



# Financial Results

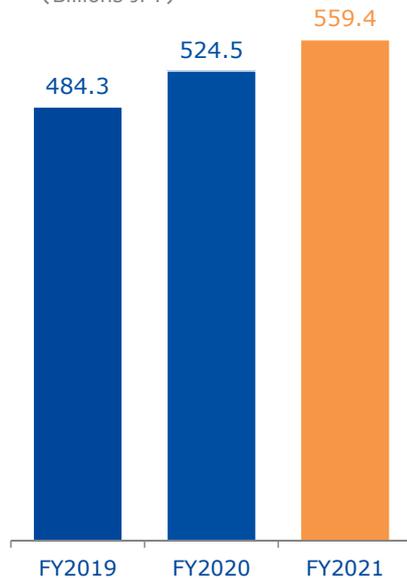
For the fiscal year ended March 2021

May 14, 2021

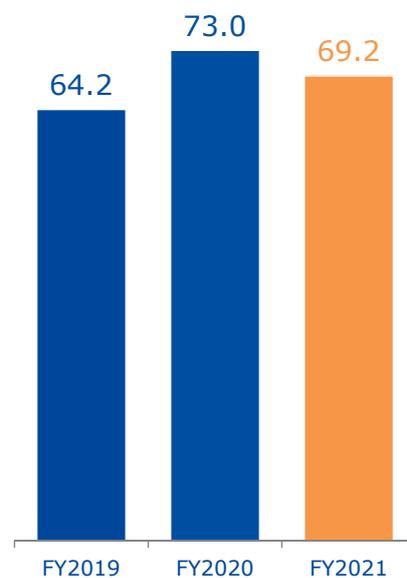
# Performance

## 1) Revenue

(Billions JPY)

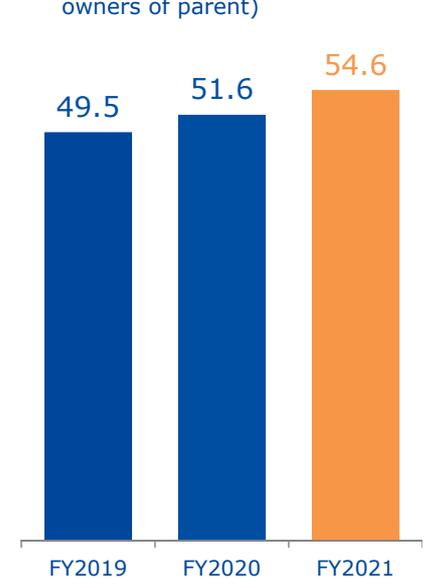


## 2) Operating Profit



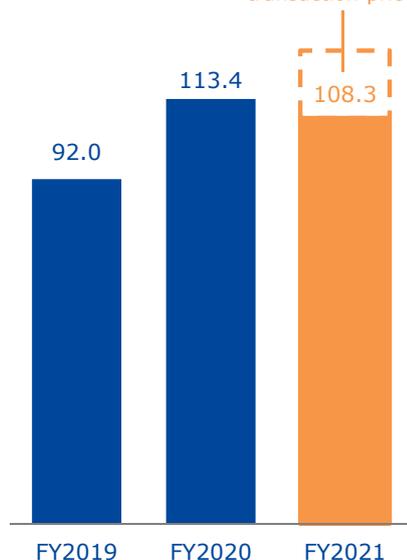
## 3) Net Income

(Net income attributable to owners of parent)

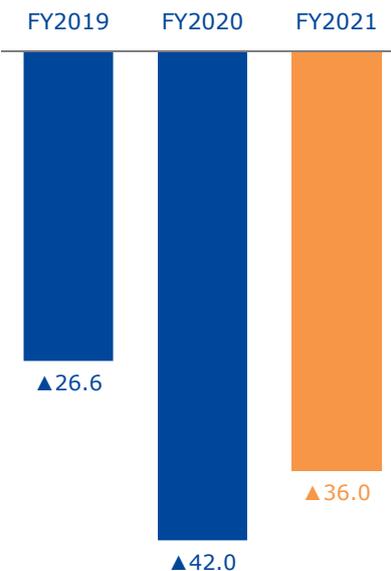


## 4) Recurring Profit

Decrease due to the impact of hike in electricity transaction prices

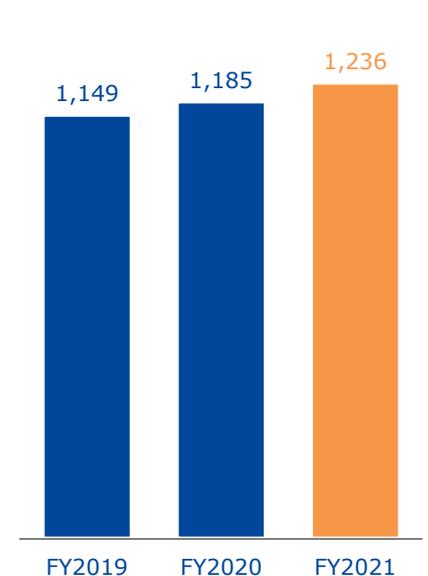


## 5) In-House Product Acquisition Cost



## 6) Number of In-House Products Acquired

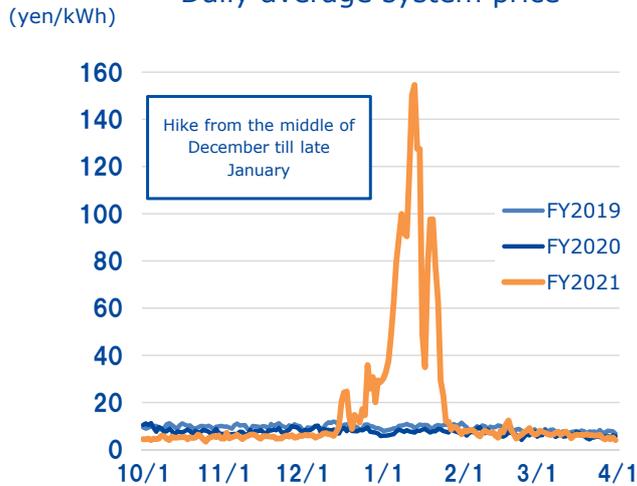
(Thousand Units)



Profit decreased due to the impact of hike in electricity transaction prices, but revenue and net income increased.

