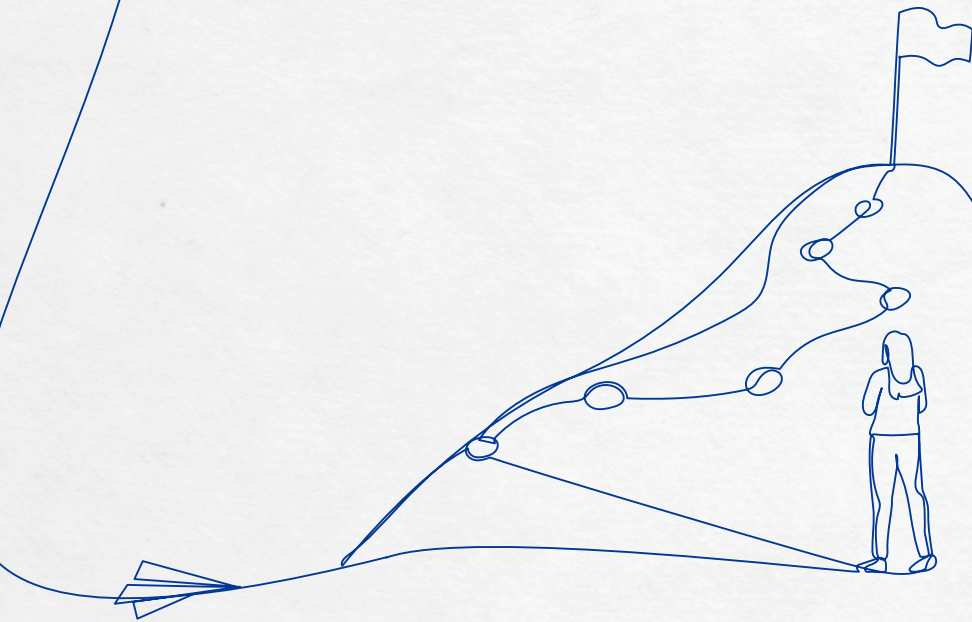


Chapter 3

Corporate Strategy



Message from COO/CSO

Driving Growth Strategies to Power the Future of Healthcare

Koichiro Sato

Senior Executive Vice President,
Representative Director,
COO, CSO,
Head of Diabetes Management Domain,
Head of Healthcare Solutions Domain,
PHC Holdings Corporation



1. Formulating Value Creation Plan 2027 in Pursuit of Our Vision for 2030

In November 2024, we formulated our Value Creation Plan 2027 to guide us toward achieving our vision for 2030. This plan clearly defines our strategies for navigating a rapidly changing global environment and pursuing sustainable growth. Under our previous Value Creation Plan, we focused on driving growth across three business domains: Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences. However, changes in the external environment presented several challenges, including a decline in cash generation in existing businesses, a deterioration in capital efficiency, and delays in monetizing our growth areas. Facing these challenges head-on, we determined that a review of our medium- to long-term strategies was essential to achieve sustainable growth in a competitive landscape. As a result, we established a new vision and values for what we aim to achieve by 2030. The first step toward realizing this vision was the development of new Value Creation Plan 2027, which places a strong focus on the Diagnostics & Life Sciences domain. This plan not only addresses external factors such as technological innovation and changes in the market environment, but also reflects our unwavering commitment to powering the future of healthcare by fully leveraging our technology and innovation.

2. Building a Stronger Foundation for Sustainable Growth through Three Key Initiatives

The new vision, formulated along with our Value Creation Plan 2027, represents what we aim to achieve by 2030, and will be realized through two phases. Phase 1 focuses on strengthening our foundation for growth, while Phase 2 leverages that foundation to achieve sustainable growth centered on our Diagnostics & Life Sciences domain.

In Value Creation Plan 2027, which corresponds to Phase 1, we aim to establish a solid foundation for growth by focusing on three key initiatives: structural reform to strengthen the profit base, improving portfolio management, and focusing on Diagnostics & Life Sciences.

Key Initiative 1. Structural Reform to Strengthen the Profit Base

The first key initiative of our Value Creation Plan 2027 is structural reform to strengthen the profit base. In addition to the business-specific reforms we have implemented to date, we will drive large-scale, group-wide reforms along two axes: improving profitability and enhancing capital efficiency. Our goal is to enhance our cash generation capabilities and build a more robust financial structure.

First, to improve profitability, we will focus on optimizing cost as well as locations and organizations. Regarding cost optimization, our operating profit margin has been somewhat lower than that of other medical device manufacturers. To improve this, we will conduct a thorough review of costs, examining both operational expenses and general and administrative expenses. For optimization of locations and organizations, we will consolidate functions, such as procurement, that were previously handled independently by group companies and business divisions. By integrating these functions across the entire group, we aim to eliminate inefficiencies and improve productivity through economies of scale. By consolidating these sites and centralizing functions, we will allocate group-wide resources more efficiently and enhance stronger collaboration between divisions. Furthermore, in global manufacturing, we will evaluate which sites in Asia, Europe, and the U.S. can most effectively manufacture and supply our products. Based on this evaluation, we will establish a flexible manufacturing system capable of responding swiftly to recent tariff issues in the U.S.

Next, to improve capital efficiency, we aim to enhance cash flow by prioritizing investments—primarily capital investments—based on their efficiency and by concentrating management resources on businesses and initiatives with significant impact. Simultaneously, we will move forward with the sale of unused assets that are not directly related to our business.

As a result of these reforms, we anticipate benefits by fiscal year 2027 of JPY 8 to 12 billion in improved profitability, and JPY 2 to 3 billion in improved capital efficiency, compared to fiscal year 2024.

Key Initiative 2. Improve Portfolio Management

The second key initiative is to improve our portfolio management. Let me begin by outlining the current status of our three business segments. In the Diabetes Management domain, as the market shifts toward continuous glucose monitoring (CGM) systems and the market for blood glucose monitoring (BGM) systems continues



to contract, we aim to maintain profitability in our BGM business by implementing further cost reductions and strengthening focus areas to mitigate the sales decline. As for our CGM business, we will boost sales of Eversense®365, the industry's only one-year CGM system launched in the U.S. in October 2024*¹. In the Healthcare Solutions domain, while the market continues to grow steadily, structural changes driven by digital transformation of healthcare are underway. Here, our goal is to improve the profitability and efficiency of our clinical testing, healthcare IT, and drug development support businesses. Specific initiatives by group companies include Wemex, which provides healthcare IT solutions such as electronic medical record (EMR) systems and medical-receipt computers. Wemex will focus on creating synergies from businesses acquired in 2023 and on offering cloud-based solutions aligned with the Japanese government's push for digital transformation in healthcare. Additionally, we will advance the restructuring of LSI Medience, which operates our clinical testing business, and Mediford, which handles our drug development support business. In the Diagnostics & Life Sciences domain, we see high growth potential; consequently, we will focus our management resources on growth and development initiatives.

To ensure the steady execution of growth strategies across these business domains, we have introduced return on invested capital (ROIC) as a key indicator for evaluating and positioning each business. By combining ROIC with the growth potential of each business, we have clarified their respective positions within our portfolio. Businesses will be strategically selected for the concentrated allocation of resources. For instance, businesses with both high growth potential and high ROIC are designated as Growth Business, and we will prioritize resource allocation to them. Meanwhile, businesses with low ROIC but high market growth potential are specified as Nurture Business, and we will make investments with the goal of generating cash. Looking ahead, we will establish a management system and processes to drive continuous improvement by setting target ROIC values for each business division.

In parallel with our ROIC-based business operations, we are also working to instill a group-wide awareness of the challenges and goals specific to each business. Given the high level of internal interest in portfolio selection and concentration, the introduction of ROIC serves as a means to deepen internal understanding of what investors focus on, as well as the significance and necessity of aligning our business activities with market rules.

*¹  On September 4, 2025, PHC Holdings Corporation and its subsidiary Ascensia Diabetes Care announced that Ascensia has signed a memorandum of understanding to transfer the commercial operations for Eversense® Continuous Glucose Monitoring (CGM) systems to Eversense maker Senseonics Holdings, Inc. The companies are targeting to unite Eversense R&D, manufacturing, and commercial activities within Senseonics beginning January 1, 2026, subject to a definitive agreement. <https://ssl4.eir-parts.net/doc/6523/tdnet/2684179/00.pdf>

Key Initiative 3. Focus on Diagnostics & Life Sciences

The third key initiative is to focus on Diagnostics & Life Sciences. To ensure our continued sustainable growth, it is vital not only to concentrate on growth areas with promising market growth, but also to identify fields where we can fully leverage our core strength—precision technologies. This approach aligns seamlessly with our mission and vision, reflecting our commitment to creating new value through precision technologies and shaping the future.

In today's society, as people live longer, extending healthy life expectancy has become a critical global challenge—not just in Japan but worldwide. As advancements in diagnostics and therapies continue to unfold, particular attention is now focused on treatments involving polymers, genes, and cells. Recognizing that our potential to maximize the impact of precision technologies can be fully leveraged in this field, we have decided

to prioritize the Diagnostics & Life Sciences domain.

Considering the social trends shaping this domain, the early detection of high-mortality diseases like cancer and the delivery of advanced, personalized treatments at a lower cost are becoming increasingly important. To address these needs, we aim to leverage our precision technologies to develop products and solutions that support more affordable diagnostics and advanced treatments. Furthermore, by utilizing our extensive sales network, which spans from research to clinical applications, our strong relationships of trust with customers, and our global manufacturing capabilities, we are committed to advancing healthcare solutions that reduce cancer-related mortality and improve treatment efficacy.

Our goal in this domain is twofold:

1. To be an innovator in cancer diagnostics solutions, enabling more accurate, timely, and simpler diagnoses,
2. To act as an accelerator and enabler of advanced cancer treatments, facilitating their early adoption.

