



Healthcare with Precision

9th Annual General Meeting of Shareholders Convocation notice

◆ Date and time

10:00 am, June 29 (Wednesday), 2022

(Reception starts at 9:30 am)

◆ Venue

**2nd-floor Hall at Bellesalle Shiodome
Sumitomo Realty & Development
Shiodome Hamarikyu Building**

8-21-1, Ginza, Chuo-ku, Tokyo

◆ Agenda items to be resolved

Agenda item No. 1 Distribution of surplus

Agenda item No. 2 Partial amendment of Articles of Incorporation

Agenda item No. 3 Election of 8 Directors

Agenda item No. 4 Election of 1 Corporate Auditor

Agenda item No. 5 Payment of retirement allowance to retired Director

Agenda item No. 6 Decision of the amount of remuneration, etc.
regarding Share acquisition rights as Stock
Options for Independent Outside Directors and the
detailed contents



PHC Holdings Corporation

Securities code 6523

Notice of Convocation of the 9th Annual General Meeting of Shareholders

We would like to express our sincere gratitude for your continued support.

We are pleased to inform you that we will hold the 9th Annual General Meeting of Shareholders of the Company as follows.

If you do not wish to attend the meeting on the day, you can exercise your voting rights in writing or via the Internet, etc. as described in the "Information on Exercise of Voting Rights" below. Therefore, please exercise your voting rights upon referring to the reference documents for the General Meeting of Shareholders later described.

Best regards

Notice

1 Date and time	10:00 am (Reception starts at 9:30 am), June 29 (Wednesday), 2022				
2 Venue	“2nd-Floor Hall at Bellesalle Shiodome” Sumitomo Realty & Development Shiodome Hamarikyū Building 8-21-1, Ginza, Chuo-ku, Tokyo (Please refer to the “Guide map for the venue of the Annual General Meeting of Shareholders” at the end.)				
3 Objectives	<table><tr><td>Items to be reported</td><td><ol style="list-style-type: none">To report on the contents of the Business Report and the Consolidated Financial Statements for the 9th fiscal year (April 1, 2021 to March 31, 2022) and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate AuditorsTo report on the contents of the financial statements for the 9th fiscal year (April 1, 2021 to March 31, 2022)</td></tr><tr><td>Items to be resolved</td><td>Agenda item No. 1 Distribution of surplus Agenda item No. 2 Partial amendment of Articles of Incorporation Agenda item No. 3 Election of 8 Directors Agenda item No. 4 Election of 1 Corporate Auditor Agenda item No. 5 Payment of retirement allowance to retired Director Agenda item No. 6 Decision of the amount of remuneration, etc. regarding Share acquisition rights as Stock Options for Independent Outside Directors and the detailed contents</td></tr></table>	Items to be reported	<ol style="list-style-type: none">To report on the contents of the Business Report and the Consolidated Financial Statements for the 9th fiscal year (April 1, 2021 to March 31, 2022) and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate AuditorsTo report on the contents of the financial statements for the 9th fiscal year (April 1, 2021 to March 31, 2022)	Items to be resolved	Agenda item No. 1 Distribution of surplus Agenda item No. 2 Partial amendment of Articles of Incorporation Agenda item No. 3 Election of 8 Directors Agenda item No. 4 Election of 1 Corporate Auditor Agenda item No. 5 Payment of retirement allowance to retired Director Agenda item No. 6 Decision of the amount of remuneration, etc. regarding Share acquisition rights as Stock Options for Independent Outside Directors and the detailed contents
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4 Information on Exercise of Voting Rights	Please refer to the “Information on Exercise of Voting Rights” described on page 3.				

- When attending the meeting on the day, please submit the enclosed voting rights exercise form to the reception desk. In addition, please bring this convocation notice of the General Meeting of Shareholders as agenda material.
- If any revisions are made to the reference documents for the General Meeting of Shareholders, business reports, non-consolidated financial statements and consolidated financial statements, the revised matters will be posted on the Company's website on the Internet.
- 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/global/-/media/phchd_g/privacy/Shareholders_Meeting.pdf
- Among the documents to be provided when notifying the convocation of the General Meeting of Shareholders, the following matters are posted on the Company's website on the Internet in accordance with the provisions of laws and regulations and Article 17 of the Articles of Incorporation. Hence it is not stated in the provided document. Therefore, the provided document of this convocation notice is a part of the documents audited by the Corporate Auditors or the Accounting Auditor when preparing the audit report.
 1. Consolidated statement of changes in equity and Notes to consolidated financial statements of Consolidated financial statements
 2. Statements of changes in equity and Notes to Non-consolidated financial statements of Non-consolidated financial statements

Web site of the Company (<https://www.phchd.com/global/ir/meeting>)

We will take the following measures to avoid the risk of infection with the new coronavirus at the General Meeting of Shareholders. We apologize for any inconvenience caused to you (shareholders) and appreciate your understanding and cooperation.




- (1) You can exercise your voting rights in writing (postal mail) or via the Internet until 5:30 pm on June 28, 2022, even if you do not come to the venue, so please use such measures.
- (2) Live streaming via the Internet will be provided. For the details of the live streaming, refer to the appendix "Information on Live streaming of the 9th Annual General Meeting of Shareholders by PHC Holdings Corporation".
- (3) Shareholders who visit the venue are kindly requested to check the infection status and their physical condition and take measures to prevent infection such as wearing a mask. In particular, elderly people, people with chronic illnesses, or those who are pregnant are kindly requested to carefully consider attendance.
- (4) Regarding the operation on the day, in order to prevent the spread of infection, we will put the safety of our shareholders first, and we will do the following. We appreciate your understanding and cooperation.
 - Souvenirs are not prepared.
 - Our operation staff will respond upon wearing a mask.
 - We would like to ask you (shareholders) to wear a mask and use alcohol disinfectant. We plan to measure the temperature with a thermometer at the reception. If a fever of 37.5 degrees or higher is confirmed, admission will be refused.
 - In order to reduce the risk of infection, the number of seats available at the venue will be limited by widening the space between seats. Therefore, we may refuse admission even if you visit us.
- (5) If there are major changes in the operation of the General Meeting of Shareholders due to future circumstances, we will inform you on our website (<https://www.phchd.com/global/ir/meeting>).

◆ Information on Exercise of Voting Rights

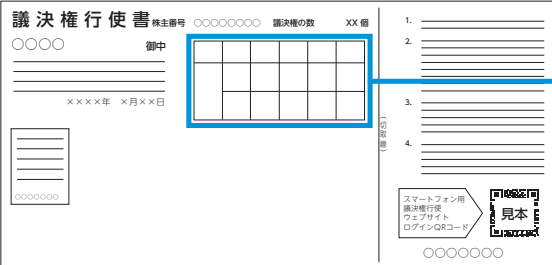
Voting rights in the General Meeting of Shareholders are important rights of shareholders.

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 as 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>Date/time 10:00 am, June 29 (Wednesday), 2022</p> <p>Venue “2nd-floor Hall at Bellesalle Shiodome” Sumitomo Realty & Development Shiodome Hamarikyu Building 8-21-1, Ginza, Chuo-ku, Tokyo</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>Exercise deadline The form shall arrive by 5:30 pm on June 28 (Tuesday), 2022</p>	 <p>Please enter your approval or disapproval for each agenda item following the instructions on page 4.</p> <p>Exercise deadline Input shall be completed by 5:30 pm on June 28 (Tuesday), 2022</p>

◆ How to fill in the Voting rights exercise form



Please indicate your approval or disapproval for the Agenda Item.

Agenda Items No. 1, 2, 4, 5, and 6

- 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.

* Voting rights exercise form is just a picture image.

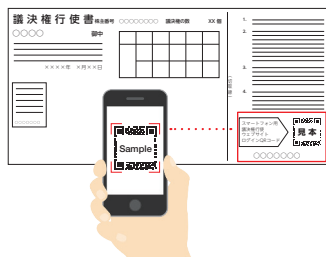
If a voting right is exercised both in writing (postal mail) and via the Internet etc., the one exercised via the Internet, etc. shall be treated as a valid exercise of voting rights. If a voting right is exercised more than once via the Internet etc., the last exercise of the voting right shall be treated as a valid exercise of the voting right.

❖ How to exercise your Voting rights via the Internet etc.

By reading the QR code “Smart Exercise”

You can log in to the Web site of Voting rights exercise without entering the Voting rights exercise code and password.

- 1 Read the QR code on the bottom right of the Voting rights exercise form.



* “QR Code” is a registered trademark of Denso Wave Incorporated.

- 2 Enter your approval/disapproval following the guide on the screen.



You can exercise your voting rights only once with “Smart Exercise”.

If you want to change the exercise details after exercising your voting rights, please access the voting rights exercise website on the upper right and enter the “Voting rights exercise code” and “password” on the voting rights exercise form to log in, and please exercise your voting rights again.

* If you read the QR code again, you can move to the site for PC.

If you are uncertain about how to operate your computer or smartphone when exercising your voting rights via the Internet etc., please contact us by phone as shown on the right.

Sumitomo Mitsui Trust Bank, Securities Agency Web Support Dedicated Dial

Phone No.: **0120-652-031** (toll free)

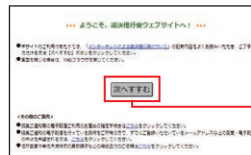
(Reception time: 9:00 to 21:00)

By entering the Voting rights exercise code and password

Web site of Voting
rights exercise

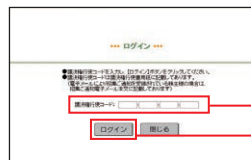
<https://www.web54.net>

- 1 Access the Voting rights exercise web site.



Click “Next”

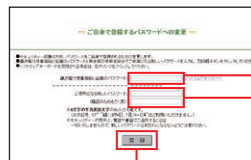
- 2 Enter “Voting rights exercise code” written on the Voting rights exercise form.



Enter “Voting rights
exercise code”.

Click “Login”

- 3 Enter “Password” written on the Voting rights exercise form.



Enter “password”.

Set a new password
you actually use.

Click “Register”.

- 4 Enter your approval/disapproval following the guide on the screen.

* The screen is just a picture image.

Institutional investors can use the electronic voting platform for institutional investors operated by ICJ Co, Inc.

◆ Reference documents for the General Meeting of Shareholders

Agenda item No. 1 ◆ Distribution of surplus

We would like to distribute the surplus as follows:

1. Matters concerning year-end dividends

The Group of the Company recognizes maximizing shareholder profits as one of its important management goals. Regarding profit distribution, the Company adopts a basic policy of maintaining stable dividends while balancing internal reserves and repayment of borrowings. Meanwhile the Company intends to maintain a consolidated dividend payout ratio of more than 30% in principle with the target in mid-term 40% of cash based net income, which is the net income attributable to owners of the parent company less non-cash items such as amortization of intangible assets related to M&A, unrealized gains/losses in minority investments, etc.

