Matters for Online Disclosure Concerning the Notice of Convocation for the 9th General Meeting of Shareholders

- Consolidated financial statements
  Consolidated Statement of Changes in Equity
  Notes to Consolidated Financial Statements
- Non-Consolidated Financial Statements
  Statement of changes in shareholders' equity
  Notes to Non-Consolidated Financial Statements

Term 9 (April 1, 2021 - March 31, 2022)

PHC Holdings Corporation

The matters above are being provided to shareholders by disclosing said information on the PHC Holdings Corporation corporate website on the Internet (https://www.phchd.com/global/ir/meeting) in accordance with applicable laws and ordinances, and Article 17 of the Articles of Incorporation.

Consolidated statements of changes in equity

(Unit: million yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Re-measurements of defined benefit plans	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges
As of April 1, 2021	36,409	31,035	35,158	(1,624)	―	400	(32)
Comprehensive income							
Profit (loss)	―	―	(8,460)	―	―	―	―
Other comprehensive income	―	―	―	―	1,601	11	(59)
Total Comprehensive income	―	―	(8,460)	―	1,601	11	(59)
Issuance of new shares	10,656	10,495	―	―	―	―	―
Acquisition of treasury stock	―	―	―	(359)	―	―	―
Disposal of treasury stock	―	(128)	―	164	―	―	―
Cancellation of treasury shares	―	(1,250)	―	1,250	―	―	―
Dividends to non-controlling interests	―	―	―	―	―	―	―
Forfeiture of share acquisition rights	―	(73)	68	―	―	―	―
Share-based payment transactions	―	4,039	―	―	―	―	―
Obtaining of control of subsidiaries	―	―	―	―	―	―	―
Transfer from other components of equity to retained earnings	―	―	1,601	―	(1,601)	―	―
Other	―	―	(13)	―	―	―	―
Transactions with the owners	10,656	13,082	1,655	1,055	(1,601)	―	―
As of March 31, 2022	47,065	44,118	28,353	(568)	―	412	(92)

(Unit: million yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Share of other comprehensive income accounted for using equity method	Total			
As of April 1, 2021	5,680	(8)	6,040	107,018	542	107,561
Comprehensive income						
Profit (loss)	―	―	―	(8,460)	160	(8,300)
Other comprehensive income	10,072	341	11,967	11,967	71	12,038
Total Comprehensive income	10,072	341	11,967	3,506	231	3,738
Issuance of new shares	―	―	―	21,151	―	21,151
Purchase of treasury shares	―	―	―	(359)	―	(359)
Disposal of treasury stock	―	―	―	36	―	36
Cancellation of treasury stock	―	―	―	―	―	―
Dividends to non-controlling interests	―	―	―	―	(76)	(76)
Forfeiture of share acquisition rights	―	―	―	(4)	―	(4)
Share-based payment transactions	―	―	―	4,039	―	4,039
Obtaining of control of subsidiaries	―	―	―	―	―	―
Transfer from other components of equity to retained earnings	―	―	(1,601)	―	―	―
Other	―	―	―	(13)	(7)	(20)
Transactions with the owners	―	―	(1,601)	24,849	(83)	24,765
As of March 31, 2022	15,753	333	16,406	135,374	690	136,065

Notes to Consolidated Financial Statements

Notes concerning important matters that are the basis for preparing consolidated financial statements

1. Preparation standards for consolidated financial statements

The consolidated financial statements for PHC Holdings (hereinafter referred as the “Company”) and its subsidiaries (hereinafter referred as the “Group”) are prepared in compliance with International Financial Reporting Standards (IFRS) pursuant to Article 120-1 of the Corporate Accounting Rules. That being said, pursuant to provisions in the latter portion of the same paragraph, the Group has omitted a portion of the presentations and notes required under IFRS.

2. Matters concerning the scope of consolidation

Number of consolidated subsidiaries 79

Names of major consolidated subsidiaries PHC Corporation
Ascensia Diabetes Care Holdings AG
Epredia Holdings Ltd.
LSI Medience Corporation

Changes in scope of consolidation in the current consolidated fiscal year are as follows.

One (1) company has been removed from the scope of consolidation owing to its liquidation.

Matters concerning the fiscal year etc. for consolidated subsidiaries

Financial statements for subsidiaries that settle their accounts on a date different from the settlement date for the consolidated fiscal year of the Group are utilized based on a provisional closing of accounts implemented as of the date of the settlement of consolidated financial accounts.

3. Matters concerning the application of the equity method

Conditions at affiliates or other entities accounted for under the equity method

Number of affiliates and other entities accounted for under the equity method: 7 companies

Names of major companies, etc. Lunaphore Technologies SA

Changes to the number of companies, etc. accounted for under the equity method in the consolidated fiscal year under review are as follows.

The number of companies accounted for under the equity method increased by there (3) owing to the new acquisition of equity interest.

Matters pertaining to fiscal years, mainly for companies accounted for under the equity method

It is impractical to unify the book closing dates mainly due to ties with other shareholders. Consequently, consolidated financial statements include investments in affiliates with different settlement dates. The accounts settlement dates for applicable affiliates is primarily December 31. Adjustments are made to reflect the impact of significant transactions and/or events that arise during the period from December 31 to the closing date for the consolidated fiscal year.

４. Significant accounting policies

(1) Financial instruments

[1] Financial assets

(i) Initial recognition and measurement

Trade receivables are initially recognized on the date they are originated. However, trade receivables that do not include any significant financial component are initially measured at their transaction price. All the other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments. At initial recognition, all financial assets, except for those classified to the category measured at fair value thorough profit or loss, are measured at fair value plus transaction costs that are directly attributable to the financial assets. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss. However, trade receivables that do not include a significant financial component are initially measured at the transaction price. At initial recognition, financial assets are classified as: (a) Financial assets measured at amortized cost; (b) Debt instruments measured at fair value through other comprehensive income; (c) Equity instruments measured at fair value through other comprehensive income; and (d) Financial assets measured at fair value through profit or loss.

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt instruments measured at fair value through other comprehensive income

Financial assets are classified as debt instruments measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity instruments measured at fair value through other comprehensive income

The Group has irrevocably elected to present subsequent changes in the fair value of equity instruments in other comprehensive income, and classifies such instruments as equity instruments measured at fair value through other comprehensive income.

