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May 14, 2025

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (Under IFRS)

Company name: HIKARI TSUSHIN, INC.
 Listing: Tokyo Stock Exchange
 Securities code: 9435
 URL: <http://www.hikari.co.jp/en/>
 Representative: Hideaki Wada, President and Representative Director
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 Telephone: +81-3-6863-0124 for overseas institutional investors
 Scheduled date to hold the ordinary general shareholders' meeting: June 28, 2025
 Scheduled date to commence dividend payments: June 13, 2025
 Scheduled date to file financial statements: June 30, 2025
 Preparation of supplementary material on financial results: Yes
 Holding of earnings call: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for Fiscal Year Ended March 2025 (from April 1, 2024 to March 31, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of parent | | Total comprehensive income | |
|--------|-------------|-------|------------------|------|-------------------|--------|-------------|-------|---|-------|----------------------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY2025 | 686,553 | 14.1 | 105,036 | 11.1 | 150,718 | (10.3) | 121,288 | (2.0) | 117,523 | (3.8) | 166,223 | (37.9) |
| FY2024 | 601,948 | (6.5) | 94,546 | 9.2 | 168,000 | 41.8 | 123,745 | 30.3 | 122,225 | 33.8 | 267,464 | 93.7 |

| | Basic earnings per share | Diluted earnings per share | Return on equity attributable to owners of parent | Ratio of profit before tax to total assets | Ratio of operating profit to revenue |
|--------|--------------------------|----------------------------|---|--|--------------------------------------|
| | Yen | Yen | % | % | % |
| FY2025 | 2,671.18 | 2,667.29 | 13.8 | 6.8 | 15.3 |
| FY2024 | 2,753.52 | 2,747.44 | 18.0 | 8.9 | 15.7 |

Reference: Share of profit (loss) of investments accounted for using equity method
 FY2025: 18,141 million yen
 FY2024: 20,855 million yen

(2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets | Equity attributable to owners of parent per share |
|----------------------|--------------|--------------|---|--|---|
| | Million yen | Million yen | Million yen | % | Yen |
| As of March 31, 2025 | 2,371,026 | 943,569 | 914,768 | 38.6 | 20,845.16 |
| As of March 31, 2024 | 2,078,956 | 819,249 | 790,478 | 38.0 | 17,906.68 |

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|--------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| FY2025 | 84,836 | (177,251) | 66,718 | 470,273 |
| FY2024 | 130,200 | (94,718) | 55,322 | 494,850 |

2. Cash dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Payout ratio (Consolidated) | Ratio of dividends to equity attributable to owners of parent (Consolidated) |
|-------------------|----------------------------|--------------------|-------------------|-----------------|--------|------------------------------|-----------------------------|--|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| FY2025 | 143.00 | 145.00 | 147.00 | 203.00 | 638.00 | 28,258 | 23.2 | 4.2 |
| FY2024 | 156.00 | 161.00 | 167.00 | 177.00 | 661.00 | 29,059 | 24.7 | 3.4 |
| FY2026 (Forecast) | 177.00 | 177.00 | 177.00 | 177.00 | 708.00 | | 31.7 | |

Note: Breakdown of year-end dividends for the fiscal year ended March 31, 2024: ordinary dividend 153.00 yen, special dividend 50.00 yen

3. Consolidated earnings forecast for the fiscal year ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|------|------------------|-----|---|--------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 760,000 | 10.7 | 115,000 | 9.5 | 100,000 | (14.9) | 2,278.74 |

Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included: –

Excluded: –

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|----------------------|-------------------|
| As of March 31, 2025 | 44,269,642 shares |
| As of March 31, 2024 | 45,049,642 shares |

(ii) Number of treasury shares at the end of the period

| | |
|----------------------|----------------|
| As of March 31, 2025 | 385,681 shares |
| As of March 31, 2024 | 905,296 shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|----------------------------------|-------------------|
| Fiscal year ended March 31, 2025 | 43,990,407 shares |
| Fiscal year ended March 31, 2024 | 44,386,045 shares |

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Non-consolidated operating results

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|--------|-------------|--------|------------------|--------|-----------------|------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY2025 | 19,715 | 81.5 | 17,051 | 198.4 | 40,068 | 51.5 | 50,398 | 74.6 |
| FY2024 | 10,861 | (51.6) | 5,714 | (70.6) | 26,440 | 23.4 | 28,860 | 68.4 |

| | Basic earnings per share | Diluted earnings per share |
|--------|-----------------------------|-------------------------------|
| | Yen | Yen |
| FY2025 | 1,145.53 | 1,144.88 |
| FY2024 | 650.20 | 649.80 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|----------------------|--------------|-------------|-----------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2025 | 1,429,935 | 221,779 | 15.5 | 5,047.39 |
| As of March 31, 2024 | 1,233,620 | 207,720 | 16.8 | 4,693.63 |

Reference: Equity

As of March 31, 2025: 221,499 million yen

As of March 31, 2024: 207,197 million yen

- Consolidated financial results reports are not subject to review procedures by Certified Public Accountants or audit firm.
- Proper use of earnings forecasts and other special matters
(Note to the forward-looking statements, etc.)

