

Note: These financial statements are unaudited and provided for reference only. This English translation has been prepared from the Japanese original.

In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2024 (Unaudited)

HIKARI TSUSHIN, INC.

Consolidated financial statements

1) Consolidated statement of financial position

(Million yen)

	Notes	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Assets			
Current assets			
Cash and cash equivalents	6	389,366	494,850
Trade and other receivables	7, 21, 22	285,435	274,622
Reinsurance contract asset	23	2,679	2,063
Inventories	9	2,927	2,290
Other financial assets	8, 21, 22	20,207	52,201
Other current assets	10	26,793	8,777
Subtotal		727,409	834,805
Assets held for sale	11	430	6,004
Total current assets		727,839	840,810
Non-current assets			
Property, plant and equipment	12	28,303	32,943
Right-of-use assets	14	9,207	7,047
Goodwill	13	19,357	17,510
Intangible assets	13	6,694	5,821
Investments accounted for using equity method	16	181,751	199,030
Other financial assets	8, 21, 22	663,937	923,330
Deferred tax assets	17	14,964	7,546
Contract costs	28	37,059	41,453
Insurance contract asset	23	2,719	3,373
Other non-current assets		112	88
Total non-current assets		964,109	1,238,146
Total assets		1,691,949	2,078,956

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

(Million yen)

	Notes	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19, 21	218,555	235,119
Insurance contract liabilities	23	5,267	5,714
Interest-bearing liabilities	18, 21, 22	143,411	156,386
Income taxes payable	17	12,725	26,554
Other financial liabilities	21	12,271	244
Other current liabilities	20	26,190	13,671
Subtotal		418,422	437,690
Liabilities directly associated with assets held for sale	11	-	1,505
Total current liabilities		418,422	439,195
Non-current liabilities			
Interest-bearing liabilities	18, 21, 22	578,364	666,107
Provisions		587	365
Other non-current liabilities		19,762	22,167
Deferred tax liabilities	17	76,501	131,870
Total non-current liabilities		675,215	820,511
Total liabilities		1,093,637	1,259,707
Equity			
Share capital	25	54,259	54,259
Capital surplus	25	777	-
Retained earnings	25	520,879	748,760
Treasury shares	25	(5,792)	(18,365)
Accumulated other comprehensive income	25	886	5,823
Total equity attributable to owners of parent		571,009	790,478
Non-controlling interests		27,302	28,771
Total equity		598,311	819,249
Total liabilities and equity		1,691,949	2,078,956

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

2) Consolidated statement of profit or loss

(Million yen)

	Notes	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Revenue	24, 28	643,984	601,948
Cost of sales	29	346,651	286,778
Gross profit		297,333	315,170
Gain relating to loss of control over subsidiaries	15	18,131	2,056
Other income	30	5,770	1,174
Selling, general and administrative expenses	29	228,648	219,753
Other expenses	30	5,970	4,101
Operating profit		86,615	94,546
Finance income	31	24,847	61,529
Finance costs	31	10,574	14,778
Share of profit (loss) of investments accounted for using equity method	16	16,322	20,855
Other non-operating income and expenses	32	1,267	5,847
Profit before tax		118,479	168,000
Income tax expense	17	23,482	44,255
Profit		94,997	123,745
Profit attributable to			
Owners of parent		91,345	122,225
Non-controlling interests		3,651	1,519
Profit		94,997	123,745
Earnings per share	34		
Basic earnings per share (Yen)		2,037.65	2,753.52
Diluted earnings per share (Yen)		2,032.98	2,747.44

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

3) Consolidated statement of comprehensive income

(Million yen)

	Notes	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Profit		94,997	123,745
Other comprehensive income	33		
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		41,768	137,640
Share of other comprehensive income of investments accounted for using equity method		490	1,200
Total		42,259	138,840
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		983	4,053
Share of other comprehensive income of investments accounted for using equity method		(160)	826
Total		823	4,879
Other comprehensive income, net of tax		43,082	143,719
Total comprehensive income		138,079	267,464
Comprehensive income attributable to			
Owners of parent		134,097	265,873
Non-controlling interests		3,982	1,590
Total comprehensive income		138,079	267,464

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

4) Consolidated statement of changes in equity

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	Total		
Balance at beginning of period		54,259	1,609	419,109	(6,508)	206	468,677	30,699	499,377
Comprehensive income									
Profit		-	-	91,345	-	-	91,345	3,651	94,997
Other comprehensive income	33	-	-	-	-	42,751	42,751	331	43,082
Total comprehensive income		-	-	91,345	-	42,751	134,097	3,982	138,079
Transactions with owners									
Dividends of surplus	26	-	-	(23,838)	-	-	(23,838)	(1,118)	(24,956)
Change in scope of consolidation		-	-	-	-	-	-	(4,310)	(4,310)
Changes in ownership interest in subsidiaries	15, 25	-	(926)	-	-	-	(926)	(2,040)	(2,966)
Purchase and disposal of treasury shares	25	-	-	-	(7,094)	-	(7,094)	-	(7,094)
Cancellation of treasury shares	25	-	-	(7,809)	7,809	-	-	-	-
Share-based payment transactions	27	-	94	-	-	-	94	88	182
Transfer from other components of equity to retained earnings		-	-	42,071	-	(42,071)	-	-	-
Total transactions with owners		-	(832)	10,423	715	(42,071)	(31,765)	(7,380)	(39,145)
Balance at end of period		54,259	777	520,879	(5,792)	886	571,009	27,302	598,311

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	Total		
Balance at beginning of period		54,259	777	520,879	(5,792)	886	571,009	27,302	598,311
Comprehensive income									
Profit		-	-	122,225	-	-	122,225	1,519	123,745
Other comprehensive income	33	-	-	-	-	143,648	143,648	71	143,719
Total comprehensive income		-	-	122,225	-	143,648	265,873	1,590	267,464
Transactions with owners									
Dividends of surplus	26	-	-	(25,600)	-	-	(25,600)	(1,355)	(26,956)
Change in scope of consolidation		-	-	-	-	-	-	(146)	(146)
Changes in ownership interest in subsidiaries	15, 25	-	(8,226)	-	-	-	(8,226)	1,393	(6,833)
Purchase and disposal of treasury shares	25	-	15	-	(12,623)	-	(12,607)	-	(12,607)
Share-based payment transactions	27	-	(20)	-	50	-	30	(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)	(46,404)	(121)	(46,526)
Balance at end of period		54,259	-	748,760	(18,365)	5,823	790,478	28,771	819,249

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

5) Consolidated statement of cash flows

(Million yen)

	Notes	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities			
Profit before tax		118,479	168,000
Depreciation and amortization		16,253	14,556
Gain relating to loss of control over subsidiaries	15	(18,131)	(2,056)
Finance income		(24,847)	(61,529)
Finance costs		10,574	14,778
Share of loss (profit) of investments accounted for using equity method	16	(16,322)	(20,855)
Decrease (increase) in contract costs		634	(4,543)
Decrease (increase) in trade and other receivables		(36,480)	15,980
Increase (decrease) in trade and other payables		19,437	15,049
Decrease (increase) in inventories		(1,090)	(53)
Other		1,296	(6,919)
Subtotal		69,804	132,406
Interest received		2,553	9,974
Dividends received		18,377	23,925
Interest paid		(7,705)	(9,619)
Income taxes refund (paid)		(28,224)	(26,485)
Net cash provided by (used in) operating activities		54,804	130,200
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets	12, 13	(18,347)	(18,283)
Proceeds from sale of property, plant and equipment, and intangible assets	12, 13	68	37
Purchase of investment securities		(139,629)	(220,290)
Proceeds from sales and redemption of investment securities		52,084	138,551
Proceeds from obtaining control of subsidiaries	35	(2,054)	(504)
Proceeds from loss of control of subsidiaries	15, 35	27,154	5,300
Payments for loans receivable		(934)	(1,073)
Collection of loans receivable		1,810	1,212
Other		499	332
Net cash provided by (used in) investing activities		(79,349)	(94,718)
Cash flows from financing activities			
Proceeds from short-term interest-bearing debt	18, 35	15,160	36,895
Proceeds from long-term interest-bearing debt	18, 35	130,836	137,540
Repayment of long-term interest-bearing debt	18, 35	(43,770)	(71,722)
Capital contribution from non-controlling interests	15, 25	199	932
Purchase of treasury shares		(7,094)	(13,003)
Dividends paid	26	(23,769)	(25,958)
Dividends paid to non-controlling interests		(1,215)	(1,353)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(2,726)	(12,746)
Other		1,597	4,738
Net cash provided by (used in) financing activities		69,217	55,322
Effect of exchange rate changes on cash and cash equivalents		6,444	18,336
Net increase (decrease) in cash and cash equivalents		51,117	109,141
Decrease in cash and cash equivalents resulting from transfer to assets held for sale		-	(3,657)
Cash and cash equivalents at beginning of period	6	338,249	389,366
Cash and cash equivalents at end of period	6	389,366	494,850

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

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 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 of Accounting

The consolidated financial statements of the Group are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(2) Basis for measurement

As described in “Note 3. Material accounting policy information,” 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.

(3) 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.

(4) Changes in accounting policies

The accounting policies applied by the Group in the consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year, except as follows.

The Group has applied the following standards from the fiscal year ended March 31, 2024.

Standard	Standard name	Overview of new clauses and revisions
IAS 12	<i>Income Taxes</i>	Clarification of accounting treatment for deferred taxes related to leases and decommissioning obligations

The amendment of IAS 12 “Income Taxes”

The Group has adopted IAS 12 “Income Taxes” (as amended in May 2021) from the fiscal year ended March 31, 2024. Under the amendment, when a transaction gives rise to equal taxable temporary differences and deductible temporary differences, an entity is now required to recognize the deferred tax liabilities and deferred tax assets arising from the transaction. As a result, deferred tax assets and deferred tax liabilities will increase. However, because there is a legally enforceable right to offset current tax assets and liabilities, and because the income tax is imposed by the same tax authority on the same taxpayer, the deferred tax assets and deferred tax liabilities increased due to this amendment are offset in the presentation of the consolidated financial statements. Therefore, the impact of this amendment on the consolidated financial statements is immaterial.

(5) 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, but as of March 31, 2024, the application of these standards is not compulsory, and the Group has not applied them early.

The impact of the application on the Group is currently under review.

Standard	Standard name	Time of compulsory application (Fiscal years starting after)	Time of application by the Group	Overview of new clauses and revisions
IAS 1	Presentation of Financial Statements	January 1, 2024	Fiscal year ending March 31, 2025	Clarification of requirements for classification of liabilities as current or non-current and amendments to require disclosure of information on long-term debt with covenants
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	January 1, 2024	Fiscal year ending March 31, 2025	Amendments to require disclosures to enhance transparency in supplier finance agreements
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	New standard to replace IAS 1, the current accounting standard for presentation and disclosure in financial statements

3. Material accounting policy information

The following accounting policies apply to all periods presented in the accompanying consolidated financial statements.

(1) Basis for consolidation

a. Subsidiaries

Subsidiaries are entities controlled by the Company.

Control refers to cases when the Company holds all of the following: power over an investee, exposure or rights to variable returns arising from its involvement with the investee, and the ability to affect these returns through its power over the investee.

Subsidiaries are consolidated from the date of the acquisition of control until the date on which the Company loses control.

If the accounting policies adopted by subsidiaries differ from the accounting policies of the Group, the financial statements of these subsidiaries are adjusted as necessary.

Non-controlling interests comprise the amount of interests held as of the initial date of the acquisition of control and any fluctuations in the non-controlling interests from the date of the acquisition of control.

In principle, the comprehensive income of subsidiaries is distributed between equity attributable to owners of the parent and non-controlling interests, even when this results in a negative amount for non-controlling interests.

Intra-Group receivables and payables, transactions, and unrealized gains and losses arising from intra-Group transactions are eliminated when preparing consolidated financial statements.

Changes in interests in subsidiaries that are not accompanied by a loss of control are accounted for as capital transactions. The carrying amounts of the Group's equity interests and non-controlling interests are adjusted to reflect changes in the Company's interests in subsidiaries.

Any difference between the adjusted value of non-controlling interests and the fair value of consideration paid or received is directly recognized in equity and is attributable to the owners of the parent.

If the Company loses control of a subsidiary, any related gains or losses are calculated as the difference between the following:

- The total of the fair value of any consideration received and the fair value of any remaining interests;
- The (net) carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary when control is lost.

For subsidiaries, any amounts previously recognized in accumulated other comprehensive income are reclassified as profit or loss.

b. Associates

Associates are entities for which the Company has the ability to exercise significant influence over their financial and management policies but which are not controlled or jointly controlled by the Company.

Investments in associates are initially recognized at cost, and the equity method is subsequently used to recognize the Group's share of profit or loss and other comprehensive income from the date the Company acquires significant influence until the date when the Company loses significant influence and adjusts the investment amount.

When accounting for step acquisitions in which the Company will acquire significant influence, any interests already held by the Company is remeasured at fair value, and any difference between this amount and the carrying amount of the investment is recognized as profit or loss.

If the losses of an associate exceed the Group's investment interest in that company, the Group effectively reduces any long-term investments comprising part of its net investment in that company to zero and does not recognize any additional losses, except in cases where the Group bears legal obligations or constructive obligations to that company, or will make payments on its behalf.

Unrealized profit or loss arising from transactions with an associate is added to, or deducted from, the Group's investment, up to a maximum of the Group's equity interest.

Any cost of investment in an associate that exceeds the net fair value of the Group's share of identifiable assets and liabilities recognized on the acquisition date is recognized as goodwill and included in the carrying amount of the Group's investment in the associate.

As this goodwill is not recognized separately, discrete impairment testing for goodwill is not performed. Instead, an

impairment test is performed on the total amount of investments in associates as a single asset, if there is objective evidence indicating that the investment may be impaired.

(2) Business combinations

Business combinations are accounted for using the acquisition method on the date of the acquisition of control.

The consideration delivered at the time of the business combination is measured as the total fair value of the assets transferred by the Group, the liabilities of the former owner of the acquiree assumed by the Group, and any equity instruments issued by the Group on the date of the acquisition of control. Acquisition-related expenses are recognized as profit or loss when they occur.

Any identifiable assets acquired or liabilities assumed on the date of the acquisition of control are recognized at their fair value on the date of the acquisition of control, with the exception of the following:

- Deferred tax assets, deferred tax liabilities, and assets or liabilities pertaining to employee benefits are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.
- The acquiree's share-based payment arrangements, or any liabilities or equity instruments issued in order to facilitate the replacement of the acquiree's share-based payment arrangements with the Group's systems, are measured in accordance with IFRS 2 *Share-based Payment* on the date of the acquisition of control.
- Any assets classified as held for sale or disposal groups are measured in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Goodwill is measured as the excess amount if the sum of the transferred consideration and the amount of non-controlling interests in the acquiree exceeds the net value of identifiable assets and liabilities on the date of the acquisition of control. If the difference is a negative amount, it is immediately recognized as profit or loss.

The Group measures non-controlling interests as the non-controlling interests' proportion of identifiable net assets recognized by the Group. In the case of business combinations achieved in stages, any equity in the acquiree already held by the Group is remeasured at fair value on the date of the acquisition of control, and any gains or losses arising as a result are recognized as profit or loss.

If the initial accounting treatment of the business combination is not completed by the end of the fiscal year, the Group reports a provisional amount for incomplete items. Subsequently, if information is newly obtained regarding facts or circumstances that existed on the date of the acquisition of control and it is judged that these facts or circumstances would have affected the amount recognized in the treatment of the business combination had they been known as of the date of the acquisition of control, the provisional amounts recognized on the date of the acquisition of control are retrospectively adjusted over the measurement period. The measurement period is up to one year from the date of the acquisition of control.

The amount of any other comprehensive income related to changes in the value of equity in the acquiree recorded prior to the date of the acquisition of control is recognized as profit or loss.

Goodwill that occurred in relation to business combinations prior to the transition to IFRS has been maintained at the amount recognized under the previous accounting standards (J-GAAP) as of the date of transition to IFRS and recorded at its carrying amount after testing for impairment.

Business combinations under common control refers to business combinations in which all entities and businesses involved in the business combination are ultimately controlled by the same entity before and after the business combination, and that control is not transitory. The Group continuously accounts for all transactions pertaining to business combinations under common control based on their carrying amounts.

(3) Financial instruments

1) Financial assets

a. Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss or other comprehensive income and financial assets measured at amortized cost.

The Group recognizes financial instruments on the trade date that it becomes a party to the contract related to the financial assets.

Financial assets (excluding trade receivables do not contain a significant financing component) are initially measured at fair value, and for items other than those measured at fair value through profit or loss, transaction expenses directly attributable to the acquisition are added to fair value.

Financial assets that fulfill the following criteria are classified as financial assets measured at amortized cost.

- The asset is held based on a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are not financial assets measured at amortized cost are classified as financial assets measured at fair value.

Each equity instrument measured at fair value is irrevocably designated as a financial asset measured at fair value through other comprehensive income at initial recognition.

b. Subsequent measurement

After initial recognition, financial assets are measured as follows, in accordance with their classification.

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

Furthermore, interest income, foreign exchange gains or losses, impairments, and gains or losses from derecognition are recognized as profit or loss.

(ii) Financial assets measured at fair value

Fluctuations in the fair value of financial assets measured at fair value are recognized as profit or loss.

Changes in fair value (net gains and losses) include interest income and dividend income.

Provided, however, that fluctuations in the fair value of equity instruments that are designated as measured at fair value through other comprehensive income are recognized as other comprehensive income, and the cumulative amount thereof is immediately reclassified as retained earnings after recognition as accumulated other comprehensive income. Furthermore, dividends from these financial assets are recognized as profit or loss as a component of finance income.

c. Derecognition of financial assets

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial asset expire, or the Group transfers substantially all the risks and rewards of ownership of the financial asset. If the Group retains control over the transferred financial asset, it will recognize a liability associated with the asset to the extent of its continuing involvement.

Furthermore, financial assets will not be derecognized if, despite transferring a financial asset recognized on the statement of financial position, the Group enters into a transaction to maintain all or substantially all the risks and rewards of the transferred asset or a part of the transferred asset.

d. Impairment of financial assets

The Group recognizes a provision for doubtful accounts with regard to expected credit losses on financial assets measured at amortized cost.

At the end of each fiscal year, the Group assesses whether credit risk has increased significantly from the time of initial recognition for each financial asset and recognizes provisions for doubtful accounts for expected credit losses over 12 months if credit risk has not increased significantly from the time of initial recognition. On the other hand, if credit risk has increased

significantly from the time of initial recognition, the Group recognizes an amount equivalent to the lifetime expected credit losses as a provision for doubtful accounts.

