

# Reference Materials

For the six months ended September 30, 2023

November 13, 2023

# Reference Materials

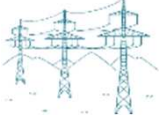
- 1 Business Overview
- 2 Past Performance
- 3 Financial Strategy
- 4 Other Supplementary Materials
- 5 Sustainability Information

# Business Description


Conduct recurring revenue business with stable earnings regardless of industry

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


Products and Services




Electricity




Delivery water



Communication line



Insurance



Mobile phone

Main source of revenue	Monthly service usage charge
Minimum contract period for major products	2-3 years (automatic renewal thereafter)
Main customers	SMEs and individuals

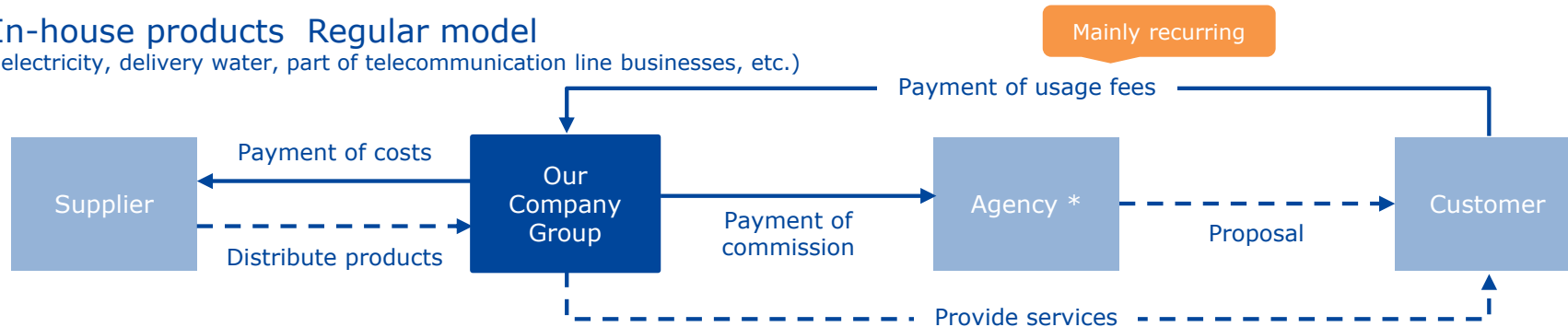


(1): Revenue from customers starting service usage in Month 1  
 (2): Revenue from customers starting service usage in Month 2  
 ...

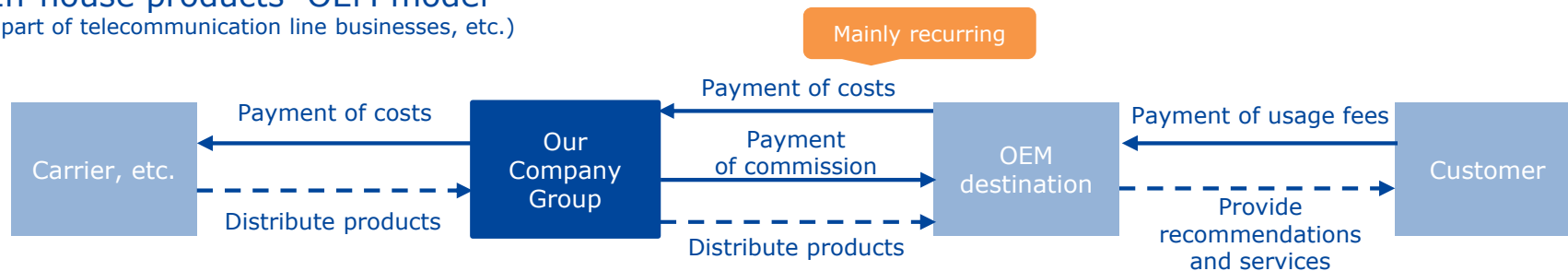
# Flow of Money and Services



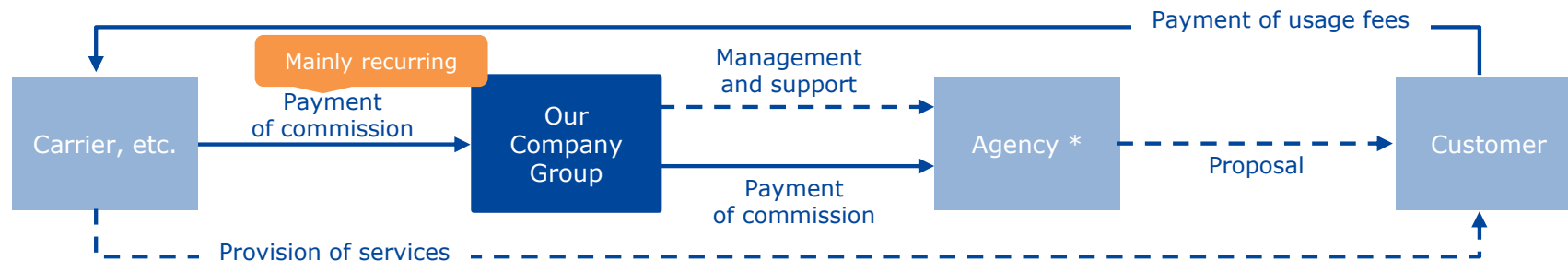
## 1 In-house products Regular model (electricity, delivery water, part of telecommunication line businesses, etc.)



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



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



# Strengths

## (1) Recurring-type business model

A business model based on recurring profit, which is long-term stable revenue. Recurring sales in which 78% of the revenue comes from constant income.

## (2) Strong sales structure

One of the best sales networks and customer bases in Japan

## (3) High liquidity on hand

Net cash assets\* 440.2 billion yen (as of March 2023)

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

## (4) Corporate culture

Allocate funds within the range of objective numerical criteria.  
Fast decision-making. Simplicity and frugality.

## (5) Uniqueness

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

# Solid Sales Structure

As of March 31, 2023

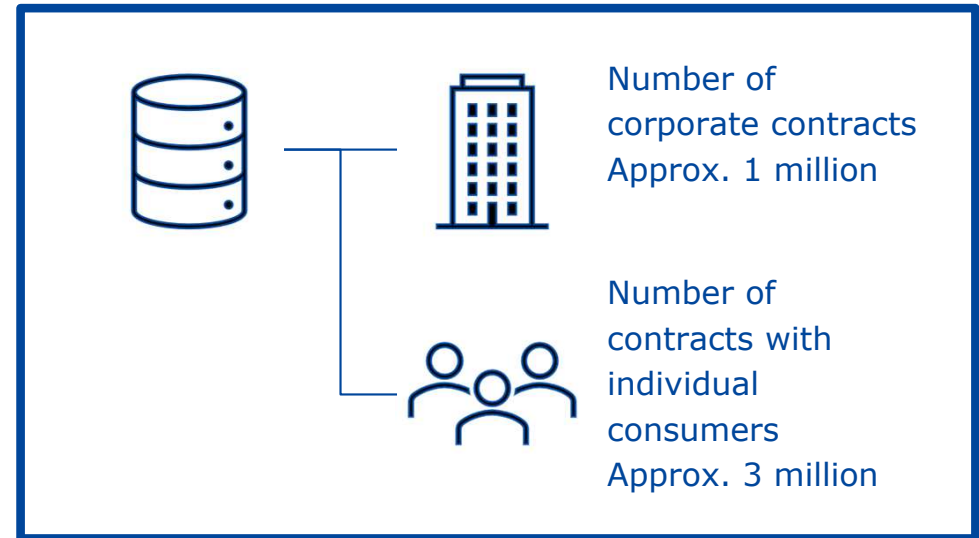
## Sales network

Mainly leverage agencies



## Customer base

Sell mainly to SMEs and individual consumers



## Sales channels

Primarily push marketing



# Main Business and Segments

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

# Shareholder Return Policy (Principle)

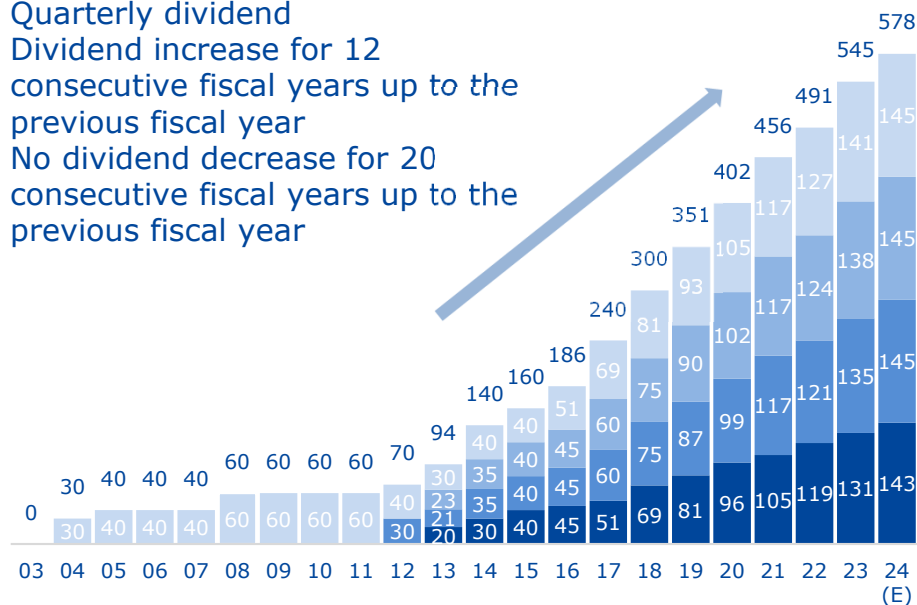
## (1) Dividend

Consider progressive dividends\*

\*Not reducing but maintaining or increasing the amount of dividends

### ■ Dividends per share (JPY)

- Quarterly dividend
- Dividend increase for 12 consecutive fiscal years up to the previous fiscal year
- No dividend decrease for 20 consecutive fiscal years up to the previous fiscal year