The forward-looking statements including earnings forecasts contained in this document are based on information currently available to us and certain assumptions that we believe to be reasonable. Accordingly, the Company does not guarantee the achievement of the forecast, and the actual results may differ materially due to various factors. Please refer to “1. Qualitative Information on Financial Results, (4) Future Outlook” on page 4 of the Attachments for the assumptions that form the basis for the earnings forecasts and cautions concerning the use of earnings forecasts.

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1. Qualitative Information on Financial Results

(1) Explanation of Operating Results

<Summary of financial results>

For the consolidated fiscal year ended March 31, 2025 (the “current period”), the Japanese economy remained uncertain due to the slowdown in overseas economies, fluctuations in financial and capital markets, and U.S. policy developments, although a gradual economic recovery was seen amid improvements in employment and income conditions.

The HIKARI TSUSHIN, INC. (“the Company”) and its subsidiaries (collectively “the Group”) leveraged its strength in sales to engage in businesses where we can expect stable long-term revenue such as electricity and gas, internet communication line services, water delivery, and insurance.

In addition, to realize a decarbonized society and achieve the SDGs (Sustainable Development Goals), we proactively undertake specific measures and initiatives to fulfill our social responsibility. These initiatives include developing environmentally friendly electricity services that provide virtually renewable energy using Non-Fossil Certificates, preserving sustainable water resources, and reducing resources and waste.

As a result, revenue amounted to 686,553 million yen, up 14.1% year on year for the fiscal year ended March 31, 2025, mainly attributable to an increase in recurring operating profit,* which will be a source of stable revenue in the future as the number of customer contracts for our in-house products increases. Operating profit was 105,036 million yen, up 11.1 % year on year. Profit before tax was 150,718 million yen, down 10.3% year on year, due to an increase in financial expenses as a result of the stronger yen. Profit attributable to owners of the parent was 117,523 million yen, down 3.8% year on year.

*Recurring operating profit refers to the profit excluding customer retention costs and service provision costs from revenue (basic subscription fees, usage fees, and insurance fees, etc.) which are paid every month by users once they subscribe to our services. Revenue may be received from telecommunications carriers and insurance companies or directly from users.

(Million yen unless otherwise stated)

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 | Change | Change (%) |
|---|-------------------------------------|-------------------------------------|----------|------------|
| Revenue | 601,948 | 686,553 | 84,605 | 14.1 |
| Operating profit | 94,546 | 105,036 | 10,490 | 11.1 |
| Profit before tax | 168,000 | 150,718 | (17,282) | (10.3) |
| Profit attributable to owners of parent | 122,225 | 117,523 | (4,701) | (3.8) |

<Financial results by segment>

The Group changed its reportable segments from the fiscal year ended March 31, 2025. Accordingly, for the year-on-year comparison, figures for the previous fiscal year have been reclassified into those for the new reportable segments.

Electricity and Gas segment

The Electricity and Gas segment mainly sells and provides gas and electricity to small-and-medium-sized enterprises (SMEs) and individual customers.

The segment recorded revenue of 288,498 million yen, up 37.8% year on year, and operating profit of 35,442 million yen, up 26.2% year on year for the current period, due to the growth in the number of customer contracts, resulting in an increase in recurring operating profit, which will be a source of stable revenue in the future.

Telecommunication segment

The Telecommunication segment mainly provides SMEs and individual customers with internet communication line services and associated services.

The segment recorded revenue of 122,594 million yen, up 3.0% year on year, and operating profit of 25,687 million yen, down 22.3% year on year for the current period, due to a decrease in the number of customer contracts in the internet communication line services.

Beverage segment

The Beverage segment primarily involves producing natural mineral water products and selling them to individual customers through home delivery.

The segment recorded revenue of 79,323 million yen, down 2.2% year on year, and operating profit of 8,139 million yen, up 0.8% year on year for the current period, as a result of the transfer of shares of a consolidated subsidiary in the previous fiscal year.

Insurance segment

The Insurance segment mainly provides non-life insurance, life insurance, and warranty services to SMEs and individual customers.

The segment recorded revenue of 26,927 million yen, up 12.9% year on year, and operating profit of 8,220 million yen, up 42.0% year on year for the current period, due to a growth of the number of customer contracts, resulting in an increase in recurring operating profit, which will be a source of stable revenue in the future.

Finance segment

The Finance segment mainly provides microfinance and other financial services to SMEs and individual customers.

The segment recorded revenue of 33,141 million yen, up 9.7% year on year, and operating profit of 17,872 million yen, up 42.7% year on year for the current period, due to the quality improvement in sales activities accompanied by stabilization of the business environment.

Solution segment

The Solution segment mainly provides SMEs with industry-specific solution services through the provision of customer management system and settlement management system platforms and various other tools.

The segment recorded revenue of 28,016 million yen, down 2.0% year on year, and operating profit of 2,568 million yen, up 57.4% year on year for the current period, due to progress in the reorganization of assets.

Commission-based Sales segment

The Commission-based Sales segment mainly engages in commission-based sale of various products, such as products offered by telecommunications carriers and manufacturers, targeting SMEs and individual customers.

The segment recorded revenue of 108,048 million yen, down 1.5% year on year, and operating profit of 12,376 million yen, up 10.2% year on year for the current period, due to the transfer of shares of some consolidated subsidiaries.