If contractual payments are more than 30 days past due, credit risk is deemed to have increased significantly, in principle, but when assessing whether credit risk has increased significantly, the Group also considers other reasonably available and supportable information in addition to past due information.

Furthermore, if the credit risk of a financial asset is determined to be low at the end of the fiscal year, the Group assumes that the credit risk on the financial asset has not increased significantly since initial recognition.

Provided, however, that a provision for doubtful accounts at an amount equivalent to the lifetime expected credit losses is always recognized for trade receivables that do not contain a significant financing component, regardless of whether or not credit risk has increased significantly since initial recognition.

Expected credit losses are measured at the present value of the difference between all contractual cash flows to be paid to the Group under the contract and all cash flows that the Group expects to receive.

The Group estimates expected credit losses on financial assets in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

If expected credit losses will be affected by significant changes in economic conditions or other factors, the Group will make the necessary adjustments to the expected credit losses measured as described above.

If the Group is not able to recover a financial asset in its entirety or a portion thereof, such as cases when it is past due by 90 days or more, or it judges that recovery will be extremely difficult, the financial asset is viewed as being in default. If the Group has evidence that the credit risk of a financial asset is impaired, it measures interest income as the gross carrying amount of the financial asset minus any provision for doubtful accounts, multiplied by the effective interest rate.

If the Group holds no reasonable expectation of recovery of a financial asset in its entirety or a portion thereof, it directly reduces the gross carrying amount of the financial asset.

The amount of any provisions for doubtful accounts related to financial assets is recognized as profit or loss. If any event occurs that decreases the provision for doubtful accounts, the amount of the reversal of the provision for doubtful accounts is recognized as profit or loss.

2) Financial liabilities

a. Initial recognition and measurement

The Group classifies financial liabilities into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. These classifications are determined at the time of initial recognition. Financial liabilities are classified as measured at fair value through profit or loss if they are classified as held for trading, derivatives, or designated as financial liabilities measured at fair value through profit or loss at the time of initial recognition.

Debt securities issued by the Group are initially recognized on the date of issuance. In addition, all financial liabilities other than such debt securities are initially recognized on the trade date that the Group becomes a party to the contract for the financial instruments.

Financial liabilities are initially measured at fair value, and for items other than those measured at fair value through profit or loss, transaction expenses directly attributable to the issuance are deducted from fair value.

b. Subsequent measurement

After initial recognition, financial liabilities are measured as follows, in accordance with their classification.

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

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading, and are measured at fair value after initial recognition, with any fluctuations in fair value recognized as profit or loss for the period.

(ii) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition.

Amortization using the effective interest method and any gains or losses occurring because of derecognition are recognized as profit or loss as a component of finance costs.

c. Derecognition of financial liabilities

If a financial liability is extinguished, i.e., if the obligation specified in the contract is discharged or cancelled or expires, the Group derecognizes the financial liability.

3) Derivatives

Derivatives are initially recognized at fair value on the day the derivative contract is entered into and remeasured at fair value on the final day of each fiscal year after initial recognition.

Furthermore, the Group does not have any derivatives to which hedge accounting is applied.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that may be withdrawn at any time, and short-term investments due no later than three months from the acquisition date, that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(5) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories mainly consist of products, and in addition to costs of purchase, costs include all other costs incurred in bringing the inventories to their present location and condition. Costs are mainly calculated using the average cost method.

Net realizable value is calculated by subtracting the estimated expenses necessary to make the sale from the estimated selling price in the ordinary course of business.

(6) Assets held for sale

The Group classifies assets as non-current assets held for sale and the disposal group if the carrying amount of the asset or asset group is expected to be recovered through sale rather than continuing use, the probability that they will be sold within one year or less is extremely high, they may be sold immediately in their current state, and the Group's managers have committed to implementing a plan to sell them. Such non-current assets are not depreciated or amortized and are measured at the carrying amount or fair value less selling expenses, whichever is lower.

(7) Property, plant and equipment (including right-of-use assets and excluding lease assets)

The cost model is used for the measurement of property, plant and equipment, and it is thus measured at cost less any accumulated depreciation and any accumulated impairment losses. Costs include expenses directly connected to the acquisition of the asset and the initial estimate of expenses associated with dismantling and removing the item and restoring the site on which it is located.

Depreciation charges are mainly calculated using the straight-line method, over the estimated useful life of each element of the depreciable value. The depreciable amount is calculated by subtracting the residual value from the cost of the asset. Land and construction in progress are not depreciated.

The estimated useful lives of the major items of property, plant and equipment are as follows:

Buildings and structures

2 to 50 years

Machinery and vehicles

2 to 17 years

Tools, furniture and fixtures

2 to 20 years

Rental assets are depreciated using the straight-line method, over the reasonable depreciation periods that take into account

economic and functional realities.

The Group reviews the depreciation methods, useful lives, and residual values of its assets at the end of each fiscal year, and any changes are applied as changes in accounting estimates on a prospective basis.

(8) Goodwill

The measurement of goodwill at the time of initial recognition is described in “Note 3. Material accounting policy information (2) Business combinations.” Goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortized, but impairment tests are performed whenever there is an indication of impairment in cash-generating units or groups of cash-generating units to which goodwill is allocated, and at the same time each fiscal year, irrespective of whether there is any indication of impairment. Information regarding impairment is provided in “Note 3. Material accounting policy information (11) Impairment of non-financial assets.”

Furthermore, the Group’s accounting policies regarding goodwill occurring as a result of the acquisition of associates are described in “Note 3. Material accounting policy information (1) Basis for consolidation.”

(9) Intangible assets (including right-of-use assets)

The cost model is used for the measurement of intangible assets, and it is thus measured at cost less any accumulated amortization and any accumulated impairment losses. Expenditures related to internally generated intangible assets are treated as an expense when they occur, excluding those that fulfill the criteria for recognition as an asset. For internally generated intangible assets that fulfill the criteria for recognition as an asset, the total expenditure occurring on or after the date the asset initially fulfills the criteria for recognition is treated as the cost.

Amortization charges for intangible assets with a finite useful life are calculated with the straight-line method over the estimated useful life.

The estimated useful lives of the major intangible assets with finite useful lives are as follows:

Software

5 years

The Group reviews the amortization methods, useful lives, and residual values of its assets at the end of each fiscal year, and any changes are applied as changes in accounting estimates on a prospective basis.

(10) Leases

(As lessee)

If, when entering into a contract, the right to control the use of an identified asset will be conveyed in exchange for consideration for a certain period of time, the Group will judge that the contract is, or contains, a lease.

If the Group judges that a contract is, or contains, a lease, it recognizes right-of-use assets and lease liabilities on the start date of the lease.

Lease liabilities are initially recognized at the present value of the remaining lease payments on the start date of the lease, discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the Group generally uses its incremental borrowing rate as the discount rate. Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect lease payments paid.

Right-of-use assets are initially recognized at cost, and cost consists of the initially measured value of the lease liability, initial direct costs, the initial estimate of costs associated with dismantling and removing the underlying asset and restoring the site on which it is located. The cost model is used for the measurement of right-of-use assets, and they are thus measured at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated over the lease term or the useful life of the right-of-use asset, whichever is shorter, using the straight-line method.

In addition, right-of-use assets and lease liabilities are not recognized for leases on intangible assets, short-term leases with a lease term of 12 months or less, and leases with a low-value underlying asset, and instead the total amount of lease payments is recognized over the lease term using the straight-line method or another systematic basis.

(As lessor)

A lease transaction is classified as a finance lease transaction if it transfers substantially all the risks and rewards incidental to ownership of an asset. In other cases, the lease transaction is classified as an operating lease transaction.

For finance lease transactions, the net investment in the lease is recognized as a lease receivable, and the total lease payment receivable is allocated to an amount equivalent to the principal of the lease receivable and an amount equivalent to interest. The amount allocated to interest on the lease payment receivable in each year is calculated using the interest method and included in interest income for presentation.

Assets subject to operating lease transactions are recorded on the consolidated statement of financial position, and lease payments receivable are recognized on the consolidated statement of profit or loss as revenue, using the straight-line method over the lease period.

(11) Impairment of non-financial assets

a. Impairment of property, plant and equipment and intangible assets (including right-of-use assets, the same applies hereinafter)

At the end of each reporting period, the Group reviews property, plant and equipment and intangible assets to determine whether there is any indication that they may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount per cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent from those of other assets or asset groups.

The recoverable amount is calculated based on the greater of the fair value less costs of disposal or the value in use. Value in use is calculated as the discounted present value of estimated future cash flows using a pre-tax discount rate that reflects the time value of money and the risks specific to the relevant asset.

If the recoverable amount of an asset or a cash-generating unit is lower than the carrying amount, that carrying amount is reduced to the recoverable amount and an impairment loss is recognized in profit or loss.

At the end of each reporting period, the Group reviews impairment losses recognized in previous fiscal years for assets other than goodwill and determines whether there is any indication that the impairment loss has decreased or may no longer exist. If there is any indication that an impairment may have been reversed, the Group will estimate the recoverable amount of that asset or cash-generating unit. If the recoverable amount of an asset or a cash-generating unit exceeds the carrying amount, the impairment loss is reversed to the extent of the carrying amount that would have been recorded, net of the lower of depreciation or amortization, if impairment loss had not been recognized previously.

b. Impairment of goodwill

At the end of each reporting period, the Group reviews goodwill to determine whether there is any indication that it may be impaired.

Goodwill is allocated to a cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of a business combination. An impairment test is performed whenever there is an indication of impairment of the cash-generating unit or the group of cash-generating units, and at a defined time every fiscal year regardless of whether there is any indication of impairment. If the recoverable amount of the cash-generating unit or group of cash-generating units is lower than the carrying amount in the impairment test, the impairment loss is deducted from the carrying amount of the goodwill allocated to the cash-generating unit or group of cash-generating units, and then proportionally deducted from the carrying amount of each asset according to the corresponding ratio to the carrying amount of other assets within the cash-generating unit or group of cash-generating units, which is then recognized as an impairment loss. The recoverable amount is calculated based on the greater of the fair value less costs of disposal or the value in use.

Impairment loss on goodwill is recognized in profit or loss and is not reversed in subsequent periods.

(12) Share-based payment

The Group has introduced the share option plans and the restricted share-based payment plans as equity-settled share-based payment plans.

Share options are estimated based on the fair value of the equity instrument granted the services received on the grant date, taking into account the number of share options expected to eventually vest, and are recognized over the vesting period as expenses in the consolidated statement of profit or loss and as an increase in capital of the same amount in the consolidated statement of financial position.

Restricted shares are estimated based on the fair value of the equity instrument granted the services received on the grant date, and are recognized over the vesting period as expenses in the consolidated statement of profit or loss and as an increase in capital of the same amount in the consolidated statement of financial position.

(13) Provisions

The Group recognizes provisions if it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle an obligation, and the amount of obligation can be reliably estimated.

Provisions are measured by the discounted present value of estimated future cash flows that take into account risks and uncertainties related to obligations presented at the end of the reporting period using a pre-tax discount rate that reflects the time value of money and the risks inherent in the relevant liability.

The Group recognizes asset retirement obligations as provisions.

(14) Equity

Ordinary shares are classified as equity. Preferred shares, that are not mandatorily redeemable with cash or other financial assets, and where the Group has no contractual obligation to pay cash dividends or to deliver a variable number of the entity's own equity instruments by exercise of any put options attached to the preferred shares, are classified as equity.

If the Group acquires treasury shares, the acquisition costs are recognized as deductions from equity. Profit or loss arising from the purchase, sale, or cancellation of treasury shares is not recognized. The difference between the carrying amount and the consideration at the time of sale is recognized as capital surplus.

(15) Revenue recognition

The Group recognizes its revenue based on the following five-step approach, excluding interest and dividend revenue which is based on IFRS 9.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

Step 5: Recognize revenue when (or as) a performance obligation is satisfied.

Of the incremental costs of obtaining a contract with a customer, the Group recognizes the portion that is expected to be recoverable as an asset. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Expenses for the said assets are allocated over the customer's estimated usage period (two to three years).

(16) Insurance contracts

For insurance contracts issued by the insurer itself and reinsurance contracts held by the insurer, accounting treatment in accordance with IFRS 17 “Insurance Contracts” is applied.

a. Level of classification and aggregation

Contracts whose significant insurance risks are assumed by the Group are classified as insurance contracts. In addition, contracts whose significant insurance risks related to the underlying insurance contracts are transferred by the Group are classified as reinsurance.

The Group identifies portfolios consisting of multiple contracts that are exposed to similar risks and are managed collectively, and aggregates the insurance contracts by dividing each annual cohort into the following three groups based on the profitability of the contracts:

- Contracts that are unfavorable at the time of initial recognition
- Contracts that are not highly likely to be subsequently unfavorable at the time of initial recognition
- Contracts in the remaining annual cohorts

b. Recognition

Insurance contracts issued by the Group are recognized from the earliest of the following:

- At the beginning of the coverage period
- When the first payment is due from the policyholder or, if there is no contractual due date, when the first payment is received from the policyholder
- When facts and circumstances indicate that the contract is unfavorable

Insurance contracts acquired in a transfer or business combination are recognized at the acquisition date.

Reinsurance contracts held by the Group are recognized upon initial recognition of the underlying insurance contracts.

Additionally, the Group derecognizes an insurance contract when it is extinguished, i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled.

c. Insurance acquisition cash flows

The Group defines the cash flows from sales, underwriting, and inception of a group of insurance policies that are directly attributable to the portfolio of insurance policies to which the Group belongs as insurance acquisition cash flows, which are allocated to the group of insurance policies using a regular and reasonable method and amortized over the coverage period of the group of insurance policies.

When insurance acquisition cash flows are directly attributable to a group of contracts and a portion of the related insurance acquisition cash flows are expected to be collected through renewal of these contracts, the insurance acquisition cash flows are allocated to that group and to the group in which these contract renewals will be included. Insurance acquisition cash flows that occurred prior to the recognition of the related group of contracts are recognized as assets.

At the end of each reporting period, if facts and circumstances suggest that an asset related to insurance acquisition cash flows may be impaired, the Group shall:

- (i) Recognize an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the amount of the net expected cash inflows of the related group.
- (ii) Recognize an impairment loss in profit or loss if the asset is associated with future renewals, to the extent that the insurance acquisition cash flows exceed the amount of the net cash inflows expected to result from the expected renewals.

This excess amount excludes the amount already recognized as an impairment loss under (i).

To the extent that the impairment situation has improved, the Group reverses the impairment loss from profit or loss and increases the carrying amount of the asset in question.

d. Measurement

Insurance contracts issued

(i) Liabilities for remaining coverage

Because it is reasonably expected that there will be no material difference between the measurement of the liabilities for remaining coverage of insurance contracts issued by the Group and the application of the principal method prescribed in IFRS 17, or because the coverage period of the insurance contracts is one year or less, the Group has applied the premium allocation

approach to the measurement of groups of insurance contracts.

The carrying amount of the liabilities for remaining coverage at initial recognition for each group of insurance contracts is measured by deducting the insurance acquisition cash flows allocated to the group at the date of initial recognition from the premiums received at the time of initial recognition.

The carrying amount of the liabilities for remaining coverage after initial recognition is increased by the premiums received and the amortization of insurance acquisition cash flows recognized as expenses and is decreased by insurance revenue for services rendered and additional insurance acquisition cash flows allocated after initial recognition. Insurance revenue for each period is determined by allocating the amount of premiums expected to be received for the provision of coverage in the period to each period principally on the basis of the passage of time.

No adjustment for the time value of money or the effect of financial risk is made for the liabilities for remaining coverage, as the period between the rendering of services and the related premium payment due at the time of initial recognition of each group of insurance contracts is one year or less.

If, at any point during the coverage period, facts and circumstances arise suggesting that the group of insurance contracts is unfavorable, the Group recognizes losses in profit or loss and increases the liabilities for remaining coverage to the extent that the current estimate, adjusted to reflect timing and uncertainty in the expected receipt of premiums and payment of claims, benefits, and expenses exceeds the carrying amount of the liabilities for remaining coverage.

(ii) Liabilities for incurred insurance claims

The Group recognizes a liabilities for incurred claims for a group of insurance contracts at an amount adjusted to reflect the timing and uncertainty in the payment of expected claims, benefits, and expenses. Since its future cash flows are expected to be paid within one year from the date the claim is incurred, no adjustment is made to reflect the time value of money and the effect of financial risk.

Reinsurance contracts held by the Group

The Group applies the same premium allocation approach to the measurement of assets related to the remaining coverage of reinsurance contracts held by the Group as it is reasonably expected that there will be no material differences from the application of the principal method prescribed in IFRS 17. However, where necessary, adjustments are made to reflect features that differ from insurance contracts.

(17) Government grants

A government grant is recognized at fair value when there is reasonable assurance that the conditions attaching to receiving the grant will be complied with, and that the grant will be received. When a government grant is related to compensation for revenue or expense items, the grant is recognized as revenue on a systematic basis over the periods in which the reduction in revenue or related expenses, for which the grant is intended to compensate, are recognized.

(18) Income taxes

Income taxes are composed of current tax and deferred tax, and excluding taxes arising from business combinations and taxes arising from items recognized in other comprehensive income or directly in capital, are recognized in profit or loss.

Current tax is measured based on the amount expected to be paid to or recovered from the taxation authority, and, where applicable, reflect the best estimate of the uncertainty related to the tax treatment of income taxes. Tax amounts are calculated using the tax rates or tax laws that have been enacted or substantially enacted by the end of the reporting period. The Company and some of its subsidiaries have applied the group tax sharing system.

Deferred taxes are recognized for temporary differences which are the differences between the tax bases of assets and liabilities and their carrying amounts for accounting purposes at the end of the reporting period, unused tax loss, and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available for them against which any deductible temporary difference, unused tax loss, and unused tax credits can be utilized. In addition, the recoverability of deferred tax assets is reassessed at the end of each reporting period. Deferred tax liabilities are recognized for all taxable temporary differences, in principle.

Deferred tax assets or deferred tax liabilities are not recognized for the following temporary differences.

