Matters to be Omitted in Documents Delivered Along with the Issuance of the Convocation Notice for the 12th Annual General Meeting of Shareholders

■ Business Report

- ◆Main business activities
- ◆Major offices and plants
- ◆Employees
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- ◆Matters related to shares
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- ◆Notes to the Consolidated Financial Statements

■ Non-Consolidated Financial Statements

- ◆Statement of changes in Net Assets
- ◆Notes to Non-Consolidated Financial Statements

Term 12 (April 1, 2024 to March 31, 2025)

PHC Holdings Corporation

In accordance with laws, ordinances and the provisions in the Articles of Incorporation of the Company, the above matters have been omitted from mention in documents to be delivered to shareholders (documents that mention measures and matters provided electronically), and for which delivery is requested.

■Business Report

◆Main business activities (as of March 31, 2025)

The PHC Group consists of 17 domestic companies and 69 overseas companies, including the parent holding company PHC Holdings Corporation and its major subsidiaries of PHC Corporation, Ascensia Diabetes Care Holdings AG, Epredia Holdings Ltd., LSI Medience Corporation, Wemex Corporation and Mediford Corporation, as well as affiliates, jointly controlled entities and joint operations. The Group operates in three main business domains: the “Diabetes Management Domain,” which undertakes the development, manufacturing and sales of blood glucose monitoring systems (monitoring instruments and sensors); the “Healthcare Solution Domain,” which develops and sells medical IT products such as medical systems, electronic medical record systems, and electronic medication history systems, in addition to the operation of the clinical testing business and drug development support business; and the “Diagnostics and Life Sciences Domain,” which engages in the development, manufacturing and sales of research and medical support equipment such as storage systems and incubation equipment, histological equipment, in vitro diagnostics equipment such as Point of Care Testing (POCT) products, motorized digital injector, clinical testing equipment, and reagents.

◆Major offices and plants (as of March 31, 2025)

(1) PHC Holdings Corporation

Head office	1-13-2 Yurakucho, Chiyoda-ku, Tokyo

(2) Subsidiaries

PHC Corporation	Head office: Chiyoda-ku, Tokyo (Registered head office address: Toon City, Ehime Prefecture) Plant: Toon City, Ehime Prefecture, Ora-gun, Gunma Prefecture, Katori-gun, Chiba Prefecture
LSI Medience Corporation	Head office: Minato-ku, Tokyo Offices: Itabashi-ku, Tokyo; etc.
WEMEX Corporation	Head office: Shibuya-ku, Tokyo Offices: Saitama, Saitama Prefecture, Nagoya, Aichia Prefecture, etc.
Mediford Corporation	Head office: Itabashi-ku, Tokyo Offices: Itabashi-ku, Tokyo, Kamisu, Ibaraki Prefecture, Uto, Kumamoto Prefecture, etc.
PHC Europe B.V.	Netherlands
PHC Corporation of North America	United States
PT PHC Indonesia	Indonesia
Ascensia Diabetes Care Holdings AG	Switzerland
Ascensia Diabetes Care US Inc.	United States
Ascensia Diabetes Care Deutschland GmbH	Germany
Epredia Holdings Ltd.	Cayman Islands (British Overseas Territory)
Richard-Allan Scientific LLC	United States
New Erie Scientific LLC	United States
Epredia Laboratory Products Manufacturing (Shanghai) Co., Ltd.	China
Shandon Diagnostic Ltd.	Great Britain

◆Employees (as of March 31, 2025)

(1) Employees in the corporate group

Business segment	Number of employees	
Diabetes Management	1,425	(9)
Healthcare Solutions	3,776	(1,702)
Diagnostics & Life Sciences	3,555	(279)
Headquarters, etc.	342	(60)
Total	9,098	(2,050)

(Note) The number of employees is the number of workers. The annual average number of part-time and contract employees is shown in brackets and is not included in the employee headcount.
And new segment classification is adopted effective from the consolidated fiscal year under review.

(2) Employees at PHC Holdings Corporation

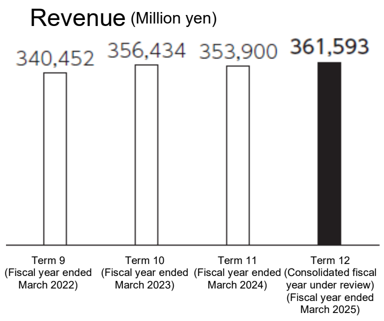
Number of employees	Average age	Average years of service
176 (20) employees	48.8 years old	18.8 years

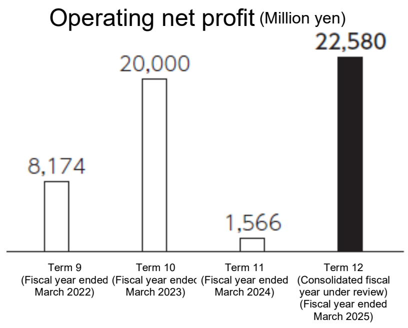
(Note) The number of employees is the number of workers. The annual average number of part-time and contract employees is shown in brackets and is not included in the employee headcount.

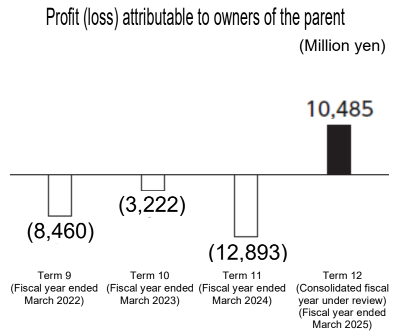
◆Principal lenders (as of March 31, 2025)

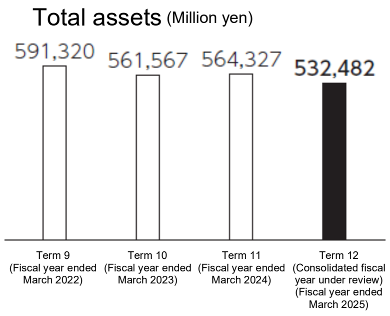
Lenders	Amount of borrowings (million yen)
Sumitomo Mitsui Banking Corporation (SMBC)	98,000
MUFG Bank, Ltd.	80,410
Mizuho Bank, Ltd.	62,820
Sumitomo Mitsui Trust Bank, Limited	10,051