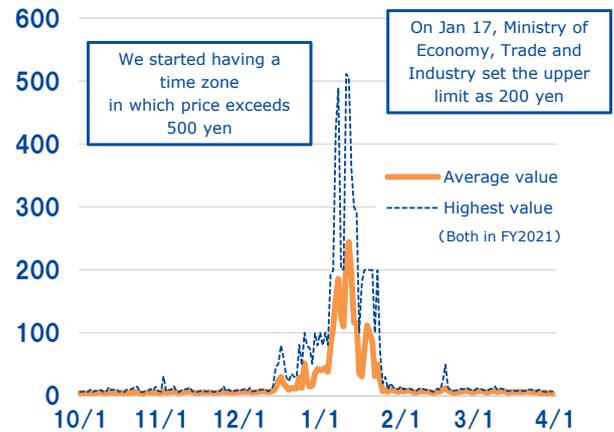
# Impact from the Hike in Electricity Transaction Prices

1) Japan Electric Power Exchange (JEPX)  
Daily average system price



Prepared by Hikari Tsushin based on the JEPX Spot Market transaction results

2) Imbalance charge unit price, daily average price  
(JEPX,  $\alpha \times$  spot average day-ahead market price)

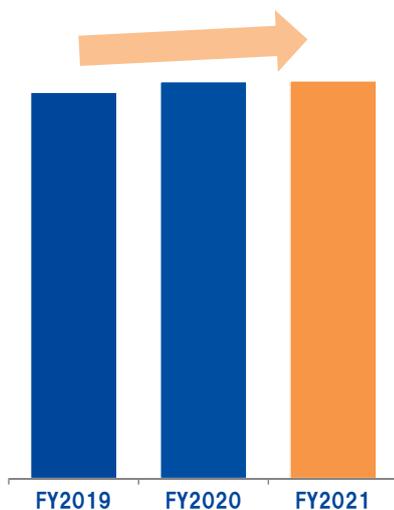


Recurring profit decreased by approximately 18 billion yen due to the impact of hike in electricity transaction prices. We will hedge against the risk of fluctuations in electricity transaction prices by using negotiated prices, etc.

## Performance excluding electricity business

(Billions JPY)

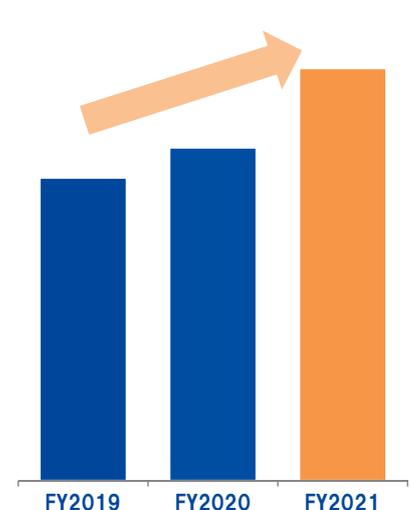
1) Revenue



2) Recurring Profit



3) Operating Profit



Both revenue and profit increased excluding electricity business.

# Business Areas

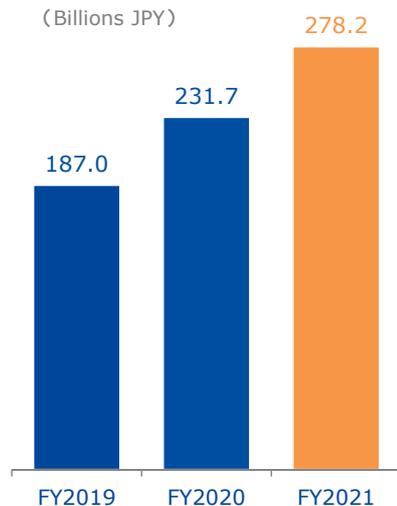
Segments	Main Business	Conceptual Image	Target	Marketing Method
Corporate Service (In-house products for companies)	Internet connection line		SMEs	Door-to-door sales, TMS, etc.
	Content			
	Industry-specific IT Solutions	<b>EPARK</b>		
	Electricity			
Individual Customer Service (In-house products for individuals)	Internet connection line		Individuals	Website, TMS, etc.
	Content			
	Water delivery			
Commission-based Sales (Third-party products)	Internet connection line		SMEs Individuals	Shop, TMS, etc.
	Mobile phones			
	OA equipment			
	Sales of insurance by agent			

## Corporate Service

Main business: Internet communication line, content, electricity, industry-specific IT solutions, etc.

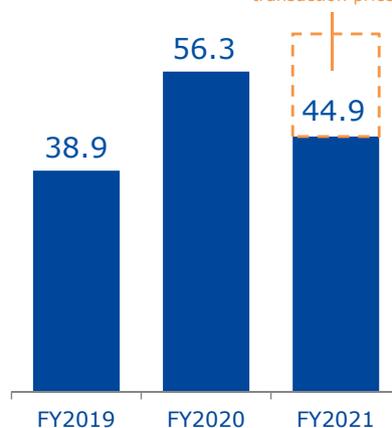
### 1) Revenue

(Billions JPY)

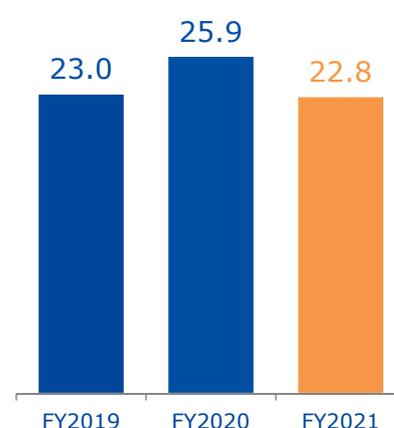


### 2) Recurring Profit

Decrease due to the impact of hike in electricity transaction prices



### 3) Operating Profit



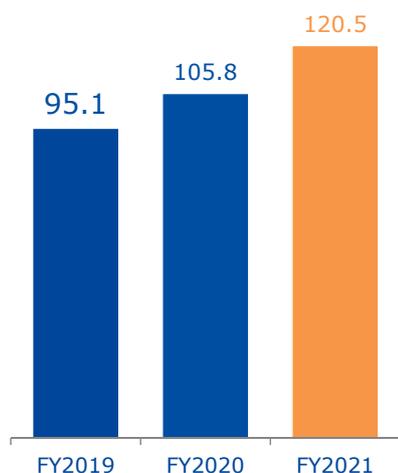
Profit decreased due to the impact of hike in electricity transaction prices.