(2) Explanation of Financial Position

Assets, liabilities, and net assets

(Million yen)

| | As of March 31, 2024 | As of March 31, 2025 | Change |
|-------------|----------------------|----------------------|---------|
| Assets | 2,078,956 | 2,371,026 | 292,069 |
| Liabilities | 1,259,707 | 1,427,456 | 167,749 |
| Equity | 819,249 | 943,569 | 124,319 |

Assets were 2,371,026 million yen, up 292,069 million yen from March 31, 2024, due to the purchase of investment securities.

Liabilities were 1,427,456 million yen, up 167,749 million yen from March 31, 2024, due to the issuance of bonds.

Equity was 943,569 million yen, up 124,319 million yen from March 31, 2024, due to an increase in retained earnings.

(3) Explanation of Cash Flows

Cash Flows

(Million yen)

| | Fiscal year ended March 31, 2024 | Fiscal year ended March 31, 2025 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | 130,200 | 84,836 |
| Cash flows from investing activities | (94,718) | (177,251) |
| Cash flows from financing activities | 55,322 | 66,718 |
| Cash and cash equivalents at end of period | 494,850 | 470,273 |

Net cash provided by operating activities was 84,836 million yen mainly as a result of robust performance during the consolidated fiscal year.

Net cash used in investment activities was 177,251 million yen primarily due to the purchase of investment securities.

Net cash provided by financing activities was 66,718 million yen mainly due to the issuance of bonds.

As a result, the balance of cash and cash equivalents as of March 31, 2025 was 470,273 million yen.

(4) Future Outlook

The consolidated financial forecast for the fiscal year ending March 31, 2026 is 760 billion yen in revenue, 115 billion yen in operating profit, and 100 billion yen in profit attributable to owners of parent, primarily due to the growth in the number of customer contracts, resulting in an increase in recurring operating profit, which will be a source of stable revenue in the future.

The forward-looking information including earnings forecasts contained in this document are based on the judgement of the Company's management, derived from currently available information. Investors are therefore cautioned not to unduly rely on the forecasts provided.

2. Basic View of Selected Accounting Standards

The Group has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2017, with the aim of enhancing the international comparability of its financial information and improving disclosure, thereby providing more meaningful information to a wide range of stakeholders, including domestic and international investors.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statements of Financial Position

| (Million yen) | | | |
|---|-------|---|---|
| | Notes | Fiscal year ended March 31, 2024 (As of March 31, 2024) | Fiscal year ended March 31, 2025 (As of March 31, 2025) |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 494,850 | 470,273 |
| Trade and other receivables | | 274,622 | 332,327 |
| Reinsurance contract asset | | 2,063 | 823 |
| Inventories | | 2,290 | 2,356 |
| Other financial assets | | 52,201 | 17,949 |
| Other current assets | | 8,777 | 25,148 |
| (Subtotal) | | 834,805 | 848,880 |
| Assets held for sale | 6 | 6,004 | - |
| Total current assets | | 840,810 | 848,880 |
| Non-current assets | | | |
| Property, plant and equipment | | 32,943 | 38,975 |
| Right-of-use assets | | 7,047 | 5,236 |
| Goodwill | | 17,510 | 18,798 |
| Intangible assets | | 5,821 | 6,696 |
| Investments accounted for using equity method | 8 | 199,030 | 205,485 |
| Other financial assets | | 923,330 | 1,182,904 |
| Deferred tax assets | | 7,546 | 7,974 |
| Contract costs | | 41,453 | 50,693 |
| Insurance contract asset | | 3,373 | 5,090 |
| Other non-current assets | | 88 | 289 |
| Total non-current assets | | 1,238,146 | 1,522,145 |
| Total assets | | 2,078,956 | 2,371,026 |

The notes are an integral part of these consolidated financial statements.

| (Million yen) | | | |
|---|-------|---|---|
| | Notes | Fiscal year ended March 31, 2024 (As of March 31, 2024) | Fiscal year ended March 31, 2025 (As of March 31, 2025) |
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 235,119 | 284,742 |
| Insurance contract liabilities | | 5,714 | 5,582 |
| Interest-bearing liabilities | 9 | 156,386 | 179,876 |
| Income taxes payable | | 26,554 | 17,999 |
| Other financial liabilities | | 244 | 771 |
| Other current liabilities | | 13,671 | 16,211 |
| (Subtotal) | | 437,690 | 505,183 |
| Liabilities directly associated with assets held for sale | 6 | 1,505 | - |
| Total current liabilities | | 439,195 | 505,183 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 9 | 666,107 | 754,444 |
| Provisions | | 365 | 417 |
| Other non-current liabilities | | 22,167 | 15,423 |
| Deferred tax liabilities | | 131,870 | 151,987 |
| Total non-current liabilities | | 820,511 | 922,272 |
| Total liabilities | | 1,259,707 | 1,427,456 |
| Equity | | | |
| Share capital | | 54,259 | 54,259 |
| Capital surplus | 7 | - | 984 |
| Retained earnings | | 748,760 | 863,716 |
| Treasury shares | 10 | (18,365) | (10,864) |
| Accumulated other comprehensive income | | 5,823 | 6,672 |
| Total equity attributable to owners of parent | | 790,478 | 914,768 |
| Non-controlling interests | 7 | 28,771 | 28,800 |
| Total equity | | 819,249 | 943,569 |
| Total liabilities and equity | | 2,078,956 | 2,371,026 |

The notes are an integral part of these consolidated financial statements.