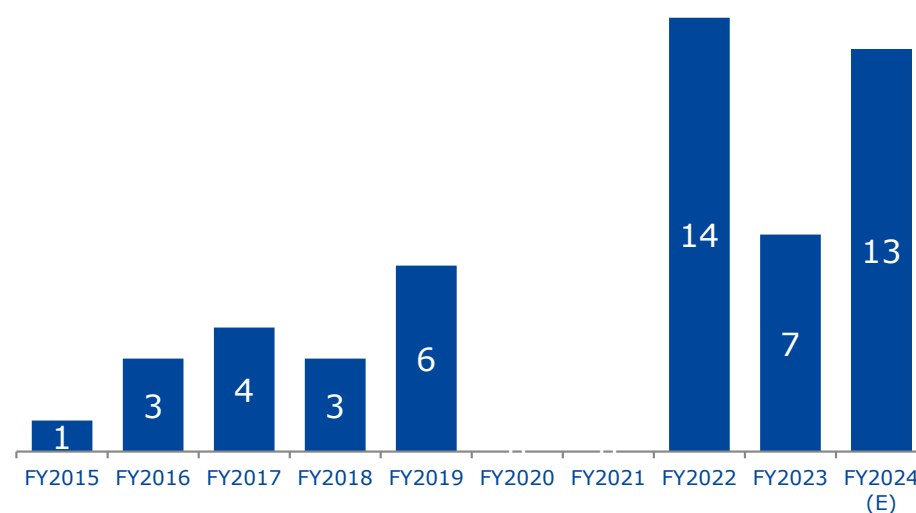


## (2) Repurchase of treasury stock

Flexible repurchase according to stock prices

### ■ Aggregate amount of treasury stock repurchased (Billions JPY)

- 10-year cumulative total 52.7 billion yen



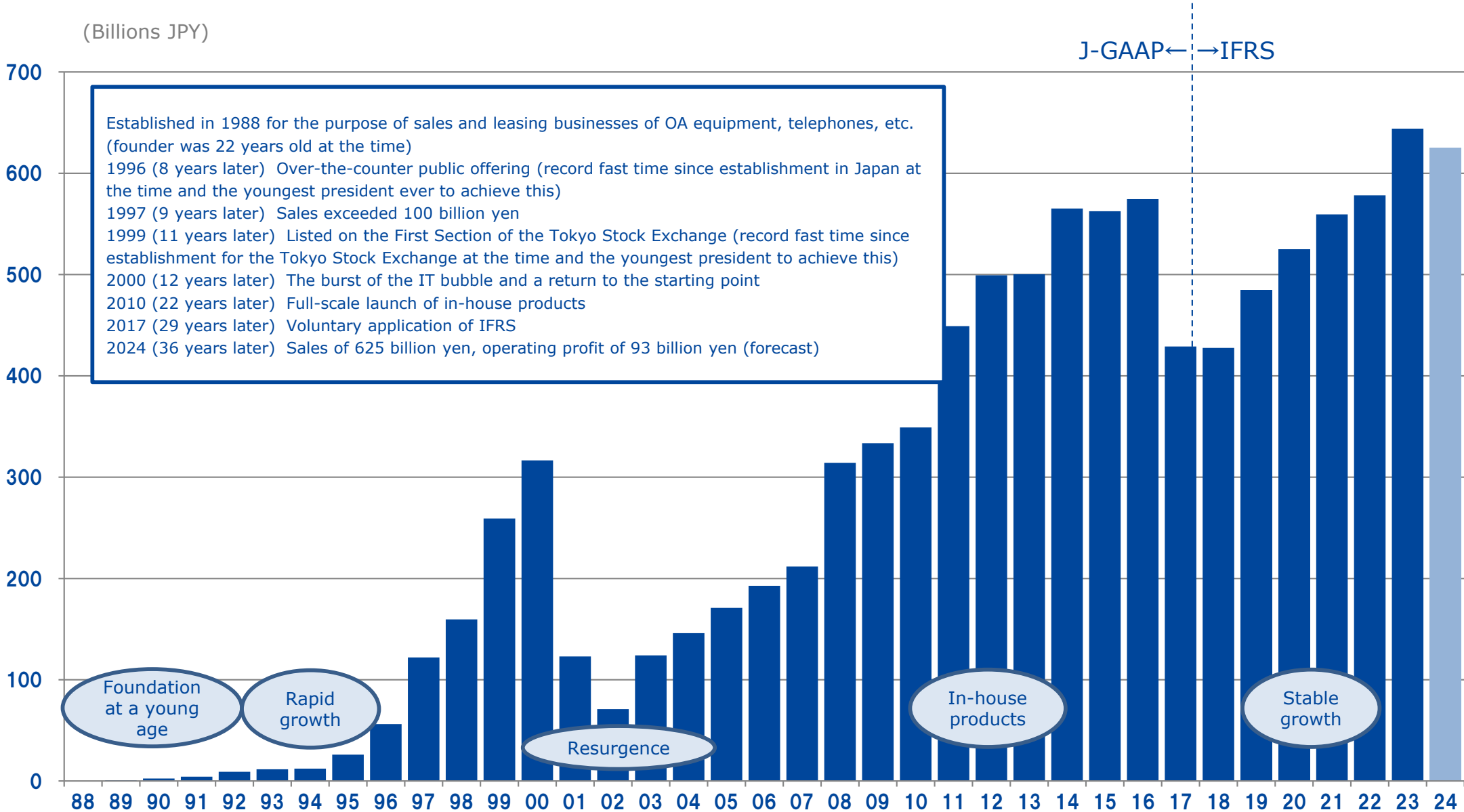


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- 2 Past Performance**
- 3 Financial Strategy
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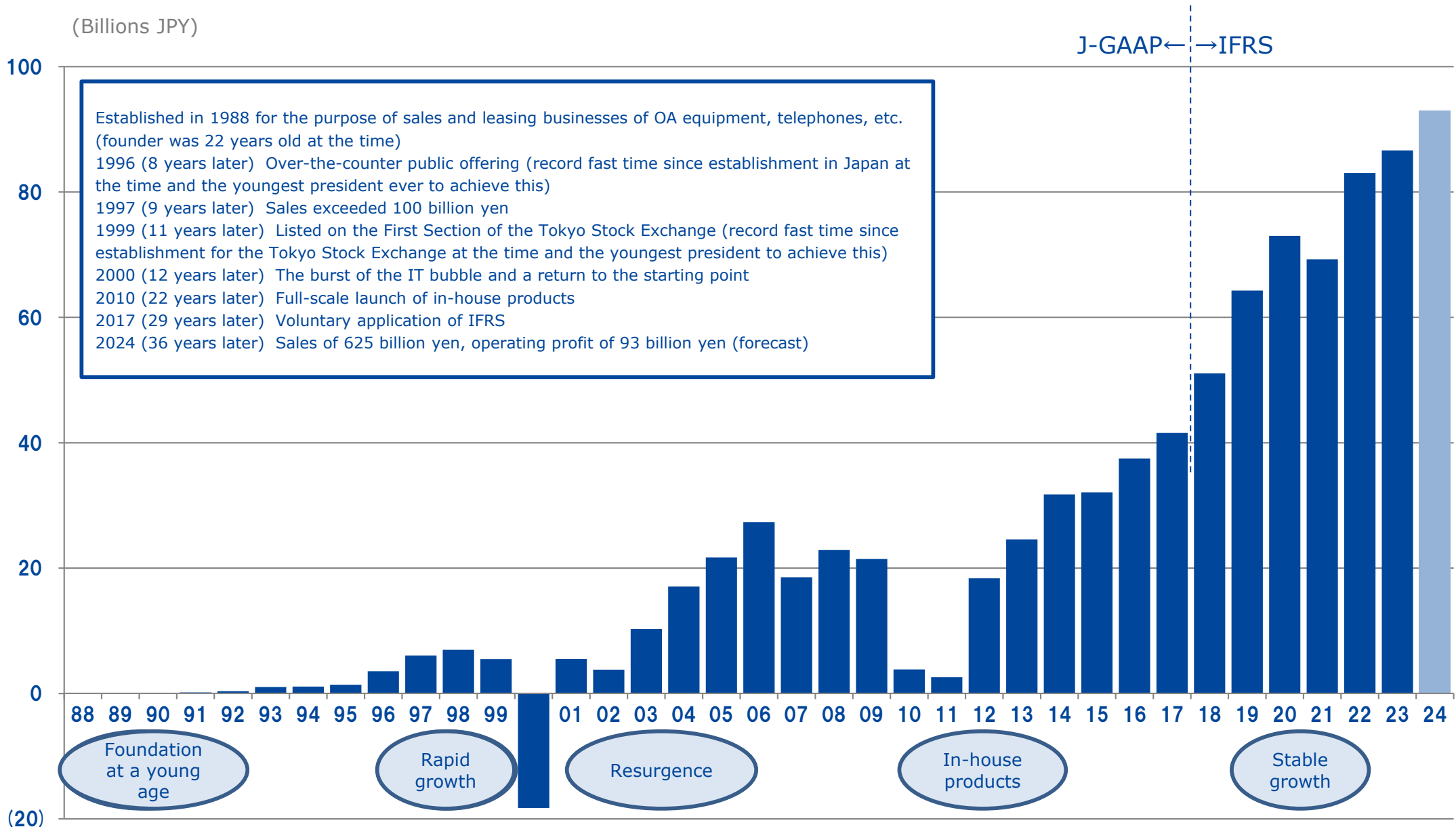
# Sales Since Establishment

(Billions JPY)



# Operating Profit Since Establishment

(Billions JPY)



(20)

# Total Capital Since Establishment (Net Assets)

(Billions JPY)

- Total capital
- Total capital in the absence of shareholder funding and shareholder returns

(Reference) Cumulative total of 137.3 billion yen raised from shareholders and 274.4 billion yen returned to shareholders

137 billion yen more in returns than amount raised

735.4

598.3

35-year average annual growth rate Approx. 40% (blue 39%, orange 40%)

0.005

88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23



# Annual Growth Rate for 10 Fiscal Years (1)

(Billion JPY)

	Revenue			Recurring profit			Operating profit			Net income
	Total	In-house products	Third-party products	Total	In-house products	Third-party products	Total	In-house products	Third-party products	
14/3	565.1	78.0	489.5	53.1	19.1	33.9	31.7	8.7	27.9	29.3
15/3	562.5	86.4	479.3	60.4	25.0	35.3	32.0	5.4	32.3	20.7
16/3	447.6	120.0	330.1	68.6	32.3	36.2	37.6	8.6	34.3	22.5
17/3	428.9	146.8	284.0	74.1	40.3	33.8	41.5	11.1	35.1	39.0
18/3	427.5	216.4	212.8	81.1	50.9	30.2	49.4	22.5	30.3	42.9
19/3	484.3	282.1	204.5	92.0	64.3	27.7	64.2	38.3	27.9	49.5
20/3	524.5	337.6	189.4	113.3	87.9	25.4	73.0	45.8	28.4	51.6
21/3	559.4	398.8	161.8	108.3	83.3	25.0	69.2	47.3	24.2	54.6
22/3	573.0	427.4	147.5	127.0	102.3	24.6	83.5	64.9	21.2	87.5
23/3	643.9	524.0	122.0	127.0	107.2	19.8	86.6	55.0	34.4	91.3
FYE 3/24 (forecast)	625.0	518.7	114.2	150.0	134.9	15.0	93.0	78.6	16.7	76.0
Average growth rate for 10 fiscal years	1%	20%	(13%)	10%	21%	(7%)	11%	24%	(5%)	10%

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

# Annual Growth Rate for 10 Fiscal Years (2)

(Billion JPY)

	BS	Per share			Shareholder Return		Capital efficiency			
	Equity	EPS (Yen)	BPS (Yen)	Dividends (Yen)	Acquisition of the Company's own shares	Dividend payment amount	ROA	Hypothetical consolidated ROA	ROE	Hypothetical consolidated ROE
14/3	130.0	¥623	¥2,843	¥140	22.0	6.5	10.8%	-	23.9%	
15/3	161.2	¥450	¥3,488	¥160	1.3	7.3	8.8%	-	14.3%	
16/3	166.7	¥485	¥3,413	¥186	3.1	8.6	9.4%	-	13.8%	
17/3	180.4	¥840	¥3,896	¥240	4.3	11.1	9.0%	-	22.5%	
18/3	225.3	¥927	¥4,878	¥300	3.0	13.8	8.3%	-	20.6%	
19/3	257.2	¥1,075	¥5,607	¥351	6.0	16.1	8.6%	-	20.5%	
20/3	285.7	¥1,126	¥6,228	¥402	0.0	18.4	8.2%	9.8%	19.0%	23.2%
21/3	393.4	¥1,190	¥8,575	¥456	0.0	20.9	6.2%	10.2%	16.1%	18.8%
22/3	468.6	¥1,927	¥10,380	¥491	14.7	22.2	6.1%	11.4%	20.3%	28.2%
23/3	571.0	¥2,037	¥12,773	¥545	7.1	24.4	5.5%	10.6%	17.6%	21.6%
FYE 3/24 (forecast)	618.2	¥1,713	¥14,325	¥578	13.0	25.6	5.4%	-	12.3%	-
Average growth rate for 10 fiscal years	16%	10%	17%	15%	-	14%	-	-	-	-

\* The cumulative total from FYE 3/14 to FYE 3/24 (planned) will be 74.7 billion yen in acquisition of the Company's own shares, 175.4 billion yen in payment of dividends and 250.1 billion yen in shareholder return.

# Annual Growth Rate for 10 Fiscal Years (3)

	Employees		
	Number of employees (people)	Sales per capita (millions of yen)	Operating profit per capita (millions of yen)
14/3	11,198	58	3
15/3	12,367	47	2
16/3	12,803	36	2
17/3	10,463	38	3
18/3	8,667	44	5
19/3	7,572	59	7
20/3	8,033	67	9
21/3	7,224	73	9
22/3	6,802	81	11
23/3	5,697	108	14
FYE 3/24 (forecast)	5,654	116	17
Average growth rate for 10 fiscal years	(6%)	6%	17%

Supplementary information

- \* Japanese GAAP applied before FYE 3/15, and IFRS applied after FYE 3/16
- \* Results for in-house and third-party products prior to FYE 3/18 are provisional figures as they were before the change in reporting segments.
- \* Sales in IFRS is presented as revenue.
- \* Net income in IFRS is presented as net income attributable to owners of parent.
- \* Equity in IFRS is presented as equity attributable to owners of the parent.
- \* EPS: Earnings per share
- \* BPS: Book value per share
- \* ROA: By dividing operating profit by total assets (the average during the period)
- \* Hypothetical consolidated ROA: Operating profit out of ROA is calculated with the total of "performance based on the equity method" calculated by multiplying "consolidated performance" and the performance of investment destinations by ownership ratios.
- \* ROE: By dividing net income attributable to owners of parent by equity (the average during the period)
- \* Sales per capita: By dividing sales by the number of employees (the average during the period)
- \* Operating profit per capita: By dividing operating profit by the number of employees (the average during the period)

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

		5 fiscal years	10 fiscal years	20 fiscal years
Sales	Total	5%	1%	7%
	In-house products	12%	20%	-
	Other companies' products	(11%)	(13%)	(1%)
Recurring profit	Total	9%	11%	13%
	In-house products	16%	21%	-
	Other companies' products	(11%)	(7%)	0%
Operating profit	Total	7%	11%	8%
	In-house products	15%	24%	-
	Other companies' products	(9%)	(10%)	0%
Net income	Net income	8%	10%	10%

		5 fiscal years	10 fiscal years	20 fiscal years
BS	Equity	19%	16%	11%
Per share	EPS	9%	10%	11%
	BPS	19%	16%	12%
	Dividends	9%	15%	15%
Shareholder Return	Dividend payment amount	9%	14%	14%
Employees	Number of employees	(5%)	(6%)	0%
	Sales per capita	14%	7%	7%
	Operating profit per capita	16%	18%	8%

- \* The five fiscal years are based on numerical comparison between FYE 3/19 and FYE 3/24 (forecast).
- \* The 10 fiscal years are based on numerical comparison between FYE 3/14 and FYE 3/24 (forecast).
- \* The 20 fiscal years are based on numerical comparison between FYE 3/04 and FYE 3/24 (forecast).
- \* Results for in-house and third-party products prior to FYE 3/18 are provisional figures as they were before the change in reporting segments.



