

Integrated Report

For the fiscal year ended March 2024

May 15, 2024

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Top Message



Our corporate philosophy is to 'contribute to the development of stakeholders by providing products and services that are relevant to the times'. Under this philosophy, we have pursued the essence, responded appropriately and timely to changes, planned and executed strategies according to the circumstances from a medium-term perspective, and committed to improving the company's sustainable value.

The current social environment is changing rapidly, and businesses are required to have flexible responsiveness and speed of transformation. In response to these demands, we have been expanding our business by taking on challenges in new fields while utilizing our own strengths.

Since our establishment in 1988, we have expanded into a wide range of areas, starting from OA equipment and moving on to mobile phones, communication lines, IT solutions, water delivery, insurance, and electricity, in response to our customers' needs. As our lineup of products and services has increase, we have been able to enhance the value we provide to our stakeholders.

Our strength is our solid sales network spread across the country. This enables us to respond and adapt swiftly to the needs of the times. Also, by pursuing capital efficiency, we are maximizing profits and achieving sustainable growth.

Our management vision is the securing of stable revenues centered on recurring profits and steady profit growth. To achieve this vision, we incorporate adaptability and sustainability into our management. We observe changes in all areas, manage putting the great importance on sustainability while pursuing possibilities. The materialities we defined reflect management philosophy that goes beyond mere business plans.

These include our revenue structure and risk diversification, pursuit of capital efficiency, human resource development and speedy management, as well as enhancing governance. These indicate what we should do to be a sustainable company and for that sustainability.

Our strategy is to formulate and aggressively execute strategies while interpreting the changes of the times, based on these materialities. By doing so, we aim to be a sustainable company, provide value to our stakeholders, achieve sustainable growth, and expand our business.

In this manner, we position 'adaptability to change' and 'sustainability' as our fundamental values from the provision of products and services to business strategy, and even our corporate philosophy. These are our strengths, and we will continue to adapt to changes in the times and realize sustainable growth and value provision through this.

HIKARI TSUSHIN, INC. President and Representative Director
Hideaki Wada

Value Creation Process

※As of the end of FY 2024

Corporate Philosophy

- Contribute to development of stakeholders by providing products and services based on the times
- Make actions to improve the sustainable enterprise value while seeking essence, respond appropriately to changes, and planning and conducting strategies corresponding to the circumstances and the times from a midterm perspective.

Energy of Creating Value


Financial Capital	Total Capital : 819.2 billion yen Net Cash Asset : 774.0 billion yen
Human Capital	Number of employees: 4,993
Intellectual Capital	Pursuing capital efficiency Accumulation of knowledge
Social Relations Capital	Customer information Strong relationships with agencies
Production Capital	Initiative for safety and security
Nature Capital	Abundant water resources

Examples of social issues include:
Low domestic economic growth, Widening wealth gap, Decrease in labor force, Improvement of productivity, Gender equality, Elimination of information disparities, Realization of a decarbonized society

Business Activity

Vision	Secure stable earnings and stable profit growth based on recurring profit	
Main Products	Electricity	Water Delivery
	Internet connection line	Insurance
Competitive Advantage	<ul style="list-style-type: none"> - One of the leading domestic sales networks - Ample funds - Business portfolio that is resilient to change 	
Materiality	Establishing a structure to adapt to changes in the business environment 1) Ensuring stable revenue 2) Pursuing capital efficiency 3) Risk diversification 4) Delegation of authority	

Value Offering

Economic Value	Recurring Profit	151.0 billion
	Hypothetical consolidated operation profit	161.5 billion
	Operating profit per capita	17 million
	Hypothetical consolidated ROE	22.5%
Social Value	<ul style="list-style-type: none"> • Improvement of customer convenience and productivity • Improvement of employees' living standards • Enhancement of employees' growth and job satisfaction • Increase in shareholder value • Coexistence and mutual prosperity with business partners • Revitalization of the local community, contribution to SDGs 	
		

Infrastructure that support business continuity
(governance, respect for human rights, a conducive work environment, risk management)

Materiality Initiatives

Materiality	Initiative	Achievement (FY2024)
1) Secure stable Earnings	Establishment of a business model focused on recurring profit, which is long-term, stable earnings	<ul style="list-style-type: none"> ▪ 80% of sales revenue comes from recurring sales ▪ Recurring Profit is 151.0 billion yen
2) Pursuing capital efficiency	Pursue high capital efficiency by avoiding focusing management resources on businesses with poor capital efficiency.	<ul style="list-style-type: none"> ▪ ROA8.5%, ROE22% (*Hypothetical consolidated) ▪ Operating profit per capita: 17 million yen
3) Swift decision-making	Swift decision-making with a flatter organizational hierarchy and delegation to departments.	<ul style="list-style-type: none"> ▪ Maintain five-levels organizational hierarchy. * Board of Director, Executive Officer/ General Manager, Manager, Deputy Manager, Employee.
4) Risk Diversification	A system that does not depend on a specific target (business, product, customer, business partner, sales channel, etc.)	<ul style="list-style-type: none"> ▪ Agencies : Approx. 1,000 ▪ Number of corporate consumers : Approx. 1.3 million ▪ Number of individual consumers : Approx. 4 million

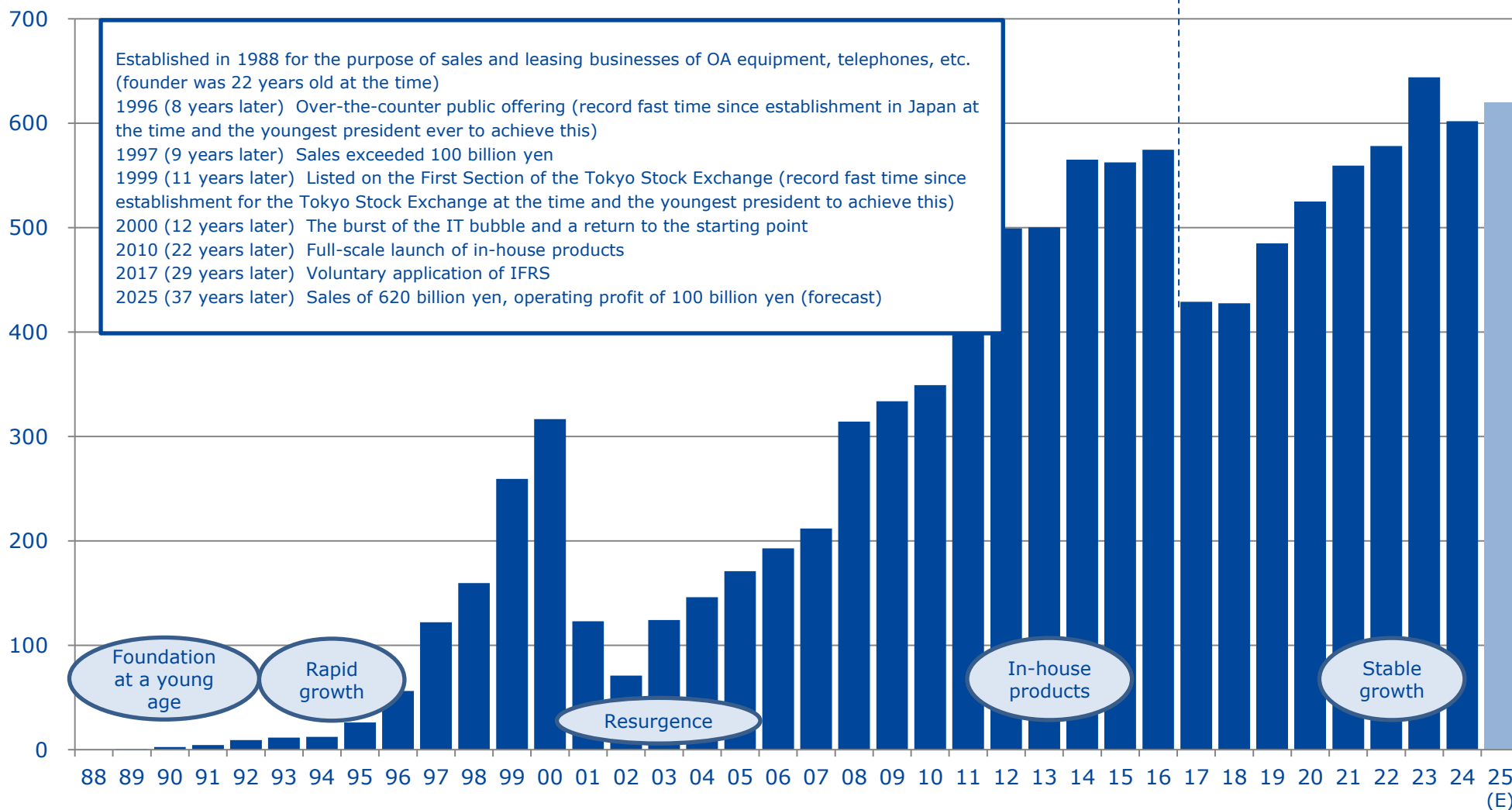
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Sales since Establishment

(Billions JPY)

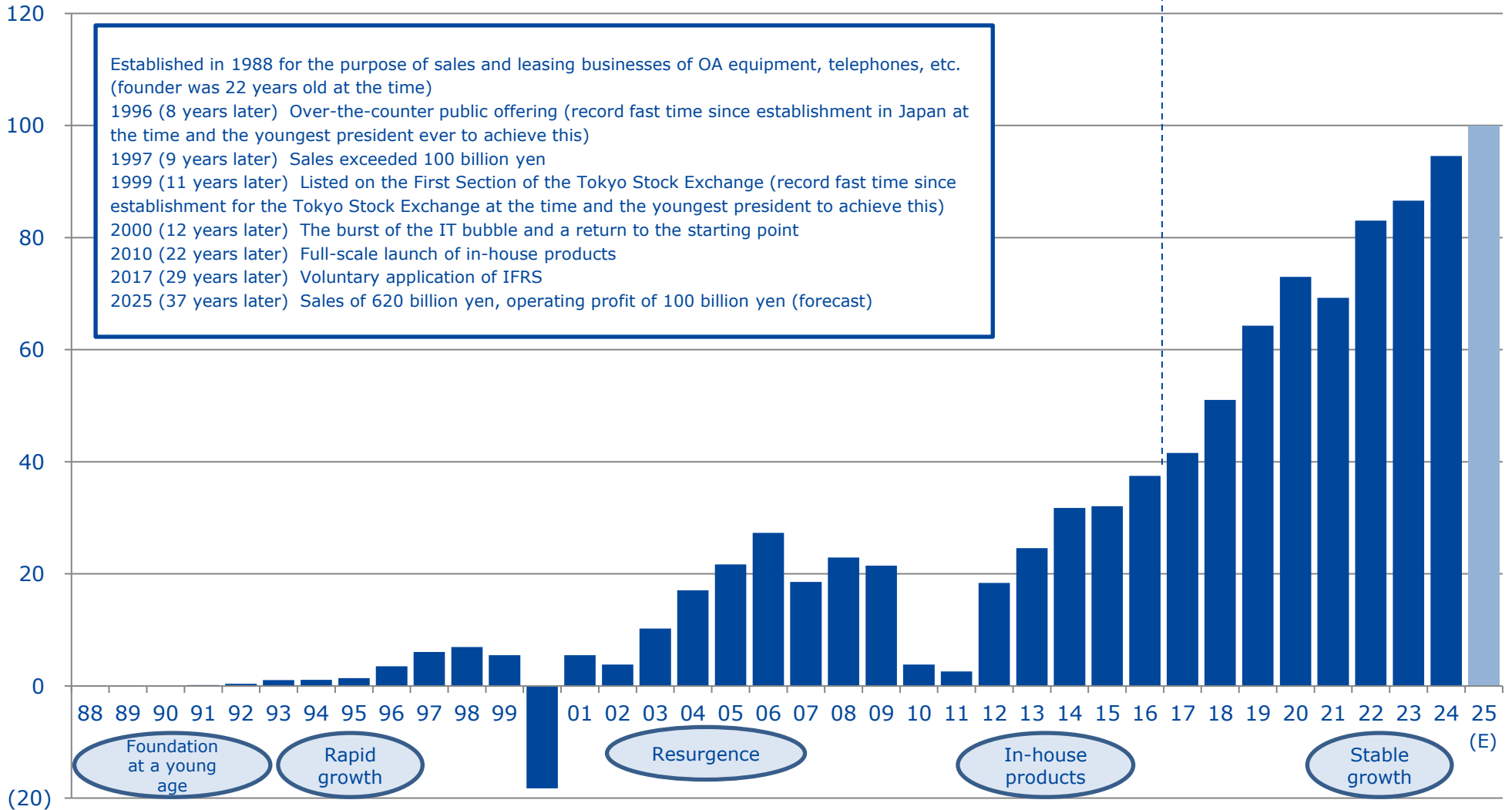
J-GAAP ← → IFRS



Operating Profit since Establishment

(Billions JPY)

J-GAAP ← → IFRS



Total Shareholder Return since Listing (TSR)

	TOPIX share index with dividends Included	Total shareholder return of HIKARI TSUSHIN		TOPIX share index with dividends Included	Total shareholder return of HIKARI TSUSHIN		TOPIX share index with dividends Included	Total shareholder return of HIKARI TSUSHIN	
1996/8	(0.2%)	186.6%		2010/3	(28.1%)	(41.0%)	2020/3	(9.5%)	(10.5%)
1997/8	(6.7%)	(31.9%)		2011/3	(34.8%)	(30.3%)	2021/3	42.1%	22.2%
1998/8	(21.8%)	(22.7%)		2012/3	28.5%	(11.2%)	2022/3	2.0%	(30.8%)
1999/8	32.9%	1241.6%		2013/3	(9.2%)	8.0%	2023/3	5.8%	29.4%
2000/8	4.4%	(90.4%)		2014/3	0.6%	38.4%	2024/3	41.3%	45.4%
2001/8	(26.4%)	(74.4%)		2015/3	23.8%	78.5%			
2002/3	(3.1%)	2.1%		2016/3	18.6%	71.6%	1996-2024 Annual average growth rate	3.8%	9.1%
2003/3	(24.8%)	(2.7%)		2017/3	30.7%	(7.9%)			
2004/3	51.1%	290.5%		2018/3	(10.8%)	10.8%	1996-2024 Total growth rate	287%	1,148%
2005/3	1.4%	36.3%		2019/3	14.7%	25.8%			
2006/3	47.8%	12.9%		2020/3	15.9%	51.8%			
2007/3	0.3%	(32.5%)		2021/3	(5.0%)	22.9%			

Annual Growth Rate for 10 Fiscal Years (1)

(Billion JPY)

	Revenue			Recurring profit			Operating profit			Income before tax	Net income
	Total	In-house products	Third-party products	Total	In-house products	Third-party products	Total	In-house products	Third-party products		
14/3	565.1	78.0	489.5	53.1	19.1	33.9	31.7	8.7	27.9	49.6	29.3
15/3	562.5	86.4	479.3	60.4	25.0	35.3	32.0	5.4	32.3	45.8	20.7
16/3	447.6	120.0	330.1	68.6	32.3	36.2	37.6	8.6	34.3	47.9	22.5
17/3	428.9	146.8	284.0	74.1	40.3	33.8	41.5	11.1	35.1	62.7	39.0
18/3	427.5	216.4	212.8	81.1	50.9	30.2	49.4	22.5	30.3	53.7	42.9
19/3	484.3	282.1	204.5	92.0	64.3	27.7	64.2	38.3	27.9	71.5	49.5
20/3	524.5	337.6	189.4	113.3	87.9	25.4	73.0	45.8	28.4	80.0	51.6
21/3	559.4	398.8	161.8	108.3	83.3	25.0	69.2	47.3	24.2	82.1	54.6
22/3	573.0	427.4	147.5	127.0	102.3	24.6	83.5	64.9	21.2	108.5	87.5
23/3	643.9	524.0	122.0	127.0	107.2	19.8	86.6	55.0	34.4	118.4	91.3
24/3	601.9	495.8	108.9	151.0	137.0	14.0	94.5	87.7	11.4	168.0	122.2
Average growth rate for 10 fiscal years	0.6%	20%	(13%)	11%	22%	(8%)	12%	26%	(6%)	12%	15%

* The total does not match the breakdown because intercompany eliminations and others are omitted from the presentation.

