



Financial Results

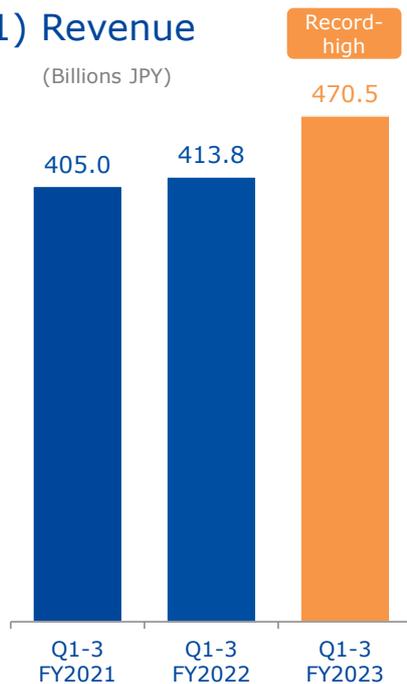
the nine months ended December 31, 2022

February 14, 2023

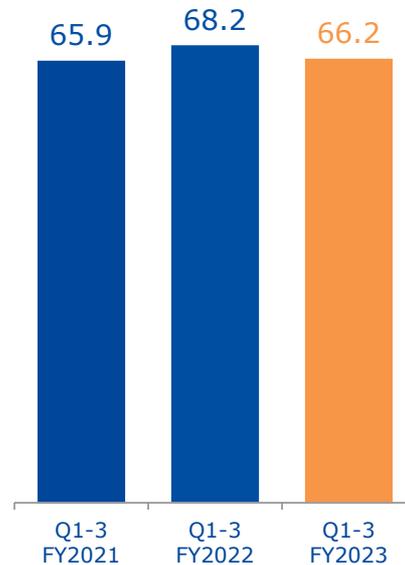
Performance

1) Revenue

(Billions JPY)

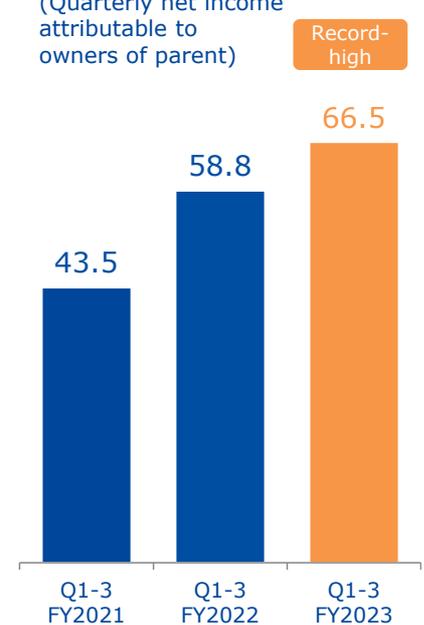


2) Operating Profit



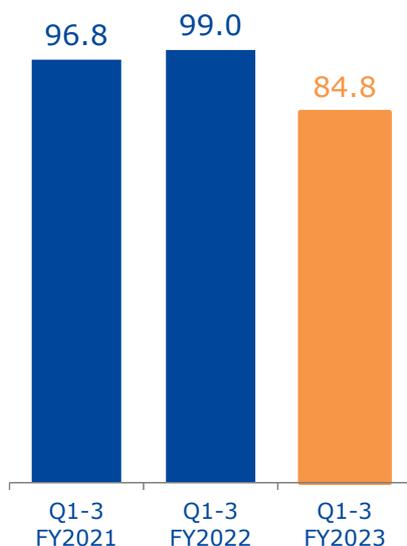
3) Quarterly Net Income

(Quarterly net income attributable to owners of parent)



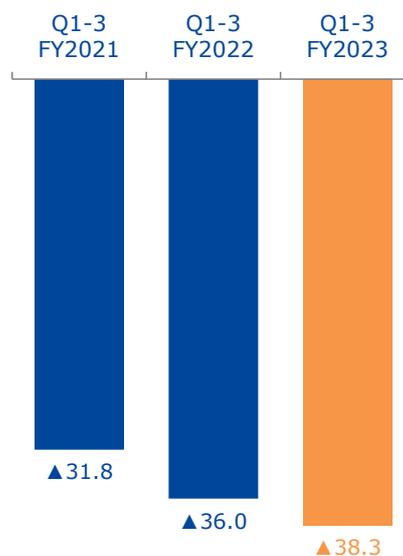
*Due to the early adoption of IFRS 17, some of the financial results for FY2022 differ from the previously disclosed figures. (Same hereafter)

4) Recurring Profit



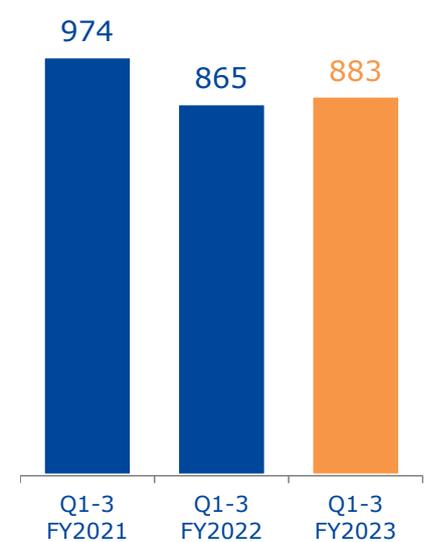
5) In-House Product Acquisition Cost *

* Numerical value definitions have been changed from this reporting (Consolidated total excluding one-time gains and losses such as gains on sale of businesses, etc.)



6) Number of In-House Products Acquired

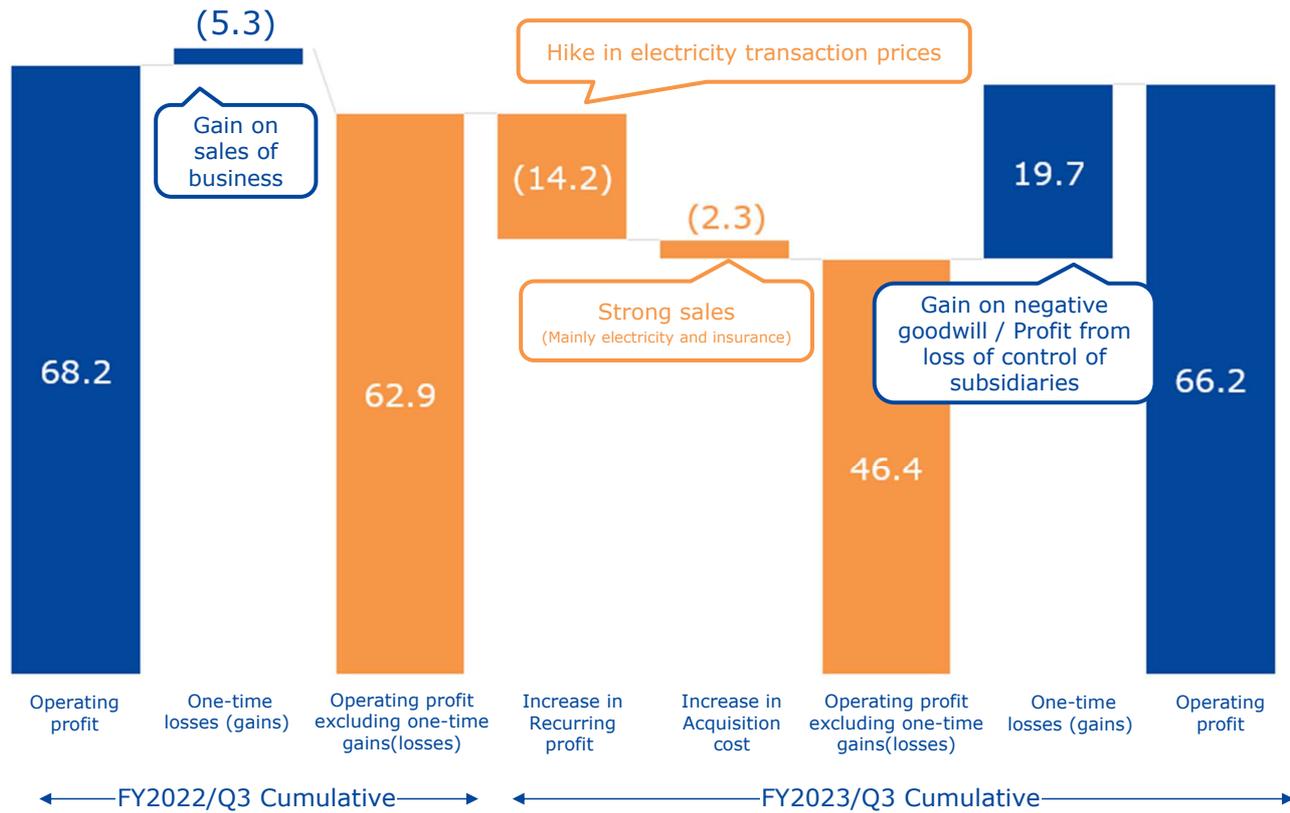
(Thousand Units)



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

YoY Comparison of Operating Profit

(Billions JPY)



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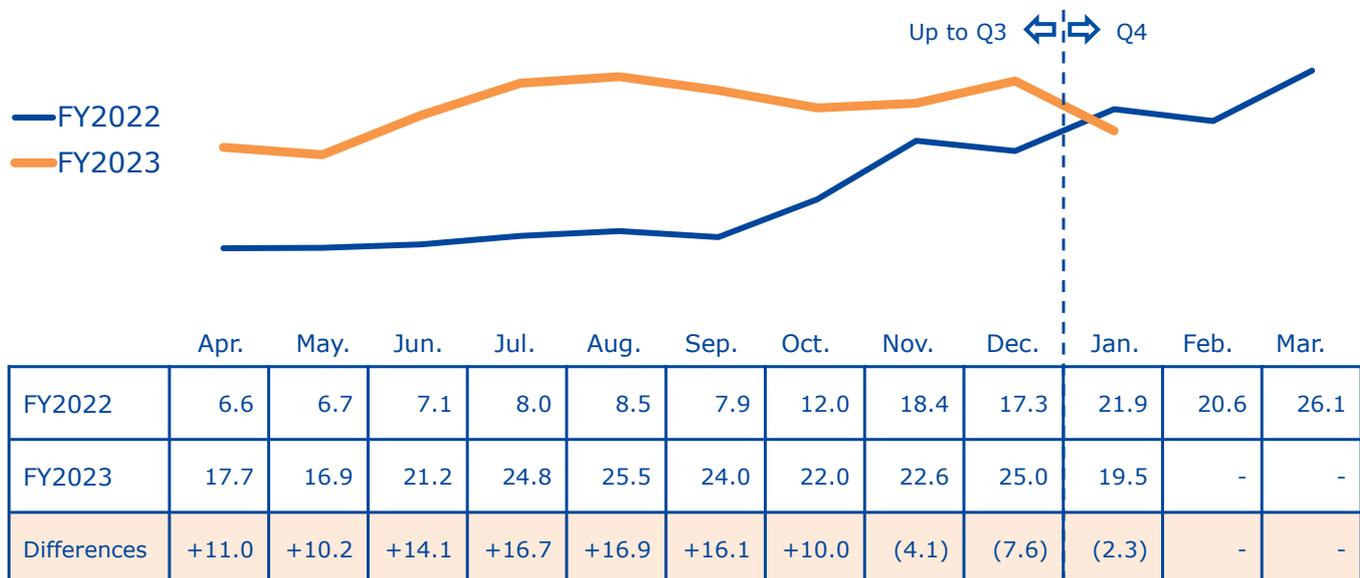
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Electricity Transaction Prices

(yen/kWh)

The third quarter average was 23.2 yen, up 7.3 yen YoY.