# [Reference] Total Shareholder Return Since Listing (TSR)

## ■ Each fiscal year

	TOPIX share index with dividends included	Total shareholder return of HIKARI TSUSHIN		TOPIX share index with dividends included	Total shareholder return of HIKARI TSUSHIN
1996/8	-0.2%	186.6%	2010/3	28.5%	-11.2%
1997/8	-6.7%	-31.9%	2011/3	-9.2%	8.0%
1998/8	-21.8%	-22.7%	2012/3	0.6%	38.4%
1999/8	32.9%	1241.6%	2013/3	23.8%	78.5%
2000/8	4.4%	-90.4%	2014/3	18.6%	71.6%
2001/8	-26.4%	-74.4%	2015/3	30.7%	-7.9%
2002/3	-3.1%	2.1%	2016/3	-10.8%	10.8%
2003/3	-24.8%	-2.7%	2017/3	14.7%	25.8%
2004/3	51.1%	290.5%	2018/3	15.9%	51.8%
2005/3	1.4%	36.3%	2019/3	-5.0%	22.9%
2006/3	47.8%	12.9%	2020/3	-9.5%	-10.5%
2007/3	0.3%	-32.5%	2021/3	42.1%	22.2%
2008/3	-28.1%	-41.0%	2022/3	2.0%	-30.8%
2009/3	-34.8%	-30.3%	2023/3	5.8%	29.4%

## ■ Annual average growth rate

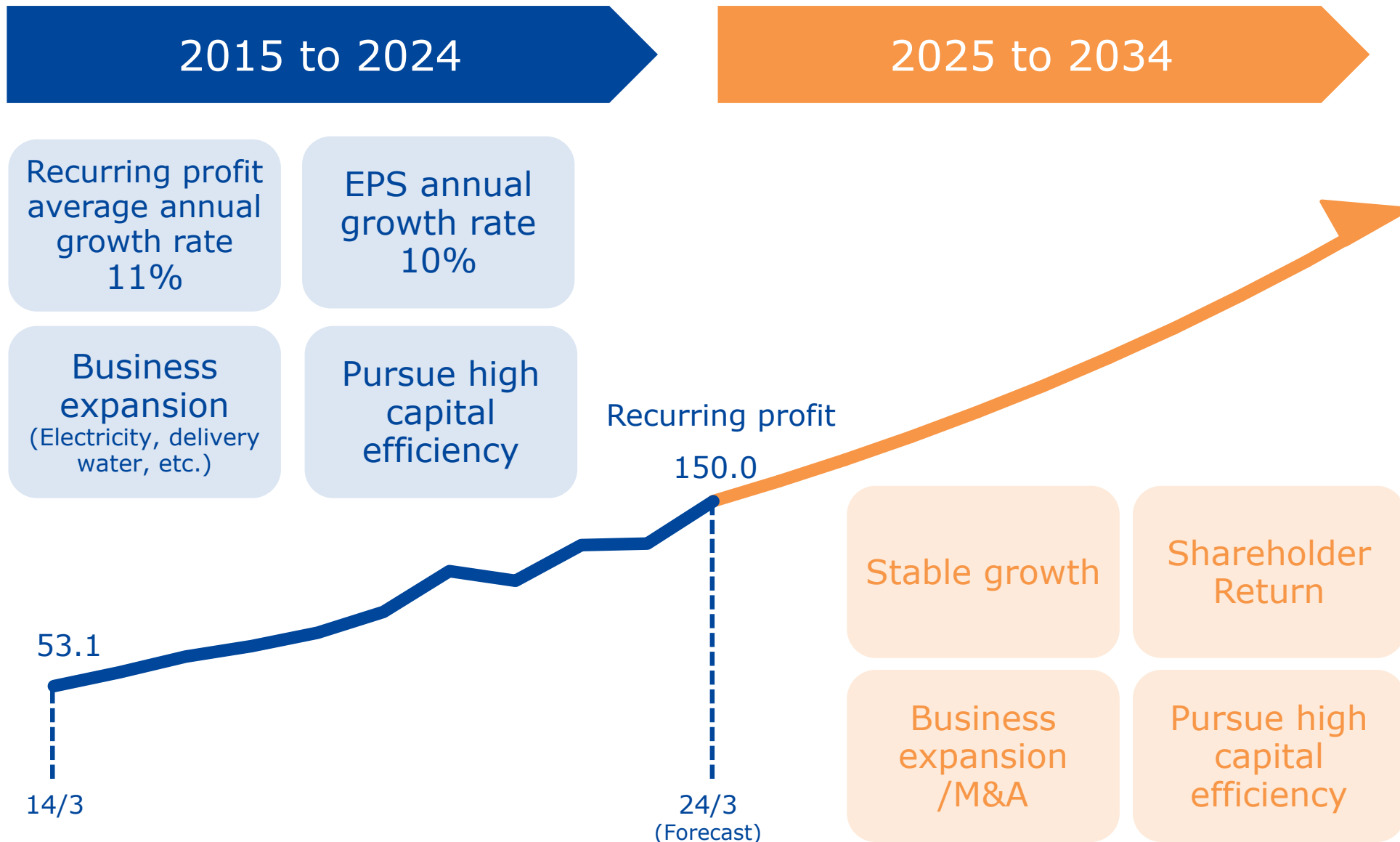
	TOPIX share index with dividends included	Total shareholder return of HIKARI TSUSHIN
Since listing 1996-2023	2.7%	8.0%
In the last 20 years	6.8%	16.0%
In the last 10 years	9.2%	16.1%

## ■ Total growth rate

Since listing 1996-2023	203%	789%
In the last 20 years	374%	1,930%
In the last 10 years	242%	446%

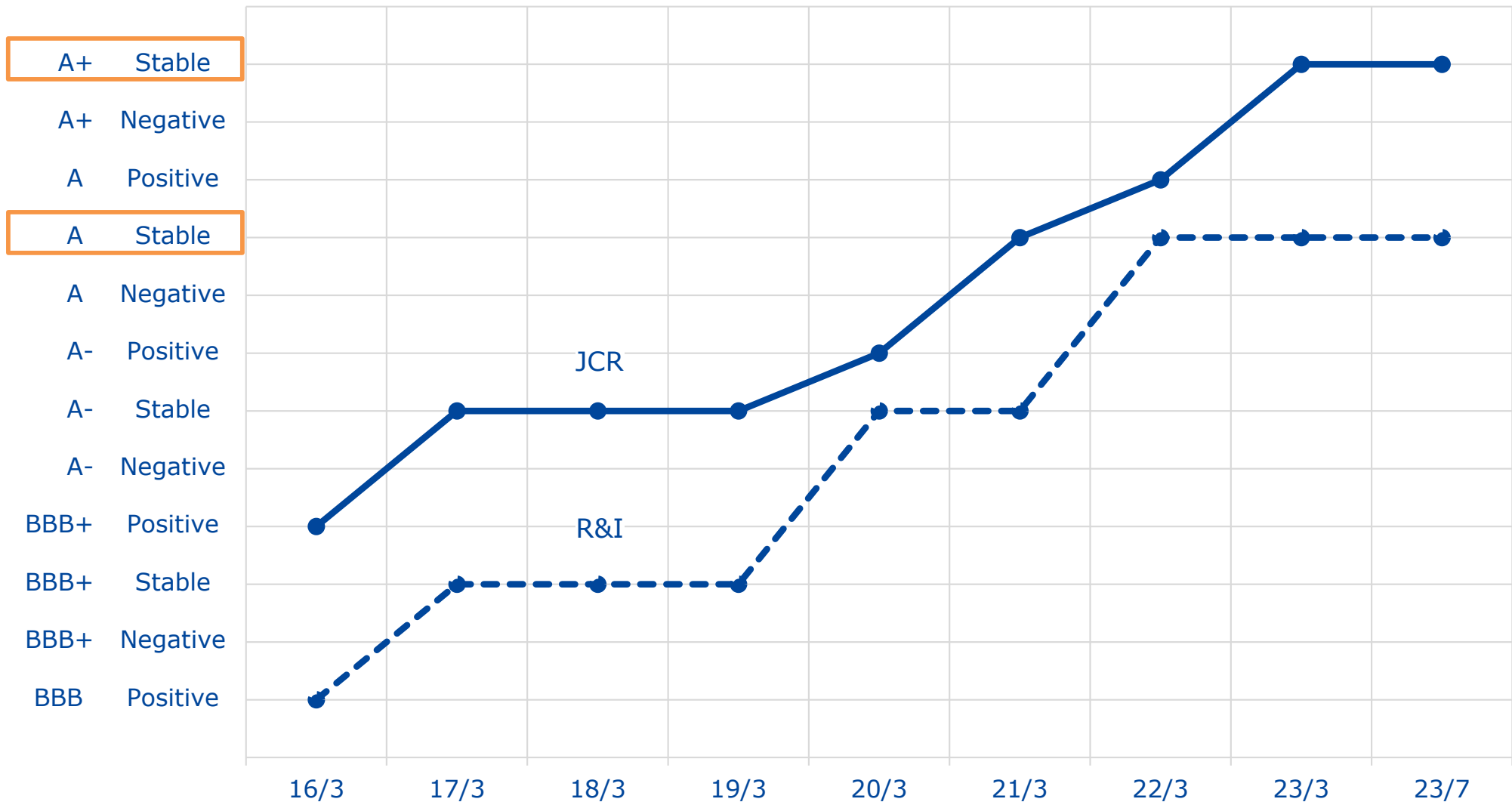
# The Next 10 years

(Billion JPY)



# External Ratings

JCR	A+(Stable)	R&I	A (Stable)
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# Financial Strategy

## Financing

## Investment

1

Diversification  
of means

Agile financing  
according to use

1

Business  
investment

Invest in capital  
efficient businesses

2

Long-term

Long-term financing, in  
principle

2

Strategic saving  
/Securing funds  
for repayment

Ensuring competitive  
advantages /  
Securing funds for repayments  
for debts maturing over the  
next three years

3

Fixed  
interest rate

Financing at fixed  
rates, in principle

3

Investment  
of surplus

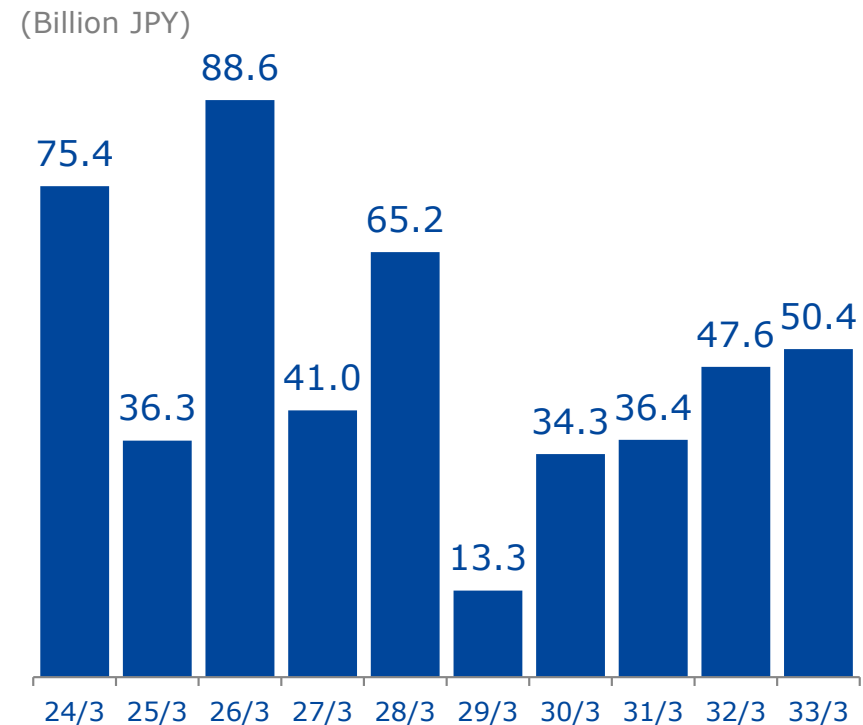
Invest if surplus funds

# Financing

## ■ Composition of Amount, Period, and Interest Rates

	21/3	22/3	23/3
Total interest-bearing debt (billion yen)	514.1	612.6	721.7
Average period of outstanding borrowings (in months)	85	92	79
Fixed-interest rate ratio (By dividing interest bearing debt at fixed interest rate by total interest-bearing debt)	90%	96%	95%