To achieve these objectives, our initial focus during the current planning phase is to strengthen our business foundation. This includes integrating and streamlining our sales, manufacturing, and operations functions, which were previously conducted separately by each business unit. Building on this solid foundation, we aim to realize our vision for 2030 and beyond by expanding our business. This includes providing equipment for new drug development using cells and genes, and creating solutions such as the automation and acceleration of definitive disease diagnoses, as well as in vitro diagnostic (IVD) medical devices that make testing simpler.

3. Sustainability Strategy: Driving Sustainable Growth and Corporate Value

In our Value Creation Plan 2027, sustainability strategy stands as one of our top priorities. We consider it a shared responsibility across all employees to address climate change, respect human rights, and implement sustainable practices across our supply chain. Through these initiatives, we aim to contribute to a sustainable society while driving the growth of our group.

At present, we are focusing on reducing greenhouse gas emissions directly generated by our business activities (Scope 1) and those linked to electricity consumption (Scope 2). In addition, we are taking a phased approach to reducing emissions across our supply chain (Scope 3). This goes beyond compliance with environmental regulations; it is a key strategy for enhancing our group's competitiveness.

4. The Dual Role of COO and CSO: Driving Strategy with Practical Execution

As both Chief Operating Officer (COO) and Chief Strategy Officer (CSO), I oversee management strategy, business development, and healthcare policy, while also being responsible for the product manufacturing, quality control, and procurement functions. My primary role is to ensure seamless coordination between strategy formulation and execution. I prioritize close collaboration with frontline teams to ensure that our strategies are implemented effectively and do not remain theoretical plans. For example, by organizing joint meetings between strategy and execution teams, we enable smoother information sharing and strive to enhance the accuracy of our strategy implementation.



Message from COO/CSO

COO: Transforming R&D and Enhancing Global Manufacturing Excellence

As COO, I have driven transformation in three main areas. First, we initiated a substantial review of our R&D structure. We discontinued the existing framework and established a new structure that facilitates smoother collaboration with each business unit. To further accelerate development and create innovation, we are now working to launch a dedicated R&D organization specializing in our Diagnostics & Life Sciences domain.

Second, we have focused on strengthening our manufacturing excellence. To globally expand our core strength in precision technologies in Japan, we are dispatching personnel with expertise to our sites outside of Japan to enhance our technological capabilities and improve productivity.

Third, we are advancing our quality management and procurement functions on a global scale. This includes strengthening our organizational structures to ensure consistent quality across the group. In addition to cross-functional collaboration in procurement in and outside of Japan, we are implementing cross-regional quality improvement initiatives, such as the annual group-wide Monozukuri (Manufacturing) Conference and manufacturing site-specific quality improvement activities.

CSO: Enhancing Corporate Planning Functions and Fostering Deeper Customer Insights

After my appointment as CSO, I added three critical functions to the Corporate Planning Department to enhance its strategic capabilities. The first is risk management. In response to the rapidly changing external environment, the Corporate Planning Department is spearheading efforts to strengthen this function. By ensuring that the entire group remains aware of potential changes and risks they pose, we can respond swiftly and effectively to unforeseen circumstances.

The second is the establishment of a comprehensive framework for voice of customer (VOC) activities. Previously handled by a small team, customer feedback is now managed and utilized on a group-wide scale under the Corporate Planning Department. As customer needs continue to evolve, this function ensures that the opinions and requests we collect are promptly shared with each business unit and reflected in our products and services.

The third is AI integration. With AI rapidly being adopted across society, leveraging it in business operations has become an urgent priority. We have adopted an agile approach to raising AI awareness, improving operational efficiency through AI, and integrating AI into our own products and services.

A Partnership Strategy for Achieving Mutual Growth in the Healthcare Industry

In the healthcare industry, many people are involved in a wide range of processes; building strong partnerships is the key to business success. We have driven the development and market expansion of innovative products through collaborations with partners such as Senseonics and 3DHISTECH. Additionally, we have partnered with institutions such as Wake Forest University in the U.S. and the Centre for Commercialization of Regenerative Medicine (CCRM) in Canada to support R&D and promote the adoption of advanced technologies in the Diagnostics & Life Sciences domain.

Another key pillar of our strategy is strengthening industry-government-academia collaboration. Building on our legacy of supporting the smooth operation of Japan's universal health insurance system, we are deepening partnerships with government and academic institutions to contribute to advancing digital transformation (DX) in healthcare and regenerative medicine. For example, we are leading industry-wide

transformation through initiatives like policy proposals via the Forum for Innovative Regenerative Medicine (FIRM) and the Japan Association of Medical Equipment Industries (JAMEI). We are also supporting for the nationwide rollout of electronic prescriptions and online eligibility verification systems.

5. Strategy for 2027: A Solid Foundation and Foothold for the Future

The three-year period from fiscal year 2025 to 2027, as defined in our Value Creation Plan 2027, represents a pivotal phase for strengthening our business foundation and supporting growth for the future. During this period, we will focus on enhancing our earning base and preparing for sustainable growth, particularly in the Diagnostics & Life Sciences domain. Currently, our efforts are directed at improving profitability through structural reform and optimizing management resources by employing a strategy of selection and concentration. Simultaneously, recognizing that growth in the Diagnostics & Life Sciences domain requires a long-term perspective, we are advancing research and development to prepare for the future and support the launch of new products. For instance, to further enhance our earning base, we are accelerating the development of next-generation pipeline products such as the cell expansion system under development, LiCellGrow™, which builds on the success of our live cell metabolic analyzer, LiCellMo™.

In addition, we aim to create new value through initiatives such as promoting personalized medicine and expanding digital pathology solutions to enhance the efficiency of cancer diagnoses. These efforts will enable us to build a solid foundation for further growth beyond 2030.

While prioritizing structural reform, it is equally critical to maintain a proactive approach to ensure the group retains its vitality and drive for growth. By balancing growth strategies with efforts to strengthen our foundation, we will pursue flexible and steady management with a long-term vision.

6. Fusing Sustainability and Innovation to Power the Future of Healthcare

What I envision for PHC Group is to continue addressing societal challenges in healthcare by achieving a harmonious balance between sustainability and innovation. In the healthcare industry, where products and services are often used over extended periods, the sustainability of the company itself is crucial. At the same time, continuous innovation is indispensable to meet the demands of extending healthy life expectancies and addressing increasingly personalized and diverse healthcare needs.

At PHC Group, we are adapting flexibly to the changing times by actively incorporating cutting-edge technologies, such as digital technology and AI, while preserving the essential value of the products and services we have cultivated over the years. Through this approach, we aim to create new value that responds to the evolving needs of healthcare and our customers.

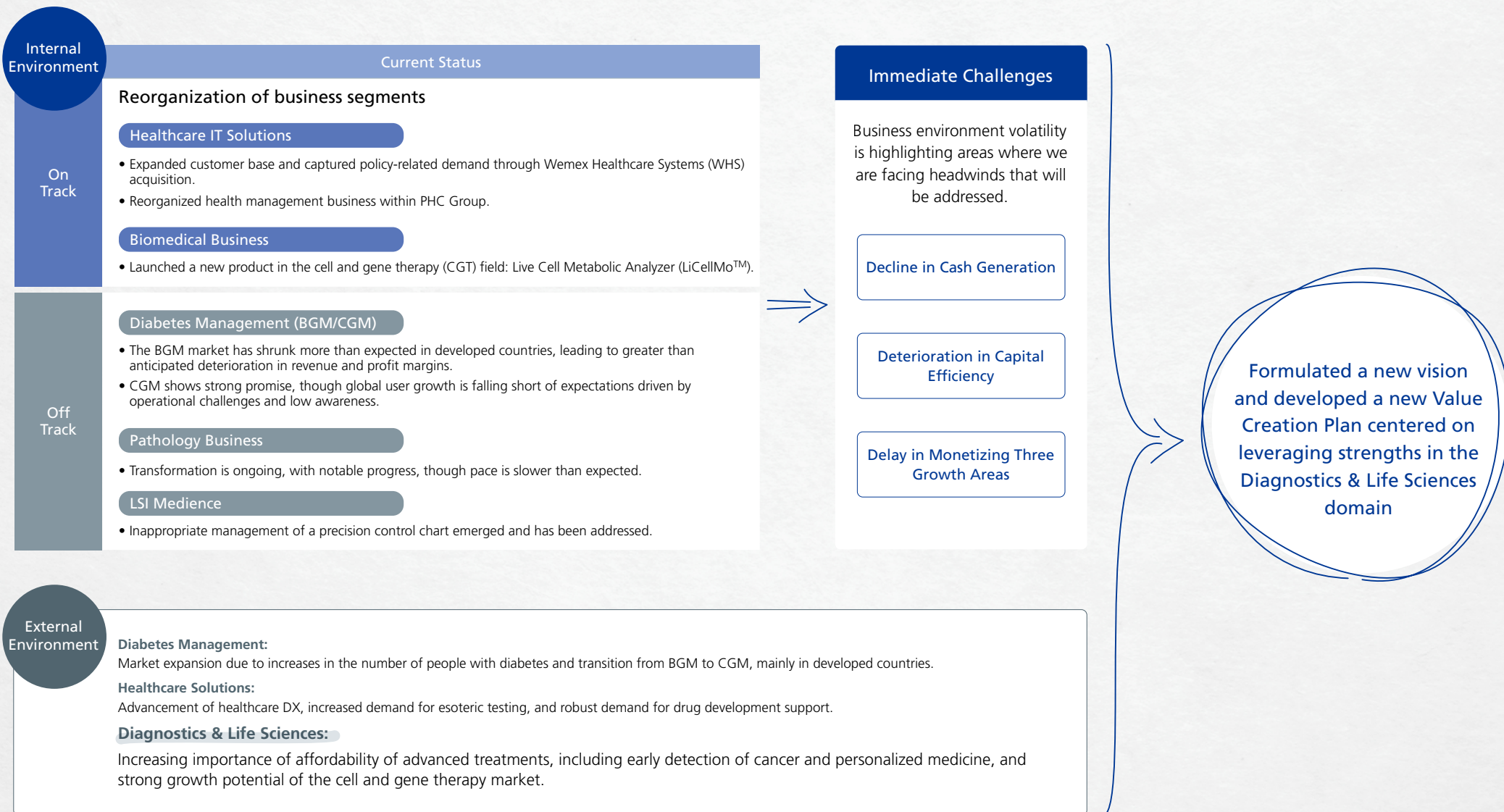
We aspire to be a leader that powers the future of healthcare and contributes to the health of society.