# Individual Customer Service

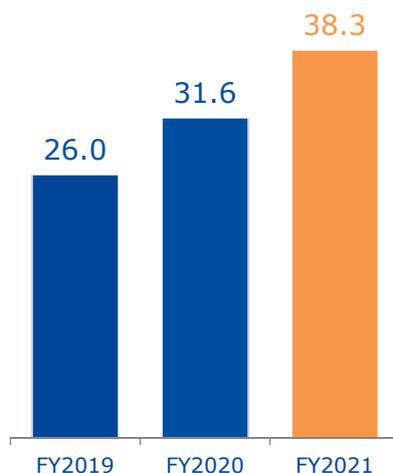
Main business: Internet communication line, content, water delivery, etc.

## 1) Revenue

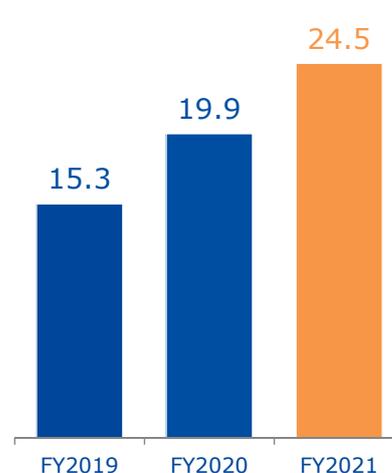
(Billions JPY)



## 2) Recurring Profit



## 3) Operating Profit



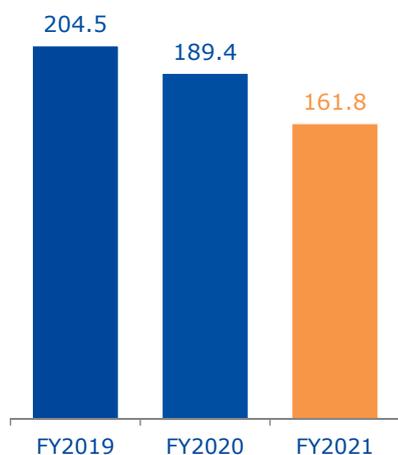
Revenue and profit increased mainly in the water delivery business.

# Commission-based Sales

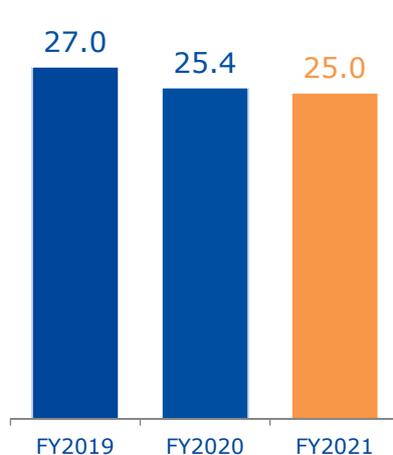
Main business: Commission-based sales for mobile phones, OA equipment, insurance, etc.

## 1) Revenue

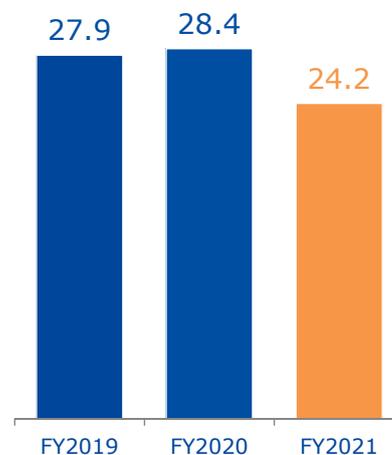
(Billions JPY)



## 2) Recurring Profit



## 3) Operating Profit



Revenue and profit tend to decrease due to change in external environment.

# Non-Operating Profit

(Billions JPY)

	FY2019	FY2020	FY2021
Operating Profit	64.2	73.0	69.2
Financial revenue + Financial expenses	1.1	2.3	0.6
Share of loss (profit) of entities accounted for using equity method	2.3	3.8	5.3
Other non-operating expenses (income)	3.8	0.8	6.8
Net income before income taxes	71.5	80.0	82.1
Corporate income tax expenses	-18.6	-25.8	-22.8
Non-controlling interests	-3.3	-2.5	-4.6
Net income attributable to owners of parent	49.5	51.6	54.6

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# Consolidated Cash Flow

(Billions JPY)

	FY2019	FY2020	FY2021
Cash Flow from Operating Activities	+63.2	+87.0	+58.1
Cash Flow from Investing Activities	(89.0)	(61.9)	(96.6)
Free Cash Flow	(25.7)	+25.1	(38.5)
Cash Flow from Financial Activities	+21.2	+61.0	+89.8

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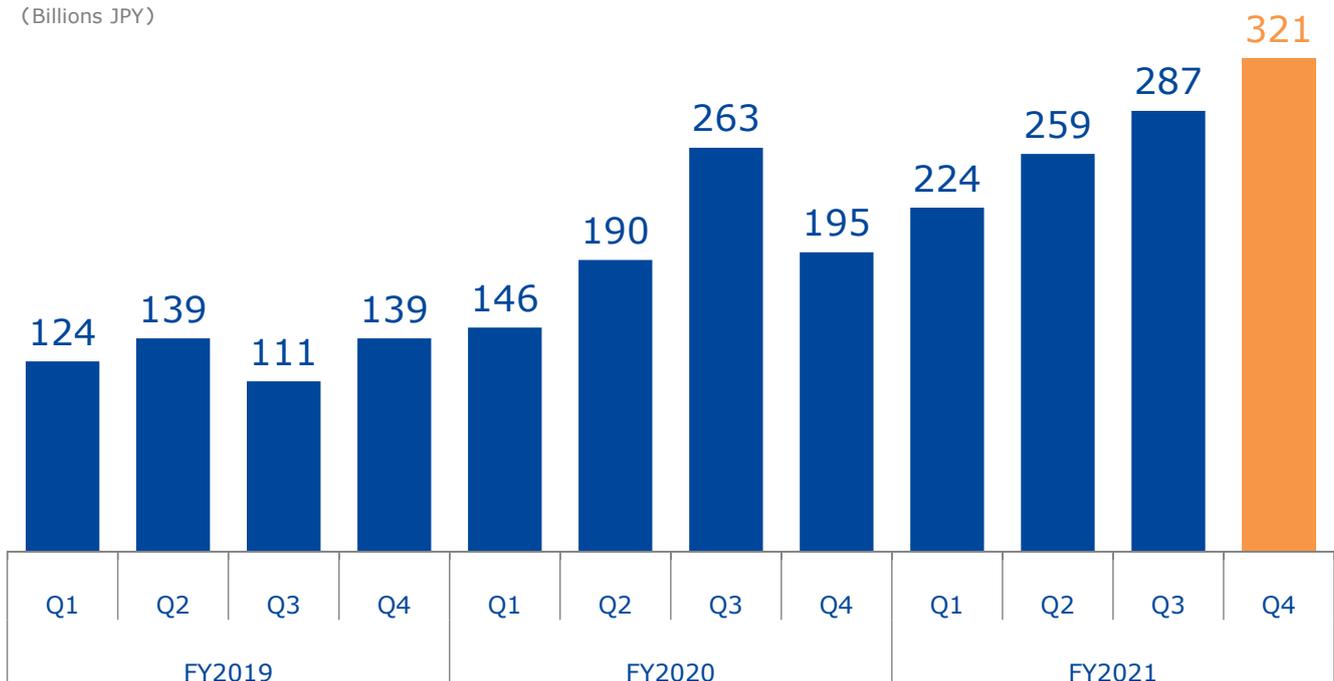
# Capital Efficiency

