



Financial Results

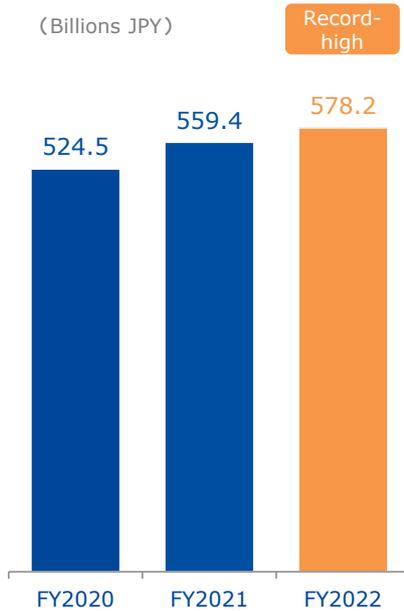
For the fiscal year ended March 2022

May 16, 2022

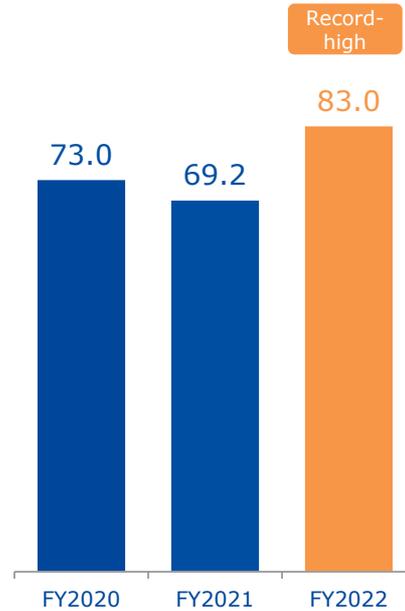
Steady Performance

1) Revenue

(Billions JPY)

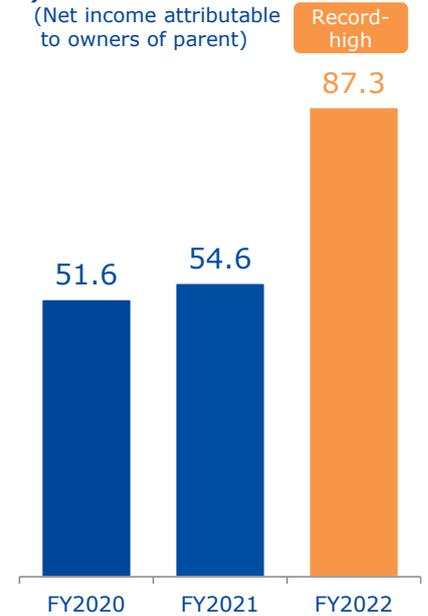


2) Operating Profit

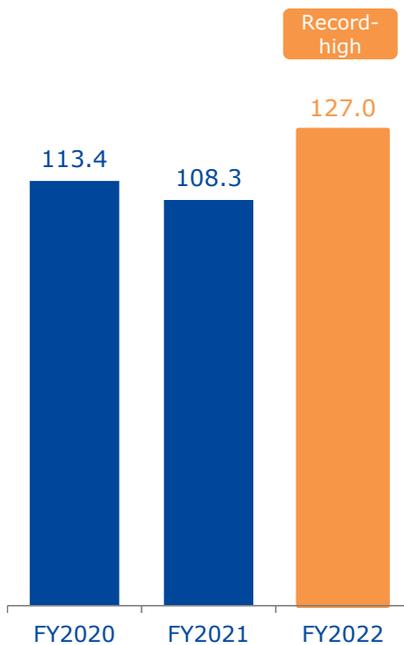


3) Net Income

(Net income attributable to owners of parent)



4) Recurring Profit

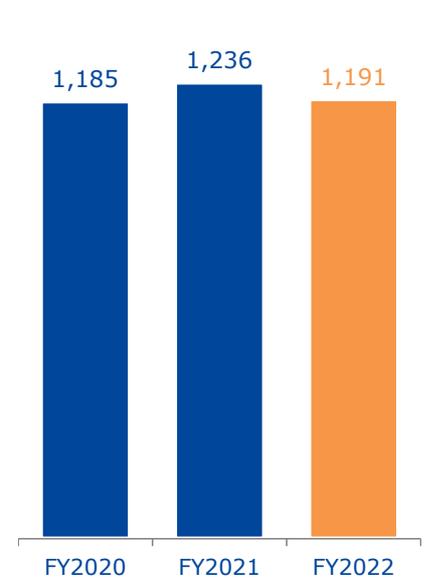


5) In-House Product Acquisition Cost



6) Number of In-House Products Acquired

(Thousand Units)

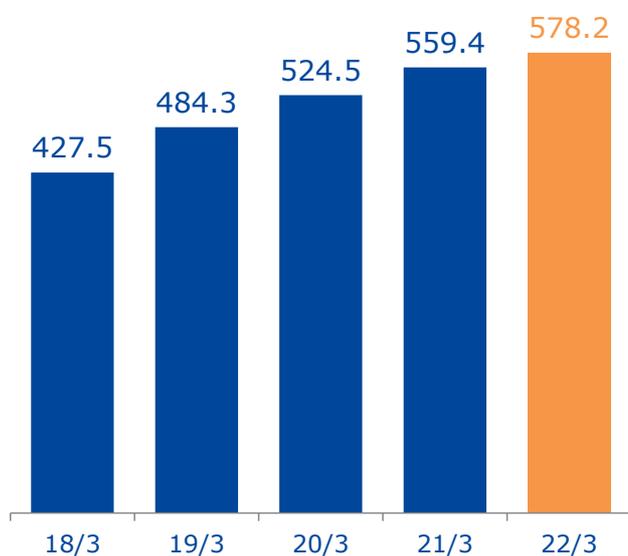


Profit increased as increased customer contracts boosted the recurring profit, which can be a predictable and stable source of earnings in the future.

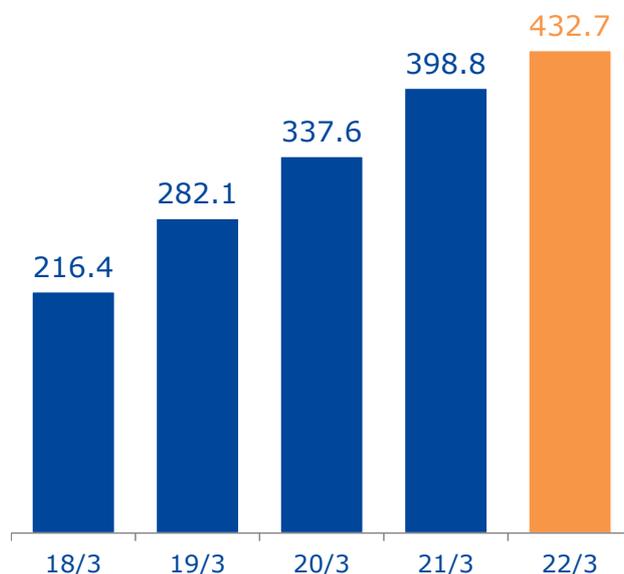
Revenue

(Billions JPY)