Annual Growth Rate for 10 Fiscal Years (2)

(Billion JPY)

	BS					Per Share			Shareholder Return		Capital Efficiency	
	Net Cash Assets	Total assets	Net Assets	Net Asset before Shareholder return	Equity	EPS (Yen)	BPS (Yen)	Dividend (Yen)	Acquisition of the Company's own share	Dividend payment amount	Hypothetical Consolidated ROA	Hypothetical Consolidated ROE
14/3	114.9	338.8	143.6	108.5	130.0	623	2,842	140	22.0	6.4	-	-
15/3	104.2	393.3	175.5	144.4	161.2	450	3,488	160	1.3	7.3	-	-
16/3	68.2	408.0	172.7	148.1	158.6	485	3,413	186	3.0	8.6	-	-
17/3	74.7	511.4	193.6	184.4	180.4	840	3,896	240	4.3	11.1	-	-
18/3	115.8	685.6	241.5	249.0	225.2	927	4,878	300	3.0	13.8	-	-
19/3	139.4	804.2	273.5	303.1	257.2	1,075	5,607	351	6.0	16.1	-	-
20/3	195.2	972.0	318.5	366.7	285.7	1,126	6,227	402	0.0	18.4	9.8%	23.2%
21/3	321.4	1,256.8	429.0	498.0	393.4	1,190	8,574	456	0.0	20.9	10.2%	18.8%
22/3	343.6	1,451.3	499.3	605.4	468.6	1,927	10,379	491	14.7	22.2	11.4%	28.2%
23/3	440.2	1,691.9	598.3	735.9	571.0	2,037	12,773	545	7.0	24.4	10.6%	21.6%
24/3	774.0	2,078.9	819.2	998.1	790.4	2,753	17,906	638	13.0	28.2	8.5%	22.5%
Average growth rate for 10 fiscal years	21%	19%	19%	24%	19%	16%	20%	16%	-	15%	-	-

* The cumulative total from FYE 3/14 to FYE were 74.7 billion yen in acquisition of the Company's own shares, 178.0 billion yen in payment of dividends and 252.7 billion yen in shareholder return.

Annual Growth Rate for 10 Fiscal Years (3)

	Employees		
	Number of employees (people)	Sales per capita (million yen)	Operating profit per capita (million yen)
14/3	11,198	58	3
15/3	12,367	47	2
16/3	12,803	36	2
17/3	10,463	38	3
18/3	8,667	44	5
19/3	7,572	59	7
20/3	8,033	67	9
21/3	7,224	73	9
22/3	6,802	81	11
23/3	5,697	108	14
24/3	4,993	112	17
Average growth rate for 10 fiscal years	(7%)	7%	18%

Annual Average Growth Rate for 5, 10 and 20 Fiscal Years

		5 fiscal years	10 fiscal years	20 fiscal years
Sales	Total	4%	0%	7%
	In-house products	12%	20%	-
	Other companies' products	(12%)	(13%)	(1%)
Recurring profit	Total	10%	11%	13%
	In-house products	16%	22%	-
	Other companies' products	(13%)	(9%)	0%
Operating profit	Total	8%	12%	9%
	In-house products	18%	26%	-
	Other companies' products	(16%)	(9%)	(2%)
Net income	Net income	19%	15%	12%

		5 fiscal years	10 fiscal years	20 fiscal years
BS	Equity	25%	19%	12%
Per share	EPS	20%	16%	14%
	BPS	26%	20%	14%
	Dividends	12%	16%	16%
Shareholder Return	Dividend payment amount	11%	15%	15%
Employees	Number of employees	(7%)	(7%)	(1%)
	Sales per capita	15%	7%	7%
	Operating profit per capita	17%	18%	9%

* The five fiscal years are based on numerical comparison between FYE 3/19 and FYE 3/24.

* The 10 fiscal years are based on numerical comparison between FYE 3/14 and FYE 3/24.

* The 20 fiscal years are based on numerical comparison between FYE 3/04 and FYE 3/24.

* Results for in-house and third-party products prior to FYE 3/18 are provisional figures as they were before the change in reporting segments.

External Ratings

JCR

A+(Stable)

R&I

A (Stable)

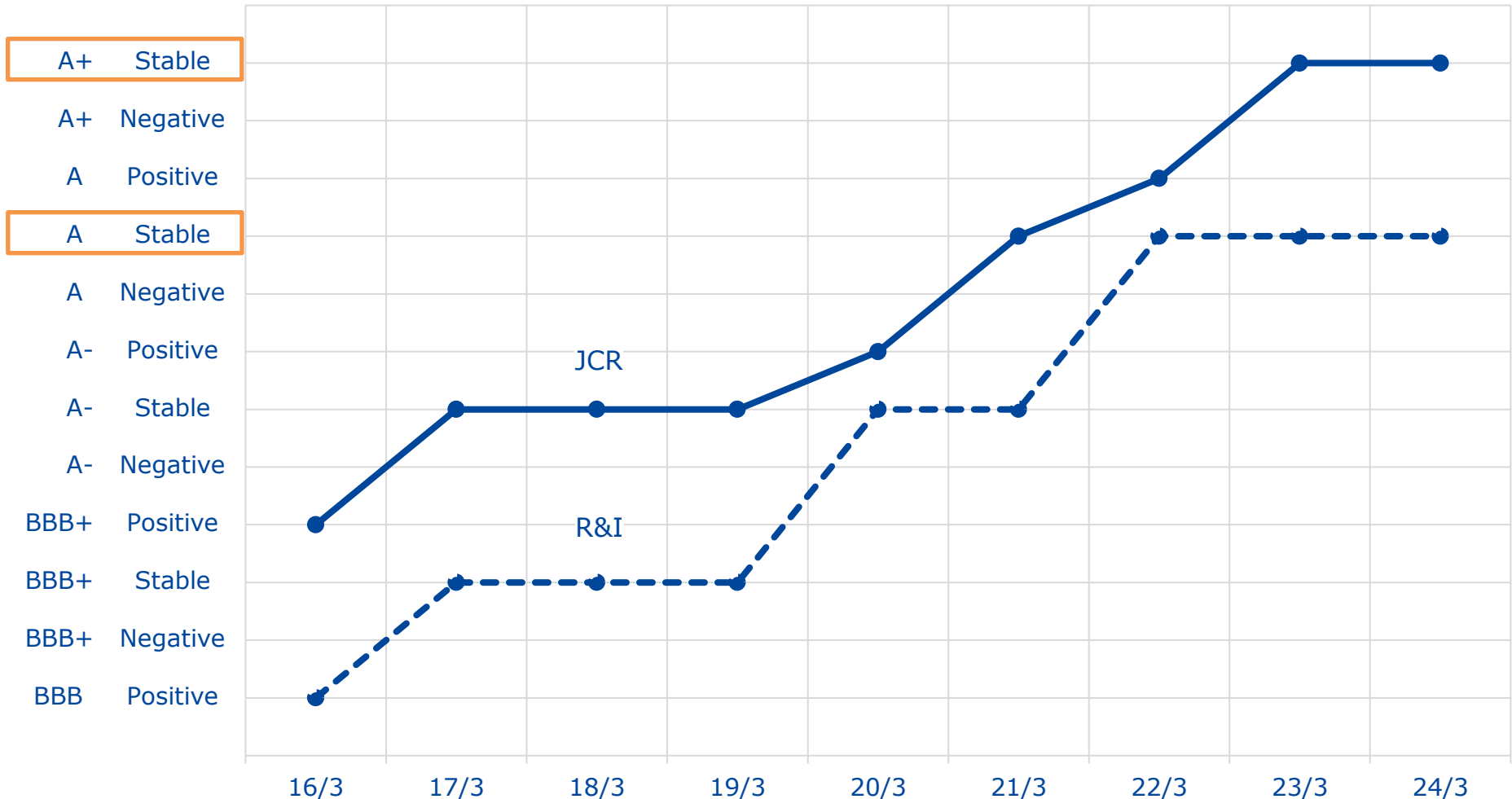


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Two Initiatives

Business

Recurring revenue
businesses with
stable earnings

&

Net Investment

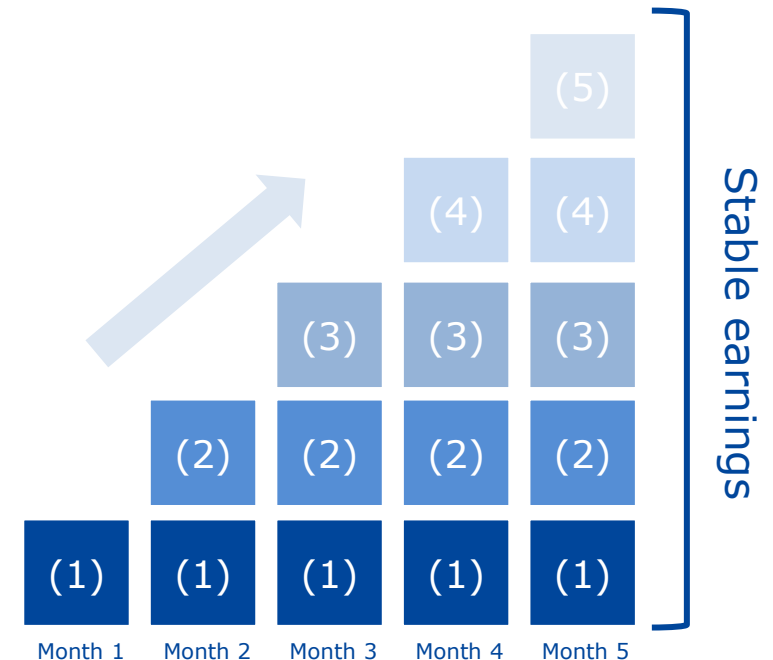
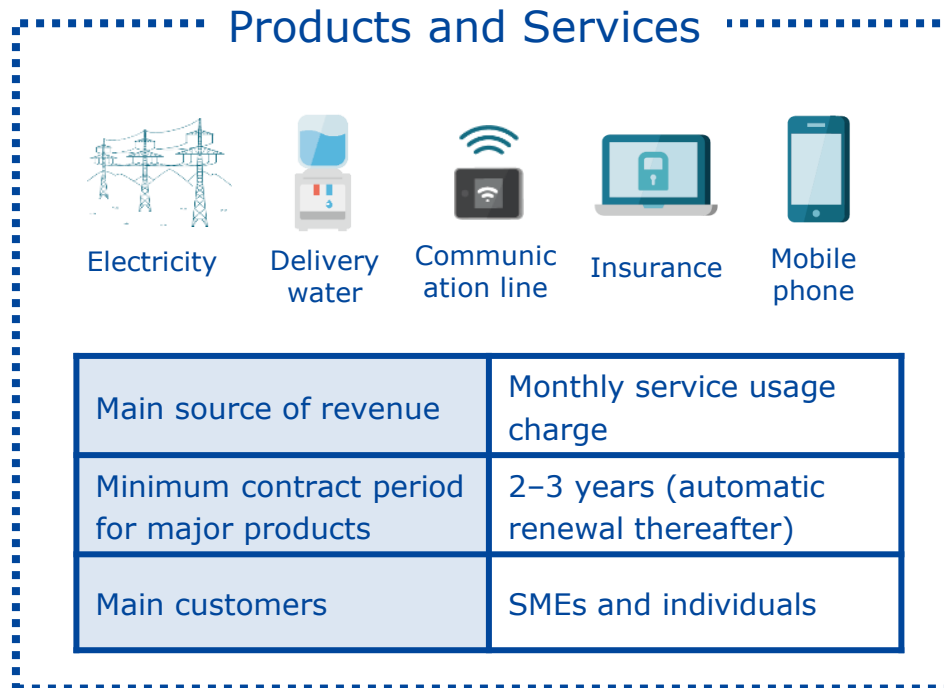
Invest in high-quality
companies with solid
financial foundations that
conduct stable businesses at
reasonable prices

Maximize Corporate Value

Business Description

Conduct recurring revenue business with stable earnings regardless of industry

The company and the company group make their core business stock business where continuous revenue is expected from usage fees, etc., after the sale of goods and services, and aim to contribute to stakeholders including customers, business partners, shareholders, employees and society, etc., through diffusing various goods and services widely to individual and corporate customers.



(1): Revenue from customers starting service usage in Month 1
(2): Revenue from customers starting service usage in Month 2
...