(d) Financial assets measured at fair value through profit or loss

Financial assets, except for financial assets measured at amortized, debt instruments measured at fair value through other comprehensive income and equity instruments measured at fair value through other comprehensive income stated above, are classified as financial assets measured at fair value through profit or loss at the time of the initial recognition.

(ii) Subsequent measurement

After initial recognition, financial assets are measured as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

Amortization using the effective interest method and gains or losses on derecognition are recognized in profit or loss.

(b) Debt instruments measured at fair value through other comprehensive income

Debt instruments measured at fair value through other comprehensive income are measured at fair value.

Changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial assets are derecognized. When such debt instruments are derecognized, other comprehensive income previously recognized is transferred to profit or loss.

(c) Equity instruments measured at fair value through other comprehensive income

Equity instruments measured at fair value through other comprehensive income are measured at fair value. Changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. When such equity instruments are derecognized, the cumulative amount of other comprehensive income is transferred to retained earnings. In addition, dividends from such financial assets are recognized in profit or loss.

(d) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value, and any changes in fair value are recognized in profit or loss.

(iii) Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset.

(iv) Impairment

With respect to impairment of financial assets measured at amortized cost, the Group recognizes allowance for doubtful accounts to reflect expected credit losses on such financial assets.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures allowance for doubtful accounts for that financial instrument at an amount equal to 12-month expected credit losses. On the other hand, if the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures allowance for doubtful accounts for that financial instrument at an amount equal to the lifetime expected credit losses. However, for trade receivables, the Group always measures allowance for doubtful accounts at an amount equal to lifetime expected credit losses.

Expected credit losses of a financial instrument are measured in a way that reflects:

• an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

• the time value of money; and

• reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group adopts the practical expedient to estimate expected credit losses on trade receivables, contract assets and lease assets using a provision matrix.

The Group adopts a practical method that uses a provision matrix when estimating expected credit losses on trade receivables, contract assets and lease receivables. The Group directly reduces the gross carrying amount of financial asset when it has no reasonable expectations of recovering the contractual cash flows on the financial asset in its entirety or a portion thereof. Provisions for doubtful accounts related to financial assets are recognized in profit or loss. Reversals of allowance for doubtful accounts are recognized in profit or loss when events that reduce allowance for doubtful accounts occur.

[2] Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition, financial liabilities are classified as: (a) Financial liabilities measured at amortized cost;

and (b) Financial liabilities measured at fair value through profit or loss.

At initial recognition, financial liabilities measured at amortized cost are measured at fair value net of transaction costs directly attributable to the financial liabilities. Transaction costs of financial liabilities measured at fair value through profit or loss are recognized in profit or loss.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses on derecognition are recognized in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value, and any changes in fair value are recognized in profit or loss.

(iii) Derecognition

The Group derecognizes a financial liability when it is extinguished — i.e. when the obligation specified in the contract is discharged or canceled or expires.

[3] Derivative instruments, including hedge accounting

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in achieving offsetting changes in fair value or cash flows of hedged items.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. Changes in fair value of derivatives are accounted for as follows:

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit or loss, together with any changes in the fair value of hedged assets or liabilities that pose the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in equity in the consolidated statement of comprehensive income. Gains or losses on the ineffective portion are recognized immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the fiscal years when the hedged items affect profit or loss. However, if a hedged forecast transaction results in the recognition of a non-financial asset or liability, any gains or losses previously deferred in equity are transferred and included in the measurement of the asset or liability.

When a hedged forecast transaction is no longer expected to occur, the cumulative gain or loss previously recorded in equity is transferred to profit or loss.

(iii) Hedges of net investments in foreign operations

Exchange differences arising from hedges of the net investments in foreign operations are accounted for in the same way as cash flow hedges. The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized as profit or loss in the consolidated statement. When a foreign operation is disposed of, amounts accumulated in equity through other comprehensive income are transferred to profit or loss as reclassification adjustments.

(iv) Derivative transactions that do not qualify for hedge accounting

Certain derivative transactions do not meet the criteria for hedge accounting. Changes in fair value arising from such transactions are recognized immediately in profit or loss.

[4] Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented if the Group has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(2) Inventories

Inventories are mainly composed of merchandise and finished goods, work in process and raw materials and supplies.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined principally based on the weighted average method, and comprises of cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work in process includes an appropriate allocation of production overheads based on the normal production capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(3) Property, plant and equipment

The Group applies the cost model to measure property, plant and equipment after recognition. Property, plant and equipment are presented at cost, less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment comprises of purchase price, any costs directly related to the acquisition of the item, costs of dismantling, removing and restoring the item, as well as borrowing costs eligible for capitalization.

The depreciation of property, plant and equipment, except land and construction in progress, is recorded based on the straight-line method over the estimated useful life of each asset. The depreciation of these assets begins when they become available for use.

Useful lives of major assets by category are as follows:

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 15 years

The depreciation methods, residual values and remaining useful lives are reviewed at each fiscal year-end date and amended as necessary.

(4) Goodwill

Goodwill at the time of initial recognition measured as the excess of the sum of the consideration transferred in a business combination, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interests in the acquiree over the net value of identifiable assets acquired and liabilities assumed as at the acquisition date.

Goodwill is presented at cost less accumulated impairment losses.

In respect of equity method associates, the carrying amount of goodwill is included in the carrying amount of Investments. An impairment loss on such investments is not allocated to any asset, including goodwill that forms part of the carrying amount of equity method associate.

(5) Intangible assets

At initial recognition, intangible assets acquired individually are measured at cost. Intangible assets acquired in a business combination are measured at fair value as at the acquisition date.

Expenditures associated with internally generated intangible assets are charged to expense as incurred, except for those eligible for capitalization. The cost of an internally generated intangible asset that meets the capitalization criteria is the sum of expenditure incurred from the date when the intangible asset first meets such criteria.

The Group applies the cost model for subsequent measurement of intangible assets, and they are presented at cost less accumulated amortization and impairment losses.

Internally generated research costs are recognized as expenses when they are incurred.

Intangible assets other than those recorded as in-process research and development are amortized using the straight-line method over the estimated useful life of each asset. The depreciation of these assets begins when they become available for use.