Value Creation Plan 2027

Since announcing our previous Mid-term Plan in 2022, a number of challenges have arisen due to changes in the external business environment. To address these challenges, we formulated our Value Creation Plan 2027 with a focus on the area of Diagnostics & Life Sciences.



Formulated a new vision and developed a new Value Creation Plan centered on leveraging strengths in the Diagnostics & Life Sciences domain

Phase 1 Fiscal Years 2025-2027

Phase 2 Fiscal Years 2028-2030

Vision for 2030

Value Creation Plan 2027

Strengthening our foundation for growth

Key Initiatives

1. Structural reform to strengthen the profit base
2. Improve portfolio management
3. Focus on Diagnostics & Life Sciences

Value Creation Plan 2030

Achieving sustainable growth centered on Diagnostics & Life Sciences

We have created a new vision for PHC Group, which we plan to achieve by 2030 in two phases. In Phase 1, we will strengthen our foundation for growth. In Phase 2, we will accelerate initiatives to achieve growth centered on Diagnostics & Life Sciences. As part of Value Creation Plan 2027, which aligns with Phase 1, we will implement three key initiatives: Implement structural reform to strengthen the profit base; Improve portfolio management; and Focus on Diagnostics & Life Sciences.

Be a leader in precision technology that powers the future of healthcare

Management Objectives of Value Creation Plan 2027

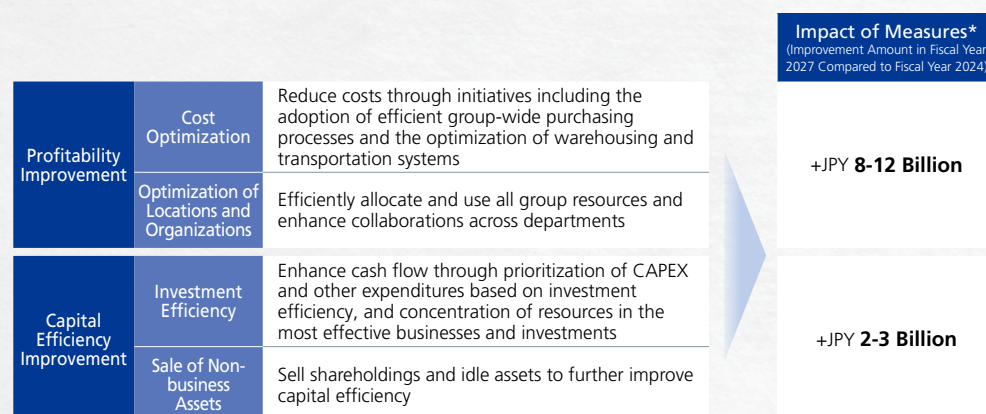
		Finance		Non-Financial		
		Fiscal Year 2024 Results	Fiscal Year 2027 Targets*	Environment		
Profitability	Revenue growth rate (YoY)	2.2%	4 - 5%	GHG Emissions from Company Energy Sources (Scope 1 and 2) 42% Reduction	GHG Emissions from Supply Chain (Scope 3) 25% Reduction	Waste Recycling Rate 90% Achievement
	Operating profit margin	6.2%	8 - 10%			
	EPS	83 JPY	Two times fiscal year 2024 or higher	Governance		Human Capital
Efficiency	ROE	7.5%	10% or higher	Compliance Training Attendance Rate 100%	Engagement Survey Index 68 pt or more (Improvement of 1 pt or more compared to the previous year)	Percentage of Management Positions Held by Women 30% or more
	ROIC	3.8%	8% or higher			

* The assumed exchange rates are 1 USD = 140 JPY and 1 EUR = 155 JPY.

Management Strategy (Value Creation Plan 2027)

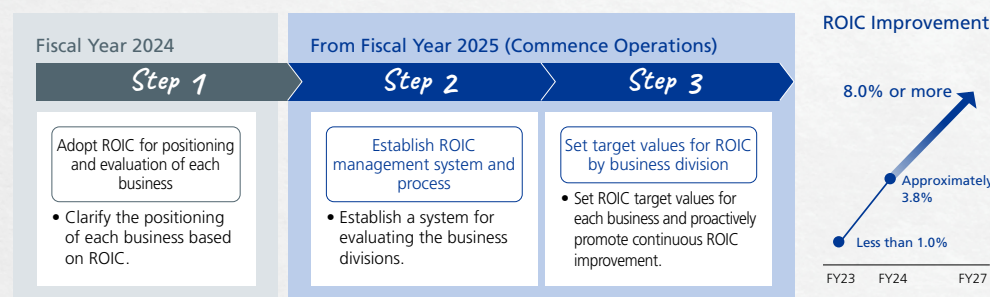
Key Initiative 1: Structural Reform to Strengthen the Profit Base

PHC Group is undertaking group-wide structural reforms aimed at enhancing cash generation capabilities and strengthening our financial structure. By focusing on improving profitability and capital efficiency as core pillars of these reforms, we expect to achieve an increase of approximately JPY 8-12 billion in profitability and approximately JPY 2-3 billion in capital efficiency by the end of fiscal year 2027, compared to fiscal year 2024.



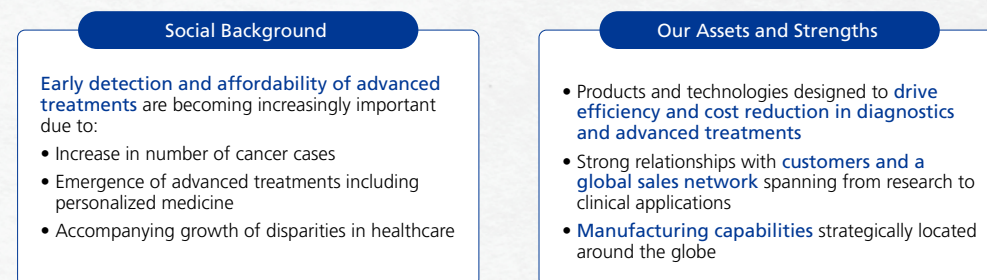
Key Initiative 2: Improve Portfolio Management

By introducing return on invested capital (ROIC) as a metric, we will evaluate and improve the capital efficiency of each business to achieve profitability exceeding capital costs, aiming for the sustainable enhancement of corporate value.

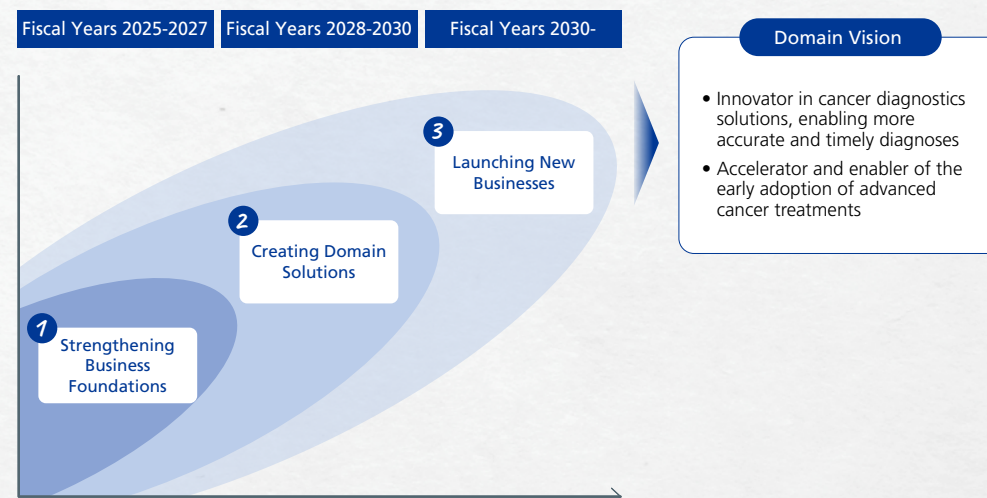


Key Initiative 3: Focus on Diagnostics & Life Sciences

For cancers with a high mortality rate, early detection and affordability of advanced treatments, including personalized medicine, are becoming increasingly important. PHC Group will leverage the assets and strengths we have developed over many years to contribute to healthcare that reduces cancer mortality rates and enhances treatment outcomes. In this domain, we aim to become an innovator in cancer diagnostics solutions, enabling more accurate and timely diagnoses, and an accelerator and enabler of the early adoption of advanced cancer treatments.



Realizing Our Vision Through a Three-Stage Approach





Key Initiative 3: Focus on Diagnostics & Life Sciences

1 Strengthening Business Foundations

We will enhance the efficiency and effectiveness of sales, manufacturing, and operations by transitioning from activities conducted on an individual business unit basis to an integrated domain-wide approach.

In sales, we will leverage our global sales network, spanning over 125 countries and regions, to provide one-stop domain solutions and drive business expansion. Additionally, we will optimize our sales structure and customer service to deliver enhanced value to our customers.