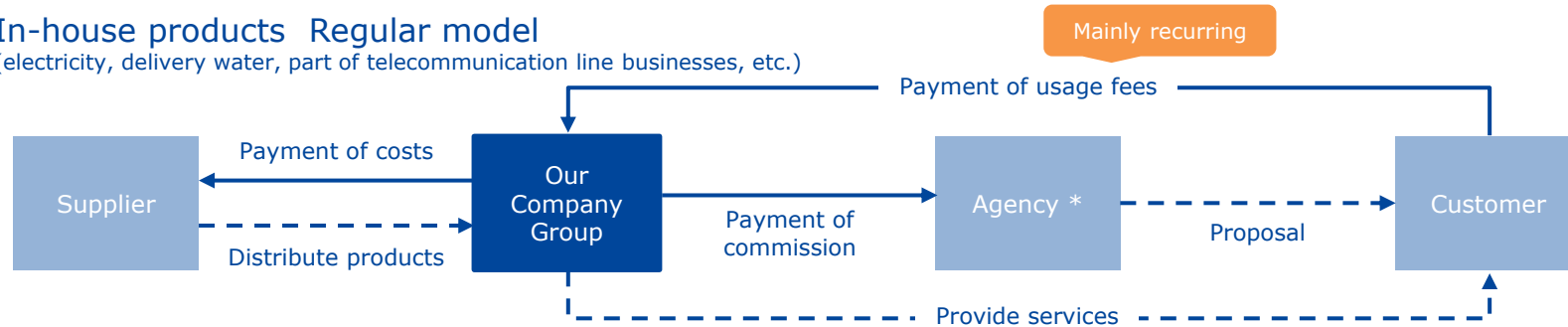
Main Business and Segments

Main Business	Description	In-house Products	Segments		Third-party products
		Corporate Service	Individual Customer Service	Commission-based Sales	
Electricity	Provision of Electricity as electricity retailers	✓	✓	-	
Internet connection line	Sales of MVNO business, Sales of optical fiber line, etc.	✓	✓	✓	
Industry-specific IT Solutions	Online reservation service	✓	-	-	
Insurance	General insurance, Small amount & short term insurance	-	✓	-	
Water delivery	Provision and sale of water coolers	-	✓	-	
Mobile phones	Sales of mobile phones	-	-	✓	
OA equipment	Sales of photocopy machines, etc.	-	-	✓	

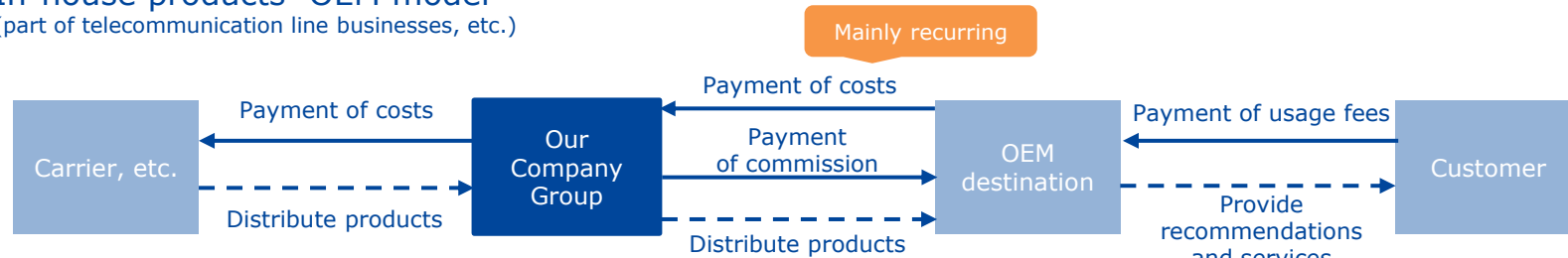
Flow of Money and Services

Flow of money → Flow of services →

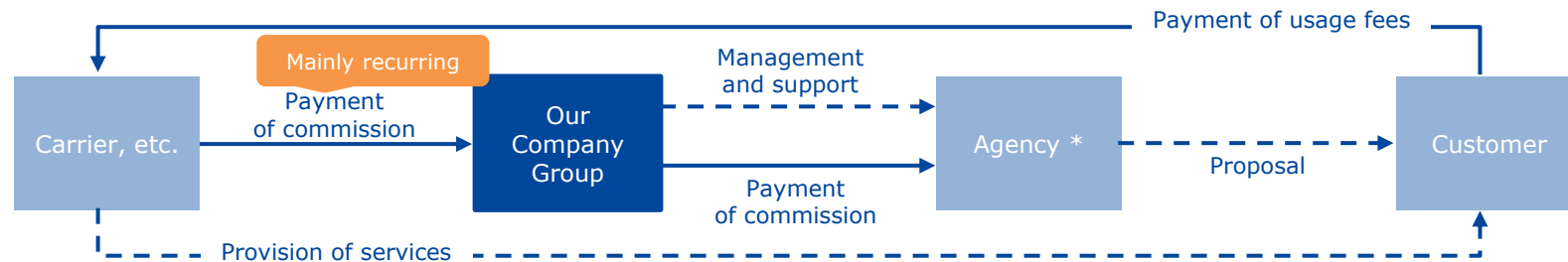
1 In-house products Regular model (electricity, delivery water, part of telecommunication line businesses, etc.)



2 In-house products OEM model (part of telecommunication line businesses, etc.)



3 Other companies' products (mobile phone business, etc.)



Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

FY2024					
	Total	Recurring		Lump sum	
Revenue	601.9	Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies	481.4	Initial commission income, hardware sales proceeds of hardware, etc.	120.5
Cost of goods sold + SGA expenses	(507.4)	Cost of service provided, cost of customer retention such as billing costs, etc.	(330.4)	Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc.	(176.9)
Operating Profit	94.5	Recurring Profit	151.0	Acquisition Cost	(56.5)

Strengths

(1) Recurring-type business model

A business model based on recurring profit, which is long-term stable revenue. Recurring sales in which 80% of the revenue comes from constant income.

(2) Strong sales structure

One of the best sales networks and customer bases in Japan

(3) High liquidity on hand

Net cash assets* 774.0 billion yen (as of March 2024)

*Cash and deposits – Interest-bearing liabilities + Listed investment securities (not including listed subsidiaries) + Bonds

(4) Pursue Capital Efficiency

Allocate funds within the range of objective numerical criteria.

(5) Corporate Culture

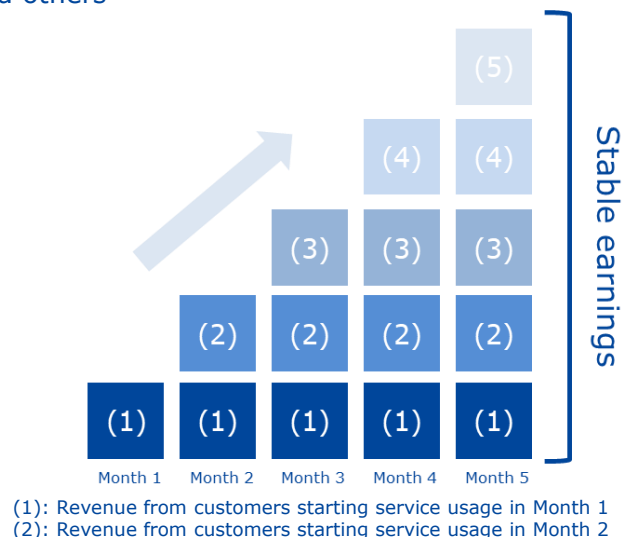
Fast decision-making, Meritocracy, Simplicity and Frugality, etc.

Earnings Stability

Business Model

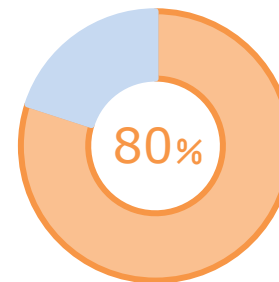
The core business of our group is the '**stock business**', which expects continuous revenue from usage fees after the sale of products and services.

e.g., Electricity usage fee, Communication line usage fee, and others



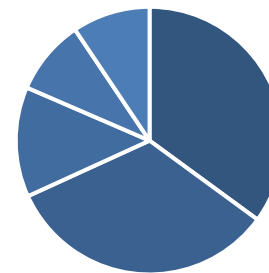
Revenue Composition

80% of revenue is "recurring revenue," which is continuous revenue.



Risk Diversification

A system that does not depend on a specific target (business, product, customer, business partner, sales channel, etc.)



Solid Sales Structure

As of March 31, 2024

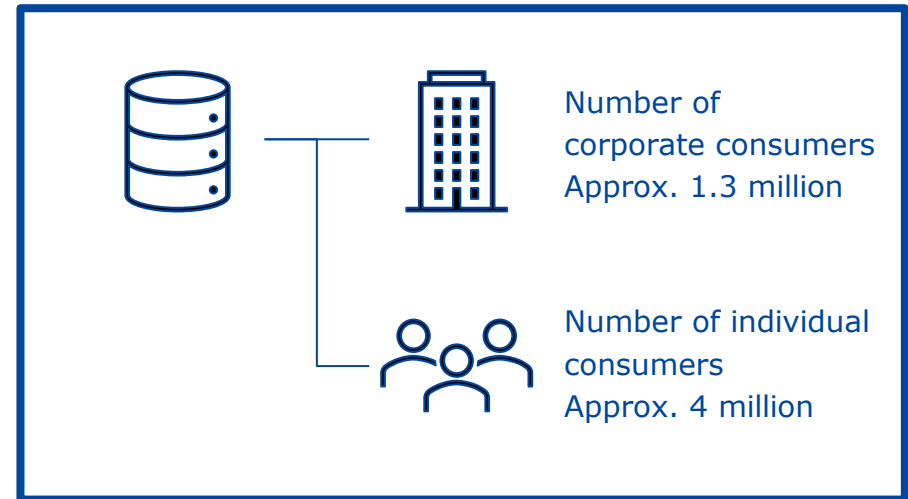
Sales network

Mainly leverage agencies



Customer base

Sell mainly to SMEs and individual consumers



Sales channels

Utilize the optimal sales channels depending on changes in products and business environment



Strength (3)

High Liquidity on Hand

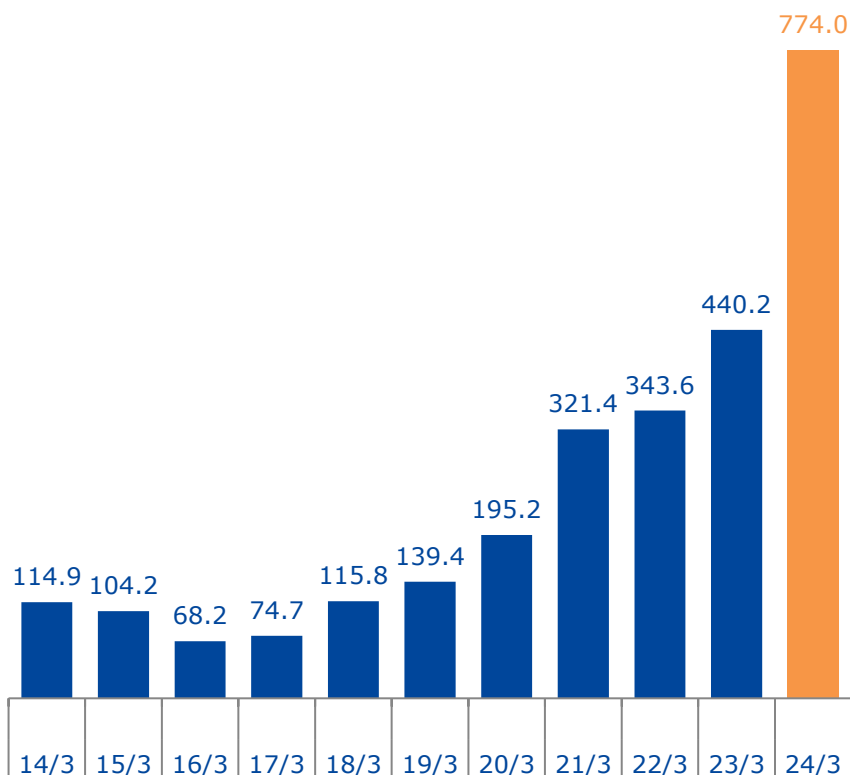
(Billions JPY)

Net cash assets

*Cash and deposits – Interest-bearing liabilities

+ Listed investment securities (not including listed subsidiaries)

+ Bonds



Cases of Ensuring Competitive Advantage

(1) Water delivery

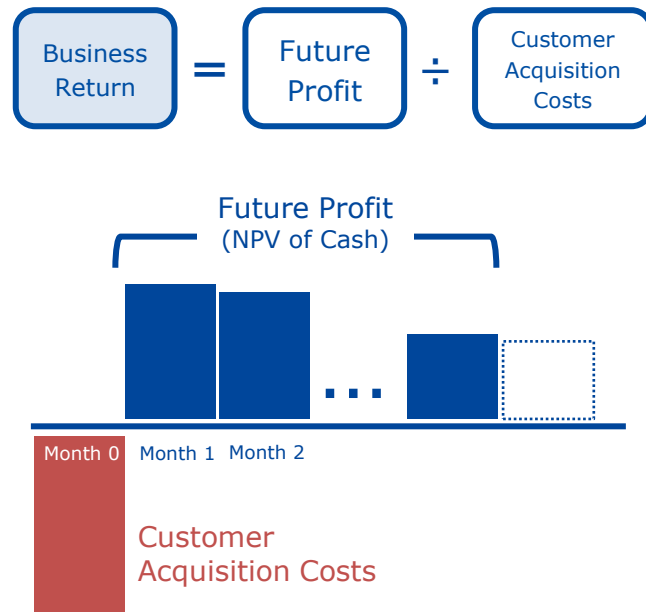
We have more funds than our competitors. We expanded the business size and obtained the largest share in Japan as a result of active investment related to customer acquisition costs while maintaining a certain level of yield.

(2) Electricity

A surge in working capital due to soaring electricity transaction prices was addressed with ample funds. We invested in M&A while competitors struggle. Market share is increasing.

Pursue Capital Efficiency

Capital Efficiency



Concentrate management resources on business with high capital efficiency, while meticulously examining by product type, sales channels, etc.

ROA•ROE

As of the end of March 2024
Total Assets 2 trillion yen

<div>Consolidated operating profit 94.5 billion yen ROA19%</div> <div>Look-through earnings 83.2 billion yen ROA14%</div>	Cash Reserves (Cash and Deposits + Bonds) 587.9 billion yen	Interest-bearing Debt 822.4 billion yen
	Business Assets 479.6 billion yen	Other Liabilities 437.2 billion yen
	Listed Stocks (Acquisition Amount) 590.2 billion yen	Capital 819.2 billion yen
	Unrealized Profits, etc. 411.1 billion yen	
<div>• Hypothetical consolidated Operating Profit 161.5 billion yen ROA 8.5%</div> <div>• Hypothetical Consolidated Net Income 153.2 billion yen ROE 22%</div>		

Corporate Culture

Simplicity and Frugality

Management takes the lead in practicing frugality and executes cost reduction and cash flow improvement thoroughly.

(Examples)

- Expenses for special seats, even for the management members, are not born by the company.
- No lavish head office
- Periodic inspection on telephone usage and travel expenses for sale marketing activities.

Meritocracy

Give everyone experience (authority) regardless of age, gender, nationality or educational background, and provide rewards such as cash and restricted stock compensation to those who achieve results.

Response to Change

Swift decision-making with a flatter organizational hierarchy and delegation to departments. Pursuing capital efficiency to ensure that the investment recovery period does not become too long.

