

# The 11th Annual General Meeting of Shareholders

## Convocation notice

◆ **Date and time**

**10:00 a.m., June 26 (Wed), 2024**

(Reception starts at 9:30 a.m.)

◆ **Venue**

3-12-8 Sotokanda, Chiyoda-ku, Tokyo

**Sumitomo Fudosan Akihabara Bldg.**

**Bellesalle Akihabara**

**2nd Floor Hall**

◆ **Agenda items to be resolved**

**Agenda item No. 1:** Appropriation of Surplus

**Agenda item No. 2:** Appointment of Eight (8) Directors

**Agenda item No. 3:** Introduction of a performance-linked stock remuneration plan where shares are delivered after vesting for the Directors (excluding External Directors)

**Agenda item No. 4:** Revision of remuneration due to the introduction of a stock remuneration plan where shares are delivered after vesting for Independent External Directors

**Agenda item No. 5:** Provision of Retirement Benefits to Retiring Directors

**PHC Holdings Corporation**

Securities code: 6523

## Notice of Convocation of the 11th Annual General Meeting of Shareholders

To Our Shareholders,

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

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

[PHC website]

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

(Access the above website and select [11th Annual General Meeting of Shareholders] to view the information.)



Listed Company Information Service (Tokyo Stock Exchange)

<https://www.jpx.co.jp/english/>

(Access the above website, enter and search for stock name (company name) or securities code, and click on [Basic information] > [Documents for public inspection/PR information].)



[Shareholders Meeting Portal<sup>®</sup> (Sumitomo Mitsui Trust Bank)].

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

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

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

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

**If you are unable to attend the meeting, you may exercise your voting rights in writing (by mail), via the Internet, and other methods, as described in [Exercise of Voting Rights] on page 3. Please study the reference documents for the General Meeting of Shareholders and exercise your voting rights by 5:30 p.m. on Tuesday, June 25, 2024 (Tokyo time).**

Yours sincerely

## Notice

### 1 Time

**June 26, 2024 (Wed), 10:00 a.m. (Reception begins at 9:30 a.m.)**

### 2 Place

3-12-8 Sotokanda, Chiyoda-ku, Tokyo

## Sumitomo Fudosan Akihabara Bldg. Bellesalle Akihabara, 2nd Floor Hall

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

### 3 Purposes of the General Meeting

#### Reports

1. Business Report and Consolidated Financial Statements for the 11th Fiscal Year (from April 1, 2023 to March 31, 2024) and the Accounting Auditor's Report and the Audit & Supervisory Board's Report on the Consolidated Financial Statements
2. Report on the Non-consolidated Financial Statements for the 11th Fiscal year (April 1, 2023 through March 31, 2024)

#### Matters to be Resolved

- Agenda item No. 1: Appropriation of Surplus  
Agenda item No. 2: Appointment of Eight (8) Directors  
Agenda item No. 3: Introduction of a performance-linked stock remuneration plan where shares are delivered after vesting for the Directors (excluding External Directors)  
Agenda item No. 4: Revision of remuneration due to the introduction of a stock remuneration plan where shares are delivered after vesting for Independent External Directors  
Agenda item No. 5: Provision of Retirement Benefits to Retiring Directors

### 4 Exercise of Voting Rights

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

- For those attending the shareholder meeting in person, submit the Voting Rights Exercise Form at the reception desk. In addition, bring this convocation notice of the General Meeting of Shareholders as agenda materials.
- Should revisions occur to information that is disclosed electronically, the information prior to and post revisions are stated on the first page and uploaded to each website.
- The privacy notice regarding this General Meeting of Shareholders is posted at the following URL. Please agree to the contents of the URL below before participating on the day of the event.  
URL: [https://www.phchd.com/jp/~Media/phchd/privacy/Shareholders\\_Meeting.pdf](https://www.phchd.com/jp/~Media/phchd/privacy/Shareholders_Meeting.pdf)
- Owing to revisions to the Companies Act, as a general rule confirm the electronically disclosed information on first page after accessing each website. We previously sent documents only to shareholders who requested the delivery of documents by the record date. However, as of this General Meeting of Shareholders, we will uniformly send the documents mentioned in the electronically disclosed information regardless of whether a request was made for the delivery of documents.  
Note that of the information that is disclosed electronically, the following matters are not mentioned in the documents we send as stipulated in accordance with laws and ordinances, and the Articles of Incorporation of PHC Holdings Corporation. The Corporate Auditors or the Accounting Auditor audit those documents that are subject to audits, including the following matters.
  - Main business activities, major offices and plants, employees, principal lenders, matters related to shares, matters related to share acquisition rights, status of accounting auditors, system to ensure the appropriate performance of operations, consolidated statement of changes in equity and notes to the consolidated financial statements in the consolidated financial statements, and statements of changes in equity and notes to non-consolidated financial statement in the non-consolidated financial statements
- The meeting will be streamed live via the Internet. See page 5 for more information on the live streaming.
- There will be no souvenirs for shareholders this year.
- Anyone requiring assistance should contact a staff member.
- If any significant change occurs regarding the scheduled operation of the meeting, we will announce it on the Company's website (<https://www.phchd.com/global/ir/meeting>).

# ◆ Exercise of Voting Rights

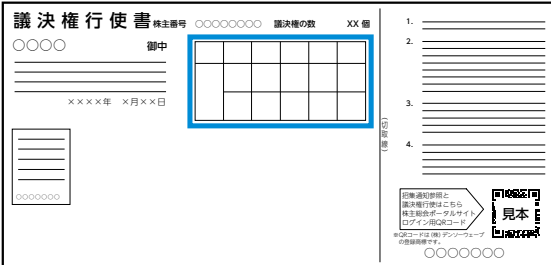
Voting rights in the General Meeting of Shareholders are important rights of shareholders.

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

There are three methods to exercise the voting rights follows:

When exercising voting rights by attending the General Meeting of Shareholders	When exercising voting rights in writing (postal mail)	When exercising voting rights by the Internet, etc.
 <p>Please submit the voting rights exercise form at the reception desk.</p> <p><b>Date</b> June 26, 2024 (Wednesday) 10:00 a.m.</p> <p><b>Place</b> 3-12-8 Sotokanda, Chiyoda-ku, Tokyo Sumitomo Fudosan Akihabara Bldg. Bellesalle Akihabara 2nd Floor Hall</p> <p>(Please refer to the "Guide Map for the General Meeting of Shareholders" at the end.)</p>	 <p>Please indicate your approval or disapproval for each agenda item on the enclosed voting rights exercise form and return it.</p> <p><b>Exercise Deadline</b> 17:30 on June 25, 2024 (Tuesday)</p> <p>If neither approval nor disapproval is indicated in the voting rights exercise form for an agenda item, then the agenda item shall be deemed as approved.</p>	 <p>Please enter your approval or disapproval for each agenda item following the instructions on page 4.</p> <p><b>Exercise Deadline</b> Input shall be completed by 17:30 on June 25, 2024 (Tuesday)</p>

## ◆ How to fill in the voting rights exercise form



The form includes fields for shareholder name, ID, and meeting details. A table with 4 columns and 4 rows is highlighted for marking '賛' (approval) or '否' (disapproval). A QR code and a '見本' (sample) icon are also present.

Please indicate your approval or disapproval for the Agenda Item.

**Agenda Items No. 1, 3, 4 and 5**

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

**Agenda Items No. 2**

- 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.

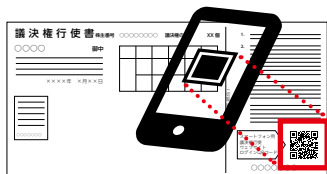
Should a shareholder exercise their voting rights both in writing (postal mail) and via the Internet, etc., the voting rights exercised via the Internet, etc. shall be deemed as valid. Also, should a shareholder exercises their voting rights more than once via the Internet, etc., the last exercised voting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

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

Exercise deadline via  
the Internet  
17:30 on June 25, 2024  
(Tuesday)

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

- 1 Scan the QR Code to fill out the voting rights exercise form



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

- 2 Click on the “exercise voting rights” button from the Shareholders Meeting Portal



- 3 The top page, Smart Exercise®, will be displayed. From this point forward, follow the guidance on the screen and input approval or disapproval for each proposal.



### How to exercise your voting rights from a personal computer or other device

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

**URL for the Shareholders Meeting Portal®** ▶ <https://www.soukai-portal.net>

You can continue to use the website for exercising voting rights. ▶ <https://www.web54.net>

## ◆ Submission of questions in advance

**Deadline for questions in advance: 17:00 p.m., June 19, 2024 (Wednesday)**  
(Begin accepting questions from Tuesday, June 11)

We will accept questions in advance from shareholder regarding the agenda items via the Shareholders Meeting Portal. Of the question received, those which likely have a high degree of interest among shareholders will be brought up at this General Meeting of Shareholders.

As with the method for exercising voting rights stated above, access the Shareholders Meeting Portal and tap/click on “Advance Questions” at the top of the screen. A screen to “input questions in advance” will be displayed. Follow the on-screen instructions and input your question(s).

\* Note that we will not individually answer the questions received.

#### Notes:

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

#### Contact for inquiries

Sumitomo Mitsui Trust Bank, Limited  
Stock transfer agent website

**0120-652-031**

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



Make sure to check  
the Q&A.

## ◆ Information on live streaming via the Internet

Live streaming will be available for shareholders via the Internet.

### Live streaming

**Start time:** **June 26 (Wednesday), 2024 10:00 a.m.**

(The live stream site will be opened around 9:45 a.m.)

**How to watch:** Please access the live stream site from the following QR code or URL on your computer or smartphone, etc., and enter your ID and password. After logging in, please press the join button.

### Live streaming site

▶ <https://6523.ksoukai.jp>



- ◆ **ID:** 9-digit shareholder number written on the voting right exercise forms
- ◆ **Password:** 7-digit postal code written on the voting right exercise form

The screenshot shows a form titled '議決権行使書' (Voting Right Exercise Form). It has fields for 'ID' (9 digits) and 'パスワード' (Password, 7 digits). A blue box highlights the ID field, and an arrow points from the text 'The 9-digit number printed on the voting right exercise form is the shareholder number.' to this field. Another blue box highlights the password field, and an arrow points from the text 'XXXXXXXX' to this field, with a label 'Shareholder number (9 digits)' below it.