**(2) Consolidated Statements of Profit or Loss
and Consolidated Statements of Comprehensive Income**

Consolidated Statements of Profit or Loss
Fiscal year ended March 31, 2024 and 2025

| | | (Million yen) | |
|--|-------|--|--|
| | Notes | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) | Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025) |
| Revenue | | 601,948 | 686,553 |
| Cost of sales | | 286,778 | 343,254 |
| Gross profit | | 315,170 | 343,298 |
| Other income | | 3,231 | 4,186 |
| Selling, general and administrative expenses | | 219,753 | 238,566 |
| Other expenses | | 4,101 | 3,881 |
| Operating profit | | 94,546 | 105,036 |
| Finance income | | 61,529 | 41,604 |
| Finance costs | | 14,778 | 15,862 |
| Share of profit (loss) of investments accounted for using equity method | 8 | 20,855 | 18,141 |
| Other non-operating income and expenses | | 5,847 | 1,797 |
| Profit before tax | | 168,000 | 150,718 |
| Income tax expense | | 44,255 | 29,430 |
| Profit | | 123,745 | 121,288 |
| Profit attributable to | | | |
| Owners of parent | | 122,225 | 117,523 |
| Non-controlling interests | | 1,519 | 3,764 |
| Profit | | 123,745 | 121,288 |
| Earnings per share | | | |
| Basic earnings per share (Yen) | 11 | 2,753.52 | 2,671.18 |
| Diluted earnings per share (Yen) | 11 | 2,747.44 | 2,667.29 |

The notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income
Fiscal year ended March 31, 2024 and 2025

| | | (Million yen) | |
|--|-------|--|--|
| | Notes | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) | Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025) |
| Profit | | 123,745 | 121,288 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income | | 137,640 | 44,586 |
| Share of other comprehensive income of investments accounted for using equity method | | 1,200 | (491) |
| Remeasurement of defined benefit plans | | - | (0) |
| Total | | 138,840 | 44,094 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 4,053 | 708 |
| Share of other comprehensive income of investments accounted for using equity method | | 826 | 155 |
| Cash flow hedges | | - | (23) |
| Total | | 4,879 | 840 |
| Other comprehensive income, net of tax | | 143,719 | 44,934 |
| Comprehensive income | | 267,464 | 166,223 |
| Comprehensive income attributable to | | | |
| Owners of parent | | 265,873 | 162,121 |
| Non-controlling interests | | 1,590 | 4,102 |
| Comprehensive income | | 267,464 | 166,223 |

The notes are an integral part of these consolidated financial statements.

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Million yen)

| | Notes | Equity attributable to owners of parent | | | | | Non-controlling interests | Total equity |
|---|-------|---|-----------------|-------------------|-----------------|--|---------------------------|--------------|
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Accumulated other comprehensive income | | |
| Balance at beginning of period | | 54,259 | 777 | 520,879 | (5,792) | 886 | 27,302 | 598,311 |
| Comprehensive income | | | | | | | | |
| Profit | | - | - | 122,225 | - | - | 1,519 | 123,745 |
| Other comprehensive income | | - | - | - | - | 143,648 | 71 | 143,719 |
| Comprehensive income | | - | - | 122,225 | - | 143,648 | 1,590 | 267,464 |
| Transactions with owners | | | | | | | | |
| Dividends of surplus | | - | - | (25,600) | - | - | (1,355) | (26,956) |
| Change in scope of consolidation | | - | - | - | - | - | (146) | (146) |
| Changes in ownership interest in subsidiaries | 7 | - | (8,226) | - | - | - | 1,393 | (6,833) |
| Purchase and disposal of treasury shares | | - | 15 | - | (12,623) | - | - | (12,607) |
| Share-based payment transactions | | - | (20) | - | 50 | - | (12) | 18 |
| Transfer from other components of equity to retained earnings | | - | - | 138,711 | - | (138,711) | - | - |
| Transfer from retained earnings to capital surplus | | - | 7,453 | (7,453) | - | - | - | - |
| Total transactions with owners | | - | (777) | 105,656 | (12,572) | (138,711) | (121) | (46,526) |
| Balance at end of period | | 54,259 | - | 748,760 | (18,365) | 5,823 | 28,771 | 819,249 |

Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

(Million yen)

| | Notes | Equity attributable to owners of parent | | | | | Non-controlling interests | Total equity |
|---|-------|---|-----------------|-------------------|-----------------|--|---------------------------|--------------|
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Accumulated other comprehensive income | | |
| Balance at beginning of period | | 54,259 | - | 748,760 | (18,365) | 5,823 | 28,771 | 819,249 |
| Comprehensive income | | | | | | | | |
| Profit | | - | - | 117,523 | - | - | 3,764 | 121,288 |
| Other comprehensive income | | - | - | - | - | 44,597 | 337 | 44,934 |
| Comprehensive income | | - | - | 117,523 | - | 44,597 | 4,102 | 166,223 |
| Transactions with owners | | | | | | | | |
| Dividends of surplus | | - | - | (30,253) | - | - | (1,366) | (31,619) |
| Change in scope of consolidation | | - | - | - | - | - | (2,128) | (2,128) |
| Changes in ownership interest in subsidiaries | | - | 1,291 | - | - | - | (625) | 666 |
| Purchase and disposal of treasury shares | | - | 19 | (275) | (8,399) | - | - | (8,655) |
| Cancellation of treasury shares | 10 | - | (34) | (15,788) | 15,823 | - | - | - |
| Share-based payment transactions | | - | (292) | - | 77 | - | 48 | (167) |
| Transfer from other components of equity to retained earnings | | - | - | 43,748 | - | (43,748) | - | - |
| Total transactions with owners | | - | 984 | (2,568) | 7,501 | (43,748) | (4,072) | (41,903) |
| Balance at end of period | | 54,259 | 984 | 863,716 | (10,864) | 6,672 | 28,800 | 943,569 |

The notes are an integral part of these consolidated financial statements.

(4) Consolidated Statements of Cash Flows

| (Million yen) | | | |
|---|-------|--|--|
| | Notes | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) | Fiscal year ended March 31, 2025 (From April 1, 2024 To March 31, 2025) |
| Cash flows from operating activities | | | |
| Profit before tax | | 168,000 | 150,718 |
| Depreciation and amortization | | 14,556 | 14,076 |
| Finance income | | (61,529) | (41,604) |
| Finance costs | | 14,778 | 15,862 |
| Share of loss (profit) of investments accounted for using equity method | 8 | (20,855) | (18,141) |
| Decrease (increase) in contract costs | | (4,543) | (9,239) |
| Decrease (increase) in trade and other receivables | | 15,980 | (55,114) |
| Increase (decrease) in trade and other payables | | 15,049 | 49,861 |
| Decrease (increase) in inventories | | (53) | (23) |
| Other | | (8,976) | 1,138 |
| Subtotal | | 132,406 | 107,534 |
| Interest received | | 9,974 | 17,088 |
| Dividends received | | 23,925 | 27,858 |
| Interest paid | | (9,619) | (10,957) |
| Income taxes refund (paid) | | (26,485) | (56,688) |
| Net cash provided by (used in) operating activities | | 130,200 | 84,836 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment, and intangible assets | | (18,283) | (21,553) |
| Proceeds from sale of property, plant and equipment, and intangible assets | | 37 | 3 |
| Purchase of investment securities | | (220,290) | (298,859) |
| Proceeds from sale of investment securities | | 138,551 | 152,201 |
| Proceeds from obtaining control of subsidiaries | | (504) | (7,083) |
| Proceeds from loss of control of subsidiaries | | 5,300 | 2,736 |
| Payments for loans receivable | | (1,073) | (2,799) |
| Collection of loans receivable | | 1,212 | 1,008 |
| Other | | 332 | (2,907) |
| Net cash provided by (used in) investing activities | | (94,718) | (177,251) |
| Cash flows from financing activities | | | |
| Proceeds from short-term interest-bearing debt | | 36,895 | (58,004) |
| Proceeds from long-term interest-bearing debt | | 137,540 | 211,301 |
| Repayment of long-term interest-bearing debt | | (71,722) | (45,419) |
| Capital contribution from non-controlling interests | | 932 | 1,806 |
| Purchase of treasury shares | | (13,003) | (10,001) |
| Dividends paid | | (25,958) | (30,222) |
| Dividends paid to non-controlling interests | | (1,353) | (1,372) |
| Payments for acquisition of interests in subsidiaries from non-controlling interests | 7 | (12,746) | (992) |
| Other | | 4,738 | (376) |
| Net cash provided by (used in) financing activities | | 55,322 | 66,718 |
| Effect of exchange rate changes on cash and cash equivalents | | 18,336 | (2,537) |
| Net increase (decrease) in cash and cash equivalents | | 109,141 | (28,234) |
| Decrease in cash and cash equivalents resulting from transfer to assets held for sale | | (3,657) | 3,657 |
| Cash and cash equivalents at beginning of period | | 389,366 | 494,850 |
| Cash and cash equivalents at end of period | | 494,850 | 470,273 |

The notes are an integral part of these consolidated financial statements.

(5) Notes to Consolidated Financial Statements

1. Reporting entity

HIKARI TSUSHIN, INC. (“the Company”) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The address of the Company’s registered headquarters is 1-4-10 Nishi-Ikebukuro, Toshima-ku, Tokyo. The accompanying consolidated financial statements for the fiscal year ended March 31, 2025 comprise the Company and its subsidiaries (“the Group”). The ultimate parent company of the Group is the Company. The Group operates various businesses, mainly in the field of information and communications.

Details are provided in “Note 5. Operating segments.”

2. Basis of preparation of consolidated financial statements

(1) Basis for measurement

The accompanying consolidated financial statements are prepared on the historical cost basis, with the exception of financial instruments and other items measured at fair value.

(2) Functional currency and presentation currency

The accompanying consolidated financial statements are presented in millions of Japanese yen (rounded down to the nearest million yen), the functional currency of the Company.