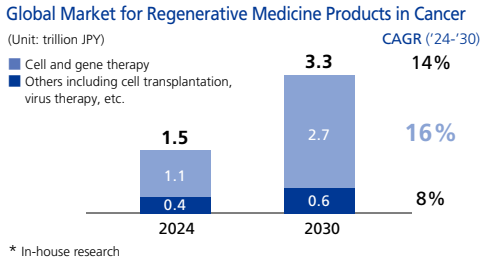
In manufacturing, we will strengthen our manufacturing excellence by optimizing manufacturing locations based on regional characteristics, such as access to key markets and compliance with local regulations. Furthermore, we will achieve advanced standardization by horizontally deploying best practices in production technology and quality management across the organization.

In operations, we will improve productivity through the standardization of indirect functions, including logistics and back-office operations.



2 Creating Domain Solutions

Going forward, we will focus mainly on efforts in regenerative medicine therapy in cancer. The global market for cell and gene therapy in particular, currently valued at JPY 2.7 trillion a year, is forecast to grow at an annual rate of 16%. In this promising growth area, we will leverage our core technologies and products to provide solutions that contribute to advancements in cancer diagnosis and treatment.



Domain Solutions for Cancer Diagnosis and Treatment

Improve efficiency and accuracy of diagnoses

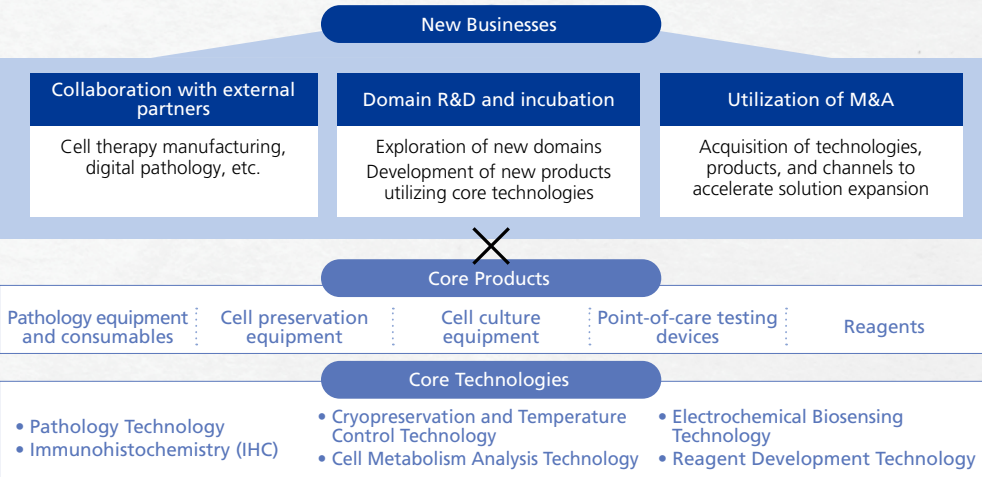
- Leveraging our reagent development technology to provide reagents for biomarkers and patient monitoring to promote personalized medicine
- Providing next-generation digital pathology solutions that enhance cancer diagnostic efficiency through AI-powered technology.

Improve quality, reduce cost and delivery time in cell medicine manufacturing

- Provide next-generation cell expansion system that establishes optimal cell culture environment utilizing sensors and real-time predictive analytics
- Offer new solutions that enhance the efficiency and cost-effectiveness of cell cultures in cell and gene therapy manufacturing

3 Expanding Solutions by Launching New Businesses

Building on our core technologies and core products, we will create new businesses by driving domain R&D and incubation, collaborating with external partners and leveraging M&A opportunities. First, to advance domain R&D and incubation, we will further enhance development of products and solutions that leverage our core technologies, including in new business areas. Next, through collaboration with external partners, we will accelerate the development of solutions for ongoing projects. They include a collaboration with the Centre for Commercialization of Regenerative Medicine (CCRM) in Canada in the area of regenerative medicine, and a collaboration with Wake Forest University in the U.S. in the area of digital pathology. Finally, by utilizing M&A, we will explore future acquisitions of complementary technologies, products, and sales channels to accelerate non-organic growth of our solutions.



The Potential of CAR-T Therapy in Cancer Treatment

A Discussion Between PHC and CCRM

On June 20, 2025, PHC Group hosted an online roundtable discussion on the potential, challenges, and future outlook of CAR-T therapy in cancer treatment. This discussion featured Michael May, PhD, President & CEO of the Centre for Commercialization of Regenerative Medicine (CCRM), with two of our corporate officers.



Michael May

PhD (President & CEO, CCRM)



Nobuaki Nakamura

(Executive Corporate Officer, PHC Group)



Chikara Takauo

(Corporate Officer, PHC Group)

1. The Current State of CAR-T Therapy: Overcoming Barriers to Adoption and Driving Technological Innovations



Nakamura: Regenerative medicine including cell and gene therapy (CGT) is gaining significant attention as an innovative approach to treating diseases that have been difficult to treat, including cancer. CAR-T therapy, in particular, has been advancing rapidly. Michael, could you start by telling us about CCRM and your initiatives in the CGT and regenerative medicine fields?



May: The Centre for Commercialization of Regenerative Medicine (CCRM) was established in Ontario, Canada, in 2011 with funding from the Government of Canada, the Province of Ontario, and leading academic and industry partners. Our mission is to bridge the gap between foundational research in regenerative medicine and its practical applications.

For regenerative medicine to become popularized, it's essential to establish scalable and adaptable manufacturing processes. At CCRM, we oversee everything from process development to managing clinical-stage products. Our focus is on improving manufacturing efficiency and reducing costs.



Nakamura: The popularization of regenerative medicine is indeed a global challenge. In Japan, innovative therapies in the CGT field, such as treatments employing iPS cells and the approval of CAR-T cell therapies like Kymriah®, have already been in practical use. We expect the adoption of cell-based therapies to expand through technological innovation and cost reduction.



May: Japan excels in regenerative medicine, particularly in research on treatments with iPS cells. Additionally, Japan's industrial sector plays a significant role in the global commercialization of medical products, positioning the country at the forefront of regenerative medicine. At the same time, the U.S. continues to lead the way in the commercialization of these therapies, playing a key role in driving the industry forward. A prime example of the effectiveness of these therapies is in cancer treatment, especially CAR-T therapy. In the U.S., CAR-T therapy has achieved virtually curative results in some targeted blood cancers, which has served as a major proof point of its efficacy. The abundance of clinical data has fueled the rapid growth of the field, and these clinical results are a driving force behind the advancement of the industry.



Nakamura: In Japan, CAR-T therapy still faces several challenges, such as the enormous manufacturing costs leading to high treatment expenses, the need to optimize manufacturing processes, and the challenge of ensuring access to treatment. What are your thoughts on these issues?



May: Currently, CAR-T therapy is primarily focused on blood cancers, but further research and development are required for it to be effective against solid tumors, which make up the majority of cancers. Even for blood cancers, only a small percentage of patients in North America who need this treatment can receive it. One major reason is the extremely high cost of treatment even in the U.S. While CAR-T therapy may sometimes be covered by insurance in the U.S., it has not yet achieved adequate accessibility and adoption. The process itself, which involves extracting a patient's cells, manufacturing the therapy, and reintroducing it into the patient's body, is highly complex. To establish it as a standard treatment, specialized facilities are necessary. This means that, in addition to improving manufacturing processes, we need to develop facilities, infrastructure, and reimbursement systems that take into account the entire treatment journey for patients.

In Canada, CAR-T therapy has been approved under the public healthcare system, but like in the U.S., its adoption rate remains low. If, in the future, CAR-T therapy could be applied to all types of cancer and cure a large number of patients, it would undoubtedly have a profound impact on global healthcare. However, we need to fundamentally address the challenges of scalability and cost to achieve that vision.



Takauo: In our industry, "scalability" is a key term, isn't it? What kind of technological innovations do you think are necessary to address these challenges in the manufacturing field? Also, how do you think collaboration and partnerships with our company can help solve these issues?



May: Even if scalability is achieved through automation, we still need to address challenges such as parallel processing of large volumes of patient samples and optimization of culture media. It is especially critical for autologous cell therapies, which employ a patient's own cells and have unique characteristics for each individual. For these therapies, it is essential to evaluate product characteristics and automate and optimize the entire process to produce release through potency testing*. It also



Feature: The Potential of CAR-T Therapy in Cancer Treatment

A Discussion Between PHC and CCRM

requires efficient processing in compact, clean environments while tackling additional challenges like reducing reagent and labor costs. At CCRM, we aim to address these issues and reduce costs by integrating characterization and process equipment.

* Potency testing: A test to measure and evaluate the efficacy and effectiveness of a pharmaceutical or therapeutic product. In the cell and gene therapy, it is conducted to confirm whether the product functions appropriately for its intended therapeutic purpose.

A fundamental element needed to promote the scalability of therapy is a combination of hardware-related technology and manufacturing capabilities, as well as expertise in regenerative medicine. In this regard, PHC is highly capable of providing everything from hardware design and manufacturing to logistics. Meanwhile, CCRM has the expertise to understand and utilize the biology of cell types, and conduct optimization studies to improve the conditions required by devices and cells in culture, growth, and purification. By working together, both companies can align and optimize workflows and processes, reduce costs, and elevate this complementary partnership to an industrial level. This collaboration is essential for advancing scalability.



Nakamura: In February 2025, our company and CCRM signed a Master Collaboration Agreement to develop an expansion culture process for primary T cells. Through this collaboration, we aim to analyze various culture conditions using LiCellGrow™, PHC's cell expansion system currently under development, and establish an optimized culture process for primary T cells. By combining the technologies and expertise of both of our organizations, we believe we can further advance manufacturing processes for cell-based therapeutics and cell culture technologies, contributing to the practical application of CGT.