■ Total
CAGR +7%



■ In-house Products only
CAGR +18%

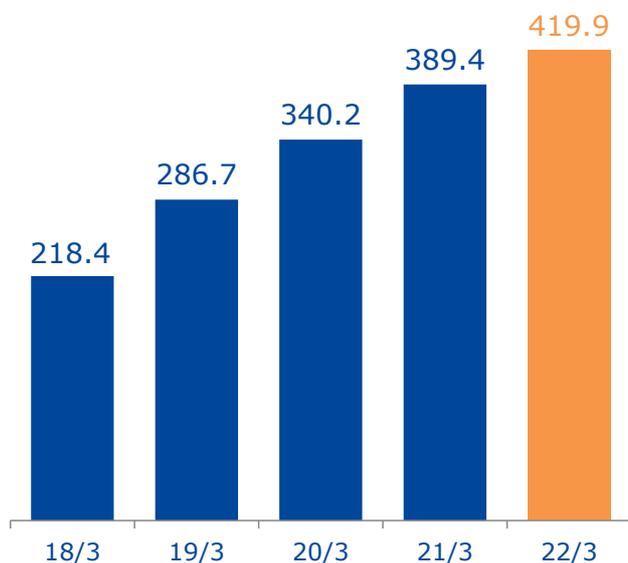


Recurring Revenue

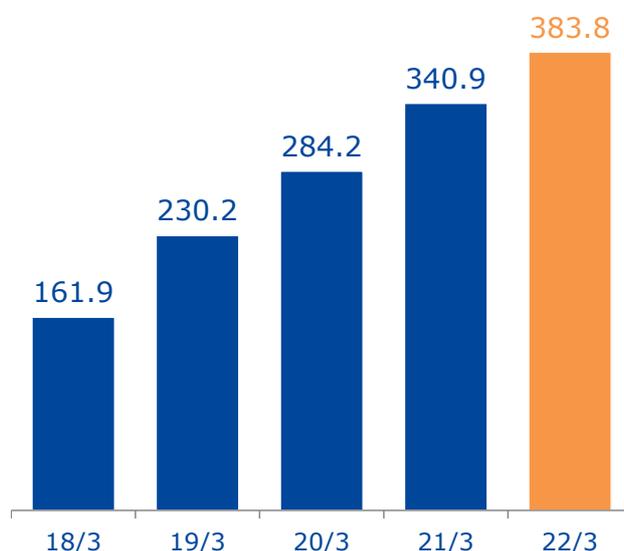
(Billions JPY)

Ratio of recurring revenue to revenue : 72%(FY2022)

■ Total
CAGR +17%



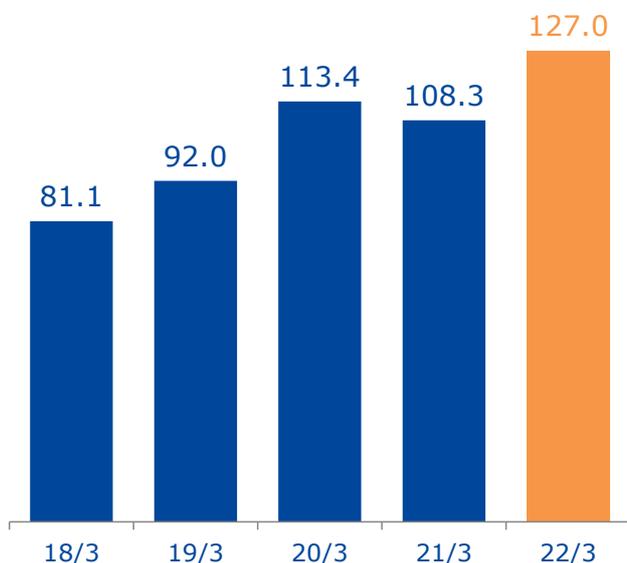
■ In-house Products only
CAGR +18%



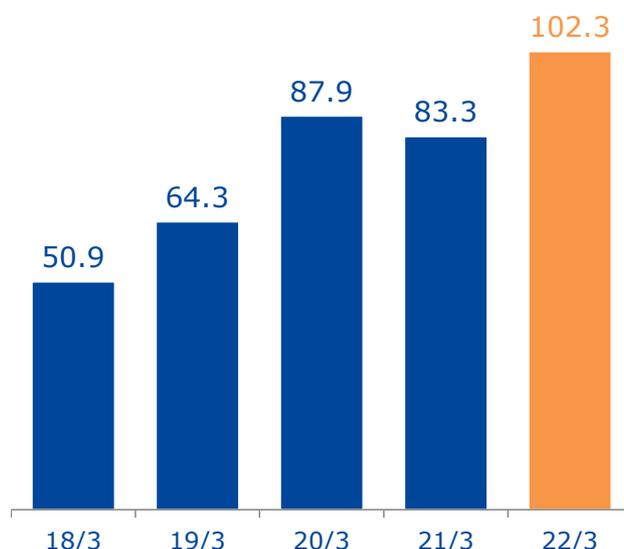
Recurring Profit

(Billions JPY)

■ Total
CAGR +11%



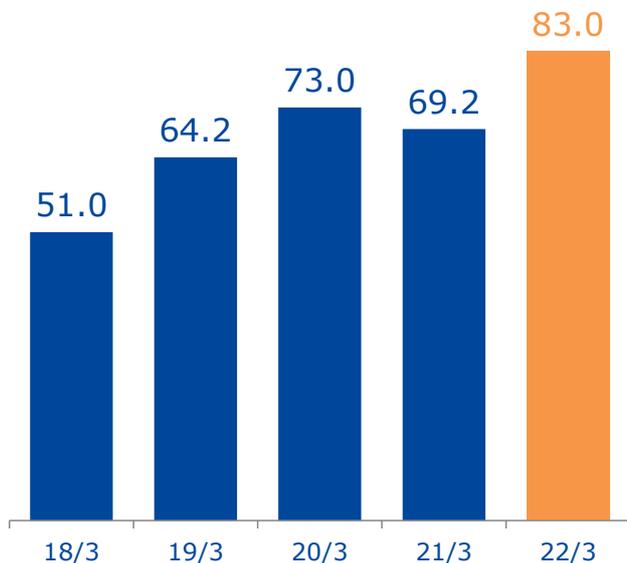
■ In-house Products only
CAGR +19%



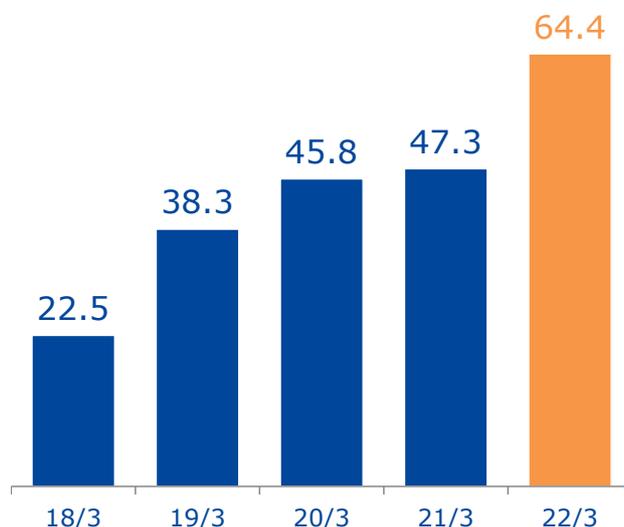
Operating Profit

(Billions JPY)

■ Total
CAGR +12%

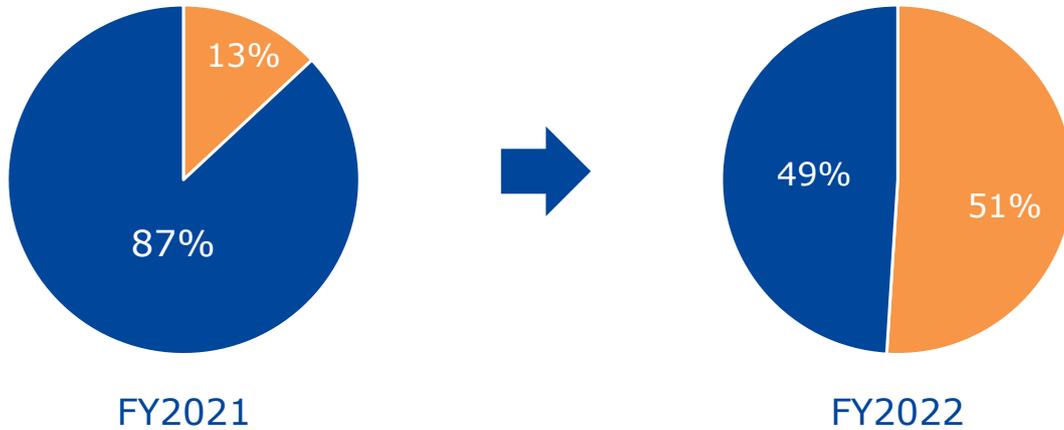


■ In-house Products only
CAGR +29%



Procurement Composition in the electricity business

- Variable price procurement (mainly in JEPX Spot Market)
- Fixed price procurement (mainly through negotiation transaction)



Hedge the risk of transaction price fluctuations by increasing fixed price procurement.