(3) Published standards that are not yet applied

The following standards are the principal standards for which their new establishment or revision has been announced prior to the approval date of the accompanying consolidated financial statements. However, as of March 31, 2025, the application of these standards is not compulsory, and the Group has not applied them early.

The effect of the application of these standards on the Group is under consideration.

| Standard | Standard name | Time of compulsory application (Fiscal years starting after) | Time of application by the Group | Overview of new clauses and revisions |
|----------|--|---|-----------------------------------|--|
| IFRS 18 | <i>Presentation and Disclosure in Financial Statements</i> | January 1, 2027 | Fiscal year ending March 31, 2028 | New standard as a replacement for IAS 1 “Presentation of Financial Statements,” the existing accounting standard for presentation and disclosure in financial statements |

3. Material accounting policy information

Material accounting policies the Group has adopted in preparing the accompanying consolidated financial statements are the same as those applied in the previous fiscal year except for the following:

The Group has adopted the following accounting standard since April 1, 2024.

| Standard | Standard name | Overview of new clauses and revisions |
|-----------------|---|---|
| IAS 1 | <i>Presentation of Financial Statements</i> | Clarifying requirements for classification of liabilities as current or non-current. Disclosure requirements of long-term liabilities with covenants |
| IAS 7 IFRS 7 | <i>Statement of Cash Flows</i> <i>Financial Instruments: Disclosures</i> | Disclosure requirements to enhance the transparency of supplier finance arrangements |

The adoption of these accounting standards has no significant impact on the accompanying consolidated financial statements.

4. Significant accounting estimates and judgements on estimates

In the preparation of the consolidated financial statements in accordance with IFRS, management is required to make judgements, estimates, and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results could differ from those estimates and assumptions depending on the nature of the situation.

These estimates and their underlying assumption are continuously reviewed. The impact of revisions to accounting estimates is prospectively recognized in the accounting period when the revision is made and in the subsequent period thereafter.

The judgements and estimates made by management that could have a significant impact on the amounts reported in the consolidated financial statements include the following:

- (1) Impairment of non-financial assets
- (2) Recoverability of deferred tax assets
- (3) Recoverability of contract costs
- (4) Uncertainty over income tax treatments

5. Operating segments

(1) Outline of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available, regular evaluation by the Board of Directors is performed in order to make decisions about resources to be allocated, and to assess their performance.

In line with changes in management structure, the Group reviewed how to classify its business segments. As a result, the Group has changed its reportable segments from "Corporate Service," "Individual Service," and "Commission-based Sales" to "Electricity and Gas," "Telecommunication," "Beverage," "Insurance," "Finance," "Solution," and "Commission-based Sales" since April 1, 2024. The segment information for the previous fiscal year has been restated retrospectively.

The Company manages the Group as a holding company to formulate business strategies for the products and services handled by each company and develop business activities. As such, the Group is composed of segments separated by product and service based on those companies and operates in 7 reporting segments: "Electricity and Gas," "Telecommunication," "Beverage," "Insurance," "Finance," and "Solution," where we provide products and services designed and developed in-house, and "Commission-based Sales," in which we sell products of other companies.

Reportable segments and its businesses are as follows:

| Segment | Major business |
|------------------------|--|
| Electricity and Gas | Selling and providing gas and electricity |
| Telecommunication | Providing internet communication line services and associated services |
| Beverage | Producing natural mineral water products and selling them through home delivery |
| Insurance | Providing non-life insurance, life insurance, and warranty services, etc. |
| Finance | Providing microfinance and other financial services |
| Solution | Providing industry-specific solution services through the provision of customer management system and settlement management system platforms and various other tools |
| Commission-based Sales | Commission-based sale of various products, such as products offered by telecommunications carriers and manufacturers |

(2) Information on reportable segments

The information for each reportable segment of the Group is as follows. Segment profit is based on operating profit.

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Million yen)

| | Reportable segment | | | | | | | | Other | Total | Adjustment (Note) | Consolidated financial statements |
|--|------------------------|------------------------|----------|-----------|---------|----------|----------------------------|---------|-------|---------|----------------------|---|
| | Electricity and Gas | Telecommuni- cation | Beverage | Insurance | Finance | Solution | Commission -based Sales | Total | | | | |
| Revenue | | | | | | | | | | | | |
| Sales to external customers | 209,365 | 119,039 | 81,136 | 23,857 | 30,219 | 28,597 | 109,732 | 601,948 | — | 601,948 | — | 601,948 |
| Intersegment sales and transfers | — | — | — | — | — | — | — | — | — | — | — | — |
| Total | 209,365 | 119,039 | 81,136 | 23,857 | 30,219 | 28,597 | 109,732 | 601,948 | — | 601,948 | — | 601,948 |
| Segment profit | 28,085 | 33,071 | 8,073 | 5,787 | 12,521 | 1,631 | 11,228 | 100,399 | — | 100,399 | (5,852) | 94,546 |
| Finance income | | | | | | | | | | | | 61,529 |
| Finance costs | | | | | | | | | | | | 14,778 |
| Share of profit (loss) of investments accounted for using equity method | | | | | | | | | | | | 20,855 |
| Other non- operating income and expenses | | | | | | | | | | | | 5,847 |
| Profit before tax | | | | | | | | | | | | 168,000 |
| Other income and expenses | | | | | | | | | | | | |
| Depreciation and amortization | 176 | 347 | 10,049 | 200 | 259 | 1,649 | 706 | 13,388 | — | 13,388 | 1,167 | 14,556 |