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

XXXXXXXX

Shareholder number (9 digits)

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

- 1 About ID and Password** **Sumitomo Mitsui Trust Bank, Limited** (Telephone number) 0120-782-041  
**Reception period:** June 11 (Tuesday) until the end of the General Meeting of Shareholders (9:00-17:00, excluding weekends and holidays)
- 2 About technical aspects** **V-cube Co., Ltd.** (Telephone number) 03-6833-6219  
**Reception period:** June 26 (Wednesday), 9:00 am to the end of the General meeting of Shareholders

### Precautions regarding acceptance via live streaming

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

# ◆ Reference documents for the General Meeting of Shareholders

## Agenda item No. 1 ◆ Appropriation of Surplus

We plan to distribute our surplus earnings as follows:

### Matters related to fiscal year-end dividends

The PHC Group recognizes the maximization of shareholder profits as one its key management goals. Regarding profit distribution, by comprehensively factoring in the Company's earnings trends and financial condition, business and investment plans going forward, and other factors, it is the basic policy of the PHC Group to maintain stable dividend payouts while balancing internal reserves and repayment of borrowings. The Company plans to maintain a consolidated dividend payout ratio of 30%-plus, aiming for a 40% ratio in the medium term, in accordance with cash-based net income, which is the net income attributable to owners of the parent company less non-cast items, including the amortization of intangible assets related to M&A, valuation gains/losses on convertible loans and other items. Based on this basic policy, we propose a year-end dividend of 18 yen per share for the fiscal year under review. Combined with the interim dividend of 36 yen already paid, the annual dividend for the fiscal year under review will be 54 yen per share.

<b>Types of dividend assets</b>	Money
<b>Matters related to and total amount concerning the allocation of dividend assets</b>	<b>18 yen</b> per common share Total dividend payout: <b>2,268,581,940 yen</b> Combined with the interim dividend of 36 yen already paid, the annual dividend for the current year will be 54 yen per share.
<b>Date the dividend (distribution of surplus) takes effect</b>	June 27, 2024

## Agenda item No. 2 Appointment of eight directors

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

The candidates for director are as follows:

Candidate number	Name	Current position in the Company			
1	Kyoko Deguchi	Representative Director, President and CEO	Reappointment		
2	Koichiro Sato	Representative Director, Senior Executive Vice President & COO	Reappointment		
3	Hirofumi Hirano	Director	Reappointment	External	
4	Eiji Yatagawa	Director	Reappointment	External	
5	Sen Sakaguchi	Director	Reappointment	External	
6	Ivan Tornos	Director	Reappointment	External	Independent
7	David Sneider	Director	Reappointment	External	Independent
8	Misa Yamashita	—	New appointment	External	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 External 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	3,800 shares
Board of Directors attendance record	17/17 times
Tenure	3 years

Candidate number



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

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

April 1989	Bain & Company Japan Inc.
February 1998	Planning Senior Director, Disney Store Japan Ltd. (Currently: The Walt Disney Company (Japan) Ltd.)
February 1999	Senior Finance Director, Disney Store Japan Ltd. (Currently: The Walt Disney Company (Japan) Ltd.)
March 2001	Director and CFO, GE Plastics Japan Ltd.
April 2004	Product Director, Janssen Pharmaceuticals Inc. (Currently: Ortho Neurologics Inc.) (USA)
September 2005	General Manager, Gastroenterology, Pain and OTC Business Division, Janssen-Cilag Pty Ltd. (Australia)
January 2007	Deputy General Manager, Marketing Headquarters, Janssen Pharmaceutical K.K.
August 2009	Director and Vice President, Global Marketing, Stryker Japan K.K.
January 2012	President, Stryker Japan K.K.
March 2013	General Manager, Senior Corporate Officer and President's Office, (concurrent assignment as) Head of Accounting and Finance Headquarters, BELLSYSTEM24, Inc.
March 2014	President, AbbVie GK
July 2014	External Director, Nippon Ski Resort Development, Co., Ltd.
February 2015	Chief Operating Officer, Shikikuukai Medical Corporation
April 2015	Professor, Kenichi Ohmae Graduate School of Business (incumbent)
March 2016	External Director, Cookpad Inc.
June 2016	External Director, T-Gaia Corporation (incumbent)
August 2017	Vice president, Shikikuukai Medical Corporation
June 2019	External Director, NHK Technologies, Inc.
January 2020	External Director, Heartseed Inc. (incumbent)
June 2021	External Director, PHC Holdings Corporation
September 2022	Vice Director, Doya Rehabilitation and Orthopedic Clinic
April 2024	President/CEO and Representative Director of PHC Holdings Corporation (incumbent)

### Status of important concurrent positions

Professor, Kenichi Ohmae Graduate School, BBT University  
 External Director, T-Gaia Corporation  
 External Director, Heartseed Inc.

### Reasons for being a candidate for director

Ms. Kyoko Deguchi has more than 20 years experience in the healthcare industry. At global healthcare companies, including Janssen Pharmaceuticals, Stryker, and AbbVie, she has served as a representative at Japanese corporations and executive officers, in finance and marketing. She also has extensive experience as an external director at multiple companies, abundant experience in the healthcare industry and possesses specialized knowledge in business operations. We have nominated her as a candidate for Director as we judge that she is expected to drive growth going forward at the PHC Holdings Group.



Candidate  
number



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

### Reappointment

Number of shares of the Company held	3,600 shares
Board of Directors attendance record	17/17 times
Tenure	7 years

### 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.
April 2016	General Manager, Healthcare Business 1st Department, Healthcare Business Division, MITSUI & CO., LTD.
March 2017	External Director, PHC Holdings Corporation
April 2017	General Manager, Healthcare Business 3rd Department, Healthcare Business Division, MITSUI & CO., LTD. External Director
April 2018	DaVita Care Pte. Ltd, Director
April 2021	General Manager of Asia Business, Healthcare Business Division, MITSUI & CO., LTD.
June 2021	MBK HEALTHCARE MANAGEMENT PTE. LTD. Hong Kong Branch Chief Executive Officer
June 2021	Director, ALM Inc. (incumbent)
July 2022	Representative Director, Senior Executive Vice President, COO, PHC Holdings Corporation (incumbent)
May 2023	Director, Senseonics Holdings, Inc. (incumbent)

### Status of important concurrent positions

Director, ALM Inc.  
Director, Senseonics Holdings, Inc.

### Reasons for being a candidate for director

Mr. Koichiro Sato has held positions as General Manager of the Healthcare Business 3rd Department, Healthcare Service Division, and General Manager of Asia Business at MITSUI & CO., LTD. and CEO of MBK HEALTHCARE MANAGEMENT PTE. LTD. (Hong Kong Branch) He has a wide range of knowledge and experience in the healthcare industry in general. In March 2017, as an External Director for the Company, he engaged in management of the Company. And in July 2022, after being appointed to Representative Director and Senior Executive Vice President of the Company, as COO he oversaw business operations overall.

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 PHC Holdings Group by exerting strong leadership in the management and supervision of the Company.



Reappointment

External

Number of shares of the Company held	0 shares
Board of Directors attendance record	17/17 times
Tenure	10 years

Candidate number



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

### ◆ 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. (incumbent)
- August 2013 External Director, Orion Investment Co., Ltd. (incumbent) (Currently: PHC Holdings Corporation)
- March 2015 External Director, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
- May 2017 Director, CK Holdings Corporation (Currently: Marelli Holdings Co., Ltd.) (incumbent)
- October 2017 External Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)
- June 2019 External 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 External Director, KOKUSAI ELECTRIC CORPORATION (incumbent)
- April 2022 Director, KJR Management (incumbent)
- March 2023 External Director, Hitachi Transport System, Ltd. (Currently: Logisteed, Ltd.) (incumbent)

### ◆ Status of important concurrent positions

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

### Reasons for being a candidate for external director and expected role

We have nominated Mr. Hirofumi Hirano as a candidate for External 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.



Candidate  
number

4

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

**Reappointment**

**External**

Number of shares of the Company held	0 shares
Board of Directors attendance record	17/17 times
Tenure (in total)	9 years

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

- April 2002 Goldman Sachs & Co.'s investment
- August 2006 KKR Japan Ltd. (incumbent)
- August 2013 External Director, Orion Investment Co., Ltd. (Currently: PHC Holdings Corporation)
- March 2015 External Director, Board, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
- June 2015 Board Director, Transphorm Inc. (incumbent)
- September 2015 External Director, Transphorm Japan Inc. (incumbent)
- October 2016 External Director, CK Holdings Co., Ltd. (Currently: Marelli Holdings Co., Ltd.)
- June 2017 External Director, Transphorm Aizu Inc.
- October 2017 External Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)
- June 2018 External Director, KOKUSAI ELECTRIC CORPORATION
- August 2019 External Director, From Scratch Corporation (Currently: dataX Inc.) (incumbent)
- December 2020 Director, GANOVATION, PTE. LTD. (incumbent)
- March 2021 Director, Seiyu Holdings Co., Ltd. (incumbent)
- April 2021 Director, NETSTARS Co., Ltd. (incumbent)
- June 2021 Resigned from the External Director of PHC Holdings Corporation
- March 2022 External Director, Yayoi Co., Ltd. (incumbent)
- March 2022 Director, Altoa, Inc. (incumbent)
- June 2022 External Director, PHC Holdings Corporation (incumbent)
- March 2023 External Director, Hitachi Transport System, Ltd. (Currently: Logisteed, Ltd.) (incumbent)

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

**Status of important concurrent positions**

**Reasons for being a candidate for external director and expected role**

Mr. Eiji Yatagawa has engaged in the management of many companies as an external 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 External Director as we judge that he is expected to give appropriate advice and supervision to the management of the Company.