Electricity Transaction Prices

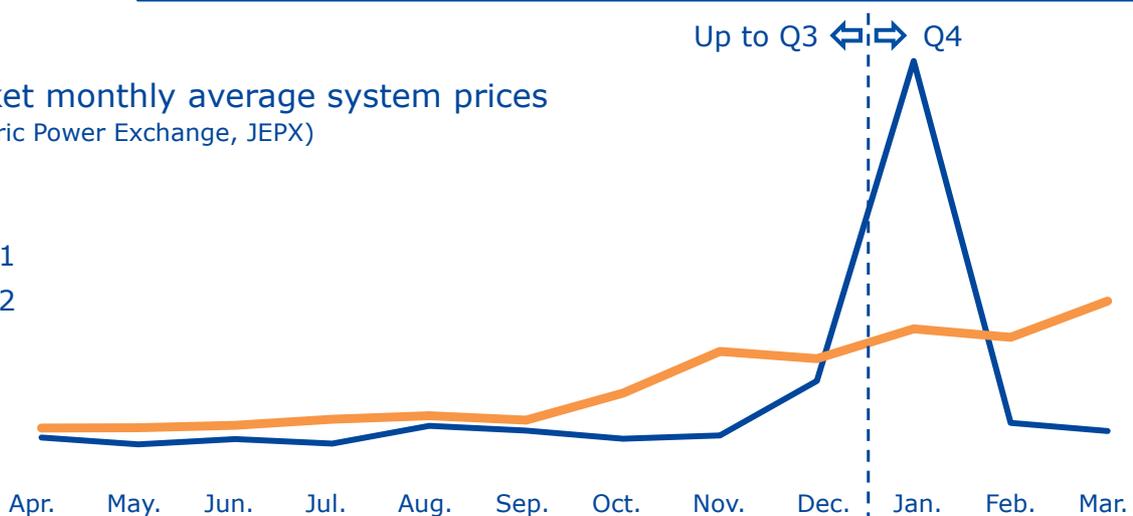
(yen/kWh)

Annual average price: 11.1yen/kWh in FY2021, 13.4 yen/kWh in FY2022

Spot Market monthly average system prices
(Japan Electric Power Exchange, JEPX)

- FY2021
- FY2022

Up to Q3 ← Q4



	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
FY2021	5.2	4.1	5.0	4.3	7.0	6.3	5.0	5.5	13.9	63.0	7.4	6.2
FY2022	6.6	6.7	7.1	8.0	8.5	7.9	12.0	18.4	17.3	21.9	20.6	26.1
Differences	+1.4	+2.5	+2.1	+3.7	+1.5	+1.6	+7.0	+12.9	+3.4	(41.1)	+13.1	+19.9

Prepared by Hikari Tsushin based on the JEPX disclosed data

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	EPARK		
	Electricity			
Individual Customer Service (In-house products for individuals)	Internet connection line		Individuals	Website, TMS, etc.
	Content			
	Water delivery			
	Electricity			
Commission-based Sales (Third-party products)	Internet connection line		SMEs Individuals	Shop, TMS, etc.
	Mobile phones			
	OA equipment			
	Sales of insurance by agent			

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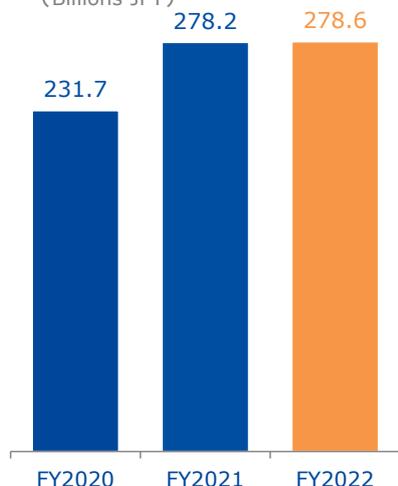
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Corporate Service

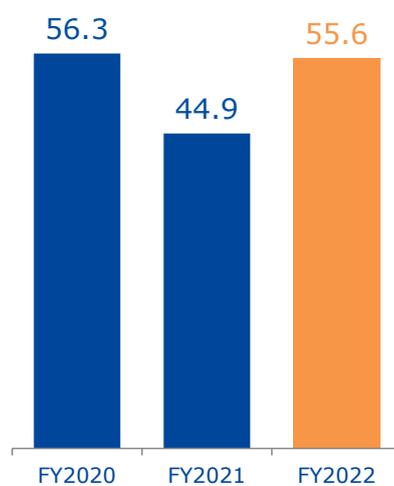
Main business: Internet communication line, content, electricity, industry-specific IT solutions, etc.

1) Revenue

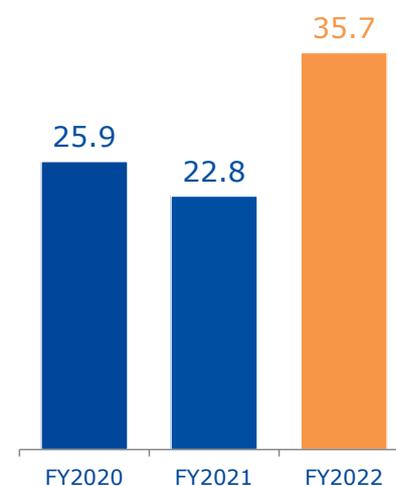
(Billions JPY)



2) Recurring Profit



3) Operating Profit



Profit increased as we hedged the risk of transaction price fluctuations in the electricity business by increasing the procurement through negotiation transactions.

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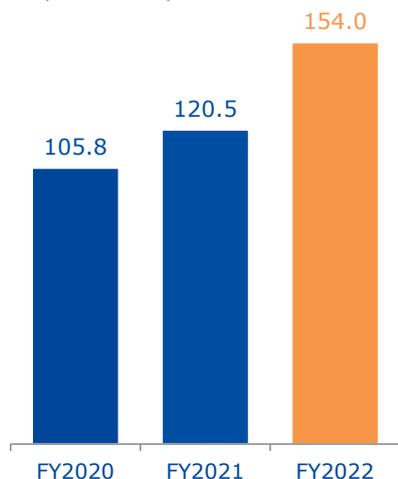
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Individual Customer Service

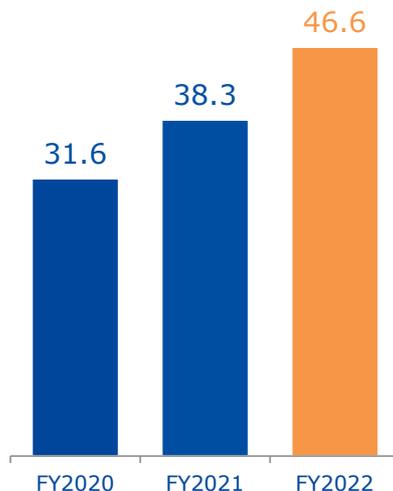
Main business: Internet communication line, content, water delivery, etc.

1) Revenue

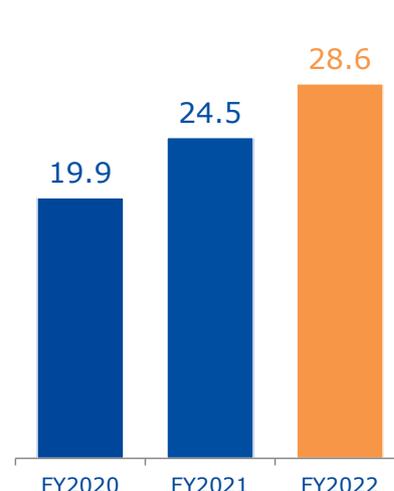
(Billions JPY)



2) Recurring Profit



3) Operating Profit



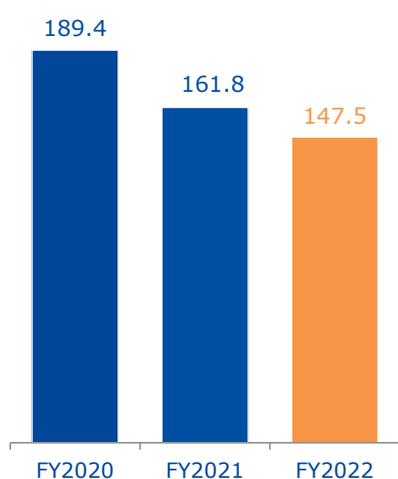
Revenue and profit increased mainly in the water delivery business.

