acquisition rights 47,773 units	Number of shares to be issued upon the exercise of share acquisition rights 27,775 units
		Number of shares for the purpose of share acquisition rights 47,773 shares	Number of shares for the purpose of share acquisition rights 27,775 shares
		Number of shareholders One person	Number of shareholders One person
	External directors	—	—
	Corporate auditors	—	—

(Note) The details of the content in 1. are the same as for the No. 1 Class A shares to be issued upon the exercise of share acquisition rights

		<b>No. 7 Class A shares to be issued upon the exercise of share acquisition rights</b>	<b>No. 1 Class J shares to be issued upon the exercise of share acquisition rights</b>
Issuance resolution date		October 7, 2016	July 27, 2022
Number of shares to be issued upon the exercise of share acquisition rights		10,000 units	378 units
Class and number of shares for the purpose of share acquisition rights		Common stock 10,000 shares (One common share per one share acquisition right)	Common stock 37,800 shares (100 common shares per one share acquisition right)
Price for share acquisition right		Payment shall not be required in exchange for share acquisition rights	Payment shall not be required in exchange for share acquisition rights
The price of assets to be contributed upon the exercise of share acquisition rights		900 yen per one share acquisition right (900 yen per share)	154,300 yen per one share acquisition right (1,543 yen per share)
Period for exercising rights		From October 7, 2018 to October 6, 2026	From August 13, 2022 to August 12, 2032
Conditions for exercising rights		(Note 1)	(Note 2)
Director shareholdings	Directors (excluding external directors)	—	—
	External directors	—	Number of shares to be issued upon the exercise of share acquisition rights 378 units Number of shares for the purpose of share acquisition rights 37,800 shares Number of shareholders three persons
	Corporate auditors	Number of shares to be issued upon the exercise of share acquisition rights 10,000 units Number of shares for the purpose of share acquisition rights 10,000 shares Number of shareholders One person	—

(Notes) 1. The details of the content in 1. are the same as for the No. 1 Class A shares to be issued upon the exercise of share acquisition rights

2. Conditions for exercising the share acquisition rights

(1) If the total number of shares issued by the Company exceeds the total number of shares authorized to be issued by the Company at the time of the exercise of share acquisition rights, such share acquisition rights may not be exercised.

(2) Share acquisition rights cannot be exercised in part.

## (2) Share acquisition rights granted to employees as consideration for the execution of duties during the fiscal year under review

No relevant matters.

## (3) Company's directors

### (1) Members of the Board and corporate auditors (as of March 31, 2023)

Position in the Company	Name	Responsibilities and important concurrent positions
Representative director	Shoji Miyazaki	—
Representative director	Koichiro Sato	Director, ALM Inc.
Director	Hirofumi Hirano	CEO of KKR Japan and Co-Head of Private Equity for KKR Asia Pacific Director, Marelli Holdings Co., Ltd. Outside Director, Koki Holdings Co., Ltd. Outside Director, KOKUSAI ELECTRIC CORPORATION Director, KJR Management Co., Ltd. Outside Director, Logisteed Ltd.
Director	Eiji Yatagawa	Partner, KKR Japan KK Transphorm Inc. Board Director Outside Director, Transphorm Japan Co., Ltd. Outside Director, Koki Holdings Co., Ltd. Outside Director, dataX Inc. GANOVATION, PTE. LTD. Director Director, Seiyu GK Holdings, Inc. Director, NETSTARS Co., Ltd. Outside Director, Yayoi Co., Ltd. Director, Altoa, Inc. Outside Director, Logisteed Ltd.
Director	Sen Sakaguchi	General Manager, Wellness Business Division, Mitsui & Co., Ltd. Director, MBK Wellness Holdings Inc. Director, HOKENDOHJIN FRONTIER Inc. Director, Raxi Co., Ltd. THINKIE Inc. Director
Director	Kyoko Deguchi	Professor, Kenichi Ohmae Graduate School, BBT University External Director, T-Gaia Corporation External Director, NHK Technologies, Inc. External Director, Heartseed Inc. Vice Director, Doya Rehabilitation and Orthopedic Clinic

Position in the Company	Name	Responsibilities and important concurrent positions
Director	Ivan Tornos	Chief Operating Officer, Zimmer Biomet Group
Director	David Sneider	Lawyer
Corporate auditors	Koichi Ikeuchi	Corporate Auditor, PHC Corporation Corporate Auditor, PT PHC Indonesia
Corporate auditors	Shannon Hansen	Tandem Diabetes Care General Counsel, Chief Compliance Officer & Corporate Secretary
Corporate auditors	Tetsuo Kitagawa	Representative of Tetsuo Kitagawa Certified Public Accountant Office Outside Corporate Auditor, T-Gaia Corporation

- (Notes) 1. Directors Hirofumi Hirano, Eiji Yatagawa, Sen Sakaguchi, Kyoko Deguchi, Ivan Tornos and David Sneider are outside directors.
2. Corporate Auditors Shannon Hansen and Tetsuo Kitagawa are outside corporate auditors.
3. Corporate Auditor Tetsuo Kitagawa is a certified public accountant and possesses a considerable degree of knowledge on finance and accounting.
4. In accordance with provisions set by the Tokyo Stock Exchange, the Company has designated Directors, Kyoko Deguchi, Ivan Tornos and David Sneider, and Corporate Auditors Shannon Hansen and Tetsuo Kitagawa as independent officers and has accordingly submitted a notification to the TSE.