Useful lives of major intangible assets by category are as follows:

• Patents: 5 to 8 years
• Customer-related assets: 7 to 20 years
• Trademarks: 10 to 16 years
• Technology-based intangible assets: 9 to 12 years

The amortization method, residual value and remaining useful life are reviewed at each fiscal year-end date and amended as necessary.

(6) Leases

[1] Lessee

The Group recognizes right-of-use assets and lease liabilities as at the lease commencement date. Lease liabilities are measured at the present value of the total unpaid lease payments at the lease start date which is discounted by the Lessee's additional lease interest rate. Right-of-use assets are measured at the amount of initial measurement of the lease liabilities plus any initial direct costs and costs of restoration and other obligations to be performed under lease agreements, in addition to any prepaid lease payments made at or before the lease commencement date. After initial recognition, right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the useful lives of the assets. Lease payments are allocated between the finance costs and the repayments of lease liabilities using the effective interest method with finance costs being recognized in the consolidated statement of profit or loss.

However, for short-term leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized as expenses either on a straight-line method over the lease term or another systematic basis, instead of recognizing right-of-use assets and lease liabilities.

Where the Group is the lessee, key judgments include assessing whether arrangements contain a lease and determining the lease term. To assess whether a contract is or contains a lease requires judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has a right to direct the use of the asset. In order to determine the lease term judgment is required as extension and termination options have to be assessed along with all facts and circumstances that may create an economic incentive to exercise an extension option, or not to exercise a termination option. Estimates include calculating the discount rate which is based on the incremental borrowing rate.

[2] Lessor

Leases are classified as either operating leases or finance leases. The underlying assets are classified as finance leases if almost all the risks and economic value associated with the ownership are transferred, and operating leases if they are not transferred. Whether the lease is a finance lease or an operating lease is determined according to the real transactions, not the form of the contract.

When classifying subleases, intermediate lenders refer to the right-of-use assets resulting from head leases if the Group of the Company is Intermediate Lessor.

(7) Impairment of non-financial assets

The Group assesses non-financial assets, excluding inventories, retirement benefit assets and deferred tax assets, for any indication of impairment.

If any indication of impairment exists, or when annual impairment testing for assets is required, the Group determines the recoverable amount of each asset. Goodwill and intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or if any indication of impairment exists.

The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less selling expenses and its value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

Only if the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the reduced amount is recognized in profit or loss.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit, and then the carrying amount of other assets in the unit is reduced proportionally. Impairment losses of goodwill are not reversed.

For assets other than goodwill, impairment losses recognized in prior fiscal years are assessed at each fiscal year-end date for any indications of reversal of such impairment losses. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed up to an amount not exceeding the carrying amount calculated by deducting any necessary depreciation and amortization from the carrying amount that would have been determined without recognizing any impairment loss.

Goodwill on acquisition of an associate that forms part of the carrying amount of the investment in the associate is not separated from the other parts, and subject to impairment by treating the investment in the associate as a single asset.

(8) Employee benefits

1) Short-term employee benefits

Sort-term employee benefits are not discounted. Instead, they are recorded as an expense when the related service is provided.

The estimated amount of bonuses to be paid under the plans are recognized as liabilities, if the Group has a present legal or constructive obligation to make payments as a result of past labor rendered by employees, and the amount of obligations can be reliably estimated.

2) Long-term employee benefits

(i) Post-employment benefits

Some of the Group’s consolidated subsidiaries adopt a lump-sum retirement benefit plan and defined benefit corporate pension plan as defined benefit plans, as well as a defined contribution pension plan as a defined contribution plan.

(a) Defined benefit plans

The present value of defined benefit obligation and related retirement benefit expenses are determined individually for each plan using the projected unit credit method. The discount rate is determined based on the market yield on high quality corporate bonds at the end of fiscal year date that are consistent with the discount period, which is set for the projected period until the expected date of benefit payment in each fiscal year.

Net defined benefit liability or asset is determined as the present value of defined benefit obligation less the fair value of plan assets.

Remeasurements of net defined benefit liability or asset are recognized as other comprehensive income in the period they are incurred, and not subsequently transferred to profit or loss. Past service cost is recognized as profit or loss in the period in which it is incurred.

(b) Defined contribution plan

Costs for defined contribution post-employment benefits are recognized as expenses in the fiscal year in which employees render service.

(c) Multi-employer plan

Certain subsidiaries participate in a pension plan funded by multiple employers, which is classified as a defined benefit plan. If sufficient information to account for defined benefits under these plans is not available, they are accounted for in the same ways as the defined contribution plans.

(ii) Other long-term employee benefits

Obligations for long-term employee benefits other than post-employment benefits are determined by discounting the amount of future benefits acquired by employees in exchange for services rendered in the current and past fiscal years to the present value.

(9) Share-based remuneration

The Group adopts an equity-settled share option plan as an incentive plan for officers and employees. Share options are estimated at fair value at the grant date, and recognized as expenses over the vesting period, with a corresponding increase in capital surplus, taking into account the estimated number of options to be vested. The fair value of share options granted is measured using the Black-Scholes model, etc., taking into account the terms and conditions of the options. In addition, if subsequent information indicates that the number of share options expected to be vested differs from previous estimates, the estimates of vesting are revised as necessary.

(10) Provisions

The Group recognizes provisions when it has a legal or constructive obligation as a result of past events, it is probable that outflows of economic resources will be required to settle the obligation, and reliable estimates can be made of the amount of the obligation.

When the effect of the time value of money is material, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability.

Unwinding of the discount reflecting the passage of time is recognized as a finance cost.

(11) Revenue

Following the application of IFRS 15, the Group recognizes revenue based on the five-step approach outlined below:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is engaged in sales of medical device-related products and examination/analysis services in the healthcare domain. For sales of such products and provision of services, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products because the customer obtains control over the product/services upon delivery. In addition, revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items.

(12) Foreign currency translation

[1] Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction dates or rates that approximate such rates.

Foreign currency monetary items at the fiscal year-end are retranslated into the functional currency at the exchange rates at the fiscal year-end, while those measured at fair value are retranslated into the functional currency at the exchange rates at the measurement date of such fair value.

Exchange differences arising from such translation and settlement are basically recognized in profit or loss.

[2] Financial statements of foreign operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising from the acquisition of foreign operations) are translated into Japanese yen at the exchange rates at the fiscal year-end; their revenues and expenses are translated into Japanese yen at the exchange rates at the transaction dates or at rates that approximate such rates.