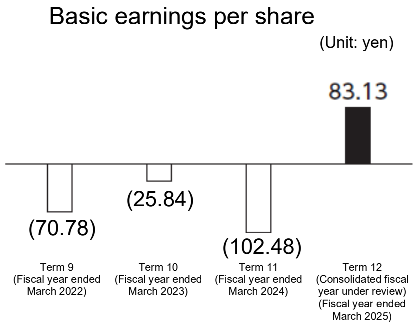
◆Assets and profits/losses in the most recent 3 fiscal years

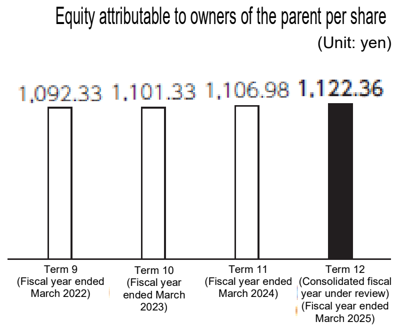












Category		Term 9 (Fiscal year ended March 2022)	Term 10 (Fiscal year ended March 2023)	Term 11 (Fiscal year ended March 2024)	Term 12 (Consolidated fiscal year under review) (Fiscal year ended March 2025)
Revenue	(Million Yen)	340,452	356,434	353,900	361,593
Operating net profit	(Million Yen)	8,174	20,000	1,566	22,580
Profit (loss) attributable to owners of the parent	(Million Yen)	(8,460)	(3,222)	(12,893)	10,485
Basic earnings per share attributable to owners of the parent Profit (loss)	(Yen)	(70.78)	(25.84)	(102.48)	83.13
Total assets	(Million Yen)	591,320	561,567	564,327	532,482
Equity attributable to owners of parent	(Million Yen)	135,374	138,008	139,515	141,639
Equity attributable to owners of the parent per share	(Yen)	1,092.33	1,101.33	1,106.98	1,122.36

◆Shares (as of March 31, 2025)

(1) Total number of authorized shares	460,000,000 shares
(2) Total number of shares outstanding	126,410,072 shares
(3) Number of shareholders	27,265 people

(4) Major shareholders

Shareholder names	Shareholding (thousand shares)	Shareholding ratio (%)
KKR PHC Investment L.P.	47,994	38.03
Mitsui & Co., Ltd.	21,870	17.33
Life Science Institute, Inc.	12,297	9.74
Panasonic Holdings Corporation	9,766	7.74
LCA 3 Moonshot LP	5,714	4.53
The Master Trust Bank of Japan, Ltd. (Investment account)	4,710	3.73
Hidetomo Oka	907	0.72
PHC Holdings Employee Stock Ownership Plan	851	0.67
Custody Bank of Japan, Ltd. (Investment account)	756	0.60
BNYM AS AGT/CLTS NON TREATY JASDEC	578	0.46

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

◆Share acquisition rights

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

		No. 1 Class J shares to be issued upon the exercise of share acquisition rights	No. 2 Class J shares to be issued upon the exercise of share acquisition rights
Issuance resolution date		July 27, 2022	July 26, 2023
Number of shares to be issued upon the exercise of share acquisition rights		378 units	414 units
Class and number of shares for the purpose of share acquisition rights		Common stock 37,800 shares (100 common shares per one share acquisition right)	Common stock 41,400 shares (100 common shares per one share acquisition right)
Price for share acquisition right		Payment shall not be required in exchange for share acquisition rights	Payment shall not be required in exchange for share acquisition rights
The price of assets to be contributed upon the exercise of share acquisition rights		154,300 yen per one share acquisition right (1,543 yen per share)	149,100 yen per one share acquisition right (1,491 yen per share)
Period for exercising rights		From August 13, 2022 to August 12, 2032	From August 22, 2023 to August 21, 2033
Conditions for exercising rights		(Note)	(Note)
Director shareholdings	Director (excluding external directors)	Number of shares to be issued upon the exercise of share acquisition rights: 126 units Number of shares for the purpose of share acquisition rights: 12,600 shares Number of shareholders: One person	Number of shares to be issued upon the exercise of share acquisition rights: 138 units Number of shares for the purpose of share acquisition rights: 13,800 shares Number of shareholders: One person
	External directors	Number of shares to be issued upon the exercise of share acquisition rights: 252 units Number of shares for the purpose of share acquisition rights: 25,200 shares Number of shareholders: 2 persons	Number of shares to be issued upon the exercise of share acquisition rights: 276 units Number of shares for the purpose of share acquisition rights: 27,600 shares Number of shareholders: 2 persons
	Corporate auditors	—	—

(Note) Conditions for exercising the share acquisition rights

1. If the total number of shares issued by the Company exceeds the total number of shares authorized to be issued by the Company at the time of the exercise of share acquisition rights, such share acquisition rights may not be exercised.
2. Share acquisition rights cannot be exercised in part.

(2) Share acquisition rights granted to employees as consideration for the execution of duties during the fiscal year under review
No relevant matters.

◆Matters related to external directors/auditors

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 are as described in “(1) Directors and corporate auditors” under “(1) Company’s directors” of “2. Current status of the Company” of the Business Report.