Reappointment

External

Number of shares of the Company held	0 shares
Board of Directors attendance record	17/17 times
Tenure	2 years

Candidate number

5

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

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

April 1992	MITSUI & Co., Ltd.
June 1995	Medical Equipment Dept., Health Industry Div.
February 2002	Rossignol Co., Ltd. (seconded)
August 2003	Bussan Marketing Service Co., Ltd. (seconded)
April 2004	Kansai Lifestyle Dept., Lifestyle Business Unit
November 2006	Manager, MITSUI & Co. Italia S.p.A.
December 2011	General Manager, Global Service Business Dept., Service Div., MITSUI & Co., Ltd.
April 2016	General Manager, Strategic Planning Dept., Healthcare & Service Business Unit, MITSUI & Co., Ltd.
June 2019	General Manager, Pharmaceutical Business Division, MITSUI & Co., Ltd.
April 2021	General Manager, Wellness Business Division, MITSUI & Co., Ltd.
April 2021	Director, HOKENDOHJINSHA Inc. (Currently: HOKENDOHJIN-FRONTIER Inc.) (incumbent)
April 2022	Director, HUMAN ASSOCIATES HOLDINGS, Inc.
April 2022	Director, Raxi Co., Ltd. (incumbent)
April 2022	Director, MBK Wellness Holdings & Co., Ltd. (incumbent)
June 2022	External Director, PHC Holdings Corporation (incumbent)
October 2022	Director, HOKENDOHJIN-FRONTIER Inc. (incumbent)
October 2022	Director, THINKIE Inc. (incumbent)
April 2023	General Manager, Wellness Solution Business Division, MITSUI & CO., LTD. (incumbent)

### ◆ Status of important concurrent positions

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

### Reasons for being a candidate for external 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 External Director as we judge that he is expected to give appropriate advice and supervision to the management of the Company.



Candidate number



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

**Reappointment**

**External**

**Independent**

Number of shares of the Company held	0 shares
Board of Directors attendance record	17/17 times
Tenure	2 years

**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
- September 2021 External Director, PHC Holdings Corporation (incumbent)
- August 2023 Director, President and Chief Executive Officer, Zimmer Biomet Group (incumbent)

**Status of important concurrent positions**

Director, President and Chief Executive Officer, Zimmer Biomet Group

**Reasons for being a candidate for external director and expected role**

Mr. 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 External 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**

- December 1984 Associate, Paul, Weiss, Rifkind, Wharton & Garrison
- June 1987 Director and Counsel, Legal Department, Salomon Brothers Inc.
- February 1992 Associate, Simpson Thacher & Bartlett LLP
- January 1994 Partner, Simpson Thacher & Bartlett LLP
- June 2022 External Director, PHC Holdings Corporation (incumbent)
- June 2023 External Director, Mitsubishi UFJ Financial Group, Inc. (incumbent)

◆ **Status of important  
concurrent positions**

External Director, Mitsubishi UFJ Financial Group, Inc.

**Reasons for being a candidate for external 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 External 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.

**Reappointment**

**External**

**Independent**

Number of shares of the Company held	0 shares
Board of Directors attendance record	17/17 times
Tenure	2 years



**New appointment**

**External**

**Independent**

Number of shares of the Company held	0 shares
Board of Directors attendance record	— times
Tenure	— years

Candidate number



**Misa Yamashita** (Date of birth: December 24, 1964)

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

- September 1990 Birdland Co., Ltd.
- March 1993 Associate editor, Time Warner Inc.
- February 1994 Account director/account manager, Hill and Knowlton Japan
- September 1998 Account manager, PRAP Japan, Inc.
- October 1999 Communication manager, GE Toshiba Silicones Co., Ltd. (Currently: Momentive Performance Materials Japan KK)
- July 2000 General manager of Human Resources, GE Toshiba Silicones Co., Ltd. (Currently: Momentive Performance Materials Japan KK)
- July 2001 General Manager and executive officer of Human Resources, GE Toshiba Silicones Co., Ltd. (Currently: Momentive Performance Materials Japan KK)
- April 2005 Director of Human Resources, General Electric Japan, Ltd.
- October 2008 Executive officer and general manager of Human Resources, General Manager of Asia Pacific Human Resources, GE Yokogawa Medical Systems. Ltd. (Currently: GE HealthCare Japan)
- June 2011 Executive officer and general manager of Human Resources, Director of Asia Pacific Human Resources, GE Yokogawa Medical Systems. Ltd. (Currently: GE HealthCare Japan)
- November 2015 Divisional Vice President (DVP), HR Coach Asia, COACH Japan
- February 2016 DVP HR Coach Japan and Asia, COACH Japan
- March 2017 Executive officer and head of Human Resources, AXA Life Insurance Co., Ltd. (Name change to executive officer and head of Human Resources owing to change in governance system)
- April 2020 Managing executive officer for special missions, AXA Life Insurance Co., Ltd.
- April 2021 Global HR Advisor, JERA Co., Ltd.
- April 2022 External Director, Business Coach, Inc. (incumbent)
- April 2024 D&I Advisor, JERA Co., Ltd. (incumbent)

**Status of important concurrent positions**

External Director, Business Coach, Inc.  
D&I Advisor, JERA Co., Ltd.

**Reasons for being a candidate for external director and expected role**

Ms. Misa Yamashita has many years of experience managing human resources mainly at several global companies and medical device manufacturers. By providing business support from the perspective of human resources, organization and corporate culture, she has contributed to securing a competitive edge in markets at respective companies she worked for, and has abundant experience in the field of human resources. We have nominated her as a candidate for Independent External Director as we judge that she is expected to give appropriate advice and supervision to the management of the Company by utilizing such knowledge and experience.



(Notes)

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

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

Name	Position	Independence	Expertise and experience							
			Medical device industry	Life science industry	Pharmaceutical industry	Finance/Accounting	M&A	Production/SCM	R&D	Legal & Risk Management
Kyoko Deguchi	Director		○		○	○				
Koichiro Sato	Director			○			○	○		
Hirofumi Hirano	Director					○	○			
Eiji Yatagawa	Director					○	○		○	
Sen Sakaguchi	Director		○	○			○	○		
Ivan Tornos	Director	○	○		○		○	○		
David Sneider	Director	○				○	○			○
Misa Yamashita	Director	○	○	○			○			
Koichi Ikeuchi	Corporate Auditor		○					○	○	
Shannon Hansen	Corporate Auditor	○	○		○					○
Tetsuo Kitagawa	Corporate Auditor	○				○	○			

### Agenda item No. 3

## Introduction of a performance-linked stock remuneration plan where shares are delivered after vesting for the Directors (excluding External Directors)

The remuneration amount of the Director of the Company is limited to 1.5 billion yen per year by the resolution of the Extraordinary General Meeting of Shareholders dated November 30, 2020. However, with the aim of providing incentives to motivate the sustainable improvement of corporate values and promoting further value sharing between Directors and shareholders, we would like to ask for the approval of the introduction of a performance-linked stock remuneration plan where shares are delivered after vesting (performance share unit plan) (the “Plan”) for the Directors (excluding External Directors) (the “Eligible Directors”), as described below.

Currently, the number of Directors (excluding External Directors) is three, but if the Agenda item No. 2 is approved as originally proposed, the number of Eligible Directors will be two.

The specific timing and distribution of grant to each Director shall be determined by the Board of Directors within the following limits.

[Outline of the Plan]

#### (1) Contents of the Plan

This Plan is the stock remuneration plan in which the Board of Directors establishes the numerical targets for performance during certain period (the “Performance Period”. The initial Performance Period is the three-year period from the fiscal year ending March 2025 to the fiscal year ending March 2027.) in advance, and the Eligible Directors are provided with the number of common shares of the Company calculated in accordance with the degree of achievement of these numerical targets.

Accordingly, under the Plan, the eligible Directors will be delivered common shares of the Company in accordance with the degree of achievement of numerical performance targets, and at the time of the introduction of the Plan, whether or not such common shares will be delivered to the Eligible Directors and the number of shares to be delivered have not been determined.

#### (2) Structure of the Plan

The structure of the Plan is as follows:

- (i) The Company establishes the base amount applicable to each Eligible Director according to the importance of its roles and other factors. The Board of Directors determines the number of units to be granted to each Eligible Director based on such amount and grants such units to each Eligible Director.
- (ii) The Company determines the number of common shares of the Company to be delivered to each Eligible Director based on the number of granted units, in accordance with the percentage of achievement of numeric targets determined by the Board of Directors for the Performance Period (Note) and the length of service.

(Note) As for the evaluation method in the initial Performance Period, the Company compares (a) the growth rate of Total Shareholder Return at the end of March 2024 and the end of March 2027 of the Company and (b) the growth rate of Total Shareholder Return at the end of March 2024 and the end of March 2027 of companies of Tokyo Stock Price Index (TOPIX) and calculates the number of shares to be delivered within the range of 0% to 200% of the granted units. Specifically, the number of shares to be delivered will be calculated as 200% if (a) is equal to or greater than 125% of (b), 100% if (a) is equal to (b), and 0% if (a) is equal to or less than 75% of (b). The maximum number of shares to be delivered and the maximum amount of monetary compensation claims set

forth in (4) below are based on the scenario where number of shares are delivered when (a) is equal to or greater than 125% of (b) (200% of the granted units).

- (iii) In accordance with the number of common shares of the Company to be delivered to each Eligible Director as determined in (ii) above, by means of either (a) the method of issuing or disposing of common shares of the Company without any payment of money or contribution in kind or (b) the method by which the Company grants the Eligible Directors a claim for monetary compensation to be provided for contribution in kind and each Eligible Director contributes the monetary compensation, the Company allots common shares of the Company to each Eligible Director.

In the case of the method described in (a) above, when the common shares are issued or disposed of by the Company, payment of money is not required. However, the Director's remuneration amount will be calculated by multiplying the number of shares issued or disposed of by the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day prior to the resolution date of the Board of Directors pertaining to the issue or disposition of common shares of the Company (in the event that the transaction is not closed on the same day, the closing price on the immediately preceding trading day; the "Closing Price on the day prior to the Resolution Date"). In the case of method described in (b) above, the amount of the monetary compensation claim to be granted to the Eligible Directors shall be calculated by multiplying the number of shares determined and delivered by the Closing Price on the day prior to the Resolution Date.

### (3) Eligible Directors

Directors other than External Directors

### (4) The maximum number of shares to be delivered and the maximum amount of monetary compensation claims

The total number of common shares of the Company issued or disposed of to the Eligible Directors subject to the Plan and the total amount of monetary compensation claims to be granted shall be 66,000 shares or less per year and 165 million yen or less per year, respectively (however, a total of 198,000 shares for years of the Performance Period and up to 495 million yen may be paid at one time), in consideration of changes in economic conditions and various circumstances.