[Reference] Company criteria for evaluating the independence of external directors

The Company assesses the independence of its external directors, as stipulated in the Companies Act in cases where (1) - (6) below do not apply in compliance with the standards for assessing independence of the securities exchange the Company will be listed on.

- (1) A party that has the Company as a major business partner or its business executor
- (2) A major business partner of the Company or its business executor
- (3) Consultant, accounting and/or legal expert that receives large monetary sums or other assets from the Company aside from director compensation (in cases where the party receiving said assets is a corporation, union or some other type of organization, an individual belonging to said organization)
- (4) An individual who has fallen under the categories stipulated in (1), (2) and/or (3) until recently.
- (5) An individual that corresponded to one or all of the cases in (a) to (c) below, at any time within a 10-year period prior to assuming their position as external director
  - (a) An individual that executes business matters or a Member of the Board that is not an individual that executes business matters of the Company's parent company
  - (b) An auditor of the Company's parent company (limited to cases where the outside corporate auditor is designated an independent director)
  - (c) An individual that executes business at an affiliate of the Company
- (6) Close relatives of an individual mentioned in the (A) to (H) below (excluding irrelevant individuals).
  - (A) An individual mentioned in (1) to (5) above
  - (B) Accounting advisor of the Company (In the event the accounting advisor is a corporation, this includes employees that carry out duties for the advisor; the same shall apply hereafter)(Limited to cases where the outside corporate auditor is designated as an independent director.)
  - (C) An individual that execute business matters at a subsidiary of the Company
  - (D) Member of the Board that does not execute business matters or an accounting advisor at a subsidiary of the Company (Limited to cases where the outside corporate auditor is designated as an independent director.)
  - (E) An individual that executes business or a Member of the Board that is not an individual that executes business at the Company's parent company
  - (F) An auditor of the Company's parent company (limited to cases where the outside corporate auditor is designated an independent director)
  - (G) An individual that executes business at an affiliate of the Company
  - (H) Individuals that execute business at the Company or that recently corresponded to (B) to (D) above ( in cases where the outside corporate auditor is designated an independent director, including Members of the Board that do not execute business. )

- (Notes) 1. “A party that has the Company as a major business partner” refers to an individual that has received payment from the Company in recent fiscal years that is equivalent to 2% or more the Company’s annual consolidated sales.
2. “A major business partner of the Company” refers an individual that made payment to the Company in recent fiscal years that is equivalent to 2% or more the Company’s annual consolidated sales.
3. The “receiving of large monetary sums or other assets from the Company aside from director compensation” refers to the receipt of monetary sums or assets from the Company aside from director compensation in recent fiscal years that is worth 10 million yen or more.

## **(2) Transfer of Director and/or Corporate Auditors during the fiscal year under review**

### **i. Appointment**

At the 9th General Meeting of Shareholders held on June 29, 2022, Eiji Yatagawa, Sen Sakaguchi, and David Sneider were newly appointed and took office as members of the Board of Directors.

At the 9th General Meeting of Shareholders held on June 29, 2022, Tetsuo Kitagawa was newly appointed and took office as corporate auditor.

### **ii. Retirement**

As of April 4, 2022, Director William Donnelly resigned for personal reasons.

As of April 22, 2022, Director Alan Malus resigned for personal reasons.

As of April 28, 2022, Director John Marotta resigned for personal reasons.

At the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 29, 2022, Director Tatsunobu Fukushima retired due to expiration of his term of office.

At the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 29, 2022, Corporate Auditor Noriaki Yamada resigned from office.

### **iii. Change in position and assignment of Director and/or Corporate Auditors during the fiscal year under review**

As of April 28, 2022, Shoji Miyazaki was appointed President and Representative Director.

As of July 1, 2022, Koichiro Sato was appointed Senior Executive Vice President.

## **(3) Transfer of Members of the Board after the fiscal year under review**

### **i. Appointment**

No relevant matters.

### **ii. Retirement**

No relevant matters.

### **iii. Change in position and assignment of Members of the Board and/or Corporate Auditors after the fiscal year under review**

No relevant matters.



#### (4) Summary of details of limited liability contracts

Pursuant to Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with each of all outside directors and outside corporate auditors to limit their liability for damages under Article 423, paragraph (1) of the same Act. That being said, we are implementing policy expiration procedures for limited liability contracts with company officers that were transferred from the position of outside director after the previous General Meeting of Shareholders.

The limitation of liability in accordance with said policy is the amount stipulated by law only when an outside director or outside corporate auditor has performed duties that were the cause of said liabilities in good faith and without gross negligence, to ensure that the performance of duties by the insured party has not been compromised.

#### (5) Summary of details concerning the indemnity contract

No relevant matters.