Commission-based Sales

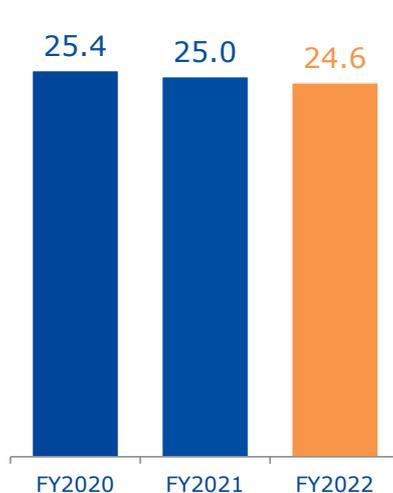
Main business: Commission-based sales for mobile phones, OA equipment, insurance, etc.

1) Revenue

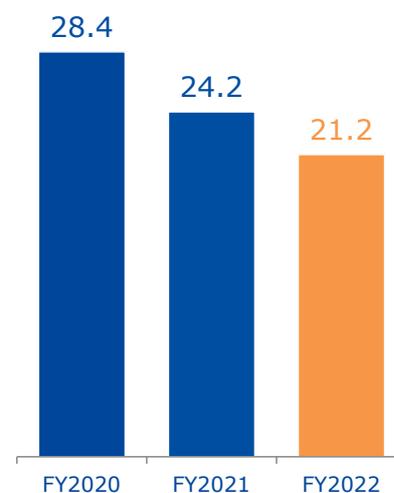
(Billions JPY)



2) Recurring Profit



3) Operating Profit



Revenue and profit decreased due to change in the external environment.

Non-Operating Profit

One-time gain(gain on foreign exchange and from negative goodwill) was 16 billion yen in FY2022

(Billions JPY)	FY2020	FY2021	FY2022
Operating Profit	73.0	69.2	Record-high 83.0
Finance income + Finance costs	2.3	0.6	11.4
Share of profit(loss) of entities accounted for using equity method	3.8	5.3	13.0
Other non-operating income and expenses	0.8	6.8	0.4
Net income before income tax	80.0	82.1	Record-high 107.9
Corporate income tax expenses	(25.8)	(22.8)	(16.7)
Non-controlling interests	(2.5)	(4.6)	(3.8)
Net income attributable to owners of parent	51.6	54.6	Record-high 87.3

Consolidated Cash Flows

(Billions JPY)

	FY2020	FY2021	FY2022
Cash flows from operating activities	+87.0	+58.1	51.0
Cash flows from investing activities	(61.9)	(96.6)	(95.9)
Free cash flow	+25.1	(38.5)	(44.9)
Cash flows from financing activities	+61.0	+89.8	+50.0

Capital Efficiency

	FY2020	FY2021	FY2022
Return on Equity	19.0%	16.1%	20.3%
Return on Assets	8.2%	6.2%	6.1%
Operating Profit Margin	13.9%	12.4%	14.4%
Earnings per Share (JPY)	1,126	1,190	1,923

Basic Earnings per Share CAGR20%

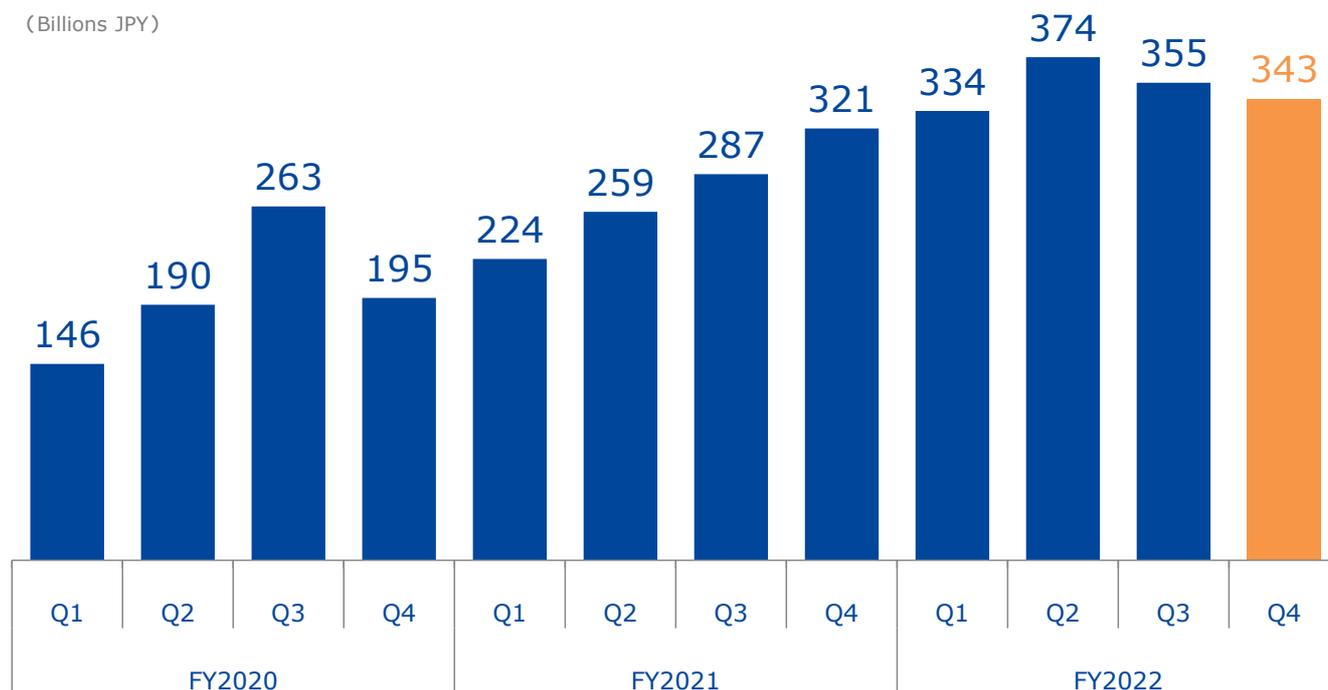
- Basic earnings per share (JPY)
- Profit attributable to owners of parent (Billions JPY)



Net Cash Assets

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

(Billions JPY)



Listed stock investment policy/approach

- 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

Number of companies we have invested in: 499
(including 18 affiliated companies accounted for by the equity-method)

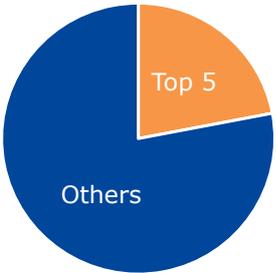
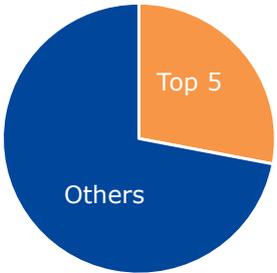
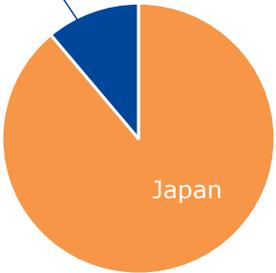
(1)	(2)	(2)/(1)
Investment book value As of the end of March 2022	Look-through earnings Last 12 months *	EY Earnings Yield
456.0 billion yen	70.8 billion yen (Including 11.8 billion yen for affiliated companies accounted for by the equity-method)	15.5%

* "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 from April 2021 until the end of March 2022 for which financial results have been announced.

Listed company stock investment status

(2)Portfolio

Investment book value	Market value	Regional Distribution	Industry Distribution (Japanese stocks only)
 <p>Top 5 Composition 22%</p>	 <p>Top 5 Composition 28%</p>	<p>North America, etc.</p>  <p>Mainly in Japan</p>	 <p>Information & Communication 23%</p>

Forecast for FY2023

Topics for FY2023

- I** Performance Forecast
- II Electricity Business
- III Strengthening Governance
- IV Shareholder Return

Performance Forecast

(Billions JPY)

	FY2022	FY2023(E)	
	Actual Results	Forecast	Rate of Change
Revenue	578.2	600.0	103%
Operating Profit	83.0	77.0	92%
Net income and net income attributable to owners of parent	87.3	62.0	70%