Types of dividend property	Money
Matters concerning the allocation of dividend property and its total amount	38 yen per share of common stock of the Company Total dividend: 4,709,427,438 yen
The date when the dividend of surplus becomes effective	June 30, 2022



Partial amendment of Articles of Incorporation

1. Reason for proposal

In accordance with the enforcement on September 1, 2022 of the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provision of the “Law Partially Amending the Companies Act” (Law No. 70 of the year 2019), a system of electronic provision of materials for shareholders’ meetings will be introduced, and we propose to amend our Articles of Incorporation as follows:

1. Paragraph 1 of Article 17 (Electronic provision measures, etc.) of the Proposed Amendment shall be newly established, as the Articles of Incorporation are required to provide that the Company shall take measures for electronic provision of information that is the content of reference documents, etc. for the General Meeting of Shareholders.
2. Article 17, Paragraph 2 of the Proposed Amendment shall be newly established to allow the Company to limit the scope of matters to be included in the document to be delivered to shareholders who have requested delivery of the document to the scope specified by the applicable Ordinance of the Ministry of Justice, among the matters for which electronic provision measures are taken for information that is the content of reference documents, etc. for the General Meeting of Shareholders.
3. If the system of electronic provision of materials for General Meeting of Shareholders is introduced, the provision of Article 17 (Internet disclosure and deemed provision of reference documents for shareholders’ meetings) of the current Articles of Incorporation will be deleted as it will no longer be necessary.
4. Supplementary provisions shall be established regarding the effect of the above new and deleted provisions. These Supplementary Provisions shall be deleted after the expiration date.

2. Contents of change

The changes are as follows:

(Underlined part is the changed part)

Current Articles of Incorporation
<u>(Internet disclosure and deemed provision of reference documents for General Meeting of Shareholders)</u>
<u>Article 17 The Company may, upon convocation of General Meeting of Shareholders, deem that it has provided information pertaining to matters to be stated or indicated in the reference documents for General Meeting of Shareholders, business reports, financial statements and consolidated financial statements to the shareholders by disclosing such information by means of the Internet in accordance with the applicable Ordinance of the Ministry of Justice.</u>

Proposed change
(Deleted)

Current Articles of Incorporation
(New)
(New)
(New)
(New)

Proposed change
<p><u>(Electronic provision measures, etc.)</u> <u>Article 17 The Company shall, upon convocation of general meeting of shareholders, take electronic provision measures regarding the information that is the contents of the reference documents for general meeting of shareholders, etc.</u></p> <p><u>2 The Company is allowed not to write all or part of the items stipulated by Ordinance of the Ministry of Justice among the items electronically provided, in the documents delivered to the shareholders requesting written delivery by the Record Date of the voting right.</u></p> <p><u>Chapter 8 Supplementary provisions</u> <u>(Transitional measures regarding electronic provision of reference documents for General Meetings of Shareholders)</u> <u>The deletion of Article 17 of the Articles of Incorporation (provided for disclosing the reference documents for the general meeting of shareholders on the Internet) before revision and the new establishment of Article 17 after revision (measures for electronic provision, etc.) shall come into effect from September 1, 2022, the date of enforcement of the amendment provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No.70 of 2019 or the 1st Year of Reiwa) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>2 Notwithstanding the provisions of the preceding paragraph, Article 17 of the Articles of Incorporation before revision shall still be effective for a general meeting of shareholders whose date is within six months from the Date of Enforcement.</u></p> <p><u>3 This Supplementary Provision shall be deleted after the later day of the two days when 6 months have passed since the Date of Enforcement or the day when 3 months have passed since the general meeting of shareholders set forth in the preceding paragraph.</u></p>

Agenda item No. 3 Election of 8 Directors

Office term of all eight Directors will expire at the end of this Annual General Meeting of Shareholders, so we request the election of eight Directors.

The candidates for directors are as follows.

Candidate number	Name	Position			
1	Shoji Miyazaki	Representative Director, President and CEO	Reappointment		
2	Koichiro Sato	Director	Reappointment		
3	Hirofumi Hirano	Director	Reappointment	Outside	
4	Eiji Yatagawa	Director	New appointment	Outside	
5	Sen Sakaguchi	Director	New appointment	Outside	
6	Kyoko Deguchi	Director	Reappointment	Outside	Independent
7	Ivan Tornos	Director	Reappointment	Outside	Independent
8	David Sneider	Director	New appointment	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 have legal requirements, have 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 the 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 such as business management and law.

The Nomination/Remuneration Committee will consider the nomination of candidates for Directors and Corporate Auditors, and then the Board of Directors makes the decision.

The Nomination/Remuneration Committee, which has been consulted by the Board of Directors, reports candidates, and after a resolution of recommendation by the Board of Directors based on the report, they are appointed by a resolution of the General Meeting of Shareholders.



Reappointment

Number of shares of the Company held **23,198** shares

Attendance status of Board of Directors **22/22** times

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.
- April 2015 Director, Associate Senior Corporate Officer and General Manager of Diagnostics Business Division, Panasonic Healthcare Co., Ltd.
- June 2018 Associate Senior Corporate Officer, PHC Holdings Corporation, (concurrent assignment as) President, PHC Corporation
- June 2018 Director, PT PHC Indonesia (incumbent)
- April 2019 Executive Vice President COO, PHC Holdings Corporation (concurrent assignment as) President, PHC Corporation
- April 2020 Executive Vice President COO, PHC Holdings Corporation (concurrent assignment as) Director, PHC Corporation (concurrent assignment as) Director, LSI Medience Corporation
- April 2022 Executive President CEO, PHC Holdings Corporation (concurrent assignment as) Director, PHC Corporation (concurrent assignment as) Director, LSI Medience Corporation (incumbent)

Status of Important concurrent positions

- Director, PHC Corporation
- Director, LSI Medience Corporation
- Director, PT PHC Indonesia

Reasons for being a candidate for director

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

In addition, he has a wealth of knowledge and experience not only in management but also in product development, manufacturing, and sales. Hence we have nominated him as a candidate for Director we judge that he will be able to lead the management activities of the Group in the future.



Reappointment

Number of shares of the Company held 0 shares

Attendance status of Board of Directors 22/22 times

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 Planning, Secondment to Novus International, Inc. (in USA)
- June 2011 Assistant of 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 (incumbent)
- April 2017 General Manager, Healthcare Business 3rd Department, Healthcare Business Division, MITSUI & CO., LTD.
- April 2018 Director, DaVita Care Pte.Ltd,
- June 2019 Director, MBK Healthcare China Inc.
- September 2019 Director, CMH Healthcare Holding Co., Limited
- September 2019 Director, CMH Healthcare Investment Co., Ltd.
- April 2021 General Manager of Asia Business, Healthcare Business Division, MITSUI & CO., LTD.
- June 2021 Chief Executive Officer, Secondment to Hong Kong Branch, MBK HEALTHCARE MANAGEMENT PTE. LTD.

◆ Status of Important concurrent positions —

Reasons for being a candidate for director

Mr. Koichiro Sato has experiences as CEO of MBK HEALTHCARE MANAGEMENT PTE. LTD. (Hong Kong Branch), General Manager, Healthcare Business 3rd Department, Healthcare Business Division, MITSUI & CO., LTD. and General Manager of Asia Business of the same. He has a wide range of knowledge and experience in the healthcare industry in general.

Therefore, we have nominated him as a candidate for Director as we judge that he will be able to contribute to the further business growth of the Group of the Company by strong leadership in the management and supervision of the Company.



Candidate number

3

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

Reappointment

Outside

Number of shares of the Company held

0 shares

Attendance status of Board of Directors

22/22 times

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 for Asia, AlixPartners Asia LLC
- April 2013 Chief Executive Officer, KKR Japan Ltd.
- August 2013 Outside Director, Orion Investment Co., Ltd. (incumbent) (Currently: PHC Holdings Corporation)
- March 2015 Director, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
- May 2017 Director, 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)

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

Status of Important concurrent positions

Reasons for being a candidate for outside director and expected role

We have nominated Mr. Hirofumi Hirano as a candidate for Outside Director as we judge that 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.



New appointment

Outside

Number of shares of the Company held 0 shares

Attendance status of Board of Directors — times

Candidate number



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

Career summary, position and responsibility in the Company

- April 2002 Goldman Sachs & Co.'s investment
August 2006 KKR Japan Ltd. (incumbent)
August 2013 Outside Director, Orion Investment Co., Ltd. (Currently: PHC Holdings Corporation)
March 2015 Outside Director, Board, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
June 2015 Director, Transphorm Inc. (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 Aizu Inc.
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)
March 2020 Resigned from the Outside Director of Magneti Marelli CK Holdings Co., Ltd. (Currently: Marelli Holdings Co., Ltd.)
December 2020 Director, GANOVATION, PTE. LTD. (incumbent)
March 2021 Director, Seiyu Holdings Co., Ltd. (incumbent)
April 2021 Director, NETSTARS Co., Ltd. (incumbent)
June 2021 Resigned from the Outside Director of PHC Holdings Corporation
March 2022 Outside Director, Yayoi Co., Ltd. (incumbent)
March 2022 Director, Altoa, Inc. (incumbent)

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

Status of Important concurrent positions

Reasons for being a candidate for outside director and expected role

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



New appointment

Outside

Number of shares of the Company held 0 shares

Attendance status of Board of Directors — times

Candidate number



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

Career summary, position and responsibility in the Company

- April 1992 Joined 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. (incumbent)
April 2021 Director, HOKENDOHJINSHA Inc. (incumbent)
April 2022 Director, HUMAN ASSOCIATES HOLDINGS, Inc. (incumbent)
April 2022 Director, Raxi co., Ltd. (incumbent)
April 2022 Director, MBK Wellness Holdings & Co., Ltd. (incumbent)

General Manager, Wellness Business Division, MITSUI & CO., LTD.
Director, HOKENDOHJINSHA Inc.
Director, HUMAN ASSOCIATES HOLDINGS, Inc.
Director, Raxi co., Ltd.
Director, MBK Wellness Holdings & Co., Ltd.

Status of Important concurrent positions

Reasons for being a candidate for outside director and expected role

Mr. Sen Sakaguchi has experiences as General Managers of Strategic Planning Dept., Pharmaceutical Business Division, Wellness Business Division of Healthcare & Service Business Unit of Mitsui & Co., Ltd., and has a wide range of knowledge and experience in the entire healthcare industry. Therefore we have nominated him as a candidate for Outside Director as we judge that he is expected to give appropriate advice and supervision to the management of the Company.