## ■ Long-term borrowing Scheduled term-by-term payments for the next 10 fiscal years (as of Mar 31, 2023)

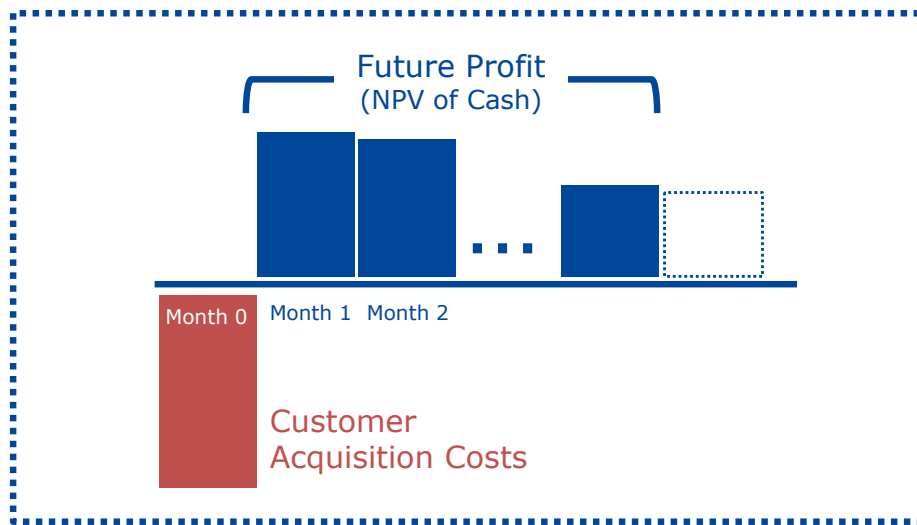


The company tries to make its financial foundation solid with financing by borrowing for as long a term as possible without risk of interest-rate fluctuations.

# Capital Efficiency Management

## ■ Concept

$$\text{Business Return} = \frac{\text{Future Profit}}{\text{Customer Acquisition Costs}}$$



## ■ Monthly Capital Allocation Review

Rank	Products	Sales Method		Business Return	Check
1	A	Indirect	Web	x %	✓
2	B	Indirect	TMS	y %	✓
3	C	Direct	Booth	y %	✓
4	A	Indirect	Door-to-door sales	z %	-

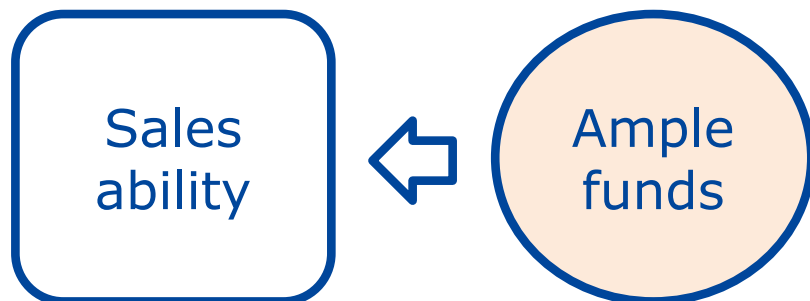
An orange arrow points from the 'Door-to-door sales' cell in the 4th row to the 'Booth' cell in the 3rd row, indicating a shift in sales method. A large orange 'X' is drawn over the 'Indirect' cell in the 4th row.

Check future profits relative to acquisition costs and focus on businesses and sales that meet or exceed certain standards.

# Cases of Ensuring Competitive Advantage

## (1) Water delivery

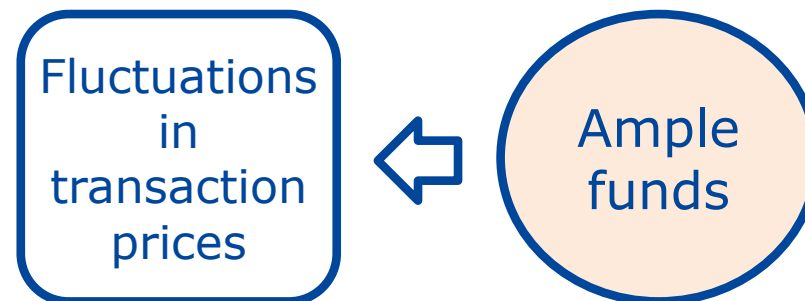
No.1 market share in Japan



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

## (2) Electricity

Increase in market share while adapting to changes in the business environment



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



# Update of Financial Discipline

(Billions JPY)

	As of Mar 31, 2021	As of Mar 31, 2022	As of Mar 31, 2023	As of Sep 30, 2023
(1) Cash Reserves	324.5	338.2	406.2	486.4
Cash and cash equivalents	324.5	338.2	389.3	443.5
Bonds (*Mainly U.S. bonds, high-grade corporate bonds)	-	-	17.5	42.9
(2) Balance of interest-bearing liabilities due within 3 years	221.5	212.3	265.9	241.3
(3) Difference (1-2)	102.9	125.9	140.9	245.1

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

# Method of Investing Surplus Funds

Jeremy Siegel wrote in his book, "Stocks for the Long Run," that from 1802 to 2006, (1) stocks showed the fastest growth in investment returns and the best long-term stability in the United States; (2) holding stocks in the United States for 17 years or longer resulted in no real losses; and (3) the long-term yield of stocks also exceeded that of bond investments in 16 countries including Japan.

20-year and 30-year holdings were expanded

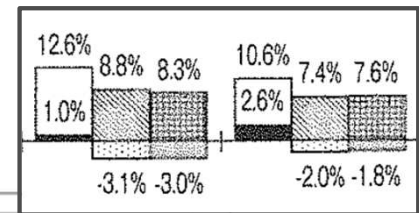
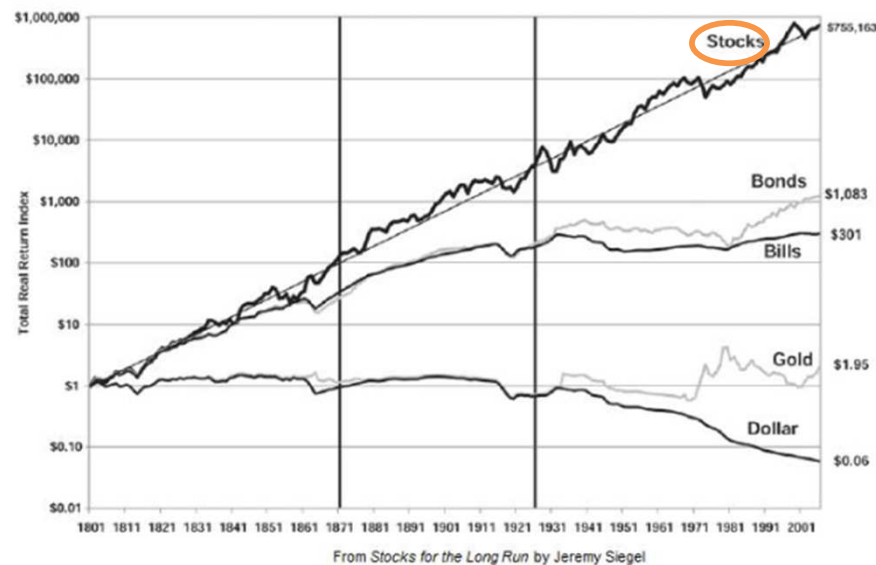
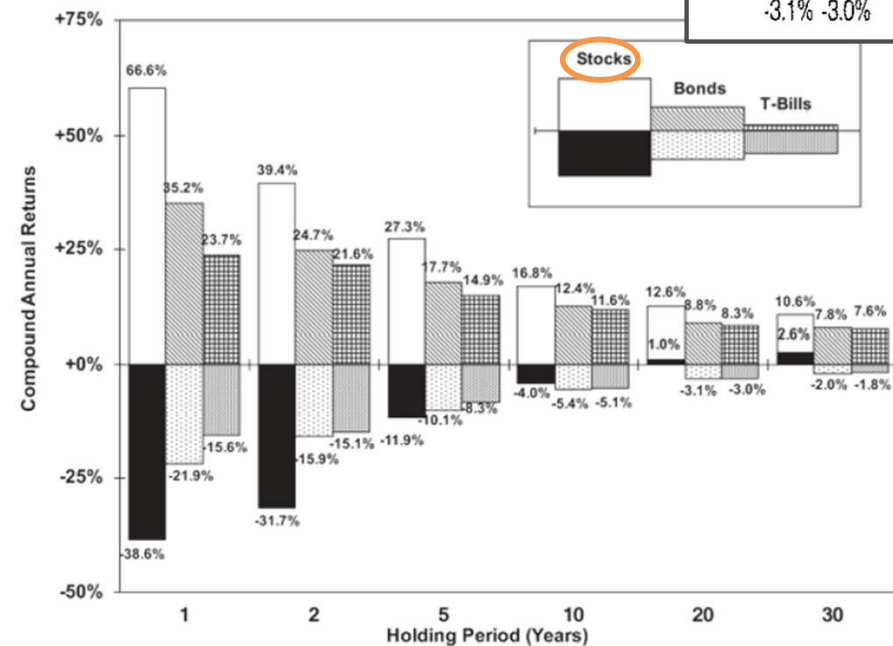


FIGURE 1-4

Total Real Return Indexes, 1802 through December 2006



Maximum and minimum real holding period returns, 1802–2021



(Ref.) Jeremy Siegel, *Stocks for the Long Run*. Nikkei bp. 2009 p 10, 23, 24

We believe that investment in stocks is an appropriate way to invest surplus funds.

# Characteristics of Our Stock Investment

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

We can manage surplus funds for a long period.

## Fund Management (3) Investment of Surplus Funds

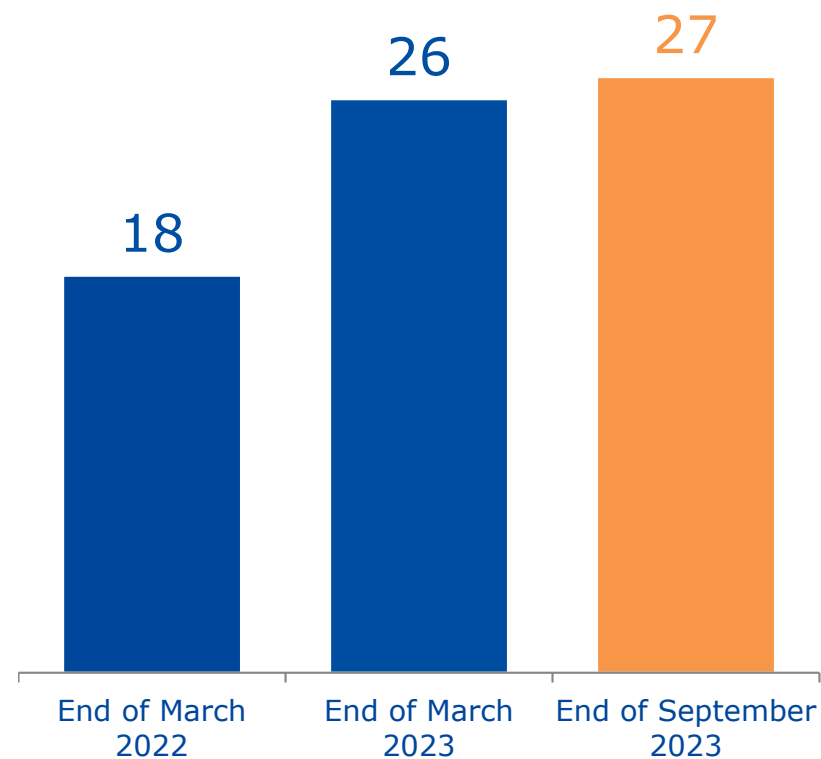
# Major Listed Companies that Became Consolidated Subsidiaries /Number of Affiliated Companies Accounted For by the Equity Method

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

### ■ Major Listed Companies That Became a Consolidated Subsidiary

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

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



# Listed stock investment policy/approach (Principle)

- Net investment

- **Stability**

\*Invest in stable companies with sound cash flow, recurring revenue, solid financial foundation, etc.