- Taxable temporary differences arising from the initial recognition of goodwill

- Temporary differences arising from the initial recognition of assets and liabilities that are not business combinations, that affect neither accounting profit nor taxable profit (loss) at the time of the transaction, and that do not give rise to taxable temporary differences and deductible temporary differences of the same amount at the time of the transaction.
- With regard to deductible temporary differences related to investments in subsidiaries and associates, if it is probable that the temporary difference will not reverse in the foreseeable future or future taxable profit will not be available against which this temporary difference can be used.
- With regard to taxable temporary differences related to investments in subsidiaries and associates, if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

In addition, the Group has applied the limited exceptions specified in IAS 12, “Income Taxes,” and does not recognize or disclose deferred tax assets and liabilities related to income taxes arising from the global minimum tax.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied at the time when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and when income taxes are levied by the same taxation authority on the same taxable entity.

(19) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding, adjusted by the number of treasury shares during the period. Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding, adjusted by profit attributable to owners of the parent and the number of treasury shares, assuming conversion of all dilutive potential ordinary shares.

4. Significant accounting estimates and judgements on estimates

In the preparation of consolidated financial statements in accordance with the IFRS, management is required to apply accounting policies and make judgements, estimates and assumptions that affect the 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

The judgements and estimates made by management that could have a significant effect on the amounts listed in the consolidated financial statements are as follows:

- Impairment of non-financial assets (Note 3. Material accounting policy information (11) Impairment of non-financial assets, Note 12. Property, plant and equipment and Note 13. Goodwill and intangible assets)
- Recoverability of deferred tax assets (Note 3. Material accounting policy information (18) Income taxes and Note 17. Income taxes)
- Recoverability of contract costs (Note 3. Material accounting policy information (15) Revenue recognition and Note 28. Revenue (4) Assets recognized from costs to obtain contracts with customers)
- Changes in accounting estimates Uncertainty related to the tax treatment of income taxes (Note 3. Material accounting policy information (18) Income taxes and Note 17. Income taxes)

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.

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 three reporting segments: "Corporate Service," "Individual Customer Service" and "Commission-based Sales."

"Corporate Service" primarily involves the sales of products designed and developed in-house such as internet communication line services, electricity and other various systems to small and medium-sized enterprises.

"Individual Customer Service" primarily involves the sales of products designed and developed in-house such as internet communication line services, water delivery and electricity to individual customers.

"Commission-based Sales" involves commission-based sales of various products such as products offered by telecommunications carriers and manufacturers mainly to small and medium-sized enterprises and individual customers.

(2) Method of calculating revenue, profit or loss, and other items for each reportable segment

The accounting method for the operating segments that are reported is generally the same as described in "Note 3. Material accounting policy information."

Reportable segment profit is recorded on an operating profit basis.

Intersegment sales and transfers are based on market prices.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segments				Other	Total	Adjustment (Note)	Consolidated financial statements
	Corporate Service	Individual Customer Service	Commission- based Sales	Total				
Revenue								
Sales to external customers	303,443	218,817	121,724	643,984	-	643,984	-	643,984
Intersegment sales and transfers	1,295	532	285	2,114	-	2,114	(2,114)	-
Total	304,738	219,349	122,009	646,098	-	646,098	(2,114)	643,984
Segment profit	13,345	41,753	34,482	89,581	-	89,581	(2,965)	86,615
Finance income								24,847
Finance costs								10,574
Share of profit (loss) of investments accounted for using equity method								16,322
Other non-operating income and expenses								1,267
Profit before tax								118,479
(Other income and expenses)								
Depreciation and amortization	3,927	10,921	1,189	16,037	-	16,037	216	16,253
Impairment loss	3,013	80	98	3,192	-	3,192	-	3,192

(Note) The adjustment for segment profit includes intersegment transaction eliminations and corporate expenses that have not been allocated to reportable segments.

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

(Million yen)

	Reportable segments				Other	Total	Adjustment (Note)	Consolidated financial statements
	Corporate Service	Individual Customer Service	Commission- based Sales	Total				
Revenue								
Sales to external customers	267,981	225,081	108,885	601,948	-	601,948	-	601,948
Intersegment sales and transfers	1,681	1,091	111	2,884	-	2,884	(2,884)	-
Total	269,663	226,172	108,996	604,832	-	604,832	(2,884)	601,948
Segment profit	39,586	48,129	11,452	99,167	-	99,167	(4,621)	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	2,515	10,877	910	14,302	-	14,302	253	14,556
Impairment loss	862	73	1,554	2,490	-	2,490	-	2,490

(Note) The adjustment for segment profit includes intersegment transaction eliminations and corporate expenses that have not been allocated to reportable segments.

(3) Information on products and services

This information is omitted as the description of the classification of products and services is the same as the classification of the reportable segments.

(4) Information by geographical region

1) Sales to external customers

Sales to external customers attributed to Japan and attributed to all foreign countries in total, disaggregated based on the geographic location of customers, is as follows.

(Million yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Japan	631,618	582,414
All foreign countries in total	12,366	19,534
Sales to external customers total	643,984	601,948

2) Non-current assets

Non-current assets located in Japan and located in all foreign countries in total, disaggregated based on the geographic location of the assets, is as follows. Non-current assets exclude financial investments, deferred tax assets and employee benefit assets.

(Million yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Japan	284,782	306,494
All foreign countries in total	424	775
Non-current assets total	285,207	307,270

(5) Information on major customers

This information is omitted as there are no customers that account for 10% or more of sales to external customers in the consolidated statement of profit or loss for the fiscal years ended March 31, 2023 and March 31, 2024.

6. Cash and cash equivalents

The composition of cash and cash equivalents is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Cash and deposits	376,897	465,163
Time deposits (maturities of over three months)	(5,178)	(8,970)
Deposits paid	17,647	38,656
Cash and cash equivalents	389,366	494,850

The balance of “Cash and cash equivalents” on the consolidated statement of financial position as of March 31, 2023 and March 31, 2024 is consistent with the balance of “Cash and cash equivalents” on the consolidated statement of cash flows.

7. Trade and other receivables

The composition of trade and other receivables is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Accounts receivable - trade	116,874	117,994
Accounts receivable - other	18,910	16,109
Accounts receivable - operating loans and installment receivables	141,620	129,617
Lease receivables	7,596	7,099
Other	433	3,800
Total	285,435	274,622

The composition by period until recovery or settlement is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Within 12 months	209,087	226,738
Over 12 months	76,348	47,883
Total	285,435	274,622

8. Other financial assets

The composition of other financial assets is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Current		
Time deposits (maturities of over three months)	5,178	8,970
Marketable securities	1,460	38,790
Deposits paid	12,515	1,703
Current portion of long-term loans receivable	74	48
Other	978	2,689
Total	20,207	52,201
Non-current		
Investment securities (Note)	654,454	914,192
Long-term loans receivable	3,573	3,468
Other	5,909	5,669
Total	663,937	923,330

(Note) The following assets are pledged as collateral for transactions with financial institutions into which investments are made.

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Non-current		
Investment securities	6,522	6,522
Total	6,522	6,522

9. Inventories

The composition of inventories is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Products and finished goods	2,558	1,920
Work in process	57	37
Raw materials and supplies	311	331
Total	2,927	2,290

The amount of inventories recognized as an expense was 37,348 million yen and 36,035 million yen for the fiscal years ended March 31, 2023 and 2024, respectively.

Write-downs of inventories recognized as expenses during the reporting periods are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Write-downs of inventories	32	36
Reversals of inventory write-downs	10	8

10. Other current assets

The composition of other current assets is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Income taxes receivable	15,834	2,451
Advance payments to distributors	2,369	2,619
Prepaid expenses	1,548	1,263
Other	7,040	2,442
Total	26,793	8,777

11. Assets held for sale

The composition of assets held for sale and liabilities directly associated with assets held for sale is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Assets held for sale		
Cash and cash equivalents	-	3,657
Trade and other receivables	-	181
Inventories	-	474
Other financial assets	430	282
Investments accounted for using equity method	-	512
Other	-	894
Total	430	6,004
Liabilities directly associated with assets held for sale		
Trade and other payables	-	279
Interest-bearing liabilities	-	659
Other	-	566
Total	-	1,505

Assets held for sale in the fiscal year ended March 31, 2023 are mainly investment securities. During the fiscal year ended March 31, 2023, the possibility of selling the investment securities was very high, and as they are expected to be sold within one year, they are classified as assets held for sale. The fair value of investment securities is determined by deducting the cost of disposal from the sale price, and classified as Level 3 in the fair value hierarchy.

Assets and liabilities held for sale in the fiscal year ended March 31, 2024 consist of one subsidiary in the Corporate Service Segment, one subsidiary in the Commission-based Sales Segment, and investments accounted for using equity method. As the Group has committed to execute the sale plans for them, and it is expected that the sales will be completed within one year from the date of classification, they are classified as assets and liabilities held for sale. Investments accounted for using equity method are measured at their carrying amounts, as their fair values, net of selling costs, exceed their carrying amounts..

12. Property, plant and equipment

The changes in the costs of property, plant and equipment are as follows:

(Million yen)

Cost	Buildings and structures	Machinery and vehicles	Land	Rental assets	Other	Total
As of April 1, 2022	7,912	2,126	2,293	27,321	6,591	46,245
Acquisition	739	127	-	9,989	4,335	15,192
Business combination	49	8	-	-	51	109
Sale or disposal	(153)	(3)	(11)	(6,231)	(1,724)	(8,124)
Other	(2,684)	42	-	(956)	(726)	(4,324)
As of March 31, 2023	5,863	2,302	2,282	30,123	8,527	49,099
Acquisition	45	(15)	-	9,744	6,373	16,149
Business combination	3	(0)	-	-	5	8
Sale or disposal	(626)	(0)	-	(7,603)	(771)	(9,001)
Other	2,285	2,552	(27)	5	(5,549)	(734)
As of March 31, 2024	7,572	4,838	2,254	32,270	8,585	55,522

The changes in the accumulated depreciation and accumulated impairment loss of property, plant and equipment are as follows:

(Million yen)

Accumulated depreciation and accumulated impairment loss	Buildings and structures	Machinery and vehicles	Land	Rental assets	Other	Total
As of April 1, 2022	(3,274)	(738)	(11)	(12,663)	(4,098)	(20,786)
Depreciation	(421)	(211)	-	(8,101)	(926)	(9,661)
Impairment loss	0	-	-	-	(0)	(0)
Business combination	(41)	(8)	-	-	(50)	(101)
Sale or disposal	122	3	-	6,224	606	6,957
Other	1,475	(41)	-	956	405	2,796
As of March 31, 2023	(2,139)	(996)	(11)	(13,583)	(4,064)	(20,795)
Depreciation	(400)	(256)	-	(9,069)	(941)	(10,666)
Impairment loss	-	-	-	-	(116)	(116)
Business combination	(0)	-	-	-	(3)	(3)
Sale or disposal	472	0	-	7,603	602	8,678
Other	372	2	11	(4)	(55)	325
As of March 31, 2024	(1,695)	(1,250)	-	(15,054)	(4,578)	(22,578)

The carrying amount of property, plant and equipment is as follows:

(Million yen)

Carrying amount	Buildings and structures	Machinery and vehicles	Land	Rental assets	Other	Total
As of April 1, 2022	4,637	1,388	2,282	14,657	2,492	25,459
As of March 31, 2023	3,724	1,305	2,271	16,540	4,462	28,303
As of March 31, 2024	5,877	3,588	2,254	17,216	4,007	32,943

(Other disclosure items)

Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Impairment loss is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Please see “Note 18. Interest-bearing liabilities (3) Assets pledged as collateral” for information on the amounts of interest-bearing liabilities and other property, plant and equipment pledged as collateral.

13. Goodwill and intangible assets

The changes in the costs of goodwill and intangible assets are as follows:

(Million yen)

Cost	Goodwill	Software	Other	Total
As of April 1, 2022	31,932	25,209	14,858	72,000
Acquisition	-	1,060	3,113	4,174
Internal development	-	59	165	224
Business combination	917	142	56	1,116
Sale or disposal	-	(707)	(458)	(1,165)
Other	(7,920)	483	(2,190)	(9,626)
As of March 31, 2023	24,929	26,249	15,545	66,724
Acquisition	77	742	1,283	2,104
Internal development	-	15	-	15
Business combination	-	292	25	318
Sale or disposal	-	(42)	(12)	(54)
Other	(12)	1,008	(1,978)	(982)
As of March 31, 2024	24,994	28,266	14,864	68,125

(Note) "Software in progress" is included in "Other" under intangible assets.

The changes in the accumulated amortization and accumulated impairment loss of goodwill and intangible assets are as follows:

(Million yen)

Accumulated amortization and accumulated impairment loss	Goodwill	Software	Other	Total
As of April 1, 2022	(4,499)	(19,078)	(10,895)	(34,474)
Amortization	-	(2,658)	(1,305)	(3,964)
Impairment loss	(1,071)	(754)	(1,365)	(3,191)
Business combination	-	(76)	-	(76)
Sale or disposal	-	516	(301)	215
Other	-	143	674	818
As of March 31, 2023	(5,571)	(21,907)	(13,192)	(40,672)
Amortization	-	(2,005)	(295)	(2,301)
Impairment loss	(1,912)	(363)	(98)	(2,374)
Business combination	-	-	-	-
Sale or disposal	-	(19)	(5)	(24)
Other	-	158	420	579
As of March 31, 2024	(7,484)	(24,137)	(13,171)	(44,792)

(Note) "Software in progress" is included in "Other" under intangible assets.

The carrying amounts of goodwill and intangible assets are as follows:

(Million yen)

Carrying amount	Goodwill	Software	Other	Total
As of April 1, 2022	27,432	6,131	3,962	37,526
As of March 31, 2023	19,357	4,341	2,352	26,052
As of March 31, 2024	17,510	4,128	1,693	23,332

(Other disclosure items)

There are no intangible assets that have limited rights or that have been pledged as collateral for liabilities.

Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Impairment loss is included in “Cost of sales,” “Selling, general and administrative expenses,” and “Other expenses” in the consolidated statement of profit or loss.

Impairment loss for the fiscal year ended March 31, 2023 mainly relates to goodwill, of which the carrying amount was reduced to the recoverable amount due to a decline in profitability.

The carrying amounts of internally generated intangible assets included in intangible assets are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Software	1,531	466
Other	198	72

Goodwill acquired through business combination is allocated to a cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of a business combination.

The amounts of goodwill allocated to a cash-generating unit or group of cash-generating units are as follows:

		(Million yen)	
Cash-generating unit or group of cash-generating units	Reportable segments	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Premium Water Holdings, Co., Ltd.	Individual	3,951	3,951
FTGroup Co., Ltd.	Customer Service Commission-based Sales	3,990	3,990
Other		11,415	9,568
Total		19,357	17,510

The recoverable amounts of goodwill allocated to Premium Water Holdings, Co., Ltd. and FTGroup Co., Ltd. groups, the primary cash-generating unit or group of cash-generating units, are measured at fair value less costs of disposal.

The fair value less costs of disposal is calculated based on the market price in an active market and classified as Level 1 in the fair value hierarchy.

Impairment loss relates to the cash-generating unit or group of cash-generating units included in “Other” in the above was 1,912 million yen for the fiscal year ended March 31, 2024 (1,071 million yen for the fiscal year ended March 31, 2023). The impairment loss was recorded based on the recoverable amount of the cash-generating unit or group of cash-generating units calculated using the value in use. The future cash flows used to calculate the value in use were estimated based on the business plans for the cash-generating unit or group of cash-generating units.

Value in use is calculated by the estimated future cash flows based on business plans for the next five years that are approved by management and reflect historical experiences and external information, discounted to the present value at a rate of 15.6% in the fiscal year ended March 31, 2024 (13.5% in the fiscal year ended March 31, 2023) of the pre-tax weighted average cost of capital of the cash-generating unit or group of cash-generating units. In estimating cash flows beyond the forecast period in the business plan, the growth rate is assumed to be zero or negative in every fiscal year, taking into consideration the growth rate of the relevant markets, etc.

14. Leases

(As lessee)

The Group primarily leases assets such as buildings. Some lease contracts include extension and cancellation options. Additionally, there are no significant addendums such as restrictions resulting from lease contracts.

The composition of profit and loss for leases is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Depreciation of right-of-use assets		
Buildings and structures	2,749	1,912
Machinery and vehicles	50	57
Other	60	207
Total	2,860	2,176
Interest expenses for lease liabilities	277	244
Revenue from subleasing of right-of-use assets	4	2
Other (Note)	380	539

(Note) Other is comprised of expenses for short-term leases and low-value leases.

The carrying amounts of right-of-use assets are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Right-of-use assets		
Buildings and structures	8,814	6,680
Machinery and vehicles	67	73
Other	324	292
Total	9,207	7,047

The amount of increase in right-of-use assets for the fiscal years ended March 31, 2023 and 2024 was 7,559 million yen and 3,464 million yen, respectively.

The total amount of cash outflows for leases during the fiscal years ended March 31, 2023 and 2024 was 3,516 million yen and 2,604 million yen, respectively.

Please see “Note 21. Financial instruments (2) Finance risk management 2) Liquidity risk” for a maturity analysis of lease liabilities.

(As lessor)

Finance leases

The Group operates a lease business for the leasing of buildings and office automation equipment. Most of these lease transactions are classified as finance lease transactions.

Revenue for the fiscal years ended March 31, 2023 and 2024 corresponding to the net amount of unrecovered investment was 1,187 million yen and 1,098 million yen, respectively.

A maturity analysis for lease receivables (before discounts) under finance leases is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Within one year	3,147	2,923
Over one year and up to two years	2,730	2,539
Over two years and up to three years	2,263	2,024
Over three years and up to four years	1,666	1,419
Over four years and up to five years	1,026	911
Over five years	728	681
Total	11,562	10,501
Unearned finance income	(3,202)	(2,867)
Net unrecovered lease investment amount	8,360	7,633

Operating leases

The Group operates a lease business for the leasing of water dispensers. Most of these lease transactions are classified as operating lease transactions.

Lease revenue for the fiscal years ended March 31, 2023 and 2024 was 9,908 million yen and 11,549 million yen, respectively.