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



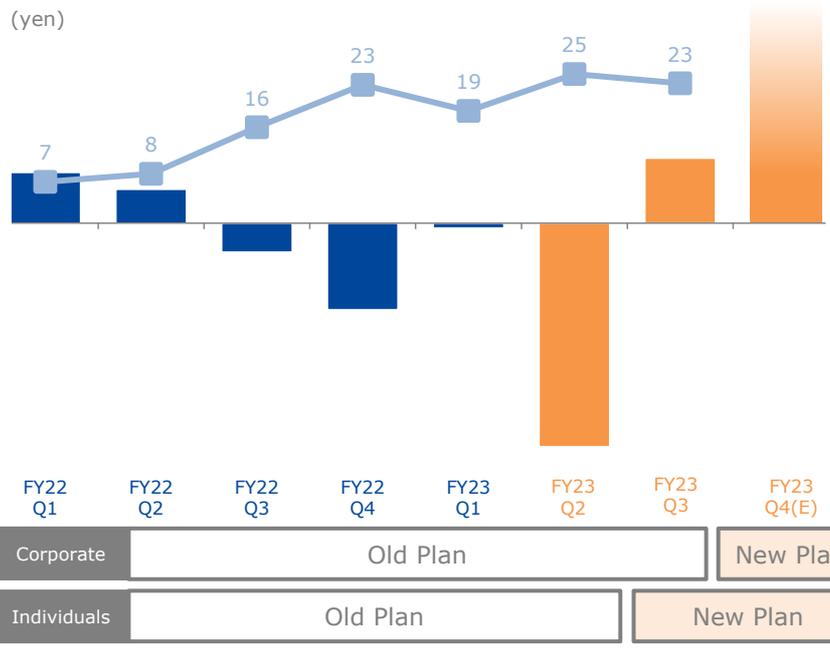
Prepared by Hikari Tsushin based on the JEPX disclosed data

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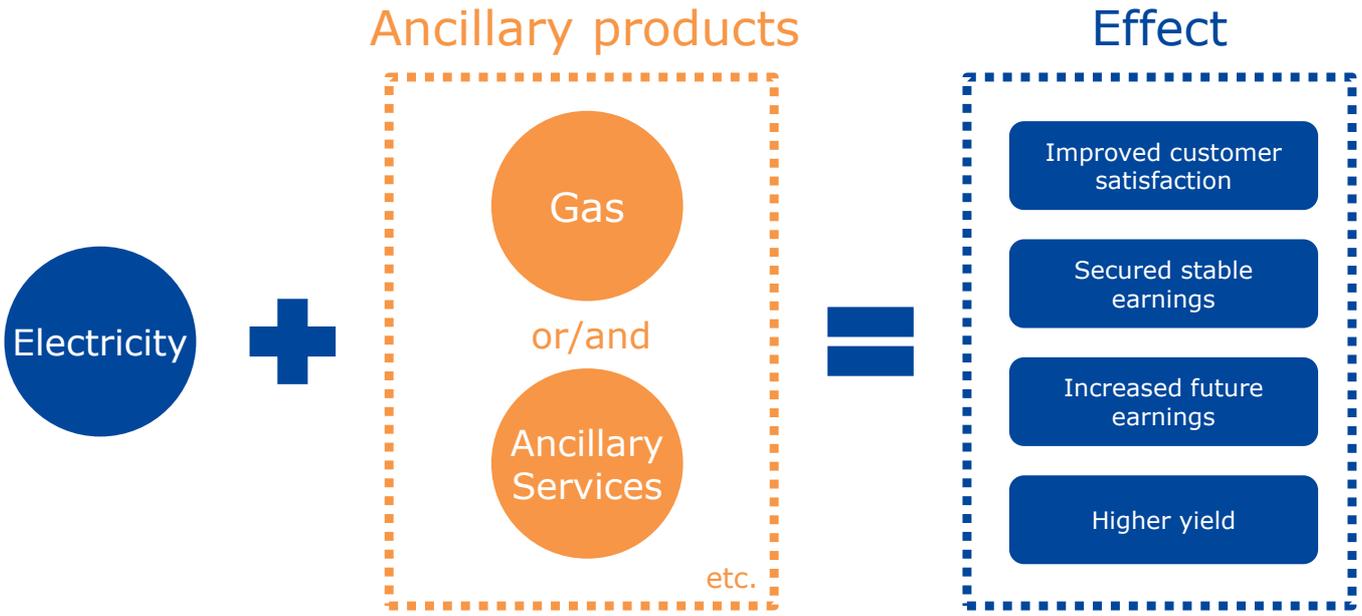
Electricity Trading Prices and Electricity Business Operating Profit

- Quarterly average of spot market system price (JEPX)
 - ■ Operating profit from electricity business



The new plan to hedge price fluctuation risks has been effective, and operating profit in the third quarter increased significantly even though the spot unit price remained generally flat. Operating profit is also expected to increase in the fourth quarter. Operating profit is expected for the full year. No significant change in churn rates.

Cross-Selling and Up-Selling in the Electricity Business



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

Main Business and Segments

Main Business	Description	Segments		
		In-house Products	Individual Customer Service	Third-party products
		Corporate Service	Individual Customer Service	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.	-	-	✓

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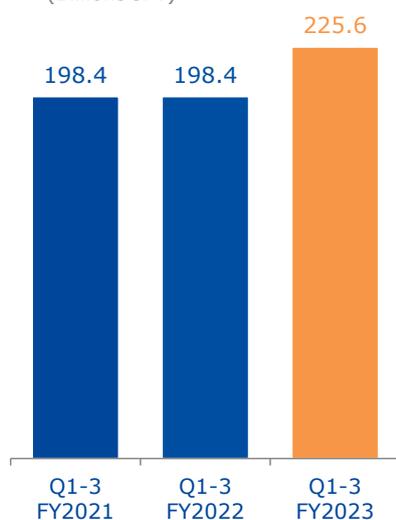
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Corporate Service

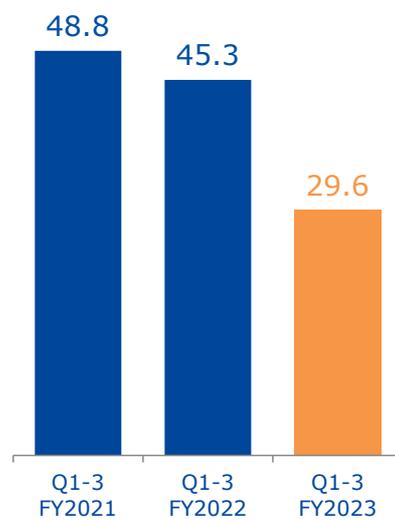
Main business: Internet communication line, electricity, industry-specific IT solutions, etc.

1) Revenue

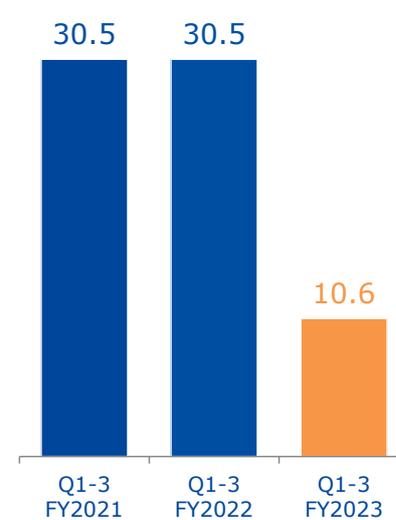
(Billions JPY)



2) Recurring Profit



3) Operating Profit



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

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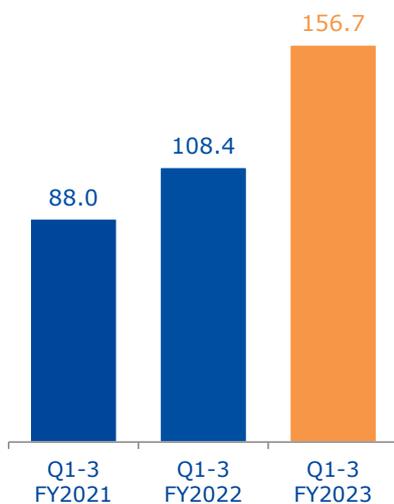
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Individual Customer Service

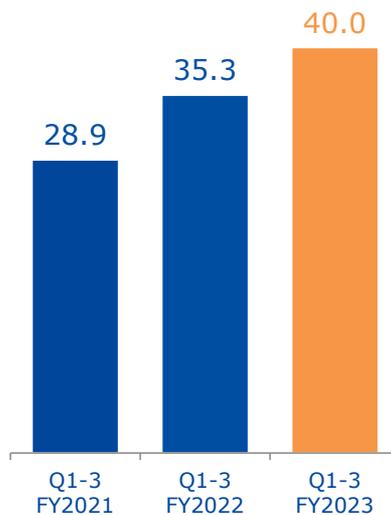
Main business: Internet communication line, water delivery, electricity, insurance, etc.

1) Revenue

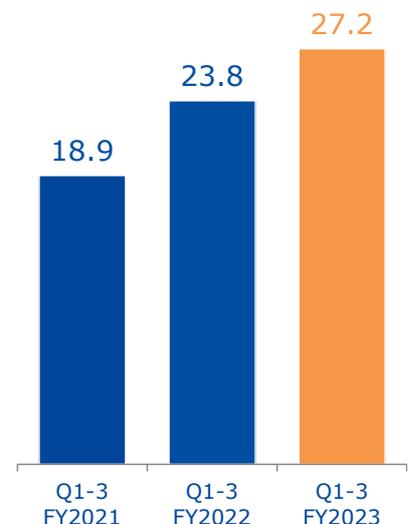
(Billions JPY)



2) Recurring Profit



3) Operating Profit



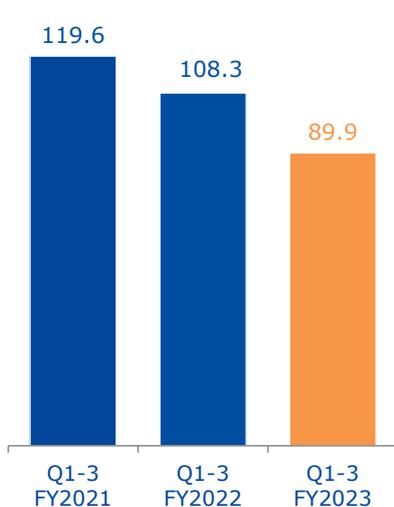
The new plan to hedge price fluctuation risks has been effective, both revenues and profits increased despite the impact of higher electricity transaction prices and a decline in one-time gains.

Commission-based Sales

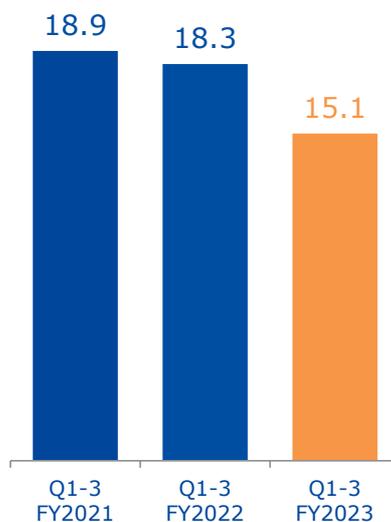
Main business: Commission-based sales for mobile phones, OA equipment, insurance (H1 FY2023), etc.

1) Revenue

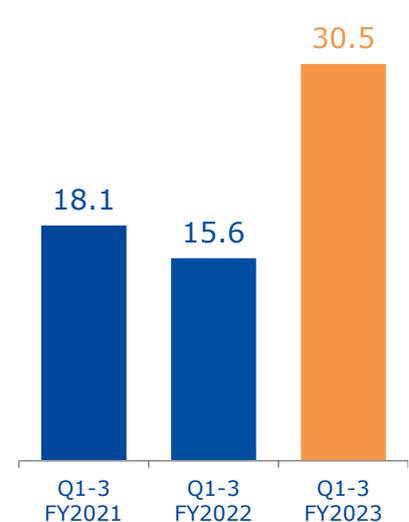
(Billions JPY)



2) Recurring Profit



3) Operating Profit



Profit increased due to moving insurance sales agency business off the balance sheet.

Non-Operating Profit

A one-time gain (gain on foreign exchange) was 6.4 billion yen in Q1-3 FY2023

(Billions JPY)	FY2021	FY2022	FY2023
	Q1-3	Q1-3	Q1-3
Operating Profit	65.9	68.2	66.2
Financial revenue + Financial expenses	(2.8)	7.1	16.1
Share of loss (profit) of entities accounted for using equity method	3.5	9.7	11.8
Other non-operating expenses (income)	6.5	0.3	0.1
Quarterly profit (loss) before income taxes	73.1	85.5	Record-high 94.4
Corporate income tax expenses	(26.2)	(23.6)	(26.3)
Non-controlling interests	(3.2)	(3.0)	(1.5)
Quarterly net income attributable to owners of parent	43.5	58.8	Record-high 66.5

Performance forecast : Steady progress

(Billions JPY)

	FY2023 Q1-3	FY2023(E)	
	Actual Results	Forecast	Progress Rate
Revenue	470.5	620.0	75%
Operating Profit	66.2	85.0	77%
Quarterly net income and net income attributable to owners of parent	66.5	88.0	75%

Consolidated Cash Flows

(Billions JPY)

