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FYE March 2025 Earnings Call

May 15th, 2025

Attendees:

Hideaki Wada, Chief Executive Officer

Naomi Imoto, Head of Financial Strategy, Investor and Public Relations

■ Financial Results Presentation

P1

Total shareholders return from our listing. From 1996 to 2025, our compound annual growth rate (CAGR) stands at 9.9%, compared to 3.6% for the TOPIX index. Over the same period, we have also significantly outperformed TOPIX in terms of total growth. We hope you will take a moment to review this.

P2

Performance trends over the past 15 years. Revenue has grown from 349.0 billion yen 15 years ago to 686.5 billion yen. Recurring operating profit increased from 25.6 billion yen to 167.1 billion yen over the same period, achieving a 12% CAGR. Operating profit reached approximately 100.0 billion yen, marking a record high with a 15-year CAGR of 24%.

In addition, we recently recorded 17.7 billion yen in equity-method investment gains. Net income has also grown significantly over the past 15 years. With the addition of interest and dividend incomes, income before tax amounted to 150.0 billion yen, and net income exceeded 100.0 billion yen in each of the past two years.

Regarding comprehensive income, which contributes to the accumulation of shareholders' equity, we recorded realized gains of 25.2 billion yen for the fiscal year ended March 2025 and 49.9 billion yen for the year ended March 2024. Unrealized gains on equity investments have also steadily accumulated. We hope you will take a moment to review these results.

P3

Balance sheet. Net cash assets have grown from 46.9 billion yen 15 years ago to 824.3 billion yen as of the fiscal year ended March 2025, representing a 21% growth rate. Total assets have expanded from 217.5 billion yen to 2.371 trillion yen over the same period.

Equity has increased from 107.0 billion yen to 914.7 billion yen, achieving a 15% growth rate. Furthermore, after netting out share buybacks, dividend payments, and funding activities, our net assets before shareholder returns have effectively grown by 29%.

P4

Earnings per share (EPS) have grown from 13 yen to 2,671 yen over the past 15 years. Due to share buybacks and other initiatives during this period, EPS has achieved a substantial 42% growth. Book value per share (BPS) has also increased by 17%. Dividends have grown 17% as well, from 60 yen to 661 yen. We have also included information on the total amount of share repurchases and dividends payout, which we encourage you to review.

We have also presented employee-related metrics. The number of employees stood at 8,768 15 years ago and exceeded 12,000 at its peak. As of the fiscal year ended March 2025, the number has decreased to 4,861. During this period, revenue per employee has exceeded 140 million yen, and operating profit per employee has surpassed 20 million yen. We aim to continue managing our business in a way that enhances productivity and increases the added value generated by each employee.

P5

Financial performance. Revenue increased by 14% year-on-year to 686.5 billion yen, recurring operating profit rose by 10% to 167.1 billion yen, and operating profit grew by 11% to 105.0 billion yen — all three indicators marking record highs. Income before tax stood at 150.7 billion yen, and it was 154.2 billion yen excluding foreign exchange effects. Net income for the period was 117.5 billion yen. Operating profit, excluding one-time gains and losses, also grew by 11%. In other words, even without gains on sales, our core business achieved a solid 11% growth.

P6

Gains and losses by business segment. In terms of revenue, the electricity and gas segment made a significant contribution, achieving 37% growth year-on-year. High voltage has seen substantial customer acquisitions and is driving overall revenue growth. Recurring operating profit grew by 15% in the electricity and gas segment, and by 21% in the insurance segment. The solutions business, which provides industry-specific systems—centered around EPARK—has also largely recovered from the impact of COVID-19 and has entered a phase of steady growth in recurring operating profit. While the telecommunications and commission-based sales segments are no longer areas of growth, all other business segments have achieved growth in operating profit.

P7

It was a very strong year for sales, with significant growth in the number of contracts acquired in areas such as electricity and gas, telecommunications, beverages, and insurance.