A maturity analysis under operating leases (before discounts) is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Within one year	8,903	9,081
Over one year and up to two years	5,509	5,640
Over two years and up to three years	1,927	1,912
Over three years and up to four years	-	-
Over four years and up to five years	-	-
Over five years	-	-
Total	16,340	16,634

15. Significant subsidiaries

(1) Composition of the corporate group

Significant subsidiaries of the Company are as follows:

Company name	Reportable segment	Address	Percentage of voting rights held (%)	
			Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
FTGroup Co., Ltd.	Commission-based Sales	Chuo-ku, Tokyo	60.0 (12.8)	71.6 (12.8)
Member's mobile Inc.	Commission-based Sales	Toshima-ku, Tokyo	100.0 (100.0)	100.0 (100.0)
Premium Water Holdings, Co., Ltd.	Individual Customer Service	Fujiyoshida-shi Yamanashi Prefecture	68.7 (38.1)	68.2 (38.8)
Telecom Service Co., Ltd.	Commission-based Sales	Toshima-ku, Tokyo	100.0 (100.0)	100.0 (100.0)
J-COMMUNICATION, Inc.	Commission-based Sales	Toshima-ku, Tokyo	100.0 (100.0)	100.0 (100.0)
Network Consulting, Inc.	Corporate Service	Toshima-ku, Tokyo	100.0 (100.0)	100.0 (100.0)
ThinQ, Inc.	Corporate Service	Toshima-ku, Tokyo	100.0 (100.0)	100.0 (100.0)
select network, Inc.	Corporate Service	Toshima-ku, Tokyo	100.0 (100.0)	100.0 (100.0)
Haluene Co., Ltd.	Corporate Service	Toshima-ku, Tokyo	100.0 (100.0)	100.0 (100.0)
EPARK, Inc.	Corporate Service	Minato-ku, Tokyo	90.8	89.0
Core Consulting Group, Inc.	Corporate	Toshima-ku, Tokyo	100.0	100.0
Hikari Tsushin K.K.	Corporate	Toshima-ku, Tokyo	100.0	100.0
Sutoene, Inc.	Individual Customer Service	Toshima-ku, Tokyo	70.2 (70.0)	99.9 (99.6)

(Notes) 1. Parentheses () in the percentage of voting rights held column indicate the proportion of voting rights held by subsidiaries of the Company.

2. Information on company names are presented as of March 31, 2024.

(2) Changes in ownership interest of subsidiaries

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

On September 26, 2022, the Group transferred part of the insurance sales agency business operated by Narrow Peak Co. (formerly NFC HOLDINGS, Inc.), the Company's subsidiary, to Energy Alliance Holdings, Inc. (currently NFC HOLDINGS, Inc.) through a company split.

On September 30, 2022, AP73 Co., Ltd. (not a subsidiary or associate of the Company), in which Advantage Partners, Inc. holds 100% of the voting rights and the Group also has invested, increased its capital from Energy Alliance Holdings, Inc. In addition, on the same day, Energy Alliance Holdings, Inc. acquired, as treasury shares, all shares of Energy Alliance Holdings, Inc. held by the Group from Broad Peak, Inc., a subsidiary of the Company. As a result, the Group has lost its control over Energy Alliance Holdings, Inc. Consequently, a portion of the insurance sales agency business will be managed in the future under the leadership of Advantage Partners, Inc. and AP73 Co., Ltd.

The gain recognized from the loss of control over Energy Alliance Holdings, Inc. was 18,131 million yen, which is recorded as "Gain relating to loss of control over subsidiaries" in the consolidated statement of profit or loss.

The following is the major breakdown of assets and liabilities at the time of loss of control over Energy Alliance Holdings, Inc., the consideration received, and the relationship between proceeds from or payments for the loss of control of the company.

	(Million yen)
Item	Amount
Current assets	10,451
Non-current assets	11,518
Current liabilities	11,410
Non-current liabilities	3,369
Consideration received	33,854
Of assets when control was lost, cash and cash equivalents	(7,343)
Settlement of cash and cash equivalents after loss of control	680
Proceeds from loss of control of subsidiaries	27,191

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

In the fiscal year ended March 31, 2024, Daini Tsushin, Inc., a subsidiary of the Company, acquired common shares of Sutoene, Inc. (formerly Grandata, Inc.), another subsidiary of the Company, from non-controlling shareholders.

As a result, the Company's ownership interest in Sutoene, 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

16. Investments accounted for using equity method

The carrying amount of investments in associates is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Total carrying amount	181,751	199,030

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

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Profit	16,322	20,855
Other comprehensive income	330	2,026
Total comprehensive income	16,652	22,881

(Note) In the fiscal year ended March 31, 2023, no gain on discount purchase was accrued when an associate was newly accounted for using the equity method.

Losses for some entities to which the equity method is applied are not recognized as losses as the cumulative amounts exceed the carrying amounts. The unrecognized amount and cumulative unrecognized amount for losses related to said investments in each fiscal year are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Amount of unrecognized loss	538	276

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Cumulative amount of unrecognized loss	1,294	1,012

17. Income taxes

(1) Tax expenses

The composition of income tax expenses is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Current tax expenses		
Current income tax for the fiscal year	27,048	28,403
The amount of the benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period	(1,966)	(750)
Adjustments recognized in the fiscal year for current income tax of prior fiscal years	-	2,737
Total current tax expenses	25,082	30,390
Deferred tax expenses		
The origination and reversal of temporary differences	(995)	13,865
Recognition of a previously unrecognized tax loss or temporary difference of a prior period and derecognition of a previously recognized tax loss or temporary difference of a prior period	(604)	-
Total deferred tax expenses	(1,600)	13,865
Total	23,482	44,255

(2) Adjustment table between effective statutory tax rates and effective tax rates

Adjustments between the effective statutory tax rates and effective tax rates are as follows.

	(%)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Effective statutory tax rate	30.6	30.6
Effect of profit and loss not added or subtracted in calculation of taxable income	(6.6)	(4.6)
Effect of evaluation of recoverability of deferred tax assets	(2.3)	1.3
Effect of investments accounted for using equity method	(1.4)	(2.1)
Other	(0.5)	1.1
Effective tax rate	19.8	26.3

The Group is primarily levied corporate tax, residence tax, and business tax that is tax deductible, and the effective statutory tax rate calculated on this basis for the fiscal year ended March 31, 2024 is 30.6% (30.6% in the fiscal year ended March 31, 2023).

(3) Composition of changes in deferred tax assets and deferred tax liabilities

The composition of changes in deferred tax assets and deferred tax liabilities is as follows:

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	March 31, 2022	Amount of recognized profit or loss	Amount of recognized other comprehensive income	Business combination	Other	March 31, 2023
Deferred tax assets						
Employee benefits	560	(144)	-	(29)	-	386
Accrued business taxes	959	(255)	-	(51)	-	652
Fixed assets	3,269	(1,342)	-	-	-	1,927
Unused tax loss	13,440	3,657	-	(36)	-	17,061
Other	3,498	2,257	-	(64)	-	5,691
Total	21,727	4,172	-	(181)	-	25,719
Deferred tax liabilities						
Equity instruments	(46,285)	-	(14,296)	-	-	(60,581)
Undistributed profits of associates	(6,148)	(1,827)	-	-	-	(7,975)
Contract costs	(6,801)	155	-	-	-	(6,646)
Fixed assets	(5,630)	(1,294)	-	-	-	(6,925)
Other	(5,559)	393	-	39	-	(5,126)
Total	(70,426)	(2,572)	(14,296)	39	-	(87,256)
Net amount	(48,698)	1,600	(14,296)	(141)	-	(61,536)

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

(Million yen)

	March 31, 2023	Amount of recognized profit or loss	Amount of recognized other comprehensive income	Business combination	Other	March 31, 2024
Deferred tax assets						
Employee benefits	386	97	-	(0)	(53)	429
Accrued business taxes	652	126	-	(10)	(1)	766
Fixed assets	1,927	(655)	-	(2)	(28)	1,241
Unused tax loss	17,061	(5,194)	-	(370)	-	11,496
Other	5,691	867	-	-	(141)	6,418
Total	25,719	(4,757)	-	(384)	(224)	20,352
Deferred tax liabilities						
Equity instruments	(60,581)	-	(48,453)	-	-	(109,035)
Undistributed profits of associates	(7,975)	(784)	-	-	-	(8,760)
Contract costs	(6,646)	(2,234)	-	-	-	(8,880)
Fixed assets	(6,925)	(647)	-	-	-	(7,572)
Other	(5,126)	(5,441)	-	-	139	(10,428)
Total	(87,256)	(9,107)	(48,453)	-	139	(144,677)
Net amount	(61,536)	(13,865)	(48,453)	(384)	(84)	(124,324)

Deferred tax assets and deferred tax liabilities as stated on the consolidated statement of financial position are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Deferred tax assets	14,964	7,546
Deferred tax liabilities	(76,501)	(131,870)
Net amount	(61,536)	(124,324)

(4) Deductible temporary differences and unused tax losses for which deferred tax assets are not recognized

Deductible temporary differences and unused tax losses for which deferred tax assets are not recognized are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Deductible temporary differences	42,887	43,013
Unused tax loss	56,527	89,917
Total	99,414	132,931

Expiration schedules for unused tax losses for which deferred tax assets are not recognized are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
First year	69	452
Second year	79	2,546
Third year	182	2,759
Fourth year	295	2,056
Fifth year onward	55,899	82,102
Total	56,527	89,917

In addition to the above, the total amount of deductible temporary differences for investments in subsidiaries, associates, and joint ventures for which deferred tax assets are not recognized as of March 31, 2024 is 100,842 million yen (99,808 million yen as of March 31, 2023).

The Group recognized 11,496 million yen of deferred tax assets related to unused tax losses for tax purposes as of March 31, 2024 (17,061 million yen as of March 31, 2023). This is based on the judgment that the tax benefits are likely to be realized based on the projected amount of future taxable income derived from the business plan, since the main reasons for the unused tax losses were either one-time factors that were not expected to recur or upfront expenses planned in advance for business operations.

Deferred tax assets are recognized based on estimates of the timing and amount of taxable income based on future business plans. Such estimates may be affected by changes in uncertain future economic conditions, etc. If the timing and amount of taxable income actually generated differ from the estimates, the amount of deferred tax assets may be materially affected in the consolidated financial statements for the following fiscal year.

(5) Taxable temporary differences for investments in subsidiaries, associates, and joint ventures for which deferred tax liabilities are not recognized

The total amount of taxable temporary differences for investments in subsidiaries, associates, and joint ventures for which deferred tax liabilities are not recognized as of March 31, 2024 is 565,303 million yen (351,066 million yen as of March 31, 2023).

(6) Uncertainty related to the tax treatment of income taxes

With respect to a tax audit of the Group's past tax treatments, we received a written notice of reassessment from the tax

authorities in the fiscal year ended March 31, 2024 and have paid the amount specified in the notice. Although there remain differences in interpretation between the Group and the tax authorities, we have determined that there has been a change in uncertainty related to the tax treatment of income taxes. As a result, we have reflected the change in accounting estimates in the consolidated financial statements by recognizing the amount of 2.1 billion yen based on the notice as income tax expense in the statement of profit or loss for the fiscal year ended March 31, 2024.

Additionally, with respect to the matters among the matters pointed out by the tax authorities for which the Group accepted the tax authorities' interpretation and resolved the differences in interpretation during the fiscal year ended March 31, 2024, the Group has determined that there is no longer any uncertainty related to the tax treatment of income taxes due to changes in circumstances from the end of the previous fiscal year. Accordingly, to reflect the change in accounting estimates in the consolidated financial statements, 600 million yen including penalty tax has been recorded as income tax expense in the statement of profit or loss for the fiscal year ended March 31, 2024.

These amounts are included in the composition of income tax expenses described in (1) Tax expenses as “Adjustments recognized in the fiscal year for current income tax of prior fiscal years.”

(7) Impact of global minimum tax

In Japan, as part of the FY2023 tax reform, a corporate tax corresponding to the global minimum tax was established, and the tax reform act (the Act Partially Amending the Income Tax Act, etc. (Act No. 3 of 2023)) (the “Amended Corporation Tax Act”) including the relevant provisions (the “global minimum tax system”) was enacted on March 28, 2023. The Amended Corporation Tax Act shall apply to fiscal years beginning on or after April 1, 2024.

Based on the tax returns, country-by-country reports, and financial statements available from the constituent companies of the Group that are subject to the system, we have assessed the potential impact of the application of the global minimum tax system and do not anticipate any significant exposure to the income tax under the second pillar.

18. Interest-bearing liabilities

(1) Composition of interest-bearing liabilities

The composition of interest-bearing liabilities is as follows:

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)	Average interest rate (%) (Note) 1	(Million yen) Repayment period (Note) 2
Current				
Short-term borrowings	15,812	12,792	0.7	-
Current portion of long-term borrowings	27,650	35,175	1.1	-
Current portion of bonds to be redeemed (Note) 3	94,515	105,069	0.1	-
Current portion of lease liabilities to be repaid	4,892	3,001	-	-
Other	540	346	1.0	-
Total	143,411	156,386		-
Non-current				
Long-term borrowings (excluding current portions)	76,984	77,157	1.0	From April 2025 to November 2035
Bonds (excluding current portions) (Note) 3	493,314	582,119	1.2	From April 2025 to November 2049
Lease liabilities (excluding current portions)	7,383	6,694	-	From April 2025 to March 2030
Other	682	137	1.0	-
Total	578,364	666,107		-

(Notes) 1. Average interest rates indicate weighted-average interest rate for the balances as of March 31, 2024.

2. Repayment periods indicate repayment periods for the balances as of March 31, 2024.

3. A summary of issue conditions for bonds is as follows:

Company name / bond name	Date of issue	Fiscal year ended March 31, 2023 (As of March 31, 2023) (Million yen) (Note) 4	Fiscal year ended March 31, 2024 (As of March 31, 2024) (Million yen) (Note) 4	Interest rate (%)	Term of redemption
HIKARI TSUSHIN, INC.					
Fifteenth unsecured bond (with an inter-bond pari passu clause)	January 26, 2017	28,071 (28,000)	- (-)	1.50	January 26, 2024
Seventh unsecured bond (guaranteed by Resona Bank, Limited. and limited to qualified institutional investors)	March 10, 2017	317 (320)	- (-)	0.49	March 8, 2024
Eighth unsecured bond (guaranteed by The Bank of Fukuoka, Ltd. and limited to qualified institutional investors)	March 27, 2017	994 (1,000)	- (-)	0.40	March 25, 2024
Ninth unsecured bond (guaranteed by Sumitomo Mitsui Banking Corporation and limited to qualified institutional investors)	June 30, 2017	174 (150)	24 (24)	0.20	June 28, 2024
Sixteenth unsecured bond (with an inter-bond pari passu clause)	August 10, 2017	39,841 (-)	39,815 (-)	1.78	August 10, 2027
Tenth unsecured bond (guaranteed by The Shizuoka Bank, Ltd. and limited to qualified institutional investors)	September 25, 2017	221 (50)	172 (50)	0.24	September 24, 2027
Eighteenth unsecured bond (with an inter-bond pari passu clause)	March 23, 2018	39,860 (-)	39,874 (-)	1.79	March 23, 2033
Nineteenth unsecured bond (with an inter-bond pari passu clause)	September 21, 2018	9,972 (-)	9,977 (-)	0.80	September 21, 2028
Twentieth unsecured bond (with an inter-bond pari passu clause)	September 21, 2018	24,884 (-)	24,892 (-)	2.12	September 21, 2038
Twenty-first unsecured bond (with an inter-bond pari passu clause)	August 8, 2019	4,990 (-)	4,994 (4,994)	0.24	August 8, 2024
Twenty-second unsecured bond (with an inter-bond pari passu clause)	August 8, 2019	4,970 (-)	4,971 (-)	0.32	August 7, 2026
Twenty-third unsecured bond (with an inter-bond pari passu clause)	August 8, 2019	39,767 (-)	39,719 (-)	1.38	August 8, 2034
Twenty-fourth unsecured bond (with an inter-bond pari passu clause)	November 8, 2019	8,999 (-)	9,003 (-)	0.60	November 8, 2029
Twenty-fifth unsecured bond (with an inter-bond pari passu clause)	November 8, 2019	9,975 (-)	9,980 (-)	1.70	November 8, 2039
Twenty-sixth unsecured bond (with an inter-bond pari passu clause)	November 8, 2019	7,499 (-)	7,502 (-)	2.50	November 8, 2049

Company name / bond name	Date of issue	Fiscal year ended March 31, 2023 (As of March 31, 2023) (Million yen) (Note) 4	Fiscal year ended March 31, 2024 (As of March 31, 2024) (Million yen) (Note) 4	Interest rate (%)	Term of redemption
Twenty-seventh unsecured bond (with an inter-bond pari passu clause)	July 14, 2020	9,989 (-)	9,998 (-)	0.45	July 14, 2025
Twenty-eighth unsecured bond (with an inter-bond pari passu clause)	July 14, 2020	19,900 (-)	19,920 (-)	1.20	July 12, 2030
Twenty-ninth unsecured bond (with an inter-bond pari passu clause)	February 2, 2021	9,973 (-)	9,978 (-)	0.38	February 2, 2026
Thirtieth unsecured bond (with an inter-bond pari passu clause)	February 2, 2021	14,966 (-)	14,973 (-)	0.98	January 31, 2031
Thirty-first unsecured bond (with an inter-bond pari passu clause)	February 2, 2021	24,941 (-)	24,950 (-)	1.38	February 1, 2036
Thirty-second unsecured bond (with an inter-bond pari passu clause)	June 16, 2021	9,961 (-)	9,970 (-)	0.30	June 16, 2026
Thirty-third unsecured bond (with an inter-bond pari passu clause)	June 16, 2021	14,977 (-)	14,985 (-)	0.85	June 16, 2031
Thirty-fourth unsecured bond (with an inter-bond pari passu clause)	June 16, 2021	25,002 (-)	25,009 (-)	1.85	June 16, 2041
Thirty-fifth unsecured bond (with an inter-bond pari passu clause)	November 4, 2021	9,977 (-)	9,986 (-)	0.20	November 4, 2026
Thirty-sixth unsecured bond (with an inter-bond pari passu clause)	November 4, 2021	29,937 (-)	29,951 (-)	0.80	November 4, 2031
Thirty-seventh unsecured bond (with an inter-bond pari passu clause)	November 4, 2021	25,016 (-)	25,024 (-)	1.33	November 4, 2036
Thirty- eighth unsecured bond (with an inter-bond pari passu clause)	May 9, 2022	14,987 (-)	15,000 (-)	0.68	May 7, 2027
Thirty- ninth unsecured bond (with an inter-bond pari passu clause)	May 9, 2022	9,951 (-)	9,961 (-)	1.17	May 7, 2032
Fortieth unsecured bond (with an inter-bond pari passu clause)	August 9, 2022	21,827 (-)	21,858 (-)	1.00	August 9, 2029
Eleventh unsecured bond (limited to qualified institutional investors)	September 29, 2022	9,974 (-)	9,989 (-)	0.58	September 29, 2025
Forty-first unsecured bond (with an inter-bond pari passu clause)	March 1, 2023	29,906 (-)	29,942 (-)	0.47	February 27, 2026
Forty-second unsecured bond (with an inter-bond pari passu clause)	June 9, 2023	- (-)	39,797 (-)	1.11	June 9, 2028