Reappointment

Outside

Independent

Number of shares of the Company held 0 shares

Attendance status of Board of Directors 19/19 times

Candidate number



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

Career summary, position and responsibility in the Company

Table with 2 columns: Date and Position/Responsibility. Rows include roles at Bain & Company, Disney Store Japan Ltd., GE Plastics, Janssen Pharmaceuticals, Stryker, AbbVie, and Nippon Ski Resort Development.

Professor, Kenichi Ohmae Graduate School of Business
Outside Director, T-Gaia Corporation
Outside Director, NHK Technologies, Inc.
Outside Director, Heartseed Inc.

Status of Important concurrent positions

Reasons for being a candidate for outside director and expected role

Ms. Kyoko Deguchi has experience as an accounting/finance manager and a marketing department manager, and has extensive experience as an outside director at multiple companies.



Candidate number



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

Reappointment

Outside

Independent

Number of shares of the Company held **0** shares

Attendance status of Board of Directors **13/13** times

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)

Status of Important concurrent positions Zimmer Biomet Group, Chief Operating Officer

Reasons for being a candidate for outside director and expected role

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



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 (incumbent)

◆ **Status of Important concurrent positions** Partner, Simpson Thacher & Bartlett LLP

Reasons for being a candidate for outside director and expected role

As a lawyer, Mr. David Sneider is also familiar with global M&A and capital market transactions, including Japan, and has been advising Japanese and multinational companies for many years. We have nominated him as a candidate for Independent Outside Director as we judge that he is expected to give appropriate advice and supervision to the management of the Company by utilizing such knowledge and experience.

New appointment

Outside

Independent

Number of
shares of the
Company held **0** shares

Attendance
status of Board
of Directors **—** times

Notes:

1. There is no special interest between Ms. Kyoko Deguchi, Mr. Ivan Tornos, and Mr. David Sneider and the Company.
2. Mr. Hirofumi Hirano, Mr. Eiji Yatagawa, Mr. Sen Sakaguchi and Ms. Kyoko Deguchi, Mr. Ivan Tornos, and Mr. David Sneider are outside directors.
3. Based on the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts with all outside directors and outside corporate auditors to limit liability for damages under Article 423, Paragraph 1 of the same Act. When an outside director or an outside corporate auditor is elected, the Company will make the same contract with the person. The maximum amount of damages based on the contract shall be the amount stipulated by law if there is no good faith and gross negligence in the performance of the duties caused by the outside director or outside corporate auditor.
4. The Company has concluded a liability insurance contract for officers, etc. as stipulated in Article 430-3, Paragraph 1 of the Companies Act with the insurance company. The scope of the insured of the insurance contract is employees in the positions of directors, executive officers, corporate auditors, corporate officers, accounting advisors, managers and supervisors of all companies and subsidiaries under the Companies Act that directly or indirectly invest more than 50%. The insured does not pay any insurance premiums. If the insured person is claimed for damages due to his/her business activities as a company officer under the contract, the damages will be compensated up to 1.5 billion yen. However, in order not to impair the appropriateness of the insured's execution of duties, damages caused by intentional or gross negligence will not be covered.
5. The Company has submitted that Ms. Kyoko Deguchi, and Mr. Ivan Tornos are independent directors based on the provisions of the Tokyo Stock Exchange. If they are reappointed, we will continue to make them independent directors. Also, Mr. David Sneider meets the requirements for an independent director based on the provisions of the Tokyo Stock Exchange, hence when he is elected, and we will submit that he is an independent director.

[Reference] Skill matrix of the Directors (Directors, Corporate Auditors) (As of the end of March, 2022)

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

Election of 1 Corporate Auditor

Corporate Auditor Noriaki Yamada will resign at the conclusion of this Annual General Meeting of Shareholders, so we request that one Corporate Auditor be elected as a substitute.

Mr. Tetsuo Kitagawa, who is a candidate for Corporate Auditor, is not to be elected as a substitute for the Corporate Auditor Noriaki Yamada. The term of office of Mr. Kitagawa will be until the conclusion of the annual meeting for shareholders related to the last fiscal year that will end within four years after the election.

Also, the consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidate for Corporate Auditor is as follows:



New appointment

Outside

Independent

Number of shares of the Company held 0 shares

Attendance status of Board of Directors — times

Attendance status of Board of Corporate Auditor — times

Tetsuo Kitagawa (Date of birth: August 17, 1961)

Career summary, position and responsibility in the Company

- September 1985 Joined Aoyama Audit Corporation
- March 1989 Received CPA license
- July 2002 Representative employee, Chuo-Aoyama Audit Corporation
- September 2006 Representative employee, Aarata Audit Corporation (Currently: PricewaterhouseCoopers Aarata LLC)
Group Leader of Pharmaceuticals, Chemicals and Industrial Products sector, Aarata Audit Corporation (Currently: PricewaterhouseCoopers Aarata LLC)
- July 2013 Group Leader of Risk Management and Compliance Division, Aarata Audit Corporation (Currently: PricewaterhouseCoopers Aarata LLC)
- August 2014 Vice chairperson of the Ethics Committee of the Japanese Institute of CPA.
- June 2016 Resigned from Arata Audit Corporation (Currently: PricewaterhouseCoopers Aarata LLC)
- July 2016 Representative of Tetsuo Kitagawa Certified Accountant Office (incumbent)
- June 2017 Outside Auditor, T-Gaia Corporation (incumbent)
- December 2017 Member of the Committee for CPA examination at the Financial Services Agency
- June 2019 Outside and Independent Director, Daio Paper Corporation

Status of Important concurrent positions

- Representative of Tetsuo Kitagawa Certified Accountant Office
- Outside Auditor, T-Gaia Corporation

Reasons for being a candidate for Corporate Auditor

For many years, Mr. Tetsuo Kitagawa worked for PwC Aarata Audit Corporation, mainly engaged in accounting audits in the manufacturing industry, and has a wealth of experiences in large and medium-sized listed companies, family-owned companies, foreign-affiliated companies, joint ventures, etc. He served as Vice chairperson of the Ethics Committee of the Japanese Institute of CPA for five years. He has also served as a member of the Committee for CPA examination at the Financial Services Agency for four years. He also has experience as an outside corporate auditor and an outside director of companies listed on the First Section of the Tokyo Stock Exchange. As an outside officer of these companies, he has utilized his expertise and experience as a certified accountant regarding improvement of the corporate governance system and internal control, introduction of capital cost management, and domestic and overseas M&A, and management of overseas businesses. We have nominated him as a candidate for corporate auditor as we judge that he will utilize his expertise and experience as a certified accountant similarly.

Notes:

1. There is no special interest between Mr. Tetsuo Kitagawa and the Company.
2. Mr. Tetsuo Kitagawa is an outside auditor.
3. Based on the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts with all outside directors and outside corporate auditors to limit liability for damages under Article 423, Paragraph 1 of the same Act. When an outside director or an outside corporate auditor is elected, the Company will make the same contract with the person. The maximum amount of damages based on the contract shall be the amount stipulated by law if there is no good faith and gross negligence in the performance of the duties caused by the outside director or outside corporate auditor.
4. The Company has concluded a liability insurance contract for officers, etc. as stipulated in Article 430-3, Paragraph 1 of the Companies Act with the insurance company. The scope of the insured of the insurance contract is employees in the positions of directors, executive officers, corporate auditors, corporate officers, accounting advisors, managers and supervisors of all companies and subsidiaries under the Companies Act that directly or indirectly invest more than 50%. The insured does not pay any insurance premiums. If the insured person is claimed for damages due to his/her business activities as a company officer under the contract, the damages will be compensated up to 1.5 billion yen. However, in order not to impair the appropriateness of the insured's execution of duties, damages caused by intentional or gross negligence will not be covered.
5. Mr. Tetsuo Kitagawa meets the requirements for an independent auditor based on the provisions of the Tokyo Stock Exchange, and we will submit that he is an independent auditor when he is elected.

Agenda item No. 5



Payment of retirement allowance to retired Director

We would like to grant 739 million yen to Mr. John Marotta, who resigned from Director on April 28, 2022 as retirement benefits to remunerate his achievement during his tenure.

We judge that the retirement benefit is reasonable considering that Mr. John Marotta served as Representative Director of the Company for one year and four months, during which time he worked on the initial public offering, the simplification and integration of the organizational structure of the Company, and the alignment of the PHC Group's management structure and that also considering the employment market in the United States where he lives.

The carrier summary of the retired Director is as follows:

Name	Carrier summary
John Marotta	December 1, 2020: Inaugurated as Representative Director of the Company April 28, 2022: Resigned from Representative Director of the Company

Decision of the amount of remuneration, etc. regarding Share acquisition rights as Stock Options for Independent Outside Directors and the detailed contents

The remuneration amount of the Director of the Company is limited to 1.5 billion yen per year by the resolution of the General Meeting of Shareholders dated November 30, 2020. However, this time, with the aim of providing incentives to motivate the sustainable improvement of corporate value and promoting further value sharing between Directors and shareholders, please approve the amount of remuneration, etc. related to Stock Options for Independent Outside Director of the Company to be within 70 million yen per year and its contents (refer to [Contents of Share acquisition rights] for details) separately from the above compensation framework.

Currently, the number of Independent Outside Directors is two, however, if the Agenda Item No. 3 is approved as originally proposed, the number of target Directors will be three. This Agenda Item is not intended for Directors other than Independent Outside Directors.

In this Agenda Item, considering that the ratio of the total number of shares issued to each Independent Outside Director to the total number of issued shares (as of April 30, 2022) is 0.05% or less when all stock options issued to each Independent Outside Director are exercised and also considering the responsibilities of the Independent Outside Director, we believe that the contents of this Agenda Item is appropriate.

[Contents of Share acquisition rights]

(1) Maximum number of Share acquisition rights

The maximum number of Share acquisition rights to be issued is 600 within one year from the date of the Annual General Meeting of Shareholders for each fiscal year. If it is appropriate for the Company to change the number of shares to be issued upon the exercise of Share acquisition rights (hereinafter referred to as “Number of Shares Granted”) through a merger, company split, share issuance without contribution, a share split or a share consolidation, etc., the Company shall make adjustments that it deems necessary.

(2) Class and number of shares to be issued upon the exercise of Share acquisition rights

The class of shares to be issued upon the exercise of Share acquisition rights shall be common shares in the Company, and the Number of Shares Granted shall be 100 shares.

However, after the resolution date of this Agenda Item, if the Company has a share split (including share issuance without contribution of common shares in the Company; the same applies to the description of a share split below) or a share consolidation for common shares in the Company, the Number of Shares Granted shall be adjusted using the following formula, with any amount less than one share arising from such adjustment being rounded down.

$$\text{Number of Shares Granted after adjustment} = [\text{Number of Shares Granted before adjustment}] \times [\text{Share split/consolidation ratio}]$$

In addition to the above, if the Number of Shares Granted needs to be adjusted after the date of issuance in Share acquisition rights, the Number of Shares Granted shall be adjusted appropriately to the extent reasonable.