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	17/19 times (89%)	—	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 17 out of 19 Board of Directors meetings held in the fiscal year under review. He provides advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors. He also serves as a member of the Nomination and Compensation Committee established by the Company as a discretionary body. He attended 6 out of 7 meetings of the Nomination and Compensation Committee held in the fiscal year under review and has actively provided advice and recommendations regarding the nomination and compensation of officers.
Director	Eiji Yatagawa	18/19 times (95%)	—	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 18 out of 19 Board of Directors meetings held in the fiscal year under review. He provides advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors.
Director	Sen Sakaguchi	14/14 times (100%)	—	Based on his broad perspective and deep insight into the medical device and life sciences industries, 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 of 14 Board of Directors meetings held in the fiscal year under review until his resignation on December 31, 2024. He provided advice and recommendations to secure the validity and appropriateness of decisions made by the Board of Directors.
Director	Ivan Tornos	17/19 times (89%)	—	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 device and pharmaceutical industries, M&A, production, and SCM. He attended 17 out of 19 Board of Directors 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 and Compensation Committee of the Company. He attended all of 7meetings of the Nomination and Compensation Committee and has actively provided advice and recommendations regarding the nomination and compensation of officers.
Director	David Sneider	18/19 times (95%)	—	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 18 out of 19 Board of Directors 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.
Director	Misa Yamashita	15/15 times (100%)	—	Based on her broad perspective and deep insight into the medical device and life sciences industries, human resources and labor issues, Ms. Yamashita has provided advice on the Company’s wide range of business operations. She attended all of 15 Board of Directors meetings held in the fiscal year under review since her appointment on June 26, 2024. 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 5 meetings of the Nomination and Compensation Committee held in the fiscal year under review since her appointment on June 26, 2024, and has led committee discussions as a chairperson and actively provided advice and recommendations regarding the nomination and compensation of officers. From the preparation stage of the committee meetings, Ms. Yamashita has proactively exchanged opinions with the secretariat and executives, and provided advice and recommendations.
Corporate auditor	Shannon Hansen	17/19 times (89%)	13/14 times (93%)	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 auditor	Tetsuo Kitagawa	19/19 times (100%)	14/14 times (100%)	Based on his professional perspective as a certified public accountant 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.

◆Accounting Auditor

(1) Name: KPMG AZSA LLC

(2) Compensation, etc.

	Compensation, etc. (million yen)
Accounting auditor compensation, etc. for the fiscal year under review	146
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the accounting auditor	213

(Notes) 1. The audit agreement between the Company and the accounting audit firm does not clearly specify amounts of compensation for audits required by the Companies Act and for those stipulated by the Financial Instruments and Exchange Act. It is actually not possible to categorize. The amount of compensation to accounting auditors in the fiscal year under review is the total of all forms of compensation.

2. The Audit and Supervisory Board carried out necessary verifications regarding the appropriateness of details in audit plans, the execution of accounting audit duties, and the basis for calculating compensation. The Company made the decision to consent to the amount of compensation, etc. for the accounting auditors.

3. Of the Company's significant subsidiaries, its overseas subsidiaries underwent audits by a certified public accountant and audit firm, other than the Company's accounting audit firm (this includes overseas individuals with equivalent qualifications).

(3) Non-auditing services

The Company paid KPMG AZSA LLC a consideration for services to assist the Company in complying with the Corporate Sustainability Reporting Directive (CSRD), in addition to consideration for the services under Article 2, paragraph 1 of the Certified Public Accountants Act.

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

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

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

◆System to ensure the appropriateness of operations

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

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

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

(2) System to store and manage information related to Directors' execution of duties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The PHC Group's corporate philosophy is fully implemented and internal regulations, including "Rules on Board of Directors" and "Rules of Directors and Corporate Auditors," have been formulated. In addition, audits are performed by corporate auditors.

(2) System to store and manage information related to Directors' execution of duties

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

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

In accordance with the PHC Group's Basic Rules for Risk Management, the Company consolidates information on significant risks with the officer in charge of risk management at the Company, who then reports on the risk information at the Board of Directors meetings. In addition, a Risk Management Committee was established to share and discuss groupwide cases related to businesses and organization and other related matters, and to implement risk management as needed.

Also, to speedily and properly deal with a crisis, the PHC Group's Basic Rules for Crisis Management were established. In addition to creating a basic policy, which includes respect for human life and safety in a region, a "Group Task Force" will be set up depending on how critical the situation is as a system to address the crisis at a group level.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

■Consolidated financial statements

◆Consolidated Statement of Changes in Equity

(From April 1, 2024 to March 31, 2025)

(Unit: million yen)

	Equity attributable to owners of parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Effective portion of cash flow hedges
As of April 1, 2024	48,423	41,797	(2,773)	(568)	−	(1,110)	(3)
Comprehensive income							
Profit (loss)	−	−	10,485	−	−	−	−
Other comprehensive income	−	−	−	−	(228)	1,102	(14)
Total comprehensive income	−	−	10,485	−	(228)	1,102	(14)
Issuance of new shares	200	(154)	−	−	−	−	−
Dividends to owners of parent	−	−	(4,917)	−	−	−	−
Forfeiture of share acquisition rights and Restricted Stock Unit	−	(203)	199	−	−	−	−
Share-based payment transactions	−	600	−	−	−	−	−
Transfer from other components of equity to retained earnings	−	−	(3)	−	228	(225)	−
Transactions with owners	200	242	(4,720)	−	228	(225)	−
As of March 31, 2025	48,623	42,039	2,991	(568)	−	(233)	(17)

(Unit: million yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity					
	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using equity method	Total	Total		
As of April 1, 2024	53,380	369	52,635	139,515	(351)	139,163
Comprehensive income						
Profit (loss)	−	−	−	10,485	(120)	10,364
Other comprehensive income	(4,933)	(11)	(4,085)	(4,085)	3	(4,081)
Total comprehensive income	(4,933)	(11)	(4,085)	6,400	(116)	6,283
Issuance of new shares	−	−	−	45	−	45
Dividends to owners of parent	−	−	−	(4,917)	−	(4,917)
Forfeiture of share acquisition rights and Restricted Stock Unit	−	−	−	(3)	−	(3)
Share-based payment transactions	−	−	−	600	−	600
Transfer from other components of equity to retained earnings	−	−	3	−	−	−
Transactions with owners	−	−	3	(4,275)	−	(4,275)
As of March 31, 2025	48,447	357	48,553	141,639	(468)	141,171

Notes to the Consolidated Financial Statements

Notes on significant accounting policies for the preparation of the Consolidated Financial Statements

1. Preparation standards for the Consolidated Financial Statements

The Consolidated Financial Statements for PHC Holdings (hereinafter “the Company”) and its subsidiaries (hereinafter “the Group”) are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 120, Paragraph 1 of the Regulations on Corporate Accounting. However, it should be noted that, pursuant to provisions of the second sentence of the same paragraph, the Group has omitted a portion of the presentations and notes required under IFRS.

2. Scope of consolidation

Number of consolidated subsidiaries: 73 companies

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

Changes in scope of consolidation in the current consolidated fiscal year

Three (3) companies have been removed from the scope of consolidation owing to their liquidation.