Company name / bond name	Date of issue	Fiscal year ended March 31, 2023 (As of March 31, 2023) (Million yen) (Note) 4	Fiscal year ended March 31, 2024 (As of March 31, 2024) (Million yen) (Note) 4	Interest rate (%)	Term of redemption
Forty-third unsecured bond (with an inter-bond pari passu clause)	June 1, 2023	- (-)	6,904 (-)	1.41	May 31, 2030
Forty-fourth unsecured bond (with an inter-bond pari passu clause)	August 29, 2023	- (-)	9,975 (-)	2.38	August 29, 2033
Forty-fifth unsecured bond (with an inter-bond pari passu clause) (Social bond)	March 14, 2024	- (-)	19,931 (-)	0.58	March 12, 2027
Forty-sixth unsecured bond (with an inter-bond pari passu clause)	March 14, 2024	- (-)	9,959 (-)	1.27	March 14, 2029
Forty-seventh unsecured bond (with an inter-bond pari passu clause)	March 14, 2024	- (-)	4,978 (-)	1.93	March 14, 2031
Short-term bond	January 27, 2023	10,000 (10,000)	- (-)	0.06	April 27, 2023
Short-term bond	February 17, 2023	10,000 (10,000)	- (-)	0.06	May 17, 2023
Short-term bond	February 17, 2023	10,000 (10,000)	- (-)	0.05	May 17, 2023
Short-term bond	February 28, 2023	10,000 (10,000)	- (-)	0.06	May 29, 2023
Short-term bond	February 28, 2023	10,000 (10,000)	- (-)	0.05	May 31, 2023
Short-term bond	March 28, 2023	5,000 (5,000)	- (-)	0.05	June 28, 2023
Short-term bond	March 31, 2023	5,000 (5,000)	- (-)	0.05	June 30, 2023
Short-term bond	December 7, 2023	- (-)	21,000 (21,000)	0.06	May 31, 2024
Short-term bond	December 8, 2023	- (-)	12,000 (12,000)	0.10	May 8, 2024
Short-term bond	December 26, 2023	- (-)	19,000 (19,000)	0.09	May 31, 2024
Short-term bond	December 26, 2023	- (-)	5,000 (5,000)	0.08	April 24, 2024
Short-term bond	February 15, 2024	- (-)	5,000 (5,000)	0.07	April 26, 2024
Short-term bond	February 15, 2024	- (-)	5,000 (5,000)	0.07	April 26, 2024
Short-term bond	February 28, 2024	- (-)	5,000 (5,000)	0.07	April 30, 2024
Short-term bond	March 8, 2024	- (-)	5,000 (5,000)	0.11	May 13, 2024
Short-term bond	March 18, 2024	- (-)	5,000 (5,000)	0.20	May 17, 2024
Short-term bond	March 18, 2024	- (-)	2,000 (2,000)	0.20	May 17, 2024
Short-term bond	March 18, 2024	- (-)	5,000 (5,000)	0.18	May 17, 2024
Short-term bond	March 18, 2024	- (-)	1,000 (1,000)	0.25	May 17, 2024
Short-term bond	March 26, 2024	- (-)	5,000 (5,000)	0.35	April 30, 2024
Short-term bond	March 26, 2024	- (-)	5,000 (5,000)	0.30	May 13, 2024
EPARK Relax & Esthetics, Inc.					

Company name / bond name	Date of issue	Fiscal year ended March 31, 2023 (As of March 31, 2023) (Million yen) (Note) 4	Fiscal year ended March 31, 2024 (As of March 31, 2024) (Million yen) (Note) 4	Interest rate (%)	Term of redemption
Subsidiary straight bond	December 12, 2019	- (-)	300 (-)	2.10	December 12, 2024
Subsidiary straight bond	January 30, 2020	- (-)	300 (-)	2.10	January 30, 2025
Subsidiary straight bond	April 30, 2020	- (-)	150 (-)	2.10	April 30, 2025
EPARK Pet Life Inc.					
Subsidiary straight bond	February 15, 2019	- (-)	150 (-)	3.40	February 15, 2029
Premium Water Holdings, Co., Ltd.					
Subsidiary straight bond	September 3, 2020	4,995 (4,995)	- (-)	1.80	September 1, 2023
Subsidiary straight bond	March 11, 2021	4,980 (-)	4,987 (-)	1.23	December 11, 2025
Subsidiary straight bond	July 16, 2021	993 (-)	- (-)	0.00	July 19, 2024
Subsidiary straight bond	March 1, 2022	6,965 (-)	6,974 (-)	1.20	March 1, 2027
Subsidiary straight bond	December 15, 2022	3,580 (-)	3,587 (-)	1.60	December 15, 2025
Subsidiary straight bond	December 15, 2022	988 (-)	991 (-)	2.10	December 15, 2027
Subsidiary straight bond	February 29, 2024	- (-)	3,579 (-)	1.50	February 26, 2027
Subsidiary straight bond	February 29, 2024	- (-)	1,088 (-)	2.10	February 28, 2029
EPG, Inc.					
Subsidiary straight bond	October 12, 2018	300 (-)	300 (-)	2.10	December 27, 2030
Subsidiary straight bond	December 26, 2019	300 (-)	300 (-)	2.10	December 27, 2030
Subsidiary straight bond	April 10, 2020	500 (-)	500 (-)	2.10	December 27, 2030

4. Parentheses () in the fiscal year ended March 31, 2023 and fiscal year ended March 31, 2024 columns indicate the amounts scheduled to be redeemed within one year.

(2) Financial covenants

Financial covenants are attached to 6,260 million yen (12,480 million yen as of March 31, 2023, includes current portion) of long-term borrowings of the Company as follows. In the event of violation of the following, it loses the benefit of time for the applicable obligations and is obligated to immediately repay the corresponding borrowings.

- With regard to any two consecutive fiscal years with a fiscal year after the settlement of accounts for the fiscal year ended March 31, 2022 as the initial fiscal year, maintain operating profit or loss presented on the consolidated statement of profit or loss for each fiscal year so that the operating profit or loss does not record a loss for two consecutive fiscal years. The initial judgment regarding the compliance with this item shall be made for the settlement of accounts for the fiscal year ended March 31, 2023 and the preceding fiscal year.

Financial covenants are attached to 15,340 million yen (23,000 million yen as of March 31, 2023, includes current portion) of long-term borrowings of the Company as follows. In the event of violation of the following, it loses the benefit of time for the applicable obligations and is obligated to immediately repay the corresponding borrowings.

- With regard to any two consecutive fiscal years with a fiscal year after the settlement of accounts for the fiscal year ended March 31, 2023 as the initial fiscal year, maintain operating profit or loss presented on the consolidated statement of profit or loss for each fiscal year so that the operating profit or loss does not record a loss for two consecutive fiscal years. The initial judgment regarding the compliance with this item shall be made for the settlement of accounts for the fiscal year ended March 31, 2024 and the preceding fiscal year.

Financial covenants are attached to 19,600 million yen (includes current portion) of long-term borrowings of the Company as follows. In the event of violation of the following, it loses the benefit of time for the applicable obligations and is obligated to immediately repay the corresponding borrowings.

- With regard to any two consecutive fiscal years with a fiscal year after the settlement of accounts for the fiscal year ended March 31, 2024 as the initial fiscal year, maintain operating profit or loss presented on the consolidated statement of profit or loss for each fiscal year so that the operating profit or loss does not record a loss for two consecutive fiscal years. The initial judgment regarding the compliance with this item shall be made for the settlement of accounts for the fiscal year ending March 31, 2025 and the preceding fiscal year.

Financial covenants are attached to 416 million yen (includes current portion) of long-term borrowings of the Company as follows. In the event of violation of the following, it loses the benefit of time for the applicable obligations and is obligated to immediately repay the corresponding borrowings.

- With regard to any two consecutive fiscal years with a fiscal year after the settlement of accounts for the fiscal year ended March 31, 2024 as the initial fiscal year, maintain operating profit or loss presented on the consolidated statement of profit or loss for each fiscal year so that the operating profit or loss does not record a loss for two consecutive fiscal years. The initial judgment regarding the compliance with this item shall be made for the settlement of accounts for the fiscal year ending March 31, 2025 and the preceding fiscal year.

Financial covenants are attached to 834 million yen (includes current portion) of long-term borrowings of the Company as follows. In the event of violation of the following, it loses the benefit of time for the applicable obligations and is obligated to immediately repay the corresponding borrowings.

- With regard to any two consecutive fiscal years with a fiscal year after the settlement of accounts for the fiscal year ended March 31, 2024 as the initial fiscal year, maintain operating profit or loss presented on the consolidated statement of profit or loss for each fiscal year so that the operating profit or loss does not record a loss for two consecutive fiscal years. The initial judgment regarding the compliance with this item shall be made for the settlement of accounts for the fiscal year ending March 31, 2025 and the preceding fiscal year.

Financial covenants are attached to 713 million yen (999 million yen as of March 31, 2023, includes current portion) of long-term borrowings of Premium Water Holdings, Co., Ltd., a consolidated subsidiary, where it loses the benefit of time for the

applicable obligations under the financing contract in the event of violation of one of the following:

- 1) After the settlement of accounts for the fiscal year ended March 31, 2020, maintain the amount of total equity on the consolidated statement of financial position as of the end of each fiscal year (hereinafter, in references to financial covenants relating to long-term borrowings of Premium Water Holdings, Co., Ltd. in this note, the consolidated statement of financial position shall mean the consolidated statement of financial position of Premium Water Holdings, Co., Ltd.) at least 75% of the amount of total equity on the consolidated statement of financial position as of March 31, 2019 or 75% of the amount of total equity on the consolidated statement of financial position as of the end of the preceding fiscal year, whichever is higher.
- 2) With regard to any two consecutive fiscal years with a fiscal year after the settlement of accounts for the fiscal year ended March 31, 2020 as the initial fiscal year, maintain operating profit or loss presented on the consolidated statement of profit or loss for each fiscal year so that the operating profit or loss does not record a loss for two consecutive fiscal years. The initial judgment regarding the compliance with this item shall be made for the settlement of accounts for the fiscal year ended March 31, 2021 and the preceding fiscal year.

Financial covenants are attached to 5,840 million yen (1,827 million yen as of March 31, 2023, includes current portion) of long-term borrowings of Premium Water Holdings, Co., Ltd., a consolidated subsidiary, where it loses the benefit of time for the applicable obligations under the financing contract in the event of violation of one of the following:

- 1) After the settlement of accounts for the fiscal year ended March 31, 2021, maintain the amount of total equity on the consolidated statement of financial position as of the end of each fiscal year at least 75% of the amount of total equity on the consolidated statement of financial position as of March 31, 2020 or 75% of the amount of total equity on the consolidated statement of financial position as of the end of the preceding fiscal year, whichever is higher.
- 2) With regard to any two consecutive fiscal years with a fiscal year after the settlement of accounts for the fiscal year ended March 31, 2021 as the initial fiscal year, maintain operating profit or loss presented on the consolidated statement of profit or loss for each fiscal year so that the operating profit or loss does not record a loss for two consecutive fiscal years. The initial judgment regarding the compliance with this item shall be made for the settlement of accounts for the fiscal year ended March 31, 2022 and the preceding fiscal year.

As of March 31, 2024, there were no long-term borrowings on the consolidated statement of financial position that were in violation of financial covenants.

(3) Assets pledged as collateral

Assets pledged as collateral that have been pledged as collateral for liabilities are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Time deposits	264	264
Ordinary bank account	1	1
Advances paid	3,535	3,926
Land	542	542
Investment securities	8,000	7,933
Total	12,344	12,668

Liabilities that correspond to these assets pledged as collateral are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Trade payables	199	507
Short-term borrowings	1,800	1,100
Current portion of long-term borrowings	100	818
Long-term borrowings	800	4,283
Total	2,900	6,709

19. Trade and other payables

The composition of trade and other payables is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Trade payables	43,773	36,151
Accounts payable - other	164,311	179,220
Contract liabilities	5,067	4,927
Other	5,403	14,820
Total	218,555	235,119

The composition by period until payment or settlement is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Within 12 months	204,956	221,588
Over 12 months	13,599	13,530
Total	218,555	235,119

20. Other current liabilities

The composition of other current liabilities is as follows:

		(Million yen)
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Advances received	6,409	5,348
Provision for bonuses	1,038	1,109
Other	18,742	7,214
Total	26,190	13,671

21. Financial instruments

(1) Equity management

The Group's basic policy for equity management is to achieve and maintain the optimal equity composition in order to continue sustainable growth over the medium to long term and maximize corporate value.

Key indicators used by the Group in equity management include the following:

- Amount of owners' equity
- Equity ratio

(Note) The amount of owners' equity is "Total equity attributable to owners of parent." The equity ratio is calculated by dividing "Total equity attributable to owners of parent" by "Total liabilities and equity."

The amount of owners' equity and the equity ratio are as follows:

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Amount of owners' equity (Million yen)	571,009	790,478
Equity ratio (%)	33.7	38.0

Please see "Note 18. Interest-bearing liabilities (2) Financial covenants" for information on financial covenants attached to interest-bearing liabilities.

(2) Financial risk management

As the Group conducts a wide range of businesses, the Group is exposed to various financial risks including credit risk, liquidity risk, and market risk (price risk, currency risk, and interest rate risk) in conducting its business. In order to prevent and reduce the said financial risks, the Group conducts risk management in accordance with certain policies.

1) Credit risk

In conducting its business, the Group is exposed to the credit risk of its business partners in relation to trade receivables, other non-current assets, and other financial assets such as deposits, deposits paid, shares, and receivables.

In order to prevent or reduce this risk, the Group does not hold excessively concentrated exposure to credit risks. In addition, in order to manage this risk, the Group conducts deadline management and balance management by business partner in accordance with the credit management rules of each Group company, and periodically assesses the credit status of primary business partners.

The carrying amount of financial assets after impairment presented on the Group's consolidated statement of financial position is the maximum amount of the Group's exposure to credit risks in relation to financial assets. The Group does not consider the evaluation of collateral held or other credit enhancement.

During the fiscal year ended March 31, 2023, and the fiscal year ended March 31, 2024, the Group has accepted guarantee deposits of 13,599 million yen and 13,530 million yen, respectively.

The Group calculates provisions for doubtful accounts by categorizing them into trade receivables and other non-current assets as well as other financial assets.

Provision for doubtful accounts in relation to trade receivables and other non-current assets is calculated by collectively measuring the lifetime expected credit losses and multiplying it by the provision rate that factors in forecasts such as future economic conditions in the actual rate of past credit losses. However, in case of events such as the following that adversely affect all cash flows the Group expects to receive, the Group measures expected credit losses for each individual receivable as a financial asset for which credit has been impaired.

- Serious financial difficulties of a business partner
- Receivables being unrecoverable or delinquent despite repeated demands
- An increase in the possibility of a business partner becoming bankrupt or otherwise in need of financial restructuring.

For other financial assets, the Group follows the general approach, calculating provision for doubtful accounts for receivables whose credit risk has not been deemed to be significantly increasing by multiplying the carrying amount by the provision rate that factors in forecasts such as future economic conditions in the actual rate of past credit losses for the same type of assets. For assets whose credit risk has been deemed to be significantly increasing and credit-impaired financial assets, a provision for doubtful accounts is calculated as the difference between the amount of present value, which is the estimated future cash flows discounted by the initial effective interest rate of the said asset, and the carrying amount.

The changes in provision for doubtful accounts are as follows:

Fiscal year ended March 31, 2023 (As of March 31, 2023)

(Million yen)

	Trade receivables and other non- current assets	Other financial assets			Total
	Financial assets for which the simplified approach has been applied	Financial assets recorded at an amount equal to 12- month expected credit losses	Financial assets whose credit risk has significantly increased since the initial recognition	Credit-impaired financial assets	
Balance as of April 1, 2022	27,578	-	-	3,138	30,717
Provision	12,090	-	-	6	12,096
Written off	(127)	-	-	(331)	(458)
Other	364	-	-	(1,015)	(651)
Balance as of March 31, 2023	39,906	-	-	1,797	41,703

Fiscal year ended March 31, 2024 (As of March 31, 2024)

(Million yen)

	Trade receivables and other non- current assets	Other financial assets			Total
	Financial assets for which the simplified approach has been applied	Financial assets recorded at an amount equal to 12- month expected credit losses	Financial assets whose credit risk has significantly increased since the initial recognition	Credit-impaired financial assets	
Balance as of April 1, 2023	39,906	-	-	1,797	41,703
Provision	14,266	-	-	2	14,268
Written off	(1,711)	-	-	(261)	(1,973)
Other	(2,793)	-	-	(65)	(2,858)
Balance as of March 31, 2024	49,667	-	-	1,473	51,140

The total carrying amounts of financial assets against which a provision for doubtful accounts is recorded are as follows:

Fiscal year ended March 31, 2023 (As of March 31, 2023)

(Million yen)

Carrying amount	Trade receivables and other non-current assets	Other financial assets		
	Financial assets for which the simplified approach has been applied	Financial assets recorded at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has significantly increased since the initial recognition	Credit-impaired financial assets
Balance as of April 1, 2022	273,108	13,873	-	3,138
Balance as of March 31, 2023	325,341	37,058	-	1,797

Fiscal year ended March 31, 2024 (As of March 31, 2024)

(Million yen)

Carrying amount	Trade receivables and other non-current assets	Other financial assets		
	Financial assets for which the simplified approach has been applied	Financial assets recorded at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has significantly increased since the initial recognition	Credit-impaired financial assets
Balance as of April 1, 2023	325,341	37,058	-	1,797
Balance as of March 31, 2024	324,289	92,978	-	1,473

Credit risk exposures in relation to the above financial assets are as follows:

Fiscal year ended March 31, 2023 (As of March 31, 2023)

(Million yen)

Number of days past due	Trade receivables and other non-current assets	Other financial assets		
	Financial assets for which the simplified approach has been applied	Financial assets recorded at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has significantly increased since the initial recognition	Credit-impaired financial assets
No delinquencies	286,051	37,058	-	-
Within 30 days	1,668	-	-	-
Over 30 days and within 90 days	1,663	-	-	-
Over 90 days	35,959	-	-	1,797
Balance as of March 31, 2023	325,341	37,058	-	1,797

Fiscal year ended March 31, 2024 (As of March 31, 2024)

(Million yen)

Number of days past due	Trade receivables and other non-current assets	Other financial assets		
	Financial assets for which the simplified approach has been applied	Financial assets recorded at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has significantly increased since the initial recognition	Credit-impaired financial assets
No delinquencies	281,202	92,978	-	-
Within 30 days	1,177	-	-	-
Over 30 days and within 90 days	1,258	-	-	-
Over 90 days	40,651	-	-	1,473
Balance as of March 31, 2024	324,289	92,978	-	1,473

The Group records impairment losses related to credit risks in “Cost of sales,” “Selling, general and administrative expenses,” and “Finance costs” on the consolidated statement of profit or loss.