May: Absolutely. The technical collaboration between our companies is incredibly valuable. Incorporating advanced biosensors, such as in-line monitoring technology, into standard automated culture devices is extremely effective. Since autologous therapies use a patient's own cells, which vary in characteristics from one patient to another, precise adjustments are essential for manufacturing.

2. Unlocking the Potential of Automated Culturing Technology Through In-Line Monitoring



Takauo: Autologous CAR-T therapy is challenging for researchers when it comes to ensuring stability in quality and reproducibility. Moreover, the complexity of the manufacturing process, along with the significant time and cost involved, has led to soaring drug prices. To address these issues, we need technologies to monitor cell conditions in real time and optimize the culture environment. Automation of the cell culture process is also indispensable. PHC aims to standardize and enhance manufacturing efficiency by commercializing automated culture technology driven by monitoring data. PHC's in-line monitoring technology, building on over 30 years of experience in blood glucose sensor development, enables monitoring of cell conditions in real time during the culture process. This technology supports the optimization of culture environments and helps ensure the production of high-quality cell products.



May: We highly appreciate the potential value of PHC's LiCellGrow™, incorporates essential features such as scalability and a cell expansion system furnished with in-line monitoring technology.



Takauo: In the future, we believe that integrating in-line monitoring technology with AI will enable us to optimize the entire manufacturing process. This has the potential to further enhance the precision of cell growth forecasting, ultimately achieving greater stability and reproducibility in manufacturing.

3. Co-Creating the Future of Healthcare: A Collaborative Partnership Between CCRM and PHC



Nakamura: As outlined in our Value Creation Plan 2027, Diagnostics & Life Sciences is a key strategic priority for PHC Group, with a strong emphasis on cancer diagnostics and treatments. Our collaboration with CCRM plays a vital role in achieving the objectives of this plan. Together, we are committed to advancing healthcare and discovering solutions to create a better future.



May: Our partnership with PHC is an essential initiative to accelerate technological innovation in regenerative medicine. I am confident that our collaboration will enable us to deliver safe and effective treatments to more patients.



Takauo: PHC's precision technologies are indispensable in ensuring manufacturing reliability and quality in advanced cancer treatments, including CAR-T therapy. Moving forward, we will pursue the development of technologies relevant to various therapeutic approaches. Through collaborative research with CCRM, we aspire to make significant advancements in CGT and contribute to helping address challenges in cancer treatment.

About CCRM



Visit CCRM at
<https://www.ccrm.ca/>

CCRM is a global, public-private partnership headquartered in Canada. It has received funding from the Government of Canada, the Province of Ontario, and leading academic and industry partners. CCRM supports the development of regenerative medicines and associated enabling technologies, with a specific focus on cell and gene therapy. A network of researchers, leading companies, investors, and entrepreneurs, CCRM accelerates the translation of scientific discovery into new companies and marketable products for patients with specialized teams, dedicated funding, and unique infrastructure. In 2022, CCRM established OmniaBio Inc., a commercial-stage CDMO for manufacturing cell and gene therapies. CCRM is hosted by the University of Toronto.

Message from CFO

Enhancing
Profitability, Capital
Efficiency, and
Financial Stability to
Build a Foundation for
Growth

Kaiju Yamaguchi

Director,
Senior Executive Corporate Officer,
Chief Financial Officer (CFO),
PHC Holdings Corporation



1. Review of Fiscal Year 2024

Reflecting on fiscal year 2024, PHC Group's most notable achievement was recording the highest revenue and profit since our listing on the Tokyo Stock Exchange. Revenue increased by 2.2% year-on-year to JPY 361.6 billion, operating profit rose substantially to JPY 22.6 billion, and profit attributable to owners of parent reached JPY 10.5 billion. This marked the first time the company achieved net profit since our listing and represented a pivotal moment of strong financial results for PHC Group. Looking at each segment, starting with Diabetes Management, the BGM business remains our primary profit driver, though it continues to experience declines in revenue and profit due to ongoing market shrinkage and the termination of a sales collaboration in the U.S. as previously reported. In our Value Creation Plan 2027 (VCP), we have outlined measures to narrow the revenue decline. Encouragingly, the revenue decline in fiscal year 2024 lessened compared to the previous year, setting us off on a strong start in achieving our goals outlined in the VCP. In the CGM business, in the third quarter we launched a new product, Eversense® 365, the industry's only one-year CGM device. This product has driven higher sales compared to its predecessor. While overall segment revenue declined by 2.9% year-on-year to JPY 98.7 billion, there are encouraging signs of progress.

In Healthcare Solutions, the healthcare IT solutions business in particular benefited in fiscal year 2024 from Japanese government-led medical digital transformation (DX) policies, which boosted demand for electronic prescription software. Furthermore, the effects of M&A activity carried out in fiscal year 2023 positively impacted the business. The overall segment recorded a 6.7% year-on-year increase in revenue, reaching JPY 128.3 billion.

As for Diagnostics & Life Sciences, which we identified as a key focus domain in the VCP, revenue grew by 1.0% year-on-year to JPY 130.9 billion. Despite weaker demand for equipment in fiscal year 2024, sales of consumables in the pathology business were robust.

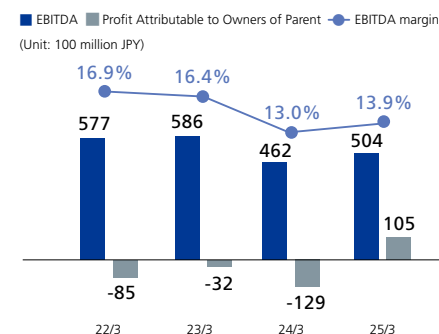
In terms of profit, operating profit grew significantly, and we ended fiscal year 2024 with a positive net profit. Over the previous three years, impairment losses had significantly affected our profitability, however

fiscal year 2024 was free of impairment losses, allowing us to achieve profitability through earnings generated by our business operations. We view the fiscal year 2024 results as a solid start toward achieving the goals of the VCP, particularly in stabilizing our performance and building a foundation for consistent profit generation.

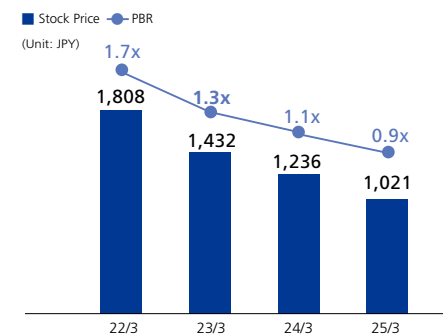
At the same time, we recognize that PHC Group has not yet achieved sufficient recognition from shareholders and investors as an organization with stable performance and steady growth potential for the future. In fiscal year 2025, it will remain crucial to demonstrate quarterly progress that aligns with our forecasts and build a solid track record of achievements to gain the trust of the capital markets. As a publicly listed company, we must strive to become a preferred choice over other listed companies, deliver returns, and achieve sustainable growth. I also consider it one of my key responsibilities to ensure that all of us within our organization fully recognize these expectations for a listed company.

2. Current Assessment of Our Stock Price

Performance Trends



PBR Trends



Our stock price remains below a price-to-book ratio (PBR) of 1. We believe that past underperformance against earnings forecasts and net losses have affected investor trust in our earnings forecast or expectations for growth. Consequently, the cost of equity capital and expected returns reflected in the market are assumed to be higher than the theoretical values derived from the Capital Asset Pricing Model (CAPM). We believe this disparity contributes to our lower valuation multiples compared to other companies. To close the gap between theoretical values and expected returns, we will continue striving to achieve our forecasts in fiscal year 2025 while focusing during this VCP period on improving profitability, capital efficiency, and financial stability. By doing so, we aim to build trust in our forecasts and establish a solid foundation for growth.

In previous VCPs, the emphasis was on making investments for growth. However, growth is only possible if those investments generate returns that exceed the cost of capital. In the current VCP, we see it as crucial



Message from CFO

to enhance our business foundation by reviewing past investments and improving profitability and capital efficiency. This approach will enable us to establish a structure capable of consistently generating returns above the cost of capital. Through Phase 1 of the current VCP, we intend to build a solid business foundation. This will enable us to drive growth through strategic investments in Phase 2, beginning in 2028.

3. Profitability Improvement

Implement a group-wide structural reform to strengthen the profit base, aiming to further enhance cash generation capabilities and strengthen the financial structure.			
			Impact of Measures* (Improvement Amount in Fiscal Year 2027 Compared to Fiscal Year 2024)
Profitability Improvement	Cost Optimization	Cost Optimization Including Process Improvement and Supply Chain Optimization	+JPY 8-12 Billion
	Optimization of Locations and Organizations	Optimization of Personnel Numbers Through the Consolidation of Bases and Organizations	
Capital Efficiency Improvement	Investment Efficiency	Prioritization Based on Investment Efficiency	+JPY 2-3 Billion
	Sale of Non-business Assets	Sale of Non-strategic Minority Shareholdings and Idle Assets	

* The assumed exchange rates are 1 USD = 140 JPY and 1 EUR = 155 JPY.

I would like to elaborate on the measures outlined in the VCP to close the gap between theoretical values and expected returns, as well as our efforts to improve profitability, capital efficiency, and financial stability.