Comfortable Workplace

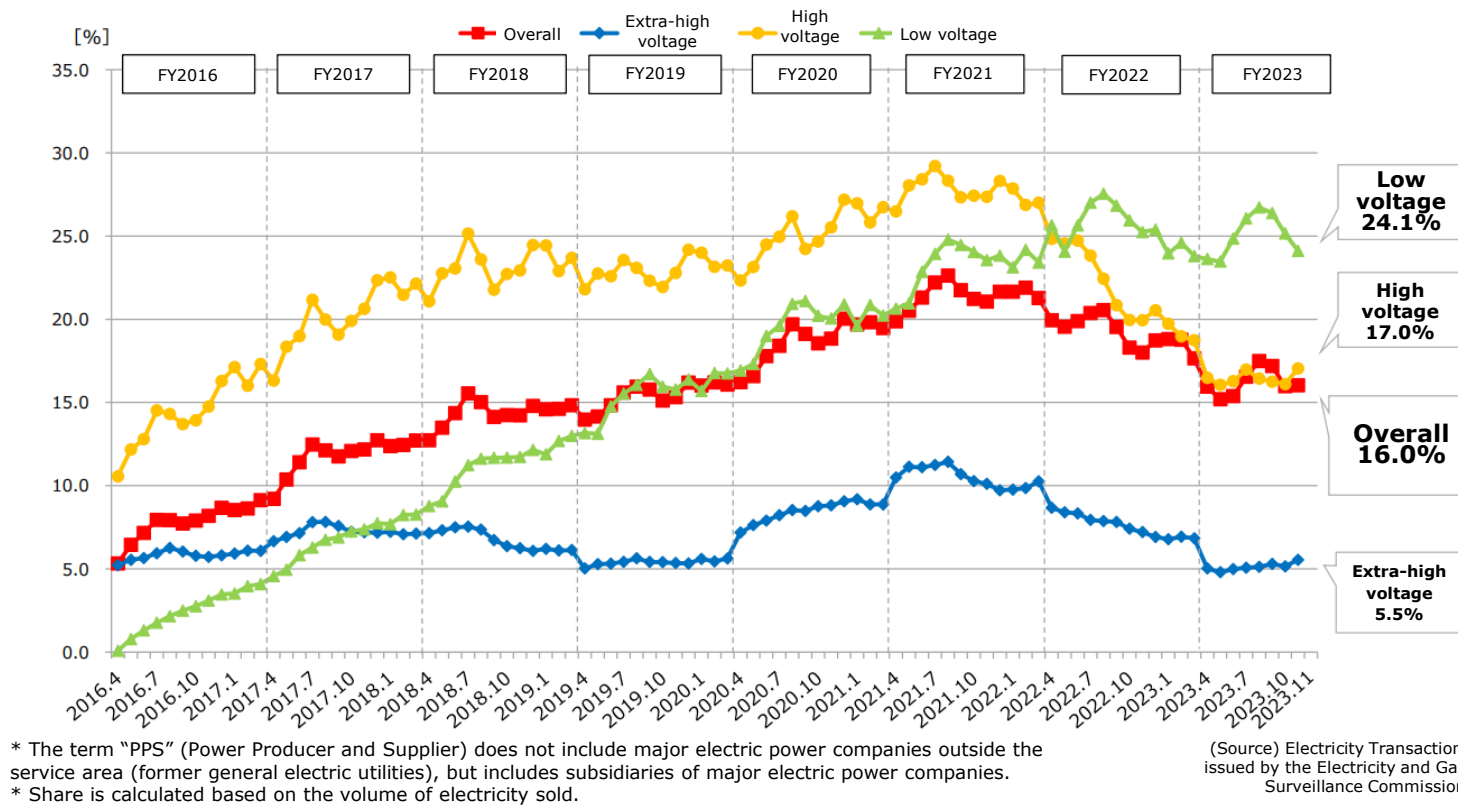
Systems for a comfortable working environment, such as opinion boxes, flex-time system, childcare leave/shortened working hour system, support system for returning to work after childbirth, etc. Management of working hours, respect for human rights, etc.

Electricity Business Market

(share of PPS in total electricity sales)

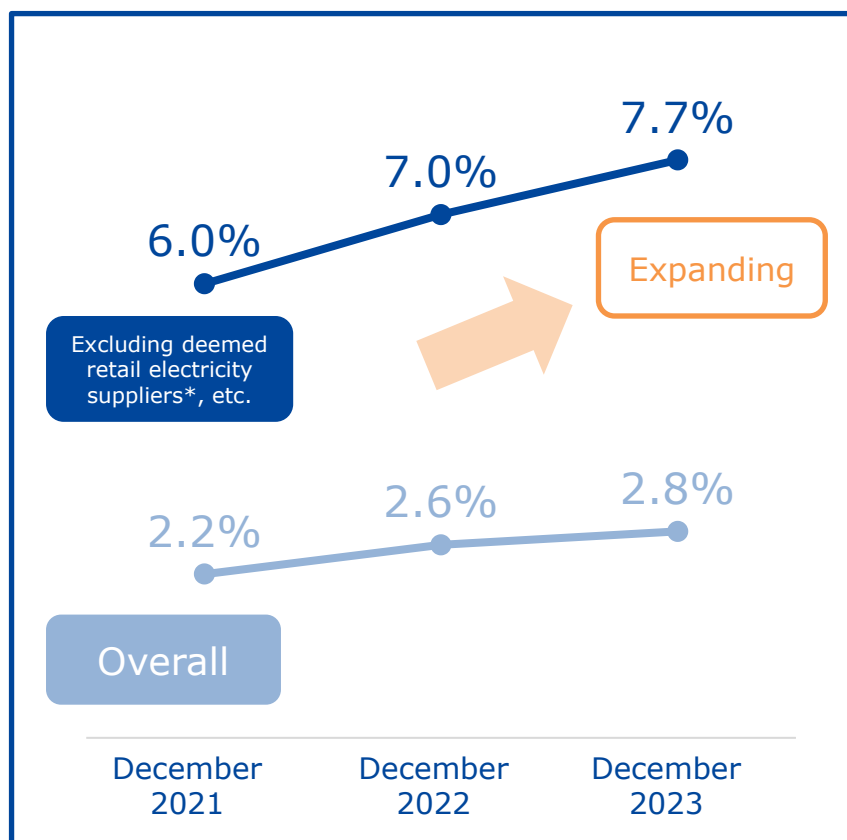
Since the full liberalization of electricity retailing in April 2016, the share of PPS in total electricity sales has been increasing.

In the low-voltage field, PPS accounted for 24.1% of the market.

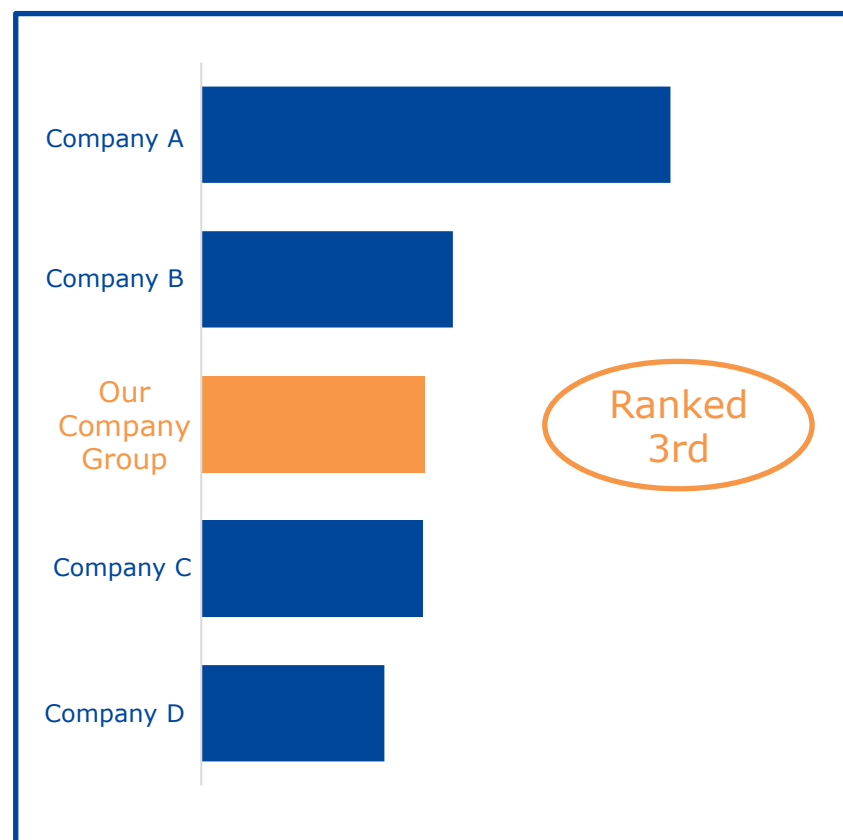


Market Share in the Electricity Business

(1) Annual Trends in Electricity Supply Share (low-voltage electricity, free rates)



(2) Electricity Supply in December 2023 (excluding low-voltage electric power, deemed retail electricity suppliers, etc.)



*Source: Our company research based on the Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy's "Electric Power Survey Statistics"

*Deemed retail electricity suppliers, etc. include TEPCO Energy Partner, Inc. The Kansai Electric Power Co., Inc., and Chubu Electric Power Miraiz Co., Inc.

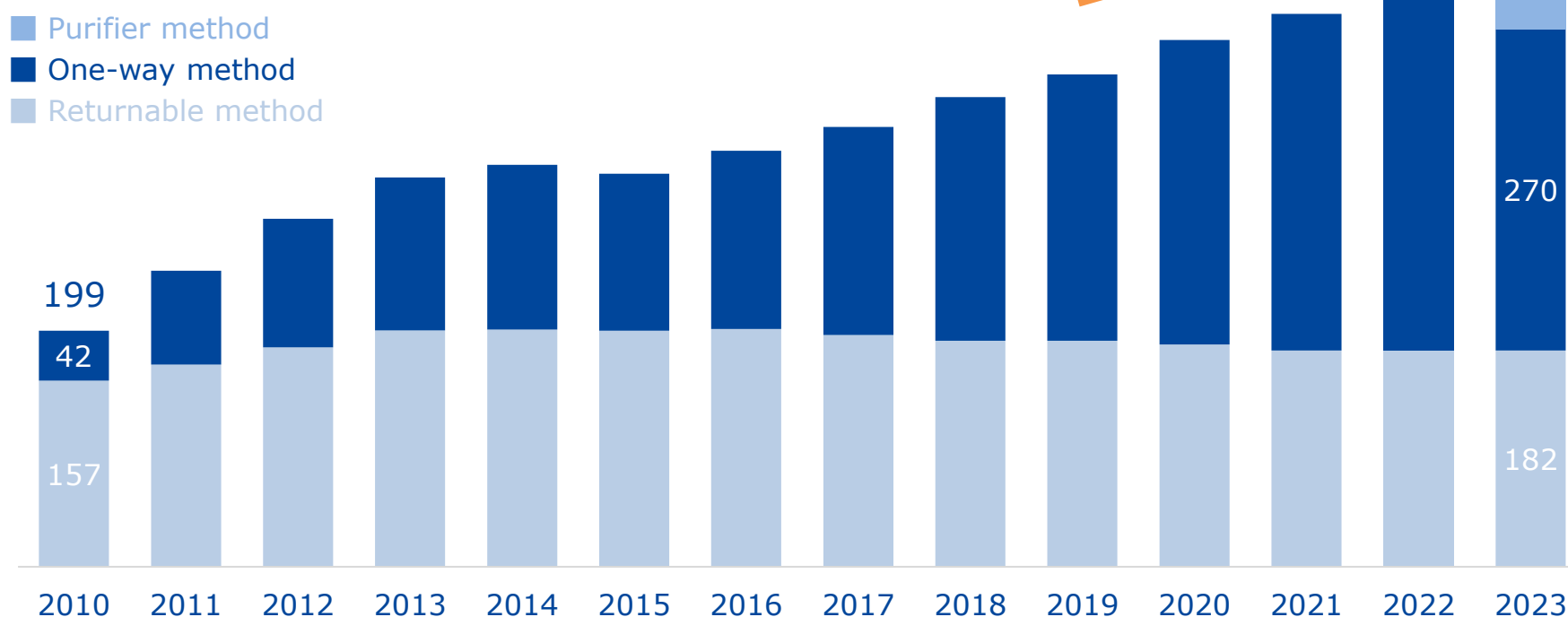
Delivery Water Business Market

(Number of Customers)

(Amount Unit:10,000 dispensers)

Increasing trend. The Compound annual customer growth rate (CAGR) between 2010 and 2023 * was 7% for the market as a whole.

The growth rate for just the one-way method, which is our Group's handling method, is 15%.

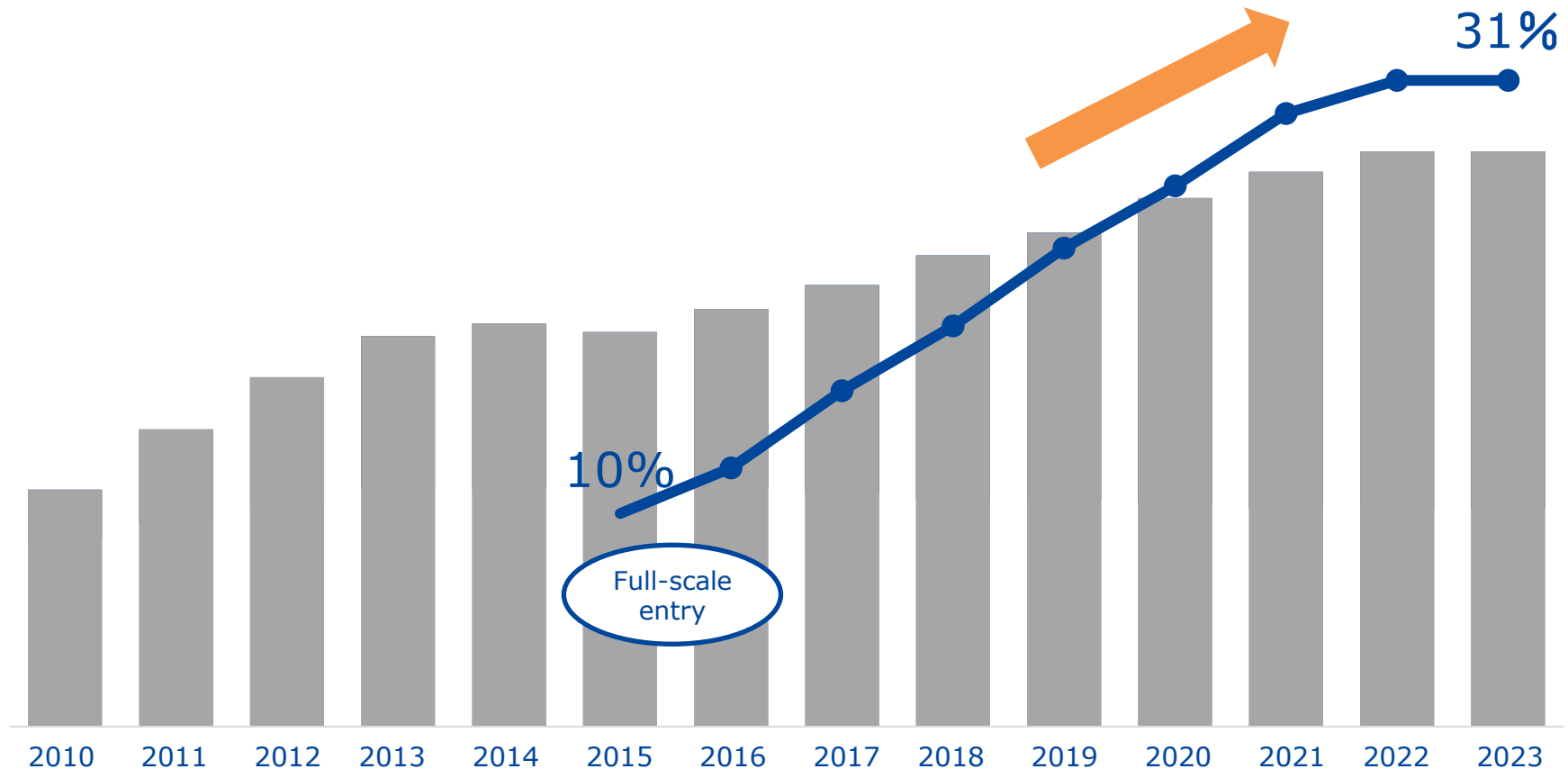


Source: Japan Delivery Water & Server Association's "Statistics of the Delivery Water Industry in Japan" <https://jdsa-net.org/data/statistics/>