2) Liquidity risk

As the Group procures funds through loans payable and corporate bonds, it is exposed to liquidity risks, in which the Group becomes unable to execute the payments on the due date for reasons including worsening of the funds procurement environment.

In order to prevent or reduce the liquidity risks, the Group aims to diversify its methods of funds procurement by conducting direct procurement such as issuing of corporate bonds in addition to indirect procurement such as borrowing from banks and leases, considering the market environment as well as the balance between short-term and long-term. In addition, the Group manages surplus funds as highly liquid financial assets.

The Group manages its liquidity risks such as by maintaining the liquidity at hand while having the responsible department prepare and update the cash flow plans as appropriate based on reports from each department.

a. Loan commitment and other lines of credit

The Group aims to reduce the liquidity risks by holding lines of credit including loan commitment line agreements with multiple financial institutions. The lines of credit held by the Group are as follows:

(Million yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Line of credit	42,000	42,700
Balance of executed borrowings	13,842	17,700
Unexecuted balance	28,158	25,000

b. Balance of financial liabilities by due date

The balance of financial liabilities by due date is as follows:

Fiscal year ended March 31, 2023 (As of March 31, 2023)

(Million yen)

	Carrying amount	Contractual cash flow	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Interest-bearing liabilities								
Short-term borrowings	15,812	15,861	15,861	-	-	-	-	-
Long-term borrowings (including current portions)	104,634	107,517	28,681	29,346	20,546	9,872	7,440	11,631
Bonds payable (including current portions)	587,830	652,648	101,038	13,787	46,275	67,481	61,157	362,907
Lease liabilities	12,275	12,748	5,406	2,139	1,620	1,211	890	1,480
Other	1,222	1,242	553	506	181	-	-	-
Trade and other payables	218,555	218,555	204,956	-	-	-	-	13,599
Other financial liabilities	12,271	12,271	12,271	-	-	-	-	-
Total	952,603	1,020,845	368,769	45,780	68,624	78,565	69,488	389,617

Fiscal year ended March 31, 2024 (As of March 31, 2024)

(Million yen)

	Carrying amount	Contractual cash flow	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Interest-bearing liabilities								
Short-term borrowings	12,792	12,835	12,835	-	-	-	-	-
Long-term borrowings (including current portions)	112,332	115,358	36,367	33,784	19,090	9,709	6,468	9,938
Bonds payable (including current portions)	687,188	751,867	112,326	77,660	62,167	101,967	26,114	371,632
Lease liabilities	9,696	10,019	3,162	1,645	1,568	1,130	759	1,753
Other	484	489	351	138	-	-	-	-
Trade and other payables	235,119	235,119	221,588	-	-	-	-	13,530
Other financial liabilities	244	244	244	-	-	-	-	-
Total	1,057,857	1,125,933	386,875	113,227	82,825	112,808	33,341	396,854

3) Market risk

Market risk is the risk of fair value of financial instruments and future cash flows fluctuating due to fluctuations of market prices. Market risks include price risk, currency risk, and interest rate risk.

Although the Group also conducts funds procurement through loans payable with floating interest rates, the Group has deemed the interest rate risks associated with them to be insignificant, as the impact of the repayments on the Group is minimal.

a. Price risk

The Group is exposed to the risk of fluctuations in share prices arising from equity instruments.

Equity instruments held by the Group include listed shares and unlisted shares. The Group periodically reviews the holding status by considering factors including market prices and financial conditions of the issuers.

Price sensitivity measurement analysis

For marketable securities traded in an active market, the impact of market prices falling by 10% on equity, assuming all other variables are constant, is as follows. Marketable securities traded in an active market (equity instruments measured at fair value) are irrevocably designated as financial assets measured at fair value through other comprehensive income at initial recognition, for each equity instrument, and therefore any changes in market prices do not affect profit or loss.

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Impact on equity (decreases in parentheses)	(61,348)	(82,673)
Impact on equity after tax (decreases in parentheses)	(42,563)	(57,358)

b. Currency risk

The Group is exposed to the risk of fluctuations in currency exchange rates primarily in relation to equity instruments and deposits denominated in foreign currencies.

The Group continuously monitors the currency exchange markets for the purpose of managing this risk.

Foreign exchange sensitivity measurement analysis

Currency risk exposures of financial instruments in relation to the U.S. dollar, a major foreign currency, are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Net amount of exposures that affect profit or loss and equity (liabilities in parentheses)	119,510	243,502

For financial instruments with currency risk exposures, the impact of Japanese yen appreciating by 1% on profit or loss and equity, assuming all other variables are constant, is as follows.

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Impact on profit or loss (decreases in parentheses)	(1,195)	(2,435)
Impact on equity after tax (decreases in parentheses)	(829)	(1,689)

(3) Classifications of financial instruments

The composition of financial instruments by classification is as follows:

Fiscal year ended March 31, 2023 (As of March 31, 2023)

	(Million yen)		
	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income
Current assets			
Cash and cash equivalents	389,366	-	-
Trade and other receivables	277,554	-	-
Other financial assets	20,104	-	102
Non-current assets			
Other financial assets	31,111	7,801	625,024
Total	718,137	7,801	625,127
	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Total
Current liabilities			
Interest-bearing liabilities	138,519	-	138,519
Trade and other payables	218,555	-	218,555
Other financial liabilities	81	12,189	12,271
Non-current liabilities			
Interest-bearing liabilities	570,981	-	570,981
Total	928,137	12,189	940,327

Fiscal year ended March 31, 2024 (As of March 31, 2024)

	(Million yen)		
	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income
Current assets			
Cash and cash equivalents	494,850	-	-
Trade and other receivables	267,221	-	-
Other financial assets	52,180	21	-
Non-current assets			
Other financial assets	42,271	45,483	835,575
Total	856,523	45,505	835,575
	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Total
Current liabilities			
Interest-bearing liabilities	153,302	-	153,302
Trade and other payables	235,119	-	235,119
Other financial liabilities	83	161	244
Non-current liabilities			
Interest-bearing liabilities	658,933	-	658,933
Total	1,047,438	161	1,047,599

The Group has designated equity instruments, such as shares held, as financial assets measured at fair value through other comprehensive income in order to acquire gains from increases in market prices and dividends by holding them over the long term or to expand foundations for revenue through maintaining and enhancing business relationships.

Key stock names and fair values of equity instruments designated as financial assets measured at fair value through other comprehensive income are as follows:

March 31, 2023

	(Million yen)
Name	Fair value
Berkshire Hathaway Inc.	70,067
Daito Trust Construction Co., Ltd.	48,184
SANKYO CO., LTD.	37,759
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	33,318
Leopalace21 Corporation	21,130
Other	414,667
Total	625,127

March 31, 2024

	(Million yen)
Name	Fair value
Berkshire Hathaway Inc.	108,260
Daito Trust Construction Co., Ltd.	64,587
Leopalace21 Corporation	30,600
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	29,235
TOKEN CORPORATION	21,525
Other	581,365
Total	835,575

Dividend income from equity instruments held is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Dividends from equity instruments which were derecognized during the fiscal year	576	584
Dividends from equity instruments held as of the end of the fiscal year	14,000	18,111

Equity instruments designated as financial assets measured at fair value through other comprehensive income that no longer align with the Group's investment strategies have been sold (derecognized). Fair values as of the date of sale and accumulated gains or losses in relation to the sale of equity instruments designated as financial assets measured at fair value through other comprehensive income that were sold during the fiscal year are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Fair value as of the date of sale	53,028	112,166
Accumulated gains or losses in relation to the sale	16,219	49,959

The Group immediately reclassifies cumulative amounts of gains or losses from changes in the fair value of equity instruments designated as financial assets measured at fair value through other comprehensive income to retained earnings. The amount of reclassification from accumulated other comprehensive income to retained earnings during the fiscal year ended March 31, 2023, and the fiscal year ended March 31, 2024, is 42,071 million yen and 138,711 million yen, respectively.

(4) Transfer of financial assets

The Group securitizes a part of its trade receivables through transfer of receivables. However, some of the securitized receivables retrospectively incur payment obligations for the Group if the debtor does not make the payment. Such securitized receivables are not derecognized because they do not meet the criteria for derecognition of financial assets.

During the fiscal year ended March 31, 2023, the Company recorded 1,700 million yen in “trade and other receivables” for such transferred assets, and as liabilities related to deposits made during said transfer of assets, recorded 1,700 million yen in “bonds and borrowings.” Additionally, the fair values are reasonably close to the carrying amounts.

During the fiscal year ended March 31, 2024, there were no transferred assets recorded in “trade and other receivables” and deposits made during transfer of assets recorded in “bonds and borrowings.”

22. Fair values of financial instruments

The fair values of financial instruments are classified into the following three hierarchy levels depending on the observability and importance of the input used in the fair value measurement. Under this classification, the Group defines each level of the fair value hierarchy as follows:

Level 1: (Unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than the Level 1 inputs, either directly or indirectly

Level 3: Unobservable inputs

The Group determines the hierarchy level of a fair value used for fair value measurement according to the lowest level of significant inputs used in fair value measurement.

(1) Financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

Financial instruments are classified within the fair value hierarchy as follows:

Fiscal year ended March 31, 2023 (As of March 31, 2023)

				(Million yen)
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Bonds	-	-	-	-
Other	-	-	7,801	7,801
Financial assets measured at fair value through other comprehensive income				
Shares	608,144	1,294	7,440	616,879
Other	5,340	-	2,907	8,248
Total	613,485	1,294	18,148	632,928
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Other	12,189	-	-	12,189
Total	12,189	-	-	12,189

Fiscal year ended March 31, 2024 (As of March 31, 2024)

	(Million yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Bonds	-	36,744	-	36,744
Other	-	-	8,760	8,760
Financial assets measured at fair value through other comprehensive income				
Shares	809,506	-	4,827	814,333
Other	17,224	-	4,016	21,241
Total	826,731	36,744	17,604	881,080
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Other	161	-	-	161
Total	161	-	-	161

The transfers between levels in the fair value hierarchy are recognized on the date on which an event that gave rise to the transfer takes place, or circumstances were changed.

There were no financial instruments with significant transfers between levels.

2) Fair value measurement method

Marketable securities stated at prices quoted on stock exchanges that are recognized as active markets for the same securities are categorized as Level 1 in the fair value hierarchy. Marketable securities measured using current market prices in inactive markets for the same securities are categorized as Level 2 in the fair value hierarchy.

Non-marketable securities calculated using valuation techniques based on discounted future cash flows or net asset value, or other valuation techniques are categorized as Level 3 in the fair value hierarchy.

When measuring the fair values of unlisted shares, unobservable inputs such as discount rates are used, and certain illiquidity discounts and non-controlling interest discounts are reflected as necessary.

3) Level 3 reconciliation

The following table describes the changes in Level 3 financial instruments during the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023).

	(Million yen)	
	Shares	Other
Balance as of April 1, 2022	4,573	5,223
Acquisition	70	7,401
Sale and redemption	(52)	(1,413)
Comprehensive income		
Profit (Note) 1	-	(358)
Other comprehensive income (Note) 2	470	(128)
Other	2,377	(15)
Balance as of March 31, 2023	7,440	10,708
Gains or losses recognized in profit in relation to financial instruments held as of March 31, 2023	-	(358)

(Notes) 1. Included in finance income and finance costs on the consolidated statement of profit or loss.

2. Included in financial assets measured at fair value through other comprehensive income on the consolidated statement of comprehensive income.

The following table describes the changes in Level 3 financial instruments during the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024).

	(Million yen)	
	Shares	Other
Balance as of April 1, 2023	7,440	10,708
Acquisition	173	1,132
Sale and redemption	(142)	-
Comprehensive income		
Profit (Note) 1	-	(46)
Other comprehensive income (Note) 2	(77)	793
Other	(2,566)	189
Balance as of March 31, 2024	4,827	12,777
Gains or losses recognized in profit in relation to financial instruments held as of March 31, 2024	-	(46)

(Notes) 1. Included in finance income and finance costs on the consolidated statement of profit or loss.

2. Included in financial assets measured at fair value through other comprehensive income on the consolidated statement of comprehensive income.

4) Quantitative information on assets classified as Level 3

The following table shows a valuation technique and a major input used in fair value measurement using unobservable inputs for the financial instruments classified as Level 3:

Valuation technique	Unobservable input	Ranges of unobservable inputs	
		Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Discounted cash flow method	Discount rate	10.6% to 13.6%	10.9%

5) Sensitivity analysis for changes in significant unobservable inputs

Of the fair values of assets classified as Level 3 that are measured at fair value, the fair values of investment securities valued using discounted future cash flows will decrease (increase) due to a rise (fall) in discount rates.

No significant increase or decrease in fair values is anticipated for the financial instruments classified as Level 3, if changing one or more of the unobservable inputs to reasonably possible alternative assumptions.

(2) Financial instruments measured at amortized cost

1) Fair value

Fair value of financial assets and financial liabilities measured at amortized cost is as follows:

	(Million yen)			
	Fiscal year ended March 31, 2023 (As of March 31, 2023)		Fiscal year ended March 31, 2024 (As of March 31, 2024)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade and other receivables				
Accounts receivable - operating loans and installment receivables	141,620	140,656	129,617	128,389
Other financial assets				
Long-term loans receivable (including current portions)	3,562	3,553	3,582	3,567
Debt securities	22,620	22,238	71,785	72,454
Total	167,803	166,449	204,985	204,411
Financial liabilities				
Interest-bearing liabilities				
Long-term borrowings (including current portions)	104,634	103,998	112,332	111,667
Bonds payable (including current portions)	587,830	579,481	687,188	676,830
Other	1,222	1,214	484	481
Total	693,688	684,694	800,005	788,979

(Note) Short-term financial assets and short-term financial liabilities are not included in the above as their fair values approximate their carrying amounts.

2) Fair value measurement method

Accounts receivable - operating loans and installment receivables, long-term loans receivable

Accounts receivable - operating loans and installment receivables, long-term loans receivable are calculated by discounting the future cash flows using an interest rate equal to an appropriate index such as the yield of government bonds plus credit spread and are classified as Level 3.

Debt securities

Marketable debt securities are measured using the current market price in an inactive market for the same securities and are classified as Level 2.

Long-term borrowings

Long-term borrowings are calculated by discounting the total amount of the principal and interest using an interest rate that would apply if a similar new loan is made and are classified as Level 3.

Bonds payable

Bonds payable are calculated by discounting the total amount of the principal and interest using an interest rate that reflects the remaining period of the bonds and credit risk and are classified as Level 3.

23. Insurance contracts

(1) Capital regulations

Domestic insurance subsidiaries of the Group are subject to capital regulations stipulated by the Insurance Business Act and maintain capital adequacy ratios above certain levels.

The following is the important capital regulation applicable to domestic insurance subsidiaries of the Group.

- They are required to maintain a solvency margin ratio at the level specified by the Insurance Business Act. If the solvency margin ratio falls below 200%, the Financial Services Agency may order the submission and execution of a reasonable improvement plan to ensure the soundness of management.

(2) Risk management system for insurance contracts

The Group strives to accurately identify, analyze, and evaluate risks related to insurance contracts and to appropriately manage and operate them in order to ensure the stability of management. The main initiatives of the Group concerning risks related to insurance contracts are as follows.

(i) Insurance underwriting risk

The Group is exposed to insurance underwriting risk, which consists of insurance risk, policyholder behavior risk, and expense risk.

- Insurance risk: Risks other than financial risks that are transferred from policyholders to the Group (risks arising from inherent uncertainties regarding the occurrence, timing, and amount of insurance claims).
- Policyholder behavior risk: Risks arising from policyholders canceling their policies (i.e., lapse risk or continuation risk).
- Expense risk: Risks that administrative expenses related to the provision of services under contracts increase unexpectedly (excluding expenses related to insurance incidents).

The Group manages insurance underwriting risk through risk portfolio management, product revisions and discontinuations, setting underwriting criteria, changes in sales policies, and design and arrangement of reinsurance, etc. Exposure to insurance underwriting risk is the balance of insurance contract liabilities. The Group's insurance contract portfolio is geographically diversified and does not have excessive concentration of insurance risk.

(ii) Credit risk

The Group is exposed to credit risk of incurring financial losses in the event that counterparties to reinsurance contracts fail to fulfill their contractual obligations.

The Group manages credit risk by continuously monitoring external credit ratings and other information regarding the default risk of individual reinsurers in relation to credit risk exposure.

The balances of reinsurance contract asset classified by credit quality are as follows. Exposure to credit risk is the balance of reinsurance contract asset.

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
A	2,633	2,063
No rating	45	-
Total	2,679	2,063

(Note) Based on ratings by rating agency A.M. Best Company, Inc.

(iii) Credit risk

The Group is exposed to liquidity risk that may arise from the inability to fulfill its obligations under insurance contracts and reinsurance contracts that are settled by cash delivery.

The Group manages liquidity risk by preparing adequate settlement funds and continuously monitoring cash flow plans and actual results.