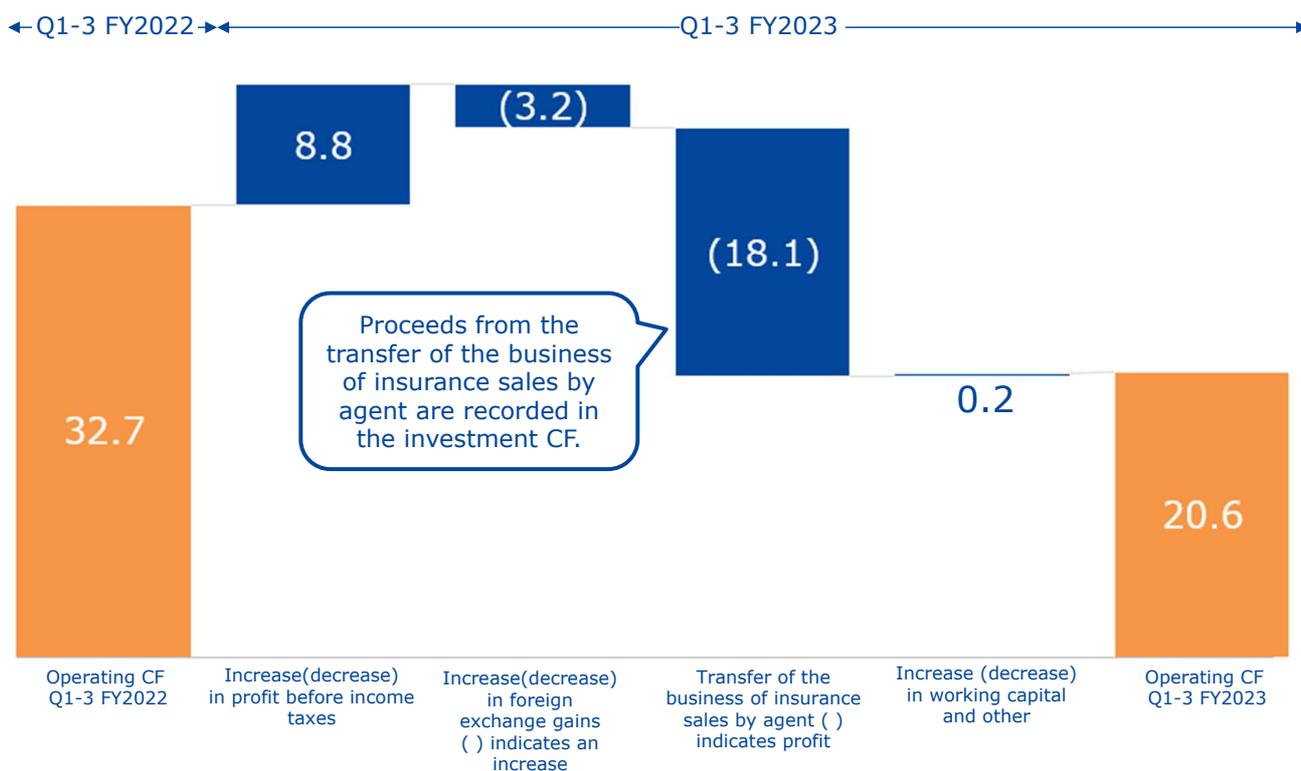
	FY2021	FY2022	FY2023
	Q1-3	Q1-3	Q1-3
Cash Flow from Operating Activities	+ 56.4	+ 32.7	+ 20.6
Cash Flow from Investing Activities	(78.4)	(92.9)	(70.7)
Excluding trading in investment securities	(9.2)	(10.7)	+ 8.5
Free Cash Flow	(22.0)	(60.1)	(50.0)
Excluding trading in investment securities	+ 47.1	+ 22.0	+ 29.1
Cash Flow from Financial Activities	+ 30.4	+ 53.8	+ 73.5

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Operating Cash Flow YOY

(Billions JPY)



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Net Cash Assets

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

(Billions JPY)



Expansion of Future Profit

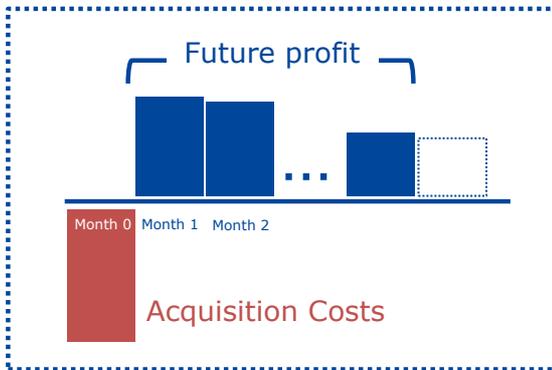
Expansion of Future Profit

(Billions JPY)

Business yield = Future Profit / Acquisition costs

Paraphrase

Future Profit = Business yield × acquisition costs

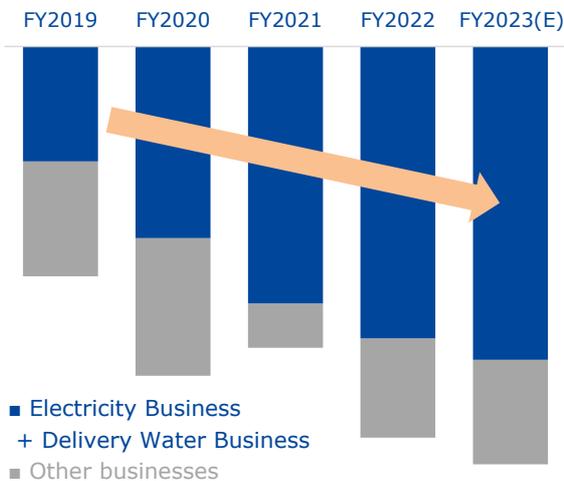


	FY2021	FY22	FY23
	First nine months	First nine months	First nine months
Business Yield	Above a certain level	Above a certain level	Above a certain level
Acquisition Costs <small>*Consolidated total excluding one-time gains and losses</small>	(318)	(360)	(383)

We strive to increase future profit by increasing acquisition costs while maintaining a constant yield.

Acquisition Costs Allocation

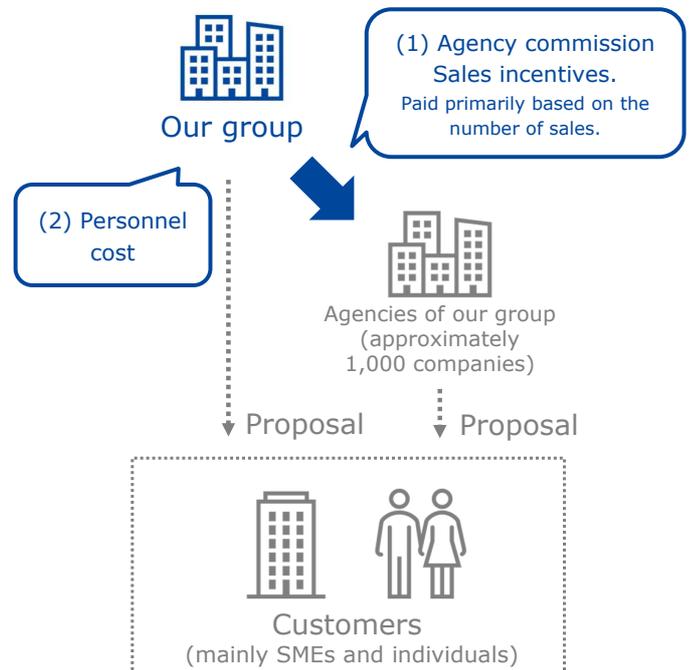
Trend of acquisition costs



Acquisition costs are incurred mainly in the Electricity and Delivery Water businesses.

[Reference]

Example of acquisition costs

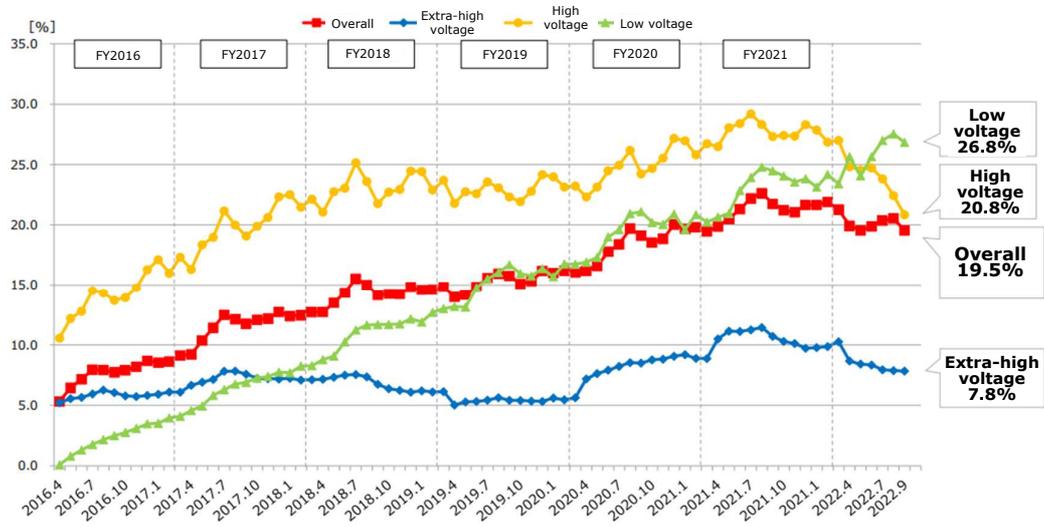


Electricity Business Market

(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.



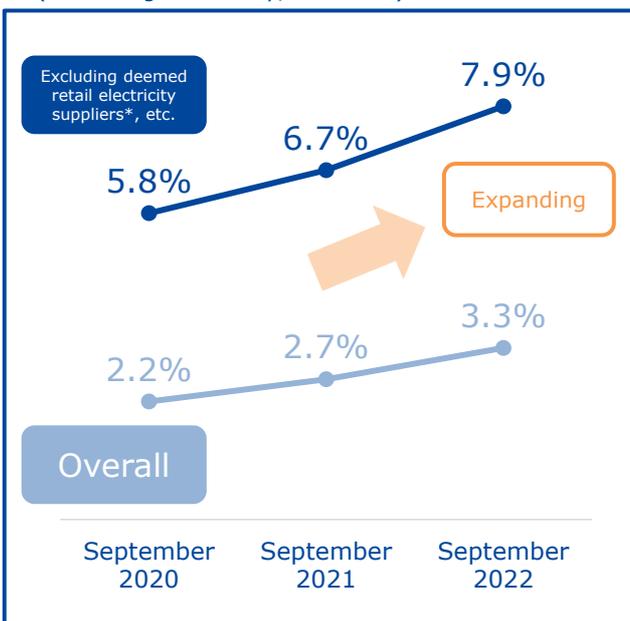
* The term "PPS" (Power Producer and Supplier) does not include major electric power companies outside the service area (former general electric utilities), but includes subsidiaries of major electric power companies.
 * Share is calculated based on the volume of electricity sold.

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

Agency for Natural Resources and Energy "Progress and Recent Trends in the Total Liberalization of Electricity and Gas Retail" 2023-1-25 p. 3
https://www.meti.go.jp/shingikai/enecho/denryoku_gas/denryoku_gas/pdf/058_03_00.pdf

Market Share in the Electricity Business

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



(2) Electricity Supply in September 2022 (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 2021 * was 8% for the market as a whole. The growth rate for just the one-way method, which is our Group's handling method, is 18%.



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)

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Delivery Water Business Market Share

(Number of Customers)

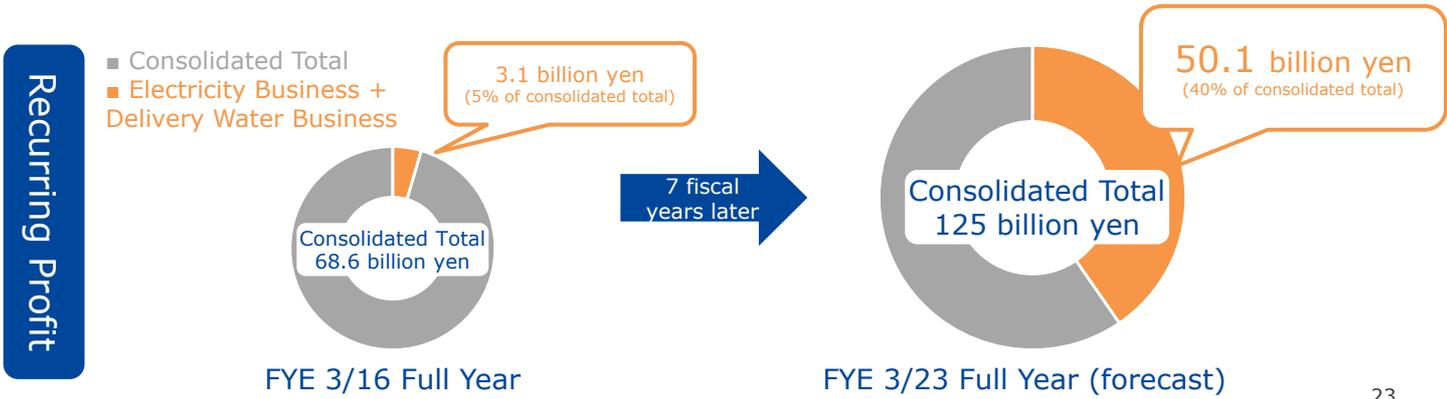
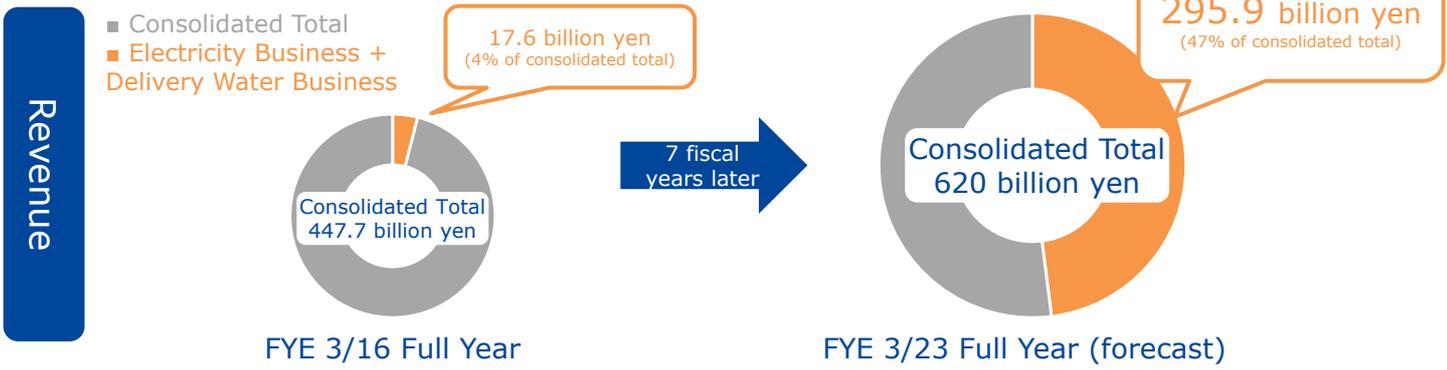
Since the full-scale entry into the market in 2015, the number of customers has increased steadily.