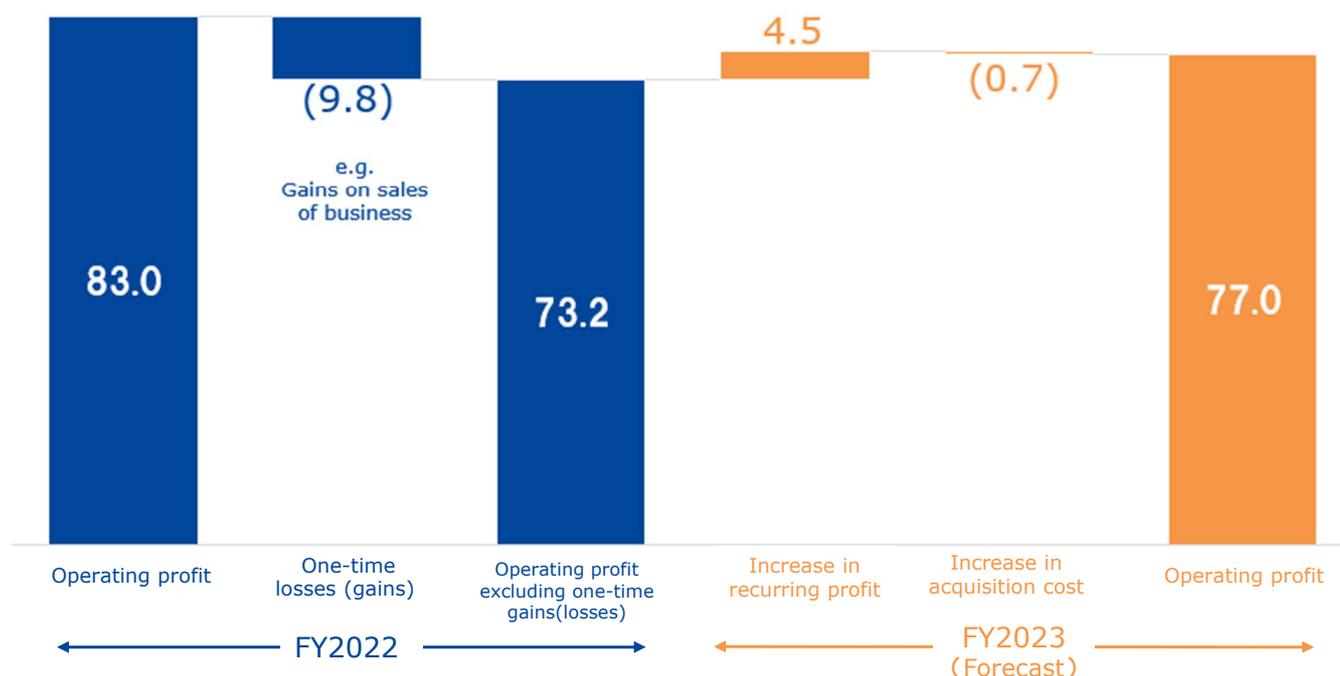
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Operating Profit

Increase excluding one-time gains and losses

(Billions JPY)



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Topics for FY2023

- I Performance Forecast
- II Electricity Business**
- III Strengthening Governance
- IV Shareholder Return

Electricity Business Estimated effects

■ Main factors affecting the performance



■ Expected impact on the recurring profit and operating profit

* This simulation is based on certain conditions and may differ from the actual amount of impact if it were to occur.

JEPX Spot Market Annual Average System Price	Full Year Impact (Compared to the initial plan)
10 yen/kWh	+9.5 billion yen
15 yen/kWh	(3.5) billion yen
20 yen/kWh	(7.5) billion yen
25 yen/kWh	(11.5) billion yen

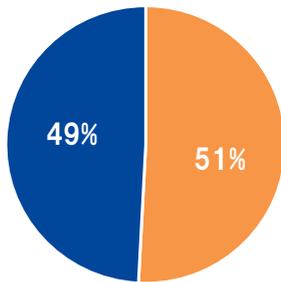
Hedging Measures Against the Risk of Fluctuations in Electricity Transaction Prices

Purchasing Cost

Maintain and expand fixed-price procurement

Electricity Procurement Composition in FY2022

- Variable price procurement (mainly in JEPX Spot Market)
- Fixed price procurement (mainly through negotiation transaction)

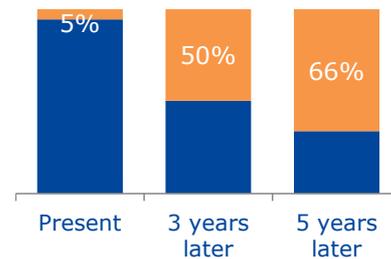


Sales

Launch the new plan that hedges the market price fluctuation risk

Changes in the ratio of in-force contracts*

- Old Plan(High risk of market price fluctuations)
- New Plan(Low risk of market price fluctuations)



* This is the estimate as the number of subscriptions fluctuates under specific conditions.

Topics for FY2023

- I Performance Forecast
- II Electricity Business
- III Strengthening Governance
- IV Shareholder Return

Governance of Listed Stock Investments

- Comply with a certain degree of financial discipline*

*Secure funds for repayment of interest-bearing debt for the next three years as cash reserves

Scheduled for June

- Establish the investment advisory board as an external monitoring system

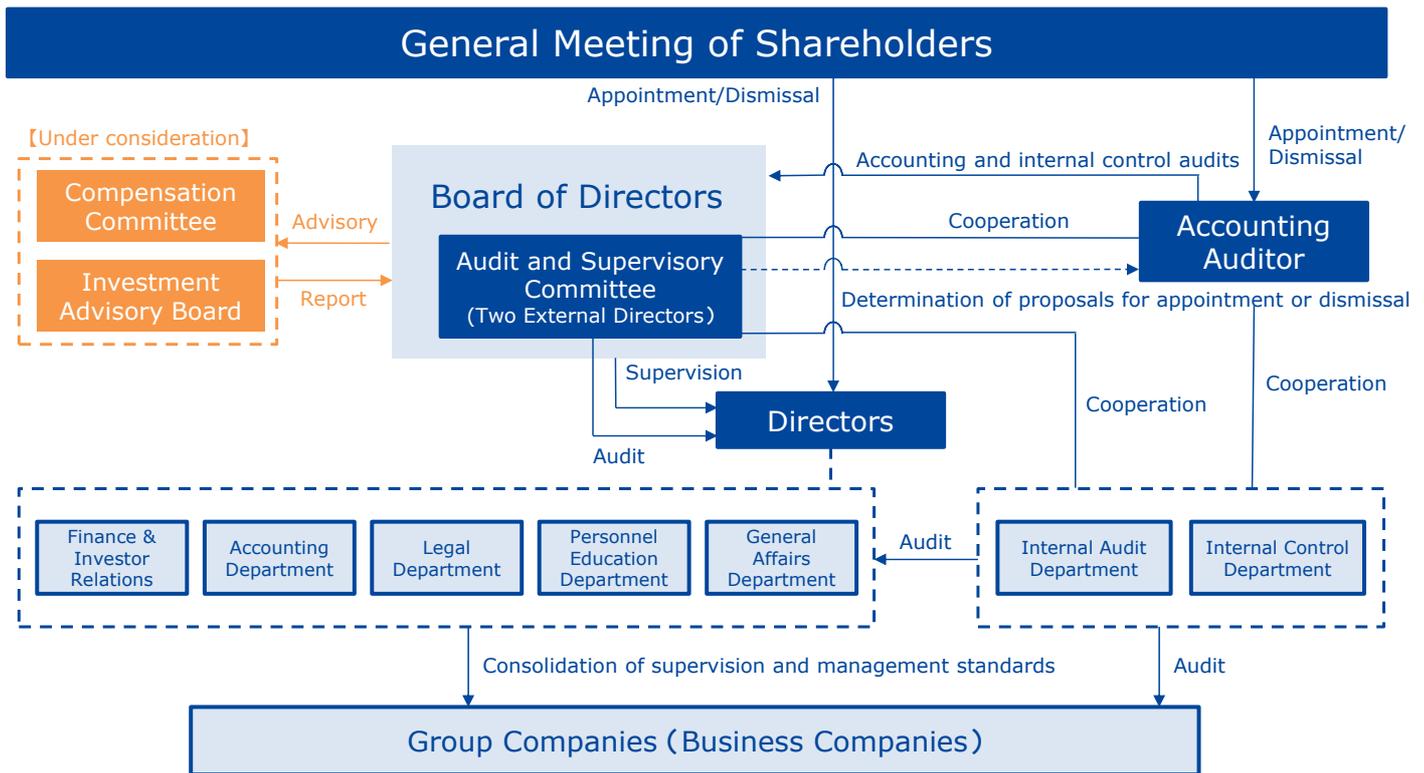
Under Consideration

Establishment of Committees

Committee Name	New Establishment	Main Functions	Committee Members
			(Draft)
Audit and Supervisory Committee	-	Audit the execution of duties by Directors	 Internal (Chairman)  External  External
Investment Advisory Board	✓	Report on Listed Stock Investment	 External (Chairman)  External  Internal
Compensation Committee	✓	Report on Directors' Remuneration	 External (Chairman)  External  Internal

In June 2022, the Investment Advisory Board and Compensation Committee will be established to strengthen governance.