(3) Insurance contract liabilities and reinsurance contract asset

1) The composition of insurance contracts and reinsurance contracts

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Insurance contracts		
Insurance contract asset		
Balance of insurance contracts	(120)	52
Assets for insurance acquisition cash flows	2,839	3,321
Total	2,719	3,373
Insurance contract liabilities		
Balance of insurance contracts	5,267	5,714
Assets for insurance acquisition cash flows	-	-
Total	5,267	5,714
Reinsurance contracts		
Reinsurance contract asset	2,679	2,063

2) Reconciliation of beginning and ending balances of insurance contracts and reinsurance contracts measured using the premium allocation approach

a. Insurance contracts

(Million yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)				Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Other than loss component	Loss component			Other than loss component	Loss component		
Beginning balance								
Assets	(168)	32	197	61	(509)	-	629	120
Liabilities	3,153	-	598	3,751	4,459	-	808	5,267
Beginning balance (net)	2,985	32	796	3,813	3,949	-	1,438	5,388
Acquisition through business combinations	1,357	-	-	1,357	-	-	-	-
Insurance revenue	(12,503)	-	-	(12,503)	(18,133)	-	-	(18,133)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	(32)	7,341	7,309	-	-	8,955	8,955
Amortization of insurance acquisition cash flows	3,247	-	-	3,247	5,403	-	-	5,403
Losses on onerous contracts and reversals of losses	-	-	-	-	-	36	-	36
Other	-	-	-	-	-	-	52	52
Assets for derecognized insurance acquisition cash flows	(688)	-	-	(688)	(1,679)	-	-	(1,679)
Cash flows								
Amounts of insurance premiums received	12,504	-	-	12,504	18,539	-	-	18,539
Insurance acquisition cash flows	(2,951)	-	-	(2,951)	(4,387)	-	-	(4,387)
Amounts of claims paid and payments of other expenses	-	-	(6,698)	(6,698)	-	-	(8,511)	(8,511)
Ending balance								
Assets	(509)	-	629	120	(804)	36	715	(52)
Liabilities	4,459	-	808	5,267	4,495	-	1,218	5,714
Ending balance (net)	3,949	-	1,438	5,388	3,691	36	1,934	5,662

(Notes) 1. Risk adjustments related to non-financial risks of insurance contracts measured using the premium allocation approach are included in liabilities for incurred claims without being classified as estimates of the present value of future cash flows since they are not material in terms of amount.

2. Insurance service expenses, including impairment losses of assets for insurance acquisition cash flows and reversals of such losses, were 11,981 million yen and 15,238 million yen for the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024, respectively.

b. Reinsurance contracts

(Million yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)				Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)			
	Assets for remaining coverage		Assets for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims	Total
	Other than loss-recovery component	Loss- recovery component			Other than loss-recovery component	Loss- recovery component		
Beginning balance								
Assets	994	-	896	1,891	1,514	-	1,164	2,679
Liabilities	-	-	-	-	-	-	-	-
Beginning balance (net)	994	-	896	1,891	1,514	-	1,164	2,679
Acquisition through business combinations	525	-	-	525	-	-	-	-
Allocation of reinsurance premiums paid	(1,542)	-	-	(1,542)	(2,002)	-	-	(2,002)
Amounts recovered from reinsurers								
Recovery of incurred claims and other insurance service expenses	-	-	1,567	1,567	-	-	1,967	1,967
Recovery of losses on onerous contracts and reversals of losses	-	-	-	-	-	-	-	-
Reinsurance profit (loss)	(1,542)	-	1,567	24	(2,002)	-	1,967	(34)
Investment components and refunds of reinsurance premiums	(59)	-	59	-	(41)	-	41	-
Cash flows								
Amounts of reinsurance premiums paid	1,596	-	-	1,596	1,377	-	-	1,377
Amounts received	-	-	(1,357)	(1,357)	-	-	(1,959)	(1,959)
Ending balance								
Assets	1,514	-	1,164	2,679	849	-	1,214	2,063
Liabilities	-	-	-	-	-	-	-	-
Ending balance (net)	1,514	-	1,164	2,679	849	-	1,214	2,063

3) Reconciliation of assets for insurance acquisition cash flows

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Beginning balance	846	2,839
Acquisition through business combinations	1,170	-
Amounts incurred during the period	2,936	3,003
Amounts derecognized and included in the measurement of insurance contracts	(688)	(1,679)
Impairment losses and reversal	(1,424)	(842)
Ending balance		
Presented in insurance contract asset	2,839	3,321
Presented in insurance contract liabilities	-	-
Ending balance (net)	2,839	3,321

4) Schedule for derecognized assets for insurance acquisition cash flows

	(Million yen)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Less than one year	998	1,012
One year to two years	675	941
Two years to three years	367	497
Three years to four years	278	365
Four years to five years	117	196
Over five years	401	308
Total	2,839	3,321

24. Government grants

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

The government grants received by the Group are grants from the 2022 Electric and gas price fluctuation mitigation measures and the 2022 Electric energy efficient usage promotion measures. As the reduction in revenue intended to be compensated by these grants is recognized, the grants are recognized in profit or loss and included in revenue in the consolidated statement of profit or loss. The government grants recognized in revenue for the fiscal year ended March 31, 2023 are 8,689 million yen.

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

The government grants received by the Group are grants from the 2022 and 2023 Electric and gas price fluctuation mitigation measures, the 2022 Electric energy efficient usage promotion measures and the Okinawa prefecture emergency measures for soaring electricity prices. As the reduction in revenue intended to be compensated by these grants is recognized, the grants are recognized in profit or loss and included in revenue in the consolidated statement of profit or loss. The government grants recognized in revenue for the fiscal year ended March 31, 2024 are 27,797 million yen.

25. Equity

(1) Share capital

a. Total number of authorized shares

The total number of authorized shares is as follows:

	(Shares)	
	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Fiscal year ended March 31, 2024 (As of March 31, 2024)
Ordinary shares	183,398,568	183,398,568
Shares without voting rights	50,000,000	50,000,000
Total	233,398,568	233,398,568

b. Number of issued shares

Increases and decreases in the number of issued shares are as follows:

	(Shares)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Beginning balance	45,549,642	45,049,642
Increase during period	-	-
Decrease during period	(500,000)	-
Ending balance	45,049,642	45,049,642

(Note 1) Shares issued by the Company are ordinary shares with no par value.

(Note 2) All issued shares are ordinary shares and the full amounts have been paid in.

(Note 3) The decrease in the total number of issued shares was due to the cancellation of treasury shares.

(2) Capital surplus

The Companies Act of Japan (the “Companies Act”) stipulates that at least one-half of payments or contributions for the issuance of equity instruments must be incorporated into share capital, with the remainder incorporated into legal capital surplus. Additionally, the Companies Act allows for legal capital surplus to be incorporated into share capital via resolution of a General Meeting of Shareholders.

Furthermore, changes in ownership interest in subsidiaries that do not result in the loss of control are treated as equity transactions, with amounts equal to any associated occurrence of goodwill or negative goodwill, recorded in other capital surplus.

(3) Retained earnings

The Company’s retained earnings include legal retained earnings, a form of statutory retained earnings.

The Companies Act stipulates that one-tenth of the amount of surplus that decreases as a result of dividends of surplus be reserved as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches one-fourth of share capital. Reserved legal retained earnings may be used to cover losses. Additionally, legal retained earnings may be reversed via resolution of a General Meeting of Shareholders.

(4) Treasury shares

Treasury shares held by the Company and treasury shares held by the subsidiaries are as follows:

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	(Shares) Fiscal year ended March 31, 2024 (As of March 31, 2024)
Treasury shares held by the Company	345,231	905,296
Treasury shares held by the subsidiaries	-	-
Total	345,231	905,296

(Notes) 1. The number of treasury shares held by the Company increased by 581,965 shares due to the purchase on the Tokyo Stock Exchange and the purchase of less than one unit of shares.

2. The number of treasury shares held by the Company decreased by 21,900 shares due to exercise of share options and disposal of treasury shares as restricted share-based payments.

(5) Accumulated other comprehensive income

Increases and decreases in accumulated other comprehensive income are as follows:

	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Deferred gains or losses on hedges	(Million yen) Total
As of April 1, 2022	304	-	(118)	20	206
Other comprehensive income (Attributable to owners of parent)	(150)	42,071	854	(24)	42,751
Transfer to retained earnings	-	(42,071)	-	-	(42,071)
March 31, 2023	153	-	736	(3)	886
Other comprehensive income (Attributable to owners of parent)	53	138,711	4,590	293	143,648
Transfer to retained earnings	-	(138,711)	-	-	(138,711)
March 31, 2024	207	-	5,326	289	5,823

The above amounts are after taxes. For amounts of income taxes for each item in other comprehensive income, see “Note 33. Other comprehensive income.”

26. Dividends

(1) Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

a. Dividends paid

Resolution	Type of shares	Dividend per share (yen)	Total dividends (million yen)	Record date	Effective date
May 16, 2022 Board of Directors	Ordinary shares	127	5,734	March 31, 2022	June 10, 2022
August 12, 2022 Board of Directors	Ordinary shares	131	5,870	June 30, 2022	September 9, 2022
November 14, 2022 Board of Directors	Ordinary shares	135	6,049	September 30, 2022	December 9, 2022
February 14, 2023 Board of Directors	Ordinary shares	138	6,184	December 31, 2022	March 10, 2023

b. Dividends whose record date belongs to the fiscal year ended March 31, 2023 but will be effective after March 31, 2023

Resolution	Type of shares	Dividend per share (yen)	Total dividends (million yen)	Record date	Effective date
May 16, 2023 Board of Directors	Ordinary shares	141	6,303	March 31, 2023	June 9, 2023

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

a. Dividends paid

Resolution	Type of shares	Dividend per share (yen)	Total dividends (million yen)	Record date	Effective date
May 16, 2023 Board of Directors	Ordinary shares	141	6,303	March 31, 2023	June 9, 2023
August 14, 2023 Board of Directors	Ordinary shares	143	6,369	June 30, 2023	September 8, 2023
November 13, 2023 Board of Directors	Ordinary shares	145	6,429	September 30, 2023	December 8, 2023
February 13, 2024 Board of Directors	Ordinary shares	147	6,498	December 31, 2023	March 8, 2024

b. Dividends whose record date belongs to the fiscal year ended March 31, 2024 but will be effective after March 31, 2024

Resolution	Type of shares	Dividend per share (yen)	Total dividends (million yen)	Record date	Effective date
May 15, 2024 Board of Directors	Ordinary shares	203	8,961	March 31, 2024	June 7, 2024

(Note) The dividend per share includes a special dividend of 50 yen.

27. Share-based payment

The Group has introduced share option plans and restricted share-based payment plans as forms of share-based payment.

Share-based payment is granted to officers, employees, and other service providers of the Group, based on the details approved by the General Meeting of Shareholders or the Board of Directors of the Group.

Share-based payment is accounted for as equity-settled share-based payment. Expenses related to share-based payment are as follows:

Expenses related to share-based payment

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Share option	189	144
Restricted share-based payment	-	11

(1) Share option plans

1) Content of share option plans

The Group has introduced share option plans as a form of equity-settled payment.

The main share option plans of the Group existing in the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023) and the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024) were as follows:

HIKARI TSUSHIN, INC.

Fiscal year of issuance and name	Grant date	Rights exercise period	Performance conditions
2017 Series 20	December 1, 2017	July 1, 2022 to June 30, 2027	(Note 2)
2018 Series 21	June 8, 2018	July 1, 2023 to June 30, 2027	(Note 3)
2020 Series 23	June 1, 2020	July 1, 2025 to June 30, 2029	(Note 4)
2021 Series 24	June 1, 2021	July 1, 2026 to June 30, 2030	(Note 5)

(Note 1) As a condition of employment, in order for the subject to exercise the rights, the subject is required to maintain a position as a Director or employee of the Company or a subsidiary of the Company until his or her exercises the rights.

(Note 2) The holders of this share acquisition right may exercise such rights only if all of the following conditions (a) and (b) are satisfied.

(a) For revenue on the consolidated statement of profit or loss of the Company for each of the fiscal years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2022, revenue for the fiscal year shall exceed revenue for the immediately previous fiscal year for four or more fiscal years.

(b) Operating profit on the consolidated statement of profit or loss of the Company for the fiscal year ended March 31, 2022 shall be 66,935 million yen or more.

(Note 3) The holders of this share acquisition right may exercise such right only if operating profit on the consolidated statement of profit or loss of the Company for the fiscal year ended March 31, 2023 exceeds 74,800 million yen.

(Note 4) The holders of this share acquisition right may exercise such right only if operating profit on the consolidated statement of profit or loss of the Company for the fiscal year ending March 31, 2025 exceeds 109,800 million yen.

(Note 5) The holders of this share acquisition right may exercise such right only if operating profit on the consolidated statement of profit or loss of the Company for the fiscal year ending March 31, 2026 exceeds 121,500 million yen.

2) Change in share options during the period and status of share options at the end of the year

The change in share options during the period and the status of share options at the end of the year was as follows:

HIKARI TSUSHIN, INC.

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)		Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Unexercised at the beginning of the period	442,500	19,867	232,500	19,529
Granted during the period	-	-	-	-
Forfeited during the period	210,000	20,240	-	-
Exercised during the period	-	-	19,200	16,874
Expired during the period	-	-	-	-
Unexercised at the end of the period	232,500	19,529	213,300	19,768
Exercisable at the end of the period	40,000	16,279	115,800	17,600

The exercise price of unexercised share options as of March 31, 2023 was between 16,279 yen and 23,610 yen, and the weighted average remaining contractual life was 5.4 years.

The exercise price of unexercised share options as of March 31, 2024 was between 16,279 yen and 23,610 yen, and the weighted average remaining contractual life was 4.5 years.

3) Method of measuring the fair value of share options granted during the period

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

No share options were granted during the period.

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

No share options were granted during the period.

4) Share options exercised during the period

The weighted average share prices when share options were exercised during the period were as follows.

HIKARI TSUSHIN, INC.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)			Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)		
Fiscal year of issuance and name	Number of shares exercised (shares)	Weighted average share price at the time of exercising rights (yen)	Fiscal year of issuance and name	Number of shares exercised (shares)	Weighted average share price at the time of exercising rights (yen)
2017 Series 20	-	-	2017 Series 20	12,600	23,378
2018 Series 21	-	-	2018 Series 21	6,600	27,383

(2) Restricted share-based payment plans

Content of restricted share-based payment plans

The Group has introduced the restricted share-based payment plans as equity-settled share-based payment plans from the fiscal year ended March 31, 2024 . The Company shall release the transfer restrictions on all shares held by the subject at the time of expiry of the transfer restriction period, provided that the subject has remained an employee of the Group throughout the transfer restriction period.

The contents of the restricted shares granted during the fiscal year ended March 31, 2024 were as follows.

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Number of shares granted (shares)	-	2,700
Fair value per share on the grant date (yen)	-	21,685
Transfer restriction period	-	3 years

The fair value per share on the grant date is calculated based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day prior to the date of the Board of Directors' resolution concerning the decision of the contents and grant of restricted share-based payment. No adjustments for expected dividends are included in the calculation of fair value.

28. Revenue

(1) Disaggregation of revenue

1) Revenue recognized from contracts with customers and revenue recognized from other sources

The composition of revenue is as follows:

(Million yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Revenue recognized from contracts with customers	586,818	516,810
Revenue recognized from other sources	57,165	85,137
Total	643,984	601,948

Revenue recognized from other sources includes revenue in accordance with IFRS 9, lease revenue in accordance with IFRS 16, insurance revenue in accordance with IFRS 17 and government grants in accordance with IAS 20.

2) Disaggregation of revenue

The relationship between disaggregated revenue and segment revenue is as follows:

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segments				Other	Total
	Corporate service	Individual customer service	Commission-based sales	Subtotal		
Goods or services provided on a continuous basis	263,746	213,703	27,697	505,147	-	505,147
Goods or services provided on a temporary basis	39,696	5,113	94,026	138,837	-	138,837
Total	303,443	218,817	121,724	643,984	-	643,984
Revenue recognized from contracts with customers	293,096	171,997	121,724	586,818	-	586,818
Revenue recognized from other sources	10,346	46,819	-	57,165	-	57,165

(Notes) 1. Amounts are presented after excluding intra-Group transactions.

2. The substantial majority of revenue recognized from other sources is included in goods or services provided on a continuous basis. The disaggregated information of only revenue recognized from contracts with customers is as follows.

(Million yen)

	Reportable segments				Other	Total
	Corporate service	Individual customer service	Commission-based sales	Subtotal		
Goods or services provided on a continuous basis	254,653	169,814	27,697	452,165	-	452,165
Goods or services provided on a temporary basis	38,443	2,183	94,026	134,653	-	134,653
Total	293,096	171,997	121,724	586,818	-	586,818

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

(Million yen)

	Reportable segments				Other	Total
	Corporate service	Individual customer service	Commission-based sales	Subtotal		
Goods or services provided on a continuous basis	238,116	223,388	19,921	481,426	-	481,426
Goods or services provided on a temporary basis	29,865	1,692	88,963	120,521	-	120,521
Total	267,981	225,081	108,885	601,948	-	601,948
Revenue recognized from contracts with customers	243,199	164,726	108,885	516,810	-	516,810
Revenue recognized from other sources	24,782	60,354	-	85,137	-	85,137

(Notes) 1. Amounts are presented after excluding intra-Group transactions.

2. The substantial majority of revenue recognized from other sources is included in goods or services provided on a continuous basis. The disaggregated information of only revenue recognized from contracts with customers is as follows.

(Million yen)

	Reportable segments				Other	Total
	Corporate service	Individual customer service	Commission-based sales	Subtotal		
Goods or services provided on a continuous basis	214,653	163,881	19,921	398,456	-	398,456
Goods or services provided on a temporary basis	28,546	844	88,963	118,354	-	118,354
Total	243,199	164,726	108,885	516,810	-	516,810

1) Goods or services provided on a continuous basis

The main operations comprising goods or services provided on a continuous basis are the provision of electric power, water delivery, internet connections, and other services through telemarketing, online sales, and other channels, in addition to related maintenance and management. These goods or services are provided on a continuous basis over the contract period based on contracts and other agreements between the Group and the customer of the service, which define the services and the rights and obligations between the parties.

Among continuous goods or services, the provision of electric power and internet connections are performance obligations that are satisfied over time because customers simultaneously receive and consume the goods or services provided by the Company's performance (supply of electric power, connection to the internet, etc.) along with the Company's performance of those goods or services. Customers pay the Company a monthly fee or a usage fee based on the amount of goods or services provided, as specified in the contract. Therefore, since the Company is entitled to receive consideration from the customer in an amount directly corresponding to the value to the customer of the Company's performance completed to date, the Company applies the practical expedient of recognizing revenue in the amount it is entitled to charge.

In contrast, the delivery of water is a performance obligation that is satisfied at a point in time. The Group recognizes revenue when the water is delivered to the customer because the Group believes that the customer obtains control, and the performance obligation is satisfied at the time the water is delivered.

Revenue from any goods or services are invoiced to customers on a monthly basis in an amount directly corresponding to the goods or services provided during the month, with normal payment due generally within 30 days.

2) Goods or services provided on a temporary basis

The main operations comprising goods or services provided on a temporary basis include commission-based operations such as communications service contracts.