- We regard purchasing stocks as owning part of the business

- We aim to establish a good relationship with companies we have invested in

# Listed company stock investment status

## (1) EY

(Billions JPY)

	2022		2023		
	End of September	End of December	End of March	End of June	End of September
Investment book value (Acquisition price)	510.2	524.2	532.6	544.4	544.2
[Ref.] Market value	6,974	7,270	759.2	830.0	850.0
Look-through earnings Last 12 months *	76.4	78.8	80.3	83.8	82.0
[Ref.] Of which, affiliated companies accounted for by the equity method	13.1	13.1	13.4	13.7	13.6
<b>Earnings Yield</b> Look-through earnings / Investment book value	15.0%	15.0%	15.1%	15.4%	15.1%
Number of companies we have invested in	470	496	494	554	557
Of which, affiliated companies accounted for by the equity method	24	26	26	27	27

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

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

# Listed Company Stock Investment Status

## (2) Look-through Performance and Indicators

(Billions JPY)

PL	Look-through revenue	1,412.3
	Look-through earnings	82.0
	Look-through basic earnings	66.8
BS	Look-through net cash assets	300.9
	Look-through total assets	1,382.2
	Look-through shareholders' equity	660.9

55% of listed share acquisition value

Indicator	EY	15.1%
	PER	8.1
	PBR	0.8
	Dividend yield	4.1%

- \* As of the end of September 2023.
- \* PL/BS is calculated by multiplying the figures of each company we invested in by our stock holding ratio and adding all them up.
- \* PL is calculated based on the figures of the last 12 months (4 quarters of the last 12 months from the record date for which financial results have been announced), and BS is calculated based on the figures for the previous fiscal year (financial results immediately before the record date).
- \* All the indicators are the ratio to investment book values.

# Listed Stock Investment Status

## (3) Turnover and Liquidity

### ■ Turnover rate

(Billions JPY)

	FY2021	FY2022	FY2023
(1) Average market price during the period	416.8	564.5	698.0
(2) Sale amount	23.5	26.9	52.4
(2) / (1) Turnover rate	5.6%	4.8%	7.5%

### ■ Liquidity

Percentage of the amount available for sale at the time of market sale with a 20% participation rate based on the 20-day average volume to total market value of listed shares held(as of the end of March 2023)

Within 1 month	37%
Within 3 months	51%
Within 1 year	76%



# Reference Materials

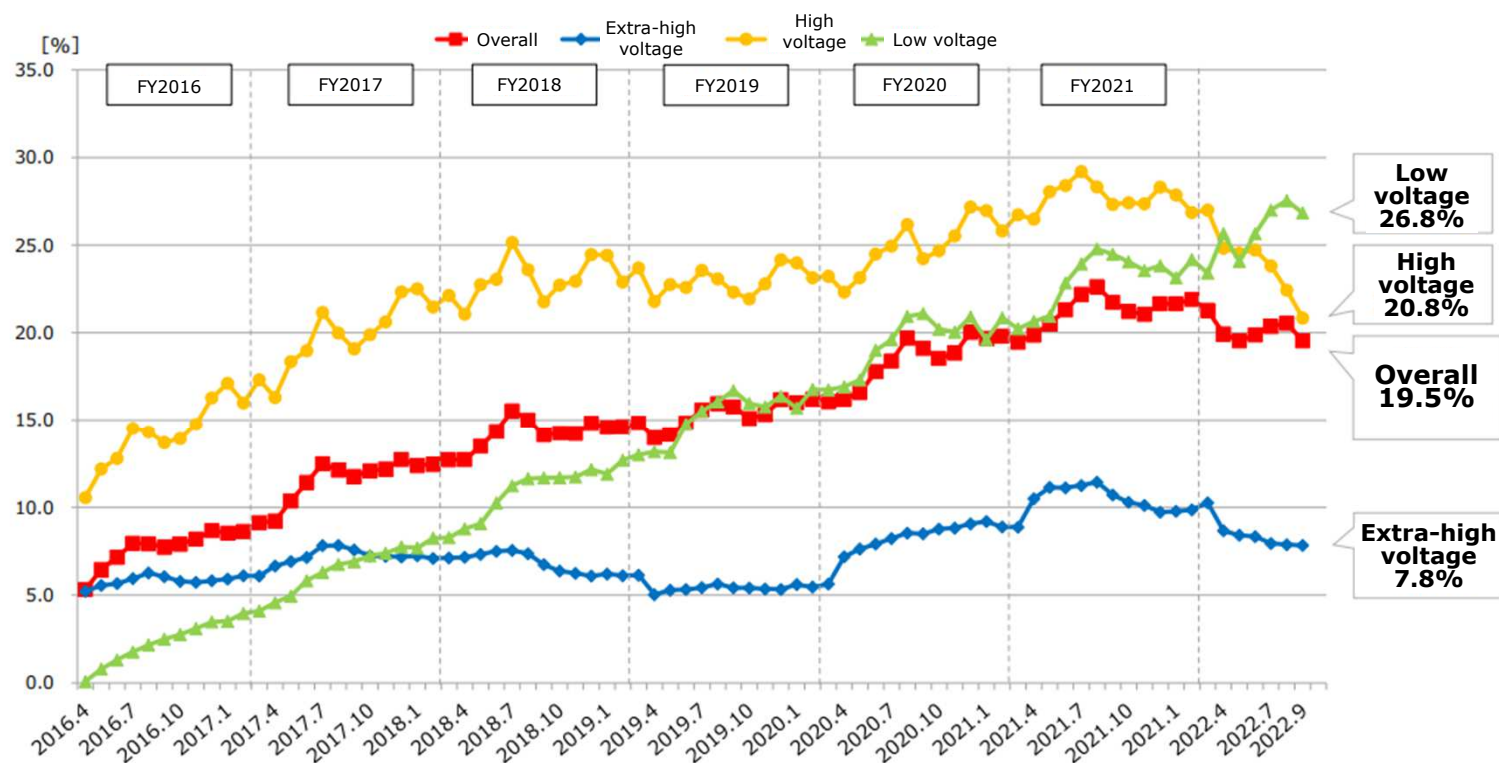
- 1 Business Overview
- 2 Past Performance
- 3 Financial Strategy
- 4 Other Supplementary Materials**
- 5 Sustainability Information

# Electricity Business Market

(share of PPS in total electricity sales)

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

In the low-voltage field, PPS accounted for 26.8% of the market.

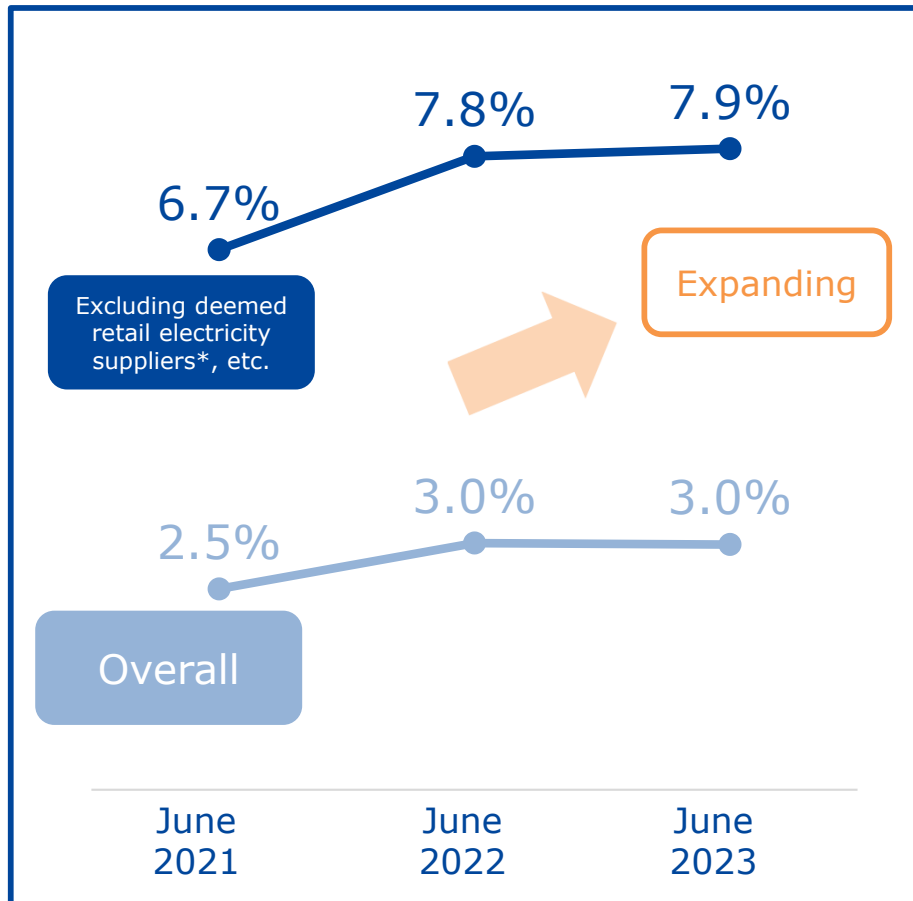


\* The term "PPS" (Power Producer and Supplier) does not include major electric power companies outside the service area (former general electric utilities), but includes subsidiaries of major electric power companies.  
 \* Share is calculated based on the volume of electricity sold.

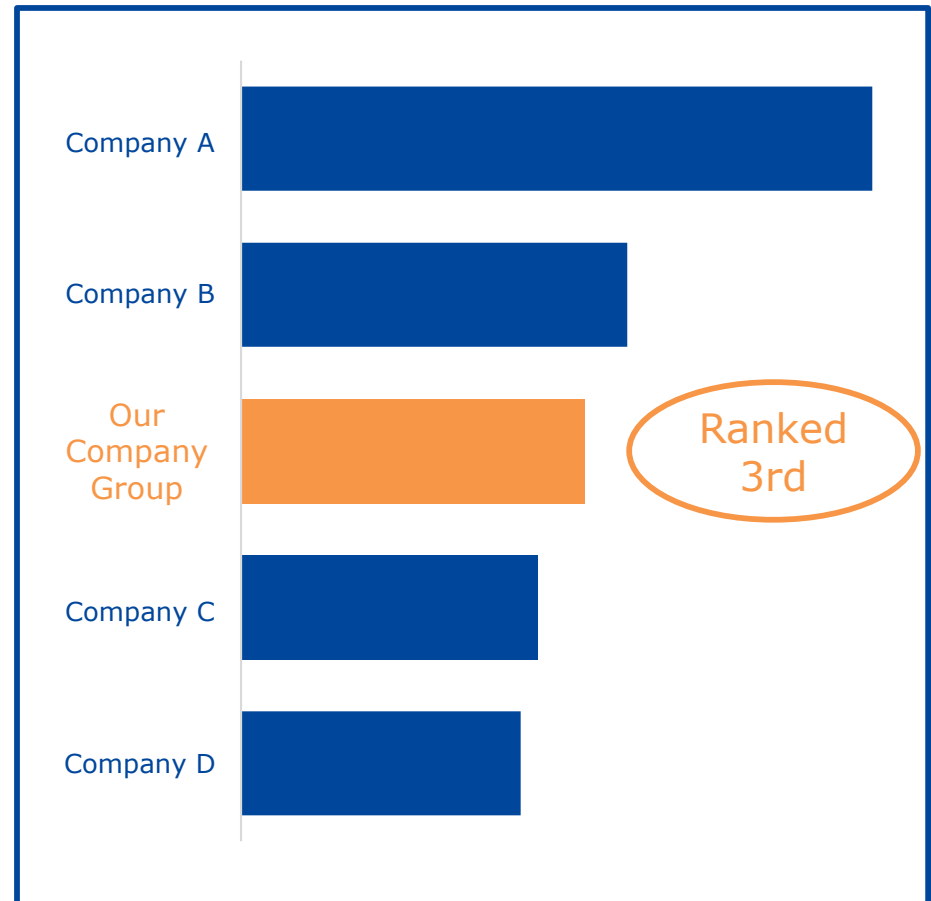
(Source) Electricity Transaction Report issued by the Electricity and Gas Market Surveillance Commission