Corporate Governance Structure



Executive Personnel

	Position	Name	External	Female	Term
1	Representative Director and Chairman	Yasumitsu Shigeta	-	-	June 2021 to June 2022 From June 2022 (planned)
2	President and Representative Director	Hideaki Wada	-	-	
3	Vice Chairman and Director	Takeshi Tamamura	-	-	
4	Executive Director	Ko Gido	-	-	
5	Director	Masato Takahashi	-	-	
6	Director	Naoko Yada	-	✓	From June 2022 (planned)
7	Director	Yuki Yagishita	✓	✓	
8	Director and Audit and Supervisory Committee Member	Masataka Watanabe	-	-	June 2021 to June 2023
9	Director and Audit and Supervisory Committee Member	Ichiro Takano	✓	-	
10	Director and Audit and Supervisory Committee Member	Ken Niimura	✓	-	

With the introduction of two directors to the company's executives in July 2022, external directors will account for 30% of its members, and the female directors 20%.

Topics for FY2023

- I Performance Forecast
- II Electricity Business
- III Strengthening Governance
- IV Shareholder Return

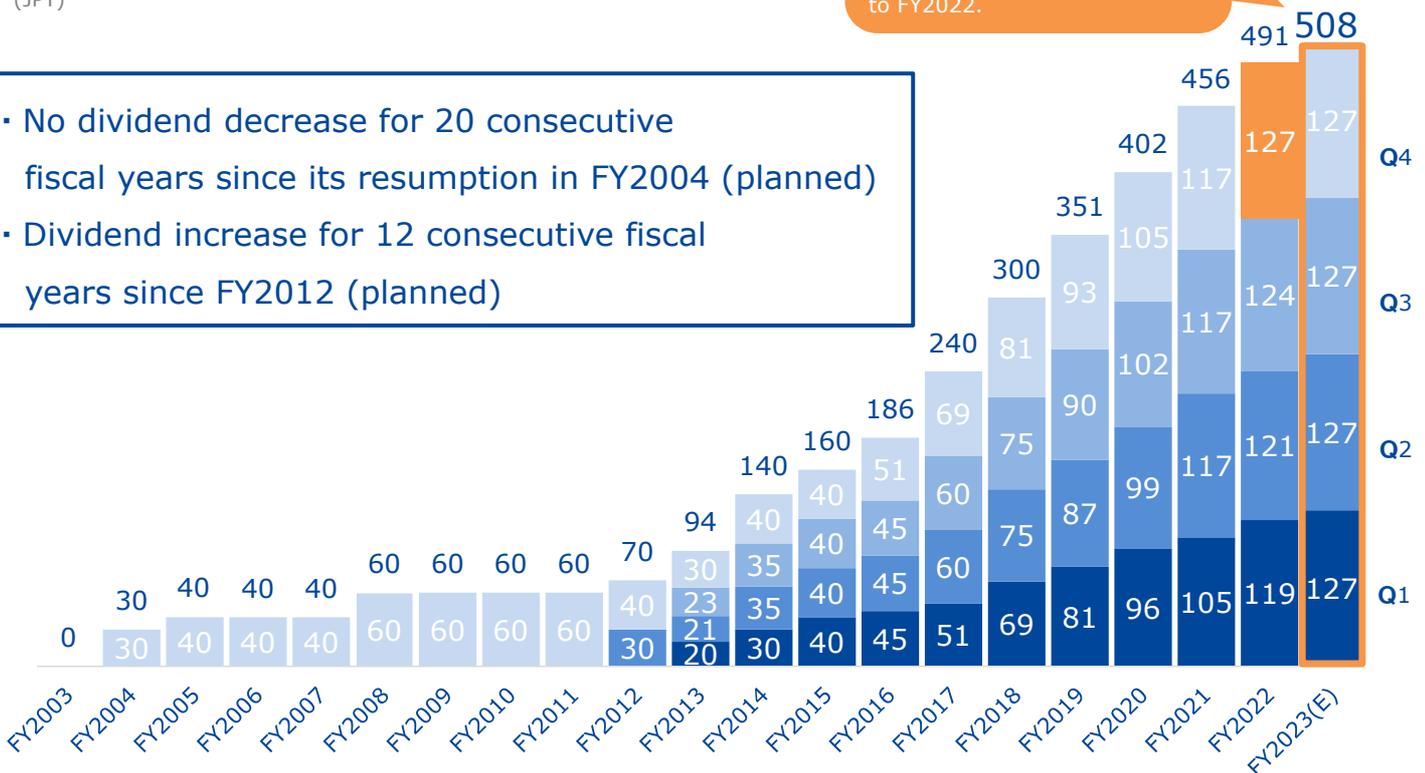
Dividends per share

(JPY)

Dividend for FY2022 Q4 increase by 3 yen compared to the previous quarter.

In FY2023, plan to increase the dividend by 17 yen compared to FY2022.

- No dividend decrease for 20 consecutive fiscal years since its resumption in FY2004 (planned)
- Dividend increase for 12 consecutive fiscal years since FY2012 (planned)



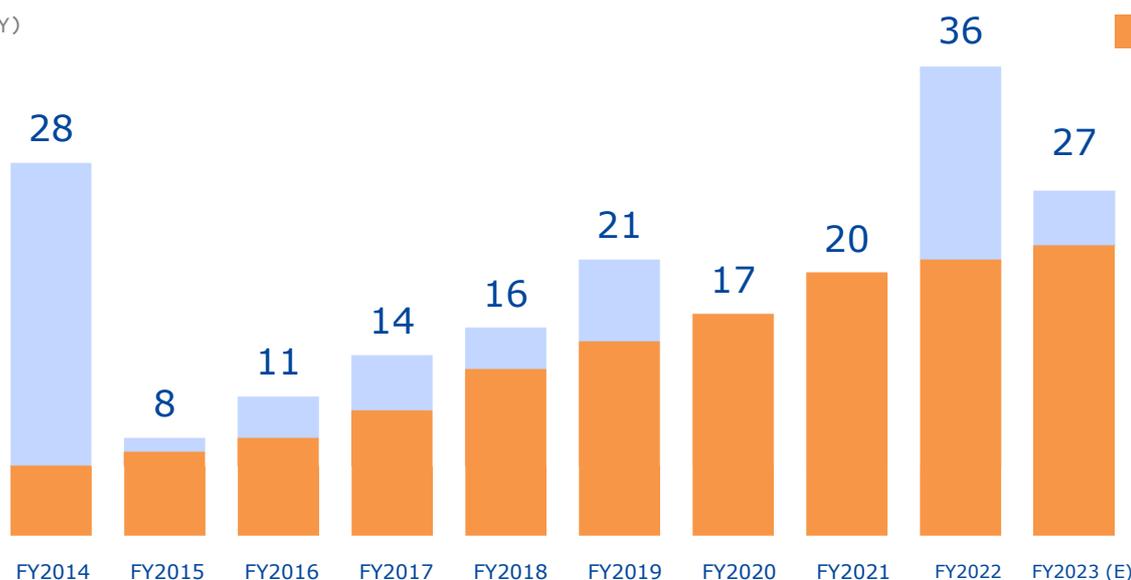
Trend of Shareholder Returns

(Billions JPY)

Aggregate Amount of Treasury Stock Repurchased
Dividend Payment Amount

Total Return Ratio (10-year cumulative basis)

44%



	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (E)	Total
Dividend Payment Amount	6	7	8	10	13	15	17	20	21	22	144
Aggregate Amount of Treasury Stock Repurchased	22	1	3	4	3	6	0	0	14	4	59
Total Return Ratio	98%	42%	44%	37%	38%	43%	34%	37%	41%	45%	44%