Exchange differences arising from translating financial statements of foreign operations are recognized in other comprehensive income, and their cumulative amount is recorded in "Other components of equity" in the consolidated statement of financial position.

If a foreign operation is disposed of, the cumulative translation differences of the operation are recognized in profit or loss for the fiscal year in which the disposal occurs.

(13) Other

The Company and some domestic subsidiaries are applying the consolidated tax payment system.

5 . Accounting estimates

In preparing the consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may vary from these estimates.

Accounting estimates and judgments are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the accounting period in which the review was conducted and future accounting periods.

The judgments and estimates made by management that may have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

・Impairment losses on non-financial assets（Goodwill　197,754 million yen, Intangible assets　99,139 million yen, Property, plant and equipment　48,276 million yen）

At the Group, regarding impairment losses of non-financial assets, as a basis, grouping shall be implemented for the smallest unit that can basically identify independent cash inflows. In addition, in the impairment loss test for the cash-generating units, including goodwill, in principle cash-generating units will represent the managed business units for the purpose of internal reporting. An impairment loss test is being implemented annually for goodwill, regardless of whether there are signs of impairment loss. The recoverable amount for cash-generating units that allocate goodwill is measured based on value in use. In the cash-generating units in each business, future cash flows, which are used to measure the value in use, are estimated based on the growth rate in the Medium-Term Management Plans for each business prepared by management and after the transition period for the Medium-Term Management Plans for future cash flows. The discount rate is determined taking into account the market interest rate and based on companies similar to cash-generating units.

These assessments are determined based on the best estimates and decisions of management. However, there is a possibility of impact due to changes in uncertain economic conditions in the future. Should it become necessary to make revisions, there is possibility of significant impact to the consolidated financial statements.

・Valuation of inventories (inventories　44,509 million yen)

The Group makes assumptions about the costs and sales costs required to complete the calculation of net realizable value for inventories. These assumptions are determined by management's best estimates and judgments, but may be affected by uncertain future fluctuations in economic conditions and may need to be reviewed. It may have a significant impact on the consolidated financial statements.

・Accounting for and valuation of provisions (provision　8,296 million yen)

The Group records various provisions such as restructuring provision and product warranty provision in the consolidated statement of financial position. These provisions are based on the best estimate of the expenditures required to settle the debt, taking into account the risks and uncertainties associated with the debt on the closing date. The amount of expenditure required to settle debt is calculated by comprehensively considering possible future results, but it may be affected by the occurrence of unforeseen events or changes in circumstances, and it is the actual amount. If the payment amount is different from the estimate, it may have a significant impact on the amount recognized in the consolidated financial statements for the following year and thereafter.

・Measurement of employee benefits (liabilities related to retirement benefits　8,214 million yen)

The Group has various retirement benefit plans, including defined benefit plans. The present value of defined benefit system obligations and related service costs related to each of these systems are calculated based on actuarial assumptions such as discount rate and mortality rate. Mathematical assumptions are determined by management's best estimates and judgments, but may be affected by the consequences of uncertain future fluctuations in economic conditions and may need to be reviewed. It can have a significant impact on consolidated financial statements.

・Recoverability of deferred tax assets (deferred tax assets　3,245 million yen)

The Group is expanding its business activities around the world, and rationally estimates the amount expected to be paid to the tax authorities of each country in accordance with laws and regulations, and records tax liabilities and corporate income tax.

When calculating tax liabilities and corporate income tax, it is necessary to estimate and judge various factors such as the interpretation of tax law provisions by taxable companies and the competent tax authorities and the history of past tax audits. Therefore, the recorded tax liability and corporate income tax may differ from the actual tax liability and corporate income tax amount, which may have a significant impact on the amount recognized in the consolidated financial statements for the following fiscal year and thereafter.

The Group also recognizes deferred tax assets to the extent that taxable income is likely to be available in the future for deductible temporary differences.

When recognizing deferred tax assets, the amount of taxable income is calculated by reasonably estimating the timing and amount of taxable income that can be earned in the future based on the business plan in determining the possibility of taxable income. The timing and amount of taxable income may be affected by uncertain future fluctuations in economic conditions, and if the actual timing and amount of taxable income differ from the estimate, there may be a significant impact on the amount recognized by the Group in the consolidated financial statements for the following fiscal year and thereafter.

・Fair value of share options (amount of the cost　4,084 million yen）

The Group has adopted an equity-settled stock option system, which calculates the fair value on the grant date using the Black-Scholes model, etc., and determines the number of stock options to be finally vested. We estimate it reasonably and recognize it as an expense over the vesting period. These may be affected by uncertain fluctuations in economic conditions in the future, and if the final number of vested rights differs from the estimate, it will have a significant impact on the amount recognized in the consolidated financial statements for the following fiscal year and thereafter.

・Lease period of right-of-use assets (property-rights assets included in tangible fixed assets and intangible assets 13,037 million yen)

In case of the Group is lessee, the Group reasonably estimates the lease term and recognizes right-of-use assets and lease liabilities. The lease term is determined after comprehensively considering the facts and circumstances regarding the exercise of extension options or cancellation options in the future, but it may be affected by the occurrence of unexpected events or changes in circumstances. If the actual lease term is different from the estimate, it may have a significant impact on the amount recognized in the consolidated financial statements for the following year and thereafter.

Regarding the status of new coronavirus infections, it is difficult to predict the scale of infection expansion and the timing of convergence in the future, but even in this consolidated fiscal year, the impact of this infectious disease from the next consolidated fiscal year onward will be affected. We make an accounting estimate after considering it reasonably.

Notes on the consolidated statement of financial position

1. Allowance for doubtful accounts directly deducted from assets
   Operating receivables and Other financial assets (current) 2,382 million yen
   Other financial assets (Noncurrent) 32 million yen
2. Accumulated depreciation and accumulated impairment loss of property, plant and equipment 73,512 million yen

Notes on the Consolidated statement of profit or loss

1. Impairment loss of goodwill
   In the pathology business, an impairment loss of 17,172 million yen was posted as “other expense” at a cash-generating unit in this business. This reflected a reduction of the future cash flow estimate owing to an increase in raw materials cost and transport and other costs, and the recoverable amount at the cash-generating unit based on present value dipping below book value.