# Market Share in the Electricity Business

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



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



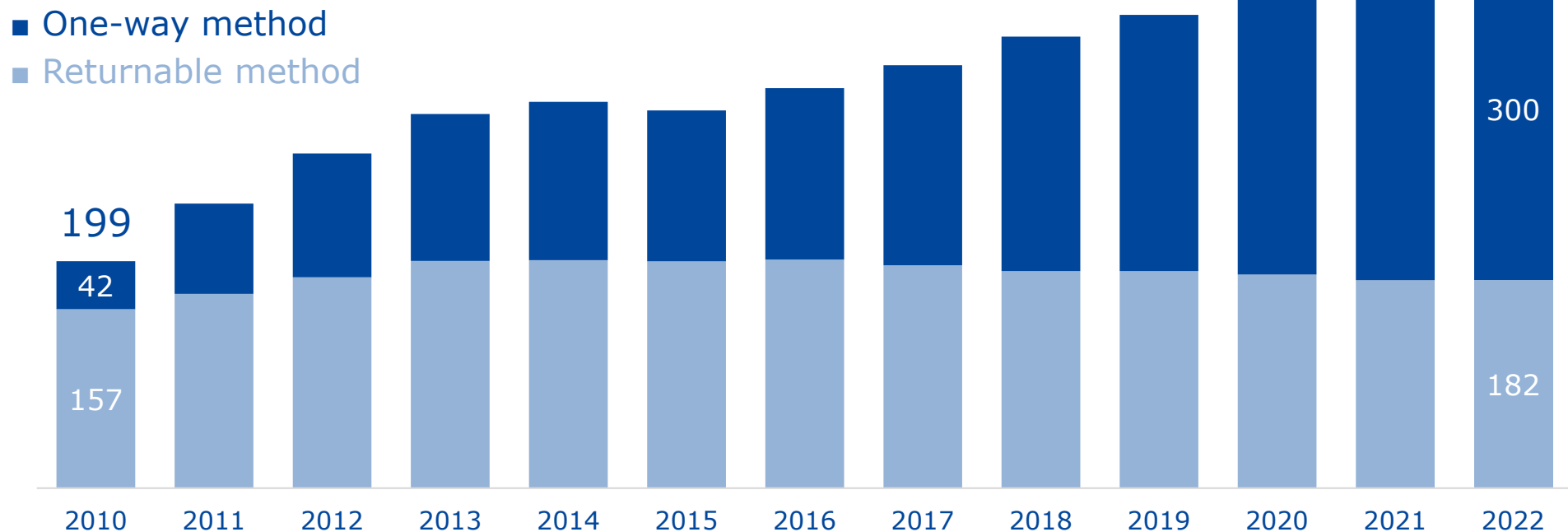
\*Source: Our company research based on the Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy's "Electric Power Survey Statistics"  
\*Deemed retail electricity suppliers, etc. include TEPCO Energy Partner, Inc. The Kansai Electric Power Co., Inc., and Chubu Electric Power Miraiz Co., Inc.

# Delivery Water Business Market

(Number of Customers)

(10,000 dispensers)

Increasing trend. The average annual customer growth rate (CAGR) between 2010 and 2022 \* was 7% for the market as a whole. The growth rate for just the one-way method, which is our Group's handling method, is 17%.

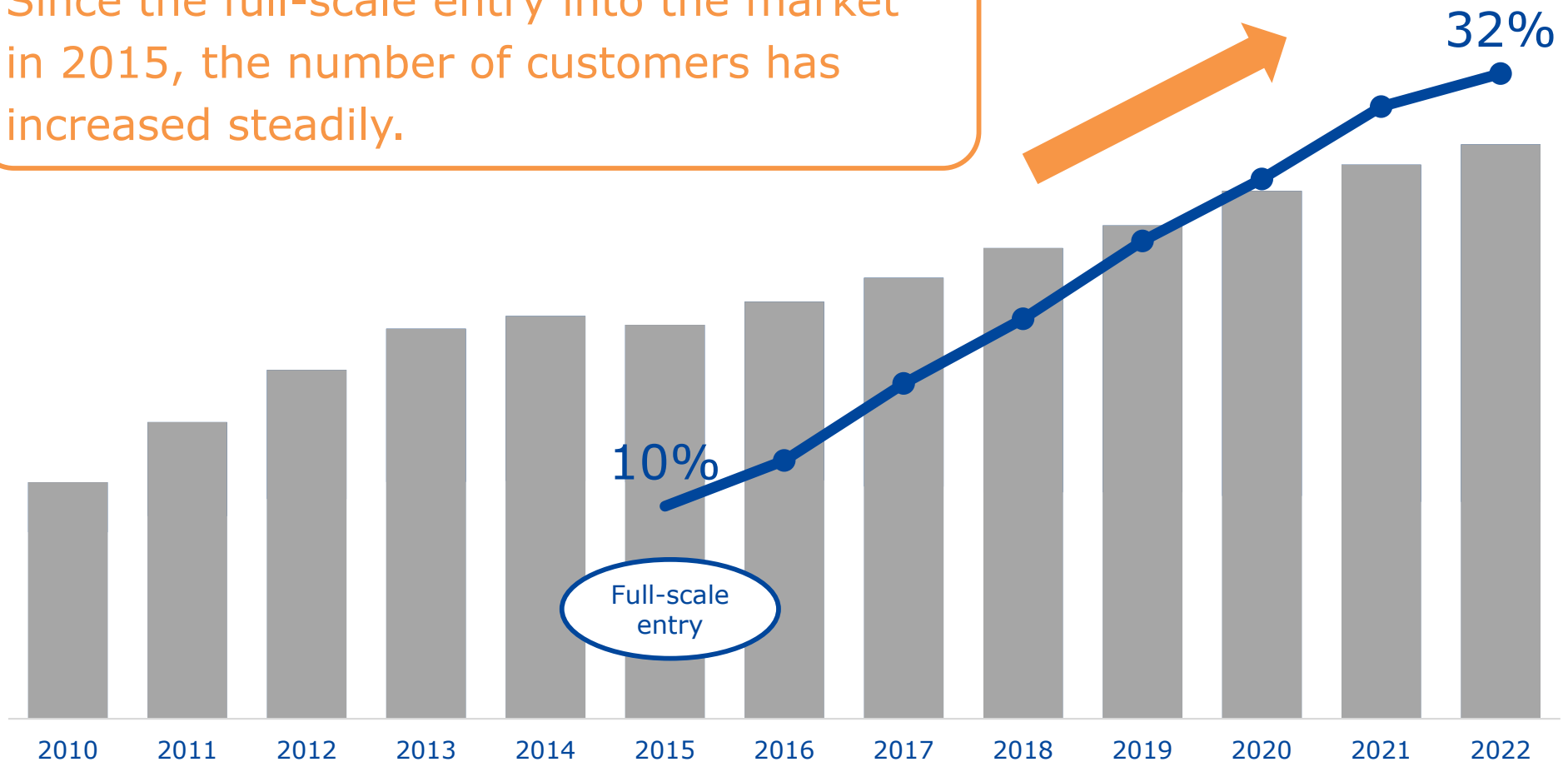


Source: Japan Delivery Water & Server Association's "Statistics of the Delivery Water Industry in Japan" <https://jdsa-net.org/data/statistics/>  
\* Calendar year (for example, 2021 is the number of customers at the end of December 2021)

# Delivery Water Business Market Share

(Number of Customers)

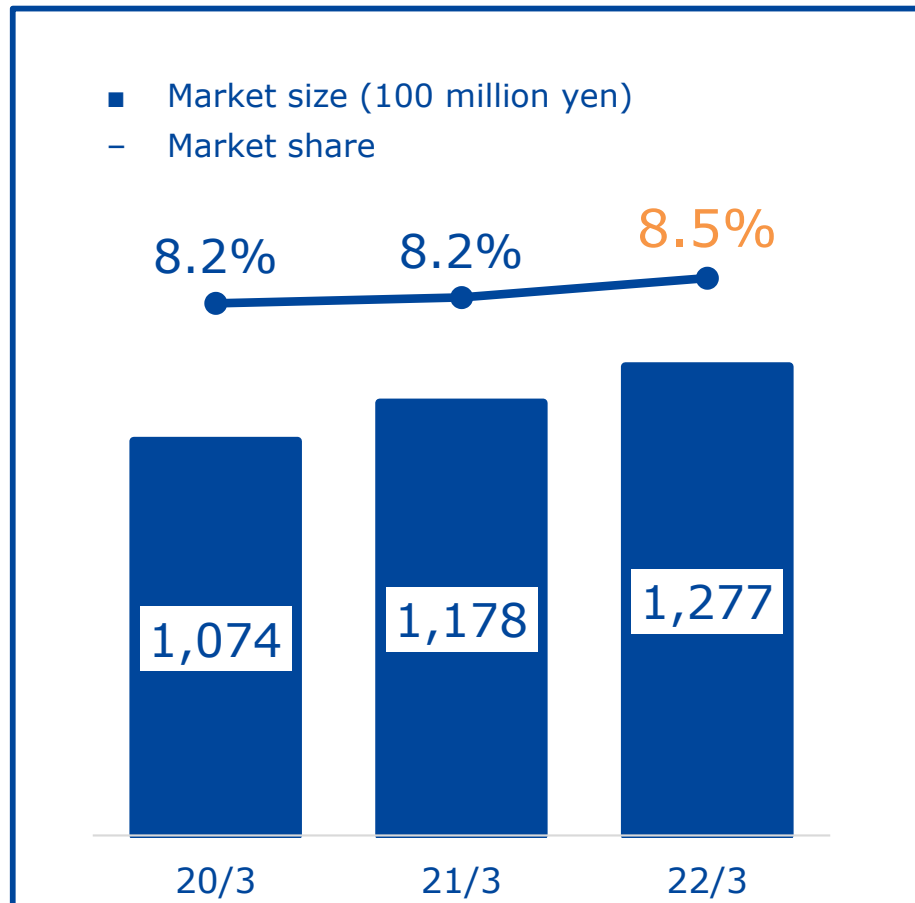
Since the full-scale entry into the market in 2015, the number of customers has increased steadily.



Source: Our company estimates based on Japan Delivery Water & Server Association's "Statistics of the Delivery Water Industry in Japan"  
<https://jdsa-net.org/data/statistics/>  
Calendar year (for example, 2021 is the number of customers at the end of December 2021)

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

(1) Market size and market share



(2) Ranking (FYE 3/22)



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

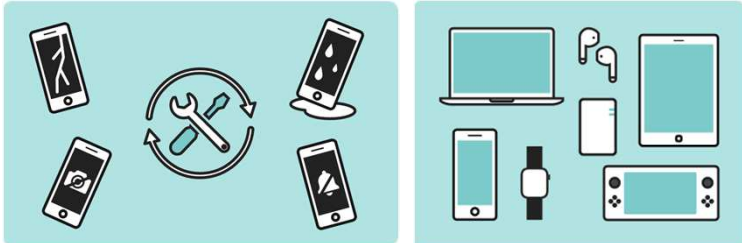

# Examples of Insurance Business

(General insurance, Small amount & short term insurance)