#### (6) Summary of details concerning liability insurance policy for directors, etc.

The Company enters into liability insurance policy for directors, etc. with an insurance company as stipulated in Article 430-3-1 of the Companies Act. The scope of the insured party's insurance policy coverage extends to all employees in the position of director, executive officer, corporate auditor, operating officer, accounting advisor, and manager/supervisor at the Company, all companies in which the Company has a direct or indirect investment of more than 50%, and subsidiaries as stipulated under the Companies Act. The insured party is not responsible for insurance premiums.

In the event of a claim for damages be filed against the insured party due to their conduct as a company director, the policy will provide coverage for damages of up to 3 billion yen. However, to ensure that the appropriateness of the insured party's execution of duties is not impaired, damage caused intentionally or due to gross negligence is not covered by the policy.

#### (7) Members of the Board and corporate auditor compensation

##### i. Policy for determining the content of individual compensation, etc.

The Board of Directors resolves to determine the policy on the compensation for individual directors. Before this resolution, advice and recommendation are sought from the advisory Nomination/Remuneration Committee where half or more members are independent outside directors.

Details for determining the content of individual director compensation, etc.

1. Basic stance on determining the content of compensation for directors (excluding external directors)
  - Suitable as consideration for management delegation. Linked to the growth and improvement of earnings at the Group
  - The system takes into consideration the correlation between company and individual performance
  - Ensures accountability towards stakeholders and transparency

2. Summary of director compensation, etc.

a. Policy on compensation standards

The level of director compensation should be competitive so as to facilitate the hiring and retaining of talented personnel. After taking into consideration various factors, including objective external data, evaluation data, industry trends and management conditions, compensation is set at an adequate level according to each director's roles and responsibilities. Specifically, we evaluate compensation levels at global healthcare companies and compensation standards in the major countries and regions where we recruit directors as benchmarks and implement a relative comparison using these benchmarks to determine proper compensations for directors.

b. Compensation for directors (excluding outside directors)

Director compensation consists of a monthly compensation, short-term, performance-linked compensation, retirements benefits. Compensation is paid after a report from the Nomination and Compensation Committee is received and the Board of Directors passes a resolution.

(a) Monthly compensation

This is regular monthly compensation. It is determined based on roles and responsibilities and the results of a survey conducted by a third party.

(b) Short term performance linked compensation

- Short term performance linked compensation shall be paid as a short term incentive to achieve earnings targets.
- The evaluation indexes used for short-term performance-linked compensation are “core sales” to evaluate business growth, “Operating profit” and “Net profit” to evaluate profitability, with the respective weights and evaluation factors as follows:

	Valuation indicator	Weight	Evaluation coefficient
1	Core sales	26.0%	0%-200%
2	Operating profit	30.0%	0%-200%
3	Net income	19.0%	0%-200%
4	Earnings goal by individual employees	25.0%	38%-200%

The degree of achievement of earnings targets on an individual basis shall be determined by having the Nomination and Compensation Committee examine individual evaluations in accordance with a director's individual achievement rate of earnings targets. That being said, individual earnings targets shall be determined by having directors set specific earnings goals, with the weight of score allocations set according to priority, and by having the discretionary Nomination and Compensation Committee examine the validity of proposed targets and decide on the targets.

(c) Retirement benefits

The retirement benefits' payment and amount are determined in accordance with the Rules for Directors and Corporate Auditors.

3. External director compensation

Outside director compensation consists of only monthly compensation. Compensation for independent outside directors consists of monthly compensation and stock compensation. Monthly and stock compensations are paid based on recommendations from the advisory Nomination/Remuneration Committee upon the Board of Directors' resolution.

(a) Monthly compensation

This is regular monthly compensation. It is determined based on roles and responsibilities and the results of a survey conducted by a third party.

(b) Stock compensation

Aiming to provide incentives that motivate directors to drive sustainable corporate value improvement and to promote further sharing of value between directors and shareholders, stock options are allocated to directors as stock compensation within the limits of compensation resolved at the General Meeting of Shareholders.

4. Compensation for corporate auditors (excluding outside corporate auditors)

Compensation for corporate auditors is determined based on calculation criteria decided by the Audit & Supervisory Board and consists of monthly compensation and retirement benefits.

(a) Monthly compensation

Compensation paid monthly based on the decision of the Audit & Supervisory Board

(b) Retirement benefits

The retirement benefits' payment and amount are determined in accordance with the Rules for Directors and Corporate Auditors.

5. Compensation for outside corporate auditors

Compensation for outside corporate auditors is determined based on calculation criteria decided by the Audit & Supervisory Board and consists of monthly compensation.

6. Total amount of director and corporate auditor compensation and total headcount in the fiscal year under review  
In FY2022 (April 1, 2022 - March 31, 2023), the following is the total amount paid in compensation for directors and corporate auditors.

Director category	Total compensation (million yen)	Total amount by type of compensation (million yen)						Number of applicable directors
		Fixed compensation	Stock options (Note 1)	Performance linked compensation (Note 2)	Retirement benefits	Other	Non-monetary compensation, etc. out of the compensation shown on the left (Note 3)	
Director (excluding external directors)	1,898	116	15	268	902	595	15	3
Corporate auditors (Excludes outside corporate auditors)	23	21	—	—	1	—	—	1
External directors	59	51	7	—	—	—	7	4 (Note 4)
Outside Corporate Auditor	28	28	—	—	—	—	—	3 (Note 5)

(Notes) 1. The stated amount of stock options is the calculated price as of the end of March 2023 for stock options granted in fiscal year prior to the fiscal year under review.