(3) Amount to be paid in Share acquisition rights

Those to whom Share acquisition rights has been issued do not need to pay money in for exchange for Share acquisition rights.

(4) Value of property to be contributed upon the exercise of Share acquisition rights

The value of property to be contributed in exercising each Share acquisition rights shall be cash in the amount calculated by multiplying the paid amount per share that can be delivered by exercising each Share acquisition rights (hereinafter referred to as "Exercise Price") by the Number of Shares Granted.

The Exercise Price is the closing price of common shares in the Company on the Tokyo Stock Exchange on the business day prior to the day the Board of Directors of the Company issued the resolution of issuance of the Share acquisition rights (if there is no closing price on that day, the closing price on the most recent trading day prior to the day).

The Company may adjust the Exercise Price within a reasonable range if it is necessary to adjust the Exercise Price in cases as follows: when the Company conducts a share split or a share consolidation for common shares in the Company; when it issues new shares or disposes of Treasury shares at a value lower than the market price (excluding the cases of sale of Treasury shares based on the provisions of Article 194 of the Companies Act (request for sale of shares less than one unit by shareholders holding shares less than one unit), conversion of securities to be converted or that can be converted to common shares of the Company, or exercise of Share acquisition rights (including those attached to bonds with Share acquisition rights) which can claim issuance of common share of the Company); or when making issuance without contribution of shares of other class to common shareholders or dividends to common shareholders of other companies' shares; and other cases.

(5) Period during which Share acquisition rights can be exercised

Within 10 years from the day after the date of issuance of Share acquisition rights, the period specified by the Board of Directors of the Company.

(6) Conditions for exercising Share acquisition rights

[1] The stock acquisition rights shall be vested for the number specified by the Board of Directors of the Company out of the total number of Share acquisition rights issued to the Stock acquisition rights holder after the period specified by the Board of Directors of the Company has elapsed within 3 years from the date of issuance (hereinafter, the vesting of the Share acquisition rights shall be referred to as "Vesting"). The Share acquisition rights holder shall be able to exercise only the vested Share acquisition rights. However, if the Share acquisition rights holder loses the position of Director, Executive Officer, Corporate Auditor or employees of the Company or the affiliates of the Company, Vesting from that point onward shall be discontinued.

[2] Other conditions for exercising Share acquisition rights shall be stipulated in the Board of Directors of the Company.

(7) Restriction on transfer of Share acquisition rights

Acquisition of Share acquisition rights by transfer shall require approval by a resolution of the Board of Directors of the Company.

(8) Matters concerning acquisition of Share acquisition rights

[1] If the Share acquisition rights cannot be exercised due to the provisions set forth in (6) above before the Share acquisition rights holder exercises the right, the Company may acquire the Share acquisition rights held by the Share acquisition rights holder free of charge at the arrival of the day separately specified by the Board of Directors of the Company.

[2] If the Share acquisition rights holder no longer holds the position of Director, Executive Officer, Corporate Auditor or employees of the Company or the affiliates of the Company, the Company may acquire the Share acquisition rights that are not vested out of the Share acquisition rights held by the Share acquisition rights holder free of charge at the arrival of the day separately specified by the Board of Directors of the Company.

(9) Malus and Clawback clause

In the event of a serious fraud or violation by the Share acquisition right holder, the Company may suspend the exercise of some or all of the Share acquisition rights held by the Share acquisition right holder or acquire them free of charge (Malus). Or the Company may request the return of money equivalent to the Share acquisition rights granted to the right holder (Clawback).

(10) Other details of stock acquisition rights, etc.

Other details of stock acquisition rights, etc. shall be determined by the Board of Directors of the Company.

1 Current Performance in the Corporate Group

(1) Trends at businesses in this consolidated fiscal year

(1) Progress and results of business operations

During the fiscal year ended March 31, 2022 (hereinafter “this period”), economic activities have been gradually recovering due to vaccination drives, etc., despite repeated lockdowns imposed by many countries because of global spread of COVID-19 variants continued from the fiscal year ended March 31, 2021 (hereinafter “the previous period”).

On the other hand, PHC Group faced challenges including the impact on supply chains from logistics stagnation and difficulties in procurement of raw materials such as semiconductors. PHC Group generated revenue of JPY 340,452 million, up 11.2% compared to the previous period (hereinafter “year on year”). Revenue increased significantly year on year in Healthcare Solutions due to demand for PCR testing in Japan as well as the Online Eligibility Check System driven by the Japan Ministry of Health, Labour and Welfare, and in Diagnostics and Life Sciences from continued strong demand for ultra-low temperature freezers for vaccine storage and distribution development compared to the previous period when negative impacts from lockdowns, etc. were significant.

Operating profit was JPY 8,174 million, down 53.6% year on year due to increased costs of direct materials and logistics as well as JPY 17,172 million goodwill impairment in Epredia in addition to JPY 3,456 million expense for executing a restructuring program in Diabetes Management, despite increased revenue and favorable foreign exchange rates. Adjusted EBITDA was JPY 71,872 million, up 12.2% year on year. Adjustment items include one-time income/expense relating to restructuring (addition of JPY 5,126 million), one-time income/expense relating to special compensation to employees (addition of JPY 4,057 million), one-time income/expense relating to transformational M&A pre-acquisition and integration costs (addition of JPY 1,570 million), and onetime income/expense relating to termination/cancellation of contracts (addition of JPY 1,482 million).

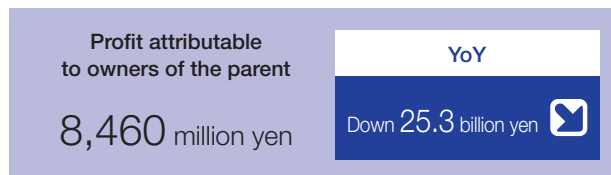
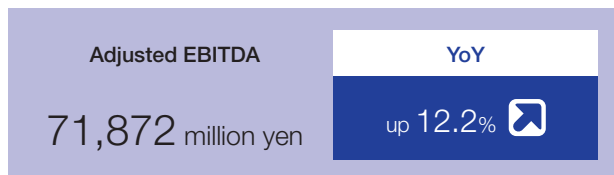
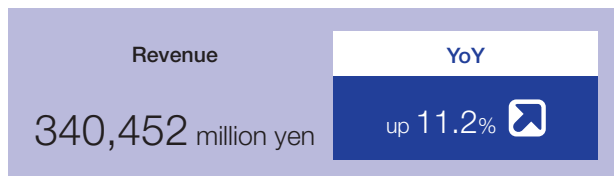
Profit before tax was JPY 3,002 million, down 86.8% year on year. This decrease is mainly made by the forementioned decrease of operating profit and loss of JPY 3,311 million from mark to market measurement on convertible notes issued to us by Senseonics, a listed company in which PHC Holdings Corporation (hereinafter “the Company”) owns noncontrolling interest.

Loss attributable to owners of the parent was JPY 8,460 million (profit of JPY 16,906 million in the previous period), mainly due to the decrease in profit before tax as well as the increase in income tax expense including deferred tax assets valuation allowance in Epredia. Deferred tax assets valuation allowance in Epredia was applied in some Epredia subsidiaries, as a result of reviewing forecasted taxable income and the recoverability of deferred tax assets.

The effective tax rate was 376.5%.

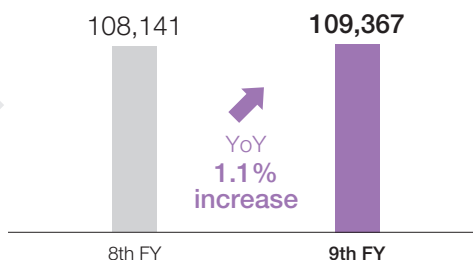
Adjusted profit attributable to owners of the parent was JPY 35,656 million, up 19.1% year on year. The respected

adjustment items beside of the aforementioned ones for adjusted EBITDA include one-time income/expense relating to transformational M&A pre-acquisition and integration costs (depreciable assets) (addition of JPY 11,834 million), impairment loss (excluding marketable securities) (addition of JPY 18,405 million), loss from the result of mark to market measurement for the aforementioned convertible notes (addition of JPY 3,311 million).

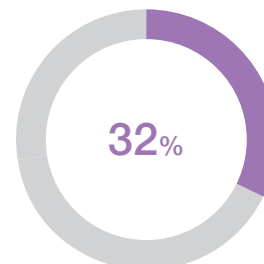


Diabetes Management

Sales revenue (unit: million yen)



Sales revenue composition ratio



Revenue of Diabetes Management for this period was JPY 109,367 million, up 1.1% year on year. In the Blood Glucose Monitoring (hereinafter “BGM”) business, revenue increased significantly in emerging markets such as Russia, China, and India, while revenue in the U.S. decreased significantly due to the termination of a commercial partnership and shrinkage of the product category. Revenue in Germany also decreased in line with the product category shrinkage. Sales of Eversense, a product of Senseonics and the world’s first implantable continuous glucose monitoring system, which was launched in the U.S. and eight European countries from April 2021, fell short of its annual plan due to slower sales in the fourth quarter as, following a delay in certification of the 180-day implantable product in the U.S., the Company needed to prepare for transition to launch the product in the first quarter of the fiscal year ending March 2023. Revenues in OEM business, which includes rapid specimen testing (POCT) and electronic medicine injectors have increased year on year as the sales of electronic medicine injection products continued to be favorable.

The operating profit of Diabetes Management for this period was JPY 23,260 million, down 2.9% year on year. In terms of onetime income/expenses, there was a JPY 3,456 million expense for executing a restructuring program following a review of the BGM sales structure in this period, and in the previous period there were a JPY 4,237 million gain from the settlement of a sales partnership and a JPY 2,798 million expense related to restructuring.

Adjusted EBITDA, excluding one-time income/expenses, was JPY 41,003 million, up 3.9% year on year. Significant items included the aforementioned items contributing to operating profit.

Group Companies



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

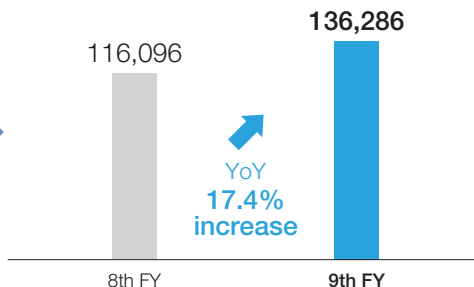


Contracted development and manufacturing services,
drug delivery and digital health solutions

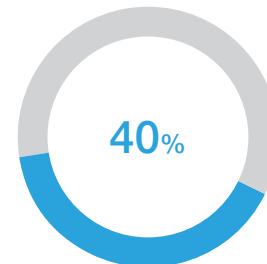


Healthcare Solutions

Sales revenue (unit: million yen)



Sales revenue composition ratio



Revenue of Healthcare Solutions for this period was JPY 136,286 million, up 17.4% year on year. Revenue of LSI Medience and Medicom were JPY 103,318 million, up 19.1% year on year and JPY 32,968 million, up 12.5% year on year, respectively. LSI Medience revenue increased significantly because of a continued recovery trend in the volume of general testing in the fourth quarter of this period, and increased demand for PCR testing for COVID-19 as well as sales of COVID-19 related reagents. Medicom revenue increased significantly as requirements for a new Online Eligibility Check System promoted by Japanese Government started in October 2021, which accelerated the replacement of older models to the Medicom-HRf series, an Electronic Medical Records system for clinics. Also, sales of PharnesV series, an electronic medication history systems for major pharmacy chains, continued favorably. Operating profit of Healthcare Solutions for this period was JPY 17,017 million, up 277.0% year on year. This growth was driven mainly by the significant recovery in revenue.