(1) Communication device repair insurance

(2) Home insurance

Mobile Insurance




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


Anshin Sumairu home insurance

賃貸住宅に住む人の暮らしを守る

あんしん住まいる家財保険



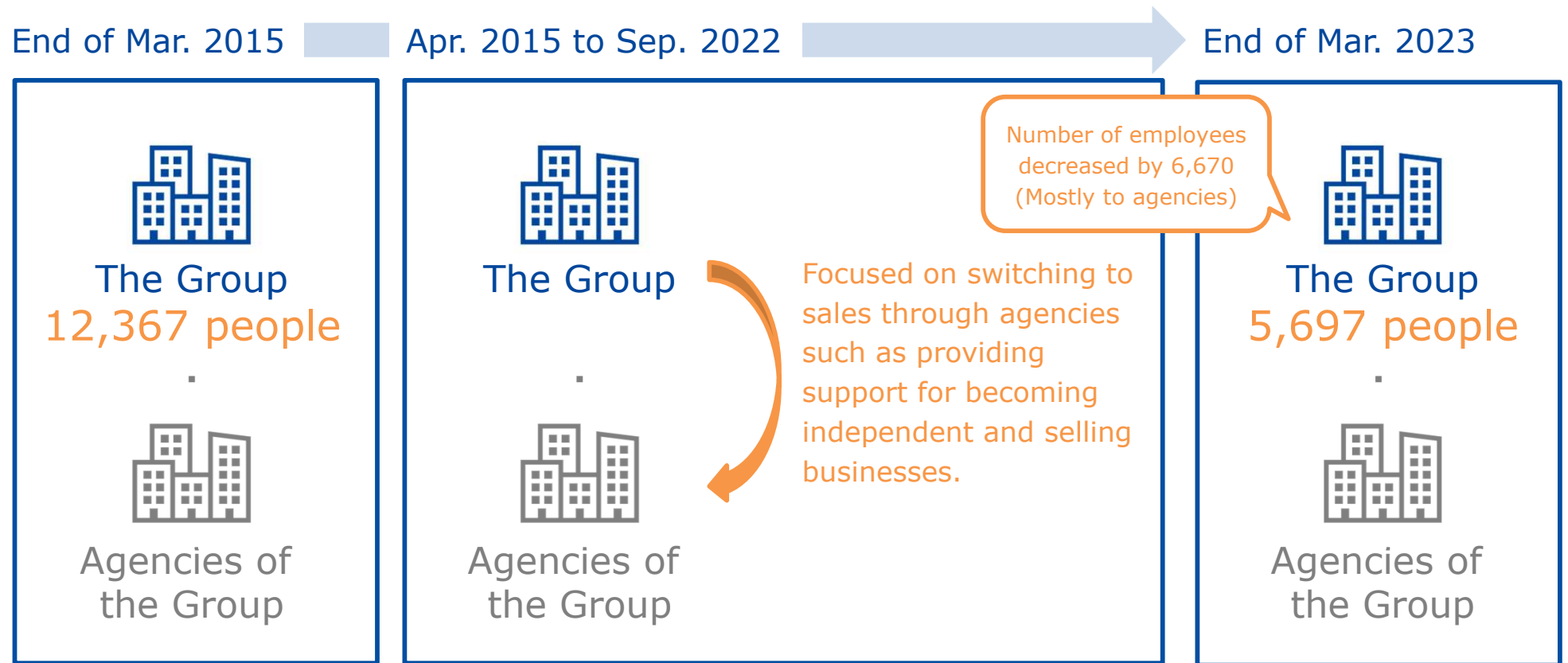
おかげさまで契約件数  
**50万件突破!**



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

# Changes in the Number of Employees\* and Sales Channels

\*Consolidated number of employees + Average number of temporary employees

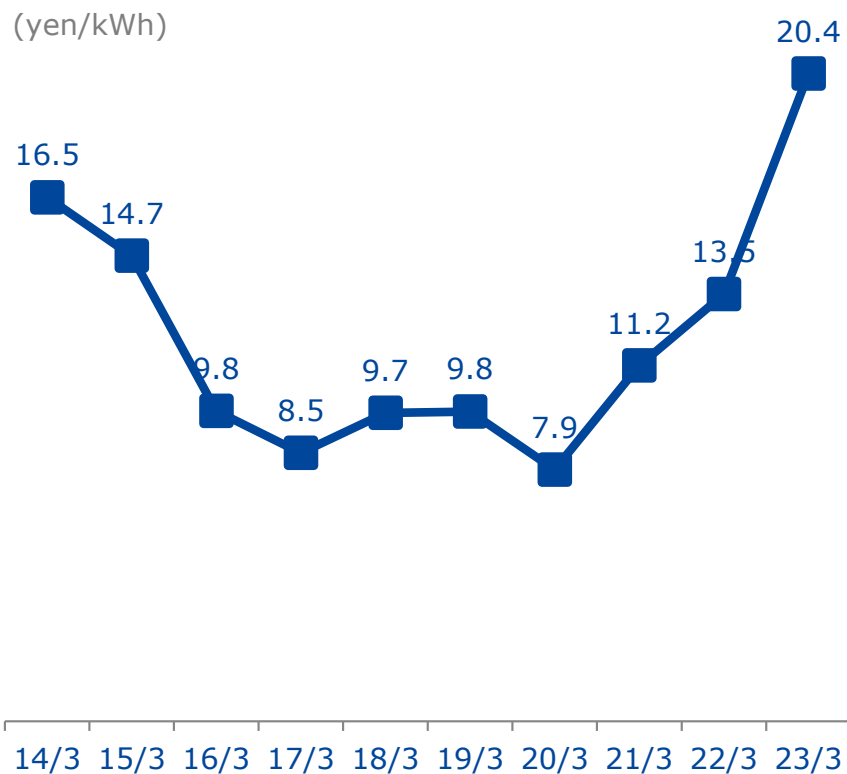


Focused on expanding sales through agencies, which brings higher operating profit per person.



# Electricity Business Impact on Performance (estimate)

## ■ JEPX Spot Market annual average system prices



## ■ Impact on recurring profit and operating profit

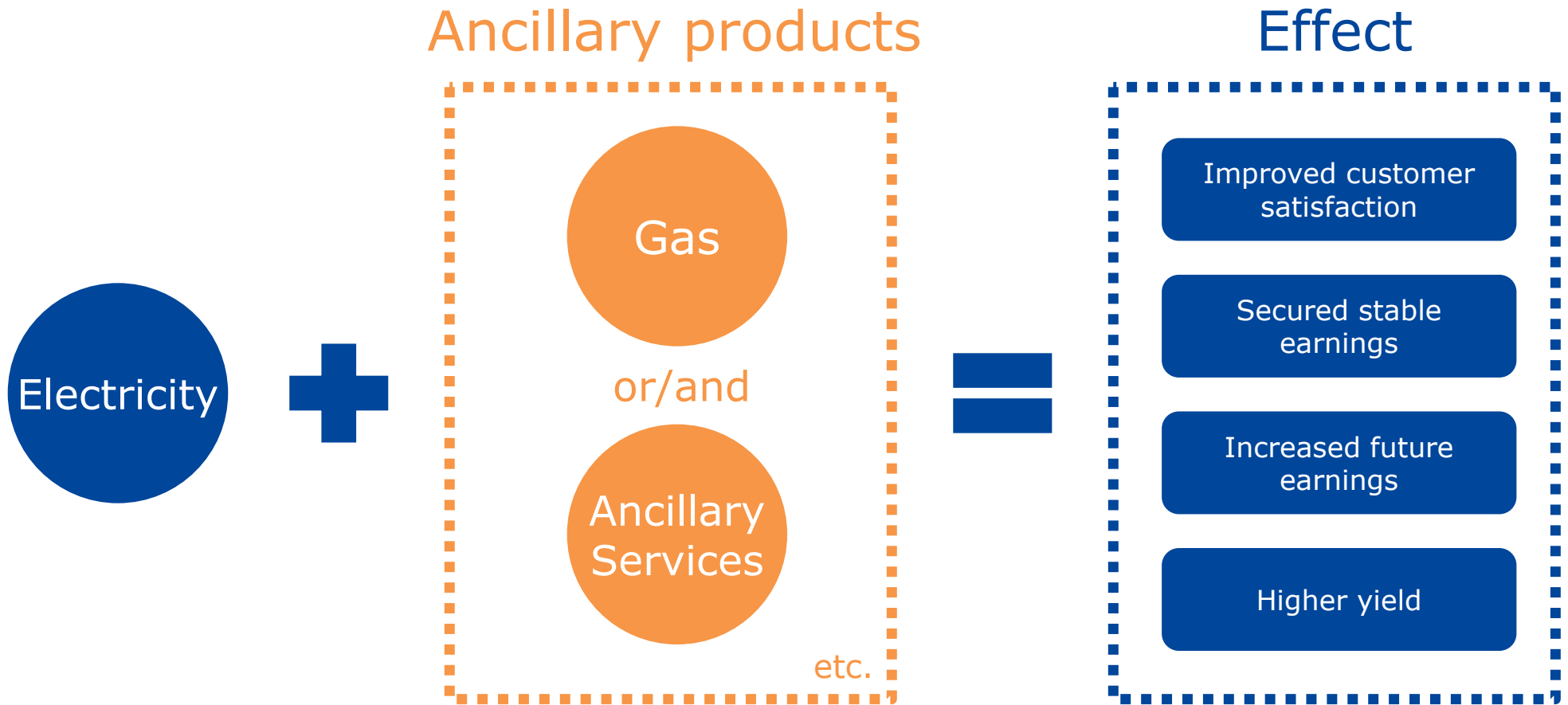
\* The impact above is based on certain conditions, and may be different from an impact that may actually arise.

JEPX Spot Market Annual Average System Price	Comparison of impact on recurring profit and operating profit between forecast and initial plan
10 yen/kWh	(1 billion yen) to 1 billion yen approximately
20 yen/kWh	
30 yen/kWh	
40 yen/kWh	

[Reference]

Average of 8.52 yen in April 2023 (down 52% YoY)

# Cross-Selling and Up-Selling in the Electricity Business



We conduct ancillary sales of various products that meet customer needs.

# Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

	FY2023				
	Total	Recurring		Lump sum	
Revenue	643.9	Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies	497.3	Initial commission income, hardware sales proceeds of hardware, etc.	146.5
Cost of goods sold + SGA expenses	(557.3)	Cost of service provided, cost of customer retention such as billing costs, etc.	(370.3)	Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc.	(187.0)
Operating Profit	86.6	Recurring Profit	127.0	Acquisition Cost	(40.4)

# Methods and Range of Stock Valuation by Disclosure Material

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

# Profit Recognition Due to Changes in Shareholdings

Unrealized Gains on listed stock investments do not affect basic earnings

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

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

# Reference Materials

- 1 Business Overview
- 2 Past Performance (since establishment, last five fiscal years)
- 3 Financial Strategy
- 4 Other Supplementary Materials
- 5 Sustainability Information**

# Our Sustainability

## Management Principles

- Contribute to stakeholders by providing products and services that meet the needs of the times
- Follow the true nature of our company as we respond in a timely and appropriate manner to those changes, and take a medium- to long-term perspective to propose and implement strategies aligned with the circumstances of the times, in order to enhance our sustainable corporate value

## Management Vision

- Secure stable earnings and stable profit growth based on recurring profit

## Materiality

- Adapt to changes in the business environment

(1) Revenue Structure/Risk Diversification	(2) Pursue Capital Efficiency	(3) Human Resource Development	(4) Speedy Management
Governance			

# (1) Revenue Structure/Risk Diversification

## ■ Revenue Structure

Business model centered on recurring profit, which is long-term, stable earnings

$$\text{Operating profit} = \underbrace{\text{Recurring profit}}_{\text{Long-term, stable earnings}} + \underbrace{\text{Acquisition cost}}_{\text{Mainly variable costs}}$$

Recurring profit is long-term, stable earnings, and unlikely to see a large deterioration in the short run. Acquisition costs are variable costs, over which the company has control on its own. Accordingly, the revenue structure is adaptable to changes in the business environment.