* Calendar year (for example, 2023 is the number of customers at the end of December 2023)

Delivery Water Business Market Share

(Number of Customers)



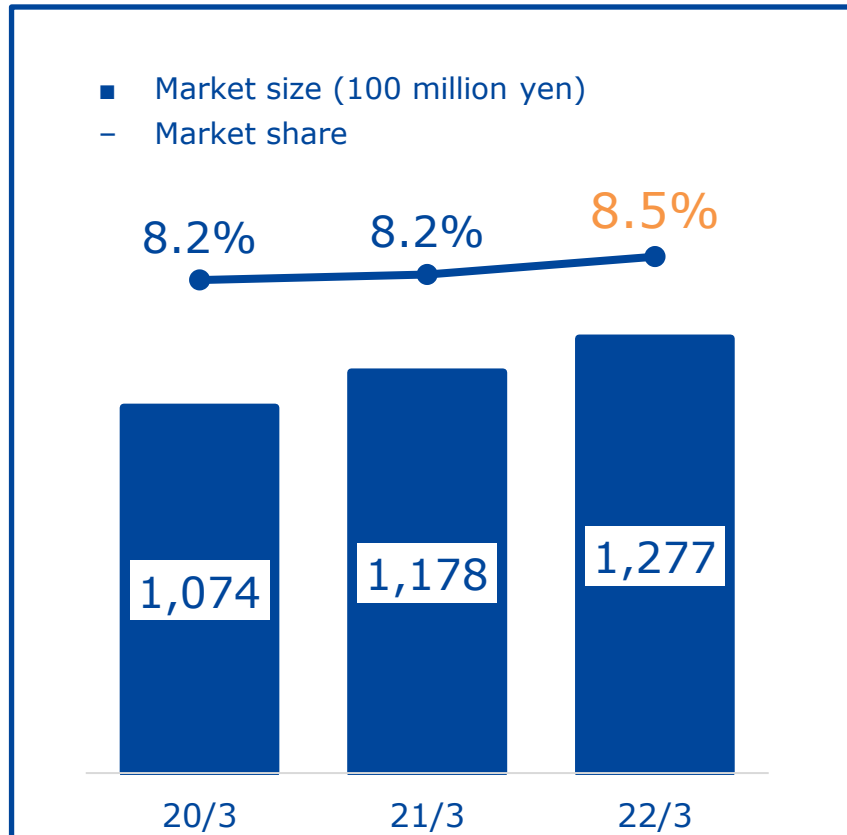
Source: Our company estimates based on Japan Delivery Water & Server Association's "Statistics of the Delivery Water Industry in Japan"

<https://jdsa-net.org/data/statistics/>

Calendar year (for example, 2023 is the number of customers at the end of December 2023)

Market of Small-Amount and Short-Term Insurance Industry (income from premiums)

(1) Market size and market share



(2) Ranking (FYE 3/22)



*The Small Amount and Short Term Insurance Association of Japan <https://www.shougakutanki.jp/general/>
Compiled by our company from Diamond Online feature article in the issue of August 29, 2022 "115 companies in turbulent times in the rankings of small-amount and short-term insurance Part 1" <https://diamond.jp/articles/-/308621>

Examples of Insurance Business

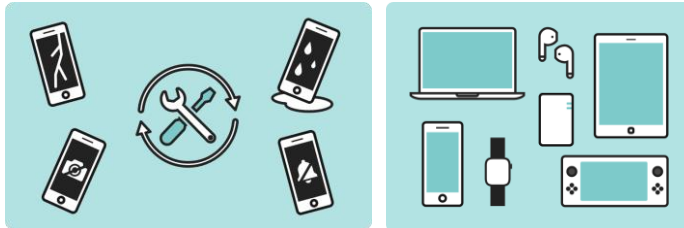
(General insurance, Small amount & short term insurance)

(1) Communication device repair insurance

(2) Home insurance

Mobile Insurance

 モバイル保険



- ✓ Coverage for repair costs.
- ✓ Coverage for up to multiple devices under a single policy.
- ✓ Coverage will be kept intact after changing to different models.
- ✓ Coverage for all mobile devices.

Anshin Sumairu home insurance

賃貸住宅に住む人の暮らしを守る

あんしん住まいる家財保険



- ✓ Compensation for household goods
- ✓ Liability for damages to landlords
- ✓ Liability for damages to others in daily life
- ✓ Repair cost of rented rooms

Net Investment Policy

■ Approach and Principles

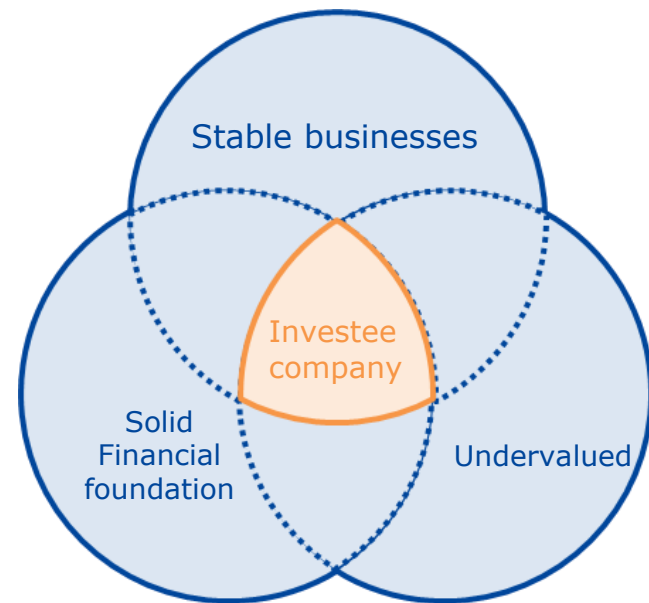
Based on the belief that “purchasing stocks equates to owning a portion of the company's business”, we aim to establish good relationships with the companies we invest in, adhering to the principle of long-term holding.

■ Key Evaluation Metrics

$$EY = \frac{\text{Look-through earnings*}}{\text{Investment book value}}$$

*It is the operating income of investee company multiplied by the share holding ratio and added up. If we owned 1% of a company with operating income of 10 billion yen and 1% of a company with operating income of 20 billion yen, the look-through earnings is 300 million yen (1+2).

■ Stock Selection Criteria



Acquiring stable businesses with a solid financial foundation from high-quality companies at an undervalued price.

Characteristics of Our Stock Investment

	Example of funds	The Company	
Recognition of investment targets	Stocks	Business	Judgment is not based on market trends
Investment period	With a deadline	Without a deadline	Partial holding of companies we want to work with indefinitely
Maximum holding ratio	Yes	No	Possible to operate as a consolidated subsidiary as a business company
Liquidity of stocks	Investment targets are high-liquidity stocks	Regardless of liquidity	We can invest even in low-liquidity stocks
KPI	Capital gains, income gains, etc.	EY	Not affected by stock price fluctuations (market prices)

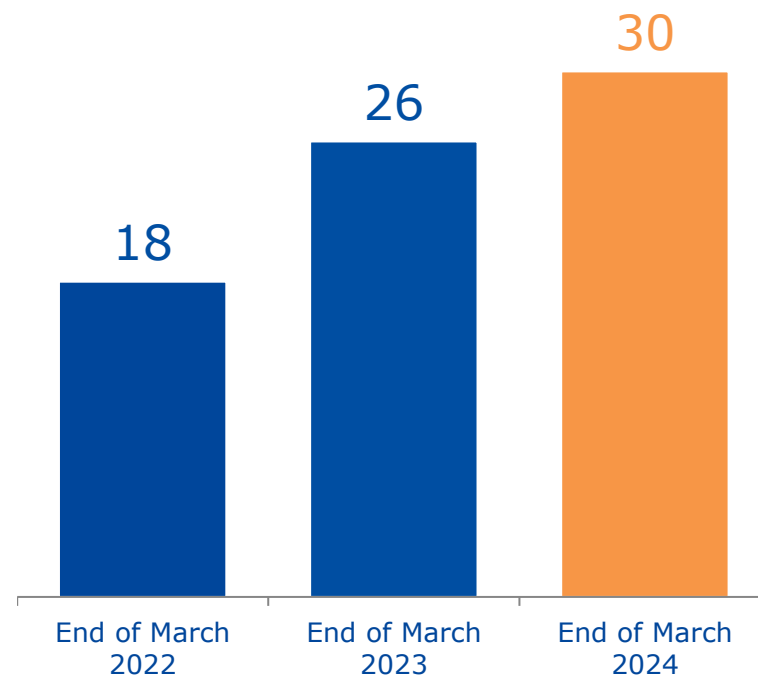
Major Listed Companies that Became Consolidated Subsidiaries /Number of Affiliated Companies Accounted For by the Equity Method

*This is merely a case study, and does not imply that the current listed stock investments are intended to make investee companies a consolidated subsidiary.

■ Major Listed Companies That Became a Consolidated Subsidiary

	Stock name	Start of investment	Time of becoming a consolidated subsidiary
1	FT Group (formerly FT Communications)	Q3 FY2007	Q1 FY2014
2	iFLAG (formerly Telewave)	Q4 FY2007	Q3 FY2016
3	Intea Holdings	Q1 FY2011	Q4 FY2017
4	WebCrew	Q1 FY2014	Q3 FY2015
5	Premium Water Holdings (formerly Water Direct)	Q4 FY2014	Q4 FY2015
6	CHIC Holdings (formerly ACTCALL)	Q3 FY2019	Q4 FY2019

■ Number of Affiliated Companies Accounted For by the Equity Method (Listed Companies Only)





(Billions JPY)

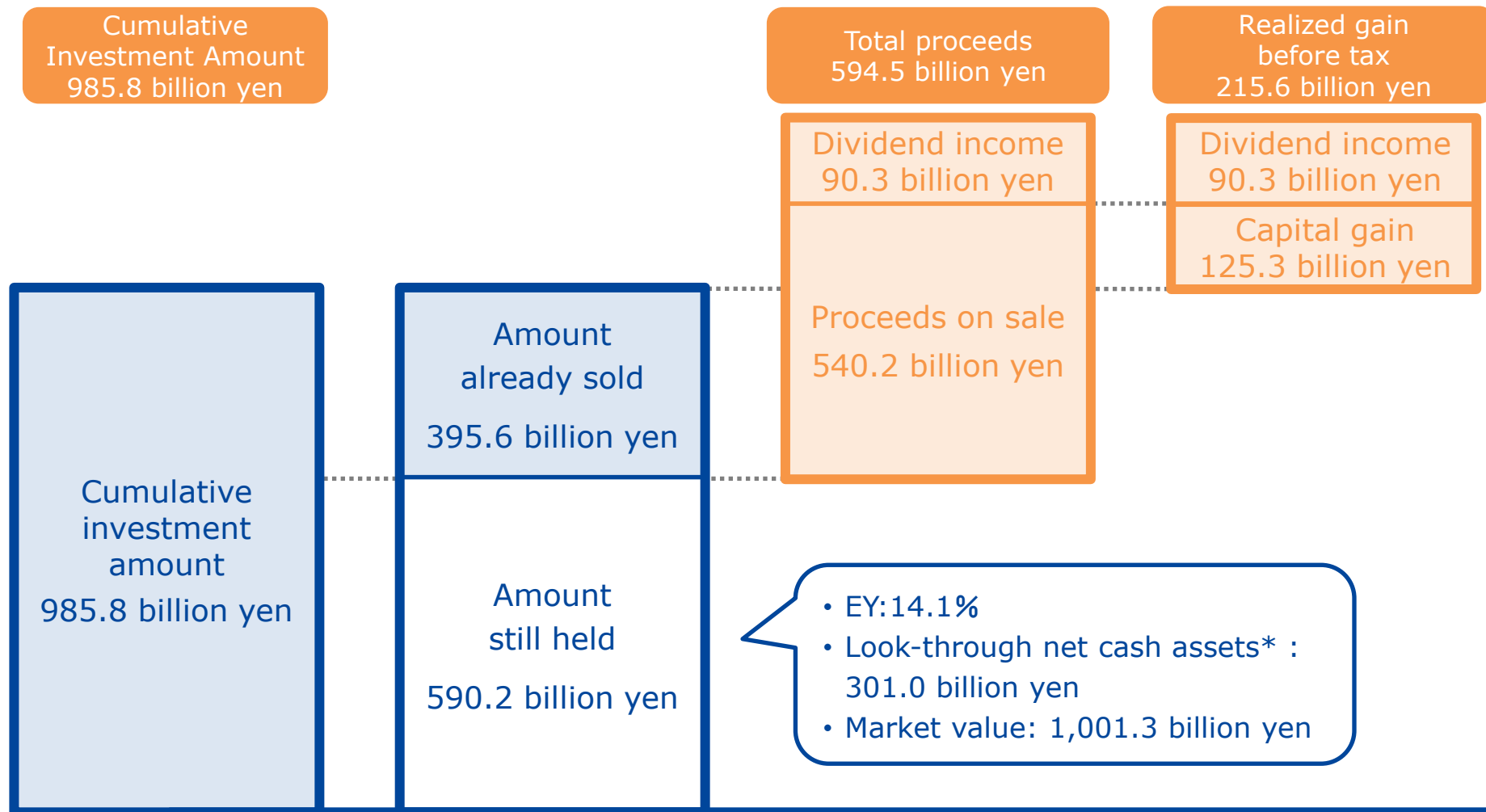
	2023				2024
	End of March	End of June	End of September	End of December	End of March
Investment book value (Acquisition price)	532.6	544.4	544.2	571.4	590.2
[Ref.] Market value	759.2	830.0	850.0	899.7	1,001.3
Look-through earnings Last 12 months *	80.3	83.8	82.0	81.1	83.2
[Ref.] Of which, affiliated companies accounted for by the equity method	13.4	13.7	13.6	14.5	14.7
Earnings Yield Look-through earnings / Investment book value	15.1%	15.4%	15.1%	14.2%	14.1%
Number of companies we have invested in	494	554	557	586	627
Of which, affiliated companies accounted for by the equity method	26	27	27	28	30

* "Look-through earnings" is calculated by multiplying operating profit of each of the companies we invested in by our stock holding ratio and adding all them up.