2. The following are the Company's operating results related to valuation indicators for short-term performance-linked compensation. Each indicator was approved by the Board of Directors after consultation by the Nomination and Compensation Committee, taking into consideration the balance and comprehensiveness of the growth potential, profitability and efficiency of a business of the Company.

	Valuation indicator	Weight	Targets for the current fiscal year	Results	Achievement rate
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%	10.0%	-3%	-30%
4	Earnings goal by individual employees	25.0%	Set for each employee	Set for each employee	Set for each employee

3. Non-monetary compensation, etc. states the amount of long-term incentives that should be posted as expense in the fiscal year under review. The compensation limit for stock options for independent outside directors is set at 70 million yen per year (the number of independent outside directors was three (3) at the time of resolution) by the resolution at the Annual General Meeting of Shareholders held on June 29, 2022.
4. The number of outside directors includes one (1) independent outside director who resigned during the term and excludes six (6) outside directors receiving no compensation.
5. The number of outside corporate auditors includes one (1) outside corporate auditor who resigned during the term.
6. The limit for director compensation was set at 1,500 million yen per year at an extraordinary shareholders meeting held on November 30, 2020 (there were 7 directors at the time this was approved).
7. The limit for corporate auditor compensation was set at 60 million yen per year at an extraordinary shareholders meeting held on August 13, 2021 (there were 3 corporate auditors at the time this was approved).

**ii. In accordance with a resolution passed at the General Meeting of Shareholders, held on June 29, 2022, the retirement allowance paid to directors that retired on April 28, 2022 is as follows.**

Director 1 739 million yen

**iii. Total amount of director compensation, etc. received by external directors from the parent company and/or a subsidiary of the parent company**

No relevant matters.

**iv. Consolidated compensation for each director**

Total consolidated compensation for individuals receiving a total consolidated compensation of 100 million yen or more (actual for the fiscal year ended March 31, 2023)

Name	Director Category	Company category	Total amount by type of compensation (million yen)					Total including consolidated compensation (million yen)
			Fixed compensation	Stock options (Note 1)	Performance linked compensation	Retirement benefits	Other	
John Marotta	Director	PHC Holdings Corporation	9	—	213	835 (Note 2)	595 (Note 3)	1,654
Shoji Miyazaki	Director	PHC Holdings Corporation	69	15	34	58	—	177

(Notes) 1. The listed amount for stock options is the calculated price as of the end of March 2023.

2. The amount includes the retirement allowance of 739 million yen for Mr. John Marotta, who retired as director as of April 28, 2022, by resolution of the Annual General Meeting of Shareholders held on June 29, 2022.

3. In accordance with a resolution passed by the Nomination and Compensation Committee, the stated amount paid to Mr. John Marotta in the fiscal year under review by PHC Holdings includes an amount equivalent to the amount of non-resident income taxes paid.

**v. Reasons why the Board of Directors has determined that the content of individual remuneration, etc. for directors for the fiscal year under review is in line with the decision-making policy**

Regarding the individual compensation, etc. of directors for the fiscal year under review, the Board of Directors has confirmed that the method of determining the content of remuneration, etc. and the content of the determined remuneration, etc. are consistent with the decision-making policy decided by the Board of Directors and the report from the Nomination/Remuneration Committee is respected. The Board of Directors therefore deems that it is in line with the decision-making policy.

**(8) Matters related to external directors**

**i. Important concurrent positions at other companies and connections between the Company and other concerned companies**

- Director Hirofumi Hirano is the Chief Executive Officer of KKR Japan Ltd. and the Co-Head of Private Equity for KKR Asia Pacific. He serves as a director of multiple companies, including Marelli Holdings Co., Ltd.  
Mr. Hirano is an officer of KKR Japan Ltd., a Japanese subsidiary of Kohlberg Kravis Roberts & Co. L.P. that operates KKR PHC Investment L.P., a private equity fund. KKR PHC Investment L.P. is the largest shareholder of the Company.
- Director Eiji Yatagawa is a partner of KKR Japan, a Japanese subsidiary of Kohlberg Kravis Roberts & Co. L.P. that operates KKR PHC Investment L.P., a private equity fund. KKR PHC Investment L.P. is the largest shareholder of the Company.  
Mr. Yatagawa serves as a director of multiple companies, including Transphorm, Inc., a NASDAQ-listed company.
- Director Sen Sakaguchi currently works at Mitsui & Co., Ltd., and serves as a director of multiple affiliated companies of Mitsui & Co., Ltd., including Hoken Dojinsha Co. Ltd.  
Mitsui & Co., Ltd. is a shareholder of the Company.
- Director Kyoko Deguchi is an outside director at multiple companies, including T-Gaia Corporation, and is a professor at Kenichi Ohmae Graduate School, BBT University. There is no special relationship between the Company and the company where the Member of the Board holds a concurrent position.
- Director Ivan Tornos is Chief Operating Officer of the Zimmer Biomet Group.  
There is no special relationship between the Company and the company where the Member of the Board holds a concurrent position.
- Director David Sneider is a lawyer and there is no company where he holds a concurrent position.
- Corporate auditor Shannon Hansen is Senior Vice President, General Counsel & Chief Compliance Officer of the Tendem Diabetes Care, Inc. She is qualified as a lawyer in the US. She possesses abundant experience in the domains of intellectual property litigation, licensing, regulations, privacy, business development/acquisition, corporate governance and patent/trademark portfolio management.  
There is no special relationship between the Company and the company where the Member of the Board holds a concurrent position.