As for the number of shares above, after the date of the resolution of this Agenda item, in the event of a share split of common shares of the Company (including the gratuitous allotment of shares of common shares of the Company) or a share consolidation, or in the event of any other similar event that an adjustment is required to the total number of shares of common shares of the Company to be allotted, the maximum number of shares of common shares of the Company to be delivered to the Eligible Directors may be reasonably adjusted.

### (5) Handling upon early retirement

The vesting of the units shall, in principle, be subject to the condition that the Eligible Directors are Directors, Executive Officers, employees, etc. of the Company or the Company's subsidiary at the time of the vesting of the units. However, even in the case where the Eligible Directors have lost their position prior to the vesting of the units, in the event of the loss of their position due to a reason predetermined by the Board of Directors, a reasonably adjusted number of shares may be delivered or, in lieu of such delivery, an amount of cash reasonably calculated by the Board of Directors as equivalent to such shares (provided, however, that the annual amount of such cash shall not exceed 165 million yen together with the total amount of common shares issued or disposed of) may be delivered, as necessary at the time reasonably set by the Board of Directors.

(6) Extinguishment of units, etc.

In the event that an Eligible Director is liable for any misconduct stipulated by the Board of Directors or falls under any of the circumstances stipulated by the Board of Directors, such Director shall lose all or part of the unvested units. Further, if it is later found that any such circumstance or any conduct that caused any such circumstance existed prior to the vesting of the vested units and the Board of Directors deems necessary, the Eligible Director shall return all or part of common shares of the Company delivered upon vesting of such units or cash equivalent to the value of such shares, in each case, without any compensation.

(7) Handling of units upon reorganization

If a proposal relating to a merger agreement in which the Company is to be dissolved, a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary, or any other organizational restructuring has been approved at a general meeting of shareholders (or, if such organizational restructuring does not require the approval at a general meeting of shareholders, at the meeting of the Board of Directors) prior to the delivery of shares of common shares of the Company under the Plan, the Company shall be entitled to deliver the number of shares reasonably adjusted at the time set by the Board of Directors, or in lieu of such delivery, to pay the amount of cash reasonably calculated by the Board of Directors as equivalent to the such shares (provided, however, that the total amount of common shares of the Company to be issued or disposed of shall be 165 million yen per annum or less) in lieu of such delivery, if necessary.

The Company has established a policy for determining individual remuneration for Directors. The overview of the policy is as described under “(2) Current status of the Company, (1) Company’s directors, (7) Members of the Board and corporate auditor compensation, i. Policy for determining the content and individual compensation, etc.” of the Business Report. However, the Company plans to change the policy when this Agenda item is approved. In addition, the dilution rate by shares granted under the Plan is negligible, and therefore, the granting of shares under the Plan is considered to be reasonable.

(Reference) Subject to the approval of this Agenda item at the General Meeting of Shareholders, the Company also plans to introduce, for directors or employees of the Company or the Company’s subsidiaries, a stock remuneration plan where shares are delivered after vesting similar to that of the Plan.



## Revision of remuneration due to the introduction of a stock remuneration plan where shares are delivered after vesting for Independent External Directors

The Company has introduced a stock option plan for Independent External Directors based on the approval of the 9th Ordinary General Meeting of Shareholders (held on June 29, 2022). We would like to ask for your approval of this Agenda item in order to revise the stock option plan.

Currently, the Company has adopted the stock option plan as one of the remuneration to Independent External Directors in order to share profits of increasing stock prices and the disadvantages of falling stock prices with the Company's shareholders, and increase the aspiration to contribute to enhance the Group's business performance and raising stock prices. In order to achieve further global business development and growth in the future, we would like to change the stock option plan to a stock remuneration plan where shares are delivered after vesting ("the Plan"), which is widely adopted globally, for Independent External Directors (the "Eligible Directors") with the aim of further enhancing the incentive for raising stock prices and corporate values as well as the purpose of securing talented personnel with diversity in terms of nationality and experience.

Currently, the number of Independent External Directors is two, however, if the Agenda item No. 2 is approved as originally proposed, the number of Eligible Directors will be three. This Agenda item is not intended for Directors other than Independent External Directors.

The specific timing and distribution of grant to each Director shall be determined by the Board of Directors within the following limits.

If this Agenda item is approved, the stock option plan for Independent External Directors will be abolished; however, stock options already granted to each Independent External Directors will become exercisable if certain conditions are met under the current plan.

### [Outline of the Plan]

#### (1) Contents of the Plan

This Plan is the stock remuneration plan in which the Company provides the Eligible Directors in advance with the units in a number corresponding to the period stipulated by the Board of Directors (in principle, the number corresponding to three years), and the units vest each year on a pro-rata basis until the expiration of such period (in principle, the number calculated by one-third for every one year) subject to continuous service by such Directors, and then the Company delivers common shares of the Company to such Directors in accordance with the vested units.

Accordingly, under the Plan, the eligible Directors will be delivered common shares of the Company subject to continuous service by such Directors, and at the time of the introduction of the Plan, whether or not such shares will be delivered to the Eligible Directors and the number of shares to be delivered have not been determined.

#### (2) Structure of the Plan

The structure of the Plan is as follows:

- (i) The Company establishes the base amount applicable to each Eligible Director according to the importance of its roles and other factors. The Board of Directors determines the number of units to be granted to each Eligible Director based on such amount and grants such units to each Eligible Director.

- (ii) In principle, the number of units granted (for three years) shall be vested by one-third each year, subject to the continuous service of the Eligible Directors. The Company decides to deliver common shares of the Company (one share per unit) in proportion to the number of vested units.
- (iii) In accordance with the number of common shares of the Company to be delivered to each of the Eligible Directors as determined in (ii) above, by means of either (a) the method of issuing or disposing of common shares of the Company without any payment of money or contribution in kind or (b) the method by which the Company grants the Eligible Directors a claim for monetary compensation to be provided for contribution in kind and each Eligible Director contributes the monetary compensation, the Company allots common shares of the Company to each Eligible Director.

In the case of the method described in (a) above, when the common shares are issued or disposed of by the Company, payment of money is not required. However, the Director's remuneration amount will be calculated by multiplying the number of shares issued or disposed of by the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day prior to the resolution date of the Board of Directors pertaining to the issue or disposition of common shares of the Company (in the event that the transaction is not closed on the same day, the closing price on the immediately preceding trading day; the "Closing Price on the day prior to the Resolution Date"). In the case of method described in (b) above, the amount of the monetary compensation claim to be granted to the Eligible Directors shall be calculated by multiplying the number of shares determined and delivered by the Closing Price on the day prior to the Resolution Date.

### (3) Eligible Directors

All Independent External Directors

### (4) The maximum number of shares to be delivered and the maximum amount of monetary compensation claims

The total number of common shares of the Company issued or disposed of to the Eligible Directors subject to the Plan and the total amount of monetary compensation claims to be granted shall be 22,000 shares or less per year and 53 million yen or less per year, respectively, in consideration of changes in economic conditions and various circumstances.

As for the number of shares above, after the date of the resolution of this Agenda item, in the event of a share split of common shares of the Company (including the gratuitous allotment of shares of common shares of the Company) or a share consolidation, or in the event of any other similar event that an adjustment is required to the total number of shares of common shares of the Company to be allotted, the maximum number of shares of common shares of the Company to be delivered to the Eligible Directors may be reasonably adjusted.

### (5) Handling upon early retirement

The vesting of the units shall, in principle, be subject to the condition that the Eligible Directors are Directors, Executive Officers, employees, etc. of the Company or the Company's subsidiary at the time of the vesting of the units. However, even in the case where the Eligible Directors have lost their position prior to the vesting of the units, in the event of the loss of their position due to a reason predetermined by the Board of Directors, at the time reasonably set by the Board of Directors, a reasonably adjusted number of shares may be delivered or, in lieu of such delivery, an amount of cash reasonably calculated by the Board of Directors as an amount equivalent to such shares (provided, however, that the annual amount of such cash shall not exceed 53 million yen together with the total amount of common shares issued or disposed of) may be delivered, as necessary.

#### (6) Extinguishment of units, etc.

In the event that an Eligible Director is liable for any misconduct stipulated by the Board of Directors or falls under any of the circumstances stipulated by the Board of Directors, such Director shall lose all or part of the unvested units. Further, if it is later found that any such circumstance or any conduct that caused any such circumstance existed prior to the vesting of the vested units and the Board of Directors deems necessary, the Eligible Director shall return all or part of common shares of the Company delivered upon vesting of such units or cash equivalent to the value of such shares, in each case, without any compensation.

#### (7) Handling of units upon reorganization

If a proposal relating to a merger agreement in which the Company is to be dissolved, a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary, or any other organizational restructuring has been approved at a general meeting of shareholders (or, if such organizational restructuring does not require the approval at a general meeting of shareholders, at the meeting of the Board of Directors) prior to the delivery of shares of common shares of the Company under the Plan, at the time set by the Board of Directors, the Company shall be entitled to deliver the number of shares reasonably adjusted, if necessary, or in lieu of such delivery, to pay the amount of cash reasonably calculated by the Board of Directors as the amount equivalent to the said shares (provided, however, that the total amount of common shares of the Company to be issued or disposed of shall be 53 million yen per annum or less) in lieu of such delivery.

The Company has established a policy for determining individual remuneration for Directors. The overview of the policy is as described under “(2) Current status of the Company, (1) Company’s directors, (7) Members of the Board and corporate auditor compensation, i. Policy for determining the content and individual compensation, etc.” of the Business Report. However, the Company plans to change the policy when this Agenda item is approved. In addition, the dilution rate by shares granted under the Plan is negligible, and therefore, the granting of shares under the Plan is considered to be reasonable.

(Reference) Subject to the approval of this Agenda item at the General Meeting of Shareholders, the Company also plans to introduce, for directors or employees of the Company or the Company’s subsidiaries, a stock remuneration plan where shares are delivered after vesting similar to that of the Plan.

## Agenda item No. 5 Provision of Retirement Benefits to Retiring Directors

Shoji Miyazaki, who will retire from his position as director on June 26, 2024, in accordance director regulations prescribed by the Company, will be presented with a 92 million yen as a retirement benefit, rewarding him for his meritorious service during his tenure. We leave the decision on the timing and method of the presentation of this benefit up to the Board of Directors.