Adjusted EBITDA was JPY 28,009 million, up 54.8% year on year. Major adjustment items include one-time income/expense relating to special compensation to employees (addition of JPY 276 million in this period and JPY 201 million in the previous period, respectively) and one-time income/expense relating to restructuring (addition of JPY 148 million in this period and JPY 1,487 million in the previous period, respectively).

Group Companies

medicom

Healthcare IT solutions

 **LSIメディエンス**

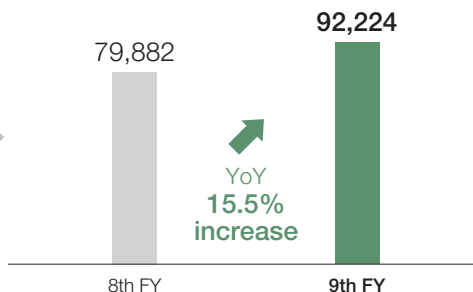
Clinical testing,
diagnostic drugs/devices
Drug discovery support

amelieff

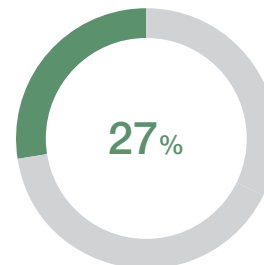
Biodata analysis on consignment,
consulting and system development

Diagnostics and Life Sciences

Sales revenue (unit: million yen)



Sales revenue composition ratio



Revenue for Diagnostics and Life Sciences for this period was JPY 92,224 million, up 15.5% year on year. Revenues for EpreDia and Biomedical (PHCbi) were JPY 39,030 million, up 9.4% year on year and JPY 53,194 million, up 20.3% year on year, respectively. EpreDia was in a recovery trend of general consultations at hospitals which had been reduced due to COVID-19 pandemic. Revenue in Americas and EMEA increased year on year with a positive impact of foreign exchange, although shipments of products were partially affected by supply chain constraints. Biomedical (PHCbi) growth reflected a trend of recovery in research activities especially in the Americas which were stagnant due to the COVID-19 pandemic, as well as continued demand in Europe for ultra-low temperature freezers for mRNA vaccine storage. Revenue increased in the Southeast Asia Pacific region, largely reflecting third party product sales resulting from the consolidation of the Singaporebased sales company SciMed in July 2020, in addition to accelerated sales activities in each country/region. Revenue of dispensing support equipment and other categories slightly decreased due to a postponed business from the fourth quarter to the next quarter, although these market in Japan and US has recovered.

Operating loss in Diagnostics and Life Sciences for this period increased significantly to JPY 14,140 million (profit of JPY 508 million in the previous period). The loss largely reflects inflation of raw material costs and increased sales-related expenses including logistics costs as well as the posting of impairment loss at the anatomical pathology business. This is because the decrease in expected future cash flow due to cost increase including inflation of raw materials costs and increased sales-related expenses such as logistics costs in EpreDia, resulted in the recoverable amount of this cashgenerating unit based on its present value falling below its book value. Adjusted EBITDA was JPY 14,078 million, down 6.8% year on year. Major adjustment items included one-time income/expenses relating to transformational M&A pre-acquisition and integration costs (addition of JPY 1,493 million in this period and JPY 3,238 million in the previous period, respectively), onetime income/expenses relating to restructuring (addition of JPY 1,444 million in this period and JPY 2,621 million in the previous period, respectively), and one-time income/expense relating to special compensation to employees (addition of JPY 1,387 million in this period and JPY 137 million in the previous period, respectively).

Group Companies

PHCbi

Research/medical support devices

epredia

Clinical testing/research-use
Anatomical pathology solutions

(2) Capital investment trends

Total capital investment at the PHC Group was JPY 11,736 million in the consolidated fiscal year under review. The following are details by segment.

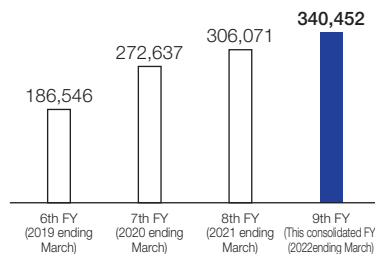
Segment	Capital investment (JPY million)	Details and goals of capital investments
Diabetes Management	1,527	Customer management system investment Increase in machinery and equipment
Healthcare Solutions	7,239	Software investment Newly installed and renovated testing facilities
Diagnostics and Life Sciences	2,680	Production facility investment
Headquarters, etc.	288	IT system investment
Total	11,736	

(3) Fundraising trends

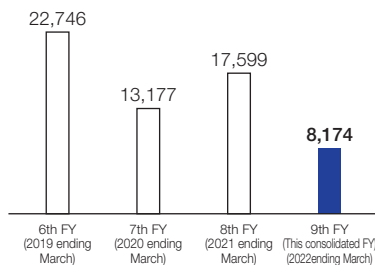
On May 31, 2021, the PHC Group integrated its borrowings through the refinancing of LBO loans with different terms and conditions to enhance the efficiency of debt management. On October 14, 2021, PHC Holdings issued 6,611,700 new shares via a public offering to increase capital in line with its listing on the 1st section of the Tokyo Stock Exchange (TSE). Reflecting this, the Company procured JPY 20,628 million in capital. Of this total, JPY 10,394 million is scheduled to be allocated to the repayment of bank loans in the fiscal year ending March 31, 2023.

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

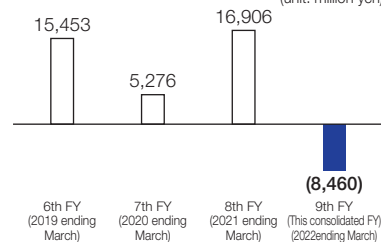
» Sales revenue (unit: million yen)



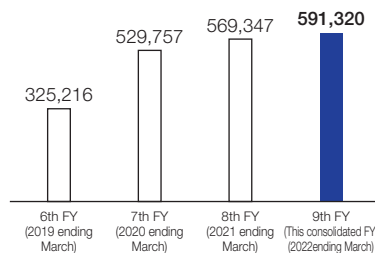
» Operating income (unit: million yen)



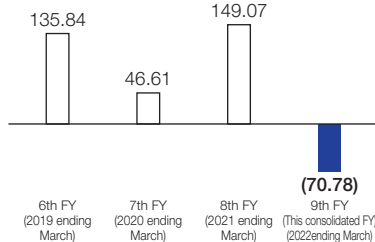
» Profit attributable to owners of the parent company in the current FY (unit: million yen)



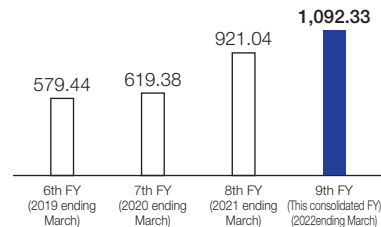
» Total assets (unit: million yen)



» Basic profit per share in the current FY (unit: million yen)



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



Category		Term 6 (Fiscal year ended March 2019)	Term 7 (Fiscal year ended March 2020)	Term 8 (Fiscal year ended March 2021)	Term 9 (Consolidated fiscal year under review) (Fiscal year ended March 2022)
Revenue	(Million yen)	186,546	272,637	306,071	340,452
Operating profit	(Million yen)	22,746	13,177	17,599	8,174
Profit attributable to owners of the parent	(Million yen)	15,453	5,276	16,906	(8,460)
Basic earnings per share attributable to owners of the parent	(Yen)	135.84	46.61	149.07	(70.78)
Total assets	(Million yen)	325,216	529,757	569,347	591,320
Equity attributable to owners of the parent	(Million yen)	65,262	70,275	107,018	135,374
Equity attributable to owners of the parent per share	(Yen)	579.44	619.38	921.04	1,092.33

(3) Significant parent company and subsidiaries

(1) Status of the parent company

KKR PHC Investment L.P. was the parent company of PHC Holdings. On October 14, 2021, the parent company sold shares in tandem with its debut on the 1st section of the TSE. Owing to this, the company was converted into an other affiliate.

(2) Matters related to transactions with the parent company

Transactions incurred when KKR PHC Investment L. P. was the parent company were confirmed and determined to be fair and appropriate, the same as with general transaction conditions,

The Board of Directors of the Company have grasped the terms and conditions of the transactions, and determined they do not hinder the profit of the PHC Group. Also the decisions of the Board of Directors did not differ with the opinions of the outside directors.

(3) Status of significant subsidiaries

Company name	Capital	Ratio of voting rights owned by PHC Holdings	Main business activities
PHC Holdings Corporation	7,907 million yen	100%	Development, manufacturing and sales of healthcare products
Ascensia Diabetes Care Holdings AG	100 thousand CHF	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

(4) Issues that should be addressed

1. 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.

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

1. 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.

2. Expand business operations and the earnings base

Given the rapidly changing customer needs and striking development of technological innovations in the healthcare industry, the PHC Group aims to become a leading provider of best-in-class precision and digital solutions in diagnostics and life sciences globally and in healthcare services in Japan. To achieve well-balanced growth between the Diabetes Management, Healthcare Solutions and Diagnostics & Life Sciences business domains, the Group is constantly pursuing opportunities to establish and expand new business growth and its earnings base.

The PHC Group established the “Value Creation Plan,” a medium-term management plan for FY2021-FY2024, which was launched in June 2021. The following is to be promoted as a medium-term corporate strategy.

In the Diabetes Management domain, the PHC Group is aiming to maintain and expand its share in developed countries while pouring energies into growth in emerging countries to stave off the impact from a contraction in markets in advanced countries. In addition, we added continuous glucose monitoring (CGM) systems, which are expected to grow, to our business portfolio, with the goal of achieving growth by providing a comprehensive selection of solutions in the field of diabetes diagnosis. Recently, in February 2022, the FDA approved 180-day wearable CGM system (Eversense® E3) which is supplied by Senseonics Holdings, Inc., a business partner. We also announced the launch of sales in the US in April 2022.