Fiscal years for consolidated subsidiaries

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

3. Application of the equity method

Number of associates and other entities accounted for under the equity method: six (6) companies

Names of major companies: Senseonics Holdings, Inc.

Changes in the application of the equity method

One (1) company has been included in the scope of consolidation due to an acquisition.

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

4. Material accounting policies

(1) Financial instruments

[1] Financial assets

(i) Initial recognition and measurement

Trade receivables are initially recognized on the date they are originated. All the other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments. All financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the financial assets. The transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss. However, trade receivables that do not include a significant financial component are initially measured at the transaction price.

At initial recognition, the Group classifies financial assets as either: (a) Financial assets measured at amortized cost; (b) Debt instruments measured at fair value through other comprehensive income; (c) Equity instruments measured at fair value through other comprehensive income; or (d) Financial assets measured at fair value through profit or loss.

(a) Financial assets measured at amortized cost

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

• the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

For certain equity instruments, the Group has irrevocably elected to present subsequent changes in the fair value in other comprehensive income on initial recognition and classifies such instruments as equity instruments measured at fair value through other comprehensive income.

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

Regarding financial assets except for the above, the Group classifies them as financial assets measured at fair value through profit or loss at the time of the initial recognition.

(ii) Subsequent measurement

The Group measures financial assets after initial recognition as follows:

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Interest revenue calculated by using the effective interest method and gains or losses on derecognition are recognized in profit or loss.

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

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

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

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

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

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

(iii) Derecognition

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

(iv) Impairment

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

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

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

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

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

• the time value of money; and

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

The Group adopts a practical method that uses a provision matrix when estimating expected credit losses on trade receivables, contract assets and lease receivables. The Group directly reduces the gross carrying amount of financial asset when it has no reasonable expectations of recovering the contractual cash flows on the financial asset in its entirety or a portion thereof.

[2] Financial liabilities

(i) Initial recognition and measurement

The Group initially recognizes financial liabilities on the trade date when the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the Group classifies financial liabilities as either: (a) Financial liabilities measured at amortized cost; or (b) Financial liabilities measured at fair value through profit or loss.

Financial liabilities initially measured are measured at fair value minus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the financial liabilities. The transaction costs of financial liabilities measured at fair value through profit or loss are recognized in profit or loss.

(ii) Subsequent measurement

The Group subsequently measures financial liabilities according to their classification as follows:

(a) Financial liabilities measured at amortized cost

These liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense calculated by using the effective interest method and gains or losses on derecognition are recognized in profit or loss.

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

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

(iii) Derecognition

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

[3] Derivative instruments, including hedge accounting

The Group holds derivative financial instruments to hedge foreign currency exposure. Derivatives are initially measured at fair value. In addition, after initial recognition, derivatives are measured at fair value and their changes are recognized in profit or loss except they are designated as hedging instruments in cash flow hedges.

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

Among the changes in fair value of derivatives designated as cash flow hedges and meet the requirement, the Group recognizes the effective portion in other comprehensive income in the consolidated statement of comprehensive income and recognizes gains or losses related to the ineffective portion in profit or loss immediately. Amounts accumulated in equity are reclassified to profit or loss in the fiscal years when the hedged items affect profit or loss. However, if a hedged forecast transaction results in the recognition of a non-financial asset or liability, the Group transfers any gains or losses previously deferred in equity and includes in the measurement of the asset or liability. In addition, when a hedged forecast transaction is no longer expected to occur, the Group transfers the cumulative gain or loss previously recorded in equity to profit or loss.

The Group designates non-derivative financial liabilities as hedging instruments for hedging foreign exchange risk associated with net investments in foreign operations. The effective portion of foreign exchange gains and losses on financial liabilities designated as hedging instruments is recognized in other comprehensive income and presented as foreign currency translation adjustments in equity. The ineffective portion is also presented immediately in profit or loss. Amounts recognized in other comprehensive income are fully or partially transferred to profit or loss respectively as reclassification adjustments when disposing or partially disposing of the foreign operation.

[4] Offsetting of financial assets and financial liabilities

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

(2) Inventories

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

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

(3) Property, plant and equipment

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

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

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

Useful lives of major assets by category are as follows:

• Buildings and structures: 2 to 50 years

• Machinery and vehicles: 2 to 17 years

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

(4) Goodwill

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

Goodwill is subsequently measured at cost less accumulated impairment losses.

In respect of equity-accounted investee, the carrying amount of goodwill is included in the carrying amount of the investment. An impairment loss on such investments is not allocated to any asset, including goodwill that forms part of the carrying amount of equity-accounted investee.

(5) Intangible assets

At initial recognition, the Group measures intangible assets acquired individually at cost and measures intangible assets acquired in a business combination at fair value as at the acquisition date.

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

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

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

The Group amortizes intangible assets with finite useful lives using the straight-line method over the estimated useful life of each asset. The amortization of these assets begins when they become available for use.

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

• Patents: 5 to 8 years

• Customer-related assets: 2 to 25 years

• Trademarks: 4 to 16 years

• Technology-based intangible assets: 5 to 15 years

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

(6) Leases

[1] Lessee

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

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

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

[2] Lessor

Leases are classified as either operating leases or finance leases. The underlying assets are classified as finance leases if almost all the risks and economic value associated with the ownership are transferred, and operating leases if they are not transferred. Whether the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

When the Group is an intermediate lessor, the Group classifies subleases with reference to the right-of-use assets arising from the head lease.

(7) Impairment of non-financial assets

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

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is based on cash flows forecast discounted to their present value using pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

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

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

An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit, and then the carrying amount of other assets in the unit is reduced proportionally.

Impairment losses of goodwill are not reversed.

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

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

Goodwill on acquisition of equity-accounted investee that forms part of the carrying amount of the investment is not separated from the other parts. The entire carrying amount of the investment is tested for impairment as a single asset.

(8) Employee benefits

1) Short-term employee benefits

The Group recognizes the undiscounted amount as an expense, and the unpaid amount as a liability when the related service is provided. The estimated bonuses to be paid under the plans are recognized as liabilities, if the Group has a present legal or constructive obligation to make payments as a result of past labor rendered by employees, and the obligations can be reliably estimated.