P8

Income before Tax. It grew from 82.1 billion yen five years ago to 150.7 billion yen in the fiscal year ended March 2025. Breaking this down, operating profit increased from 69.2 billion yen to 105.0

billion yen over the same period. Equity-method investment gains rose from 4.8 billion yen to 17.7 billion yen, and their contribution to income before tax growth has become increasingly significant. Dividend and interest income also grew substantially, from 8.1 billion yen five years ago to 39.8 billion yen. In the past week, several of our investee companies have announced their results for the fiscal year ended March 2025. These companies are led by outstanding management teams and have implemented strong shareholder return measures, including share buybacks and dividend increases. We expect dividend income to continue increasing in the fiscal year ending March 2026 as well.

P9

Cash flow. In business cash flow, we generated 105.0 billion yen in operating profit, while changes in receivables and payables resulted in a negative 43.4 billion yen. The increase in accounts receivable is primarily due to strong sales growth in the electricity business, as well as the expansion of receivables in our microfinance business, which is mainly operated overseas. Nevertheless, our core operations have generated nearly 100.0 billion yen in cash flow. In addition, dividend and interest income based on cash flow has grown significantly from 10.6 billion yen five years ago to 44.9 billion yen. In other words, we are generating approximately 100.0 billion yen in cash from our business operations, while also earning around 45.0 billion yen from pure investment activities outside of our core business. We hope you will recognize that both engines are functioning effectively.

P10

Development of equity. It has grown from 393.4 billion yen five years ago to 914.7 billion yen.
We have disclosed details such as net income, gains on the sale of securities, and changes in unrealized gains. Whilst providing shareholder returns every year, we have successfully reached 900.0 billion yen in equity. We hope you will take a moment to review this.

P11

Pure investment performance. The book value of our investments has increased from 357.3 billion yen five years ago to 725.4 billion yen as of the fiscal year ended March 2025. Unrealized gains currently stand at 444.6 billion yen, bringing the total market value of the portfolio to 1.17 trillion yen. We encourage you to review the five-year trend.
Look-through earnings amounted to 107.7 billion yen. In other words, if we incorporate the investees' operating profits based on our ownership stakes, it amounts to 107.7 billion yen attributable to us. EY, which is calculated by dividing this amount by the book value of our investments, was 15.8%.
Our investees are highly profitable, well-managed companies that have delivered strong earnings growth, resulting in an EY performance exceeding 15%. Additionally, influenced by the Tokyo Stock Exchange’s recent initiatives, many of our investees have implemented aggressive shareholder

return measures, leading to a dividend yield approaching 4%. We have included figures for dividend income and gain on sales of securities based on the profit and loss statement. The figures have grown from 18.1 billion yen five years ago to 47.2 billion yen most recently, demonstrating strong results.

P12

Total gains and losses of pure investment. Only investees with an acquisition cost of 500 million yen or more are included. Among the 341 companies, 47 have recorded negative returns, totaling 9.1 billion yen, which is just 1.3% of the total investment gains. Excluding this 1.3%, all other investees have posted positive returns, reflecting a strong investment performance. In other words, our investments have consistently delivered positive returns. Our investee companies have an even stronger financial position than we do, with over 50% cash coverage of the book value. They operate recurring business models and are outstanding companies that generate stable and consistent profits.

P13

As of the end of March, we held equity-method investments in 36 publicly listed companies, an increase of 3 companies compared to the end of December. These are companies in which we hold more than 20% ownership, and they are all highly attractive, well-managed businesses.

P14

Earnings forecast for the fiscal year ending March 2026. We project revenue of 760.0 billion yen, recurring operating profit of 187.0 billion yen, and operating profit of 115.0 billion yen — representing approximately 10% growth compared to the previous fiscal year. Net income is expected to be 100.0 billion yen, based on an assumed exchange rate of 146 yen to the U.S. dollar. While fluctuations in exchange rates may cause volatility in reported figures under accounting standards, our fundamental approach is to hold U.S. dollar-denominated assets over the long term as a means of diversifying risk.