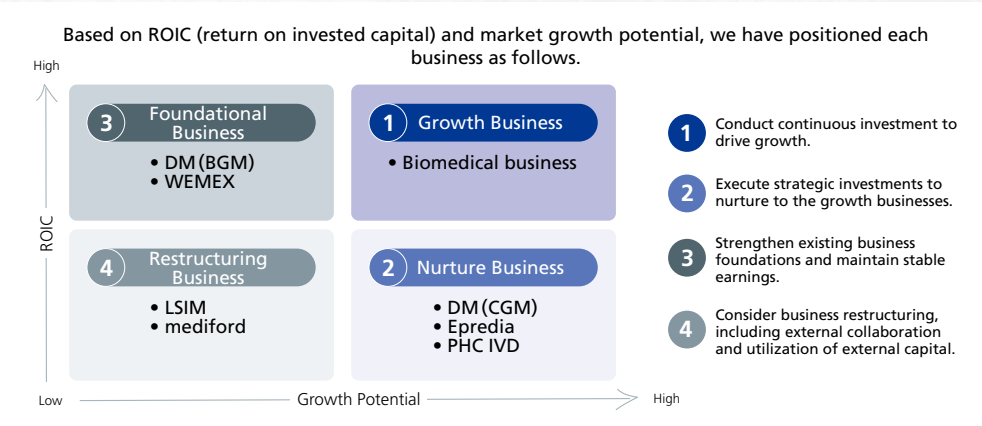
To improve profitability, we are advancing initiatives focusing on cost optimization and optimization of locations and organizations. Investors often ask how this approach differs from past structural reforms. The key distinction lies in adopting a cross-group, horizontal approach to reform. Historically, due to our background in acquiring multiple businesses, individual business units have tended to operate with their own locations and organizational structures, executing initiatives independently. We aim to standardize these operations across all group companies to improve efficiency and reduce costs.

One specific example is our procurement function. Previously, each business unit managed its own procurement activities. However, we are now establishing a new global organization that operates across PHC Group to improve cost efficiency by leveraging economies of scale in procurement. Additionally, we are reassessing the organizations and locations within each business from a cross-domain perspective. For instance, in April 2025, we integrated the sales organizations in the Diagnostics & Life Sciences domain in Japan. This

integration is designed to lower costs by sharing infrastructure while boosting sales efficiency through cross-selling. We will continue optimizing our organizations and locations in the future.

As part of the standardization and optimization process, we have adjusted reporting lines and established a unified global organization to address challenges as a group-wide project. We believe that this approach will continue to enhance collaboration within PHC Group. Furthermore, by clearly communicating internally that we are working on improvement efforts across all group companies, we believe many employees will view these initiatives positively. Our goal is to implement these initiatives throughout PHC Group while fostering a strong sense of positive engagement among our employees.

4. Capital Efficiency Improvement



To improve capital efficiency, we have been advancing the sale of non-operating assets since fiscal year 2024. This includes the sale of land previously used for manufacturing sites and the divestment of other companies' securities. Going forward, we will continue to sell non-operating assets and allocate the proceeds toward investments or enhancing our financial foundation.

In addition, starting with the current VCP, we are introducing group-wide ROIC management. While we have previously focused on profit and loss metrics such as operating profit and EBITDA, we will now also emphasize cash flow. By incorporating Balance Sheet perspectives—such as reducing inventory to decrease working capital and utilizing fixed assets more effectively—we aim to enhance capital efficiency. In terms of business portfolio management, we have also refined the positioning of each business by evaluating it based on ROIC and growth potential.



Message from CFO

The “Growth Business,” indicated as (1) in the diagram, represents the segments driving PHC Group’s growth. As for the Biomedical business (PHCbi), we anticipate stable market growth within its existing regions. This business offers high-quality products globally, including ultra-low temperature freezers with industry-leading energy efficiency powered by precise temperature control technology. We expect its steady growth to continue in the future. We also foresee significant growth and substantial market potential in the field of cell therapy. In fiscal year 2024, we introduced the LiCellMo™ Live Cell Metabolic Analyzer, which analyzes cell culture conditions in laboratory research through real-time measurement of cell metabolism. Additionally, in fiscal year 2025 we plan to launch another innovative product, the cell expansion system LiCellGrow™, which is currently under development. With this product, we will seek to enable efficient cell culture while maintaining optimal culture conditions. As these new and in-development cell therapy products also involve consumables sales, we anticipate an increase in recurring revenue, further improving business stability and profitability.

The “Nurture Business,” marked as (2) in the diagram, is positioned as a business with currently modest ROIC but a growing market. Our strategy is to increase sales while gradually improving profit margins.

In the Diabetes Management CGM business last year, we launched Eversense® 365, the industry’s only one-year CGM device, and we are focusing on expanding its sales this fiscal year*1.

In the Pathology business (Epredia), we introduced a new product targeting the growing digital pathology market in Spring 2025. The pathology market is expanding at a mid-single-digit rate, and we plan to drive overall sales by boosting existing product sales while launching new products in higher-growth areas. Furthermore, we operate four global manufacturing sites and are working to enhance their productivity by leveraging expertise from other business units. Through these efforts, we aim to improve profitability. The In Vitro Diagnostics (IVD) business underwent a group-wide reorganization in 2023. The Diagnostic Reagents & Instruments business, previously operated under LSI Medience, was merged with PHC Corporation’s OEM-focused IVD business. We aim to maximize the synergies from this integration. Additionally, we have entered into a distribution agreement in the U.S. for the portable immunoanalyzer PATHFAST and are actively working to expand its sales.

The “Foundational Business,” shown as (3) in the diagram, is characterized by its strong cash generation capabilities. While the Diabetes Management BGM business has faced a shrinking market, our sales have declined more than the overall market, partly due to the termination of a sales collaboration in the U.S. as previously reported. A key focus of ours during the VCP period is to reduce the scale of this revenue decline. Stabilizing the North American market is critical to achieving this, and we saw encouraging signs in fiscal year 2024. In fiscal year 2025, we will continue implementing measures to stabilize the North American market. As this is a highly profitable business, narrowing the revenue decline will allow it to continue contributing to PHC Group as a stable cash-generating business.

Our Healthcare IT Solutions business provides electronic medical record (EMR) systems and medical-receipt computers in Japan, generating recurring revenue by providing updates in response to changes in insurance regulations and offering comprehensive support services. Additionally, under the Japanese government’s promotion policy for digital transformation in healthcare, the adoption of systems such as the Online Eligibility Check System and electronic prescriptions has been accelerating. The Japanese government has also set a target of achieving 100% EMR adoption by 2030. This creates substantial business opportunities, and we are committed to capturing this momentum. Building on our core products, which were on-premises systems,

we launched a new cloud-based EMR system in April 2025 and expect it to become a flagship product. By expanding sales of this product and establishing a leading position in the cloud market, we believe the business can further enhance its cash generation capabilities.

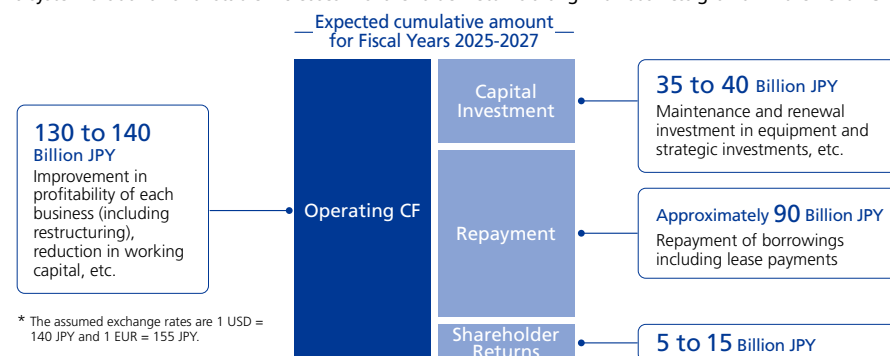
The “Restructuring Business,” labeled as (4) in the diagram, includes the clinical testing business of LSI Medience and the contract research organization (CRO) business. These two businesses have relatively high fixed cost structures. While considering a wide range of options, including external collaborations and leveraging capital, we are taking proactive steps to improve profitability. This involves reviewing all aspects of both businesses, including cost reductions and price negotiations, as well as efforts to restructure our sales processes. Through these improvement initiatives, we aim to enhance profit margins and contribute to the overall profitability of PHC Group.

Regarding ROIC, we are progressing with its rollout across PHC Group, including the development of management frameworks and processes. While internal responses to its adoption have varied, the introduction of ROIC sets a clear standard to heighten awareness of capital costs, establish a common standard across PHC Group, and assess and improve investment efficiency. Even businesses currently classified as “Nurture Businesses” may be reclassified as “Restructuring Business” if they do not achieve sufficient growth relative to market expansion or if their investment efficiency does not increase quickly enough. Conversely, if a business grows and its investment efficiency exceeds expectations, it may receive additional investment. This system is being implemented across PHC Group. Additionally, focus on working capital has been growing as part of efforts to enhance ROIC. By prioritizing cash flow, increasing focus on the balance sheet, and improving ROIC, we will continue to advance and refine these initiatives within each business.

*1  On September 4, 2025, PHC Holdings Corporation and its subsidiary Ascensia Diabetes Care announced that Ascensia has signed a memorandum of understanding to transfer the commercial operations for Eversense® Continuous Glucose Monitoring (CGM) systems to Eversense maker Senseonics Holdings, Inc. The companies are targeting to unite Eversense R&D, manufacturing, and commercial activities within Senseonics beginning January 1, 2026, subject to a definitive agreement. <https://ssl4.eir-parts.net/doc/6523/tdnet/2684179/00.pdf>

5. Improving Financial Stability

During the current VCP period, our policy is to prioritize strengthening PHC Group’s financial foundation to establish a system that allows for stable increases in shareholder returns along with business growth in the next VCP.



This figure presents capital allocations during the period of the Value Creation Plan 2027, where we are prioritizing the strengthening of our financial structure.