- Corporate Auditor Tetsuo Kitagawa is a certified public accountant of Tetsuo Kitagawa Certified Accountant Office and an outside corporate auditor of T-Gaia Corporation.  
There is no special relationship between the Company and the company where the Member of the Board holds a concurrent position.

## ii. Main activities during the fiscal year under review

Position	Name	Board of Directors attendance record	Audit and Supervisory Board attendance record	Summary of comments and duties related to roles and responsibilities expected of outside directors
Director	Hirofumi Hirano	19/20 times (95%)	—	Mr. Hirano offers comments related to a wide range of the Company's business operations from a broad perspective and high degree of insight, including financial accounting and M&A. He attended 19 out of 20 Board of Directors meetings held in the fiscal year under review. He provides advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors. He also serves as a member of the advisory Nomination/Remuneration Committee of the Company. He attended all of 6 meetings of Nomination/Remuneration Committee and has actively provided advice and recommendations regarding the nomination/remuneration of officers.
Director	Eiji Yatagawa	13/13 times (100%)	—	Based on his broad perspective and deep insight into financial accounting, M&A, research, and development, Mr. Yatagawa has provided advice on the Company's wide range of business operations. He attended 13 out of 13 Board of Directors meetings held in the fiscal year under review after his appointment on June 29, 2022. He provides advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors.
Director	Sen Sakaguchi	13/13 times (100%)	—	Based on his broad perspective and deep insight into the medical/ life science industry, M&A, production/SCM, and other business areas, Mr. Sakaguchi has provided advice on the Company's wide range of business operations. He attended 13 out of 13 Board of Directors meetings held in the fiscal year under review after his appointment on June 29, 2022. He provides advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors.

Position	Name	Board of Directors attendance record	Audit and Supervisory Board attendance record	Summary of comments and duties related to roles and responsibilities expected of outside directors
Director	Kyoko Deguchi	20/20 times 100%	—	She offers comments related to a wide range of the Company's business operations from a broad perspective and high degree of insight, including pertaining to the medical and pharmaceutical industries and financial accounting. She attended 20 out of 20 Board of Directors meetings held in the fiscal year under review. She has overseen the duties executed by the Board of Directors from an independent stance, contributing to the improvement of the rationality and objectivity of the Company's execution of duties and decision-making by the Board of Directors. As the chairperson of the advisory Nomination/Remuneration Committee of the Company, Ms. Deguchi has led the discussions. She attended all of 6 meetings of the Nomination/Remuneration Committee, and has actively provided advice and recommendations regarding the nomination/remuneration of officers. From the preparation stage of the committee meetings, Ms. Deguchi has proactively exchanged opinions with the secretariat and executives, and provided advice and recommendations.
Director	Ivan Tornos	19/20 times (95%)	—	Mr. Tornos has offered advice related to the Company's wide range of business operations from a broad perspective and high degree of insight, including knowledge pertaining to the medical and pharmaceutical industries, production, and SCM. He attended 19 out of 20 Board of Directors meetings held in the fiscal year under review. He has overseen the duties executed by the Board of Directors from an independent stance, contributing to the improvement of the rationality and objectivity of the Company's execution of duties and decision-making by the Board of Directors. He also serves as a member of the advisory Nomination/Remuneration Committee of the Company. He attended all of 6 meetings of Nomination/Remuneration Committee and has actively provided advice and recommendations regarding the nomination/remuneration of officers.
Director	David Sneider	13/13 times (100%)	—	Based on his broad perspective and high level of insight into financial accounting, M&A, legal affairs, risk management, and other business areas, Mr. Sneider has provided advice on the Company's wide range of business operations. He attended 13 out of 13 Board of Directors meetings held in the fiscal year under review after his appointment on June 29, 2022. He has overseen the duties executed by the Board of Directors from an independent stance, contributing to the improvement of the rationality and objectivity of the Company's execution of duties and decision-making by the Board of Directors.
Corporate auditors	Shannon Hansen	18/20 times (90%)	13/13 times (100%)	Based on her in-depth knowledge and abundant experience as an individual qualified to practice law in the US, Ms. Hansen has provided insightful advice at the meetings of the Board of Directors and the Audit and Supervisory Board.
Corporate auditors	Tetsuo Kitagawa	13/13 times (100%)	10/10 times (100%)	Based on his professional perspective as a certified public accountant and extensive experience as an outside director and outside auditor at multiple companies, including listed companies, Mr. Kitagawa has provided insightful advice at Board of Directors and Audit and Supervisory Board meetings since his appointment on June 29, 2022.