In the Healthcare Solutions domain, we aim to aggressively form alliances with other companies to deploy a business aimed at building a platform for healthcare services in Japan to address diverse healthcare needs, including improve testing efficiency and remote medical care by leveraging our leadership position in Japan in healthcare IT solutions, including clinical testing and electronic medical records. In the LSI Medience business, we plan to create new growth opportunities by developing advanced technologies, including genetic testing and analysis, while also strengthening and expanding the existing business model and products, including the clinical testing business. In addition, in the Medicom business, we aim to transition to the digital health business by expanding new business infrastructures, while at the same time adhering to existing strong business infrastructures by developing a new customer base.

In Diagnostics and Life Science, we aim to build comprehensive digital solutions that target cost reductions in the technological development of innovative cell tissue diagnosis and in the field of cell therapy by aggressively forming alliances with other companies. In the Biomedical business, we plan to strengthen the life science domain to convert to a high growth field that deals with new therapies, including the cold chain and cell cultures. In addition, in the Eprelia and Biochemical (PHCb) business, while maintaining growth in the pathology business, we also to establish our position in personalized medical care by investing in immunohistochemistry (IHC), AI, digital pathology and molecular diagnosis.

3. 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, we rebuilt a stable financial base by carrying out refinancing at the end of June 2021. In addition, we repaid a portion of our borrowings in advance by procuring capital through a public offering to boost capital when we listed our shares on the exchange. We plan to continue considering demand for capital in our businesses while working to fortify our financial position early on.

4. 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." Each of our businesses has a long history. We possess businesses and product brands that have been familiar with customers for many years. In October 2021, we debuted our shares on the 1st Section of the Tokyo Stock Exchange (presently listed on Prime Market). Using this as an opportunity, we plan to strengthen our businesses and product brands to further enhance recognition as a group. In addition, we will also implement PR activities through various media. We aim to improve recognition of the PHC Group globally among various stakeholders, including investors.

(5) Main business activities (as of March 31, 2022)

The PHC Group comprises 15 domestic companies and 76 overseas companies, including the holding company, and the major subsidiaries PHC Corporation, Ascensia Diabetes Care Holdings AG, Eprelia Holdings Ltd. and LSI Medience Corporation. There are three main business domains. First is the Diabetes Management. This domain carries out the development, manufacturing and sales of in-vitro diagnostic equipment, including blood glucose self-monitoring systems (monitoring systems and sensors) and Point of Care Testing (POCT) as well as 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 medication history system, and the clinical testing business. Third is Diagnostics and Life Sciences. This domain handles the development, manufacturing and sales of products such as research and medical support devices and pathology and diagnostic devices, including storage and culture medium devices.

(6) Major offices and plants (as of March 31, 2022)

(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: Chiyoda-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, 2022)

(1) Employees in the corporate group

Business segment	Number of employees	
Diabetes Management	2,620	(25)
Healthcare Solutions	4,142	(1,872)
Diagnostics & Life Sciences	1,958	(521)
Headquarters, etc.	654	(43)
Total	9,374	(2,461)

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
175 (15) employees	47.9 years old	17.4 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, 2022)

Lenders	Amount of borrowings (Million yen)
Sumitomo Mitsui Banking Corporation (SMBC)	121,262
MUFG Bank, Ltd.	99,497
Mizuho Bank, Ltd.	77,732
Sumitomo Mitsui Trust Bank, Limited	12,437

2 Current status of the Company

(1) Shares (as of March 31, 2022)

- (1) Total number of authorized shares 460,000,000 shares
- (2) Total number of shares outstanding 124,144,242 shares
- (3) Number of shareholders 18,760 people
- (4) Major shareholders

Shareholder names	Shareholding (thousand shares)	Shareholding ratio (%)
KKR PHC Investment L.P.	47,994	38.73
Mitsui & Co., Ltd.	21,870	17.65
Life Science Institute, Inc.	12,297	9.92
Panasonic Corporation	11,266	9.09
LCA 3 Moonshot LP	5,714	4.61
The Master Trust Bank of Japan, Ltd. (Trust account)	3,317	2.68
GIC PRIVATE LIMITED – C	1,672	1.35
MSIP CLIENT SECURITIES	1,273	1.03
Custody Bank of Japan, Ltd. (Trust account)	1,088	0.88
JPLLC-CL JPY	851	0.69

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		28,480 units	65,000 units
Class and number of shares for the purpose of share acquisition rights		Common stock 28,480 common shares (One common share per one share acquisition right)	Common stock 65,000 common 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	Member of Board (excluding outside directors)	Number of shares to be issued upon the exercise of share acquisition rights 28,480 units Number of shares for the purpose of share acquisition rights 28,480 shares Number of shareholders One person	Number of shares to be issued upon the exercise of share acquisition rights 65,000 units Number of shares for the purpose of share acquisition rights 65,000 shares Number of shareholders One person
	Outside directors	—	—
	Corporate auditors	—	—

Notes:

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

- (1) Common shares are listed on a financial instruments exchange in Japan and/or on a securities exchange outside of Japan.
- (2) Shareholders that possess majority of voting rights in the Company's shares outstanding (controlling shareholders), as of the allotment date of the share acquisition rights, intends to transfer the Company shares to a third party (excluding parties related to controlling shareholders. The same shall apply hereafter.), which causes the holder's voting rights to drop below 50% of the voting rights of total shares held by all shareholders. (However, in cases where an enterprise directly or indirectly controlled by the controlling shareholders of the parent, subsidiaries, affiliates and Kohlberg Kravis Roberts & Co. L.P. (parties related to controlling shareholders) that have voting rights in the Company, the number of voting rights shall be calculated as voting rights held these controlling shareholders. The same shall apply hereafter.)

- (3) 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.
- (4) 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.
 - (5) 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.
 - (1) 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.
 - (2) 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.
 - (3) A petition is filed by or against the holder of the share acquisition rights for to bankruptcy, civil rehabilitation, special liquidation and corporate reorganization procedures.
 - (4) 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.

Note: Details in 2. are the same as those for No. 1 Class A share acquisition rights.

	No. 1 Class C 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
Issuance resolution date	June 25, 2014	June 25, 2014
Number of shares to be issued upon the exercise of share acquisition rights	8,000 units	36,000 units
Class and number of shares for the purpose of share acquisition rights	Common stock 8,000 shares (One common share per one share acquisition right)	Common stock 36,000 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	1 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)	(Note)
Director shareholdings	Member of Board (excluding outside directors)	—
	Outside directors	—
	Corporate auditors	Number of shares to be issued upon the exercise of share acquisition rights 8,000 units Number of shares for the purpose of share acquisition rights 8,000 shares Number of shareholders One person
		Number of shares to be issued upon the exercise of share acquisition rights 36,000 units Number of shares for the purpose of share acquisition rights 36,000 shares Number of shareholders One person

Note:

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

		No. 1 Class E 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		4,000 units	27,000 units
Class and number of shares for the purpose of share acquisition rights		Common stock 4,000 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		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		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 June 25, 2016 to June 24, 2024	From April 1, 2021 to March 31, 2031
Conditions for exercising rights		(Note 1)	(Note 2)
Director shareholdings	Member of Board (excluding outside directors)	—	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
	Outside directors	—	—
	Corporate auditors	Number of shares to be issued upon the exercise of share acquisition rights 4,000 units Number of shares for the purpose of share acquisition rights 4,000 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) 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 the provisions in (1) above, the holder of the share acquisition rights, should the following reasons arise, cannot exercise the share acquisition rights. However, this does not apply should a separate resolution be passed by the Board of Directors of the Company citing a rational reason approving 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) No partial exercise of a single unit of the share acquisition rights is permitted.

		No. 2 Class A shares to be issued upon the exercise of share acquisition rights	No. 3 Class B shares to be issued upon the exercise of share acquisition rights
Issuance resolution date		June 25, 2014	August 31, 2016
Number of shares to be issued upon the exercise of share acquisition rights		10,000 units	47,773 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 47,773 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	10 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)	900 yen per one share acquisition right (900 yen per share)
Period for exercising rights		From June 25, 2016 to June 24, 2024	From September 2, 2016 to August 30, 2026
Conditions for exercising rights		(Note)	(Note)
Director shareholdings	Member of Board (excluding outside directors)	—	Number of shares to be issued upon the exercise of share acquisition rights 47,773 units Number of shares for the purpose of share acquisition rights 47,773 shares Number of shareholders One person
	Outside directors	—	—
	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	—

Note:

The details of the content are the same as for the No. 1 Class A 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	No. 7 Class A shares to be issued upon the exercise of share acquisition rights
Issuance resolution date	August 31, 2016	October 7, 2016
Number of shares to be issued upon the exercise of share acquisition rights	27,775 units	10,000 units
Class and number of shares for the purpose of share acquisition rights	Common stock 27,775 shares (One common share per one share acquisition right)	Common stock 10,000 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	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 October 7, 2018 to October 6, 2026
Conditions for exercising rights	(Note)	(Note)
Director shareholdings	Member of Board (excluding outside directors)	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 27,775 shares Number of shareholders One person
	Outside directors	—
	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

Note:

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

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

		No. 2 Class H shares to be issued upon the exercise of share acquisition rights
Issuance resolution date		June 29, 2021
Number of shares to be issued upon the exercise of share acquisition rights		58,000 units
Class and number of shares for the purpose of share acquisition rights		Common stock 58,000 common 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.
The price of assets to be contributed upon the exercise of share acquisition rights		1 yen per one share acquisition right (1 yen per share)
Period for exercising rights		From July 1, 2021 to July 1, 2031
Conditions for exercising rights		(Note)
Status of grant to employees, etc.	Employees of the Company	—
	Directors and employees of the subsidiaries	Number of shares to be issued upon the exercise of share acquisition rights 58,000 units Number of shares for the purpose of share acquisition rights 58,000 shares Number of shareholders 3 persons

Notes: 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 the provisions in (1) above, the holder of the share acquisition rights, should the following reasons arise, cannot exercise the share acquisition rights. However, this does not apply should a separate resolution be passed by the Board of Directors of the Company citing a rational reason approving 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) No partial exercise of a single unit of the share acquisition rights is permitted.

(3) Company's directors

(1) Directors and corporate auditors (as of March 31, 2022)

Position in the Company	Name	Responsibilities and important concurrent positions
Representative director	John Marotta	Director, Eprexia Holdings Ltd. Director, Senseonics Holdings, Inc.
Representative director	Shoji Miyazaki	PHC Corporation, Director LSI Medience Corporation, Director PT PHC Indonesia, Director
Director	Hirofumi Hirano	CEO of KKR Japan and Co-Head of Private Equity for KKR Asia Pacific Outside Director, Marelli Corporation Outside Director, Koki Holdings Co., Ltd.
Director	Koichiro Sato	President, MBK HEALTHCARE MANAGEMENT PTE LTD. Hong Kong Branch Director, CMH Healthcare Holding Co., Ltd. Director, CMH Healthcare Investment Co., Ltd. Director, MBK Healthcare China Inc. Director, DaVita Care Pte. Ltd. Director, MBK Healthcare Network Ltd.
Director	Tatsunobu Fukushima	General Manager, Corporate Planning Department, Life Science Institute, Inc. Director, API Corporation
Director	Alan Malus	—
Director	Kyoko Deguchi	Professor, Kenichi Ohmae Graduate School of Business Outside Director, T-Gaia Corporation Outside Director, NHK Technologies, Inc. Outside Director, Heartseed Inc.