2) Long-term employee benefits

(i) Post-employment benefits

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

(a) Defined benefit plans

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

Net defined benefit liability or asset is determined as the present value of defined benefit obligation less the fair value of plan assets. Remeasurements of net defined benefit liability or asset are recognized in other comprehensive income in the period they are incurred, and not subsequently transferred to profit or loss. Past service cost is recognized in profit or loss in the period in which it is incurred.

(b) Defined contribution plan

The Group recognizes costs for defined contribution post-employment benefits as expenses in the fiscal year in which employees render service.

(c) Multi-employer plan

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

(ii) Other long-term employee benefits

The Group determines net obligation in respect of long-term benefits by discounting the amount of future benefits that employees have earned in return for their service in the current and prior periods to the present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(9) Share-based remuneration

The Group recognizes the fair value of stock-based compensation as estimated on the grant date as an expense over the vesting period, taking into account the number of equity instruments expected to be ultimately vested, and recognizes the same amount as an increase in capital surplus. The fair value of the stock-based compensation granted is calculated using the Black-Scholes model, etc., taking into account the terms and conditions of the options. In addition, if subsequent information indicates that the number of equity instruments expected to be vested differs from previous estimate, the estimates of vesting are revised as necessary.

(10) Provisions

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

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

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

(11) Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the five-step approach outlined below:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Details of accounting policies are described in the notes on revenue recognition.

(12) Foreign currency translation

[1] Transactions denominated in foreign currencies

The Group translates transactions denominated in foreign currencies into the functional currency at the exchange rates at the transaction dates or rates that approximate such rates.

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

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

[2] Financial statements of foreign operations

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

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

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

(13) Other

The Company and some domestic subsidiaries are applying the Japanese group relief.

5. Accounting estimates

In preparing the Consolidated Financial Statements, the Group makes judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The assumptions the Group makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.:

(1) Impairment losses on non-financial assets（Goodwill 206,500 million yen, Intangible assets 80,649 million yen, Property, plant and equipment 48,374 million yen）

The Group estimates the recoverable amount of non-financial assets when there is an indication that the assets may be impaired. In addition, regarding goodwill acquired in business combinations, the Group tests for impairment once a year, regardless of whether there is any indication of impairment, and measures the recoverable amount of the cash-generating unit or group of cash-generating units that the goodwill is allocated to. When future cash flows are used to determine these recoverable amounts, the cash flow forecasts are based on Mid -Term Management Plan for each business prepared by management and the growth rates after the period of the Mid -Term Management Plan. The discount rate is determined by reflecting current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

These assessments are determined based on management’s best estimates and judgments but may be affected by changes in uncertain future economic conditions. This may result in a material adjustment to the Consolidated Financial Statements within the next fiscal year.

(2) Estimates of expected refunds for revenue recognition (refund liabilities 11,448 million yen)

Among the considerations received from customers, the Group recognizes the amount expected to be refunded to customers through rebate payments, returned goods, etc. as refund liabilities. In addition, the Group treats the amount after deducting the refund liabilities from the consideration promised with the customer in the contract as the transaction price, and recognizes the transaction price as revenue when the related performance obligations are satisfied. Revenue is recognized only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur when the uncertainty regarding the estimate of the refund liabilities is subsequently resolved. However, the occurrence of unforeseen events or changes in circumstances could have an impact, and if the amount actually paid differs from the estimate of the refund liabilities, it will result in a material adjustment to the amount recognized in the Consolidated Financial Statements within the next fiscal year.

(3) Measurement of inventories (inventories 51,694 million yen)

The Group makes assumptions about the costs and sales costs required to complete the calculation of net realizable value for inventories.

These assumptions are determined by management's best estimates and judgments but may be affected by uncertain future fluctuations in economic conditions and may need to be reviewed. It may result in a material adjustment to the Consolidated Financial Statements within the next fiscal year.

(4) Measurement of provisions (provisions 12,301 million yen)

The Group records various provisions such as restructuring provision and product warranty provision. These provisions are based on the best estimate of the expenditures required to settle the debt, taking into account the risks and uncertainties associated with the debt on the closing date.

The amount of expenditure required to settle debt is calculated by comprehensively considering possible future results, but it may be affected by the occurrence of unforeseen events or changes in circumstances, and it is the actual amount. If the payment amount is different from the estimate, it may result in a material adjustment to the amount recognized in the Consolidated Financial Statements within the next fiscal year.

(5) Measurement of employee benefits (liabilities related to retirement benefits 5,544 million yen)

The Group has various retirement benefit plans, including defined benefit plans. The present value of defined benefit obligations and related service costs related to each of these obligation are calculated based on actuarial assumptions such as discount rate and mortality rate. Mathematical assumptions are determined by management's best estimates and judgments but may be affected by the consequences of uncertain future fluctuations in economic conditions and may need to be reviewed. It has a significant risk of resulting in a material adjustment to the Consolidated Financial Statements within the next fiscal year.

(6) Uncertain tax treatment and recoverability of deferred tax assets (current tax liabilities 4,207 million yen, deferred tax assets 6,120 million yen)

The Group measures current tax liabilities and deferred tax assets based on the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates determined by considering the effect of uncertainty if there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law. Accounting estimates are used to reflect the effects of uncertainty. It has a significant risk of resulting in a material adjustment to the Consolidated Financial Statements within the next fiscal year.

The Group recognizes deferred tax assets to the extent that taxable income is likely to be available in the future for deductible temporary differences. When recognizing deferred tax assets, the amount of taxable income is calculated by reasonably estimating the timing and amount of taxable income that can be earned in the future based on the business plan in determining the possibility of taxable income. The timing and amount of taxable income may be affected by uncertain future fluctuations in economic conditions, and if the actual timing and amount of taxable income differ from the estimate, there may result in a material adjustment to the amount recognized by the Group in the Consolidated Financial Statements within the next fiscal year.