	FY2019	FY2020	FY2021
Return on Equity	20.5%	19.0%	16.1%
Return on Assets	8.6%	8.2%	6.2%
Operating Profit Margin	13.3%	13.9%	12.4%
Earnings per Share (JPY)	1,075	1,126	1,190

# Net Cash Assets

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

(Billions JPY)



# Listed stock investment policy/approach

(principles)

- Net investment

- Stable

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

- We shall consider “Purchasing stocks means that we own part of the business”

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

## Listed company stock investment status

Number of companies we have invested in: 450  
(including 11 affiliated companies accounted for by the equity-method)

(1)	(2)	(2)/(1)
<b>Investment book value</b> As of the end of March 2021	<b>Operating profit proportionate to our stocks</b> Last 12 months *	<b>EY</b> Earnings Yield
<b>357.3 billion yen</b>	<b>44.6 billion yen</b> (Including 7.3 billion yen for affiliated companies accounted for by the equity-method)	<b>12.5%</b>

\* “Operating profit proportionate to our stocks” is calculated by multiplying operating profit of each of the companies we invested in by our stock holding ratio and adding them all up.

\* “Last 12 months” means four quarters from April 2020 until the end of March 2021 for which financial results have been announced.

# Forecast for FY2022

## Performance forecast

(Billions JPY)

	FY2021	FY2022(E)	
	Actual Results	Forecast	Rate of Change
Revenue	559.4	585.0	104%
Operating Profit	69.2	83.0	119%
Net income and net income attributable to owners of parent	54.6	58.5	107%

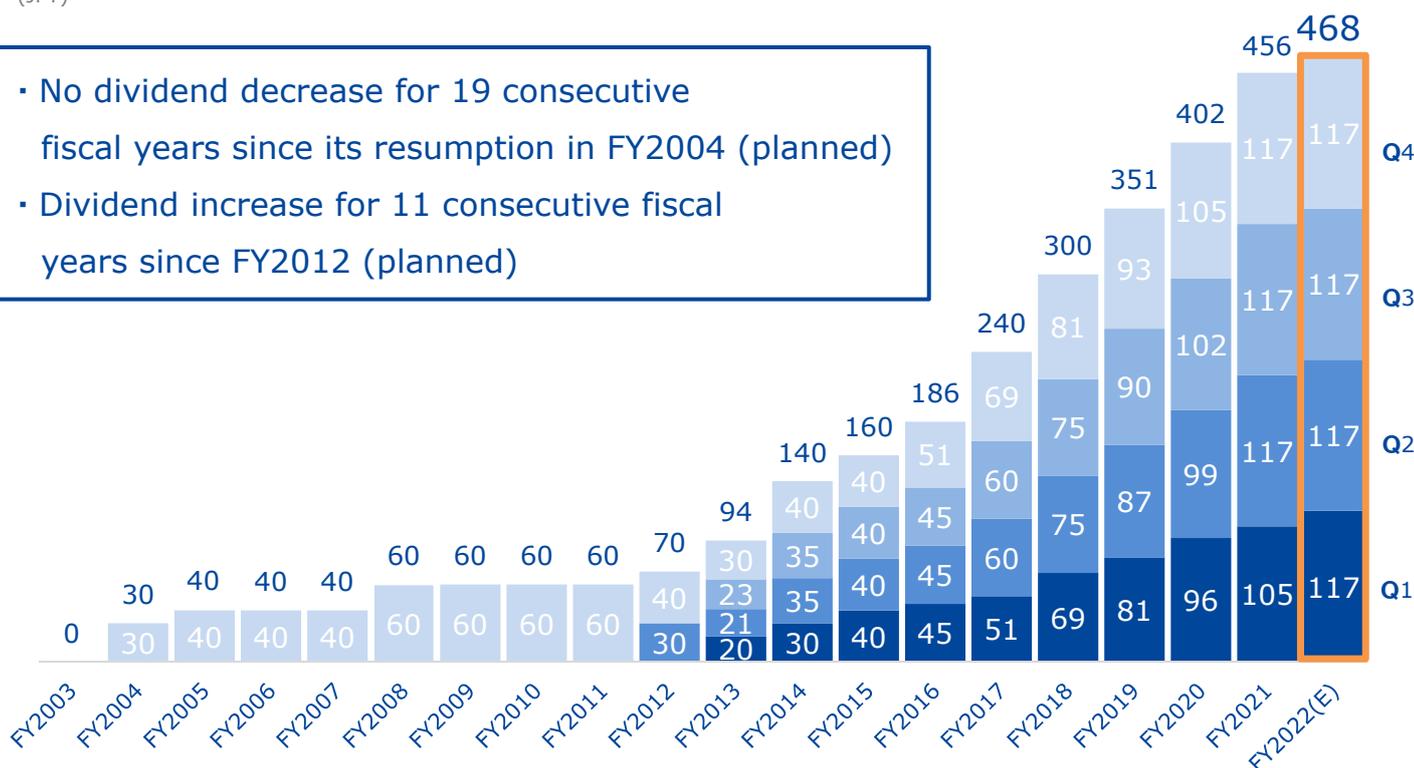
# Resolution of Share Repurchase

Resolution date	May 14, 2021
Total number of shares to be repurchased	500,000 (maximum) (1.09% of outstanding shares (excluding treasury stock))
Total amount of repurchase price	99 billion yen (maximum)
Period of repurchase	From May 17, 2021 to July 30, 2021