P15

The blue bars on the left illustrate the growth of our recurring operating profit over the past 10 years. It stood at 68.6 billion yen 10 years ago, and we are targeting 187.0 billion yen for the fiscal year ending March 2026. Our business is entirely subscription-based, and in that sense, the key lies in how consistently we can grow this recurring operating profit at a stable rate of return. Without compromising our internally set hurdle rate, we aim to achieve at least 10% organic growth in our core operations. On top of that, we intend to pursue medium- to long-term growth of 15% by adding M&A contributions. Naturally, we have no intention of making overpriced acquisitions. We will continue to pursue acquisitions actively, but only when we find reasonably valued opportunities or willing partners. Therefore, our goal is to maintain a 15% growth trajectory over a 3- to 5-year time frame.

P16

Dividend. In the fourth quarter, we increased the dividend by 10 yen, bringing the total to 177 yen. Excluding a special dividend paid in the fiscal year ended March 2024, the dividend represents a 12% increase compared to the previous year.

P17

Shareholder returns development. In the fiscal year ended March 2025, we conducted a share buyback of 10.0 billion yen, resulting in a total return ratio of 34%. For the fiscal year ending March 2026, we plan to distribute 31.0 billion yen in dividends, with a target total return ratio of 31%.

P18

In summary, our core business recorded an all-time high, surpassing 100.0 billion yen in operating profit. For the fiscal year ending March 2026, we aim to continue achieving 10% growth in our business operations. In our pure investment activities, we intend to maintain an EY of around 15%. Dividend and interest income is also expected to grow significantly.

Regarding shareholder returns, our basic policy is to avoid dividend reductions and to return a stable amount to shareholders in line with the growth of our recurring operating profit. At the same time, we will strive to allocate retained earnings efficiently, with a focus on achieving high returns on capital.

Appendix 1

AI has been a frequent topic of discussion recently, and Hikari Tsushin has also been actively working on AI over the past few years. Currently, around 100 talented university and graduate students with expertise in AI are participating in our internship program. Rather than outsourcing development, we are building AI software in-house with support from external vendors. One example is our AI-based call center software. In the past, multiple sales calls were made daily, but we have developed software that allows AI to fully handle tasks such as scheduling simple appointments, providing mandatory explanations, and delivering product information. Additionally, we are internally developing software that enables AI to analyze a prospective client's business conditions and current management challenges and automatically generate customized sales proposals. Our goal is not only to use these products within our group or through our sales agencies, but also to offer and sell them to external sales companies. As these are subscription-type businesses, we aim to continue developing and expanding a range of AI related subscription-type products—including those not yet listed in the presentation—over the medium to long term.

Appendix 2

P1

An increasing number of our investee companies have recently conducted tender offers. As we often receive questions on this topic, we have included the relevant information here. We hope you will take a moment to review it.

P2

We have listed our acquisitions. Over the past year, we have acquired a variety of companies and businesses, including water dispenser and electricity retail.

P3

We have included our divestitures. In principle, these involve businesses with low asset efficiency, or those with limited growth potential even if they are currently profitable. We manage our operations with constant attention to capital and asset efficiency, regularly evaluating which business within our business portfolio has the lowest efficiency. Based on this assessment, we proceed with divestitures accordingly. Even if a business is considered non-core and inefficient for us, we aim to match it with companies that consider it a core business, creating win-win outcomes. We conducted such divestitures in the fiscal year ended March 2025 and plan to continue doing so in the future.

Appendix P3

Financial discipline. We have presented the five-year trend of our cash holdings, and as of the fiscal year ended March 2025, we hold 596.1 billion yen in cash and cash equivalents and bonds.