Shoji Miyazaki served as representative director and director for five (5) years and three (3) months. We ascertain that the content of this agenda item is appropriate given that the retirement benefit was calculated and will be provided in accordance with director regulations and in light of his meritorious service during his aforementioned tenure.

The following is a brief work history of the retiring director.

Name	Brief work history
Shoji Miyazaki	April 1, 2019 Representative director Appointment April 1, 2024 Director (incumbent)

## ◆ 1 Current Performance in the Corporate Group

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

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

During the fiscal year ended March 31, 2024 (hereinafter, “the fiscal year under review”), COVID-19 has wound down and trends in economic activities continued to normalize. Meanwhile, the fiscal year under review remained beset with uncertainties over the future due to soaring commodity prices, rising interest rates chiefly in the United States and Europe, and the state of affairs in Ukraine and the Middle East.

The PHC Group posted revenue of JPY 353,900 million, down 0.7% year-on-year. On a negative front, in the Blood Glucose Monitoring (hereinafter “BGM”) business, market contraction progressed mainly in Europe, and there was impact from the termination of a sales collaboration in the United States. In the LSI Medience business, the number of PCR testing units decreased, and in the Biomedical business there was a contraction in special demand for ultra-low temperature freezers for mRNA vaccine storage. Nonetheless, revenues were on a par with the previous fiscal year primarily reflecting positive impact from foreign exchange rates, benefit from an M&A deal implemented in October 2023 in the Healthcare IT Solutions business.

Operating profit was JPY 1,566 million, a decline of 92.2% year-on-year. In Diagnostics and Life Sciences, operating profit grew year-on-year owing mainly to a decline in impairment loss versus the previous year in the Pathology business. In Diabetes Management, operating profit was down due to a decline in revenues in the BGM business and the posting of expenses related to business structure reforms in tandem with a review of the organizational structure, and an increase in sales costs accompanying an expansion of the sales system for the continuous glucose monitoring (CGM) system. Moreover, operating profit companywide dropped due to impact from an impairment loss of JPY 13,983 million, posted in the third quarter of the consolidated accounting period in the LSI Medience business, and a decline in profit in Healthcare Solutions reflecting a fall in the number of high-margin PCR testing units.

Adjusted EBITDA totaled JPY 49,713 million, a decrease of 23.4% year-on-year. Major adjustment items included one-off business structure reform related income and expenses (addition of JPY 7,195 million), and one-off asset disposal income and expenses (subtraction of JPY 2,553 million).


Losses before taxes came to JPY 13,249 million, versus a profit of JPY 179 million in the previous fiscal year. In financial costs, we posted a valuation loss of JPY 9,189 million a year earlier, in accordance with the mark-to-market valuation on convertible loans extended to Senseonics, in which the Company has a noncontrolling interest. However, this valuation loss disappeared as the relevant loan was converted into share acquisition rights, and measured at fair value through comprehensive income. Meanwhile, during the fiscal year under review, foreign exchange translation losses and interest expenses increased.

In addition, regarding income tax expense, although there was a positive benefit from a decline owing mainly to the impact from tax calculations in tandem with adjustments for transfer pricing taxation and revisions to loan contracts, as a result of factoring in the impact of the possibility of a difference in opinions with tax authorities in the United Kingdom with respect to a local subsidiary, the net loss for the fiscal year under review was JPY 12,857 million, versus a loss of JPY 3,048 million in the previous fiscal year.


Accordingly, net loss attributable to owners of the parent totaled JPY 12,893 million, versus a loss of JPY 3,222 million in the previous fiscal year.


Meanwhile, cash-based profit attributable to owners of the parent was JPY 10,661 million (down 52.6% year-on-year).



<b>Revenue</b>	<b>YoY</b>
353,900 million yen	Down 0.7% 

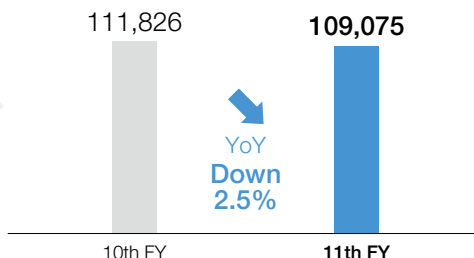
<b>Operating profit</b>	<b>YoY</b>
1,566 million yen	Down 92.2% 

<b>Adjusted EBITDA</b>	<b>YoY</b>
49,713 million yen	Down 23.4% 

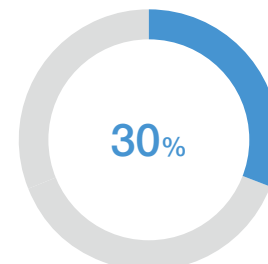
<b>Loss attributable to owners of the parent</b>	<b>Loss attributable to owners of the parent in the prior year</b>
12,893 million yen	3,222 million yen 

# Diabetes Management

Sales revenue (unit: million yen)



Sales revenue composition ratio



Revenue in the Diabetes Management business in the fiscal year under review amounted to JPY 109,075 million (a decrease of 2.5% year-on-year). This was primarily attributable to a drop in revenue in the BGM business. In the BGM business, revenue increased in emerging markets, where market growth continues, and there was positive impact from exchange rates, however, revenue was down reflecting a progress in market contraction chiefly in Europe and ongoing impact from a termination of a sales collaboration in the United States. In the CGM systems business, although there was positive impact from foreign exchange rates, the increase in user numbers undershot expectations, leading to marginal revenue growth. In the Diagnostic Reagents business, revenue was up primarily owing to an increase in demand for growth hormone formulation injection devices.

Operating profit in the Diabetes Management business in the fiscal year under review was JPY 15,333 million (a decrease of 42.7% year-on-year). This chiefly reflects the impact from a decline in revenues at the BGM business, as previously mentioned, the posting of JPY 5,081 million in expenses related to business structure reform mainly in tandem with the aforementioned review of the organizational structure of the BGM business and the Diagnostic Reagents business, and a rise in sales costs accompanying an expansion in the sales system in the CGM systems business. In addition, operating profit was driven downward owing to a decline in profit margin due to a change in sales channel in the BGM business and a change in product mix in the BGM, CGM and Diagnostic Reagents businesses.

Adjusted EBITDA was JPY 25,900 million (a decrease of 30.3% year-on-year). Major adjustment items are the total of one-off business structure reform related income and expense (addition of JPY 5,081 million in the fiscal year under review, addition of JPY 204 million year-on-year).

## Group Companies



Blood Glucose Monitoring Systems  
Continuous Glucose Monitoring Systems  
Digital Diabetes Management Solutions

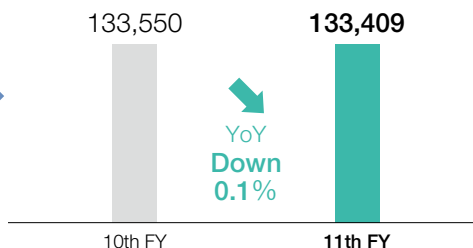


Diagnostic Reagents and Instruments  
Development and Manufacturing  
Contract Service  
Drug Delivery  
Digital Healthcare

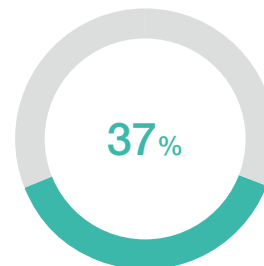


# Healthcare Solutions

Sales revenue (unit: million yen)



Sales revenue composition ratio



In Healthcare Solutions, revenue was JPY 133,409 million (a decrease of 0.1% year-on-year). This breaks down to revenue of JPY 89,166 million (a decrease of 6.8% year-on-year) in the LSI Medience business and a revenue of JPY 44,243 million (an increase of 16.6% year-on-year) in the Healthcare IT Solutions business (former Medicom business).

In LSI Medience, although normal testing increased in the clinical testing business, in contrast to the previous decrease due to the impact of COVID-19, the main factor for curtailing revenue was a decline in PCR testing units due to a wind down of COVID-19. In addition, revenue dipped marginally in the full fiscal year, despite a growth in revenue in the drug discovery support business owing to a rise in large-scale projects in the fourth quarter of the consolidated fiscal year.

In the Healthcare IT Solutions business, although there was impact from a revenue reduction reflecting a decline in demand for the online eligibility verification system, revenue grew mainly owing to the new posting of sales revenue owing to the completion of acquisition procedures for the electronic medical record and receipt systems related business acquired from FUJIFILM Healthcare Systems Corporation in October 2023, the replacement of medical computers for clinics for which the support period has been terminated in the fourth quarter of the consolidated fiscal year under review, and reflecting one-off demand for additional functions for the online eligibility verification system.

Note that in the fiscal year under review, the health checkup support business was transferred from the LSI Medience business to the Healthcare IT Solutions business.

Operating loss in Healthcare Solutions in the fiscal year under review was JPY 9,150 million (versus a profit of JPY 9,829 million a year earlier). This is primarily attributable to an impairment loss of JPY 13,983 million for goodwill and intangible assets in the LSI Medience business that was posted in the third quarter of the consolidated fiscal year under review, and a decline in high-margin PCR testing units. Moreover, in the Healthcare IT Solutions business, although there was benefit from the aforementioned acquisition of one-off demand in the fourth quarter of the consolidated fiscal year under review, another negative factor in the full fiscal year was a decline in profit margin, chiefly owing to a decrease in demand for high-margin online eligibility verification systems, soaring purchasing prices for IT equipment, and a rise in personnel expenses.

Adjusted EBITDA was JPY 17,141 million (a decrease of 22.1% year-on-year). Major adjustment items include the posting of one-off income and expenses related to business structure reforms (addition of JPY 695 million, addition of JPY 1,029 million year-on-year).