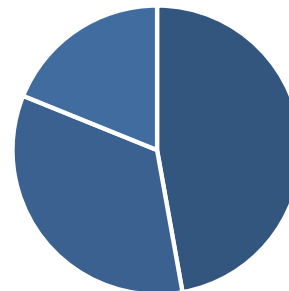
## ■ Risk Diversification

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

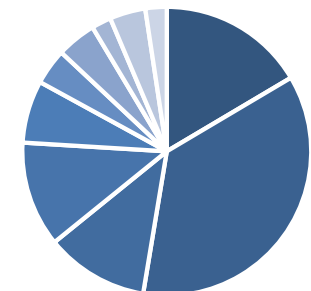
Corporate customers  
Approx. 1,000,000  
Individual consumers  
Approx. 3,000,000

Agencies  
Approx. 1,000

Revenue by segment



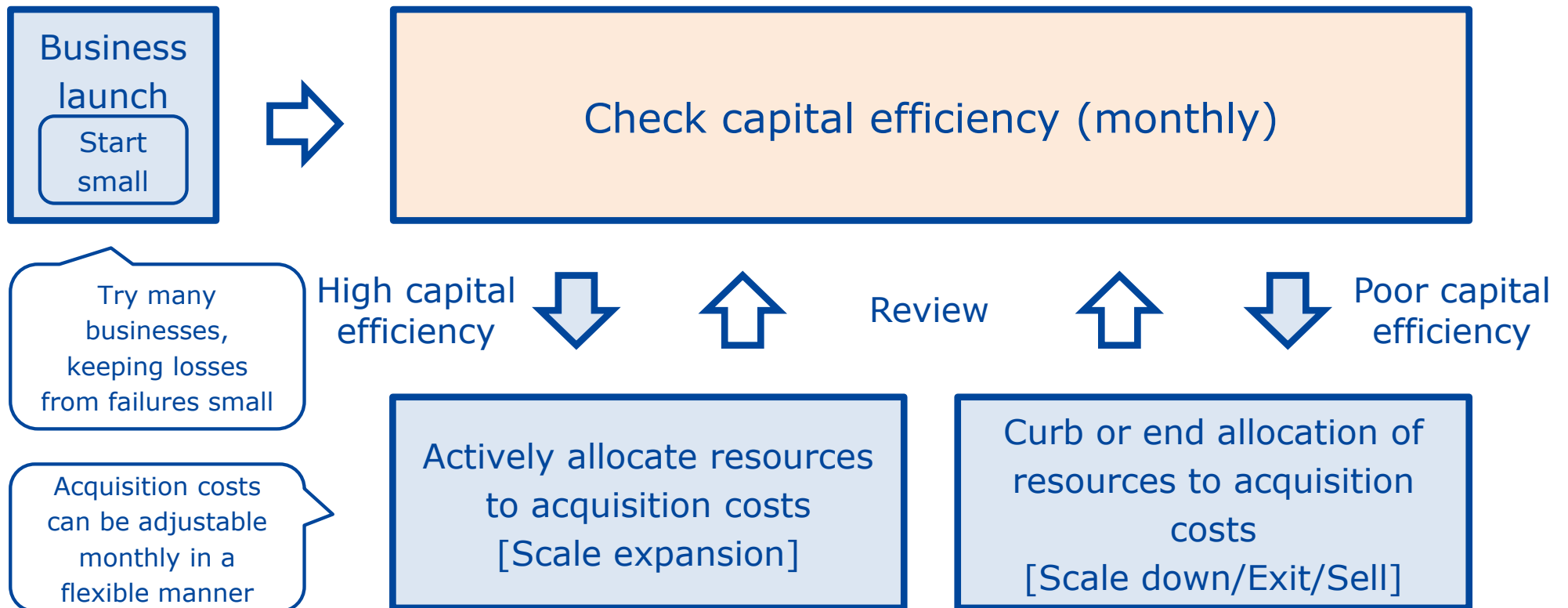
Revenue by major business





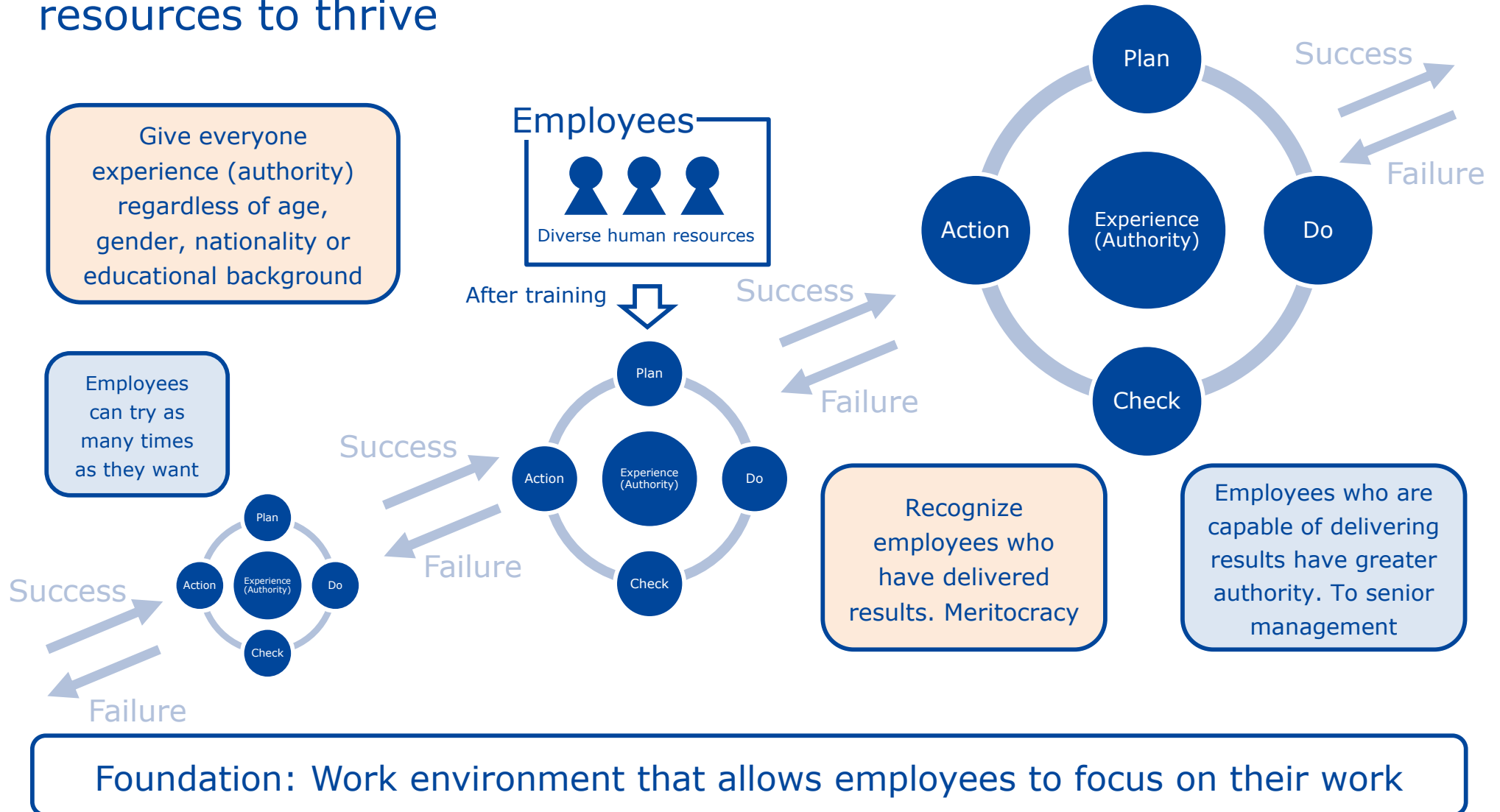
## (2) Pursue Capital Efficiency

- Pursue high capital efficiency by avoiding focusing management resources on businesses with poor capital efficiency
- Regardless of business performance, continual cost reduction and cash flow improvement are prioritized



# (3) Human Resource Development

Environment that allows diverse human resources to thrive



# (4) Speedy Management

Swift decision-making with a flatter organizational hierarchy and delegation to departments

## 5-levels Organization Hierarchy



- Decentralization enables swift and decisive decision-making in response to opportunities and threats.
- Decision-making can be made at the appropriate levels, allowing each level to tackle important issues.
- Employees can act on their own initiative.

# Environment

## 1) Forest maintenance activity

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

## 2) Mt. Fuji clean-up activity

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

## 3) PET Bottle Weight Reduction

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

## 4) Provision of water to welfare facilities

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

## 5) Non-possession

Tangible fixed assets accounted for 1.7% of the total assets as of the end of the fiscal year ended March 2023.

## 6) Reuse

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

## 7) Paperless

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

# Social

## 1) Promotion of diversity

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

## 2) Meritocracy

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

## 3) Respect for human rights

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

## 4) Working hours

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

## 5) Various systems

The Group created a work environment that allows employees to work comfortably by developing systems including flextime, childcare leave and shortened work hours, and support systems for returning to work after childbirth.

The Group promotes health improvement activities including subsidizing vaccination through the Group's health insurance association.

## 6) Setting up an opinion-box system

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

# Social

## 7) Economic contributions

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

## 8) Contribution to local government

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

# Governance

## 1) Remuneration of executive directors

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

## 2) Listed Stock Investments

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

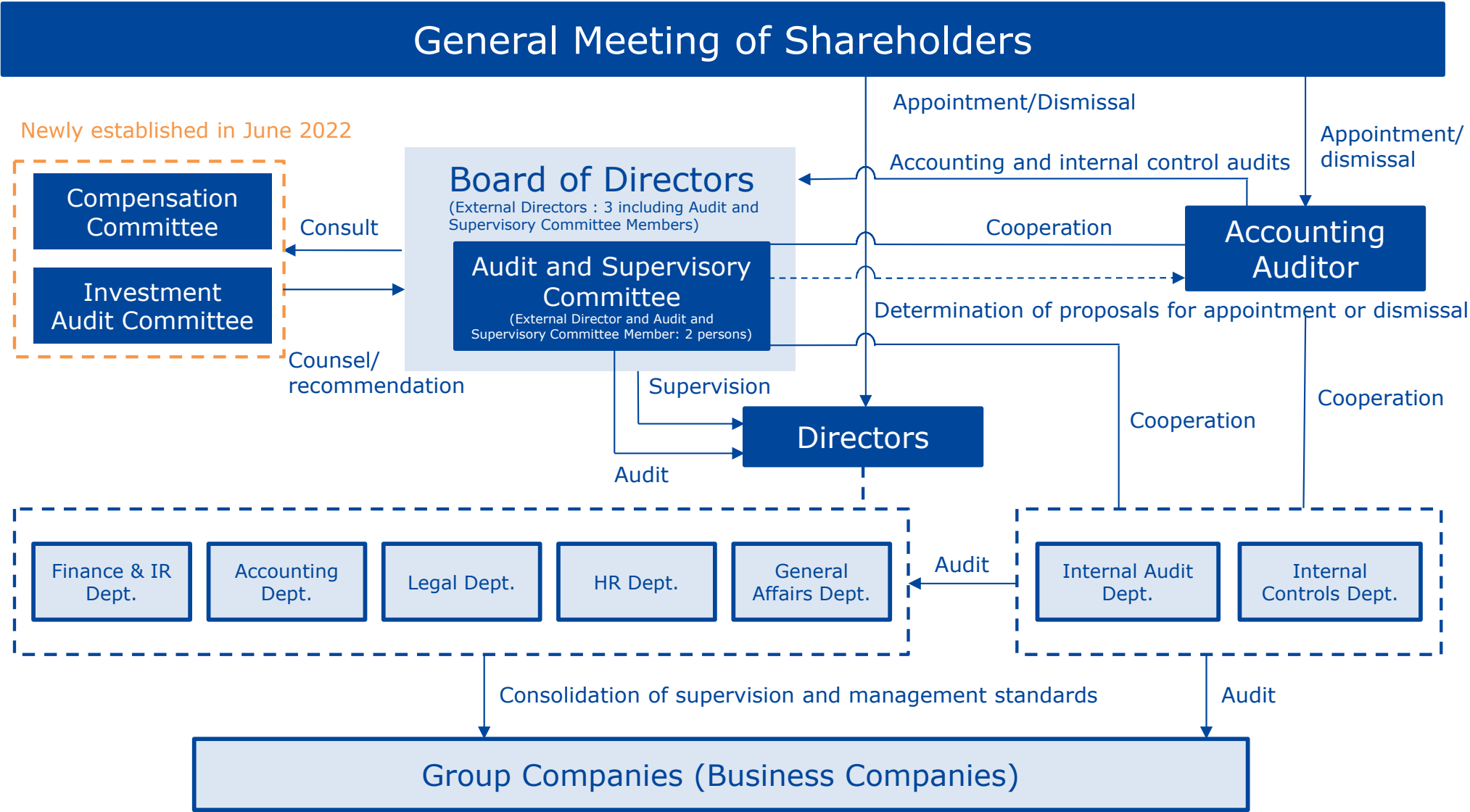
## 3) Risk Management

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

## 4) Information Security / Business Continuity Plan

To manage the personal information of our customers and employees properly, we are trying to establish a system that allows us to comply with laws and regulations, prevent breaches of contracts, gather and manage information, and propose an appropriate operational procedures. In addition, we have set crisis management rules for the risks that would occur in our daily business operations and the risks caused by external factors such as disasters, and are creating a BCP system.

# Corporate Governance Structure





# ESG data (consolidated)

## E(Environment)/ CO<sub>2</sub> emissions

		Unit	FY2022	FY2023
Scope1	Direct Emission	t-CO <sub>2</sub>	0	0
Scope2	Indirect Emission of Energy Sources		8,088	7,371
Scope3	Category 2: Capital Goods		-	48,487
	Category 3: Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2		-	465,825
	Category 5: Waste Generated in Operations		-	201
	Category 6: Business Travel		-	2,047
	Category 7: Employee Commuting		-	1,069
Category 15: Investments *	-		19,794	
Total		-	544,795	

\* Aggregate of 37 companies disclosing Scope 1 and 2 emissions as at end-March 2023.

# ESG data (consolidated)

## S(Social)

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

## Notes in regard to this material

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