Our interest-bearing debt maturing within three years amounts to 410.0 billion yen. This means that even if all business operations were to cease today, we would still have sufficient cash to fully repay all such debt over the next three years. At the same time, we generate approximately 180.0 billion yen in recurring operating profit annually. Therefore, even if we were to halt all customer acquisition activities, we would still be able to earn 180.0 billion yen in operating profit — and in cash flow — per year. This reflects our strong commitment to avoiding any risk that could threaten the continuity of the company. We will continue to manage the business while maintaining sound financial discipline.

That concludes my brief explanation. I would like to open the floor to questions.

■ Q&A Session

(1) Earnings call for Japanese investors

[Question] Regarding the outlook for recurring operating profit on page 15, the long-term growth target has been raised from an annual average of 10% to 15%. Could you explain the background behind this upward revision? Is it because there is already visibility into upcoming deals, or is it more that the organic business growth is proving to be stronger than expected? Alternatively, was it perhaps to avoid causing any misunderstanding among investors? We would appreciate it if you could elaborate on the reasoning behind this change. Also, regarding the 5% contribution from M&A, it seems difficult to achieve that level purely through small deals unless there is a major acquisition. Could you share what kind of image or assumptions you have in mind? For example, is it envisioned as a series of smaller deals accumulating over time, or are there particular segments or business areas you view as especially promising?

[Answer] First and foremost, our baseline target has always been 10% growth in our core business, and this remains consistent with our current earnings forecast — we are pursuing overall recurring operating profit growth of 10%. This has been consistently communicated to our stakeholders.
Our goal now is to raise that growth closer to 15%, building on this organic growth trajectory. While we had previously conveyed this intention verbally, we chose to explicitly state the 15% growth target in the materials this time as a way to hold ourselves more accountable. There is no particular new development or special intent behind this decision — it is simply a formal declaration of our ambition to achieve 15% growth.
As for M&A, we want to clarify that this outlook is not based on the existence of any specific deal or acquisition opportunity that would bring us to 480.0 billion yen in recurring operating profit over the next 10 years. Rather, we continuously monitor potential acquisition targets across all of our business areas — including telecommunications, water dispensers, electricity and gas, and software. As mentioned earlier, we only proceed with acquisitions when we can buy at attractive valuations. We have no intention of overpaying. We do not set annual acquisition targets; instead, we acquire only when the opportunity is right. Setting fixed acquisition budgets or targets could introduce bias and pressure us toward overpaying — something we are committed to avoiding. Therefore, the 15% growth target should be understood as a medium- to long-term ambition, over a 5- to 10-year horizon, with M&A acting as an additive growth driver when conditions are favorable.

[Question] You also make purchases of listed equities as part of your pure investment activities — if these holdings were to be consolidated, would they essentially be treated like M&A? Or are business investments and pure investments fundamentally separate in your view?

[Answer] From an accounting perspective, if our ownership exceeds 50%, the investment would be subject to consolidation, and in some cases, this might be referred to as an M&A — though not always. Our investment team makes decisions purely based on valuation; we invest because we believe the shares are undervalued, not because we intend to acquire or increase control of the company. Therefore, we do not raise our ownership stake with the aim of buying the company. However, if the stock remains undervalued over time, our ownership ratio may naturally increase and could eventually exceed 50%.

[Question] In your previous earnings presentation, you included a slide estimating your intrinsic value on a per-share basis. However, this time that slide was not included, and there was also no share buyback. I imagine there were various opinions about that particular chart, but from my perspective, it gave investors confidence — it reflected that the company itself had a strong sense of its own value. If there is any reason beyond technical considerations for not including that slide this time, I would appreciate it if you could share it. Additionally, how does the company currently view its own intrinsic value?