## Group Companies

 **LSI Medience** Clinical Testing



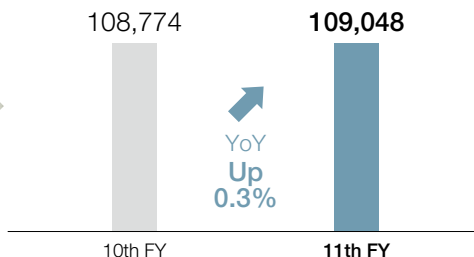
Healthcare IT Solutions  
(former Medicom business)  
Health Checkup Support



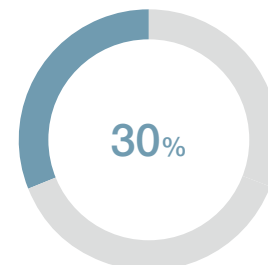
Supports research and development of pharmaceuticals, medical devices, and regenerative medicine

# Diagnostics and Life Sciences

Sales revenue (unit: million yen)



Sales revenue composition ratio



In the fiscal year under review, revenue in the Diagnostics and Life Sciences was JPY 109,048 million (an increase of 0.3% year-on-year). This breaks down to revenue of JPY 53,845 million (an increase of 8.8% year-on-year) in the Pathology business and revenue of JPY 55,203 million (a decrease of 6.9% year-on-year) in the Biomedical business.

In the Pathology business, although there was a decline in sales volume for equipment, owing in part to a curtailment in capex, including at medical institutions, mainly in the US and European markets, revenue increased owing to a positive impact from foreign exchange rates and stable product supply compared with the previous year when there were supply chain constraints. Moreover, there was contribution to revenue growth reflecting in part benefit from an M&A deal implemented in July 2022 as well as benefit from revisions to product selling prices. By region, revenue rose in all regions owing in part to positive impact from foreign exchange benefits.

In the Biomedical business, the decline in revenue, in the field of research and medical support equipment, reflects a contraction in special demand for ultra-low temperature freezers for mRNA vaccine storage and a constraint in capex mainly at pharmaceutical companies. By region, revenue dropped in the Americas and Europe, and grew in Japan. In the Americas and Europe, although there was positive impact from the acquisition of new projects, we fell short of supplementing the drop in revenue due to a harsh market. In Japan, revenue increased, owing in part to activities to boost demand owing to proposals for products with superior energy-saving performance, which is a forte of this business, and the acquisition of projects related to the establishment of manufacturing sites mainly at pharmaceutical companies. Moreover, revenue rose year-on-year owing to dispensing support equipment and other sales which benefited from a campaign for replacing former models in the US market, and in Japan, an increase in the new acquisitions of projects.

Operating profit in Diagnostics and Life Sciences in the fiscal year under review was JPY 6,024 million (versus an operating loss of JPY 1,065 million in the previous year).

In the Pathology business, impairment loss decreased year-on-year, there was benefit from activities to improve revenues, and in the second quarter of the consolidated fiscal year under review, profit increased owing to gain on the sale of shares in an affiliate.

In the Biomedical business, there was a shortfall in the absorption of a cost increase in tandem with inflation, despite benefits from a price revision.

Adjusted EBITDA totaled JPY 15,236 million (a decrease of 5.1% year-on-year). Major adjustment items include income and expenses for one-off asset disposal (subtraction of JPY 2,543 million) in the fiscal year under review. This is a gain from the aforementioned sale of shares in an affiliate.

## Group Companies

**PHCbi**

Research/Medical Support  
Equipment

**epredia**

Anatomical Pathology Solutions  
for Clinical Testing and Research  
Laboratories

## (2) Capital investment trends

Total capital investment at the PHC Group was JPY 14,630 million in the consolidated fiscal year under review. The following are details by segment.

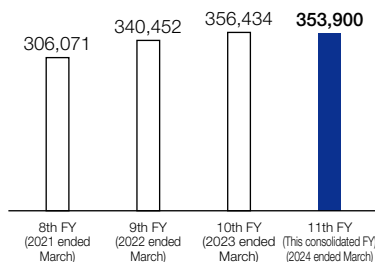
Segment	Capital investment (JPY million)	Details and goals of capital investments
Diabetes Management	1,411	Increase in machinery and equipment
Healthcare Solutions	8,546	Software investment Newly installed and renovated testing facilities
Diagnostics and Life Sciences	3,692	Production facility investment
Headquarters, etc.	979	IT system investment
Total	14,630	

## (3) Fundraising trends

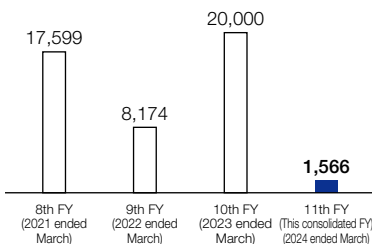
On June 26, 2023, to repay the USD 450 million in existing USD-denominated syndicated loans, PHC Holdings entered into an amendment agreement to procure JPY 62,215 million. The Company is repaying its USD-denominated loans to reduce its interest rate burden. In addition, short-term capital was procured using the commitment line stipulated in the existing syndicate loan agreement, and is securing liquidity on hand.

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

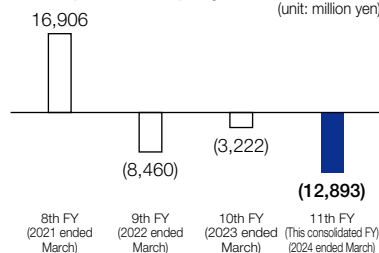
### » Revenue (unit: million yen)



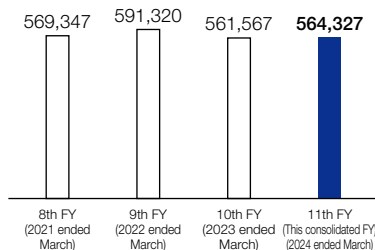
### » Operating profit (unit: million yen)



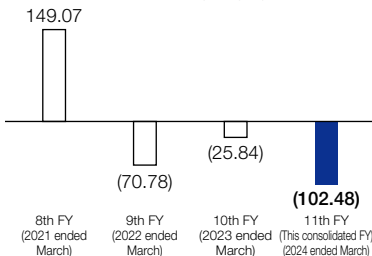
### » Profit (loss) attributable to owners of the parent company in the current FY (unit: million yen)



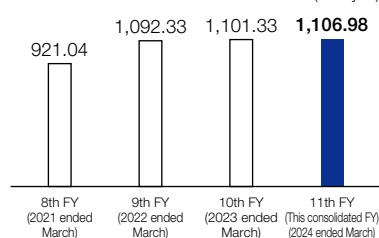
### » Total assets (unit: million yen)



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



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



Category		Term 8 (Fiscal year ended March 2021)	Term 9 (Fiscal year ended March 2022)	Term 10 (Fiscal year ended March 2023)	Term 11 (Consolidated fiscal year under review) (Fiscal year ended March 2024)
Revenue	(Million yen)	306,071	340,452	356,434	353,900
Operating profit	(Million yen)	17,599	8,174	20,000	1,566
Profit (loss) attributable to owners of the parent	(Million yen)	16,906	(8,460)	(3,222)	(12,893)
Basic earnings per share attributable to owners of the parent	(Yen)	149.07	(70.78)	(25.84)	(102.48)
Total assets	(Million yen)	569,347	591,320	561,567	564,327
Equity attributable to owners of the parent	(Million yen)	107,018	135,374	138,008	139,515
Equity attributable to owners of the parent per share	(Yen)	921.04	1,092.33	1,101.33	1,106.98

### (3) Status of significant subsidiaries

Company name	Capital	Ratio of voting rights owned by PHC Holdings	Main business activities
PHC Corporation	7,907 million yen	100%	Development, manufacturing and sales of healthcare products
Ascensia Diabetes Care Holdings AG	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
Wemex Corporation	50 million yen	100%	Healthcare solutions business
Mediford Corporation	80 million yen	100%	Drug-discovery support business

### (4) Issues that should be addressed

#### a. Management indicators being targeted

In line with our vision, “Be the leading provider of best-in-class precision and digital solutions in Diagnostics & Life Sciences globally, and in Healthcare Services in Japan,” the PHC Group aims to become one of the world’s leading healthcare companies. Our policy to embody the attainment of these goals, position sales revenue, operating profit, adjusted EBITDA and adjusted profit attributable to owners of the parent as important management indicators, analyze business progress and the status of achievement of each of these indicators, and address management issues.

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

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

The PHC Group acquired the diabetes care business from Bayer AG in 2016. In 2019, the Company acquired the pathology business from Thermo Fisher Scientific, Inc., and acquired LSI Medience Corporation from Life Science Institute, Inc., and in 2023 acquired the electronic medical record and receipt systems related business from FUJIFILM Healthcare Systems Corporation. Consequently, we reinforced our business infrastructure and are pushing forward the expansion of our businesses. Meanwhile, given that we are increasing the number of overseas subsidiaries and employee headcount in tandem with a sharp growth, we are working to build and strengthen an internal system to improve our group governance globally, strengthen our system related to internal controls, and for the full-fledged compliance with laws and ordinances in each country.

(ii) Expand business operations and the earnings base

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

As the medium-term management strategy, as shown below, we plan to further strengthen our three existing businesses, which is at our core, undertaking the three growth domains in which we are pursuing synergies between businesses, and are expanding our new customers and markets.

[Core Business Areas]

<Diabetes Management>

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

<Healthcare Solutions>

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

<Diagnostics and Life Sciences>

- New product development in Life Sciences where we are pursuing energy-saving performance and the introduction of IoT, and the optimization of global operations for development and manufacturing.
- Expand the share of pathological examination equipment and strengthen sales channels by region and segment.

[Growth Areas]

<Personalized Testing and Diagnostic Solutions>

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

<Digital Health Solutions>

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

<Advanced Treatment Development Solutions>

- Expand sales globally by fully utilizing the pharmaceutical client network for mutual business collaborations. Deploy high quality and high-speed models to hospitals in the future by expanding the product lineup for cell metabolism analyzers and pathology testing equipment.

Note: In Value Creation Plan, our current medium-term management plan, at present we are considering taking the direction toward reviewing our plans in line of recent earnings trends.

(iii) Repayment of borrowings

Borrowings at PHC Holdings is at a level that accounts for a majority of total assets owing mainly to M&A deals conducted in the past. We believe it is a repayable level given the free cash flow we expect going forward.

In the fiscal year under review, to secure liquidity on hand, we are procuring short-term working capital while fortifying our business investments and capex with cash-on-hand, and are implementing the repayment of



borrowings. We plan to continue to utilize free cash flow generated from our businesses, and also plan to proceed with repaying our borrowings and improving our financial structure while procuring capital by using our existing short-term financing quota depending on our funding situation.