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)

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Performance of Electricity Business + Delivery Water Business



Hypothetical Consolidated Performance

Two Initiatives

Business

Recurring revenue businesses with stable earnings

&

Net Investment

Invest in high-quality companies with solid financial foundations that conduct stable businesses at reasonable prices



Maximize Corporate Value

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.	EY	Not affected by stock price fluctuations (market prices)

We can manage surplus funds for a long period.

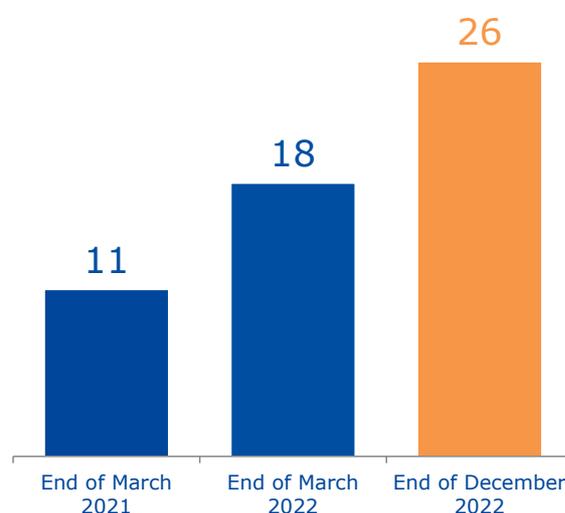
Major Listed Companies that Became Consolidated Subsidiaries /Number of Affiliated Companies Accounted For by the Equity Method

*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)



Hypothetical Consolidated Performance

We believe that the "hypothetical consolidated performance", which is the sum of the "consolidated performance" and the "performance using equity method" calculated by multiplying the figures of each company we invested in by our stock holding ratio, represents the real performance of the Company.

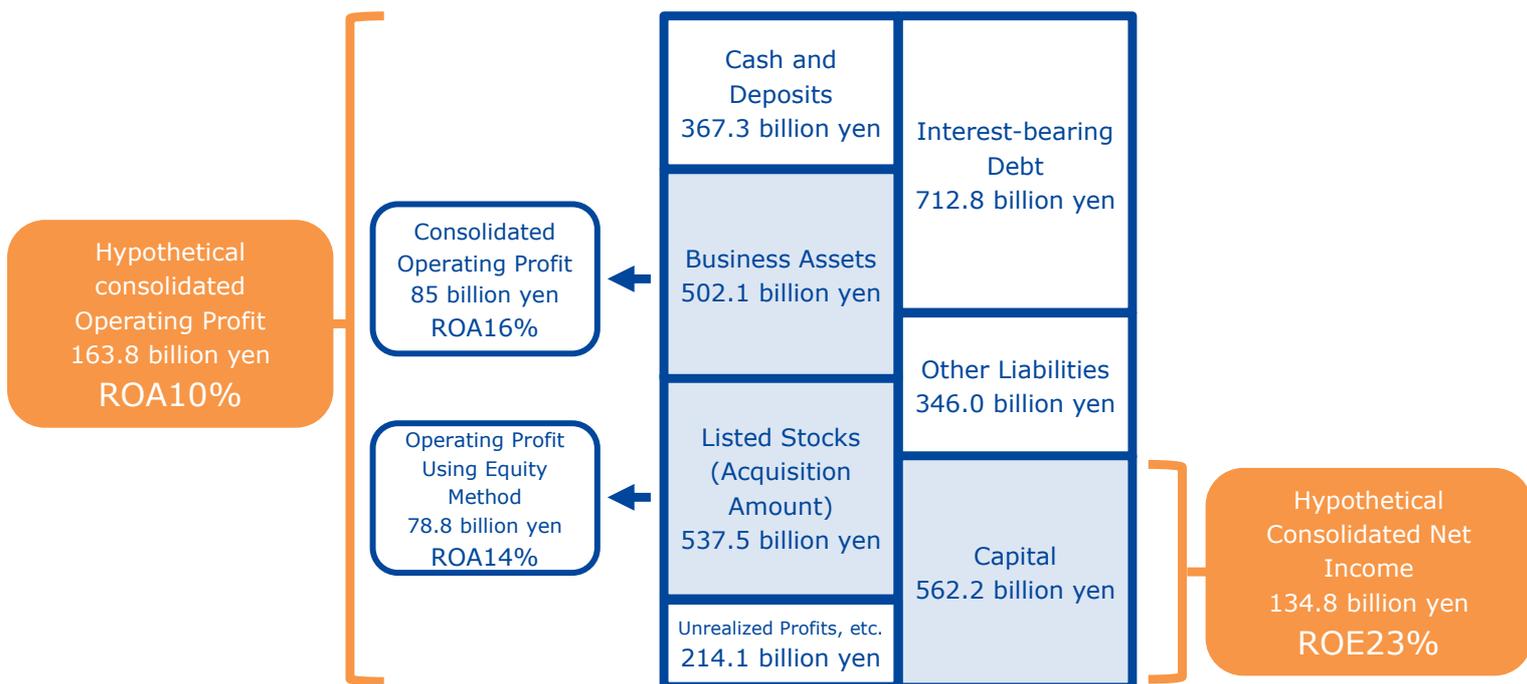
(Billions JPY)

	Business: Consolidated Results (Forecast for FY2023)	Net Investment: Performance Using Equity Method (Last 12 months)	Hypothetical Consolidated Performance
Revenue	620.0	1,298.1	1,918.1
Operating Profit	85.0	78.8	163.8
Net income attributable to owners of parent	88.0	56.8	134.8 *Excluding equity in earnings (losses) of affiliates

Capital Efficiency (Based on Hypothetical Consolidated Results)

As of the end of December 2022

Total Assets 1,621.1 billion yen



Capital Efficiency Comparison with Other Companies (based on our own research)

■ ROA Ranking

*Parameter: Companies listed in Japan with total assets of 1 trillion yen or more

Out of 305 companies
16th

Ranking	Company Name	ROA
1	Company A	49.8%
2	Company B	38.2%
3	Company C	31.0%
4	Company D	26.7%
5	Company E	21.9%
6	Company F	17.4%
7	Company G	17.2%
8	Company H	17.0%
...
16	HIKARI TSUSHIN, Inc.	10.2%

■ ROE Ranking

*Parameter: Companies listed in Japan with total net assets of 500 billion yen or more

Out of 228 companies
12th

Ranking	Company Name	ROE
1	Company A	80.3%
2	Company B	66.8%
3	Company C	63.7%
4	Company D	39.8%
5	Company E	37.6%
6	Company F	32.2%
7	Company G	28.6%
8	Company H	27.9%
...
12	HIKARI TSUSHIN, Inc.	23.9%

Shareholder Return

Shareholder Return Policy (Principle)

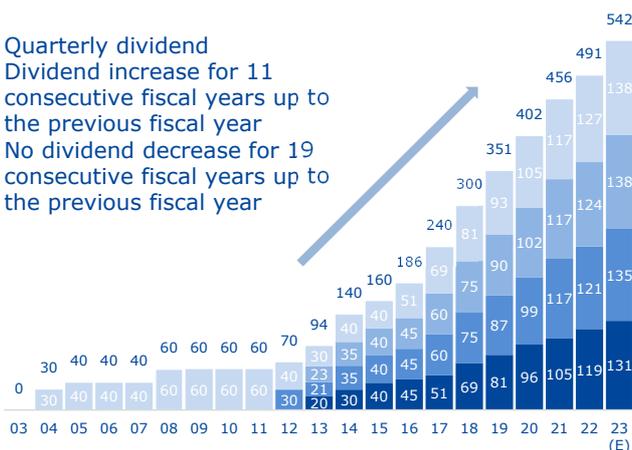
(1) Dividend

Be aware of progressive dividends*

*Not reducing but maintaining or increasing the amount of dividends

■ Dividends per share (JPY)

- Quarterly dividend
- Dividend increase for 11 consecutive fiscal years up to the previous fiscal year
- No dividend decrease for 19 consecutive fiscal years up to the previous fiscal year

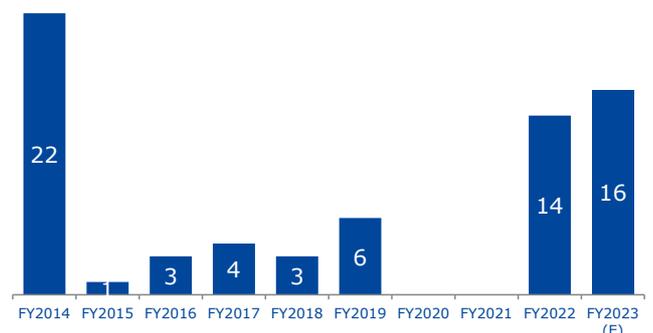


(2) Repurchase of treasury stock

Agile repurchase according to stock prices

■ Aggregate amount of treasury stock repurchased (Billions JPY)

- 10-year cumulative total 59.6 billion yen



Revision of Dividends and Dividend Forecasts (Dividend Increase)

	FY2022	FY2023 (E)		
		Announced in November	Announced in February	YoY
Dividends per share	¥491	¥536	¥542	+10%
Q1	¥119	¥131	¥131	+10%
Q2	¥121	¥135	¥135	+11%
Q3	¥124	¥135	¥138	+11%
Q4	¥127	¥135	¥138	+8%
Basic net income per share	¥1,927	¥1,963	¥1,963	-
Dividend payout ratio	25%	27%	27%	-

Acquisition of Treasury Stock (Tender Offer)

*Partial revisions have been made since the announcement on December 22, 2022. For details, please refer to the February 14, 2023 news release "(Amendment) Changes to 'Notice Concerning Acquisition of Treasury Shares and Commencement of Tender Offer for Treasury Shares' in connection with Submission of Amendment to Tender Offer Registration Statement" (available in Japanese only).

Period of Purchase, etc.	December 27, 2022 to March 1, 2023 (before amendment: until February 21, 2023)
Funds required for purchase, etc. (maximum)	Approximately 11.6 billion yen
Number of shares to be purchased	600,000 (1.34% of total shares outstanding excluding treasury stock)
Price of Purchase, etc.	19,316 yen per share of common stock
Settlement commencement date	March 24, 2023 (before amendment: March 16, 2023)
Method of purchase, etc.	Please refer to the dedicated website of the tender offer agent (Tokai Tokyo Securities Co., Ltd.). https://www.tokaitokyo.co.jp/products/stock/tob/221226_tob.html

[Reference]
February 13, 2023
Closing price 18,260 yen

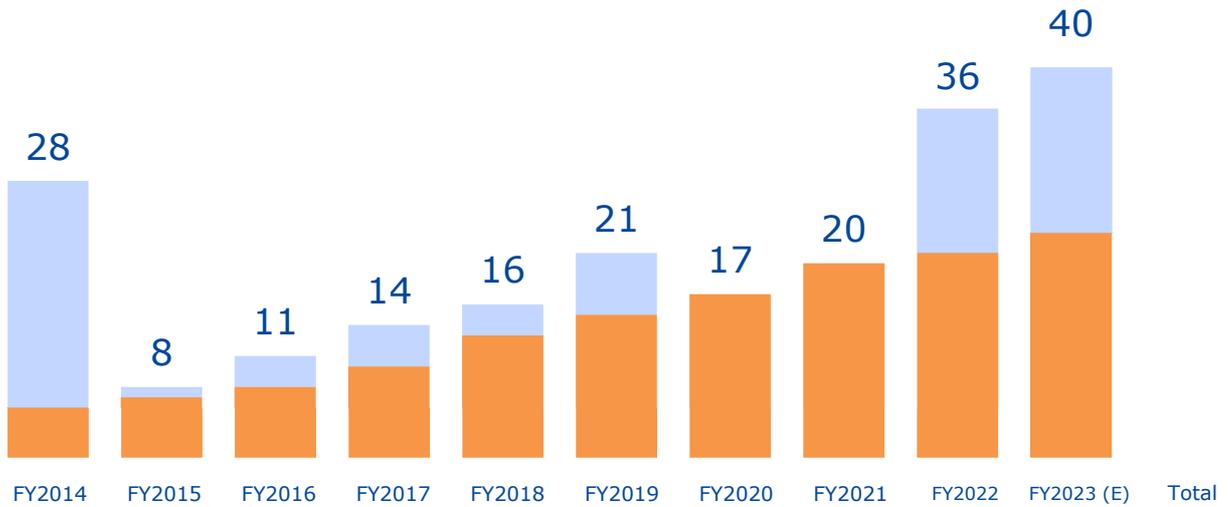
Trend of Shareholder Returns

(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	23	145
Aggregate Amount of Treasury Stock Repurchased	22	1	3	4	3	6	0	0	14	16	71
Total Return Ratio	98%	42%	44%	37%	38%	43%	34%	37%	41%	45%	44%