[Answer] As management, we believe our current stock price is still undervalued. However, given that the share price has nearly doubled compared to a few years ago and has recently surpassed the 40,000 yen mark, we don't necessarily view it as extremely undervalued at this point.
In the past, when we felt our stock was significantly undervalued, I made strong statements communicating that this is roughly what our intrinsic value per share should be. That messaging sparked a range of opinions, both supportive and critical.
Compared to that time, we still believe the stock is attractively priced, but not to the extent that we feel compelled to present detailed valuation formulas to investors again.
As for why we have not included related materials or executed share buybacks this time, it is because we believe there are still many investment opportunities in the market that are more undervalued than our own shares.
Given the current environment, we have determined that allocating capital to attractive external investments, rather than repurchasing our own stock, would allow us to achieve higher capital efficiency.

[Question] If, in the future, the market were to significantly undervalue your company's stock, would it be reasonable to expect that you would once again make a strong statement declaring that the stock is undervalued?

[Answer] Absolutely.

[Question] Regarding customer acquisition costs in the previous fiscal year, segments such as electricity and gas, beverage, and insurance saw only single-digit increases. In contrast, the telecommunications, finance, and solutions segments experienced significant growth in customer acquisition costs. Could you please explain the situation behind these customer acquisition costs in the previous fiscal year and share your outlook for the current fiscal year?

[Answer] In the electricity and gas segment, customer acquisition costs have increased only slightly, while recurring operating profit has continued to grow — indicating a significant improvement in cost efficiency. As noted on page 7, the number of electricity contracts acquired has been steadily increasing. However, since the total customer acquisition cost has not risen substantially, the cost per customer acquisition has decreased, allowing us to acquire customers very efficiently.
The same applies to the beverage segment. We have successfully reduced the cost per customer acquisition, and Premium Water Holdings, Inc. has been making progress in developing more efficient acquisition channels.
On the other hand, in the telecommunications segment, it has become difficult to increase acquisition volumes without investing more in customer acquisition costs. As a result, despite a decline in returns, customer acquisition costs have been trending upward.

[Question] The growth of your overseas finance business is particularly remarkable. Could you share the reasons behind your success in countries such as Malaysia and Cambodia? Specifically, we would like to understand how the business has continued to grow despite fluctuations in the macroeconomic environment, as well as any historical context and your outlook for the future.

[Answer] There are three key factors behind the strong performance of our microfinance business.
The first is that we have established clear credit screening criteria and have remained strictly committed to them without any relaxation. In the finance business, it is possible to increase customer acquisition by loosening credit standards, but we have consistently maintained rigorous guidelines.
The second factor is our expertise in post-lending collection. Our organization possesses highly effective know-how in collection.
The third is the close communication and strong trust we have built with local employees and sales agents. While our methods may be analog in nature, we ensure that we communicate thoroughly with each and every partner company as we conduct our business.
These efforts — leveraging our analog strengths — have been a major driver of our success in microfinance operations overseas.

[Question] How long did it take to build such a structure? I assume it would be difficult to establish in a short period of time. If it was developed over many years, that in itself would represent a high barrier to entry — something that others would find hard to replicate. Roughly speaking, how many years did it take to build this framework?

[Answer] It has taken approximately 14 years to build this framework in Cambodia, and about 8 years in Malaysia.

I have personally visited these locations, and I can say that the culture we have developed over more than a decade is deeply embedded. The adherence to credit standards and the integrity of the collection process are truly outstanding — these are not things that can be created overnight.

[Question] You mentioned that the sales efficiency in the electricity and gas segments has further improved, although it was already being managed quite efficiently in the past. What discoveries or factors have driven this additional improvement? Also, is it your assumption that this level of efficiency can be maintained throughout the current fiscal year as well?

[Answer] Our frontline staff are exceptionally capable, and the improvements are the result of their continuous efforts and daily trial and error. We believe there is potential for even further efficiency gains going forward. They are also taking on challenges with new products and sales channels, and I personally have high expectations for the teams on the ground, who consistently come up with impressive ideas — sometimes to the point where I find myself thinking, "Can they really pull that off?"

[Question] Is the increase in customer acquisition costs in the telecommunications segment based on expectations for future potential? Could you explain the background behind this increased spending and the returns you are anticipating?