In such commission-based operations, the Company recognizes revenue based on the judgment that the performance obligation is satisfied at the time when the Company establishes a contract between a customer and a service user for communication services, etc., and the service user begins to use the services provided by the customer, because the customer obtains benefits at that time.

The normal payment period is generally within 30 days from the last day of the month when the telecommunication contract is concluded between the customer and the service user and the service user starts using the customer's service.

Furthermore, for revenue arising from contracts with customers, the amount of revenue that includes variable consideration is not material. In addition, there is no significant financing component in the promised amount of consideration.

(2) Contract balances

The composition of the contract balances of the Group is as follows:

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	As of April 1, 2022	As of March 31, 2023
Receivables from contracts with customers	116,800	114,545
Accounts receivable – trade	116,800	114,545
Other	-	-
Contract liabilities	5,010	5,067

(Note) Accounts receivable – trade that arose from revenue related to government grants in accordance with IAS 20 is not included in the above table.

Accounts receivable – trade is stated at the amount before deducting the loss allowance. As of April 1, 2022, accounts receivable – trade after deducting the loss allowance was 115,079 million yen. As of March 31, 2023, accounts receivable – trade after deducting the loss allowance was 110,436 million yen.

Contract liabilities are advances received from customers (telecommunications carriers) for performance obligations to maintain and manage service users, and generally increase when the Company receives consideration from a customer before transferring the service to the customer and decrease when the Company satisfies its performance obligations. Of revenue recognized in the fiscal year ended March 31, 2023, the amount included in the balance of contract liabilities as of April 1, 2022 was 1,723 million yen. In addition, in the fiscal year ended March 31, 2023, the amount of revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods was not material.

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

(Million yen)

	As of April 1, 2023	As of March 31, 2024
Receivables from contracts with customers	114,545	116,222
Accounts receivable – trade	114,545	116,222
Other	-	-
Contract liabilities	5,067	4,927

(Note) Accounts receivable – trade that arose from revenue related to government grants in accordance with IAS 20 is not included in the above table.

Accounts receivable – trade is stated at the amount before deducting the loss allowance. As of April 1, 2023, accounts receivable – trade after deducting the loss allowance was 110,436 million yen. As of March 31, 2024, accounts receivable – trade

after deducting the loss allowance was 111,551 million yen.

Contract liabilities are advances received from customers (telecommunications carriers) for performance obligations to maintain and manage service users, and generally increase when the Company receives consideration from a customer before transferring the service to the customer and decrease when the Company satisfies its performance obligations. Of revenue recognized in the fiscal year ended March 31, 2024, the amount included in the balance of contract liabilities as of April 1, 2023 was 1,562 million yen. In addition, in the fiscal year ended March 31, 2024, the amount of revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods was not material.

(3) Transaction price allocated to remaining performance obligations

As the Group's contracts consist of contracts with an initial expected contractual period of one year or less and contracts to receive consideration from customers in an amount directly corresponding to the amount of services provided, the Group has applied a practical expedient and does not disclose information regarding remaining performance obligations. Furthermore, there are no significant amounts in consideration arising from contracts with customers that are not included in transaction prices.

(4) Assets recognized from costs to obtain contracts with customers

(Million yen)

	March 31, 2023	March 31, 2024
Assets recognized from costs to obtain contracts with customers	37,059	41,453

Of the incremental costs to obtain contracts with customers, the Group recognizes as an asset the portion that is expected to be recoverable and presents this asset as "contract costs" on the consolidated statement of financial position. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The incremental costs to obtain contracts recorded as assets by the Group are mainly commissions paid to agencies that occur when customers are obtained. Contract costs are allocated as an expense over the period when the goods or services related to the cost are expected to be provided (two to three years). Furthermore, the Group has applied the practical expedient set forth in paragraph 94 of IFRS 15 and recognizes the costs of obtaining contracts as an expense when incurred if the amortization period of the costs is one year or less.

In addition, the Group reviews the recoverability of contract costs recognized as an asset at the end of each fiscal year and at the end of each quarter period, and an impairment loss is recognized to the extent that the carrying amount of contract costs exceeds the amount of the remaining consideration that the entity expects to receive in exchange for the goods or services to which the contract costs relate (future revenue), less any costs directly related to the provision of those goods or services that have not yet been recognized as an expense (directly related costs). When impairment no longer exists or has been improved, the reversal of all or part of the impairment loss previously recognized is recognized in profit or loss.

Amortization and impairment losses recognized in relation to assets recognized from costs to obtain contracts with customers are as follows, and are recorded in selling, general and administrative expenses:

(Million yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Amortization	28,782	33,423
Impairment loss	1,047	1

Assets recognized from the cost of acquiring contracts with customers include the incremental cost of acquiring contracts that is expected to be recoverable from the commissions paid by Haluene Co., Ltd., a subsidiary providing electricity retail services, to

agencies and others when acquiring customers.

Changes in the business environment surrounding electricity retail service providers has been significant due to fluctuations in transaction prices in the wholesale electricity market and the burden of capacity contribution fees (for the purpose of securing electricity supply capacity, retail electricity operators, the general electricity transmission and distribution operators, and distribution operators will bear the cost of electricity supply capacity) from April 2024 onwards. Haluene Co., Ltd. has been making necessary contract changes with customers as needed to respond to such changes. In assessing the recoverability of contract costs, we use future revenues and directly related costs under the business plan for the electricity retailing service, and their underlying items such as estimates of the expected remaining contract terms and termination rates of customers. However, in particular, the termination rates, which are the basis for future revenues, are assumed to remain at the levels observed after the contract revision notified to customers during the fiscal year ended March 31, 2024, and no increase in terminations due to the impact of the contract revision is anticipated. As a result of the assessment of recoverability incorporating this assumption, we have determined that it is not necessary to recognize impairment losses for contract costs attributable to Haluene Co., Ltd., which provides electricity retail services, for the fiscal year ended March 31, 2024. Accordingly, the balance of such contract costs was 14,485 million yen as of March 31, 2024 (12,607 million yen as of March 31, 2023).

29. Cost of sales and selling, general and administrative expenses

The composition of cost of sales and selling, general and administrative expenses based on their nature is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Cost of goods sold	37,348	36,035
Depreciation and amortization	16,253	14,556
Sales commissions	128,929	119,878
Employee and officer benefit expenses	32,059	29,027
Outsourcing expense	19,972	21,032
Other	340,735	286,002
Total	575,299	506,531

30. Other income and other expenses

The composition of other income and other expenses is as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Gain on sale of fixed assets	-	78
Gain on sale of businesses	2	4
Gain on discount purchase (Note 1)	3,327	-
Loss on sale and retirement of fixed assets	(315)	(207)
Impairment loss	(1,139)	(1,921)
Loss on liquidation of business (Note 2)	(3,777)	(965)
Other	1,702	85
Total	(199)	(2,926)

(Notes) 1. This is primarily due to the acquisition of HTB ENERGY CO., LTD., a company engaged in the electric power business, by HBD, inc., a subsidiary of the Company.

2. This is due to the reorganization of the industry-specific IT solutions business centered on EPARK, Inc. and the conversion of associates into subsidiaries.

31. Finance income and finance costs

(1) The composition of finance income is as follows:

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	(Million yen) Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Interest income		
Financial assets measured at amortized cost	3,435	11,885
Dividend income		
Financial assets measured at fair value through other comprehensive income	14,604	18,696
Gain on valuation of fair value		
Financial assets measured at fair value through profit or loss	-	2,614
Foreign exchange gain	5,798	28,078
Other	1,009	253
Total	24,847	61,529

(2) The composition of finance costs is as follows:

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	(Million yen) Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Interest expenses		
Financial liabilities measured at amortized cost	7,525	8,759
Other	274	244
Loss on valuation of fair value		
Financial assets measured at fair value through profit or loss	772	-
Financial liabilities measured at fair value through profit or loss	327	3,923
Other	1,674	1,850
Total	10,574	14,778

32. Other non-operating income and expenses

The composition of other non-operating income and expenses is as follows:

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	(Million yen) Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Gain on sale of shares of subsidiaries and associates	956	4,542
Gain on change of ownership in equity method investment	147	1,006
Gain on step acquisitions	-	315
Other	163	(17)
Total	1,267	5,847

33. Other comprehensive income

For each item included in other comprehensive income, the amount arising during the period, reclassification adjustments to profit or loss, and the effect on income taxes are as follows:

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	(Million yen)				
	Amount arising during the period	Reclassification adjustment	Before tax	Income taxes	After tax
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	59,333	-	59,333	(17,564)	41,768
Share of other comprehensive income of investments accounted for using equity method	490	-	490	-	490
Total	59,823	-	59,823	(17,564)	42,259
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	983	-	983	-	983
Share of other comprehensive income of investments accounted for using equity method	(160)	-	(160)	-	(160)
Total	823	-	823	-	823
Total other comprehensive income	60,646	-	60,646	(17,564)	43,082

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

	(Million yen)				
	Amount arising during the period	Reclassification adjustment	Before tax	Income taxes	After tax
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	199,439	-	199,439	(61,798)	137,640
Share of other comprehensive income of investments accounted for using equity method	1,200	-	1,200	-	1,200
Total	200,639	-	200,639	(61,798)	138,840
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	4,053	-	4,053	-	4,053
Share of other comprehensive income of investments accounted for using equity method	826	-	826	-	826
Total	4,879	-	4,879	-	4,879
Total other comprehensive income	205,518	-	205,518	(61,798)	143,719

34. 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, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
(1) Basic earnings per share	2,037.65 yen	2,753.52 yen
(Basis of calculation)		
Profit attributable to owners of parent (million yen)	91,345	122,225
Amount not attributable to ordinary equity holders of the parent (million yen)	-	7
Amount used in calculation of basic earnings per share (million yen)	91,345	122,217
Weighted average number of ordinary shares (thousand shares)	44,828	44,386
(2) Diluted earnings per share	2,032.98 yen	2,747.44 yen
(Basis of calculation)		
Amount used in calculation of basic earnings per share (million yen)	91,345	122,217
Adjustment to profit for potential shares in subsidiaries (million yen)	(206)	(194)
Amount used in calculation of diluted earnings per share (million yen)	91,139	122,023
Weighted average number of ordinary shares (thousand shares)	44,828	44,386
Increase in ordinary shares from share acquisition rights (thousand shares)	1	27
Weighted average number of ordinary shares used in calculation of diluted earnings per share (thousand shares)	44,830	44,413

35. Additional information related to the consolidated statement of cash flows

(1) Proceeds from or payments for obtaining control of subsidiaries

The main assets and liabilities when control was obtained in relation to companies that became subsidiaries and the relationship between consideration paid and proceeds from or payments for obtaining control of subsidiaries are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Current assets	12,806	3,363
Non-current assets	803	659
Deferred assets	0	-
Current liabilities	(8,963)	(826)
Non-current liabilities	(6,470)	(2,026)
Consideration paid	(7,498)	(2,140)
Of assets when control was acquired, cash and cash equivalents	5,444	1,635
Net: Proceeds from obtaining control of subsidiaries	(2,054)	(504)

(2) Proceeds from or payments for loss of control of subsidiaries

The main assets and liabilities when control was lost in relation to companies that ceased being subsidiaries and the relationship between consideration received and proceeds from or payments for loss of control of subsidiaries are as follows:

	(Million yen)	
	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Current assets	17,552	319
Non-current assets	16,206	270
Current liabilities	(17,099)	(192)
Non-current liabilities	(1,189)	(4)
Consideration received	34,006	5,921
Of assets when control was lost, cash and cash equivalents	(7,532)	(620)
Settlement of cash and cash equivalents after loss of control	680	-
Net: Proceeds from loss of control of subsidiaries	27,154	5,300

(3) Changes in liabilities relating to financing activities

Changes in liabilities relating to financing activities are as follows:

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	April 1, 2022	Changes accompanied by cash flows			
	Million yen	Million yen			
Short-term borrowings	14,658	5,160			
Long-term borrowings	86,635	9,792			
Bonds payable	493,540	90,937			
Lease liabilities	15,945	(3,046)			
Other	1,840	(617)			
Total	612,621	102,226			
Changes not accompanied by cash flows					
	Changes from business combinations	New leases and contractual changes	Exchange differences on translation of foreign operations	Other	March 31, 2023
	Million yen	Million yen	Million yen	Million yen	Million yen
Short-term borrowings	(3,500)	-	-	(506)	15,812
Long-term borrowings	7,755	-	-	451	104,634
Bonds payable	3,490	-	-	(137)	587,830
Lease liabilities	(3,415)	2,651	-	139	12,275
Other	-	-	-	-	1,222
Total	4,329	2,651	-	(52)	721,775

(Note) Long-term borrowings includes the current portion of long-term borrowings.

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

	April 1, 2023	Changes accompanied by cash flows			
	Million yen	Million yen			
Short-term borrowings	15,812	(3,104)			
Long-term borrowings	104,634	7,621			
Bonds payable	587,830	101,046			
Lease liabilities	12,275	(2,009)			
Other	1,222	(841)			
Total	721,775	102,713			
	Changes not accompanied by cash flows				March 31, 2024
	Changes from business combinations	New leases and contractual changes	Exchange differences on translation of foreign operations	Other	
	Million yen	Million yen	Million yen	Million yen	Million yen
Short-term borrowings	74	-	-	10	12,792
Long-term borrowings	224	-	-	(148)	112,332
Bonds payable	(1,489)	-	-	(199)	687,188
Lease liabilities	57	(65)	-	(459)	9,798
Other	-	-	-	-	381
Total	(1,133)	(65)	-	(796)	822,493

(Note) Long-term borrowings includes the current portion of long-term borrowings.

36. Related parties

(1) Related party transactions

Transactions between the Group and related parties are as follows:

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

Name of company or person	Relationship with related party	Details of transaction	Transaction amount	March 31, 2023
				Outstanding balance
Hideaki Wada	President and Chief Operating Officer of the Company	Loan of funds	500	487
		Collection of funds	12	-
		Receipt of interest	6	-
Masato Takahashi	Director of the Company	Loan of funds	100	120
		Collection of funds	5	-
		Receipt of interest	1	-

(Notes) 1. Loans are provided for the purpose of acquiring shares of the Company. The interest rate on such loans is determined reasonably, taking into consideration market interest rates, etc.

2. In connection with the transaction, the shares of the Company acquired by the borrower through the loan are accepted as collateral for the borrower's obligations under the loan agreement.

3. Of the outstanding balance, the amount expected to be recovered within one year is 2 million yen.

4. No allowance for doubtful accounts has been provided for the outstanding balance.

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

(Million yen)

Name of company or person	Relationship with related party	Details of transaction	Transaction amount	March 31, 2024
				Outstanding balance
Hideaki Wada	President and Chief Operating Officer of the Company	Loan of funds	-	465
		Collection of funds	22	-
		Receipt of interest	8	-
Masato Takahashi	Director of the Company	Loan of funds	-	113
		Collection of funds	6	-
		Receipt of interest	2	-

(Notes) 1. Loans are provided for the purpose of acquiring shares of the Company. The interest rate on such loans is determined reasonably, taking into consideration market interest rates, etc.

2. In connection with the transaction, the shares of the Company acquired by the borrower through the loan are accepted as collateral for the borrower's obligations under the loan agreement.

3. Of the outstanding balance, the amount expected to be recovered within one year is 2 million yen.

4. No allowance for doubtful accounts has been provided for the outstanding balance.

(2) Compensation of key management personnel

The compensation of key management personnel is as follows:

(Million yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Short-term compensation	269	317
Total	269	317

(Note) The compensation of key management personnel is the compensation of the Directors of the Company (including External Directors).

37. Contingent liabilities

Guarantee liabilities

The Group guarantees transactions with financial institutions into which investments are made as follows.

		(Million yen)	
		Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Investees		756	596
	Total	756	596

38. Material events after the reporting period

Issuance of unsecured bonds payable

The Company issued bonds payable as follows, pursuant to the resolution adopted at the Board of Directors meeting held on March 25, 2024.

Forty-eighth unsecured bond

- (1) Name of bond: HIKARI TSUSHIN, INC. Forty-eighth unsecured bond (with an inter-bond pari passu clause)
- (2) Total amount of the issuance: 75.0 billion yen
- (3) Amount of each bond: 1 million yen
- (4) Interest rate: 2.05% annually
- (5) Issuance price: 100 yen for a face value worth 100 yen
- (6) Redemption value: 100 yen for a face value worth 100 yen
- (7) Due date of payment: April 26, 2024
- (8) Period of redemption: April 25, 2031 (7-year bond)
- (9) Interest payment dates: Twice each year, on April 26 and October 26
- (10) Use of funds: funds for redemption of bonds payable and repayment of borrowings
- (11) Lead managing underwriters: Mizuho Securities Co., Ltd.
SMBC Nikko Securities Inc.
SBI SECURITIES Co., Ltd.
Daiwa Securities Co. Ltd.
Rakuten Securities, Inc.
OKASAN SECURITIES CO., LTD.
Tokai Tokyo Securities Co., Ltd.
- (12) Bond Administrator: Mizuho Bank, Ltd.
- (13) Book-entry transfer institution: Japan Securities Depository Center, Incorporated
- (14) Rating acquired: A+ (Japan Credit Rating Agency, Ltd.)
A (Rating and Investment Information, Inc.)

Cancellation of treasury shares

The Company resolved the cancellation of treasury shares pursuant to Article 178 of the Companies Act at the Board of Directors meeting held on May 15, 2024, and implemented the cancellation of treasury shares as follows.

- (1) Reason for cancellation of treasury shares: In order to eliminate concerns about future dilution of shares
- (2) Type of shares cancelled: Ordinary shares of the Company
- (3) Total number of shares cancelled: 780,000 shares (Ratio to the total number of shares issued and outstanding before cancellation: 1.73%)
- (4) Date of cancellation: May 31, 2024
- (5) The total number of shares issued and outstanding after cancellation: 44,269,642 shares

39. Approval of consolidated financial statements

The accompanying consolidated financial statements were approved on June 28, 2024 by Mr. Hideaki Wada, President and Chief Operating Officer of the Company.

(2) [Other]

Quarterly information, etc. for the fiscal year ended March 31, 2024

(Million yen)

(Cumulative period)	First Quarter	Second Quarter	Third Quarter	Fiscal year ended March 31, 2024
Revenue	140,140	296,479	446,688	601,948
Profit before tax	47,583	87,219	107,940	168,000
Profit attributable to owners of parent	32,739	61,761	73,838	122,225
Basic earnings per share (Yen)	733.07	1,386.43	1,660.60	2,753.52

(Fiscal period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Basic earnings per share (Yen)	733.07	653.14	272.62	1,095.87