# Dividends per share

(JPY)

- No dividend decrease for 19 consecutive fiscal years since its resumption in FY2004 (planned)
- Dividend increase for 11 consecutive fiscal years since FY2012 (planned)



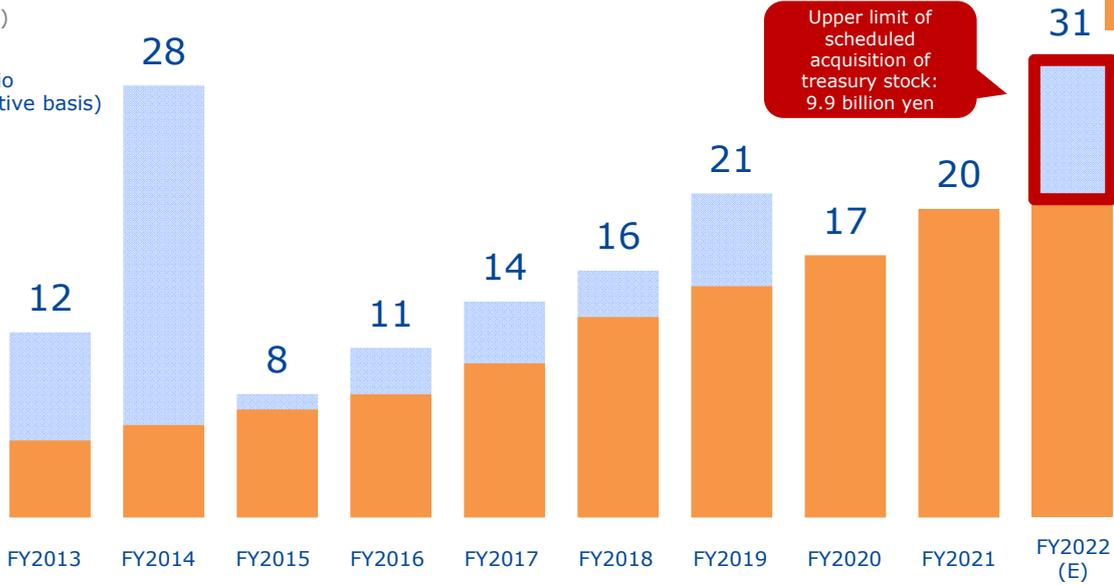
# Trend of Shareholder Returns

Aggregate Amount of Treasury Stock Repurchased  
Dividend Payment Amount

(Billions JPY)

Total Return Ratio  
(10-year cumulative basis)

47%



	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (E)	Total
Dividend Payment Amount	5	6	7	8	10	13	15	17	20	21	126
Aggregate Amount of Treasury Stock Repurchased	7	22	1	3	4	3	6	0	0	9	57
Total Return Ratio	75%	98%	42%	44%	37%	38%	43%	34%	37%	53%	47%

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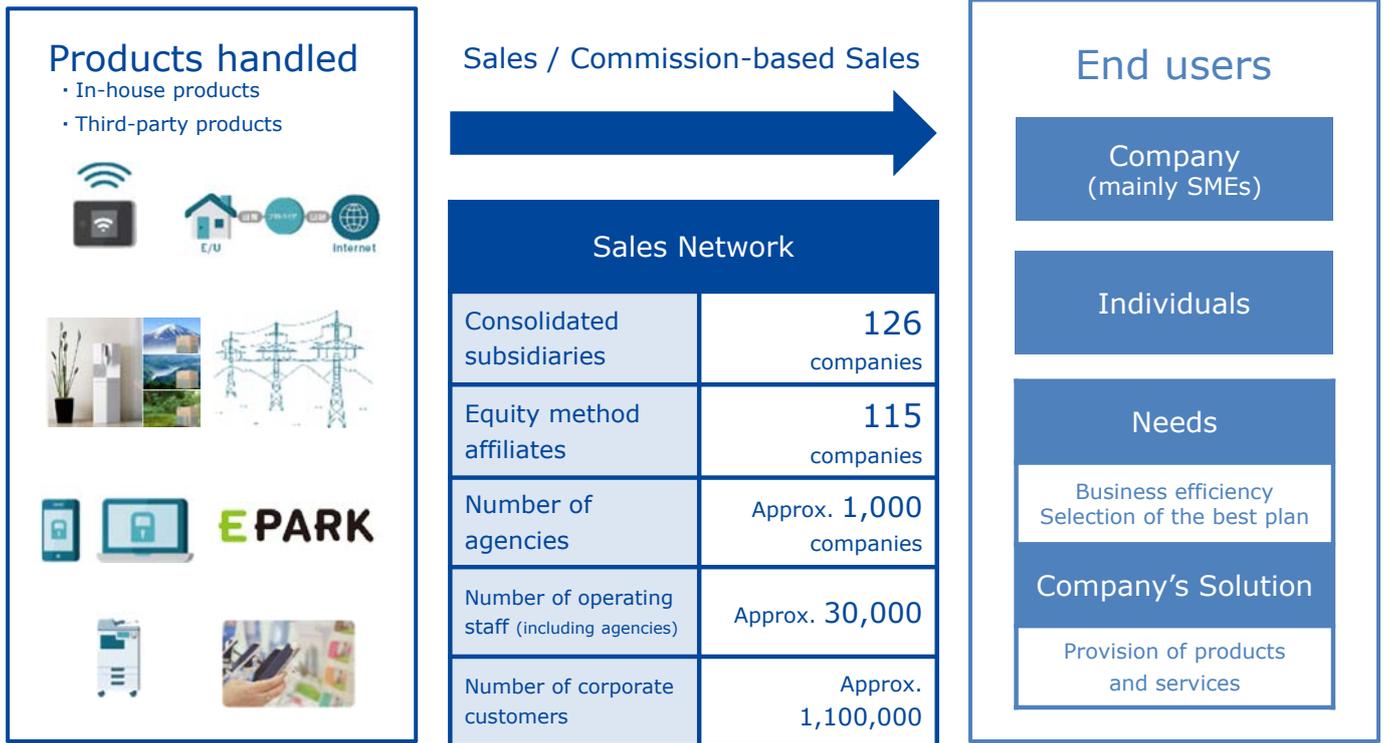
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## Basic Information