(4) Accounting Auditor

(1) Name      KPMG AZSA LLC

(2) Compensation, etc.

	Compensation, etc. (million yen)
Accounting auditor compensation, etc. for the fiscal year under review	160
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the accounting auditor	254

- (Notes) 1. The audit agreement between the Company and the accounting audit firm does not clearly specify amounts of compensation for audits required by the Companies Act and for those stipulated by the Financial Instruments and Exchange Act. It is actually not possible to categorize. The amount of compensation to corporate auditors in the fiscal year under review is the total of all forms of compensation.
2. The Audit and Supervisory Board carried out necessary verifications regarding the appropriateness of details in audit plans, the execution of accounting audit duties, and the basis for calculating compensation. The Company made the decision to consent to the amount of compensation, etc. for the accounting auditors.
3. Of the Company's significant subsidiaries, its overseas subsidiaries underwent audits by a certified accountant and audit firm, other than the Company's accounting audit firm (this includes overseas individuals with equivalent qualifications).

(3) Policy on the dismissal or non-reappointment of the accounting auditor

The Audit and Supervisory Board shall, when it has been decided that dismissal or non-reappointment is necessary due to obstacles to the execution of duties by corporate auditors, a decision will be made on the details of a resolution which will be submitted at the shareholders meeting to dismiss or not reappoint an accounting auditor.

Moreover, the Audit and Supervisory Board shall dismiss an accounting auditor based on the consent from all corporate auditors in the event it is acknowledged that any event set forth in Article 340-1 of the Companies Act occurred to the accounting auditor. In this case, the dismissal and reason for dismissal of the accounting auditor shall be reported at the first shareholders meeting convened after dismissal.

## **(5) System to ensure the appropriateness of operations**

1. As a system to ensure that the execution of duties by directors conforms with laws and the Articles of Incorporation and a system to ensure the appropriateness of other company operations, a “basic policy on the establishment of an internal control system” was established as follows.

### **(1) System to ensure that the execution of duties by directors conforms with laws and the Articles of Incorporation**

The Company aims to promote compliance awareness and to establish an effective governance system and a monitoring system to ensure the legality of duties executed by directors.

### **(2) System to store and manage information related to Directors’ execution of duties**

Information related to the execution of duties by directors shall be appropriately stored and managed in accordance with laws and internal regulations.

### **(3) Regulations and other systems concerning the management of loss risk**

The Company shall enact regulations related to risk management, identify material risks by centrally and comprehensively collecting and evaluating information related to risks, and implement measures by prioritizing the importance of each risk. In addition the Company shall monitor progress and make ongoing improvements.

### **(4) System to ensure the effective execution of duties by directors**

In addition to speeding up the decision-making process, the Company shall ensure the effectiveness of the execution of duties by directors by clarifying management goals with business plans and verifying achievement.

### **(5) System to ensure that the execution of duties by employees comply with laws and the Articles of Incorporation**

The Company aims to improve compliance awareness among employees by specifying compliance policy. Also, the legality of the execution of duties by employees shall be ensured by establishing an effective monitoring system.

### **(6) System to ensure the appropriateness of operations in the corporate group, comprised of the Company and its subsidiaries**

To ensure the appropriateness of operations as a Group comprised of the Company and its subsidiaries, the following systems shall be established for the full-fledged implementation of basic policies on establishing corporate policies, management philosophy and internal control systems.

- (1) System to report to the Company on the execution of duties by directors, etc. at subsidiaries
- (2) Regulations and other systems concerning the management of loss risk at subsidiaries
- (3) System to ensure the effective execution of duties by directors at subsidiaries
- (4) System to ensure compliance with laws and the Articles of Incorporation regarding the execution of duties by directors and employees at subsidiaries

### **(7) Matters related to employees who assist with the duties of corporate auditors and concerning independence of said employees from directors**

Corporate auditor staff is appointed and an organization is set up independently from directors to ensure to the effectiveness of the audits performed by corporate auditors and to smoothly perform audit duties.

### **(8) Matters to ensure the effectiveness of corporate auditor instructions to employees that assist with the duties of corporate auditors**

Although corporate auditor staff shall conform to internal regulations, the instruction and order authority shall belong to the corporate auditors. HR matters shall be handled through preliminary discussions with the corporate auditors.

### **(9) System for reporting to the corporate auditors at the Company by directors and employees at the Company and directors, corporate auditors and employees at subsidiaries**

Opportunities and systems shall be ensured for directors and employees at the Company and directors, corporate auditors and employees at subsidiaries to appropriately report to corporate auditors at the Company.

### **(10) System to ensure that individuals that report to corporate auditors shall not receive disadvantageous treatment for filing a report**

The Company shall ensure that the individual who made a report in accordance with the previous item will not receive disadvantageous treatment for filing a report with corporate auditors

### **(11) Regarding the execution of duties by corporate auditors, methods for dealing with expenses and liabilities that are incurred**

To ensure the effectiveness of audits, an expense budget for duties executed by corporate auditors is posted annually and expenses not posted are paid in advance or reimbursed in accordance with laws and regulations.

### **(12) Other system to ensure that audits are conducted effectively by corporate auditors**

In accordance with the “audit plan” established by corporate auditors annually, a system shall be established to ensure the corporate auditors perform audits effectively.