Notes on the Consolidated Statement of Changes in Equity

1. Types and total number of issued shares at the end of the current consolidated fiscal year
   Common stock 124,144,242 shares
2. Types and total number of treasury stock as of the end of the current consolidated fiscal year
   Common stock　211,941 shares
3. Matters concerning dividends
   (1) Dividend payment amount
   Not applicable
   (2) Among dividends in which the record date belongs to the consolidated fiscal year, the date the dividends take effective is in the following consolidated fiscal year.
   At the 9th General Meeting of Shareholders, which is set to be held on June 29, 2022, matters related to dividends will be put forth for discussion as follows.

Type of stock	Total cash dividends (Million yen)	Funding for dividends	Dividend amount per share (yen)	Record date	Effective date
Common stock	4,709	Retained earnings	38	March 31, 2022	June 30, 2022

４. Type and number of shares subject to stock acquisition rights (excluding those for which the first day of the exercise period has not yet arrived) at the end of the consolidated fiscal year under review
   Common stock 4,271,811 shares

Notes on financial instruments

1 . Matters regarding the status of financial instruments

(1) Capital management

The Group's basic policy for capital management is to maximize its corporate value while achieving sustainable growth by making its businesses more competitive. To this end, the funds for investments in businesses and for other purposes are raised by borrowings and other means by considering a range of factors. The Group maintains an appropriate capital structure by securing sufficient shareholders' equity proportionate to risk, striving to enhance and use it effectively, and considering the balance between financial soundness and the cost of capital.

(2) Financial risk management

The Group is affected by the business environment and the financial market environment. Financial instruments held or assumed during the course of business activities are exposed to inherent risks. Such risks include 1) credit risk, 2) liquidity risk and 3) market risk. The Group implements the crisis management that can help minimize the impact on the Group's financial position and operating results by establishing management systems within the Group and using financial instruments.

2 . Matters regarding fair value, etc. of financial instruments

(1) Financial assets and financial liabilities not measured at fair value

The Group holds financial instruments consisting of cash and cash equivalents, trade receivables, other financial assets, trade and other payables, borrowings and other financial liabilities. Their carrying amounts are equal to or approximate their fair values. Therefore we omit disclosure of fair values.

(2) Financial assets and financial liabilities measured at fair value

The table below analyzes financial instruments recorded at fair value by valuation method:
Each level in the table is defined as follows:
Level 1: Market prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than market prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (as data derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

3 . Matters concerning the breakdown of the market value of financial instruments for each appropriate category

Current consolidated fiscal year (March 31, 2022)

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Loan	－	16,058	661	16,719
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income				
Stock	426	－	1,676	2,102
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	－	370	－	370
Conditional consideration	－	－	341	341

The Group determined at the end of each fiscal year date whether there are financial instruments for which a significant transfer was made between levels. In this consolidated fiscal year, there are no financial instruments for which a significant transfer was made between levels.

Loans are backed by convertible notes. In light of this, widely accepted evaluation models in the finance industry, including the binomial model, are being employed.
The basic data on share prices and interest rates used in the evaluation model are not highly subjective given the data can easily be observed in the market.
The reconciliation table for balances at the start and end of the fiscal year for the fair value measurement of financial instruments, allocated to Level 3 of the fair value hierarchy, is as follows.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Financial assets measured at fair value through profit or loss	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Financial liabilities measured at fair value through profit or loss
Beginning balance	705	843	519
Purchase	600	753	−
Gain and loss			
Profit or loss (Note)	1,358	−	18
Comprehensive income	−	80	−
Sales/settlement	(2,003)	(1)	(195)
Ending balance	661	1,676	341

(Note) It relates to financial assets measured at fair value through profit and loss and is included in "financial income" or "financial costs" in the consolidated statements of profit or loss.
To measure the fair value of unlisted stocks, the Group uses discounted future cash flows or the most recent transaction price method of similar listed companies. Other techniques, such as valuation models based on net assets, may result in different measurements of fair value. When applying the market multiples method based on comparable listed companies, the Group consistently uses multiple comparable listed companies and considers the illiquidity discount.
Conditional consideration is a liability recognized by acquiring Fa-Tech Diagnostics Europe BV in the previous consolidated fiscal year, with a portion of the consideration being conditional consideration. We use an appropriate valuation method to estimate the amount of additional payments that will be made in the future and calculate the fair value. Changes caused by the ex-post measurement of the fair value of conditional consideration are recognized in profit or loss.

Notes on revenue recognition
(1) Decomposition of profits
Revenue decomposition by business segment and major regions is as follows.
Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Diabetes Management	Healthcare Solutions	Diagnostic & Life Science	Other	Total
By region					
Japan	6,906	129,322	15,563	252	152,044
Europe	57,801	4,174	22,837	−	84,813
North America	28,073	244	39,590	−	67,907
Other	16,586	2,546	14,233	2,320	35,686
Total	109,367	136,286	92,224	2,573	340,452

Note: the amount of revenue recognized from other sources is not significant.

(2) Contract balances

The Group's contract balance consists of contract liabilities and the balance was 3,681 million yen at the start of the fiscal year and 4,671 million yen at the fiscal year-end. In addition, liabilities that arise from contracts with customers are included in trade liabilities.

Among revenues recognized in this consolidated fiscal year, the amounts included in the balances of contract liabilities at the start of the fiscal year was 2,555 million yen.

In this consolidated fiscal year, there was no revenue recognized related to performance obligations satisfied in previous years, owing primarily to fluctuations in transaction prices.

(3) Performance obligations

1) Point in time when a performance obligation is satisfied

In principle, a performance obligation is satisfied at the time of customer acceptance unless otherwise specified in a contract. In cases where a contract provides for the timing of transfer of risk, a performance obligation is satisfied at the time of transfer of risk specified in said contract, such as at the time of delivery of goods.

2) Terms of payment of consideration

The Group generally receives a payment within three months after satisfying its performance obligation. No contract includes any significant financial component.

3) Goods and services transferred to customers

Goods and services transferred by the Group to customers include blood glucose monitoring systems, medical receipt computers, ultra-low freezers, devices for anatomical pathology and services of clinical test. The Group has not entered into any transaction as a significant agent.

4) Obligations for returns, refunds and other obligations

The Group sells products with a right of return or similar right in certain regions. For the sale of such products, the estimated product returns based on past return rates are deducted from revenue for the fiscal year.