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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 283.7 billion yen returned to shareholders

146.4 billion yen more in returns than amount raised

708.7

562.3

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

0.005

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Reference Materials

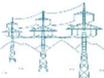
- 1 Business Overview
- 2 Past Performance (since establishment, last five fiscal years)
- 3 Financial Strategy
- 4 Other Supplementary Materials
- 5 Sustainability Information

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

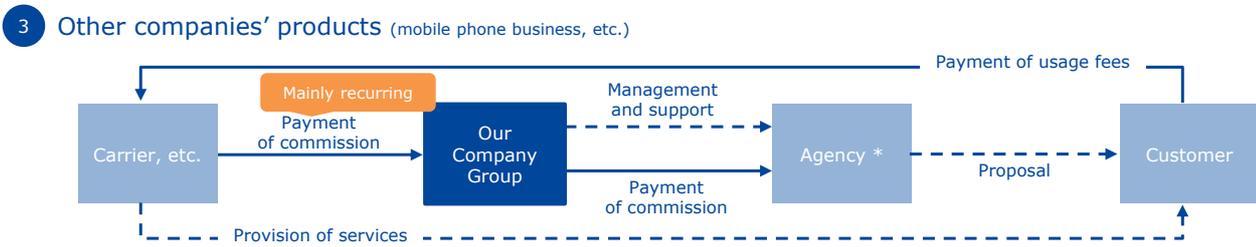
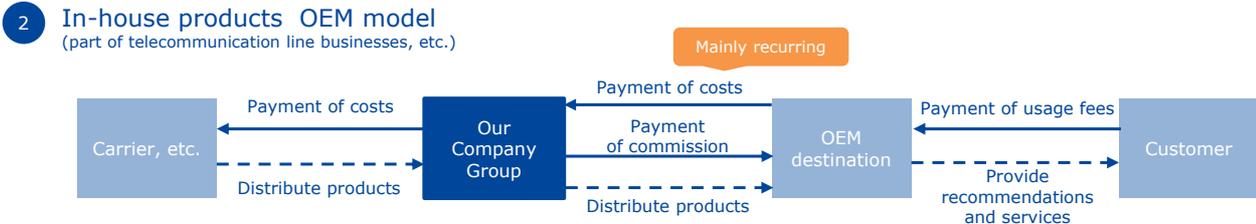
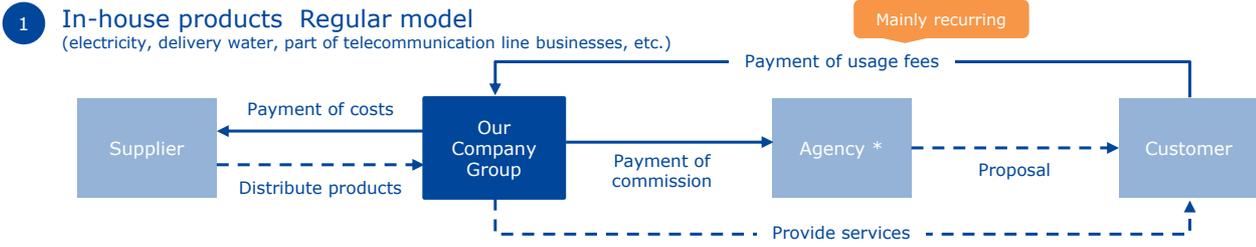
Main source of revenue	Monthly service usage charge
Minimum contract period for major products	2-3 years (automatic renewal thereafter)
Main customers	SMEs and individuals



(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

Flow of money Flow of services



Key Feature (1)

Solid Sales Structure

As of March 31, 2022

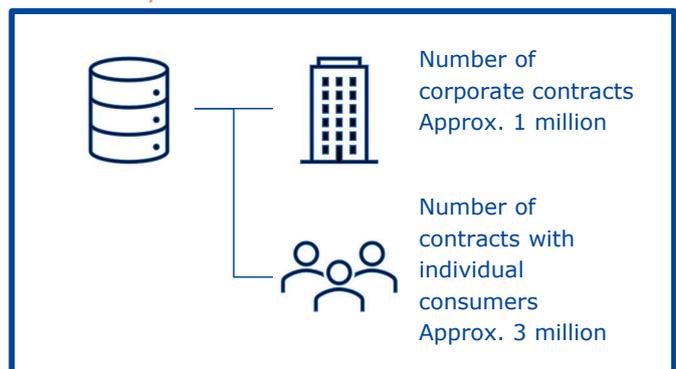
Sales network

Mainly leverage agencies



Customer base

Sell mainly to SMEs and individual consumers



Sales channels

Primarily push marketing



Key Feature (2)

Earnings Stability

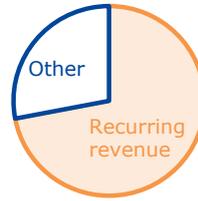
Business Model

The Group's core business is "stock business" where continuous revenue is expected from usage fees after the sale of products and services.

(Example) Electricity usage fees, fees for internet connection lines, etc.

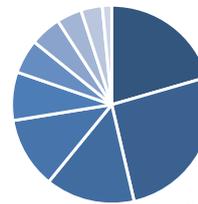


Revenue Composition



72% of revenue is "recurring revenue," which is continuous revenue. (FY2022)

Risk Diversification



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

* Graph shows revenue by business for FY2022.

Key Feature (3)

High Capital Efficiency

Management by indicators

Manage businesses by various indicators such as business yield (future profit from an investment relative to its investment cost).

Swift decision-making

Quickly make decisions to expand the scale if high capital efficiency, reduce the size/withdraw/sell if poor capital efficiency in order to avoid focusing investment in businesses with poor capital efficiency.

Result(FY2022)

	Consolidated results	Hypothetical consolidated Results *1
ROA (Operating profit/Total assets) *2	6.2%	11.4%
ROE (Return/Equity)	20.3%	32.1%

*1 We believe that the "hypothetical consolidated performance", which is the sum of the "consolidated performance" and the "performance using equity method" calculated by multiplying the figures of each company we invested in by our stock holding ratio, represents the real performance of the Company.

*2 BS uses period average for calculations.

Key Feature (4)

High Short-term Liquidity

(Billions JPY)

Net Cash Assets (As of March 31, 2022)

Net cash position is 343.6 billion JPY, taking into account the value of highly liquid listed investment securities held.

1	Cash and cash equivalents	338.2	-
2	Interest-bearing liabilities	(612.6)	Average period of outstanding borrowings Approx. 93 months
3	Listed investment securities	(618.0)	Fair value
Total	Net Cash Assets	343.6	-

Cash Reserves (As of March 31, 2022)

Hold cash reserves in excess of the balance of interest-bearing liabilities due within three years.

1	Cash and cash equivalents	338.2
2	Balance of interest-bearing liabilities due within 3 years	(212.3)
Total		125.9

Key Feature (5)

Corporate Culture

Meritocracy

Give everyone experience (authority) regardless of age, gender, nationality or educational background. Recognize employees who have delivered results.

Meritocracy

Frugality

Management takes the lead in practicing **frugality** and executes cost reduction and cash flow improvement thoroughly.

(Examples)

- Expenses for special seats, even for the management members, are not born by the company.
- No lavish head office
- Periodic inspection on telephone usage and travel expenses for sale marketing activities.

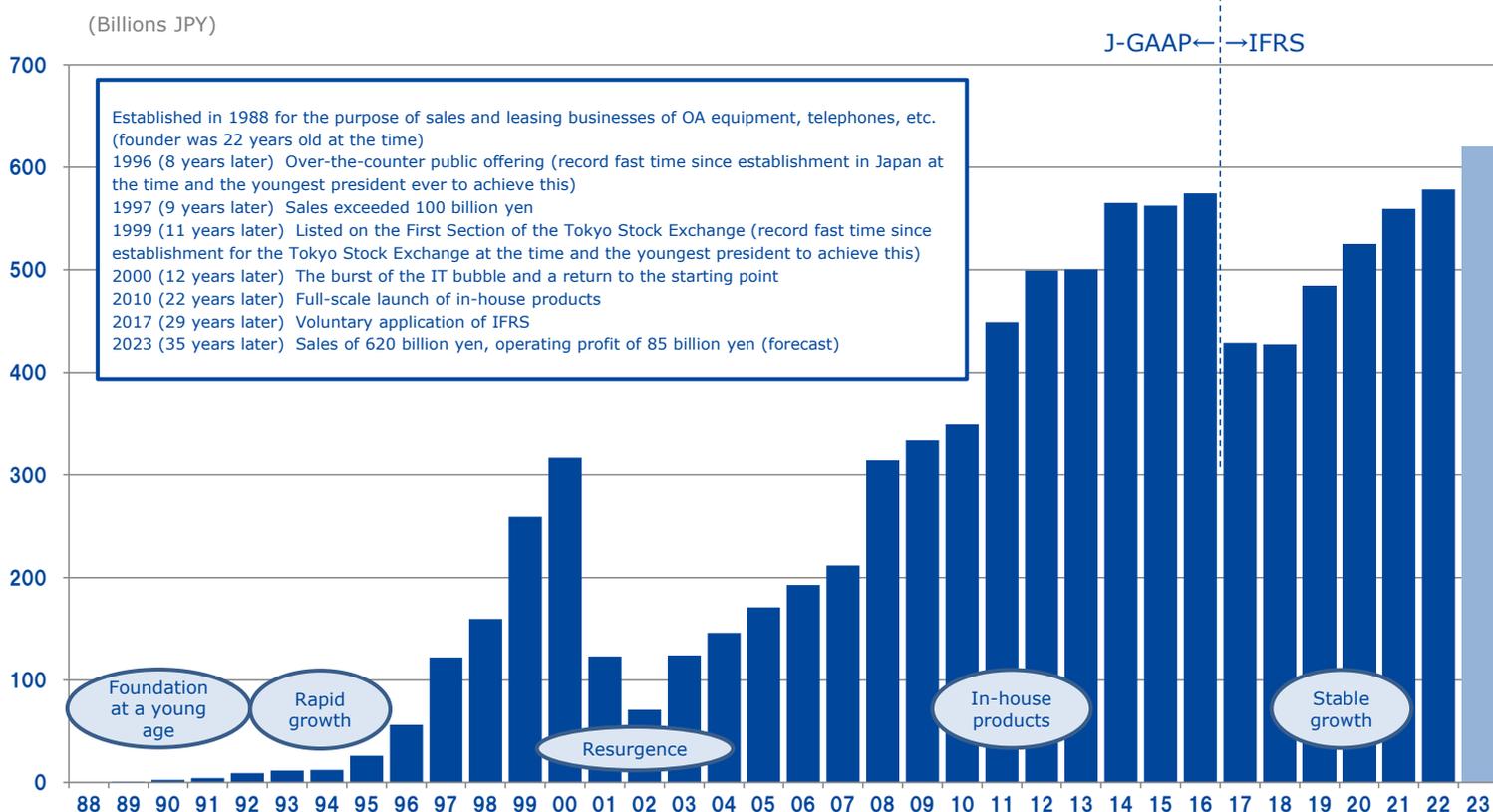
Adaptation to changes

For **flexible response to changes**, the company strives for swift decision-making through a flatter organizational hierarchy and appropriate delegation to each department.