2. The implementation of the “Basic policy concerning the establishment of an internal control system” is as follows.

### **(1) System to ensure that the execution of duties by directors conforms with laws and the Articles of Incorporation**

The PHC Group’s corporate philosophy is fully implemented and internal regulations, including Board of Directors regulations and Director regulations, have been formulated. In addition, audits are performed by corporate auditors.

### **(2) System to store and manage information related to Directors’ execution of duties**

The minutes to the Board of Directors meetings is prepared for each Board of Directors meeting held and is permanently stored by the secretariat of the Board of Directors. Moreover, other important approval documents are also stored in accordance with “document management regulations” and “accounting and finance regulations.”

### **(3) Regulations and other systems concerning the management of loss risk**

In accordance with the Basic Rules for Risk Management, the Company consolidates information on significant risks with the officer in charge of risk management at PHC Holdings Corporation (“PHCHD”), who then reports on the risk information at the Board of Directors meetings.

Also, to speedily and properly deal with a crisis, the “PHC Group Basic Regulations for Emergency Response” were established. In addition to creating a basic policy, which includes respect for human life and safety in a region, a “group emergency response headquarters” will be set up depending on how critical the situation is as a system to address the crisis at a group level.

The Chief Operating Officer serves as the officer in charge of risk management, responsible for supervising risk management activities at the PHC Group.

### **(4) System to ensure the effective execution of duties by directors**

To collect and convey important information on the implementation and management of the “PHC Group regulations on the approval of significant matters” both accurately and swiftly, the Company aims to accelerate its decision-making process mainly by establishing an IT system. In addition, in monthly book closings, confirmation and verification is carried out of progress with the business plan and measure are proposed and implemented.

### **(5) System to ensure that the execution of duties by employees comply with laws and the Articles of Incorporation**

Directors and executive officers (excluding the representative director and president and representative director and vice president) are separated and directors are carrying out the oversight of duties executed by executive officers.

The Company is working to achieve the early detection of unfair practices through the implementation of activities such as the enforcement of internal regulations and in-house newsletters (legal newsletter), and by making compliance common knowledge through e-learning, and also by implementing a compliance help line (internal whistle-blowing desk).

### **(6) System to ensure the appropriateness of operations in the corporate group, comprised of the Company and its subsidiaries**

The PHC Group has established the Code of Conduct and standard rules for the entire Group. In addition, each group company has established its local rules. These rules are thoroughly communicated to all officers and employees. In the collection and evaluation of risk information to identify crucial risk, subsidiaries are also adopting the implementation of “operation audits” and “internal control audits,” and the operation of a “compliance help desk” (for whistle-blowing).

### **(7) Matters related to employees who assist with the duties of corporate auditors and concerning independence of said employees from directors**

An auditor’s office was set up for dedicated corporate auditor staff and to separate from the organization’s business execution departments.

#### **(8) Matters to ensure the effectiveness of corporate auditor instructions to employees that assist with the duties of corporate auditors**

Although corporate auditor staff shall conform to internal regulations, the instructions and order authority shall belong to the corporate auditors. HR matters shall be handled through preliminary discussions with the corporate auditors. Moreover, each department cooperates when auditors visit sites in Japan and abroad. In addition the Internal Control Department also properly issues reports. This collaboration aims to enhance the effectiveness of audits performed by corporate auditors.

#### **(9) System for reporting to the corporate auditors at the Company by directors and employees at the Company and directors, corporate auditors and employees at subsidiaries**

Directors and employees are properly reporting on operations and issues to the corporate auditors. This includes requests for corporate auditors to attend important meetings. Also, a system is being built so that employees can report to corporate auditors on unfair practices and matters of concern in accounting and audits operations.

#### **(10) System to ensure that individuals that report to corporate auditors shall not receive disadvantageous treatment for filing a report**

Corporate auditors shall give consideration to an individual that filed a report with the corporate auditors to ensure the individual does not receive disadvantageous treatment and should it be necessary, confirmation shall be carried out of the conditions of the reporter.

#### **(11) Regarding the execution of duties by corporate auditors, methods for dealing with expenses and liabilities that are incurred**

To ensure the effectiveness of the performance of auditors, the expenses incurred during the execution of duties by auditors are posted annually. The expenses that are not posted are paid in advance or reimbursed by the Company in accordance with laws and regulations.

#### **(12) Other system to ensure that audits are conducted effectively by corporate auditors**

The auditor's office is set up internally to support the auditors. Furthermore, each department cooperates when auditors visit sites in Japan and abroad. In addition the Internal Control Department also properly issues reports. This collaboration aims to enhance the effectiveness of audits performed by corporate auditors.