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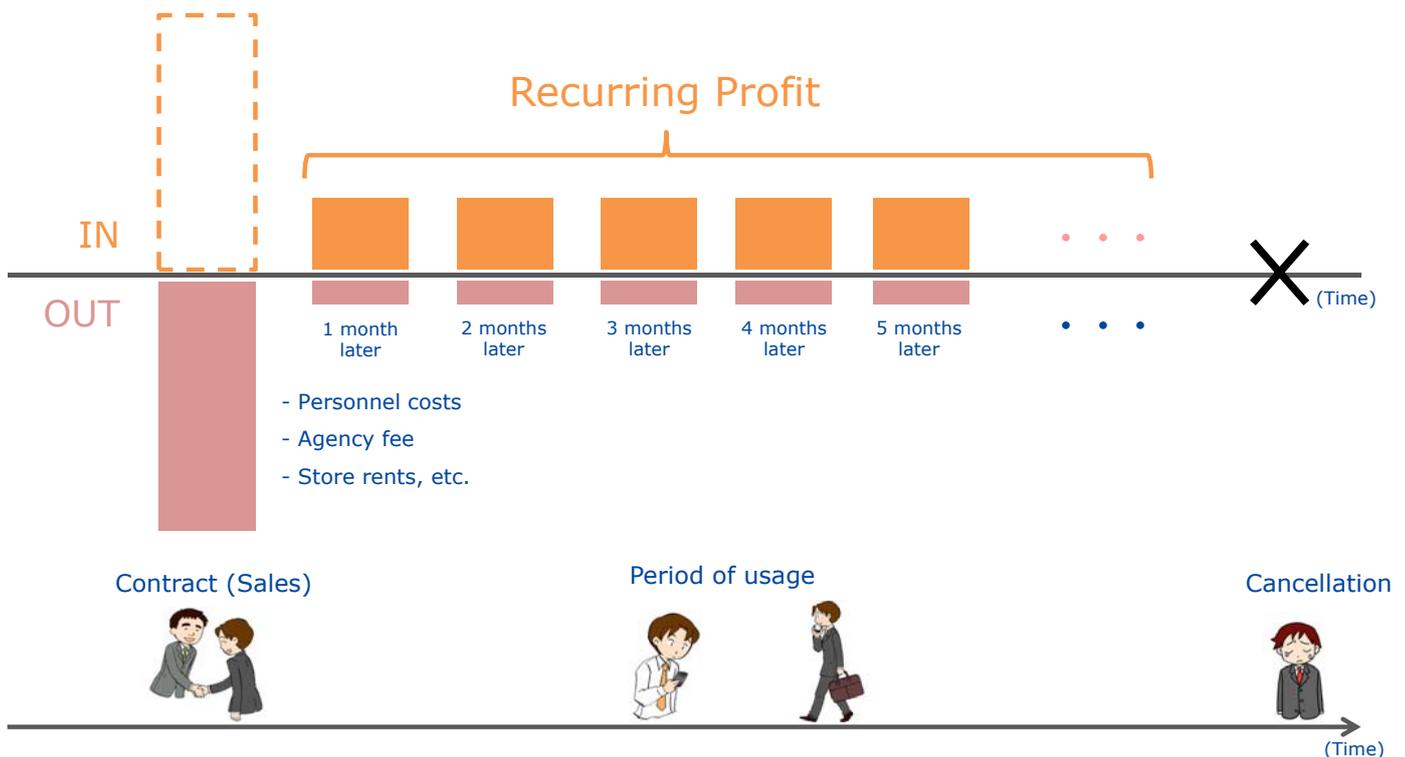
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# Business Overview



# Representative Earnings Model

(conceptual image of earnings per deal)



# Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

	FY2021				
	Total	Recurring		Lump-sum	
Revenue	559.4	Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies	389.4	Initial commission income, hardware sales proceeds of hardware, etc.	170.0
Cost of goods sold + SGA expenses	(490.2)	Cost of service provided, cost of customer retention such as billing costs, etc.	(281.2)	Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc.	(209.0)
Operating Profit	69.2	Recurring Profit	108.3	Acquisition Cost	(39.0)

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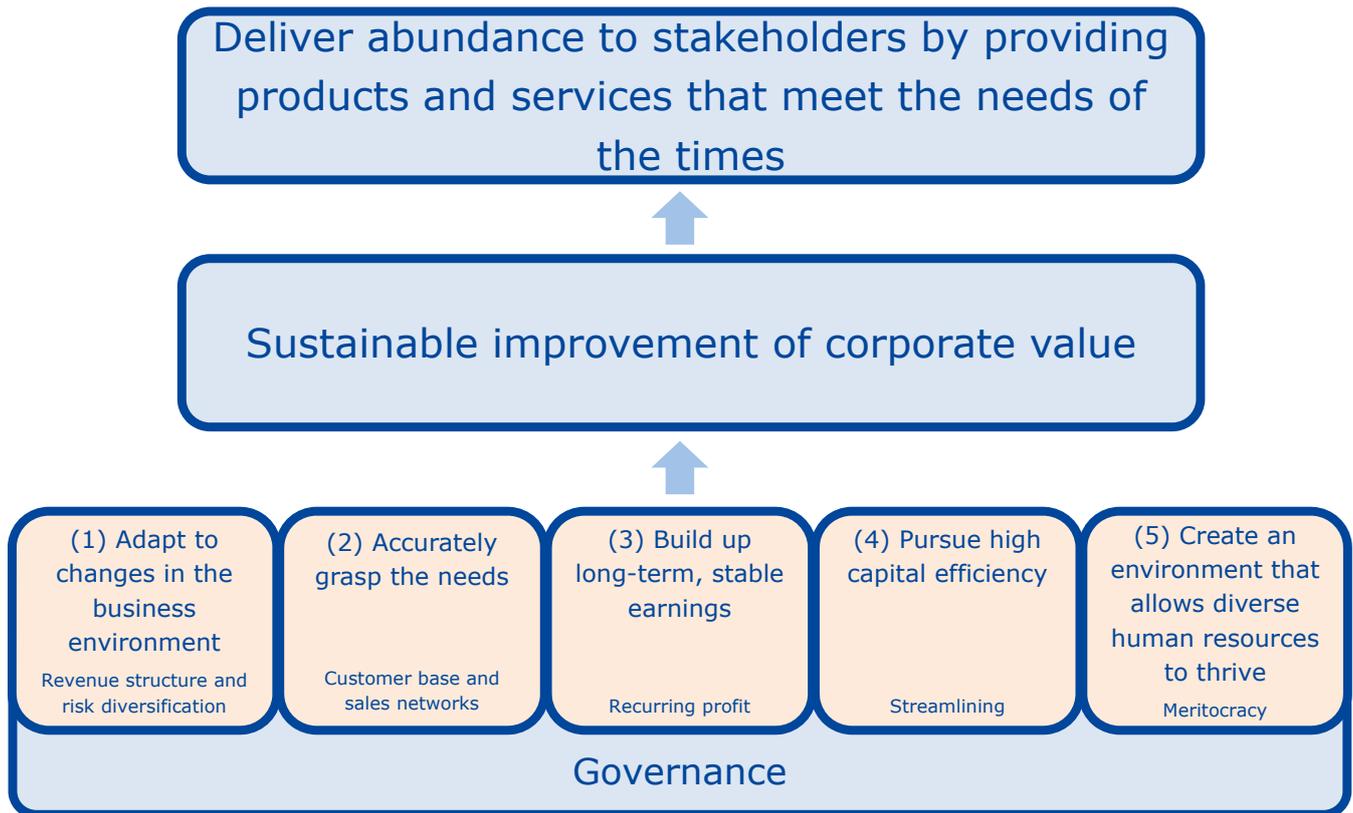
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## Our Sustainability