(iv) Improving the recognition of the PHC Group

The PHC Group instigated a carve out of the Panasonic Group in 2014. In April 2018, we changed the name of our group corporate brand to “PHC.” Each of businesses has a long respective history. Clients have become familiar with our businesses and product brands over many years. We listed our shares on the first section of the Tokyo Stock Exchange (currently the Prime Market on the Tokyo Stock Exchange) in October 2021. We plan to use this as an opportunity to improve recognition of the PHC Group globally among various stakeholders, including investors, by strengthening our business/product brands and by conducting IR and PR activities through various media.

c. Initiatives for sustainability

The Company is promoting a management philosophy of “We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people.” We are carrying out corporate activities daily based on this philosophy. We identified the major issues (materiality) to shape our management philosophy and established respective KPIs and goals. The Company plans to continue to speedily capture changes in social development and the environment, and thereby contribute to the realization of a sustainable society and good medical practices by implementing sustainability management as a group as a whole.

In the PHC Group, we established a “Sustainability Committee,” with the representative director and president as the committee chair, and the executive officers and general managers as members. In this committee, we identify important issues (materialities) in the PHC Group, establish respective KPIs and goals, evaluate results, conduct the monitoring of improvement indicators, etc., manage and discuss activities in general related to other sustainability, including new regulations and guidelines, and deliberation related to decisions. We plan to discuss and report to the executive committee and Board of Directors regarding the details of reports, discussion and deliberations at the Sustainability Committee.

Refer to the following sites for details on sustainability activities at the Company that are disclosed in the integrated report and on the sustainability site.

Integrated report: <https://www.phchd.com/global/sustainability/integratedreport2023>

Sustainability site: <https://www.phchd.com/global/sustainability>

## (5) Other important matters concerning the current status of the Group

At the Central Laboratory of LSI Medience, a subsidiary disclosed on December 8, 2023, there was an inappropriate case related to quality control. On December 19, 2023, we set up an external investigation committee. On April 25, 2024, we received a report from the committee. The results of the investigation indicated that the measures to prevent recurrence already being undertaken are valid. In light of this, the Company and LSI Medience plan to continue pouring energies into measures to prevent recurrence.

## 2 Current status of the Company

### (1) Company's directors

#### (1) Directors and corporate auditors (as of March 31, 2024)

Position in the Company	Name	Responsibilities and important concurrent positions
Representative director	Shoji Miyazaki	—
Representative director	Koichiro Sato	Director, ALM Inc. Director, Senseonics Holdings, Inc.
Director	Hirofumi Hirano	CEO of KKR Japan and Co-Head of Private Equity for KKR Asia Pacific Director, Marelli Holdings Co., Ltd. External Director, KOKUSAI ELECTRIC CORPORATION Director, KJR Management Co., Ltd. External Director, Logisteed Ltd.
Director	Eiji Yatagawa	Partner, KKR Japan KK Board Director, Transphorm Inc. External Director, Transphorm Japan Co., Ltd. External Director, Koki Holdings Co., Ltd. External Director, dataX Inc. Director, GANOVATION, PTE. LTD. Director, Seiyu GK Holdings, Inc. Director, NETSTARS Co., Ltd. External Director, Yayoi Co., Ltd. Director, Altoa, Inc. External Director, Logisteed Ltd.
Director	Sen Sakaguchi	General Manager, Wellness Business Division, MITSUI & Co., Ltd. Director, MBK Wellness Holdings Inc. Director, HOKENDOHJIN FRONTIER Inc. Director, Raxi Co., Ltd. Director, THINKIE Inc.
Director	Kyoko Deguchi	Professor, Kenichi Ohmae Graduate School, BBT University External Director, T-Gaia Corporation External Director, Heartseed Inc.
Director	Ivan Tornos	Director, President and Chief Executive Officer, Zimmer Biomet Group
Director	David Sneider	External Director, Mitsubishi UFJ Financial Group, Inc.
Full-time corporate auditors	Koichi Ikeuchi	Commissaris, PT PHC Indonesia

Position in the Company	Name	Responsibilities and important concurrent positions
Corporate auditors	Shannon Hansen	Senior Vice President, Chief Legal, Privacy & Compliance Officer and Corporate Secretary, Tandem Diabetes Care, Inc.
Corporate auditors	Tetsuo Kitagawa	Representative of Tetsuo Kitagawa Certified Public Accountant Office External Corporate Auditor, T-Gaia Corporation

- (Notes) 1. Directors Hirofumi Hirano, Eiji Yatagawa, Sen Sakaguchi, Kyoko Deguchi, Ivan Tornos and David Sneider are external directors.
2. Corporate Auditors Shannon Hansen and Tetsuo Kitagawa are external corporate auditors.
3. Corporate Auditor Tetsuo Kitagawa is a certified public accountant and possesses a considerable degree of knowledge on finance and accounting.
4. In accordance with provisions set by the Tokyo Stock Exchange, the Company has designated Directors, Kyoko Deguchi, Ivan Tornos and David Sneider, and Corporate Auditors Shannon Hansen and Tetsuo Kitagawa as independent officers and has accordingly submitted a notification to the TSE.
5. Director Hirofumi Hirano also works at KKR Japan Ltd., the Japanese subsidiary of Kohlberg Kravis Roberts & Co. L.P. Kohlberg Kravis Roberts & Co. L.P. operates KKR PHC Investment L.P., a private equity fund, and the largest shareholder of the Company. There are no special relationships between the Company and other companies where Mr. Hirano holds a concurrent position.
6. Director Eiji Yatagawa also works at KKR Japan Ltd., the Japanese subsidiary of Kohlberg Kravis Roberts & Co. L.P. that operates KKR PHC Investment L.P., a private equity fund. KKR PHC Investment L.P. is the largest shareholder of the Company.  
There are no special relationships between the Company and other companies where Mr. Yatagawa also holds a concurrent position.
7. Director Sen Sakaguchi currently works at MITSUI & Co., Ltd., and serves as a director of multiple affiliated companies of MITSUI & Co., Ltd., including HOKENDOHJIN-FRONTIER Inc. MITSUI & Co., Ltd. is a shareholder of the Company.
8. Regarding Kenichi Ohmae Graduate School, BBT University, where Director Kyoko Deguchi is a professor, the Company conducts business transactions with respect to a human resources development program with Aoba-BBT Corporation, the parent company of Kenichi Ohmae Graduate School, BBT University. However, the value of transactions accounts for less than 0.1% of “operating expense” or “sales.” In addition, Ms. Deguchi is also an external director at T-Gaia Corporation and Heartseed Inc. There is no special relationship between the Company and the companies where Ms. Deguchi hold a concurrent position.
9. There is no special relationship between the Company and the companies where Director Ivan Tornos holds a concurrent position.
10. There is no special relationship between the Company and the companies where Director David Sneider holds a concurrent position.
11. There is no special relationship between the Company and the companies where Corporate auditor Shannon Hansen holds a concurrent position.
12. There is no special relationship between the Company and the companies where Corporate auditor Tetsuo Kitagawa holds a concurrent position.

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

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

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

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

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

- i. Appointment  
No relevant matters.
- ii. Retirement  
No relevant matters.
- iii. Change in position and assignment of Director and/or Corporate Auditors during the fiscal year under review  
No relevant matters.

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

- i. Appointment  
No relevant matters.
- ii. Retirement  
No relevant matters.
- iii. Change in position and assignment of Members of the Board and/or Corporate Auditors after the fiscal year under review
1. Shoji Miyazaki’s position has changed from representative director to director as of April 1, 2024. He will retire from the position of director as of June 26, 2024.
  2. Kyoko Deguchi assumed the position of Representative Director, President and CEO, from her previous position as external director, as of April 1, 2024.

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

Pursuant to Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with each of all external directors and external corporate auditors to limit their liability for damages under Article 423, paragraph (1) of the same Act.

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

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

No relevant matters.

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

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

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

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

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

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

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

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

2. Summary of director compensation, etc.

a. Policy on compensation standards

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

b. Compensation for directors (excluding external directors)

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

(a) Monthly compensation

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

(b) Short-term performance linked compensation

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

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

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

(c) Retirement benefits

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

3. External director compensation

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

(a) Monthly compensation

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

(b) Stock compensation

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

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

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

(a) Monthly compensation

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

(b) Retirement benefits

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

5. Compensation for external corporate auditors

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



6. Total amount of director and corporate auditor compensation and total headcount in the fiscal year under review  
In FY2022 (April 1, 2023 - March 31, 2024), the following is the total amount paid in compensation for directors and corporate auditors.

Director category	Total compensation (Million yen)	Total amount by type of compensation (million yen)						Number of applicable directors
		Fixed compensation	Stock options (Note 1)	Performance linked compensation (Note 2)	Retirement benefits	Other	Non-monetary compensation, etc. out of the compensation shown on the left (Note 3)	
Director (excluding external directors)	217	120	—	63	33	—	—	2
Corporate auditors (Excludes external corporate auditors)	23	21	—	—	1	—	—	1
External Directors	68	58	10	—	—	—	10	3 (Note 4)
External Corporate Auditor	29	29	—	—	—	—	—	2

(Notes) 1. The listed amount of stock options is the calculated price as of the end of March 2023 of the stock option granted before the fiscal year under review.

2. The following are the Company's operating results related to valuation indicators for short-term performance-linked compensation. Each indicator was 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. The operating profit below is adjusted operating profit excluding one-time cost etc.

	Valuation indicator	Weight	Targets for the current fiscal year	Results	Achievement rate
1	Core sales	26.0%	355,547 million yen	329,737 million yen	93%
2	Operating profit	30.0%	32,684 million yen	21,747 million yen	67%
3	Net income	19.0%	15,586 million yen	-12,893 million yen	-83%
4	Earnings goal by individual employees	25.0%	Set for each employee	Set for each employee	Set for each employee

3. Non-monetary compensation, etc. states the amount of long-term incentives that should be posted as expense in the fiscal year under review. The compensation limit for stock options for independent external directors is set at 70 million yen per year (the number of independent external directors was three (3) at the time of resolution) by the resolution at the Annual General Meeting of Shareholders held on June 29, 2022.
4. The number of external directors is indicated, excluding the three (3) external directors who work for no remuneration.
5. The limit for director compensation was set at 1,500 million yen per year at an extraordinary shareholders meeting held on November 30, 2020 (there were 7 directors at the time this was approved).
6. 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 allowance paid to directors in the fiscal year under review**

No relevant matters.