Notes on the Consolidated Statement of Financial Position

1. Loss allowance for doubtful accounts directly deducted from assets

Operating receivables and Other financial assets (current) 631 million yen

Other financial assets (non-current) 1,586 million yen

2. Accumulated depreciation and accumulated impairment loss of property, plant and equipment 97,995 million yen

3. Assets with Retained Ownership Arising from Sale-and-Installment-Back Transactions Not Accounted for as Sales

The following are assets for which ownership is retained by the lender, resulting from sale-and-installment-back transactions that have not been accounted for as sales. These assets continue to be recorded as Property, plant and equipment by the Group:

Property, plant and equipment 1,734 million yen

The corresponding liabilities for these assets with retained ownership are as follows:

Borrowings (Current) 562 million yen

Borrowings (Non-current) 1,029 million yen

Notes on the Consolidated Statement of Changes in Equity

1. Types and total number of issued shares at the end of the current consolidated fiscal year

Common stock 126,410,072 shares

2. Types and total number of treasury shares at the end of the current consolidated fiscal year

Common stock 211,941 shares

3. Matters concerning dividends

(1) Dividend payment amount

Type of stock	Total cash dividends (Million yen)	Funding for dividends	Dividend amount per share (yen)	Record date	Effective date
Common stock	2,268	Retained earnings	18	March 31, 2024	June 27, 2024
Common stock	2,648	Retained earnings	21	September 30, 2024	December 19, 2024

(2) Among dividends with a record date that falls under the consolidated fiscal year, for those with an effective date in the following consolidated fiscal year.

At the 12th General Meeting of Shareholders, which is set to be held on June 25, 2025, matters related to dividends will be put forth for discussion as follows.

Type of stock	Total cash dividends (Million yen)	Funding for dividends	Dividend amount per share (yen)	Record date	Effective date
Common stock	2,650	Retained earnings	21	March 31, 2025	June 26, 2025

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

Common stock 1,298,223 shares

Notes on financial instruments

1.Matters regarding the status of financial instruments

(1) Capital management

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

(2) Financial risk management

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

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

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

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

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

The following table presents financial instruments measured at fair value, classified based on the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety.

Each level in the table is defined as follows:

Level 1: Market prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than market prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (as data derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Current consolidated fiscal year (March 31, 2025)

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Compound instruments	–	–	297	297
Financial assets measured at fair value through other comprehensive income				
Stocks	187	–	1,704	1,891
Warrants	–	8,116	–	8,116
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	–	116	–	116

The warrants categorized within Level 2 of the fair value hierarchy were measured using binomial models. The data utilized in the valuation model, including stock prices and interest rates, are not subject to significant subjectivity due to their observable nature within the market.

The stocks categorized within Level 3 of the fair value hierarchy were measured using mainly an option pricing model based on a volatility.

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

The reconciliation table for balances at the start and end of the fiscal year for the fair value measurement of financial instruments, categorized within Level 3 of the fair value hierarchy, is as follows.

Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Unit: million yen)

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income
Beginning balance	302	1,672
Purchase	—	—
Gain and loss	—	—
Profit or loss (Note)	—	—
Comprehensive income	△4	32
Sales/settlement	—	—
Ending balance	297	1,704

(Note) It relates to financial assets measured at fair value through profit and loss and is included in "finance income" or "finance costs" in the consolidated statements of profit or loss.

Notes on revenue recognition

(1) Disaggregation of revenue

Revenue disaggregation by business segments and major regions is as follows.

Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Unit: million yen)

	Diabetes Management	Healthcare Solutions	Diagnostic & Life Sciences	Other	Total
By region					
Japan	3,900	127,344	24,814	185	156,245
Europe	53,267	197	30,710	—	84,176
North America	22,077	133	56,799	—	79,011
Other	19,446	635	18,595	3,484	42,161
Total	98,692	128,311	130,920	3,669	361,593

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

(2) Contract balances

The Group's contract balance consists of contract liabilities and the balance was 5,080 million yen at the beginning of the fiscal year and 6,745 million yen at the fiscal year end. In addition, liabilities that arise from contracts with customers are included in trade liabilities.

Among revenues recognized in this consolidated fiscal year, the amounts included in the balances of contract liabilities at the beginning of the fiscal year was 2,614 million yen.

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

(3) Performance obligations

1) Point in time when a performance obligation is satisfied

Unless otherwise specified in the contract, in principle, control is transferred to the customer at the time of customer acceptance and performance obligations are satisfied. Therefore, revenue is recognized at the time of customer acceptance. In cases where a contract provides for the timing of transfer of risk, a performance obligation is satisfied at the time of transfer of risk specified in the contract, such as at the time of delivery of goods.

2) Terms of payment of consideration

The Group typically receives payment within three months after satisfying its performance obligation.

3) Goods and services transferred to customers

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

4) Obligations for returns, refunds and other obligations

The Group sells products with a right of return or similar rights in certain regions. If the products are returned, the Group has an obligation to refund the price of the products.

5) Types of product warranties and relevant obligations

The Group does not sell products with product warranties and related obligations that should be treated as performance obligations.

In addition, in part of the product sales contract, we have product warranty obligations to repair or replace free of charge for failures due to product defects that occur after delivery. The warranty obligations are recognized as provisions for product warranties as they provide customers with a guarantee that the products will function as intended in accordance with the specifications stipulated in the contract.

(4) Determination of transaction price

As the consideration promised in a contract includes variable amounts, in determining the transaction price, the Group estimates the amount of the consideration at which they are entitled in exchange for transferring the promised goods or services to the customers. When rebates are applied to sales in certain regions, the Group determines the transaction price by deducting the estimated amount of the rebate from the consideration promised with customers in the contract. In addition, the Group determines the expected refund amount that is considered to be possible for returned goods, and determines the transaction price by deducting the estimated amount. These variable considerations are included in the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the cumulative amount of revenue recognized when the uncertainty regarding the variable consideration is subsequently resolved.

Among the considerations received from customers, the Group recognizes the amount expected to be refunded to customers through payment of rebates, returned goods, etc. as refund liabilities. In addition, when the related performance obligations are satisfied, we recognize the transaction price after deducting the refund liability from the consideration promised with the customer in the contract as revenue.

The Group does not sell products or provide services that include significant financial components in the contract.

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

The transaction price allocated to remaining performance obligations and the expected timing of revenue recognition are as described below.