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# Our Sustainability



## (1) Preparedness to adapt to changes in business environment

- Business model centered on recurring profit, which is long-term, stable earnings
- Swift decision-making enabled by a flatter organizational hierarchy and delegation to departments
- Risk-diversified business portfolio
- Improving capital efficiency by continual cost reduction and cash flow improvement regardless of business performance

### [Reference] Revenue structure

$$\text{Operating income} = \text{Recurring profit} + \text{Acquisition cost}$$

||
||  
Long-term, stable earnings
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.

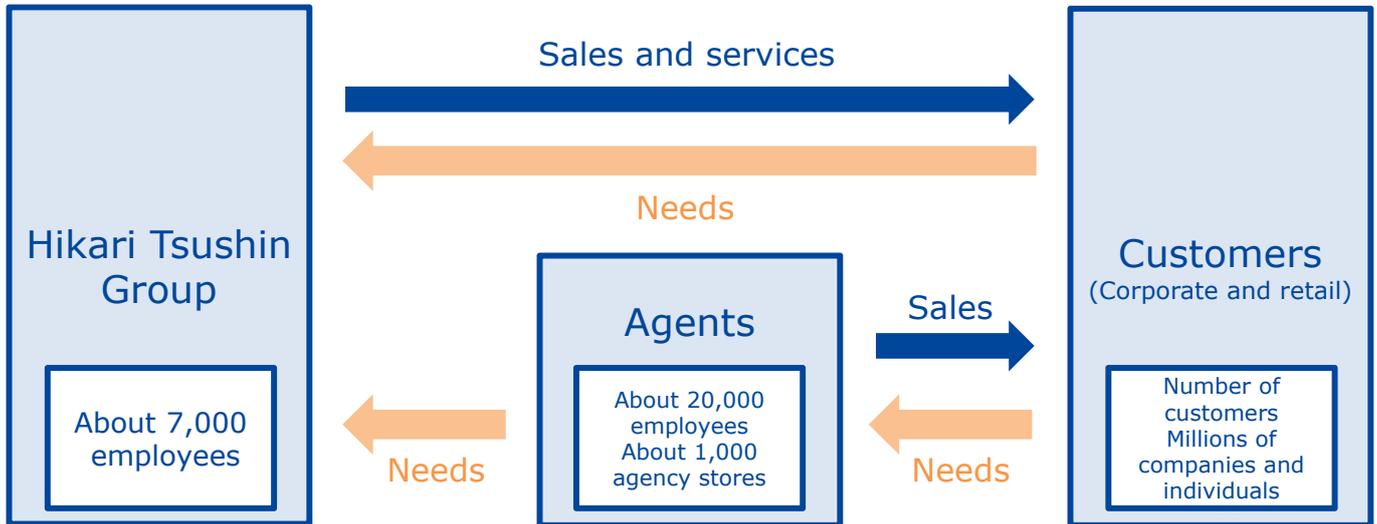
### [Reference] Business portfolio

	Office automation (OA) equipment	Mobile phones	Insurance	Land lines	Systems	Water	Electric power
1988-2000	○	○	-	-	-	-	-
2001-2010	○	○	○	○	-	-	-
2011-2021	○	○	○	○	○	○	○

Since the business launch in 1988, the number of businesses has been increasing; thus, risks are diversified.