- Notes:
1. The adjustment for segment profit includes corporate profit or loss that have not been allocated to reportable segments.
 2. Revenue of each segment include the revenue from sources other than revenue from contracts with customers under IFRS 15 as follows:
 The Electricity and Gas segment recognized 27,797 million yen of government grants under IAS 20.
 The Beverage segment included lease income under IFRS 16.
 The Insurance segment recognized 18,133 million yen of insurance revenue under IFRS 17. Insurance revenue, corresponding insurance service expenses of 15,238 million yen and losses related to reinsurance of 34 million yen compose the segment profit of the Insurance segment.
 The Finance segment recognized revenue, including finance income, calculated using the effective interest rate under IFRS 9.

Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

(Million yen)

| | Reportable segment | | | | | | | | Other | Total | Adjustment (Note) | Consolidated financial statements |
|--|------------------------|------------------------|----------|-----------|---------|----------|----------------------------|---------|-------|---------|----------------------|---|
| | Electricity and Gas | Telecommuni- cation | Beverage | Insurance | Finance | Solution | Commission -based Sales | Total | | | | |
| Revenue | | | | | | | | | | | | |
| Sales to external customers | 288,498 | 122,594 | 79,323 | 26,927 | 33,141 | 28,016 | 108,048 | 686,553 | — | 686,553 | — | 686,553 |
| Intersegment sales and transfers | — | — | — | — | — | — | — | — | — | — | — | — |
| Total | 288,498 | 122,594 | 79,323 | 26,927 | 33,141 | 28,016 | 108,048 | 686,553 | — | 686,553 | — | 686,553 |
| Segment profit | 35,442 | 25,687 | 8,139 | 8,220 | 17,872 | 2,568 | 12,376 | 110,307 | — | 110,307 | (5,270) | 105,036 |
| Finance income | | | | | | | | | | | | 41,604 |
| Finance costs | | | | | | | | | | | | 15,862 |
| Share of profit (loss) of investments accounted for using equity method | | | | | | | | | | | | 18,141 |
| Other non- operating income and expenses | | | | | | | | | | | | 1,797 |
| Profit before tax | | | | | | | | | | | | 150,718 |
| Other income and expenses | | | | | | | | | | | | |
| Depreciation and amortization | 307 | 207 | 11,068 | 282 | 366 | 1,062 | 514 | 13,810 | — | 13,810 | 266 | 14,076 |

- Notes:
1. The adjustment for segment profit includes corporate profit or loss that have not been allocated to reportable segments.
 2. Revenue of each segment include the revenue from sources other than revenue from contracts with customers under IFRS 15 as follows:
 The Electricity and Gas segment recognized 12,790 million yen of government grants under IAS 20.
 The Beverage segment included lease income under IFRS 16.
 The Insurance segment recognized 20,920 million yen of insurance revenue under IFRS 17. Insurance revenue, corresponding insurance service expenses of 14,681 million yen and losses related to reinsurance of 551 million yen compose the segment profit of the Insurance segment.
 The Finance segment recognized revenue, including finance income, calculated using the effective interest rate under IFRS 9.

6. Assets held for sale

Details of assets held for sale and liabilities directly associated with assets held for sale are as follows:

| | Fiscal year ended March 31, 2024 (As of March 31, 2024) | (Million yen) Fiscal year ended March 31, 2025 (As of March 31, 2025) |
|---|---|--|
| Assets held for sale | | |
| Cash and cash equivalents | 3,657 | — |
| Trade and other receivables | 181 | — |
| Inventories | 474 | — |
| Other financial assets | 282 | — |
| Investments in associates that had been accounted for using the equity method | 512 | — |
| Other | 894 | — |
| Total | 6,004 | — |
| Liabilities directly associated with assets held for sale | | |
| Trade and other payables | 279 | — |
| Interest-bearing liabilities | 659 | — |
| Other | 566 | — |
| Total | 1,505 | — |

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Assets and liabilities held for sale as of March 31, 2024, were composed of investments in a subsidiary in the Solution segment, a subsidiary in the Commission-based Sales segment, and associates that had been accounted for using the equity method. These have been classified as assets and liabilities held for sale as the Group has committed to execute a disposal plan of these investments, and their sale is expected to be completed within a year of the classification. Investments in associates that had been accounted for using the equity method were measured at carrying value as the fair value less disposal costs exceeded the carrying value.

Of the assets and liabilities held for sale as of March 31, 2024, the Group lost control over the subsidiary in the Solution segment and the subsidiary in the Commission-based Sales segment mentioned above during the current period.

Fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable.

7. Subsidiaries

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Changes in ownership interest of a subsidiary)

For the fiscal year ended March 31, 2024, the Company's subsidiary, Daini Tsushin Co., Ltd. acquired ordinary shares of Grandata, Inc (currently Sutoene, Inc), which is also the Company's subsidiary, from non-controlling shareholders. As a result, the Group's ownership interests in Grandata, Inc increased.