Current consolidated fiscal year (March 31,2025)

(Unit: million yen)

	Amounts
Within one year	1,584
Over one year	2,928
Total	4,513

The Group applies the practical expedient and does not disclose the performance obligation which is part of a contract that has an original expected duration of one year or less.

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

There was no asset recognized from contract costs as of March 31, 2025.

Notes on information per share

1. Equity attributable to owners of the parent per share 1,122.36 yen
2. Basic earnings per share 83.13 yen
3. Diluted earnings per share 82.58 yen

Notes on significant subsequent events

Not applicable

■Financial statements

Statement of Changes in Net Assets

(From 1 April, 2024 to 31 March, 2025)

(Million Yen)

	Shareholders' equity								
	Share capital	Deposit for subscriptions to shares	Capital surplus			Retained earnings		Treasury shares	Shareholders' equity
			Legal capital surplus	Other capital surplus	Capital surplus	Retained earnings brought forward	Retained earnings		
Balance as of April 1, 2024	48,423	1	18,466	20,142	38,609	24,962	24,962	△ 568	111,428
Changes in items during period									
Issuance of new shares (Exercise of Share acquisition rights)	200	△ 47	200	-	200	-	-	-	352
Payment of Deposit for subscriptions to shares	-	46	-	-	-	-	-	-	46
Dividends of surplus	-	-	-	-	-	△ 4,917	△ 4,917	-	△ 4,917
Net Profit	-	-	-	-	-	7,869	7,869	-	7,869
Changes in items during period other than shareholders' equity (net)	-	-	-	-	-	-	-	-	-
Total changes in items during period	200	△ 1	200	-	200	2,952	2,952	-	3,350
Balance as of March 31 2025	48,623	0	18,666	20,142	38,809	27,914	27,914	△ 568	114,778

(Million Yen)

	Valuation and translation adjustments, etc.			Share acquisition rights	Total Net assets
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments, etc.		
Balance as of April 1, 2024	△ 1,266	△ 16,307	△ 17,573	919	94,773
Changes in items during period					
Issuance of new shares (Exercise of Share acquisition rights)	-	-	-	-	352
Payment of Deposit for subscriptions to shares	-	-	-	-	46
Dividends of surplus	-	-	-	-	△ 4,917
Net Profit	-	-	-	-	7,869
Changes in items during period other than shareholders' equity (net)	1,077	-	1,077	△ 455	622
Total changes in items during period	1,077	-	1,077	△ 455	3,973
Balance as of March 31 2025	△ 188	△ 16,307	△ 16,495	463	98,747

Notes to financial statements

I. Notes regarding significant accounting policies

1. Asset valuation standards and valuation method

Securities

Stocks of subsidiaries and affiliates

Cost method based on the moving average method

Other securities

Assets with market value

Market value method

(Valuation differences are reported as a component of shareholders' equity, and costs of securities sold are determined by the moving average method.)

Assets with no market value

Cost method based on the moving average method

2. Depreciation method for non-current assets

Property, plant and equipment Straight-line method

Estimated useful lives are mainly as follows.

Buildings	5 to 50 years
Machinery and equipment	7 years
Tools, fixtures and supplies	2 to 10 years

Intangible assets Straight-line method

Estimated useful lives are mainly as follows.

Trademark rights	10 years
Software	3 years

3. Method for posting provision for retirement benefits

Provisions for retirement allowance is recorded to cover severance to be paid at the end of the fiscal year for corporate officers in accordance with internal regulations.

4. Method for posting provision for officers' retirement Benefit

Provisions to retirement allowance is recorded to cover severance to be paid at the end of the fiscal year for directors and corporate auditors in accordance with internal regulations.

5. Method for posting provision for bonuses

An estimated amounts of bonuses required to be paid to eligible employees are recorded to cover the payment of bonuses to employees.

6. Method for posting provision for loss on contract

An estimated amount to prepare for possible losses on contract is recorded.

7. Method for posting provision for share-based compensation

An estimated amount to prepare for the benefits of the company's shares to directors and employees are recorded based on estimated amounts of share benefit obligations at the end of the current fiscal year.

8. Posting standards for revenue and expense

The company's profits are management advisory fees and dividends received from subsidiaries. For the management advisory fees, the company has a performance obligation to carry out the promised services in accordance with the contractual coverage. The company satisfies a performance obligation by transferring promised services to subsidiaries, and then, revenue and expense are recognized. For dividends received from subsidiaries, the company recognize on the effective date of the dividends.

9. Application of Japanese group tax relief system

The company applies Japanese group tax relief system.

The company applies "Accounting treatment and Disclosure under the Japanese Group Tax Relief System (PITF No. 42; August 12, 2021)"which defines the accounting treatment and disclosure for corporation tax, local corporation tax and tax effect accounting under the Japanese group tax relief system.

10. Other

Amounts are rounded down to the nearest million yen.

II. Notes regarding accounting estimates

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

Deferred Tax Asset 515 million yen

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

Ⅲ. Notes regarding Balance Sheets

1. Accumulated depreciation for property, plant and equipment 149 Million Yen

2. Receivables from and Payables to Subsidiaries and Affiliates

Short-term receivables	Operating accounts receivable	2,521 Million Yen
	Accounts receivable - other	2,319 Million Yen
	Short-term loans receivable	53,881 Million Yen
Long-term receivables	Long-term loans receivable	87,305 Million Yen
Short-term payables	Short-term loans payable	68,071 Million Yen
	Accounts payable-other	2,137 Million Yen
	Deposits received	8,154 Million Yen

3. Financial covenants

The following financial covenants are applied to our borrowings of 251,509 million yen.

(1) Consolidated capital as of each fiscal year-end shall not be less than the amounts stipulated in the contract.

(2) The Company will not have negative consolidated operating profit for two consecutive fiscal years.

(3) If a long-term debt rating has been acquired, the company shall maintain the rating above a certain level stipulated in the contract.