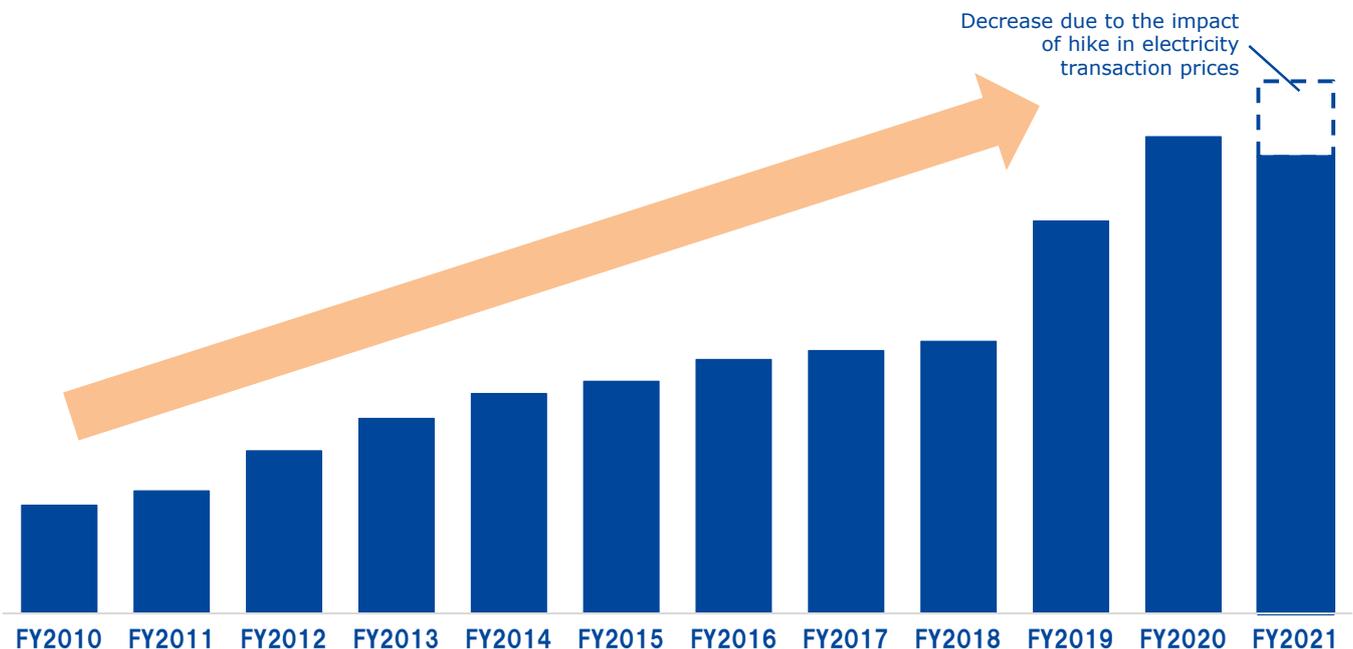
## (2) System to accurately grasp needs

Built a system to accurately understand customer needs through expansion and improvement of customer base and sales networks



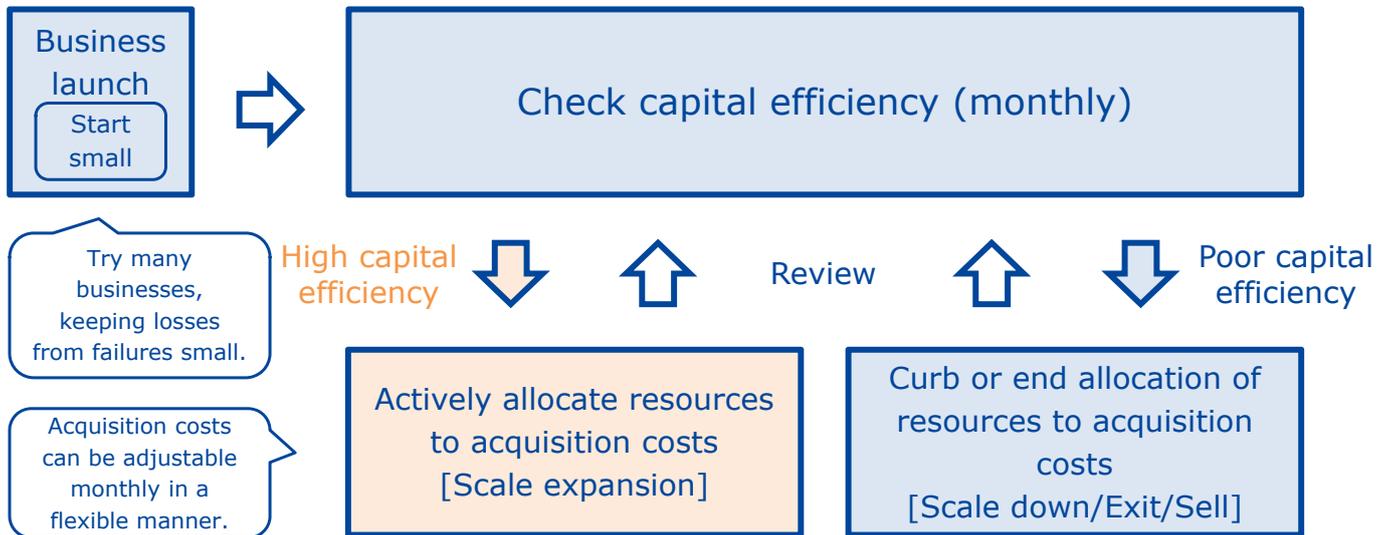
## (3) Build up long-term, stable earnings

Focus on accumulating recurring profit, which is long-term, stable earnings



## (4) Pursue high capital efficiency

Pursue high capital efficiency by avoiding focusing management resources on businesses with poor capital efficiency



## (5) Environment that allows diverse human resources to thrive

Concept: Experience makes people grow.



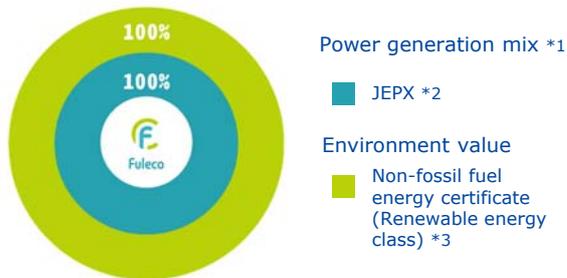
Foundation: Work environment that allows employees to focus on their work

# Environment-1 Effort to achieve decarbonized society

On May 10, 2021, we released our new electric power service, "Fuleco".

It is an environmentally friendly power service to supply electricity derived from renewable energy with non-fossil fuel energy certificates, and is environmentally valuable.

## Fuleco's power generation mix



In case of a contract for 50A and 500kWh of monthly usage, the amount of annual CO<sub>2</sub> reduction is estimated to be about 2,916 kg, which is equivalent to 208 Japanese cedar trees.

\*Estimate based on certain conditions. For more information, please visit the Fuleco website, <https://fuleco.net/>.

\*1 Data of FY2021 plan

\*2 This electricity includes hydro, thermal, nuclear, FIT electricity, renewable energy, etc.

\*3 Since non-fossil fuel energy certificates for renewable energy are purchased through market transactions, we may not be able to procure sufficient quantity.

# Environment-2 Protection of water resources

We are implementing the following measures working with local communities, experts, etc.

## 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.

## 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.

## Minamiaso rice planting/harvesting

We support the rice fields in front of our factory and are working on a groundwater conservation activity to grow rice using a farming method that stores water all year round.

## 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.

## Environment-3 Reduce resources and waste

### Non-possession

- Tangible fixed assets accounted for 1.7% of the total assets as of the end of the fiscal year ended March 2021.

### Reuse

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

### 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 Development of management personnel

### 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.

### Merit system

- 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.

### Respect for human rights

- The Group respects human rights to eliminate any unjust discrimination or harassment so that everyone can work comfortably.  
- 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.

## Social-2 Creating a comfortable workplace

### Working hours

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

### 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.

### 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-3 Social contribution activities

### 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.

### 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 November 2020, 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 Corporate Governance

## Remuneration of executive directors

Remuneration of executive directors is determined based on indices including operating profit in order to incentivize executive directors to improve the intrinsic corporate value from a long-term perspective and to achieve performance targets from a short-term perspective.

## 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.

## 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.

### Notes in regard to this material

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