* "Last 12 months" means four quarters of the last 12 months from the record date for which financial results have been announced.

Total Performance

As of the end of March 2024



* They are the net cash assets (Cash and deposits – Interest-bearing liabilities + Listed investment securities) of investee company multiplied by the share holding ratio and added up. If we owned 1% of a company with net cash asset of 10 billion yen and 1% of a company with net cash asset of 20 billion yen, the look-through earnings is 300 million yen (1+2).

Turnover and Liquidity

■ Turnover rate

(Billions JPY)

	FY2022	FY2023	FY2024
(1) Average market price during the period	564.5	698.0	893.2
(2) Sale amount	26.9	52.4	134.2
(2) / (1) Turnover rate	4.8%	7.5%	15.0%

■ Liquidity

Percentage of the amount available for sale at the time of market sale with a 20% participation rate based on the 20-day average volume to total market value of listed shares held(as of the end of March 2024)

Within 1 month	41%
Within 3 months	57%
Within 1 year	78%

Look-through Performance and Indicators

(Billions JPY)

PL	Look-through revenue	1,546.8
	Look-through earnings	83.2
	Look-through basic earnings	69.8
BS	Look-through net cash assets	301.0
	Look-through total assets	1,504.5
	Look-through shareholders' equity	717.1

Indicator	EY	14.1%
	PER	8.4
	PBR	0.8
	Dividend yield	4.1%

- * As of the end of March 2024.
- * PL/BS is calculated by multiplying the figures of each company we invested in by our stock holding ratio and adding all them up.
- * PL is calculated based on the figures of the last 12 months (4 quarters of the last 12 months from the record date for which financial results have been announced), and BS is calculated based on the figures for the previous fiscal year (financial results immediately before the record date).
- * All the indicators are the ratio to investment book values.

Hypothetical Consolidated Performance

We believe that the "hypothetical consolidated performance", which is the sum of the "consolidated performance" and the "performance using equity method" calculated by multiplying the figures of each company we invested in by our stock holding ratio, represents the real performance of the Company.

(Billions JPY)

	Hypothetical Consolidated Performance			
	(1)+(2)+(3)	(1) Business: Consolidated Results (Last 12 months)	(2) Net Investment: Performance Using Equity Method (Last 12 months)	(3) Deduction of Duplications*
Revenue	2,031.7	601.9	1,546.8	(117.0)
Operating Profit	161.5	94.5	83.2	(16.2)
Net income attributable to owners of parent	153.2	122.2	69.8	(38.8)

* As of the end of March 2024.

* Last 12 months means four quarters of the last 12 months from the record date for which financial results have been announced.

(Consolidated results are the fiscal year ending March 2024)

* The deduction of duplications includes share of profits of entities accounted for using the equity method, dividends received, non-controlling interests, etc.

Capital Efficiency (Based on Hypothetical Consolidated Results)

As of the end of March 2024

Total Assets 2 trillion yen

Hypothetical consolidated
Operating Profit
161.5 billion yen
ROA 8.5%

Consolidated
Operating Profit
94.5 billion yen
ROA 19%

Look-through
earnings
83.2 billion yen
ROA 14%

Cash Reserves
(Cash and Deposits
+ Bonds)
587.9 billion yen

Business Assets
479.6 billion yen

Listed Stocks
(Acquisition Amount)
590.2 billion yen

Unrealized Profits, etc.
411.1 billion yen

Interest-bearing
Debt
822.4 billion yen

Other Liabilities
437.2 billion yen

Capital
819.2 billion yen

Hypothetical
Consolidated Net
Income
153.2 billion yen
ROE 22%

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Shareholder Return Policy (Principle)

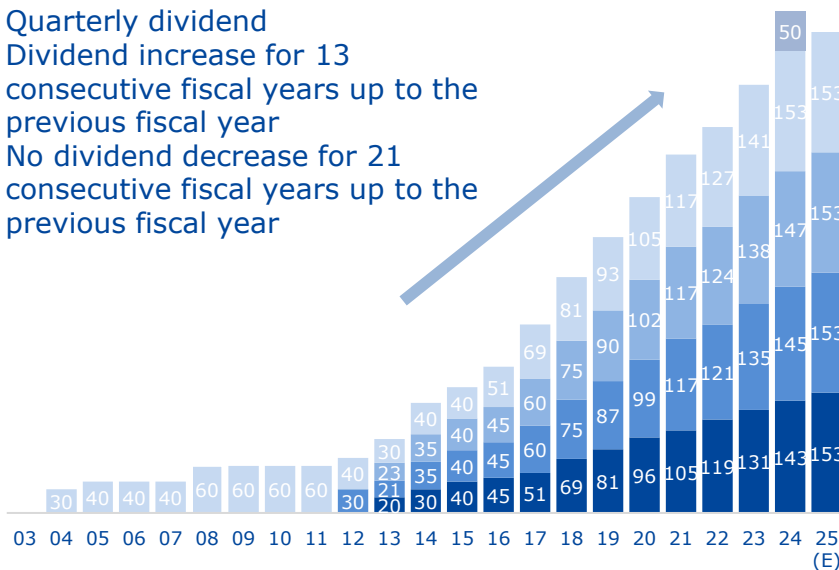
(1) Dividend

Consider progressive dividends*

*Not reducing but maintaining or increasing the amount of dividends

■ Dividends per share (JPY)

- Quarterly dividend
- Dividend increase for 13 consecutive fiscal years up to the previous fiscal year
- No dividend decrease for 21 consecutive fiscal years up to the previous fiscal year

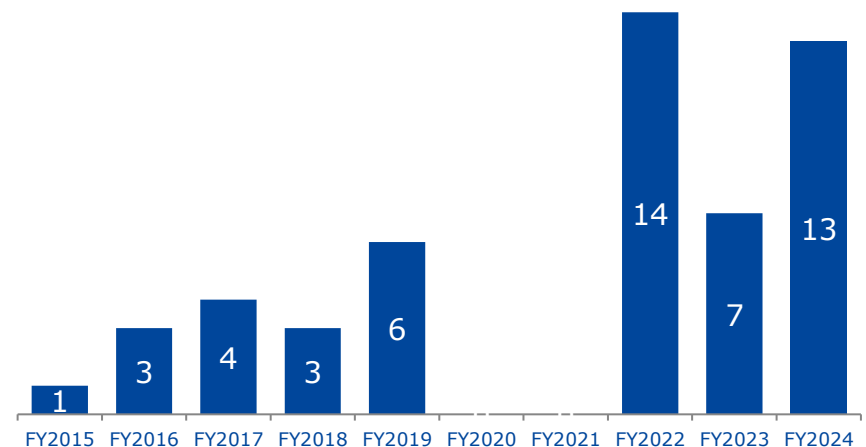


(2) Repurchase of treasury stock

Flexible repurchase according to stock prices

■ Aggregate amount of treasury stock repurchased (Billions JPY)

- 10-year cumulative total 52.7 billion yen

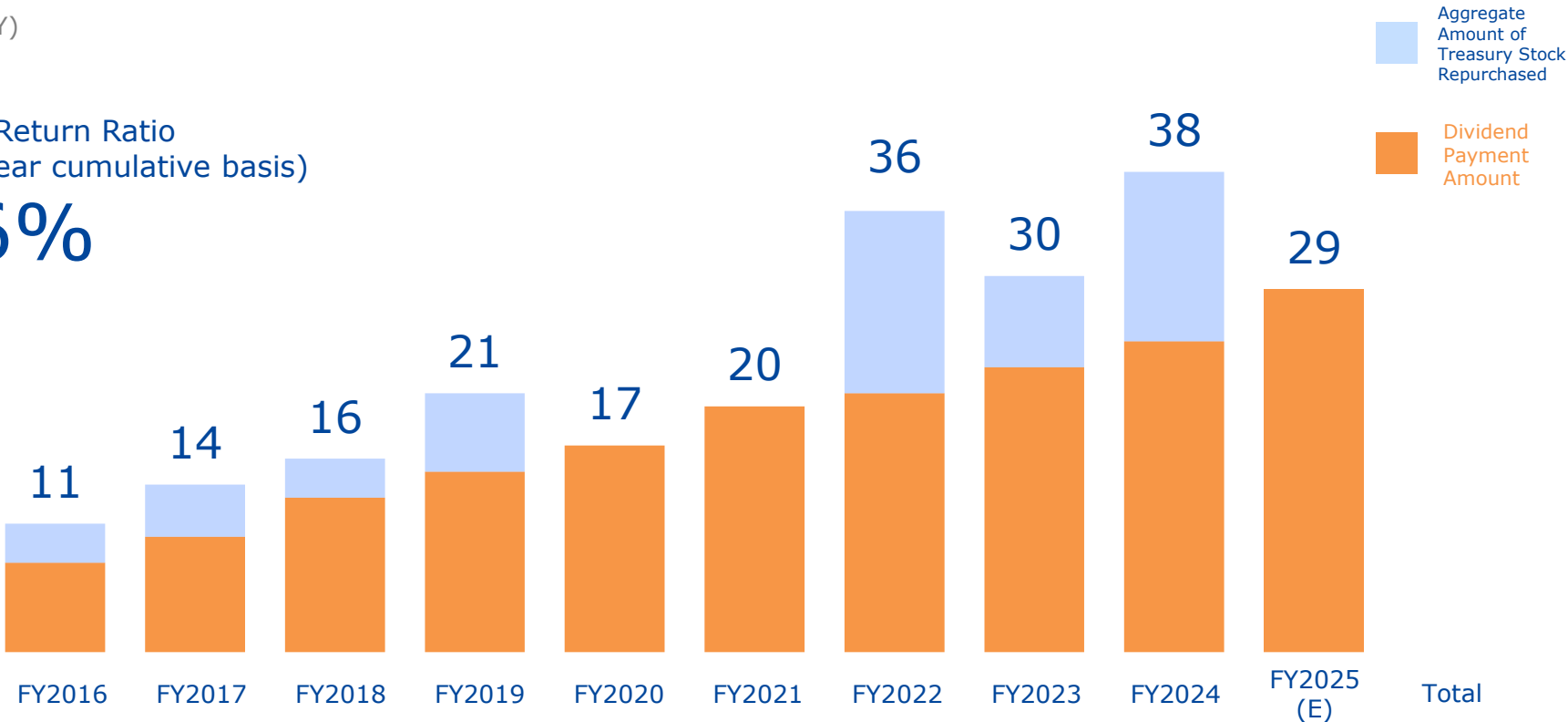


Trend of Shareholder Returns

(Billions JPY)

Total Return Ratio
(10-year cumulative basis)

36%



Dividend Payment Amount	8	10	13	15	17	20	21	23	25	29	186
Aggregate Amount of Treasury Stock Repurchased	3	4	3	6	0	0	14	7	13	0	51
Total Return Ratio	44%	37%	38%	43%	34%	37%	41%	33%	31%	32%	36%

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ESG initiatives (Environment)

1) Forest maintenance activity

Considering that a forest with a high function to conserve water source creates a high-quality water resource and generates a rich dietary life, we are maintaining forests by thinning, etc. to create healthy forests.

2) Mt. Fuji clean-up activity

We regularly participate in clean-up activities held by local communities and specialists to protect the environment surrounding Mt. Fuji.

3) Plastic Bottle Weight Reduction

We reduced the weight of plastics bottle by 20% compared to conventional bottles. We now use fewer plastics by installing these new bottles in 97% of the products.

4) Provision of water to welfare facilities

To effectively utilize home delivery water that Premium Water's users did not receive and help to improve welfare, we provide local welfare facilities for the disabled with water servers and home delivery water free of charge.

5) Non-possession

Tangible fixed assets accounted for 1.6% of the total assets as of the end of the fiscal year ended March 2024.

6) Reuse

- When purchasing furniture and fixtures, used items are selected in principle.
- Reused shelves are available for employees to share stationery and office supplies, and this reduces the number of new items purchased and waste.

7) Paperless

- Other efforts include promoting paperless meetings including the meetings of the Board of Directors.
- Encourage suppliers to digitize invoices and other mailed items.

Providing Services for a Decarbonized Society



Effect of CO₂ reduction in our company (FY2024)

122 t-CO₂

ポイント すでに高圧プランにご加入いただいているお客さまでもご利用が可能です。またプランを変える必要がなく、違約金などの心配もございません。

point 1 環境価値を含む電気を使用  極 基礎	point 2 実質再エネ100%  極 基礎
point 3 実質CO2ゼロエミ  極 基礎	point 4 RE100対応  極

※非化石証書の調達状況により、上記各ポイントの全部または一部が満たせない場合がございます。

On November 1, 2023, haluene, Inc., our consolidated subsidiary, released a new option, "Decarbonized Poles, Cornerstone," which aims to provide electricity with renewable energy value by using non-fossil certificates to meet the CO₂-free electricity procurement needs of companies. By combining your electricity with non-fossil certificates, we offer environmentally friendly electricity.

We have contracted the "Polar" option for the electricity of the buildings we own, and have reduced CO₂ emissions by 122t-CO₂/year. Please refer to the website of haluene, Inc. for details of the service.

<https://haluene.co.jp/news/news-170-2/>

ESG data (consolidated)

E(Environment)/ CO₂ emissions

		Unit	FY2022	FY2023	FY2024
Scope1	Direct Emission	t-CO2	1,101	987	1,102
Scope2	Indirect Emission of Energy Sources		8,088	35,365	56,196
Scope3	Category 2: Capital Goods		-	48,487	58,586
	Category 3: Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2		-	465,825	447,119
	Category 5: Waste Generated in Operations		-	461	472
	Category 6: Business Travel		-	2,354	2,079
	Category 7: Employee Commuting		-	1,068	1,131
	Category 15: Investments *		-	19,794	135,572
Total			9,189	574,342	702,209

* Companies disclosing Scope 1 and 2 emissions: 37 firms as of FY 2023, 83 firms as of FY 2024.

ESG Initiatives (Social)

1) Promotion of diversity

Through a thorough performance-based evaluation, the Group practices a fair performance evaluation that is free from bias based on age, gender, nationality and educational background.

2) Meritocracy

Based on the idea that experience makes people grow, we give employees countless opportunities to tackle challenges, and highly evaluate those who deliver results. Those who can make achievements gain a greater authority and are promoted to executive positions.

3) Respect for human rights

The Group respects human rights and the basic rights of workers, and strives to eliminate unfair discrimination, harassment, forced labor, and child labor.
The Group focuses on allowing employees to perform activities in good mental and physical health by establishing a counseling desk for employees to talk about any troubles and worries that they may have.

4) Working hours

Long work hours and working on holidays are prohibited in principle.

5) Various systems

The Group created a work environment that allows employees to work comfortably by developing systems including flextime, childcare leave and shortened work hours, and support systems for returning to work after childbirth.
The Group promotes health improvement activities including subsidizing vaccination through the Group's health insurance association.

6) Setting up an opinion-box system

- We have established a system that allows employees to directly pass on their opinions, concerns, etc. to the management and executives while either disclosing their identity or doing so anonymously.