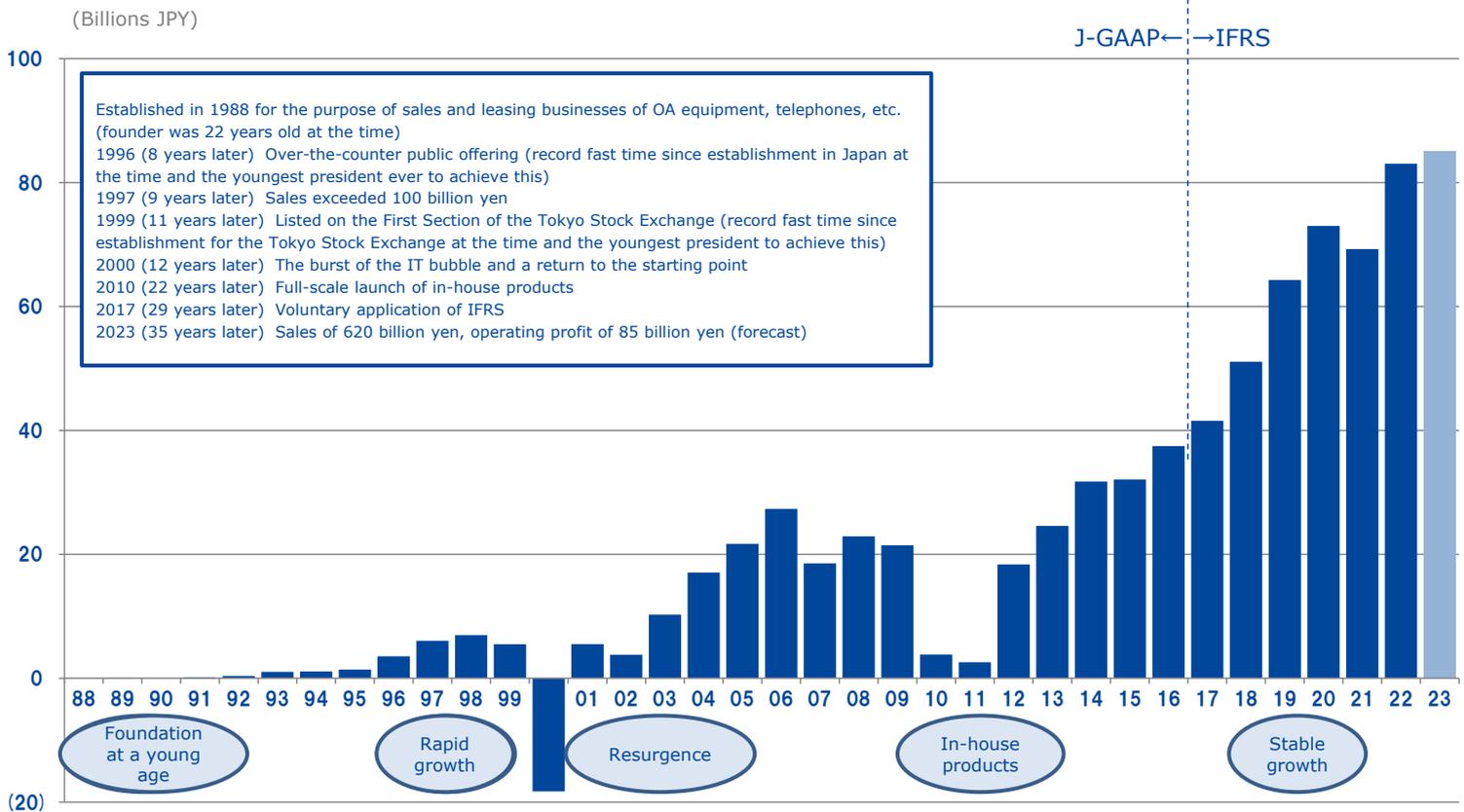
Reference Materials

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

Sales Since Establishment



Operating Profit Since Establishment



Revenue/ Recurring Revenue

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

(Billions JPY)

■ Revenue

1) Total

CAGR
7%



2) In-house products only

CAGR
18%



■ Recurring Revenue

1) Total

CAGR
17%



2) In-house products only

CAGR
23%



Recurring Profit/Operating Profit

(Billions JPY)

Recurring Profit

1) Total



2) In-house products only



Operating Profit

1) Total



2) In-house products only



Basic Earnings per Share CAGR 20%

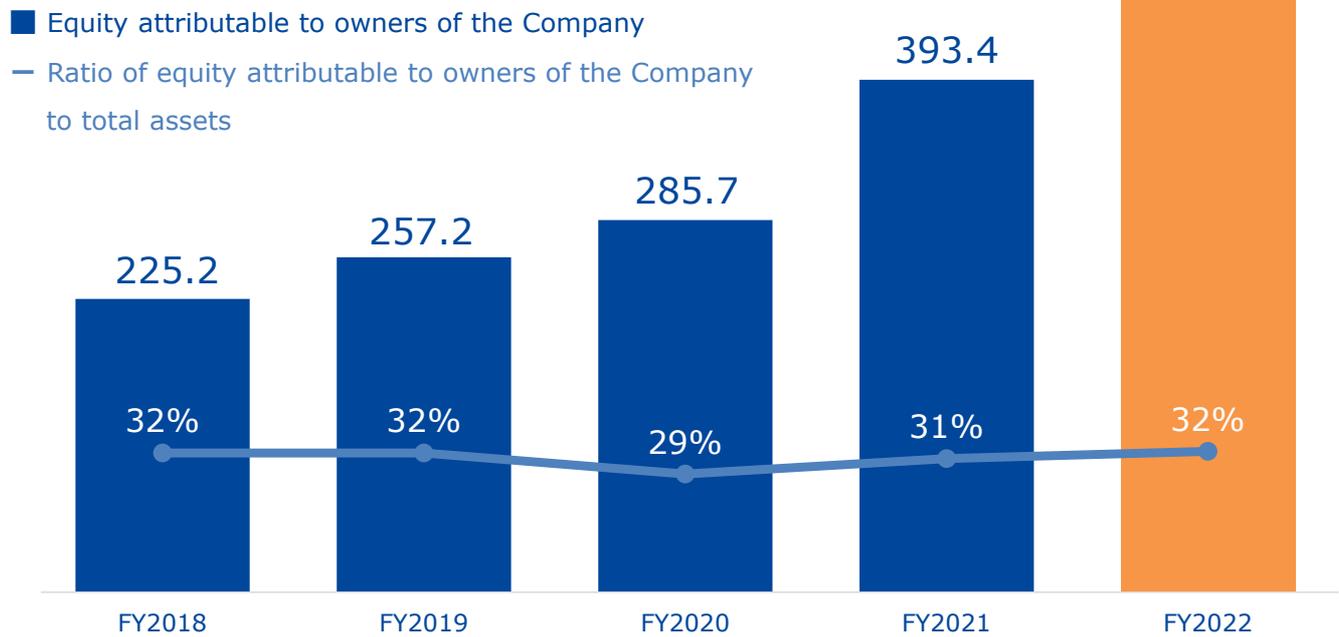
— Basic earnings per share (JPY)

■ Profit attributable to owners of parent (billions JPY)



Equity attributable to owners of the Company

(Billions JPY)



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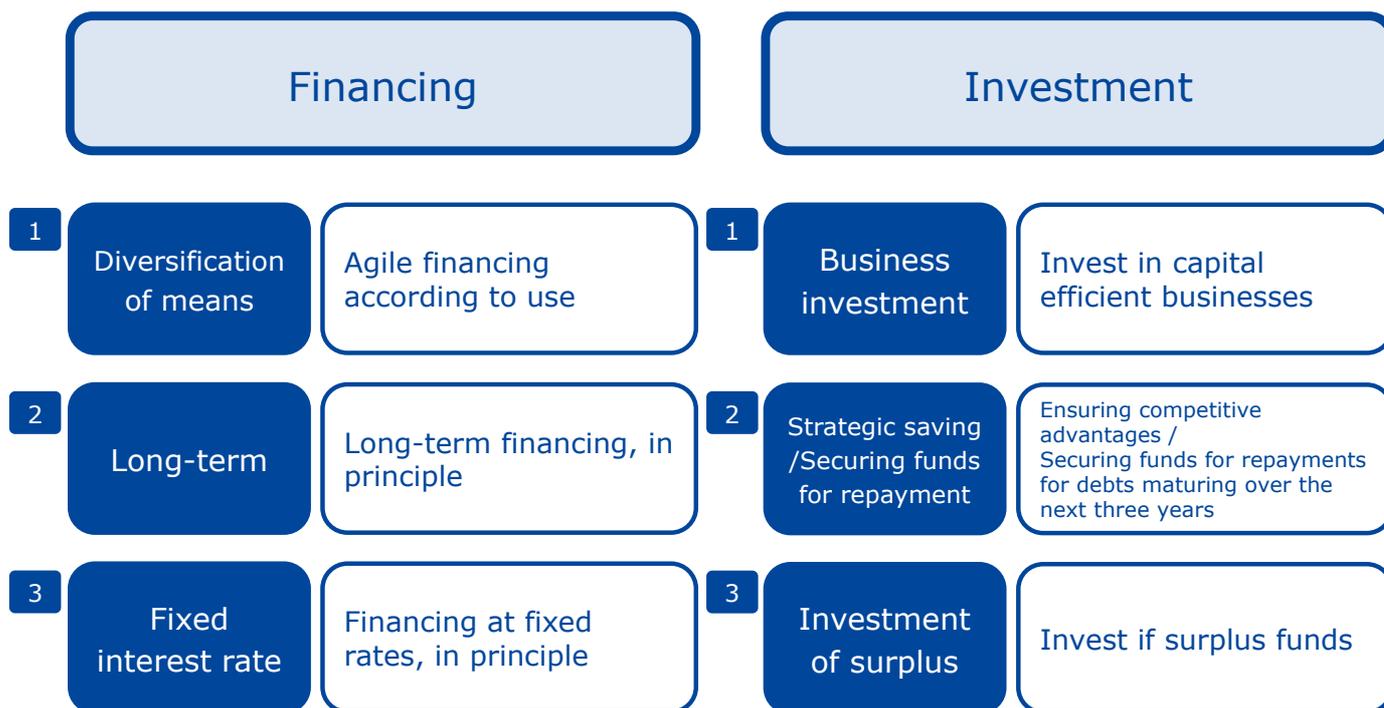
Reference Materials

- 1 Business Overview
- 2 Past Performance (since establishment, last five fiscal years)
- 3 Financial Strategy**
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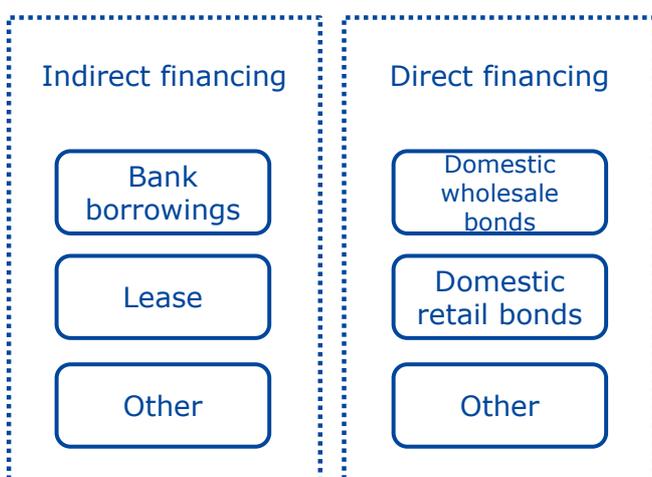
Financial Strategy



Financing(1)

Diversification of Financing

■ Financing



■ Total interest-bearing debt

(Billions JPY)

	20/3	21/3	22/3
Total	399.6	514.1	612.6
Of which, bonds	285.7	393.4	493.5
Of which, bank borrowing	93.7	102.6	101.2

Continuous financing against a backdrop of the low interest rate environment.

Long-term Financing and Fixed Interest Rates

Average Period of Outstanding Borrowings

Unit: month(s)

	20/3	21/3	22/3
Average period of outstanding borrowings	83	85	92
Of which, bonds	113	100	106
Of which, bank borrowing	26	27	29

Composition of Fixed-rate Borrowings

Formula: Fixed-rate interest-bearing debt / Total interest-bearing debt

	20/3	21/3	22/3
Total	88%	90%	96%
Of which, bonds	100%	100%	100%
Of which, bank borrowing	49%	52%	73%

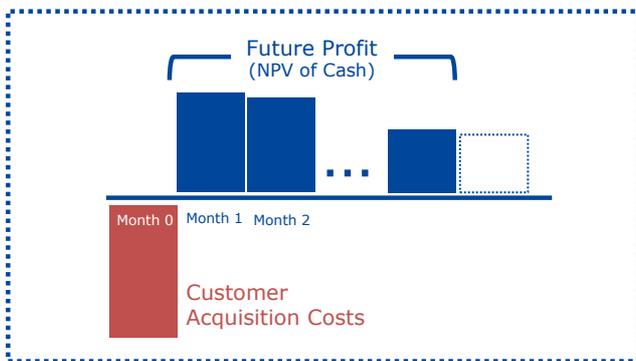
The company tries to make its financial foundation solid with financing by borrowing for as long a term as possible without risk of interest-rate fluctuations.

Fund Management (1) Business Investment

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 %	-

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

Capital Efficiency

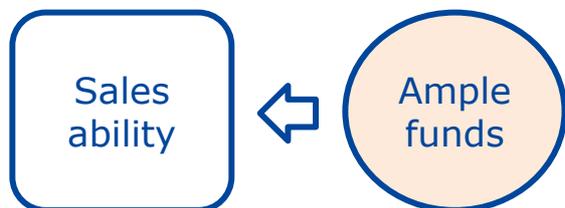
	FY2020	FY2021	FY2022
Return on Equity	19.0%	16.1%	20.3%
Return on Assets	8.2%	6.2%	6.2%
ROA : Hypothetical consolidated performance based* [Denominator] Consolidated Operating Profit+ Look-through earnings	9.8%	10.2%	11.4%
Operating Profit Margin	13.9%	12.4%	14.6%

*PL is the sum of the "consolidated performance" and the "performance using equity method" calculated by multiplying the figures of each company we invested in by our stock holding ratio, representing the real performance of the Company.