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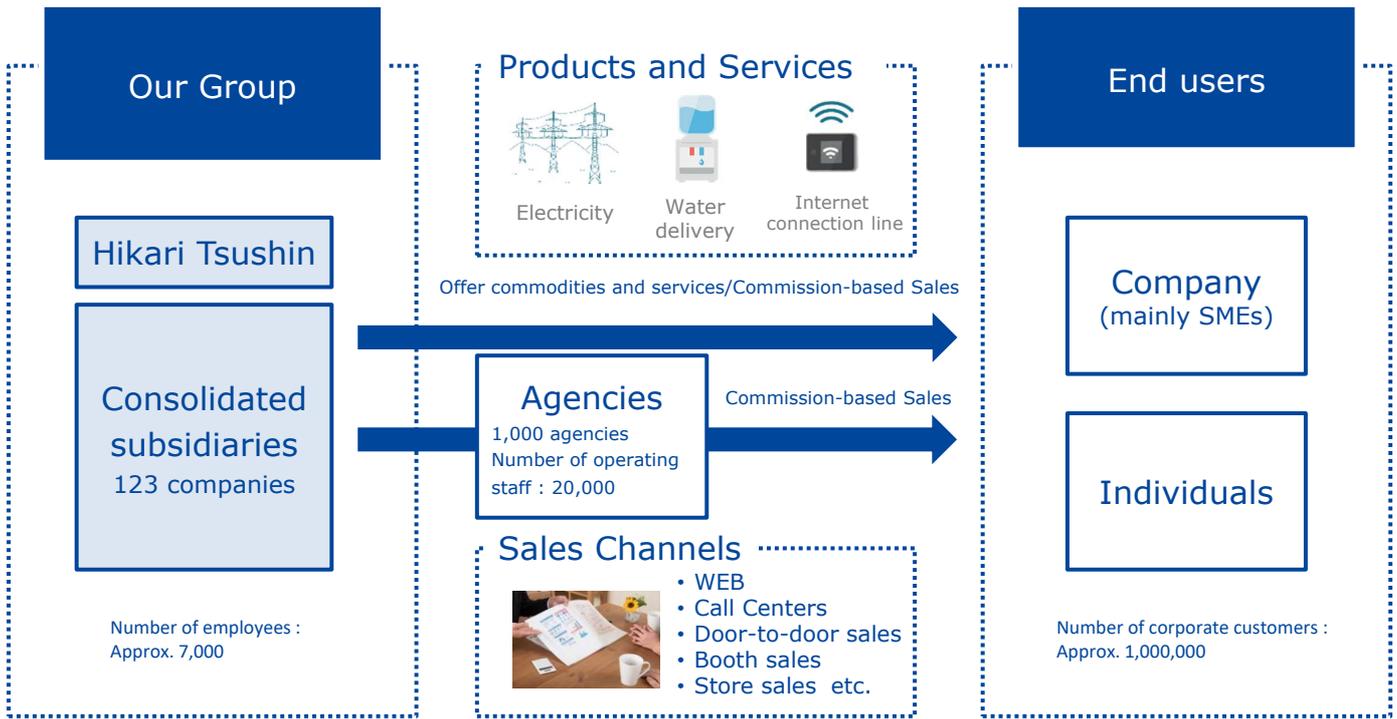
Basic Information

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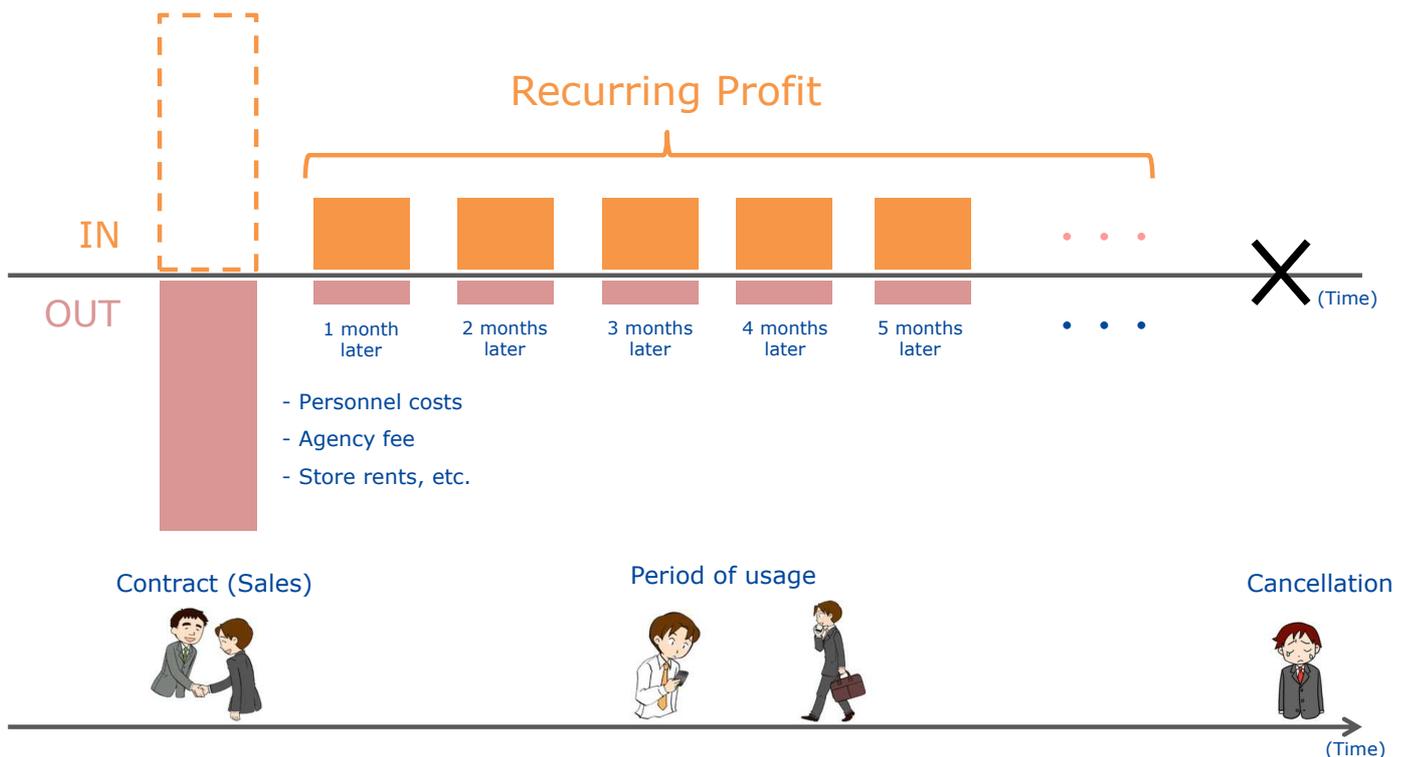
Business Overview

As of March 31, 2022



Representative Earnings Model

(conceptual image of earnings per deal)



Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

	FY2022				
	Total	Recurring		Lump-sum	
Revenue	578.2	Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies	419.9	Initial commission income, hardware sales proceeds of hardware, etc.	158.3
Cost of goods sold + SGA expenses	(495.2)	Cost of service provided, cost of customer retention such as billing costs, etc.	(292.9)	Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc.	(202.3)
Operating Profit	83.0	Recurring Profit	127.0	Acquisition Cost	(44.0)

Our Sustainability

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, take a medium- to long-term perspective to propose and implement strategies aligned with the circumstances of the times, in order to improve 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

■ Revenue Structure

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

■ Risk Diversification

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

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

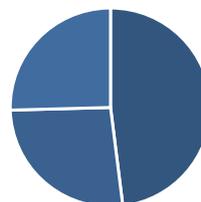
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Long-term, stable earnings
Mainly variable costs

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.