An overview of transactions with non-controlling interests regarding said transaction was as follows.

(Million yen)

| Item | Amount |
|---|--------|
| Acquisition price | 8,983 |
| Amount of change in non-controlling interests | 1,200 |
| Amount of decrease in capital surplus | 10,183 |

Fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable.

8. Investments accounted for using equity method

The carrying amount of investments in associates is as follows:

(Million yen)

| | Fiscal year ended March 31, 2024 (As of March 31, 2024) | Fiscal year ended March 31, 2025 (As of March 31, 2025) |
|-----------------------|---|---|
| Total carrying amount | 199,030 | 205,485 |

Financial information for associates is as follows. Additionally, these amounts are subsequent to the incorporation of the Group's ownership ratios.

(Million yen)

| | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) | Fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025) |
|----------------------------|--|--|
| Profit | 20,855 | 18,141 |
| Other comprehensive income | 2,026 | (336) |
| Comprehensive income | 22,881 | 17,805 |

Note: "Share of profit (loss) of investments accounted for using equity method" in the consolidated statement of profit or loss for fiscal year ended March 31, 2024 includes gain on discount purchase of 635 million yen, recognized when an associate was newly accounted for using equity method. There was no gain on discount purchase for fiscal year ended March 31, 2025.

9. Bonds payable

The Company issued bonds payable of 91,900 million yen for the fiscal year ended March 31, 2024. The breakdown is as follows:

The forty-second unsecured bond of 40,000 million yen (Annual interest rate: 1.11%, Date of issue: June 9, 2023, Term of redemption: June 9, 2028);

The forty-third unsecured bond of 6,900 million yen (Interest rate: 6-month Japanese Yen TIBOR +1.26%, Date of issue: June 1, 2023, Term of redemption: May 31, 2030);

The forty-fourth unsecured bond of 10,000 million yen (Annual interest rate: 2.38%, Date of issue: August 29, 2023, Term of redemption: August 29, 2033);

The forty-fifth unsecured bond of 20,000 million yen (Annual interest rate: 0.58%, Date of issue: March 14, 2024, Term of redemption: March 12, 2027);

The forty-sixth unsecured bond of 10,000 million yen (Annual interest rate: 1.272%, Date of issue: March 14, 2024, Term of redemption: March 14, 2029);

The forty-seventh unsecured bond of 5,000 million yen (Annual interest rate: 1.934%, Date of issue: March 14, 2024, Term of redemption: March 14, 2031).

The Company issued bonds payable of 135,000 million yen for the fiscal year ended March 31, 2025. The breakdown is as follows:

The forty-eighth unsecured bond of 75,000 million yen (Annual interest rate: 2.05%, Date of issue: April 26, 2024, Term of redemption: April 25, 2031);

The forty-ninth unsecured bond of 10,000 million yen (Annual interest rate: 1.073%, Date of issue: September 11, 2024, Term of redemption: September 10, 2027);

The fiftieth unsecured bond of 10,000 million yen (Annual interest rate: 1.580%, Date of issue: September 11, 2024, Term of redemption: September 11, 2029);

The fifty-first unsecured bond of 40,000 million yen (Annual interest rate: 2.60%, Date of issue: March 12, 2025, Term of redemption: March 12, 2032).

10. Capital and reserves

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2024 (from April 1, 2024 to March 31, 2025)

The Company conducted the cancellation of treasury shares by 780,000 on May 31, 2024, pursuant to the resolution adopted at the Board of Directors meeting on May 15, 2024.

11. Earnings per share

Basic earnings per share and the basis of its calculation, and diluted earnings per share and the basis of its calculation are as follows:

| | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) | Fiscal year ended March 31, 2024 (From April 1, 2024 to March 31, 2025) |
|--|--|--|
| (1) Basic earnings per share | 2,753.52 yen | 2,671.18 yen |
| (Basis of calculation) | | |
| Profit attributable to owners of parent (million yen) | 122,225 | 117,523 |
| Amount not attributable to ordinary equity holders of the parent (million yen) | 7 | 17 |
| Amount used in calculation of basic earnings per share (million yen) | 122,217 | 117,506 |
| Weighted average number of ordinary shares (thousand shares) | 44,386 | 43,990 |
| (2) Diluted earnings per share | 2,747.44 yen | 2,667.29 yen |
| (Basis of calculation) | | |
| Amount used in calculation of basic earnings per share (million yen) | 122,217 | 117,506 |
| Adjustment to profit for potential shares in subsidiaries and associates (million yen) | (194) | (103) |
| Amount used in calculation of diluted earnings per share (million yen) | 122,023 | 117,402 |
| Weighted average number of ordinary shares (thousand shares) | 44,386 | 43,990 |
| Increase in ordinary shares from share acquisition rights (thousand shares) | 27 | 25 |
| Weighted average number of ordinary shares used in calculation of diluted earnings per share (thousand shares) | 44,413 | 44,015 |

12. Significant subsequent events

Not applicable.

13. Notes on going concern assumption

Not applicable.

14. Date of approval

The accompanying consolidated financial statements were approved by the Board of Directors on May 14, 2025.