With a high ratio of interest-bearing debt repayments to operating cash flow, and high leverage, we believe we have incorporated financial risk into the cost of capital. To improve this, we will prioritize these repayments during the current VCP period, reduce the cost of capital by stabilizing our financial foundation, build a flexible investment structure, and use that structure to achieve growth in the next VCP.

In terms of shareholder returns, our dividend forecast for the current fiscal year is that same as for last fiscal year. While we aim to keep dividends stable as much as possible, our final decision is based on our basic policy of prioritizing the strength of our financial foundation.

6. Financial Targets

		Fiscal Year 2027 Targets
Profitability	Revenue growth rate (YoY)	4 - 5%
	Operating profit margin	8 - 10%
	EPS	Two times fiscal year 2024 or higher
Efficiency	ROE	10% or more
	ROIC	8% or more

After announcing our financial targets in the current VCP, some investors and analysts commented that the numbers seemed aggressive. This may have been due to the fact that we announced the VCP in November 2024, and the targets might have seemed aggressive compared to fiscal year 2023. However, our operating profit margin of 6.2% in fiscal year 2024 meant that the gap between existing and target numbers was smaller than fiscal year 2023. While we have work to do to achieve our target ROIC of 3.8%, we took the cost of capital into account when setting this target. Despite some challenges, we believe this target is achievable if we properly implement the VCP measures explained above.

7. Conclusion

When I was appointed as CFO in July 2024, I explained my policy of focusing on cash flows. The reason is that focusing on cash flows leads to more attention and improvements in areas like terms of payment, inventory levels, and production. I believe that focusing on cash flows and ROIC will create discipline that leads to increased levels of cash and enhanced corporate value.

Before becoming CFO, I led investor relations for PHC Group, and during my meetings with investors I observed a high sensitivity to risk and uncertainty. From the perspective of those investors, any uncertainty or lack of clarity in a business can lead to an increased cost of capital. Without clarifying important business points, providing easy-to-understand communication around business stability and market growth potential, and increasing trust, investors may lose interest. We have addressed this need for information in our VCP. For instance, we present our business portfolio in four quadrants based on ROIC, and our forecast for a sales decline in the BGM business.

I consider my role as ensuring that everyone in the company knows how the capital market rates us, to set challenges and lead efforts to address them, and to explain progress of those improvements to investors in an easy-to-understand way. I hope to create a virtuous cycle of improvement leading to better business performance, and better business performance leading to higher stock prices.

From our listing on the Tokyo Stock Exchange in 2021 through fiscal year 2023, we experienced losses that have not produced the results we seek for shareholders and investors.

However, after a change of management structure including a new CEO in fiscal year 2024 and the announcement of our VCP last November, we were able to end the year in profit. We will strive to enhance our corporate value going forward by continuing this positive momentum and steadily implementing the measures established in the current VCP. We will do our best to meet and exceed the expectations of our shareholders. Thank you as always for your continued support.



Message from CHRO

Building an Organization That Encourages Personal Growth and Empowering Talent for the Future of Healthcare

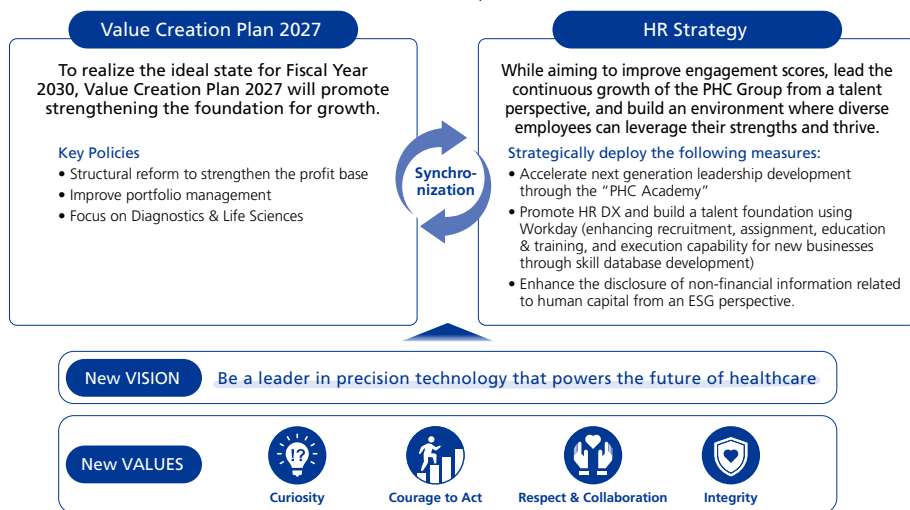
Ryuichi Hirashima

Senior Executive Corporate Officer,
Chief Administrative Officer (CAO),
Chief Human Resources Officer (CHRO),
Chief Transformation Officer (CTO),
PHC Holdings Corporation



1. Human Capital Strategy: A Growth Strategy Aligning Management and HR

Based on the new vision and values, we will synchronize business and HR strategies to promote initiatives that enhance corporate value.



The growth of every employee is vital for the growth of PHC Group. With our Value Creation Plan (VCP) 2027 and newly defined Vision and Values as our foundation, PHC Group is aligning our human resource (HR) strategy with our management strategy. By leveraging the synergy between these two strategies, we seek to achieve our business objectives, enhance employee engagement, and increase our corporate value. As part of the VCP, our HR strategy focuses on fostering an environment that unlocks the full potential of our employees' many talents.

2. Specific Initiatives Driving Our Human Resources Strategy

As part of our HR strategy, PHC Group is committed to driving sustainable growth through a focus on improving employee engagement. The primary objective of this strategy is to create a workplace where employees can harness their unique strengths and perform at their best. To accomplish this, we have prioritized three key initiatives: 1) Developing opportunities for employees to enhance their skills and capabilities; 2) Advancing HR digital transformation (HRDX) to optimize HR operations; and 3) Inspiring a stronger sense of connection to PHC Group and our future success. Through these HR initiatives, we are striving to achieve further growth.

Opportunities for Development

PHC Group focuses on nurturing the next generation of leaders who will shape the future of our company, while fostering a corporate culture where all employees proactively engage in continuous learning. This dual approach—supporting both personal growth and organizational development—aims to strengthen our company's capabilities and enable every employee to feel fulfilled and empowered.

• PHC Academy: Developing Next-Generation Leaders

PHC Academy, launched in 2024, is dedicated to developing current employees into leaders who will take on key management roles within PHC Group. This initiative offers comprehensive training programs across two tiers: "Potential Successor Candidates" for senior management and "Next Generation" for future leaders. In the first class of participants, 20 nominees from around the world embarked on a year-and-a-half journey of continuous executive development opportunities designed to promote sustainable organizational management. Designed to align with the VCP and new Vision and Values, the program not only helps participants acquire knowledge but also develop their leadership mindset and capacity to drive transformation, while creating a peer network of leaders across PHC Group.

This summer, PHC Academy participants visited OMRON Corporation to receive a lecture on that company's management philosophy from Mr. Kiichiro Miyata, OMRON's Representative Director, Executive Vice President, and CTO. Additionally, the group heard a presentation from Ms. Ayumi Okada, President and CEO of OMRON Healthcare Co., Ltd., on the journey and future vision of the company.

This initiative seeks to go beyond internal discussions, engaging in proactive learning from peer



Message from CHRO

companies on topics including embedding corporate vision, launching new businesses, and developing growth strategies. In addition to traditional MBA-style courses that support critical and analytical thinking, the curriculum emphasizes liberal arts subjects, including art, culture, and history, to inspire creativity and insight. Through lectures by external experts such as consultant Shu Yamaguchi, participants are encouraged to deepen their understanding of many fields, sharpening their wisdom and vision as future business leaders.



• Group-wide Training: Building an Organization Committed to Continuous Learning

At PHC Group, our group-wide training program ensures that all employees, regardless of level or location, have opportunities to enhance their skills. Building a corporate culture where employees take initiative to learn beyond their current roles and acquire new skills is vital for driving future growth. Fostering a culture of autonomous learning and personal growth helps our organization to grow stronger and more resilient.

Specific initiatives include “Leadership Training” for managers and leaders across PHC Group. In this training, employees learn to improve their management skills, coach team members, conduct evaluations, and understand labor affairs to ensure they can apply these skills in practice. Additionally, a unified global HR platform helps to provide employees with essential knowledge and skills, while an external learning platform enables self-paced, personalized learning tailored to individual needs.

Advancing HR Digital Transformation to Ensure Equal Opportunities

PHC Group is committed to a corporate culture that provides fair opportunities for all employees. Our global HR system allows us to consolidate and manage information on employee skills and work experiences. This system includes a database of employee-provided information, which we refer to along with other performance data when making decisions on transfers, placements, and promotions. It helps ensure that personnel decisions are backed by diverse data sources. This global HR system is one way that PHC Group strengthens our culture of equitable HR practices and respect for individual

contributions.

In our HRDX initiatives, we focus on leveraging technology for practical results. For example, we conduct online employee engagement surveys throughout the year, and data about responses and trends are managed centrally. Practical online training programs empower employees to use digital systems for their career development. Improving usability and functionality remains a key priority to ensure that all employees can access and benefit from the system.

Improvement of Employee Engagement

• Creating Conditions for Job Satisfaction

Creating a workplace where employees feel secure and motivated to take on challenges is a key priority for PHC Group. We are committed to fostering an environment where employees feel safe sharing ideas and challenges with their peers, teams, and leaders. One way we support this culture of sharing is by creating opportunities for direct communication between employees and leadership.

Our PHC Group President/CEO Kyoko Deguchi regularly engages with employees around the world through monthly town hall meetings and more than 50 in-person roundtable discussion sessions annually. Employees have expressed appreciation for these opportunities to have direct conversations with the CEO, saying, “It was very beneficial to talk directly with the CEO and hear her thoughts in person,” and “I felt glad to be encouraged directly by the CEO,” highlighting the value of open, direct dialogue.