## ◆ Consolidated financial statements

### Consolidated Statement of Financial Position (as of March 31, 2023) (Unit: million yen)

Item	Amount
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	60,933
Operating receivables	69,280
Inventories	51,732
Other financial assets	2,321
Other current assets	13,314
Total current assets	197,583
<b>Noncurrent assets</b>	
Property, plant and equipment	47,593
Goodwill	199,707
Intangible assets	91,123
Investments accounted for using the equity method	3,697
Other financial assets	16,107
Deferred tax assets	4,425
Other noncurrent assets	1,328
Total noncurrent assets	363,984
<b>Total assets</b>	<b>561,567</b>

Item	Amount
<b>Liabilities</b>	
<b>Current liabilities</b>	
Operation debt	65,639
Loan payable	30,212
Income taxes payable	2,393
Allowances	4,715
Other financial liabilities	5,554
Other current liabilities	21,325
Total current liabilities	129,842
<b>Noncurrent liabilities</b>	
Operation debt	1,230
Loan payable	262,403
Retirement benefit liability	7,875
Allowances	3,180
Other financial liabilities	9,225
Deferred tax liabilities	7,312
Other noncurrent liabilities	1,670
Total noncurrent liabilities	292,898
<b>Total liabilities</b>	<b>422,740</b>
<b>Equity</b>	
Capital	47,946
Capital surplus	43,641
Retained earnings	17,081
Treasury shares	(568)
Other components of equity	29,906
Equity attributable to owners of the parent	138,008
Non-controlling interests	819
<b>Total Equity</b>	<b>138,827</b>
<b>Total Liabilities and Equity</b>	<b>561,567</b>

## Consolidated statements of profit or loss (April 1, 2022 - March 31, 2023) (Unit: million yen)

Item	Amount
Revenue	356,434
Cost of sales	187,302
Gross profit	169,132
Selling, general and administrative expenses	140,657
Other income	1,656
Other expenses	9,616
Share of profit (loss) of entities accounted for using equity method	(514)
Operating profit	20,000
Financial income	411
Financial costs	20,231
Profit before taxes	179
Income taxes	3,228
Profit (loss) for the period	(3,048)
Profit (loss) attributable to	
Owners of the parent	(3,222)
Non-controlling interests	173
Net loss per share	
Basic earnings (loss) per share (Unit: JPY)	(25.84)
Diluted earnings (loss) per share (Unit: JPY)	(25.84)

## ◆ Financial statements

### Balance sheets (as of March 31, 2023)

(Unit: million yen)

Item	Amount
<b>Assets</b>	
<b>Current assets</b>	<b>71,727</b>
Cash and deposits	22,049
Accounts receivable-other	2,867
Accrued income	2,747
Short-term loans receivable	39,026
Accrued corporate and other taxes	4,692
Other	344
<b>Non-current assets</b>	<b>385,592</b>
<b>Property, plant and equipment</b>	<b>67</b>
Buildings	18
Tools, furniture and fixtures	41
Construction in progress	7
<b>Intangible assets</b>	<b>516</b>
Trademark rights	50
Software	110
Software development in progress	354
<b>Investments and other assets</b>	<b>385,008</b>
Investment securities	8,180
Equity in subsidiaries and affiliates	278,655
Investments in affiliates	533
Long-term loans receivable	95,323
Deferred tax assets	2,255
Other	58
<b>Total assets</b>	<b>457,319</b>

Item	Amount
<b>Liabilities</b>	
<b>Current liabilities</b>	<b>92,013</b>
Short-term borrowings	61,494
Current portion of long-term borrowings	25,902
Accounts payable-other	1,579
Accrued expenses	66
Income taxes payable	76
Deposits	2,304
Provision for bonuses	234
Provision for losses on contracts	87
Provision for share-based remuneration	119
Other	147
<b>Non-current liabilities</b>	<b>268,611</b>
Long-term borrowings	268,103
Provision for director retirement benefits	132
Provision for retirement benefits	112
Provision for losses on contracts	262
<b>Total liabilities</b>	<b>360,625</b>
<b>Net assets</b>	
<b>Shareholders' equity</b>	<b>103,164</b>
<b>Capital</b>	<b>47,946</b>
<b>Deposit for subscription of shares</b>	<b>35</b>
<b>Capital surplus</b>	<b>38,132</b>
Capital reserve	17,989
Other capital surplus	20,142
<b>Retained earnings</b>	<b>17,618</b>
Other retained earnings	17,618
Retained earnings carried forward	17,618
<b>Treasury shares</b>	<b>(568)</b>
<b>Valuation and translation adjustments</b>	<b>(7,978)</b>
Valuation difference on available-for-sale securities	1,385
Deferred gains or losses on hedges	(9,364)
<b>Share acquisition rights</b>	<b>1,508</b>
<b>Total net assets</b>	<b>96,694</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>457,319</b>



## Statements of income (April 1, 2022 - March 31, 2023)

(Unit: million yen)

Item	Amount
<b>Operating revenue</b>	<b>32,881</b>
<b>Operating expenses</b>	<b>11,984</b>
<b>Operating profit</b>	<b>20,896</b>
<b>Non-operating income</b>	<b>4,866</b>
Interest income	4,806
Other	60
<b>Non-operating expenses</b>	<b>8,019</b>
Interest expenses	5,755
Foreign exchange losses	2,164
Other	99
<b>Ordinary profit</b>	<b>17,744</b>
<b>Income before income taxes</b>	<b>17,744</b>
Income taxes	(2,368)
Income taxes-deferred	791
<b>Net profit</b>	<b>19,321</b>