5) Types of product warranties and relevant obligations

The Group does not sell products with a product warranty or similar right.

(4) Transaction price allocated to remaining performance obligations at the fiscal year-end

The transaction price allocated to remaining performance obligations and the expected timing of revenue recognition are as described below. In addition, the disclosure on transactions is omitted for which the initially estimated duration of the remaining performance obligation is one year or less as the Group uses the practical expedient.

(Unit: million yen)

	Current consolidated fiscal year (March 31,2022)
Within one year	3,100
Over one year	1,842
Total	4,942

(5) Significant judgments

Revenue from the sale of products is measured at transaction price in contracts with customers. For contracts including variable consideration, such as rebates, the transaction price is determined using the expected value method based on experience, taking into account the variable consideration to the extent that no material difference occurs between the estimate and actual value. In addition, the Group generally receives the consideration for a transaction within one year after satisfying its performance obligation; no contract includes any significant financial component.

(6) Assets recognized from the costs to obtain or fulfill a contract with a customer

There was no asset recognized from contract costs as of March 31, 2022.

Note regarding information per share

１. Equity attributable to owners of the parent per share 1,092.33 yen

２. Basic earnings per share（loss） (70.78 yen)

３. Diluted earnings per share（loss） (70.78 yen)

Subsequent event

The Company has taken a resolution regarding the Early Retirement Program (ERP) in the Board of Directors meeting held on May 25, 2022.

1. Reason of ERP
   In order to create an organization that gathers autonomous human resources who will maximize the quality of individuals for the future and take on challenges in a positive manner, PHC Holdings Co., Ltd. and HQ functions within PHC Corporation will work to reduce duplicate management operations and streamline support functions.

2. Outline of ERP

(1) Target companies:	PHC Holdings Co., Ltd. and HQ Functions of PHC Corporation
(2) Eligible Persons:	Employees with 10 years or more of continuous service and re-employed persons approved by the company
(3) Number of Applicants:	Not specified.
(4) Application period:	August 1~10, 2022 (plan)
(5) Retirement date:	September 30, 2022 (plan)
(6) Incentive Plan:	Special retirement allowance and re-employment support for those who wish to receive so.

3. Impact to the financial results
   Impact to the financial results are not yet identified. Once the number of applications has been received and incentive allowances decided, provisions can be made.

Statement of changes in equity
(From 1 April 2021 to 31 March 2022)

(Million Yen)

	Shareholders' equity								
			Capital surplus			Retained earnings			
	Share capital	Deposit for subscriptions to shares	Legal capital surplus	Other capital surplus	Capital surplus	Other retained earnings Retained earnings brought forward	Retained earnings	Treasury shares	Shareholders' equity
Balance as of April 1, 2021	36,409	—	6,451	21,522	27,974	△12,417	△12,417	△1,624	50,341
Changes in items during period									
Issuance of new shares	10,314	—	10,314	—	10,314	—	—	—	20,628
Issuance of new shares (Exercise of Share acquisition rights)	341	△640	341	—	341	—	—	—	43
Payment of Deposit for subscriptions to shares	—	671	—	—	—	—	—	—	671
Net Profit	—	—	—	—	—	19,915	19,915		19,915
Purchase of treasury shares	—	—	—	—	—	—	—	△359	△359
Cancellation of treasury shares	—	—	—	△1,250	△1,250	—	—	1,250	—
Disposal of treasury shares	—	—	—	△128	△128	—	—	164	36
Changes in items during period other than shareholders' equity (net)	—	—	—	—	—	—	—	—	—
Total changes in items during period	10,656	31	10,656	△1,379	9,276	19,915	19,915	1,055	40,935
Balance as of March 31 2022	47,065	31	17,107	20,142	37,250	7,498	7,498	△568	91,276

(Million Yen)

	Valuation and translation adjustments, etc.			Share acquisition rights	Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges Profit and loss	Total valuation and translation adjustments, etc.		
Balance as of April 1, 2021	585	△1,182	△596	828	50,573
Changes in items during period					
Issuance of new shares	—	—	—	—	20,628
Issuance of new shares (Exercise of Share acquisition rights)	—	—	—	—	43
Payment of Deposit for subscriptions to shares	—	—	—	—	671
Net Profit	—	—	—	—	19,915
Purchase of treasury shares	—	—	—	—	△359
Cancellation of treasury shares	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	36
Changes in items during period other than shareholders' equity (net)	8,262	△4,253	4,009	1,268	5,277
Total changes in items during period	8,262	△4,253	4,009	1,268	46,212
Balance as of March 31 2022	8,848	△5,435	3,413	2,096	96,785

Notes to Non-Consolidated Financial Statements
From April 1, 2021
to March 31, 2022

I. Notes regarding significant accounting policies

1. Asset valuation standards and valuation method
   Securities
   Stocks of subsidiaries and affiliates
   Cost method based on the moving average method
   Other securities
   Assets with market value
   Market value method
   (Valuation differences are reported as a component of shareholders' equity, and costs of securities sold are determined by the moving average method.)
   Assets with no market value
   Cost method based on the moving average method

2. Depreciation method for non-current assets
   Property, plant and equipment Straight-line method
   Estimated useful lives are mainly as follows.

Buildings	5 to 10 years
Tools, furniture and fixtures	2 to 10 years

   Intangible assets Straight-line method
   Estimated useful lives are mainly as follows.

Trademark rights	10 years
Software	3 years

3. Method for posting provision for retirement benefits
   Posting provisions to retirement allowance is recorded to cover severance to be paid at the end of the fiscal year for corporate officers in accordance with internal regulations.

4. Method for posting provision for directors' retirement benefits
   Posting provisions to retirement allowance is recorded to cover severance to be paid at the end of the fiscal year for directors and corporate auditors in accordance with internal regulations.

5. Method for posting provision for bonuses
   An estimated amount of bonuses required to be paid to eligible employees are recorded to cover the payment of bonuses to employees.

6. Method for posting provision for loss on contract
   An estimated amount to prepare for possible losses on contract is recorded.

7. Method for posting provision for share-based remuneration
   An estimated amount to prepare for the benefits of the Company's shares to directors and employees are recorded based on estimated amounts of share benefit obligations at the end of the current fiscal year.