Cases of Ensuring Competitive Advantage

(1) Water delivery

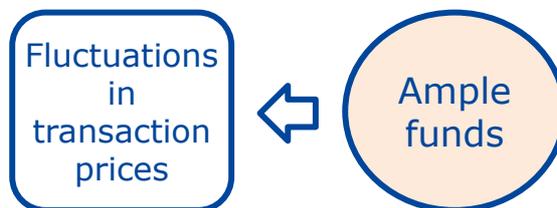
No.1 market share in Japan



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.

Cash Reserves

(Billions JPY)

	As of Mar 31, 2020	As of Mar 31, 2021	As of Mar 31, 2022
Cash and cash equivalents	272.1	324.5	338.2
Balance of interest-bearing liabilities due within 3 years	161.1	221.5	212.3
Within 1 year	62.6	138.4	109.3
Over 1 year but within 2 years	69.9	31.3	63.3
Over 2 year but within 3 years	28.4	51.7	39.5

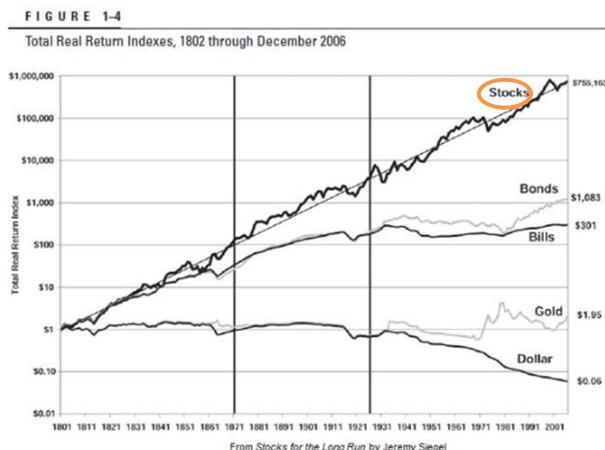
Hold cash reserves in excess of the balance of interest-bearing liabilities due within three years.

Fund Management (3) Investment of Surplus Funds

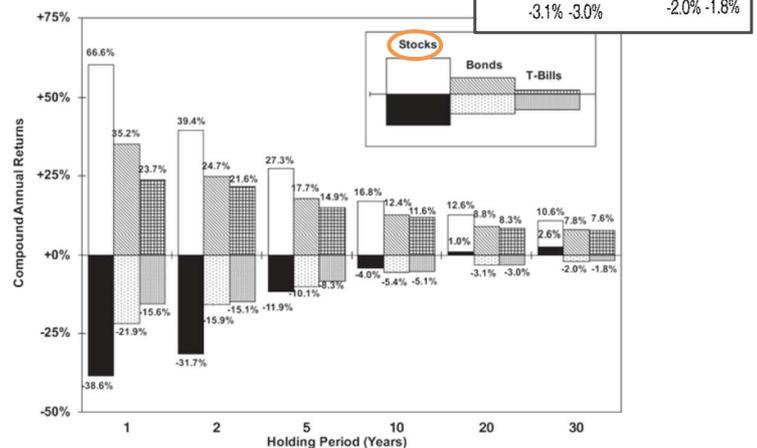
Method of Investing Surplus Funds

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



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.	EY	Not affected by stock price fluctuations (market prices)

We can manage surplus funds for a long period.

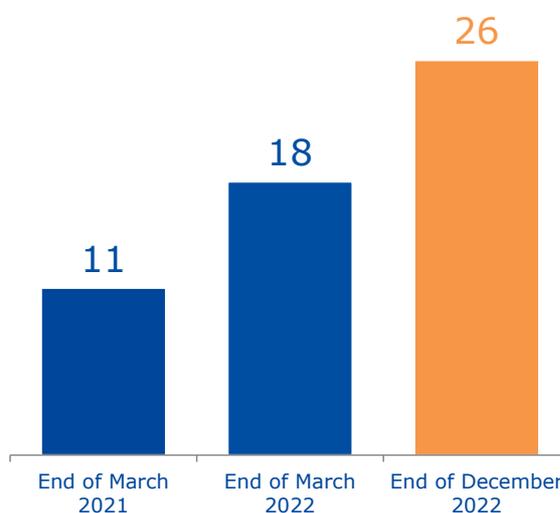
Major Listed Companies that Became Consolidated Subsidiaries /Number of Affiliated Companies Accounted For by the Equity Method

*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)

	FY2021		FY2022		
	End of December	End of March	End of June	End of September	End of December
Investment book value (Acquisition price)	452.1	456.0	476.5	510.2	537.5
[Ref.] Market value	638.0	618.0	643.6	697.4	740.3
Look-through earnings Last 12 months *	64.2	70.8	72.2	76.4	78.8
[Ref.] Of which, affiliated companies accounted for by the equity method	12.1	11.8	11.9	13.1	13.1
Earnings Yield Look-through earnings / Investment book value	14.2%	15.5%	15.2%	15.0%	14.7%
Number of companies we have invested in	511	499	496	470	496
Of which, affiliated companies accounted for by the equity method	17	18	22	24	26

*"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) Look-through Performance and Indicators

(Billions JPY)

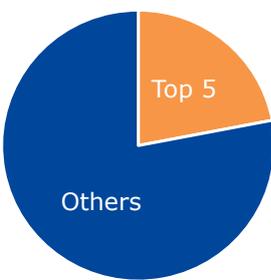
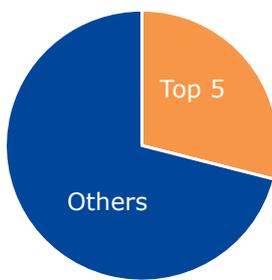
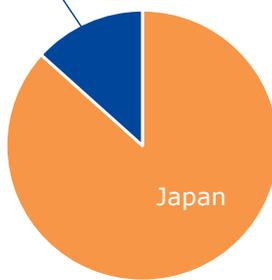
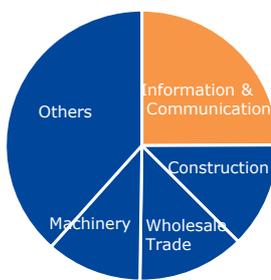
PL	Look-through revenue	1,298.1
	Look-through earnings	78.8
	Look-through basic earnings	56.8
BS	Look-through net cash assets	272.4
	Look-through total assets	1,325.6
	Look-through shareholders' equity	619.7

Indicator	EY	14.7%
	PER	9.45
	PBR	0.8
	Dividend yield	3.4%

- * As of the end of December 2022.
- * 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 Company Stock Investment Status

(3) Portfolio

Investment book value	Market value	Regional Distribution	Industry Distribution (Japanese stocks only)
 <p>Top 5 Composition 22%</p>	 <p>Top 5 Composition 29%</p>	<p>North America, etc.</p>  <p>Mainly in Japan</p>	 <p>Information & Communication 25%</p>

Listed Stock Investment Status

(4) Turnover and Liquidity

■ Turnover rate

(Billions JPY)

	FY2020	FY2021	FY2022
(1) Average market price during the period	297.9	416.8	564.5
(2) Sale amount	55.9	23.5	26.9
(2) / (1) Turnover rate	18.8%	5.6%	4.8%

■ 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 December 2022)

Within 1 month	36%
Within 3 months	48%
Within 1 year	74%

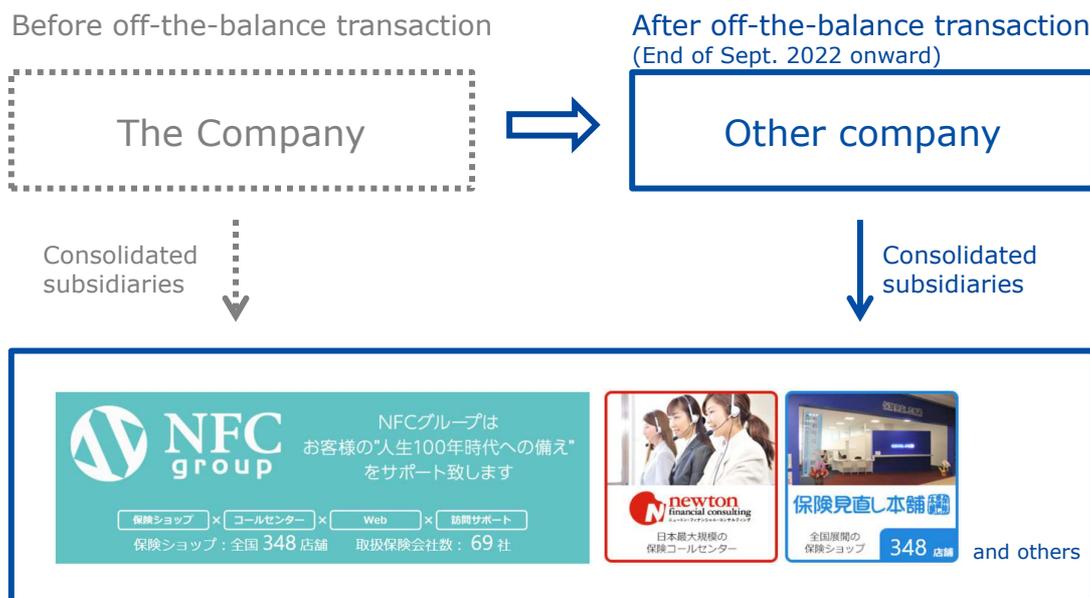
Reference Materials

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

Moving the Insurance Sales Agency Business Off the Balance Sheet

Profit of 18.1 billion yen from a loss of control of subsidiaries

(Billions JPY)

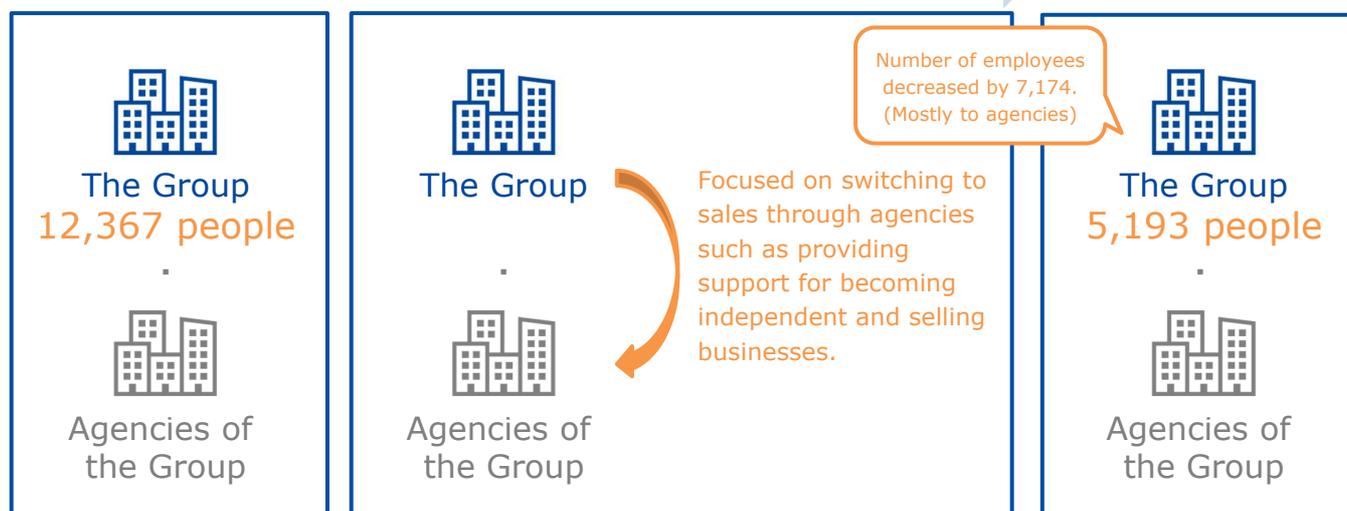


Moved off the balance sheet business that carried insurance call centers, 348 insurance shops and 1,500 employees.