ESG Initiatives (Social)

7) Economic contributions

The Group runs businesses all over Japan, and its continuous profit growth leads to economic growth of the entire society, job creations in a broad range of fields and revitalization of local communities.

8) Contribution to local government

- The Group donates to Toshima-ku (head office location) some of the shareholder benefit items given by companies in which the Group invests. In December 2022, the Group received a letter of appreciation from the Toshima Ward Residents Council of Social Welfare.
- The Group donates used stamps to Toshima-ku Residents Council of Social Welfare.
(Used stamps are turned into money and used as funds for the welfare businesses.)
- The Group regularly cleans the vicinity of Ikebukuro Station in Toshima-ku.
- The Group supports the NPO Ecocap Promotion Association that collects plastic caps of PET (plastic) bottles to raise money for vaccinations.

HIKARI TSUSHIN Social Finance Framework

Project Category	Financial Services for Individuals, micro business and SMEs in Emerging Economies
SBP Category	Access to essential services (Financing and financial services) / SME financing and microfinance
Eligible Social Projects	<p>Funds for financial services (Including loans, installment sales, and leases) for micro, small and medium enterprises, including individuals and sole proprietorships, in emerging countries with immature financial services</p> <p>< Project Example ></p> <p>Provision of financial services such as installment sales of mobile phones, leasing and installment sales of motorcycles, autos and farm equipment, and microfinance, to individuals and micro, small and medium enterprises, in emerging countries such as Cambodia and Malaysia through BusinessPartner group.</p> <p>- In Malaysia, people with below-average income are targeted.</p>
Target Populations	Individuals and micro, small and medium enterprises with difficulty in accessing financial services in emerging countries where financial services are immature
SDGs	  

ESG data (consolidated)

S(Social)

		Unit	FY2022	FY2023	FY2024
Number of employees (regular employees)	Total	Persons	5,310	4,488	4,149
	Ratio of females	%	42	37	38
Number of employees in managerial positions (regular employees)	Total	Persons	952	973	710
	Ratio of females	%	18	18	20
Number of Employees Taking Childcare Leave		Persons	195 * female only	81	134
	Ratio of males	%	-	32	39
Average overtime hours per month (regular employees)		Hours	16	16	19
Utilization of paid leave (regular employees)		%	64	63	72

ESG Initiatives (Governance)

1) Remuneration of executive directors

Remuneration of executive directors is determined based on indices including operating profit in order to incentivize executive directors to enhance the intrinsic corporate value from a long-term perspective and to achieve performance targets from a short-term perspective. In June 2022, the Investment Audit Committee and the Compensation Committee were established to strengthen governance.

2) Listed Stock Investments

The Group complies with a certain degree of financial discipline (securing funds for repayment of interest-bearing debt for the next three years as cash reserves) and has established a committee (Investment Audit Committee), with a majority independent external directors as members to develop an external monitoring system.

3) Risk Management

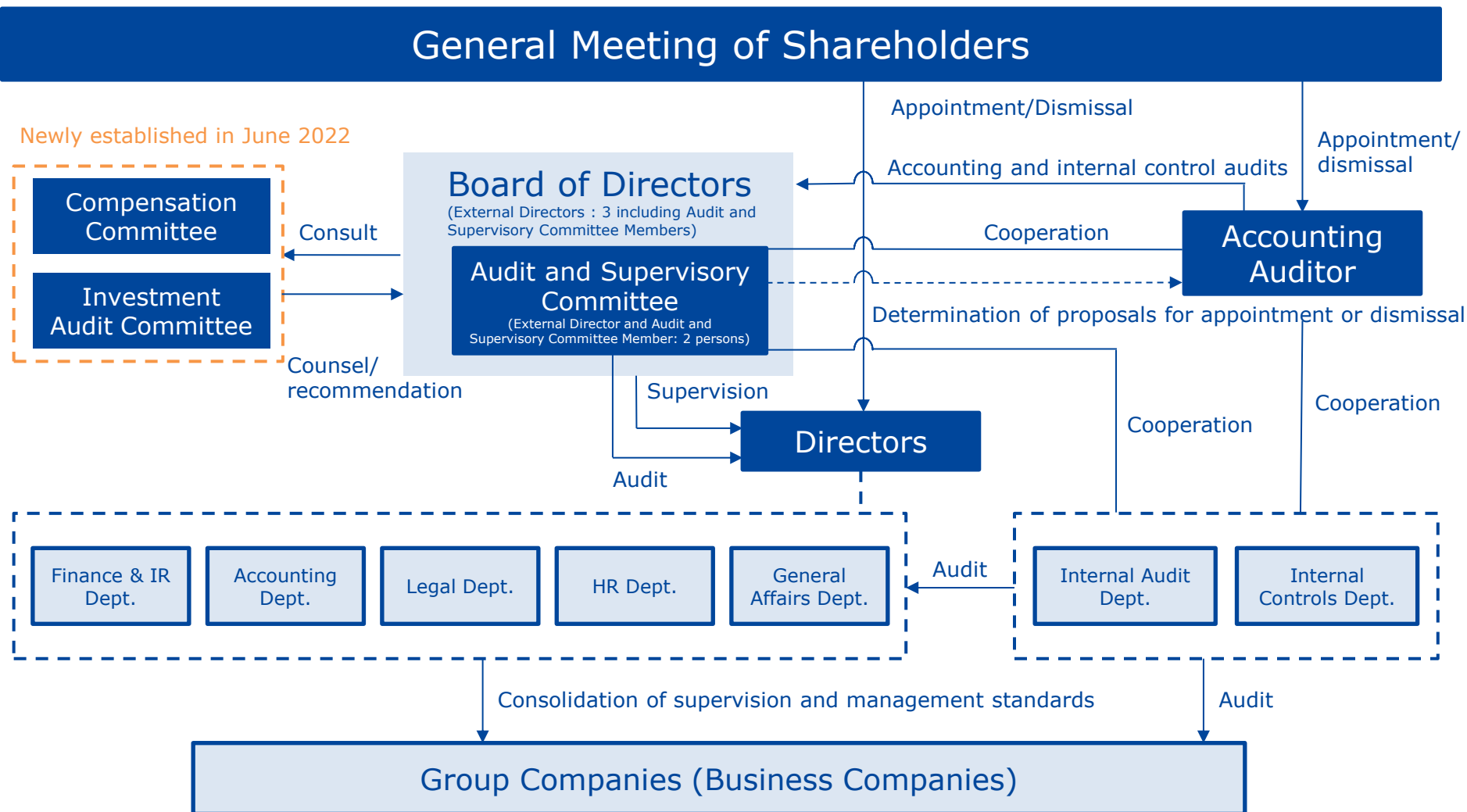
As part of our response to the basic policy for internal control determined by the Board of Directors, we hold regular meetings to gather internal risk information and report to the Audit and Supervisory Committee.

4) Information Security / Business Continuity Plan

To manage the personal information of our customers and employees properly, we are trying to establish a system that allows us to comply with laws and regulations, prevent breaches of contracts, gather and manage information, and propose an appropriate operational procedures.

In addition, we have set crisis management rules for the risks that would occur in our daily business operations and the risks caused by external factors such as disasters, and are creating a BCP system.

Corporate Governance Structure



Composition of Main Committee

“◎” denotes committee chairman.

	Representative Director	Independent External Director	Female Director	Board of Directors	Audit and Supervisory Committee	Compensation Committee	Investment Audit Committee
1 Yasumitsu Shigeta	○	-	-	◎	-	-	-
2 Hideaki Wada	○	-	-	○	-	-	-
3 Masato Takahashi	-	-	-	○	-	-	-
4 Naoko Yada	-	-	○	○	-	○	○
5 Yuki Yagishita	-	○	○	○	-	-	○
6 Masataka Watanabe	-	-	-	○	◎	-	-
7 Ichiro Takano	-	○	-	○	○	◎	-
8 Ken Niimura	-	○	-	○	○	○	◎
Total (Person)	2	3	2	8	3	3	3

※ Excluding the directors who are scheduled to retire upon the conclusion of the regular shareholders' meeting scheduled to be held on June 22, 2024.

List of Director (1)

Yasumitsu Shigeta		Hideaki Wada		Masato Takahashi	
Chairman and Representative Director		President and Representative Director		Executive Director	
Feb 1988	Established the company. President and Representative Director of the company.	Apr 1997	Joined the company.	Apr 2000	Joined the company.
Jun 1991	President and Director of HIKARI POWER LIMITED. (Current)	Jun 2004	Director of the company.	Sep 2006	Head of Corporate Financial Planning Department (Head of Financial Department) (Current).
Nov 2000	Chief Executive Officer of the company. (Current)	Sep 2005	Head of Network Department	Apr 2009	Director of Newton Financial Consulting, Inc. (Current Narrow peak Co.).
Jun 2003	Representative Director and Chairman. (Current)	Apr 2007	Executive Director of the company.	Apr 2010	Executive Officer of the company.
Jan 2020	Representative Member of the Shimoochiai kaiatsu LLC. (Current)	Jun 2009	Managing Executive Officer of the company. Head of Information and Communication Business Division of the company.	Jun 2018	Director of the company (Current).
Mar 2021	Representative Member of Hikari Power Honke LLC. (Current) Representative Member of Hikari Power Z LLC. (Current)	Apr 2012	Representative Director of Hello Communications Co., Ltd.	Jul 2019	Head of Investment Department of the company (Current).
		Jun 2012	Executive Director of the company.		Representative Director of HIKARI TSUSHIN, KK. (Current).
		Apr 2013	Representative Director of Telecom Services Co., Ltd.	Mar 2020	Representative Director of Broad peak Ltd. (Current HCMA Alpha, Inc.)
		Jun 2015	Director of Water Direct Co., Ltd. (Current).	Apr 2021	Vice President of Core Consulting Group, Inc. (Current).
		Apr 2017	Head of Sales Administration Division of the company.	Jun 2023	Executive Director of the company.
		Jun 2017	Vice President and Director		
		Jun 2018	Director of F.T. Group Co., Ltd.		
		Feb 2019	Director of ActCall Co., Ltd.		
		Jun 2019	President and Representative Director (Current).		
		Jun 2020	Director of Hikari Tsushin, KK (Current).		
		Mar 2021	Representative Director of HCMA Alpha Co., Ltd. (Current).		
		Dec 2022	External Director of MTI Co., Ltd. (Current).		

※ Excluding the directors who are scheduled to retire upon the conclusion of the regular shareholders' meeting scheduled to be held on June 22, 2024.

List of Director (2)

Naoko Yada Director		Number of shares owned by the director: 1,600	Yuki Yagishita Independent External Director		Number of shares owned by the director: 300
Apr 2000	Joined the company		Apr 1987	Citicorp Scrimgeour Vickers Securities Inc. Tokyo Branch Business Department Japan Equity Section	
Oct 2004	Head of Investment Research Division at our company		Jan 1989	BNP Securities Ltd. Tokyo Branch Foreign Bond Business Department Deputy Manager WestLB Securities Pacific Ltd. Tokyo Branch Foreign Bond Department Deputy Manager	
Jun 2014	Left the company		Apr 1991	Explore Fund Inc.(California U.S.)Senior Analyst	
Jul 2014	Vice President of Research Department at HIKARI POWER LIMITED. (Current)		Jul 1993	DIAM Co., Ltd. Foreign Equity Group Fund Manager/Analyst	
Nov 2016	Vice President of Constellation Software Japan Inc.		Jan 1998	Invesco Asset Management (Japan) Limited. Tokyo Branch Invest Management Division for Foreign Equity Vice President	
Jun 2022	Director of our company (Current)		Feb 2000	Asahi LLC. Business Department(V)Financial Management Group Senior Consultant	
			Sep 2000	Value Partners Limited(Hong Kong) Investment team fund management /Analyst	
			Mar 2001	Goldman Sachs Reality Japan Ltd. Loan Asset Management Department corporation	
			Apr 2005	reconstruction Associate	
			Nov 2006	Rheos Capital Works Inc. Invest Management Division Senior Portfolio Manager	
			Oct 2010	Aurea Lotus Co., Ltd. Representative Director/CEO (Current)	
			Jun 2022	Director of our company (Current)	

※ Excluding the directors who are scheduled to retire upon the conclusion of the regular shareholders' meeting scheduled to be held on June 22, 2024.

List of Director (3)

Masataka Watanabe Number of shares owned by the director: 435 Director (Audit and Supervisory Committee Member)	Ichiro Takano Number of shares owned by the director: 0 Independent External Director (Audit and Supervisory Committee Member)	Ken Niimura Number of shares owned by the director: 0 Independent External Director (Audit and Supervisory Committee Member)
Oct 1995 Joined the company Sep 1999 Director of President's Office. Dec 2000 Head of Financial Management Department Dec 2001 Head of Accounting Department. Jan 2015 Left the company Jun 2017 Director (Audit and Supervisory Committee Member) of our company (Current) Jun 2019 Director of NIRAKU GC HOLDINGS, INC. (Current)	Apr 1987 Registered as a lawyer Apr 1991 Joined Tokyo Eiwa Attorneys at Law Jun 2005 Audit Committee Member of our company Jul 2008 Established Takano Law Office Representative of the office (Current) Sep 2011 External Director of DYNAM Japan Holdings Co., Ltd. Jun 2017 Director (Audit and Supervisory Committee Member) of our company (Current)	Apr 1986 Joined The Industrial Bank of Japan, Limited (Currently Mizuho Bank, Ltd.) Aug 2000 Joined Merrill Lynch & Co., Inc. (Currently Bank of America Corporation) Jun 2012 Founded TOPAZ CAPITAL,INC President & CEO (Current) Jun 2017 Director (Audit and Supervisory Committee Member) of our company (Current) Apr 2024 Dai-ichi Life Holdings, Inc. Executive Officer (Current)

【Note】 About Skill Matrix

In general, the skills matrix assesses the presence or absence of each skill, but it does not indicate that a director possesses a particular skill completely or not at all. Skills are determined by a variety of factors, including individual proficiency, experience, knowledge, and scope of application, and a simple "yes" or "no" binary description of their composite nature can be misleading. In addition, directors are expected to have not only specific skills and expertise, but also broad perspective, insight, problem-solving skills, and leadership. Presenting each director's multifaceted skills and abilities in a simplistic skills matrix may overlook their true strengths and qualities. For these reasons, the Company refrains from disclosing a skills matrix. Please refer to each director's biography or the reasons for his or her election in the Notice of the Annual General Meeting of Shareholders for a description of each director's skills and abilities.