Position in the Company	Name	Responsibilities and important concurrent positions
Director	William Donnelly	Board Chair, John Carroll University Independent Outside Director, Ingersoll Rand Inc. Independent Outside Director, Process Sensing Technologies Limited
Director	Ivan Tornos	Chief Operating Officer, Zimmer Biomet Group
Corporate auditors	Koichi Ikeuchi	Corporate Auditor, PHC Corporation Corporate Auditor, PT PHC Indonesia
Corporate auditors	Noriaki Yamada	Representative Partner, Clifix Certified Public Tax Accountant Corporation Representative Director, Clifix Consulting Co., Ltd. Representative Director, Clifix Corporate Service Co., Ltd. Outside Director, Gakken Holdings Co., Ltd.
Corporate auditors	Shannon Hansen	General Counsel, Chief Compliance Officer & Corporate Secretary, Tandem Diabetes Care

Notes:

1. Director: Hirofumi Hirano, Koichiro Sato, Tatsunobu Fukushima, Alan Malus, Kyoko Deguchi, William Donnelly, and Ivan Tornos are outside directors.
2. Corporate auditors: Noriaki Yamada and Shannon Hansen are outside auditors.
3. Corporate auditor Noriaki Yamada is a certified public account. He possesses a considerable degree of knowledge related to finance and accounting.
4. In accordance with provisions set by the Tokyo Stock Exchange, the Company has designated Director Alan Malus, Kyoko Deguchi and Ivan Tornos, and Corporate Auditors Noriaki Yamada and Shannon Hansen as independent directors and has accordingly submitted notification to the TSE.

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

The Company assesses the independence of its outside 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 that corresponds to individuals mentioned in a, b and/or c
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 outside 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. Business executive at an affiliate of the Company
6. Close relatives of an individual mentioned in the (A) to (G) below (excluding irrelevant individuals).

An individual declared in (A) to (E)

 - A) 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.)
 - B) An individual that execute business matters at a subsidiary of the Company
 - C) 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.)
 - D) 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
 - E) An auditor of the Company's parent company (limited to cases where the outside corporate auditor is designated an independent director)
 - F) Business executive at an affiliate of the Company
 - G) 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 Members of the Board and/or Corporate Auditors during the fiscal year under review

i. Appointment

At the 8th General Meeting of Shareholders held on June 30, 2021, Alan Malus and Kyoko Deguchi were newly nominated and appointed as Members of the Board; at an extraordinary shareholders meeting held on August 13, 2021, Shannon Hansen was newly nominated and appointed Corporate Director, and at an extraordinary shareholders meeting held on September 3, 2021, William Donnelly and Ivan Tornos were newly nominated and appointed as Members of the Board.

ii. Retirement

At the close of the 8th Annual General Meeting of Shareholders held on June 30, 2021, the terms of Directors Eiji Yatagawa and Hidekazu Tanaka expired and resigned from their positions, and Corporate Auditors, Atsushi Shibata and Tatsuo Kuwajima resigned from their positions respectively.

At the close of the extraordinary shareholders meeting held on August 13, 2021, Corporate Auditor Ken Matsumura resigned from his position.

- ### **iii. Change in position and assignment of Members of the Board and/or Corporate Auditors during the fiscal year under review**
- No relevant matters.

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

i. Appointment

No relevant matters.

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, President and CEO John Marotta resigned for personal reasons.

- ### **iii. Change in position and assignment of Members of the Board and/or Corporate Auditors after the fiscal year under review**
- As of April 28, 2022, Member of Board Shoji Miyazaki was appointed Representative Director, President and CEO.

(4) Summary of details of limited liability contracts

In accordance with Article 427-1 of the Companies Act, the Company has entered into contracts with its outside directors and outside corporate auditors to limit their liability to damages as stipulated in Article 423-1 of the Companies Act.

The amount of limited liability for damages in accordance with this contract is the amount stipulated under the law when outside directors and/or outside corporate auditors execute their duties, which caused damages, in good faith and without gross negligence.

(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 under said insurance policy extends to employees with a 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%, and 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 1.5 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) Director and corporate auditor compensation

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

The Board of Directors passes resolutions to determine policy on the content of compensation for individual directors. At the time of this resolution, the Nomination/Remuneration Committee is consulted and a recommendation is received in advance on the details to be resolved.

1. Basic stance on determining the content of compensation for directors (excluding outside 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
 - By reflecting components of contribution to the company's medium/long-term growth by using compensation as a long-term incentive, this will facilitate a deeper sharing of values with shareholders
 - Ensures accountability towards stakeholders and transparency
2. Summary of director compensation, etc.
 1. 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 use as benchmarks compensation levels at global healthcare companies and compensation standards in the director's home country to implement a relative comparison and set compensation levels.

2. Summary of director compensation (excluding compensation for outside directors)

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

1. 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.

2. Short term performance linked compensation

- Short term performance linked compensation shall be paid as a short term incentive to achieve earnings targets.
- The valuation indicators for short-term performance linked compensation are "core sales," an indicator to evaluate business growth, "adjusted EBITDA," a yardstick to evaluate profitability, and "ROIC (Return on Invested Capital)," a gauge to measure efficiency. The weightings and evaluation coefficients are as follows.

	Valuation indicator	Weight	Evaluation coefficient
1	Core sales	26.0%	0%-200%
2	Adjusted EBITDA	30.0%	0%-200%
3	ROIC	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/Remuneration 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, set the weight of score allocations according to priority and by having the Nomination/Remuneration Committee examine and decide their validity.

3. Retirement benefits

Benefits are determined in accordance with director regulations.

3. Outside director compensation

Outside director compensation consists solely of monthly compensation. Compensation is paid after a recommendation from the Nomination/Remuneration Committee is received and the Board of Directors passes a resolution.

• 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.

4. Corporate auditor compensation

For corporate auditor compensation, calculation standards shall be set based on decisions made by the Board of Corporate Auditors and only monthly compensation shall be paid.

5. Total amount of director and corporate auditor compensation and total headcount in the fiscal year under review

In FY2021 (April 1, 2021 - March 31, 2022), 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	
Member of Board (excluding outside directors)	705	118	46	117	22	402	409 (Note 4)	2
Corporate auditors (Excludes outside corporate auditors)	22	21	—	—	1	—	—	1
Outside directors	42	42	—	—	—	—	—	9 (Note 5)
Outside Corporate Auditor	21	21	—	—	—	—	—	5 (Note 6)

Notes:

- The listed amount of stock options is the calculated price as of the end of March 2022 of the stock option granted before the fiscal year under review.
- The following are the Company's operating results related to valuation indicators for short-term performance-linked compensation. Each indicator was consulted in the Nomination/Remuneration Committee and approved by the Board of Directors, taking into consideration the balance and completeness of the growth potential, profitability and efficiency of the Company's business.

	Valuation indicator	Weight	Targets for the current fiscal year	Results	Achievement rate
1	Core sales	22.5%	319,045 million yen	340,452 million yen	107%
2	Adjusted EBITDA	45.0%	66,025 million yen	71,872 million yen	109%
3	Adjusted free cash flow ratio based on adjusted EBITDA	7.5%	53.5%	66.0%	124%
4	Earnings goal by individual employees	25%	Set for each employee	Set for each employee	Set for each employee

3. Basic compensation is the monetary amount paid in the fiscal year and performance linked compensation is short term incentive compensation for the targeted fiscal year. Non-financial compensation represents a long-term incentive compensation that should be posted under expenses in the fiscal year under review. Of the 363 million yen in performance linked stock compensation (PSU), only the non-monetary portion was posted and the performance linked compensation was not recorded.
4. The breakdown of the total amount of non-financial compensation for directors (excluding outside directors) is the amount of reserves for stock options and performance linked stock compensation (PSU).
5. The number of outside directors includes the number of outside directors who retired during the term and the number of outside directors who offered to decline compensation.
6. The number of outside corporate auditors includes the number of outside corporate auditors who retired during the term and the number of outside corporate auditors who offered to decline remuneration.
7. The limit for director compensation was set at 1,500 million yen per year by a resolution at an extraordinary shareholders meeting held on November 30, 2020 (there were 7 directors at the time this was approved).
8. 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. Retirement benefits for Directors paid in the current fiscal year

Not relevant

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

Not relevant

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, 2022)

Name	Director Category	Company category	Total amount by type of compensation (million yen)					Total including consolidated compensation (million yen)
			Basic compensation	Stock options (Note 1)	Performance linked compensation	Retirement benefits	Other	
John Marotta	Member of Board	PHC Holdings Corporation	—	—	—	—	28 (Note 2)	28
		New Erie Scientific LLC	71	—	87	—	374 (Note 3)	532 (Note 4)
Shoji Miyazaki	Member of Board	PHC Holdings Corporation	47	46	30	22	0	145

Notes:

1. The listed amount for stock options is the calculated price as of the end of March 2022.
2. In accordance with a decision by the Nomination/Remuneration Committee, denotes an amount equivalent to non-resident income tax paid by PHC Holdings in the fiscal year under review to John Marotta.
3. In accordance with a decision by the Nomination/Remuneration Committee, denotes an amount equivalent to local pension contribution and social security paid by New Erie Scientific (US) to John Marotta, as well as a performance-linked stock compensation (PSU) of 363 million yen.
4. Total compensation paid by New Erie Scientific (US) in the fiscal year under review to John Marotta in accordance with a decision by the Nomination/Remuneration Committee was mentioned.

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 policy decided by the Board of Directors and that the report from the Nomination/Remuneration Committee is respected. Therefore, the Board of Directors judges that it is in line with the decision policy.

(8) Matters related to outside directors

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

- Director Hirofumi Hirano is Chief Executive Officer of KKR Japan Ltd. (concurrent assignment as) and Co-Head of Private Equity for KKR Asia Pacific, and Outside Director of Marelli Holdings Co., Ltd. and Koki Holdings Co., Ltd. KKR PHC Investment L.P., which is the largest shareholder of the Company is private equity fund of Kohlberg Kravis Roberts & Co. L.P., and he is a Director of KKR Japan Ltd., which is a Japanese subsidiary of Kohlberg Kravis Roberts & Co. L.P.