[Answer] Originally, the telecommunications business offered very high returns and was extremely efficient in terms of customer acquisition. However, customer acquisition costs have been rising in recent years.
At present, the decline in recurring operating profit has leveled off, and we are now in a phase of recovery and positive momentum. That said, we are not pursuing an aggressive strategy to significantly increase spending in order to drive further growth. Our approach is to aim for sustainable growth by carefully balancing acquisition costs and returns, without overextending ourselves.

[Question] It has been six years since Mr. Wada took office as CEO, and we hope that under your leadership, recurring operating profit will continue to grow — eventually exceeding 480.0 billion yen in the future. The share price has risen significantly since he took office, and we are confident that the company will continue to grow moving forward.
If things continue on the current trajectory, do you intend to stay on and oversee this long-term growth during your tenure? As investors, what kind of mindset or expectations should we have looking ahead?

[Answer] My term as CEO is renewed on a yearly basis, and if I were to produce no results in a given year, I believe I would step down. If an exceptional next-generation leader were truly ready

to take over, I would have no hesitation in handing over the role—even as soon as tomorrow. Therefore, I have no predetermined commitment like "I'll stay for another 10 years" or "X more years." I do feel a desire to pass the baton to a younger generation as early as possible. On the other hand, there are also inspiring examples—like Mr. Charlie Munger of Berkshire Hathaway, who remained active until the age of 99.
So, as long as I believe that Hikari Tsushin can deliver the best possible performance with me as its CEO, I intend to continue. Ultimately, though, that decision rests with our shareholders. At the very least, as long as we are able to maintain 10–15% growth as we are now, I do hope you won't dismiss me just yet (laugh).
If, by any chance, things stop going well, I believe the best course of action would be to hand the reins over to someone more suitable at that time.

[Question] You mentioned that you are achieving results by leveraging AI. If there were a company with advanced AI technology — and that technology had the potential to significantly reduce costs or improve investment decisions across your consolidated group — would acquiring such a company be a viable option, even at a high valuation?
As a value-oriented investor, would your company consider making investments not strictly based on return, if there is strong synergy potential? Or, from a strategic standpoint, should we understand that your approach to entering the AI domain will continue to be guided primarily by return on investment? We would appreciate your perspective on how we should interpret your stance on this.

[Answer] Our fundamental stance remains unchanged: we do not intend to invest in high-valuation companies — whether they are AI-related or from other sectors — even going forward. We have no intention of allocating capital to vague possibilities such as "buying time" or "potential synergies."
After about one to two years of discussions with various AI vendors, we ultimately concluded that "it's faster to build it ourselves." In practice, outsourcing AI development often incurs high costs, and once you start using an external service, all the data tends to be stored on the vendor's servers, making it difficult to terminate the contract. For these reasons, we have determined that it's better to be on the "provider" side rather than the "user" side. As such, our AI development is primarily being carried out in-house.

That concludes today's earnings call. Thank you very much.

(2) Earnings call for overseas investors

[Question] Could you please provide more details about the telecommunications business? Why have customer acquisition costs increased? Have you seen a rise in churn rate? Has the acquisition cost per user increased?

[Answer] Historically, we were able to acquire many customers at very low costs in the telecommunications business. However, rising advertising expenses have made the environment more challenging. As a result, we have slightly increased CAC, which has lowered our returns slightly. That said, we are still acquiring customers. There has been no notable increase in churn, and our telecommunications business is just beginning to generate a small positive recurring operating profit. Going forward, we do not plan to significantly expand this segment.

[Question] Could you comment on your investment in Customer Acquisition in the Electricity, Finance and Telecommunications businesses?

[Answer] In the electricity business, the number of contracts is increasing while the costs remain flat, indicating we have established an efficient distribution network. We plan to continue reducing CAC per contract. The telecommunications trends were discussed earlier. In the finance business, our overseas operations are growing, and we will continue to expand steadily while monitoring returns.