Evaluating the Effectiveness of the Board of Directors

Assessment Period	From April 2023 to March 2024
Main perspectives for review	<ul style="list-style-type: none"> (i) Composition of the Board of Directors (ii) Decisions by the Board of Directors and scope of delegation (iii) Quality of deliberations and environment for deliberations by the Board of Directors (iv) Systems to support the Board of Directors
Assessor	10 directors, including 3 independent external directors
Evaluation method	Questionnaires
Evaluation Result	<p><u>Overall, we judge that the effectiveness of the Board of Directors is mostly being secured.</u></p> <p>we recognize the following issues and will tackle on improving the effectiveness:</p> <ul style="list-style-type: none"> - Early sharing of materials submitted to the Board of Directors - Consideration of ways to further disclose information to external directors

Interview to Independent External Director

Director Yagishita



(1) Regarding The Role as an External Director

As a result of experiences as an investor over many year, I have been appointed as and external director. I understand my role is to evaluate the entire company from investor's perspective. I hope to assist Hikari Tsushin by providing as much information as possible on things such as whether it possess the 'earnings power' to significantly exceed the equity discipline and the shareholder capital costs which are important metrics to investors, which encourage dialogue with shareholders. By doing so, we can foster competition with investors, maintaining a tense relationship while being fellows on the same boat, fostering the 'earnings power' which becomes the source of shareholder value creation.

(2) Reputation for Governance of Hikari Tsushin

I believe Hikari Tsushin's corporate governance is extremely high-level.

As an example, Hikari Tsushin reacts quickly and improve against to my advice regarding disclosures and IR. Hikari Tsushin's corporate governance evolves day by day and raise its level more. Hikari Tsushin optimizes "decision making in business" as an asset of competitive advantage by conducting stock investment align with corporate value as a business company. However, investment audit committee has been established to enhance supervisory function. As one of the members of the investment audit committee, I confirm investment and financial condition once every quarter, and last quarter, I have discussed about bonds and proportion foreign currency-denominated assets. I consider constructing such a corporate governance system is also characteristic of Hikari Tsushin.

(3) A Message for Stakeholders

I consider constructing such a corporate governance system is also characteristic of Hikari Tsushin. I would like our stakeholders to understand just how much Hikari Tsushin has changed and evolved. I believe it is important to dispel the outdated image from a quarter-century ago, and to have you accurately understand the current reality of Hikari Tsushin. As for us, we aspire to serve as a bridge to our shareholders, aiming for better dialogues with them. I would like to let our shareholders know that you are welcome to reach out directly to me or send a message. I promise to relay your comments and I'm open to discussion. Please don't hesitate to express your thoughts.



Interview to Independent External Director

Director Takano



(1) Regarding The Role as an External Director

Since external directors are appointed at the shareholders' meeting, our ultimate reporting destination becomes the shareholders who have the power to appoint. Hence, we, external directors have the role that we prepare to be able to explain rationally when we fulfil the duties. As an external director, I attend board of directors, audit committee, and compensation committee. In each meeting body, I respond to various agenda items proposed while using the previously mentioned role as judgment criteria.

(2) Reputation for Governance of Hikari Tsushin

I believe that the corporate governance structure of Hikari Tsushin capitalizes on its unique characteristics and is functioning effectively. At the Board of Directors, all directors are assured the opportunity to speak and are encouraged to freely express their perceptions and concerns. Complex topics are explained beforehand and information is shared, so I believe the Board of Directors is functioning adequately. Additionally, ensuring the governance of numerous subsidiaries is crucial for Hikari Tsushin. This is achieved by appointing members from Hikari Tsushin's management department to various positions, such as directors and auditors, in these subsidiaries, and by creating a supervisory and support system at the operational level, thus implementing a double-check control structure. In addition, the state of these operational controls is regularly reported, and audits are also conducted by the Audit Committee. As a result, I appraise that resourceful efforts have been made to establish overlapping control structures within the group of subsidiaries.

(3) A Message for Stakeholders

Hikari Tsushin steadily improves its performance without the influence of changes in external environment. The company has strengths of acquiring superior human resources from inside and outside of Japan and independent to economic conditions. Also, it has capability and creativity to grow and develop the core business. I sincerely hope that employees will be able to perform their duties with even more confidence and pride. I would like to extend my continued gratitude for the support and understanding from all our stakeholders, including our shareholders, towards everyone associated with Hikari Tsushin.



Interview to Independent External Director

Director Niimura



(1) Regarding The Role as an External Director

I consider as a member of audit committee and compensation committee, I'm in a position to evaluate financial and management condition objectively and to supervise whether Hikari Tsushin provides highly transparent information to stakeholders. I believe that Hikari Tsushin is making significant efforts towards proper disclosure of company information and transparency. In particular, I consider audits of off-balanced companies to be crucial in Hikari Tsushin. It is effectively providing us with opportunities to evaluate these issues by setting up appropriate opportunities for dialogue with the auditors and management of the group companies at Audit Committee or Board of Directors meetings.

(2) Reputation for Governance of Hikari Tsushin

I believe that Hikari Tsushin is very conscious of shareholders' rights, particularly in terms of its equality (Even though Chairman Shigeta himself is a major shareholder). Furthermore, it places importance on the position and role of us, independent directors. It always pays attention to whether the audit of each director's business execution is appropriate, and whether the Board of Directors is functioning properly. Also, I believe it have established a system where we can adequately oversee the process leading to decision-making (what kind of institutional decisions were made) and the thinking behind the decision (why such judgment was made) when the company makes decisions. In regard to the Compensation Committee, I believe it operates with high transparency and fairness, including objective metrics in a quantitative and qualitative manner in its procedures. From these perspectives, I think there is a very high awareness of governance.

(3) A Message for Stakeholders

While there may be voices from stakeholders stating that understanding the actual state of the company is difficult, I want to convey that Hikari Tsushin is striving to disclose information with extremely high transparency towards everyone. Even to the audit committee, if there is any unfavorable information, even minor ones, they are swiftly reported, so I feel that we are getting sufficient information. I think this is a manifestation of high awareness of information disclosure.



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Action to Implement Management that is Conscious of Cost of Capital and Stock Price

■ Cost of Equity As of March 31, 2024

Calculation based on the Capital Asset Pricing Model (CAPM)

(1) Risk Free Rate *1	0.75%
(2) Beta(β) *2	0.98
(3) Market Risk Premium	5.49%
Overall stock market return *3	6.24%
Risk-free rate	0.75%
Cost of Equity (1+2×3)	6.13%

*1 Yield of 10-year JGB as of the end of March 2024

*2 Our company's stock for the most recent two years as of the end of March 2024

*3 Average annual growth rate of TOPIX for the most recent 10 years as of the end of March 2024

■ Return on Equity FY2024

ROE	17.9%
Hypothetical Consolidated ROE	22.5%

■ Market Valuation As of March 31, 2024

PBR *4	1.58
PER *5	10.27

*4 Closing stock price of our company as of the end of March 2024 ÷ Net assets per share for the fiscal year ending March 2024

*5 Closing stock price of our company as of the end of March 2024 ÷ Basic earnings per share for the fiscal year ending March 2024

We have achieved a return on equity that exceeds the cost of equity, and we are not falling below a PBR of 1. We will continue to concentrate on our recurring-type business model to ensure stable earnings and profit growth. By pursuing high capital efficiency, we are committed to enhancing our corporate value.

Financial Discipline

(Billions JPY)

	As of Mar 31, 2021	As of Mar 31, 2022	As of Mar 31, 2023	As of Mar 31, 2024
(1) Cash Reserves	324.5	338.2	406.2	587.9
Cash and cash equivalents	324.5	338.2	389.3	494.8
Bonds (*Mainly U.S. bonds, high-grade corporate bonds)	-	-	17.5	93.1
(2) Balance of interest-bearing liabilities due within 3 years	221.5	212.3	265.9	361.0
(3) Difference (1-2)	102.9	125.9	140.9	226.8

Added bonds to our cash reserves, and continue to maintain cash reserves that exceed the balance of interest-bearing liabilities due within three years.

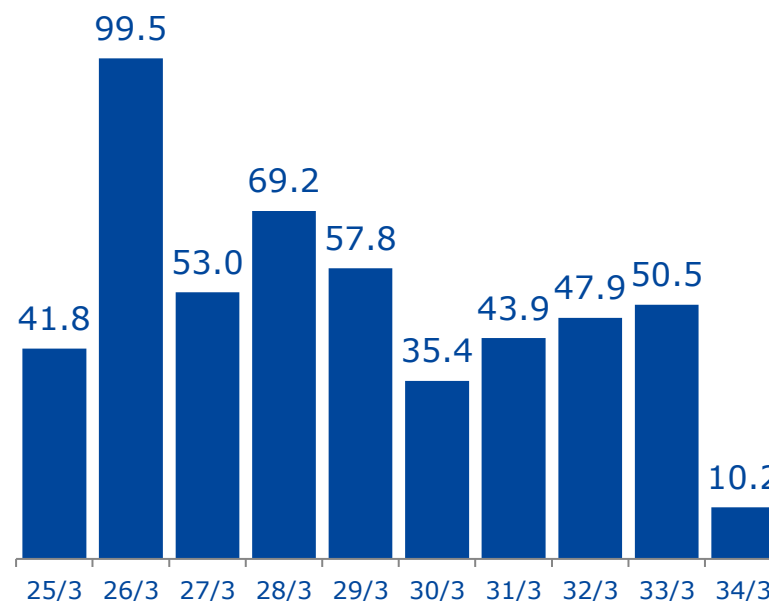
Financing

■ Composition of Amount, Period, and Interest Rates

	22/3	23/3	24/3
Total interest-bearing debt (billion yen)	612.6	721.7	822.4
Average period of outstanding borrowings (in months)	92	79	64
Fixed-interest rate ratio (By dividing interest bearing debt at fixed interest rate by total interest-bearing debt)	96%	95%	96%

■ Long-term borrowing Scheduled term-by-term payments for the next 10 fiscal years (as of March 31, 2024)

(Billion JPY)



The company tries to make its financial foundation solid with financing by borrowing for as long a term as possible without risk of interest-rate fluctuations.

Methods and Range of Stock Valuation by Disclosure Material

Disclosure material	Account Item	Evaluation Method	Range		
			Consolidated Subsidiary	Equity method Affiliate	Others
Consolidated statement of financial position	Investments accounted for using equity method	Net Asset value	-	✓ Listed and unlisted companies	-
	Other financial assets	Fair value	-	-	✓ Listed and unlisted companies
Financial results	Book value of listed stock investments	Acquisition price	-	✓ Listed companies only	✓ Listed companies only

Profit Recognition Due to Changes in Shareholdings

Unrealized Gains on listed stock investments do not affect basic earnings

	Account Items	Range		Line Items Impacted
		Before	After	
Decrease in Shareholdings	Profits or Losses from Sales of Shares Revaluation Gain at Exclusion of Stock	Consolidated Subsidiaries	Consolidated Subsidiaries	No profit*
		Consolidated Subsidiaries	Equity Method Affiliates/ Others	Operating Income
		Equity Method Affiliates	Equity Method Affiliates/ Others	Pre-tax Profits
		Others	Others	Comprehensive Income
Increase in Shareholdings	Profits or Losses from Step-by-Step Acquisition of Stocks	Equity Method Affiliates	Consolidated Subsidiaries	Pre-tax Profits
		Others	Equity Method Affiliates/ Consolidated Subsidiaries	Comprehensive Income
	Gain from Negative Goodwill	Others/ Equity Method Affiliates	Equity Method Affiliates/ Consolidated Subsidiaries	Operating Income
		Others/ Equity Method Affiliates	Equity Method Affiliates	Pre-tax Profits
No change in Shareholdings	Impairment Losses	Debt Instruments (Preferred Stocks, etc.)		Pre-tax Profits
		Equity Instruments		Comprehensive Income
	Unrealized Gains	Others		Comprehensive Income

*The difference between the equity interests sold and the sale price is the capital surplus.

Listed Stock Investments

Impact on Consolidated Statements of Income and Comprehensive Income

	Unrealized gain & loss / Gain & loss on sale of shares	Dividends received from non-equity-method companies	Share of net income of equity method companies	Foreign exchange gains and losses
Operating profit	-	-	-	-
Financial revenue + Financial expenses	-	✓	-	-
Share of loss (profit) of entities accounted for using equity method	-	-	✓	-
Other non-operating expenses (income)	-	-	-	-
Profit (loss) before income taxes	-	✓	✓	-
Income tax expenses	✓ *Only on Sale of Shares	✓	-	✓
Net income attributable to owners of parent	-	✓	✓	-
Items that will not be reclassified to profit or loss	✓	-	-	✓
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Total other comprehensive income (loss), net of tax	✓	✓	✓	✓
Total comprehensive income	✓	✓	✓	✓

*The dividends received from equity-method companies and the share of net income from non-equity-method companies have no impact on the consolidated statement of profit or loss and other comprehensive income.

Explanation of Terms and Disclaimer, etc.

■ Explanation of Terms

Term	J-GAAP	IFRS
Sales	Sales	Revenue
Net income	Net income	Net income attributable to owners of parent
Equity	Equity	Equity attributable to owners of the parent
EPS	Earnings per share	Basic earnings per share
BPS	Book value per share	Equity per share attributable to owners of the parent

- * Japanese GAAP applied before FYE 3/15, and IFRS applied after FYE 3/16
- * Results for in-house and third-party products prior to FYE 3/18 are provisional figures as they were before the change in reporting segments.
- * ROA: By dividing operating profit by total assets (the average during the period)
- * ROE: By dividing net income attributable to owners of parent by equity (the average during the period)
- * "Hypothetical consolidated performance" is the sum of the "consolidated performance" and the "performance using equity method" calculated by multiplying the figures of each company we invested in by our stock holding ratio. It represents the real performance of the Company
- * Hypothetical consolidated ROE: By dividing hypothetical consolidated net income attributable to owners of parent by equity (the average during the period)
- * Sales per capita: By dividing sales by the number of employees (the average during the period)
- * Operating profit per capita: By dividing operating profit by the number of employees (the average during the period)

■ Notes in regard to this material

Disclaimer

Information mentioned in this material, other than that related to historical and current facts, is determined based on information currently available to HIKARI TSUSHIN and hypotheses built. Since information may be affected by uncertainties included in such hypothesis and judgement, and by changes in the future economic environment, etc., it may differ from future performance of the Company and the HIKARI TSUSHIN Group.

The forward-looking statements contained in this material are prepared as of the date of this material (or the date otherwise specified) as mentioned above. The Company neither has an obligation nor policy to update such forward-looking statements with the latest information whenever necessary.

Furthermore, information in regard to matters other than the Company or Group companies stated in this material are cited from sources such as public information. The accuracy and adequacy of such information are not verified by the Company, and therefore are not guaranteed. The Company will not be held responsible for any damage that may occur as a result of the use of this material.

Notes in Regard to Insider Trading

An investor (primary information receiver) who has received non-public material facts directly from a company shall not make sales or purchases of stocks, etc. before such information is "publicized" (Article 166 of Financial Instruments and Exchange Act). In accordance with the provisions of Article 30 of the Order for Enforcement of the Financial Instruments and Exchange Act, information is deemed to have been made "public" 12 hours after such information has been publicized in two or more journalistic organizations, or when notification to the security exchange is made by the company and further listed via electronic means (TDnet's Timely Disclosure Information Viewing Service and EDINET public website) as provided by the Cabinet Office Ordinance.