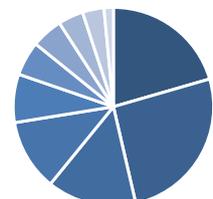
Corporate customers
Approx. 1,000,000

Agencies
Approx. 1,000

Revenue by segment

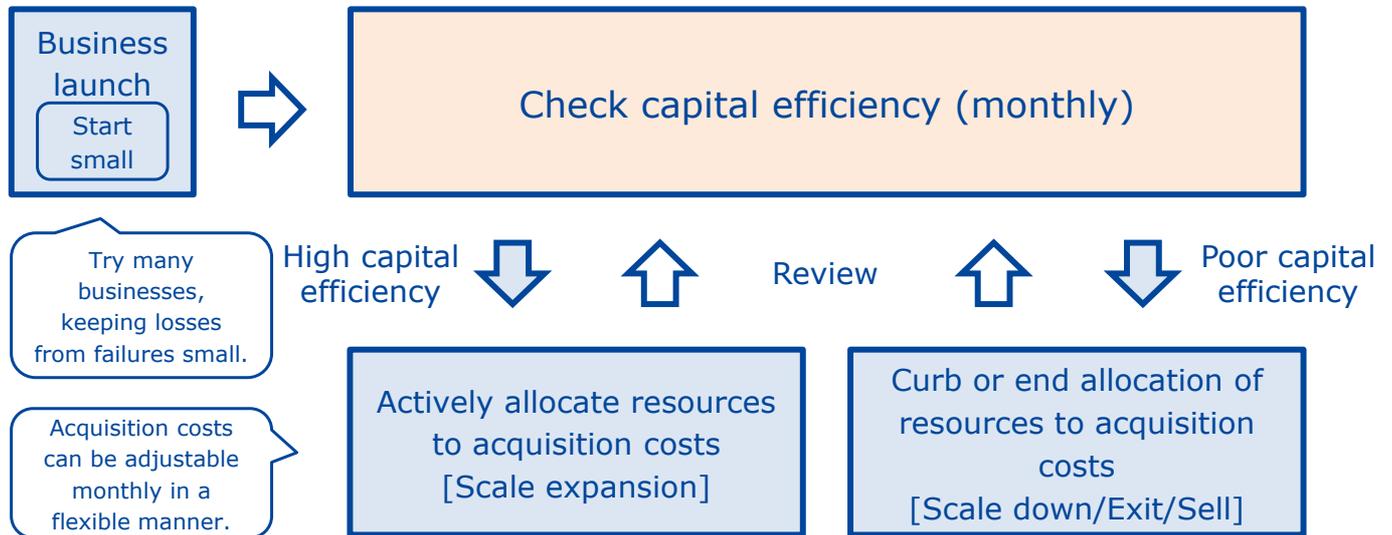


Revenue by major business



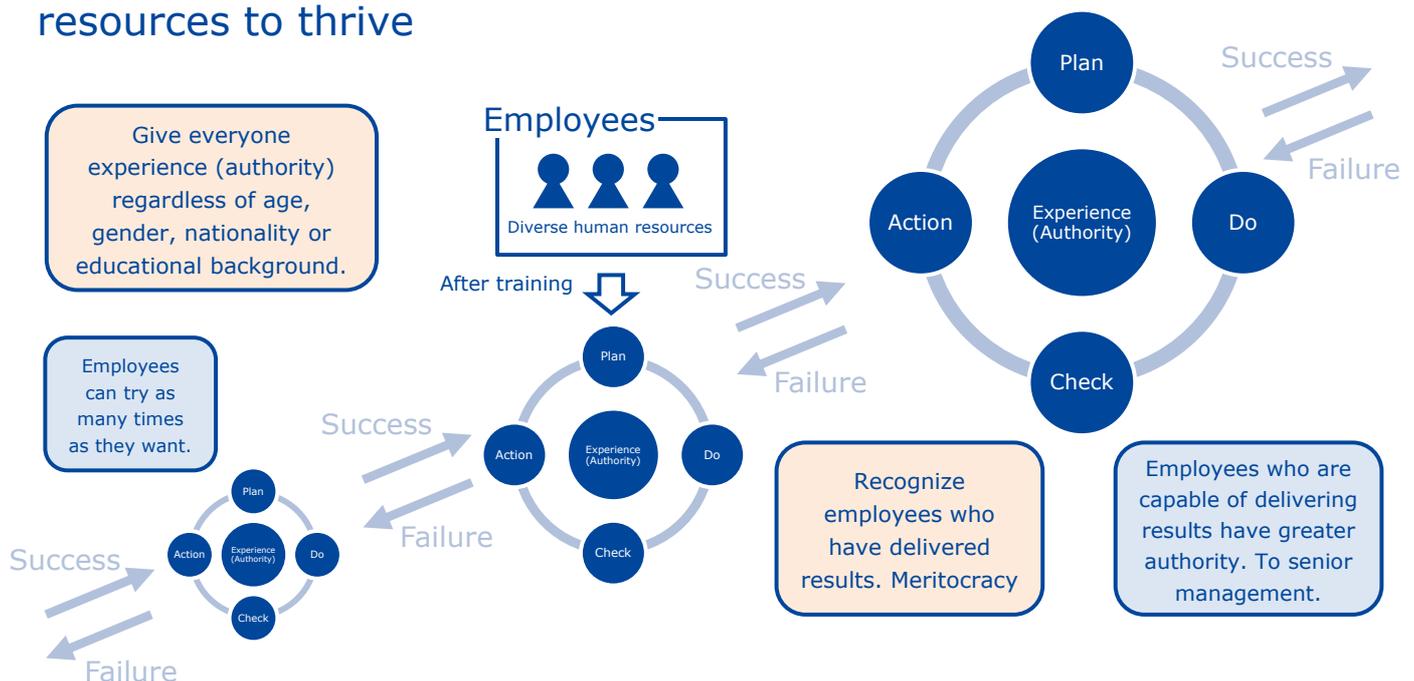
(2) Pursue Capital Efficiency

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



(3) Human Resources Development

Environment that allows diverse human resources to thrive

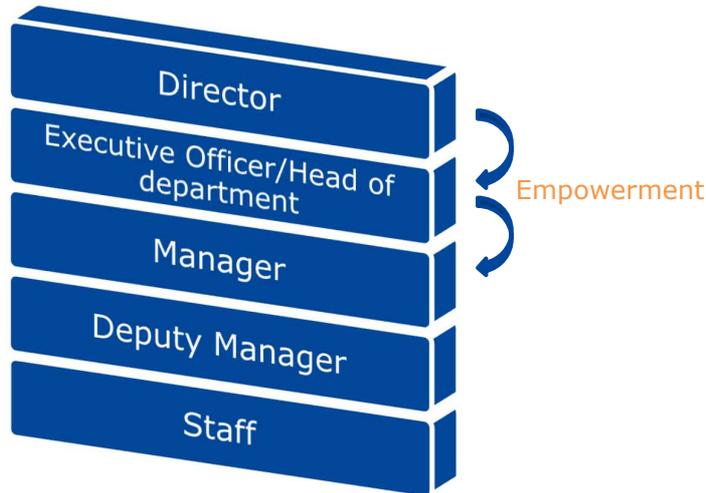


Foundation: Work environment that allows employees to focus on their work

(4) Speedy Management

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

5-levels Organization Hierarchy



- Decentralization allows for quick and decisive decision-making on opportunities and threats.
- Decisions can be made at the appropriate level and key issues can be addressed at each level of the organization.
- Employees can act on their own initiative

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 CO₂ 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 Environmental Protection

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.

PET Bottle Weight Reduction

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

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 1.8% of the total assets as of the end of the fiscal year ended March 202.

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.

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.

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.

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 2021, 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.

Disclaimer

Information mentioned in this material, other than that related to historical and current facts, is determined based on information currently available to HIKARI TSUSHIN and hypotheses built. Since information may be affected by uncertainties included in such hypothesis and judgement, and by changes in future economic environment, etc., it may differ from future performance of the Company and the HIKARI TSUSHIN Group.

The forward-looking statements contained in this material are prepared as of the date of this material (or the date otherwise specified) as mentioned above. The Company neither has an obligation nor policy to update such forward-looking statements with the latest information whenever necessary.

Furthermore, information in regard to matters other than the Company or Group companies stated in this material are cited from sources such as public information. The accuracy and adequacy of such information are not verified by the Company, and therefore are not guaranteed. The Company will not be held responsible for any damage that may occur as a result of the use of this material.

Notes in Regard to Insider Trading

An investor (primary information receiver) who has received non-public material facts directly from a company shall not make sales or purchases of stocks, etc. before such information is "publicized" (Article 166 of Financial Instruments and Exchange Act). In accordance with the provisions of Article 30 of the Order for Enforcement of the Financial Instruments and Exchange Act, information is deemed to have been made "public" 12 hours after such information has been publicized in two or more journalistic organizations, or when notification to the security exchange is made by the company and further listed via electronic means (TDnet's Timely Disclosure Information Viewing Service and EDINET public website) as provided by the Cabinet Office Ordinance.