[Question] Could you discuss the outlook for the telecommunication business?

[Answer] Recurring operating profit from telecommunications has stabilized. While we do not expect sharp growth, we aim for gradual expansion.

[Question] Business cash flow decreased materially this year. Could you please elaborate on the increase in operating and financial receivables led by the growth of existing customers?

[Answer] The main reason is the increase in accounts receivable from the electricity business. A slight increase in loan receivables from the finance business also contributed.

[Question] Do you see a decline in LTV/CAC for the telecommunication business?

[Answer] LTV has remained unchanged, but acquisition cost per customer has increased.

[Question] Could you please talk about your investments last year? It appears that investments stepped up significantly, even as realized investment declined.

[Answer] Our policy remains unchanged. We invest when we find undervalued opportunities. We sell when the timing and price are right, without targeting specific gain amounts. As a result, there is variation.

[Question] CAC is expected to grow by 16% YoY to 72 billion yen. Could you talk about which areas you will be investing in? Could you comment on trends in CAC for the main businesses – the electricity & gas, telecommunications and beverage?

[Answer] CAC is increasing by approximately 10% across the board. We continue to allocate cash to businesses with higher returns rather than concentrating on specific segments.
In the electricity business, the cost per acquisition is declining, so while total acquisition costs only rose about 10%, the resulting cash flow is expected to increase further.

[Question] Could you quantify the benefit from AI in yen terms? How much could you save? Would this reduce your CAC or increase the number of customers acquired?

[Answer] The use of our AI call system by sales agencies is improving their productivity, which we believe will ultimately lead to reduced commission payments.
As the system was only recently implemented, we are not yet able to present concrete figures. However, we expect it to generate a significant impact over the next two years.

[Question] While AI might help you save cost, do you feel it lowers the entry barrier of your business? It might arguably become cheaper for competitors to replicate your business model.

[Answer] Any company using AI call systems will likely improve acquisition efficiency, so we do not believe it will put us at a disadvantage. On the contrary, sales companies that fail to adopt AI will likely be eliminated. Among companies using AI, there may be little differences as you pointed out.

[Question] Do you feel investment opportunities are drying up in the market? Do this mean your targets will become smaller?

[Answer] We do feel a slight decrease, but there are still many undervalued stocks in Japan.

[Question] How do you think about rising inflation and interest rates as they relate to your liabilities and refinancing plans?

[Answer] As interest rates are rising, we do not expect our funding and liabilities to increase at the same pace as before.

[Question] Why has unrealized gain declined?

[Answer] Stock prices declined as of March 2025, resulting in a reduction in unrealized gains.

[Question] Could you please elaborate on the lower net income in the earnings guidance for the fiscal year ending March 2026?

[Answer] The main reasons are a decrease in equity-method investment gains and foreign exchange losses.

[Question] In the fiscal year ended March 2025, operating profit was 105 billion yen and pre-tax profit was 150.7 billion yen. Why is pre-tax profit expected to decline to 147.2 billion yen in the fiscal year ending March 2026 despite a higher operating profit of 115 billion yen?

[Answer] As mentioned earlier, the main reasons are lower equity-method investment gains and foreign exchange losses. Although many of our portfolio companies recently announced dividend increases, we have not factored the expected rise in dividend income into the fiscal year ending March 2026 forecast.

[Question] What are CEO Wada's key interests and main concerns?

[Answer] My greatest interest is in M&A. I am always considering how to acquire companies at attractive valuations, even in my dreams. One of my key concerns is how to avoid ransomware attacks. We are putting significant effort into system decentralization to mitigate such risks.

[Question] How does Warren Buffet stepping down impact your Berkshire Holding?

[Answer] There is no change currently. We believe Charlie Munger's spirit still lives on within Berkshire Hathaway.

This concludes our earnings call. Thank you very much for your attendance today.