- Director Koichiro Sato is enrolled in MITSUI & CO., LTD., and serves as President of MBK HEALTHCARE MANAGEMENT PTE LTD. Hong Kong Branch and Director of other multiple affiliates of MITSUI & CO., LTD. MITSUI & CO., LTD. is a shareholder of the Company.
- Director Tatsunobu Fukushima is Corporate Planning Department Manager of Life Science Institute, Inc. and Director of API Corporation. There is no special relationship between the Company and the company where he holds a concurrent position.
Life Science Institute, Inc. is a shareholder of the Company.
- Director Kyoko Deguchi is an outside director at several companies, including T-Gaia Corporation, NHK Technologies, Inc. and Heartseed Inc. She is also a professor at the Kenichi Ohmae Graduate School of Business. There is no special relationship between the Company and any of the companies where the Member of the Board holds a concurrent position.
- Director William Donnelly is Board Chair of John Carroll University, Lead Independent Director at Ingersoll Rand Inc., and outside director at Process Sensing Technologies Limited.
There is no special relationship between the Company and any of the companies 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.
- Corporate auditor Noriaki Yamada is a certified public account and concurrently holds positions at several companies including Clifix Certified Public Tax Accountant Corporation as a representative partner, representative director, outside director and outside corporate auditor. He possesses a considerable degree of knowledge related to finance and accounting. There is no special relationship between the Company and the company where the Corporate auditor holds a concurrent position.
- Corporate auditor Shannon Hansen 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 Corporate auditor 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 performed duties related to roles and responsibilities expected by outside directors
Director	Hirofumi Hirano	22/22 times (100%)	—	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 22 out of 22 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.
Director	Koichiro Sato	22/22 times (100%)	—	Mr. Sato provides comments related to a wide range of PHC Holdings' business operations based on his broad perspective and high degree of insight, mainly in the life science industry and production and SCM. He attended 22 out of 22 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.
Director	Tatsunobu Fukushima	22/22 times (100%)	—	Mr. Fukushima provides advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors, including expressing opinions mainly from the viewpoint of the life science industry and R&D. He attended 22 out of 22 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.
Director	Alan Malus	19/19 times (100%)	—	Mr. Malus provides comments related to a wide range of PHC Holdings' business operations based on his broad perspective and high degree of insight, mainly in the life science industry and production and SCM. Since assuming his position on June 30, 2021, he has attended 19 out of 19 Board of Directors meetings held in the fiscal year under review. He conducts oversight of the duties executed by the Board of Directors from an independent stance. He is contributing to the improvement of the rationality and objectivity of the Company's execution of duties and decision-making by the Board of Directors. In addition, as the head, independent outside director, he contributed to the promotion of communication between the Company's management team and outside directors.

Position	Name	Board of Directors attendance record	Audit and Supervisory Board attendance record	Summary of comments and performed duties related to roles and responsibilities expected by outside directors
Director	Kyoko Deguchi	19/19 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. Since assuming his position on June 30, 2021, he has attended 19 out of 19 Board of Directors meetings held in the fiscal year under review. He conducts oversight of the duties executed by the Board of Directors from an independent stance. He is contributing to the improvement of the rationality and objectivity of the Company's execution of duties and decision-making by the Board of Directors.
Director	William Donnelly	11/13 times (85%)	—	He provides comments related to a wide range of business operations at the Company based on his broad perspective and high degree of insight, mainly in the life science industry, financial accounting and M&A. Since assuming his position on September 3, 2021, he has attended 11 out of 13 Board of Directors meetings held in the fiscal year under review. He conducts oversight of the duties executed by the Board of Directors from an independent stance. He is contributing to the improvement of the rationality and objectivity of the Company's execution of duties and decision-making by the Board of Directors.
Director	Ivan Tornos	13/13 times (100%)	—	He offers comments related to a wide range of the Company's business operations from a broad perspective and high degree of insight, including knowledge pertaining to the medical and pharmaceutical industries. Since assuming his position on September 3, 2021, he has attended 13 out of 13 Board of Directors meetings held in the fiscal year under review. He conducts oversight of the duties executed by the Board of Directors from an independent stance. He is 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	Noriaki Yamada	22/22 times (100%)	13/13 times (100%)	As a certified public accountant, based on his abundant experience as an outside director and outside corporate auditor at other companies, including at listed companies and also with an expert viewpoint, he offers appropriate comments at Board of Directors and Audit and Supervisory Board meetings.
Corporate auditors	Shannon Hansen	13/15 times (87%)	9/9 times (100%)	Based on her in-depth knowledge and abundant experience as an individual qualified to practice law in the US, since assuming her position on August 13, 2021, she has been providing appropriate comments at Board of Directors and Audit and Supervisory Board meetings.

(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	191
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the accounting auditor	293

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. Among the important subsidiaries of the Company, the overseas subsidiaries are audited by certified accountants other than the Accounting Auditor of the Company or audit corporations (including persons with qualifications equivalent to these qualifications in foreign countries).

(3) Details of non-auditing operations

The Company pays KPMG AZSA LLC for the comfort letter preparation work related to the new listing, in addition to the work set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) 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

The “basic risk management regulations” has been formulated. Information on important risks are integrated at the director in charge of risk at PHC Holdings Corporation (PHCHD) and the PHCHD director in charge of risk reports at the Board of Directors meeting (slated for May 2022).

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 director in charge of risk is the Chief Operating Officer. The COO is in charge of 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

Measures, including the introduction of a new Code of Conduct for the PHC Group, uniform rules for the Group, such as reviewing regulations in line with the Company’s listing, the re-establishment of rules that should be enacted at each company, and though a group-wide e-learning system, are being carried out to make this common knowledge. 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.

(6) Basic policy on control of the Company

In the event a takeover bid for the Company's shares, considerations will be carried out from the perspective of whether it contributes to the corporate value and the common interest of shareholders, and the opinions of the Board of Directors is immediately disclosed to the shareholders.

In addition, the decision as to whether to respond to the takeover bid shall be left up to the discretion of the shareholders. The decision of the shareholders to accept the takeover bid cannot be obstructed.

◆ Consolidated Financial Statements

Consolidated statement of financial position (As of March 31, 2022) (Unit: million yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and deposits	95,232	Operating debt	68,802
Operating receivables	63,727	Loan payable	27,251
Inventories	44,509	Income taxes payable	3,219
Other financial assets	2,393	Provisions	5,019
Other current assets	10,498	Other financial liabilities	5,707
Total current assets	216,361	Other current liabilities	27,745
		Total current liabilities	137,745
Noncurrent assets		Noncurrent liabilities	
Property, plant and equipment	48,276	Operating debt	1,942
Goodwill	197,754	Loan payable	280,685
Intangible assets	99,139	Retirement benefit liability	8,214
Investments accounted for using the equity method	3,484	Provisions	3,277
Other financial assets	22,257	Other financial liabilities	10,076
Deferred tax assets	3,245	Deferred tax liabilities	11,789
Other noncurrent assets	802	Other noncurrent liabilities	1,524
Total noncurrent assets	374,959	Total noncurrent liabilities	317,509
Total assets	591,320	Total liabilities	455,255
		Equity	
		Capital Stock	47,065
		Capital surplus	44,118
		Retained earnings	28,353
		Treasury stock	(568)
		Other components of equity	16,406
		Equity attributable to owners of the parent	135,374
		Non-controlling interests	690
		Total Equity	136,065
		Total Liabilities and Equity	591,320

Consolidated statements of profit or loss (From April 1, 2021 to March 31, 2022) (Unit: million yen)

Item	Amount
Revenue	340,452
Cost of Sales	175,214
Gross profit	165,237
Selling, general and administrative expenses	142,201
Other income	3,013
Other expenses	17,520
Share of profit (loss) of entities accounted for using equity method	(355)
Operating profit	8,174
Financial income	2,348
Financial costs	7,520
Profit before taxes	3,002
Income taxes	11,302
Profit (loss) for the period	(8,300)
Profit (loss) attributable to	
Owners of the parent	(8,460)
Non-controlling interests	160
Earnings (loss) per share	
Basic earnings (loss) per share (Unit: JPY)	(70.78)
Diluted earnings (loss) per share (Unit: JPY)	(70.78)

◆ Non-consolidated Financial Statements

Balance Sheets (As of March 31, 2022)

(Unit: million yen)

Item	Amount
Assets	
Current assets	75,079
Cash and Deposit	50,626
Operating accounts receivable	3,306
Accounts receivable - other	8,997
Short-term loans receivable	7,794
Income tax receivable and others	4,114
Other	240
Non Current assets	392,215
Property, plant and equipment	71
Buildings	25
Tools, fixtures and office equipment	46
Intangible assets	344
Trademark rights	60
Software	162
Software in progress	121
Investments and Other Assets	391,799
Investment securities	16,873
Stocks of subsidiaries and affiliates	275,927
Investment in capital of subsidiaries and affiliates	533
Long-term loan receivable	98,465
Total Assets	467,294

Item	Amount
Liabilities	
Current liabilities	82,472
Short-term loans payable	46,331
Current portion of long-term loans payable	25,156
Accounts payable - other	1,649
Accrued expenses	60
Income taxes payables and others	210
Deposits received	7,855
Provision for bonuses	271
Provision for loss on contract	87
Provision for share-based remuneration	819
Other	29
Non current Liabilities	288,036
Long-term loans payable	285,773
Long-term accounts payable	95
Provision for officers' retirement benefit	65
Provision for retirement benefits	76
Provision for loss on contract	350
Provision for share-based remuneration	191
Deferred tax liabilities	1,484
Total Liabilities	370,508
Net Assets	
Shareholders' Equity	91,276
Share capital	47,065
Deposit for subscriptions to shares	31
Capital surplus	37,250
Legal capital surplus	17,107
Other capital surplus	20,142
Retained earnings	7,498
Other retained earnings	7,498
Retained earnings brought forward	7,498
Treasury shares	(568)
Valuation, translation adjustments	3,413
Valuation difference on available-for-sale securities	8,848
Deferred gains or losses on hedges	(5,435)
Share acquisition rights	2,096
Total Net Assets	96,785
Total Liabilities and Net Assets	467,294

Income Statement (From April 1, 2021 to March 31, 2022)

(Unit: million yen)

Item	Amount
Operating Revenue	39,172
Operating Expenses	14,637
Operating Net profit	24,535
Non-Operating Income	3,940
Interest Income	3,922
Other	18
Non-Operating Expenses	7,498
Interest Expense	3,039
Foreign Exchange Loss	1,798
Arrangement Fee	2,346
Other	314
Ordinary Profit	20,976
Extraordinary Loss	2,317
Loss on cancellation of contract	1,482
Impairment loss	397
Provision for contract loss	437
Income before Income Taxes	18,658
Income taxes - current	(4,680)
Income taxes - deferred	3,423
Net Profit	19,915