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

No relevant matters.

**iv. Consolidated compensation for each director**

Total consolidated compensation for individuals receiving a total consolidated compensation of 100 million yen or more (actual for the fiscal year ended March 31, 2024)

Name	Director Category	Company category	Total amount by type of compensation (million yen)					Total including consolidated compensation (million yen)
			Fixed compensation	Stock options (Note)	Performance linked compensation	Retirement benefits	Other	
Shoji Miyazaki	Director	PHC Holdings Corporation	71	—	37	22	—	131

(Note) The listed amount for stock options is the calculated price as of the end of March 2024.

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

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

## (8) Matters related to external directors

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

Important concurrent positions at other companies and connections between the Company and other concerned companies is as described in (1) Directors and corporate auditors

### 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 external directors
Director	Hirofumi Hirano	17/17 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 all 17 Board of Director meetings held in the fiscal year under review. He provides advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors. He also serves as a member of the advisory Nomination/Remuneration Committee of the Company. He attended all of 7 meetings of Nomination/Remuneration Committee and has actively provided advice and recommendations regarding the nomination/remuneration of officers.
Director	Eiji Yatagawa	17/17 times (100%)	—	Based on his broad perspective and deep insight into financial accounting, M&A, research, and development, Mr. Yatagawa has provided advice on the Company's wide range of business operations. He attended all 17 Board of Director 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	Sen Sakaguchi	17/17 times (100%)	—	Based on his broad perspective and deep insight into the medical/life science industry, M&A, production/SCM, and other business areas, Mr. Sakaguchi has provided advice on the Company's wide range of business operations. He attended all 17 Board of Director 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	Kyoko Deguchi	17/17 times (100%)	—	She offers comments related to a wide range of the Company's business operations from a broad perspective and high degree of insight, including pertaining to the medical and pharmaceutical industries and financial accounting. She attended all 17 Board of Director meetings held in the fiscal year under review. She is supervising the execution of duties by the Board of Directors from an independent stance, and is contributing to an improvement in the rationality and objectivity of business execution at the Company and of decision-making by the Board of Directors. She attended all of 7 meetings of the Nomination/Remuneration Committee, and has actively provided advice and recommendations regarding the nomination/remuneration of officers. From the preparation stage of the committee meetings, Ms. Deguchi has proactively exchanged opinions with the secretariat and executives, and provided advice and recommendations.

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 external directors
Director	Ivan Tornos	17/17 times (100%)	—	Mr. Tornos has offered advice related to the Company's wide range of business operations from a broad perspective and high degree of insight, including knowledge pertaining to the medical and pharmaceutical industries, production, and SCM. He attended all 17 Board of Director meetings held in the fiscal year under review. He is supervising the execution of duties by the Board of Directors from an independent stance, and is contributing to an improvement in the rationality and objectivity of business execution at the Company and of decision-making by the Board of Directors. He also serves as a member of the advisory Nomination/Remuneration Committee of the Company. He attended all of 7 meetings of Nomination/Remuneration Committee and has actively provided advice and recommendations regarding the nomination/remuneration of officers.
Director	David Sneider	17/17 times (100%)	—	Based on his broad perspective and high level of insight into financial accounting, M&A, legal affairs, risk management, and other business areas, Mr. Sneider has provided advice on the Company's wide range of business operations. He attended all 17 Board of Director meetings held in the fiscal year under review. He is supervising the execution of duties by the Board of Directors from an independent stance, and is contributing to an improvement in the rationality and objectivity of business execution at the Company and of decision-making by the Board of Directors.
Corporate auditors	Shannon Hansen	17/17 times (100%)	12/12 times (100%)	Based on her in-depth knowledge and abundant experience as an individual qualified to practice law in the US, Ms. Hansen has provided insightful advice at the meetings of the Board of Directors and the Audit and Supervisory Board.
Corporate auditors	Tetsuo Kitagawa	17/17 times (100%)	12/12 times (100%)	Based on his professional perspective as a certified public account and his abundant knowledge as an external director and external corporate auditor at several other companies, including listed companies, Mr. Kitagawa is making appropriate comments at the Board of Directors and Audit and Supervisory Board.

## ◆ Consolidated financial statements

### Consolidated Statement of Financial Position (as of March 31, 2024) (Unit: million yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and cash equivalents	47,044	Trade and other payables	69,881
Trade receivables	73,802	Borrowings	36,922
Inventories	52,651	Income taxes payable	2,311
Other financial assets	4,775	Provisions	6,587
Other current assets	9,575	Other financial liabilities	6,251
Total current assets	187,849	Other current liabilities	25,445
<b>Non-current assets</b>		Total current liabilities	147,400
Property, plant and equipment	49,708	<b>Non-current liabilities</b>	
Goodwill	208,719	Trade and other payables	847
Intangible assets	91,388	Borrowings	248,123
Investments accounted for using the equity method	2,188	Retirement benefit liability	5,709
Other financial assets	13,987	Provisions	3,431
Deferred tax assets	7,058	Other financial liabilities	9,200
Other noncurrent assets	3,426	Deferred tax liabilities	9,109
Total noncurrent assets	376,477	Other noncurrent liabilities	1,340
<b>Total assets</b>	<b>564,327</b>	Total noncurrent liabilities	277,763
		<b>Total liabilities</b>	<b>425,163</b>
		<b>Equity</b>	
		Share capital	48,423
		Capital surplus	41,797
		Retained earnings	(2,773)
		Treasury stock	(568)
		Other components of equity	52,635
		Equity attributable to owners of the parent	139,515
		Non-controlling interests	(351)
		<b>Total equity</b>	<b>139,163</b>
		<b>Total liabilities and equity</b>	<b>564,327</b>

## Consolidated statements of profit or loss (April 1, 2023 - March 31, 2024) (Unit: million yen)

Item	Amount
Revenue	353,900
Cost of sales	195,925
Gross profit	157,975
Selling, general and administrative expenses	149,663
Other income	6,254
Other expenses	12,828
Share of profit (loss) of investments accounted for using equity method	(170)
Operating profit (loss)	1,566
Financial income	648
Financial costs	15,464
Profit (loss) before taxes	(13,249)
Income tax expense	(391)
Profit (loss)	(12,857)
Profit (loss) attributable to	
Owners of parent	(12,893)
Non-controlling interests	35
Earnings (loss) per share	
Basic earnings (loss) per share (Unit: JPY)	(102.48)
Diluted earnings (loss) per share (Unit: JPY)	(102.48)

# Financial statements

## Balance sheets (as of March 31, 2024)

(Unit: million yen)

Item	Amount
<b>Assets</b>	
<b>Current assets</b>	<b>97,527</b>
Cash and deposits	11,477
Operating accounts receivable	2,073
Accounts receivable - other	6,426
Short-term loans receivable	76,803
Income tax receivable and others	345
Other	401
<b>Non-current assets</b>	<b>369,563</b>
<b>Property, plant and equipment</b>	<b>514</b>
Buildings	48
Tools, furniture and fixtures	34
Construction in progress	432
<b>Intangible assets</b>	<b>578</b>
Trademark rights	41
Software	410
Software in progress	126
<b>Investments and other assets</b>	<b>368,470</b>
Investment securities	6,959
Stocks of subsidiaries and affiliates	263,434
Investments in capital of subsidiaries and affiliates	533
Long-term loan receivable	96,041
Deferred tax assets	1,272
Long-term deposits paid	229
<b>Total assets</b>	<b>467,091</b>

Item	Amount
<b>Liabilities</b>	
<b>Current liabilities</b>	<b>119,948</b>
Short-term loans payable	85,712
Current portion of long-term loans payable	26,939
Accounts payable - other	3,676
Accrued expenses	111
Income taxes payable	51
Deposits received	3,168
Provision for bonuses	194
Provision for loss on contract	87
Other	6
<b>Non-current liabilities</b>	<b>252,368</b>
Long-term loans payable	252,036
Provision for officers' retirement benefit	29
Provision for retirement benefits	79
Provision for loss on contract	175
Asset retirement obligation	48
<b>Total liabilities</b>	<b>372,317</b>
<b>Net assets</b>	
<b>Shareholders' equity</b>	<b>111,428</b>
<b>Share capital</b>	<b>48,423</b>
<b>Deposit for subscriptions to shares</b>	<b>1</b>
<b>Capital surplus</b>	<b>38,609</b>
Legal capital surplus	18,466
Other capital surplus	20,142
<b>Retained earnings</b>	<b>24,962</b>
Other retained earnings	24,962
Retained earnings brought forward	24,962
<b>Treasury shares</b>	<b>(568)</b>
<b>Valuation, translation adjustments</b>	<b>(17,573)</b>
Valuation difference on available-for-sale securities	(1,266)
Deferred gains or losses on hedges	(16,307)
<b>Share acquisition rights</b>	<b>919</b>
<b>Total net assets</b>	<b>94,773</b>
<b>Total liabilities and net assets</b>	<b>467,091</b>

## Statements of income (April 1, 2023 - March 31, 2024)

(Unit: million yen)

Item	Amount
<b>Operating revenue</b>	<b>39,036</b>
<b>Operating expenses</b>	<b>8,896</b>
<b>Operating net profit</b>	<b>30,139</b>
<b>Non-operating profit</b>	<b>7,625</b>
Interest income	7,268
Other	357
<b>Non-operating expenses</b>	<b>14,505</b>
Interest expense	8,734
Foreign exchange loss	5,430
Other	340
<b>Ordinary profit</b>	<b>23,260</b>
<b>Extraordinary profit</b>	<b>4,070</b>
Gain on investment securities exchange	2,495
Gain on sale of investment securities	1,575
<b>Extraordinary loss</b>	<b>16,195</b>
Impairment loss on stocks of subsidiaries and affiliates	16,195
<b>Income before income taxes</b>	<b>11,135</b>
Income taxes - current	(4,237)
Income taxes - deferred	(1,013)
<b>Net profit</b>	<b>16,387</b>