8. Posting standards for revenue and expense
   The company's profits are management advisory fees and dividends received from subsidiaries. For the management advisory fees, the company has a performance obligation to carry out the promised services in accordance with the contractual coverage.

The company satisfies a performance obligation by transferring a promised services to subsidiaries, and then, revenue and expense are recognized.

For dividends received from subsidiaries, the company recognize on the effective date of the dividends.

9. Accounting method for significant hedge transactions

(1) Accounting method for hedging transactions

Deferred hedge accounting is adopted.

(2) Hedging instruments and hedged items

Hedging instruments

Borrowings denominated in foreign currency

Hedged items

Equity in overseas subsidiaries

(3) Hedging policy

Hedges are carried out within the scope of actual demand to reduce foreign exchange rate fluctuation risk.

(4) Method to evaluate the effectiveness of hedging

Evaluation for the effectiveness of hedging is skipped since important terms and conditions for hedging instruments and items are same, and also, fluctuations in foreign exchange rate or cash flows could be offset after hedging.

10. Application of consolidated tax return filing system

The company applies consolidated tax return filing system from the current fiscal year.

Regarding the transition to the Japanese group tax relief system established by "Law for the Partial Amendment of the Income Tax Act (Law No. 8 in 2020)", the company did not apply paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018) to the items under non-consolidated tax system whose treatment was revised in line with the transition to the Japanese group tax relief system, and calculated based on the tax law before the revision according to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Tax Return Filing System to the Japanese Group Tax Relief System (PITF No. 39; March 31, 2020)".

11. Other

Amounts are rounded down to the nearest million yen.

II. Notes regarding changes in accounting policy

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019; hereinafter "Accounting Standard for Fair Value Measurement.") is applied from the beginning of the fiscal year. In accordance with the transitional treatment stipulated in Accounting Standards for the Calculation of Market Value (No. 19) and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), the new accounting policies are applied in the Accounting Standards for the Calculation of Market Value, etc. hereafter. As a result, there was an increase in investment securities of 11,636 million yen, deferred tax liabilities of 3,563 million yen and valuation difference on available-for-sale securities of 8,073 million yen at the end of the fiscal year.

III. Notes regarding accounting estimates

Items reflected in financial statements for the current fiscal year according to accounting estimates, and which shall impact materially on the financial statements for the next fiscal year are as follows.

Deferred tax liabilities-Total: 1,484 million yen

Deferred tax assets are estimated based on the following fiscal years with taxable income based on the business plan. This estimate can potentially be impacted by changes in uncertain economic conditions in the future. If actual taxable income differs in terms of the timing and amounts from this estimates, it could potentially impact the amounts of deferred tax liabilities in the following fiscal year.

IV. Notes regarding Balance Sheets

1. Accumulated depreciation for property, plant and equipment 58Million Yen

2. Receivables from and Payables to Subsidiaries and Associates

Short-term receivables	Operating accounts receivable	3,306Million Yen
	Accounts receivable - other	8,729Million Yen
	Short-term loans receivable	7,794Million Yen
Long-term receivables	Long-term loans receivable	98,465Million Yen
Short-term payables	Short-term loans payable	46,331Million Yen
	Accounts payable-other	888Million Yen
	Deposits received	7,827Million Yen
Long-term payables	Long-term accounts payable	95Million Yen

3. Financial covenants

The following financial covenants are applied to our borrowings of 310,929 million yen.

(1) Consolidated capital as of each fiscal year-end shall not be less than the amounts stipulated in the contract
(2) The Company will not have negative consolidated operating profit for two consecutive fiscal years
(3) If a long-term debt rating has been acquired, the Company shall maintain the rating above a certain level stipulated in the contract

V. Notes to Income Statements

Transactions with subsidiaries and affiliates

Operating revenue	38,990Million Yen
Other operating transactions	2,759Million Yen
Non-operating transactions	4,319Million Yen

VI. Notes to Statement of Changes in Shareholders' Equity

Items related to the number of treasury shares at the end of the fiscal year

Common stock	211,941shares

VII. Notes regarding tax effect accounting

1. Main components for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Tax loss carried forward	1,798Million Yen
Excess depreciation	23Million Yen
Provision for bonuses	83Million Yen
Deferred gains or losses on hedges	2,209Million Yen
Other	746Million Yen
Deferred tax assets-subtotal	4,861Million Yen
Valuation allowance for tax loss carried forward	△1,239Million Yen
Valuation allowance for deductible temporary differences etc.	△884Million Yen
Valuation allowance-Subtotal	△2,123Million Yen
Deferred tax assets-Total	2,737Million Yen
Deferred tax liabilities	
Translation adjustment of borrowings denominated in foreign currency	316Million Yen
Valuation difference on available-for-sale securities	3,905Million Yen
Deferred tax liabilities-Total	4,222Million Yen
Deferred tax Liabilities	1,484Million Yen

VIII.Notes on transactions with related parties

Parent and major corporate shareholders (Million yen)

Category	Name	Ownership of voting rights	Relationship with related parties		Transaction details	Transaction amount	Item	Balance as of March 31, 2022
			Concurrent post held by directors	Business relations hips				
Parent company of other affiliates	Kohlberg Kravis Roberts & Co. L.P.	Owned indirect ownership of 38.7% (Note 9	-	-	Payment of termination fee	770	-	-
Other affiliates	KKR PHC investment L.P.	Owned direct ownership of 38.7% (Note 10)	-	-	Receipt of pledged assets (Note 1)	322,671	-	-
Main shareholde	MITSUI & CO., LTD	Owned direct ownership of 17.6% (Note 11)	-	-	Payment of termination fee	508	-	-
					Receipt of pledged assets (Note 1)	322,671	-	-
Main shareholder	Life Science Institute, Inc.	Owned direct ownership of 13.2% (Note 12)	-	-	Payment of termination fee	203	-	-
					Receipt of pledged assets (Note 1)	322,671	-	-

Subsidiaries and others (Million yen)