Ⅳ. Notes to Income Statements

1. Transactions with subsidiaries and affiliates

Operating revenue	16,078 Million Yen
Other operating transactions	4,547 Million Yen
Non-operating transactions	11,340 Million Yen

Ⅴ. Notes to Statement of Changes in Shareholders' Equity

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

Common stock	211,941	shares

Ⅵ. Notes regarding tax effect accounting

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

Deferred tax assets	
Tax loss carried forward	2,759 Million Yen
Earnings stripping rules	671 Million Yen
Excess depreciation	73 Million Yen
Impairment loss	125 Million Yen
Provision for bonuses	78 Million Yen
Deferred Assets Excess depreciation	71 Million Yen
Asset retirement obligation	72 Million Yen
Share-based compensation expenses	38 Million Yen
Valuation difference on available-for-sale securities	166 Million Yen
Accounts receivable - other	144 Million Yen
Other	332 Million Yen
Deferred tax assets-subtotal	4,529 Million Yen
Valuation allowance for tax loss carried forward	△2,759 Million Yen
Valuation allowance for deductible temporary differences, etc.	△1,089 Million Yen
Valuation allowance-Subtotal	△3,848 Million Yen
Deferred tax assets-Total	681 Million Yen
Deferred tax liabilities	
Asset retirement obligation	72 Million Yen
Valuation difference on available-for-sale securities	94 Million Yen
Deferred tax liabilities-Total	166 Million Yen
Deferred tax Assets	515 Million Yen

2. The accounting treatment for corporation tax, local corporation tax and tax effect accounting under the Japanese group tax relief system

The company applies Japanese group tax relief system.
According to “Accounting treatment and Disclosure under the Japanese Group Tax Relief System (PITF No. 42; August 12, 2021)”,
The company makes the accounting transaction process and disclosure for corporation tax, local corporation tax and tax effect accounting.

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in statutory effective tax rate

“The tax reform related to income tax law, etc.“ was resolved by Japanese parliament on March 31, 2025, Japan’s Defense Boost tax was newly established from the fiscal year starting on April 1, 2026.
Due to this tax reform, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities will change from 30.62% to 31.52% for temporary differences expected to resolve in the fiscal year starting on April 1, 2026.
As a result of this tax rate change, the deferred tax assets increased by 5 million yen, the deferred tax income decreased by 3 million yen, and valuation difference on available-for-sale securities increased by 2 million yen.

Ⅶ. Notes on transactions with related parties

Subsidiaries and others (Million yen)

Category	Name	Ownership of voting rights	Relationship with related parties: Concurrent post held by directors	Relationship with related parties: Business relationships	Transaction details	Transaction amount	Item	Balance as of March 31, 2025
Subsidiaries	PHC Corporation	Direct ownership of 100%	-	Corporate management	Offer of management services (Note 1)	3,554	Operating accounts receivable	931
					Financing (Note 3)	1,706	Short-term loans receivable	24,832
					Interest income (Note 2)	700		
					Offset with long-term loans payable (Note 8)	21,754		
					Return of Funds (Note 3)	6,452	Long-term loans receivable	83,965
					Interest income (Note 2)	5,744		
	LSI Medience Corporation	Direct ownership of 100%	-	Corporate management	Return of Funds (Note 3)	650	Short-term loans receivable	5,517
					Interest income (Note 2)	95		
	WEMEX Corporation	Direct ownership of 100%	-	Corporate management	Interest income (Note 3)	48	Long-term loans receivable	3,340
					Return of Funds (Note 3)	1,440		
					Deposit received	4,870	Deposits received	7,005
					Interest expenses (Note 4)	3		
	Ascensia Diabetes Care Holdings AG	Indirect ownership of 100%	-	Corporate management	Payment of personnel expenses, etc. (Note 5)	1,140	Accounts payable-other	618
					Borrowings (Note 4)	9,252	Short-term loans payable	66,413
					Interest expenses (Note 4)	3,288		
					Decrease due to capital deduction (Note 7)	21,754		
	Epredia Holdings Ltd. 4 other subsidiaries	Direct ownership of 100%	-	Corporate management	Payment of personnel expenses, etc. (Note 5)	940	Accounts payable-other	471
					Financing (Note 3)	1,308	Short-term loans receivable	19,036
					Interest income (Note 3)	1,073		

Directors and individual major shareholders etc.

(Million yen)

Category	Name	Ownership of voting rights	Relationship with related parties Relation	Transaction details	Transaction amount	Item	Balance as of March 31, 2025
Director	Ryuichi Hirashima	Owned direct ownership of 0.0%	Senior Managing Executive Officer (CAO, CHRO, CTO)	Exercise of Stock Option (Note 6)	129	-	-
				Long-term incentive granting (Note 9)	28	Provision for share-based compensation	6
	Kaiju Yamaguchi	Owned direct ownership of 0.0%	Managing Executive Officer (CFO)	Long-term incentive granting (Note 9)	28	Provision for share-based compensation	6

Terms and conditions of transactions and policy on decisions

(Note 1) Management service fees charged to PHC Corporation are decided considering market price.

(Note 2) Regarding short-term loans receivable to PHC Corporation and LSI Medience Corporation, net increase or decrease are noted due to repetitive transactions conducted during a short- term period. That said, for the interest receivable amounts, the interest rate is rationally decided considering market interest rates.

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

(Note 4) Regarding loans from Ascensia Diabetes Care Holdings AG and interest payments, the interest rate is rationally decided considering market interest rates.

(Note 5) The Company pays personnel expenses, etc. for executives in subsidiaries.

(Note 6) Exercise of share acquisition rights are noted based on an exercise of the stock option granted by the shareholders' meeting held on March 31, 2021.

Transaction amounts are calculated by multiplying the numbers of stocks due to an exercise of stock option with the sum of payment amounts and fair value amounts of share acquisition rights in the current fiscal year.

(Note 7) Due to capital deduction of Ascensia Diabetes Holdings AG implemented on March 27, 2025, short-term loans receivable to PHC Holdings Corporation held by Ascensia Diabetes Holdings AG was distributed to PHC Corporation as non-monetary dividend.

(Note 8) Due to capital deduction of Ascensia Diabetes Holdings AG implemented on March 27, 2025, this resulted in holding both short-term loans receivable and payable to PHC Corporation, and short-term loans payable with amounts equal to capital deduction was offset with short-term loans receivable.

(Note 9) Long-term incentive was granted by decision of the board of directors held on July 31, 2024.

Ⅷ. Notes regarding per-share information

Net assets per share	778.80	Yen
Net profits per share	62.39	Yen