The results of the 2024 Engagement Survey revealed that employees have found it challenging to feel a sense of personal growth over the past few years. This was influenced, in part, by circumstances such as the temporary stagnation of our business performance and delays in the release of new products. Since the growth of the company and individual growth are often seen as interconnected, this has naturally affected employee engagement. However, the most recent Engagement Survey showed an improvement in scores, highlighting how the recovery in business performance has significantly contributed to enhancing employees’ sense of security and engagement. Achieving tangible business results not only helps to alleviate employees’ concerns but also fosters an environment where they can approach their work with greater confidence. We firmly believe that by continuously strengthening our business, we can further enhance employee engagement and drive the growth of both individuals and the organization as a whole.

At the PHC Group Hibiya Office in Tokyo, which houses the corporate functions of PHC Holdings Corporation and some of PHC Corporation, we are focused on initiatives to improve employee engagement and collaboration. Through simple policies like not assigning desks, employees naturally interact more with colleagues from other departments, fostering casual communication in a shared space. Since moving to this office in April 2024, collaboration across departments has significantly improved. We prioritized building a physical workspace that encourages collaboration while also facilitating pause and reflection, where even the beautiful view of Hibiya Park in Tokyo can spark inspiration.



Message from CHRO

• Advancing the Disclosure of Non-Financial HR Information

As a company listed on the Prime Market of the Tokyo Stock Exchange (TSE), PHC Group is committed to fulfilling the TSE's call for enhanced disclosure practices. While financial information has traditionally been the focus, there is increasing demand from the TSE, shareholders, and investors for greater transparency in non-financial information. This Integrated Report exemplifies that trend, and PHC Group places particular importance on disclosing non-financial organizational insights, including HR initiatives to build company culture. These efforts reflect our commitment to greater transparency and accountability about our overall business practices.

• Driving Both Unity and Respect for Diversity as “One PHC”

Under the leadership of President/CEO Kyoko Deguchi, the “One PHC” mindset has guided our efforts to enhance group-wide unity. This concept reminds all PHC Group employees that no matter where we live or which company we are part of, we all belong to a global team with a shared mission and common goals. Supporting this mindset by building open, collaborative work relationships is an expectation that starts with our senior leaders.

Initiatives such as PHC Academy are an example of this unity. For example, in December 2024, academy participants from each business unit gathered in Australia—away from our primary business hubs like Japan, the United States, and Switzerland—for lively discussions with colleagues with whom they rarely interact. Many participants found these exchanges with team members from diverse backgrounds highly beneficial, and the initiative significantly contributed to fostering the “One PHC” mindset.

At the same time, we appreciate that regional, cultural, and individual diversity adds value to all levels of our business. Consequently, our view is not to be overly concerned with standardizing all aspects of HR management for every business, but to offer opportunities for employees to share both what unites them and makes them unique.

The journey of becoming “One PHC” begins with managers deeply understanding the concept and collaborating with each other. As this mindset takes root, I believe it lays the foundation for a unified, cohesive, and stronger PHC Group.

3. Future Outlook

Building a Corporate Culture of Individual Respect and Equal Opportunities

Over the years, our group has expanded its business through multiple acquisitions. Throughout this process, we have fostered a corporate culture that prioritizes respect for individuals and equal opportunities, regardless of whether employees come from the acquiring or acquired side of the business.

Regardless of their origins—whether from Matsushita Kotobuki Electronics, the foundation of our company, or from acquired businesses—talented and motivated individuals have taken on leadership roles across our group. For example, the head of the Ascensia business, acquired from Bayer AG in Germany, was previously appointed as our CEO.

This example clearly demonstrates our belief that opportunities for growth are open to everyone, regardless of their company of origin, nationality, age, or gender, as long as they possess ability and drive. While not every employee aspires to become CEO, we take great pride in cultivating an environment where no one is limited, and every individual can maximize their potential.



A Culture of Co-Creation Fostered by Independence

Our decision to carve out from the Panasonic Group in 2014 and establish ourselves as an independent healthcare-focused company was rooted in our own vision for growth. In the healthcare industry, where markets are often highly specialized and segmented, achieving stable revenue through domestic operations alone can be challenging. This has driven both Japanese and international companies to prioritize global business expansion as a key strategy for long-term success.

For our company, thriving globally means fostering a culture that values diversity, collaboration, and adaptability. We are committed to breaking down silos and encouraging employees to work across departments and regions, leveraging their unique perspectives to co-create solutions. By actively engaging with colleagues, supporting one another, and sharing insights, we believe we can maximize organizational performance and maintain a competitive edge. As a group that has grown through M&A, we also recognize the importance of staying attuned to industry trends and evolving to meet global market demands. We believe that maintaining a broad perspective and evolving as an organization capable of adapting to change are essential to thriving as a global company.



Message from CHRO

Advancing Equal Opportunities

At PHC Group, we seek to create a society where individuals can fully realize their potential regardless of gender. In our global ESG strategy, we have defined specific KPIs for key social topics including gender diversity and are committed to reporting on our progress with transparency. Increasing the representation of female managers is recognized as a key management priority. Currently, the average percentage of female managers across PHC Group is near 20%, with the intention to raise this figure to approximately 30% in the future.

Globally, some PHC Group companies outside Japan have already achieved a percentage of female managers of around 40%, with women representing nearly half of management roles. However, achieving this target across PHC Group remains a priority.

We believe that an ideal society is one in which people can maximize their capabilities regardless of gender.

We recognize that a variety of perspectives are essential in our business operations, from product development to customer service.

Looking Ahead

The growth of each employee fuels the growth of our entire company, and investing in human resources is essential to organizational growth. PHC Group is dedicated to cultivating a corporate culture where employees at any level or in any field can take on new challenges and unlock their true potential. By creating an environment of mutual respect, support, and collaborative growth, PHC Group aims to provide workplaces where employees feel proud of their work and thrive with energy and purpose.

Guided by our unwavering mission statement—"We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people"—we will continue to take on challenges and strive for progress in precision technology for healthcare. We look forward to building a healthier society together.

4. Striving to Be a Group of Company That Inspires Employee Growth and Pride

Enhancing Talent and Organizational Capabilities to Drive Sustainable Growth

My vision for our company is to be a group of companies where employees are not only competitive professionals who can excel anywhere, but also individuals who choose to work with us because they find pride and purpose in what they do. I seek to create an environment where talented individuals, capable of thriving in any organization, feel a strong sense of fulfillment and motivation to continue contributing to PHC Group.

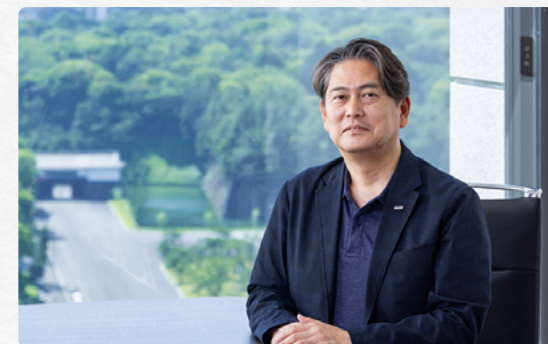
To achieve this, we aim to create an environment where employees are encouraged to embrace meaningful challenges and put in effort, while also incorporating "science into HR" to ensure their hard work translates into tangible results and a strong sense of accomplishment. We are confident that by fostering a

workplace where a supportive work environment and a sense of purpose coexist, we can enhance employee engagement and ultimately improve the overall performance of our group.

Final Thoughts

We envision PHC Group as a company where every employee feels proud to be part of the team—a workplace filled with curiosity and courage, where employees look forward to each new day with anticipation. We also aspire for PHC Group to be known as a fair, transparent, and ethical organization that employees are proud to share with their families and friends.

Creating an environment where employees can experience personal growth is a top priority for us. From the moment they join, employees are encouraged to take on unfamiliar tasks, overcome obstacles, and develop new skills that expand their potential along the way. Our ultimate goal is to align personal growth with PHC Group's growth, creating a mutually supportive and beneficial relationship. We strongly believe that when employees see their own potential for growth, their motivation and contributions grow in parallel, propelling the organization toward greater success and a brighter future.





Sustainability Strategy (Value Creation Plan 2027)

PHC Group aims to achieve sustainable growth and enhance corporate value over the long term by comprehensively advancing its management strategy, human capital strategy, and ESG strategy. Based on PHC Group's ESG materiality topics, we have established key performance indicators (KPIs) and other indicators toward fiscal year 2030, and implemented concrete initiatives, including reduction of greenhouse gas (GHG) emissions and achievement of Science Based Targets (SBT) initiative validation.

In the Value Creation Plan 2027 period, we are focused on building foundations in the ESG field, such as the development of a system for collection and disclosure of ESG data and the reinforcement of risk controls, while steadily addressing social issues including climate change risks and advancing initiatives for human rights due diligence. Through these initiatives, we seek to reduce business risks and enhance our competitiveness in an effort to support a sustainable future and create corporate value.

 Materiality Topics, KPIs, Targets and Progress

- Fiscal Year 2024		Fiscal Years 2025-2027	Vision
Governance		ESG Compliance Management and Strategic Promotion • CSRD compliance (comprehensive response and disclosure on environment, society, and governance) • Establish a system for collecting non-financial information and developing assurance processes	
Environment		Foundation Building and Execution Toward Achieving SBT Near-term Targets • Reduction of Scope 1, 2, and 3 emissions • Preparation for addressing biodiversity (TNFD)	
Social	Human Rights	Implementation of Human Rights Due Diligence • Human rights risk assessment and countermeasures	
	Supply Chain	Building a Sustainable Supply Chain • Strengthening supply chain engagement	