Category	Name	Ownership of voting rights	Relationship with related parties: Concurrent post held by director	Relationship with related parties: Business relationships	Transaction details	Transaction amount	Item	Balance as of March 31, 2022 2020
Subsidiaries	PHC Corporation	Direct ownership of 100%	2 directors hold a concurrent post	Corporate management	Provision of management services (Note 2)	6,940	Accounts receivable-other	1,231
					Return of funds (Note 3)	8,290	Long-term loans receivable	91,687
					Interest income (Note 3)	3,395		
					Cash Deposits (Note 4)	10,286	Deposits received	4,228
					Interest expenses (Note 4)	15		
					Guaranteed liabilities, receipt of pledged assets (Note 1)	322,671	-	-
	LSI Medience Corporation	Direct ownership of 100%	1 director holds a concurrent post	Corporate management	Financing (Note 3)	35,472	Short-term loans receivable	1,953
					Return of Funds (Note 3)	43,929		
					Interest income (Note 3)	14		
					Interest income (Note 3)	96	Long-term loans receivable	6,115
					Guaranteed liabilities, receipt of pledged assets (Note 1)	322,671	-	-
	Ascensia Diabetes Care Holdings AG	Indirect ownership of 100%	-	Corporate management	Borrowings (Note 5)	7,593	Short-term loans payable	46,331
					Interest expenses (Note 5)	217		
					Guaranteed liabilities, receipt of pledged assets (Note 1)	322,671	-	-

	Epredia Holdings Ltd. 11 other subsidiaries	Direct owner ship of 100%	-	-	Payment of personnel expenses, etc. (Note 6)	1,622	Accounts payable-other	584
					Loan of Funds (Note 3)	5,488	Short-term loans receivable	5,789
					Interest income (Note 3)	20		
					Guaranteed liabilities, receipt of pledged assets (Note 1)	322,671	-	-
	Ascensia Diabetes Care US Inc.	Indirect ownership of 100%	-	-	Guaranteed liabilities, receipt of pledged assets (Note 1)	322,671	-	-
	Ascensia Diabetes Care Canada Inc.	Indirect ownership of 100%	-	-				
	Ascensia Diabetes Care Deutschland GmbH	Indirect ownership of 100%	-	-				
	PHC Corporation Singapore Pte. Ltd.	Direct ownership of 100%	-	-	Debt guarantee (Note 1)	322,671	-	-
	PHC Europe B.V.	Direct ownership of 100%	-	-				
	PT PHC Indonesia	Indirect ownership of 100%	2 director holds a concurrent post	-				
	Ascensia Diabetes Care Switzerland AG 34 other subsidiaries	Indirect ownership of 100%	-	-				

Directors and individual major shareholders etc. (Million yen)

Category	Name	Ownership of voting rights	Relationship with related parties	Transaction details	Transaction amount	Item	Balance as of March 31, 2022
Director	Frederick Reidenbach	-	Executive officer(CFO)	Granting of Restricted Stock Unit Compensation (Note 7)	206	Provision for share-based Remuneration	170
	Ephraim Starr	-	Corporate officer (General Counsel)	Granting of Restricted Stock Unit Compensation (Note 7)	88	Provision for share-based Remuneration	73
	Ebina Jon	-	Corporate officer (CHRO)	Granting of share acquisition rights (Note 8)	94	Share acquisition rights	76

Terms and conditions of transactions and policy on decisions

(Note 1) The Company received a loan guarantee or collateral from the above parent and subsidiaries for a syndicated loan (322,671 million yen), which is based on the No. 5 revised contract related to a facility contract that was signed on October 31, 2019 with a financial institution. However, The Company signed a monetary consumption contract with four domestic financial institutions on May 31, 2021 for the purpose of refinancing long-term debt. And the Company borrowed on June 30, 2021 and repaid the entire debt of the facility contract on the same date in advance, hence all the debt guarantees or collateral provided for the contract have been cancelled.

(Note 2) Management services fees charged to PHC Corporation are decided considering market price.

(Note 3) Regarding loans to PHC Corporation and LSI Medience Corporation and interest income, the interest rate is rationally decided considering market interest rates.

(Note 4) Regarding capital from PHC Corporation and other subsidiaries, net increase or decrease are noted due to repetitive transactions conducted during a short term period. That said, for the interest payments, the interest rate is rationally decided considering market interest rates.

(Note 5) Regarding loans from Ascensia Diabetes Care Holdings AG and interest payments, the interest rate is rationally decided considering market interest rates.

(Note 6) The Company pays personnel expenses, etc. for executives in subsidiaries.

(Note 7) It is the rights granted for 1st Performance Share Unit Compensation, which was approved in the Board of Directors held on April 28, 2021

In addition, in the Board of Directors held on March 30, 2022, it was resolved to abolish the performance conditions for the vesting of Performance Share Unit Compensation, and it was changed to granting of the rights of Restricted Stock Unit Compensation

(Note 8) It is the rights granted for 2nd Class H Share Acquisition Rights, which was approved in the shareholders' meeting held on June 30, 2021.

Numbers of share acquisition rights are 58,000. As the target shares, common stocks of the Company are 58,000, and payment amounts by exercise of share acquisition rights are 1 yen per share.

(Note 9) Kohlberg Kravis Roberts & Co. L.P., the parent company of KKR PHC investment L.P., which was the parent company of the Company, has been changed its status to the parent company of other affiliates due to the decrease in the ownership ratio of rights, following the new listing of the Company's shares on the First Section of the Tokyo Stock Exchange on October 14, 2021.

(Note 10) KKR PHC investment L.P., the parent company of the Company, has been changed its status to other affiliates due to a decrease in the percentage of its voting rights following the new listing of the Company's shares on the First Section of the Tokyo Stock Exchange on October 14, 2021.

(Note 11) Mitsui & Co., Ltd., had changed its status from other affiliates to main shareholders due to a decrease in the percentage of following the new listing of the Company's shares on the First Section of the Tokyo Stock Exchange on October 14, 2021.

(Note 12) Life Science Institute Co., Ltd., which was a main shareholder of the Company, reduced its voting rights to the Company due to the new listing of the Company's shares on the First Section of the Tokyo Stock Exchange on October 14, 2021. , Since it is no longer a related party, the transaction amounts are based on the transaction period as a related party, and the ownership ration of voting rights, and ending balances are noted as its status which is no longer a related party.

IX. Notes regarding per-share information

Net assets per share	763.79 yen
Net profits per share	166.62 yen

X. Notes Regarding-Significant Subsequent Events

Since it is described in the consolidated financial statements "Notes to consolidated financial statements: Notes on Significant Subsequent Events", the notes are omitted.