Changes in the Number of Employees* and Sales Channels

*Consolidated number of employees + Average number of temporary employees

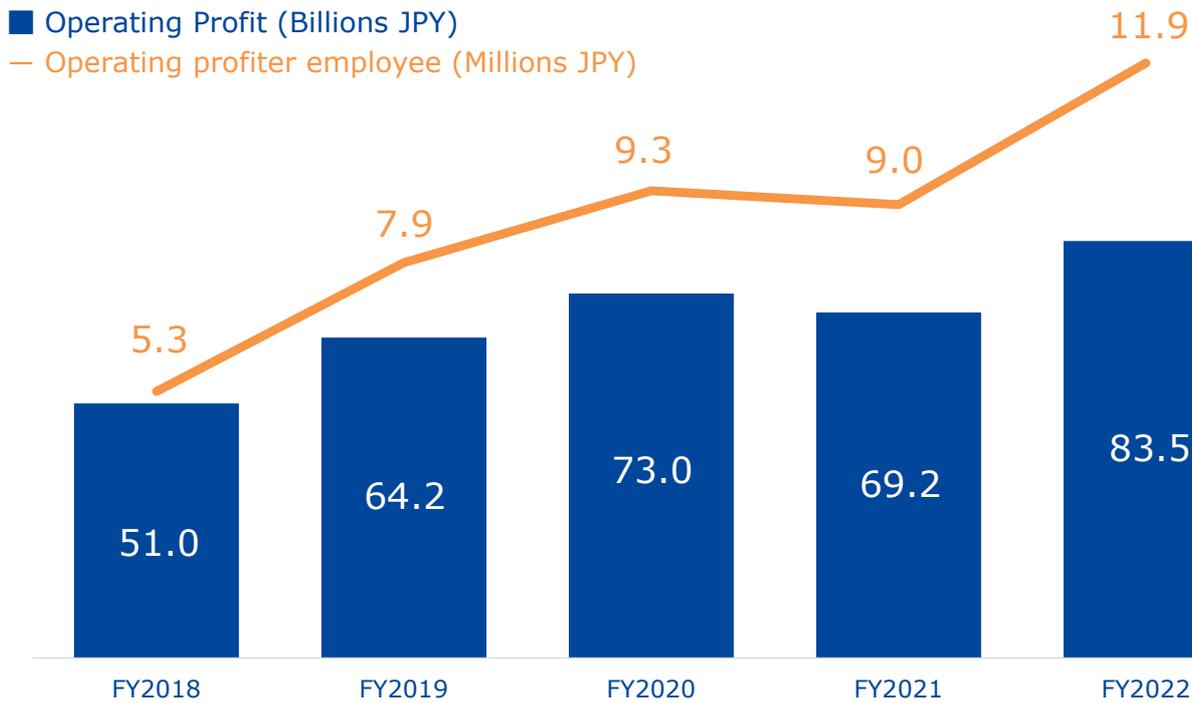
End of Mar. 2015 Apr. 2015 to Sep. 2022 End of Sep. 2022



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

Operating profit per employee

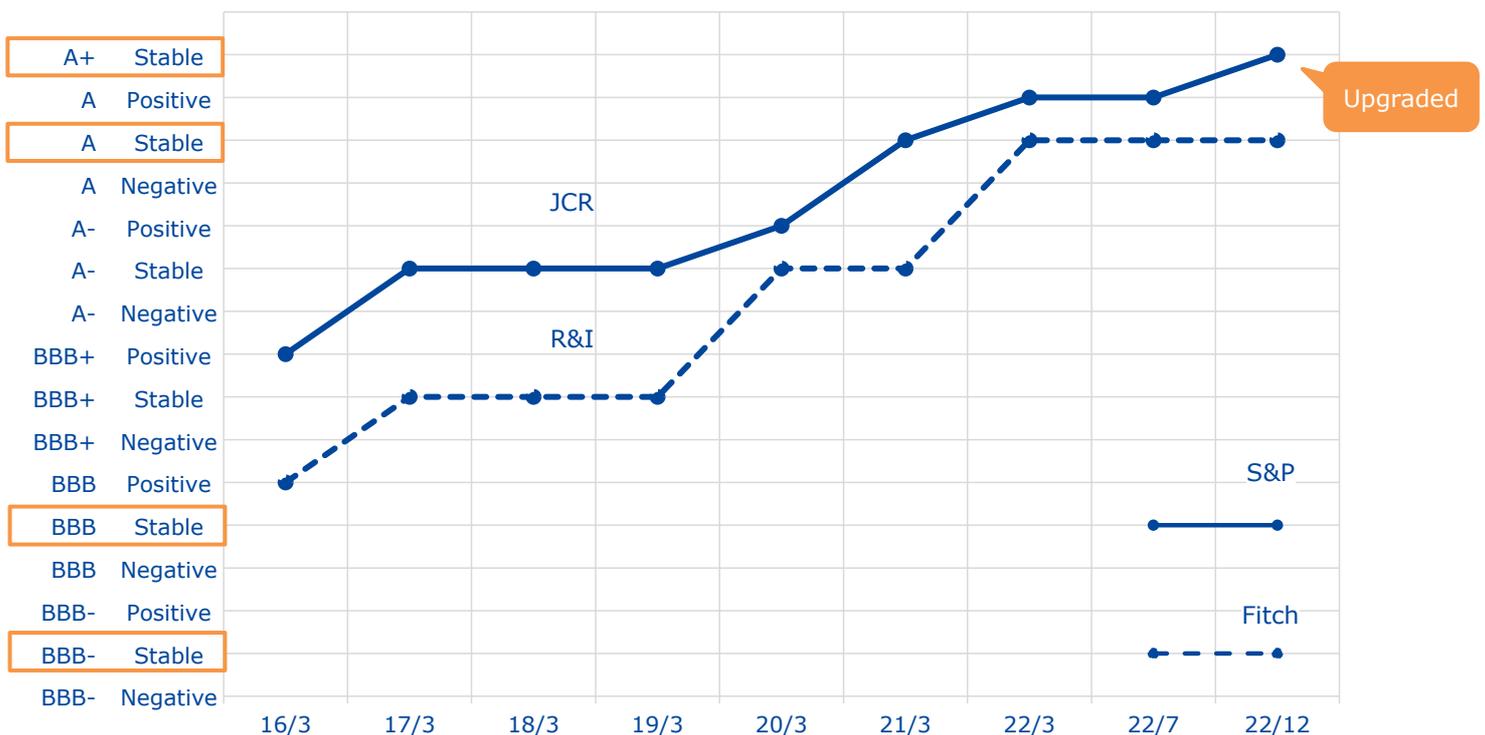
(Operating profit ÷ Average number of employees)



*Number of employees = Consolidated number of employees + Average number of temporary employees.
Average number of employees during the period = (Number of employees at the end of the previous period + Number of employees at the end of the current period) ÷ 2

External Ratings

JCR	A+(Stable)	S&P	BBB(Stable)
R&I	A(Stable)	Fitch	BBB-(Stable)



Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

	FY2022				
	Total	Recurring		Lump sum	
Revenue	573.0	Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies	416.1	Initial commission income, hardware sales proceeds of hardware, etc.	156.9
Cost of goods sold + SGA expenses	(485.4)	Cost of service provided, cost of customer retention such as billing costs, etc.	(289.0)	Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc.	(196.4)
Operating Profit	83.5	Recurring Profit	127.0	Acquisition Cost	(43.4)

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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

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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	Consolidated Subsidiaries	Operating Income
		Others	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)
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- 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 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.)

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

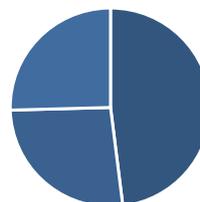


Recurring profit is long-term, stable earnings, and unlikely to see a large deterioration in the short run. Acquisition costs are variable costs, over which the company has control on its own. Accordingly, the revenue structure is adaptable to changes in the business environment.

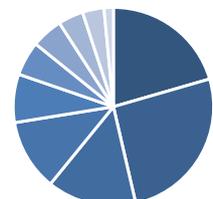
Corporate customers
Approx. 1,000,000

Agencies
Approx. 1,000

Revenue by segment

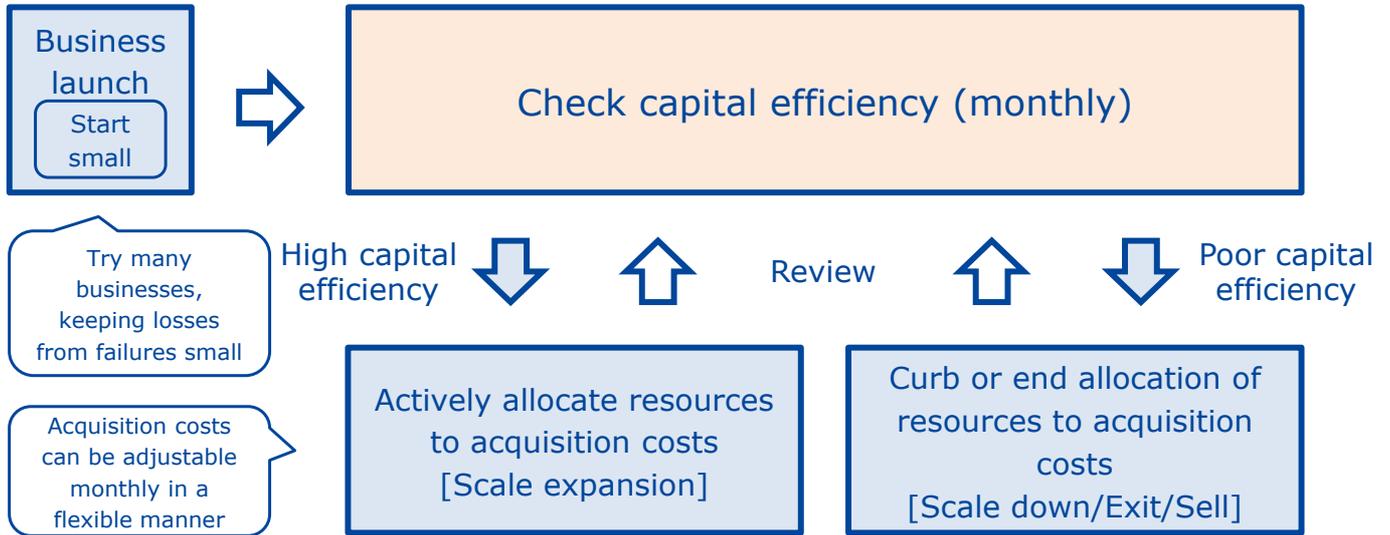


Revenue by major business



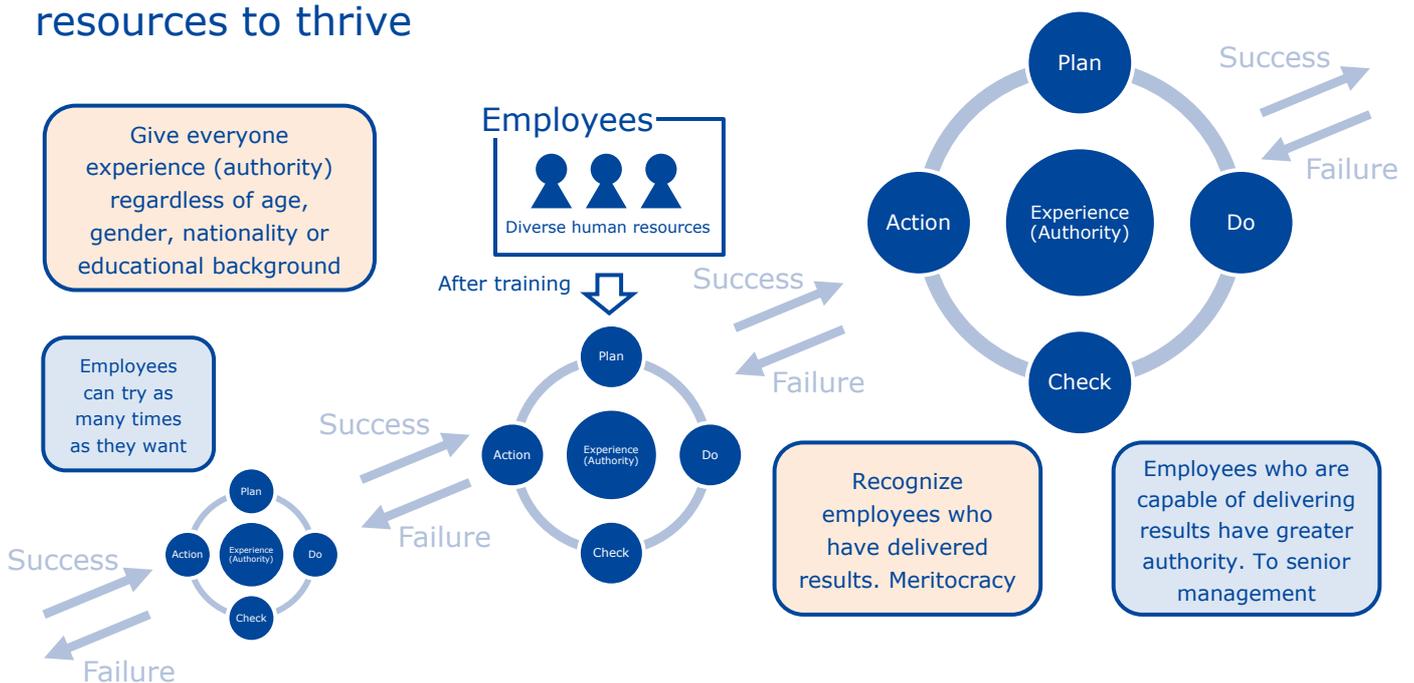
(2) Pursue Capital Efficiency

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



(3) Human Resource 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 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 these new bottles in 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-2 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.
- Reused 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 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 Directors/Listed Stock Investments

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. In June 2022, the Investment Audit Committee and the Compensation Committee were established to strengthen governance.

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.

Governance-2 Risk Management

Risk Management

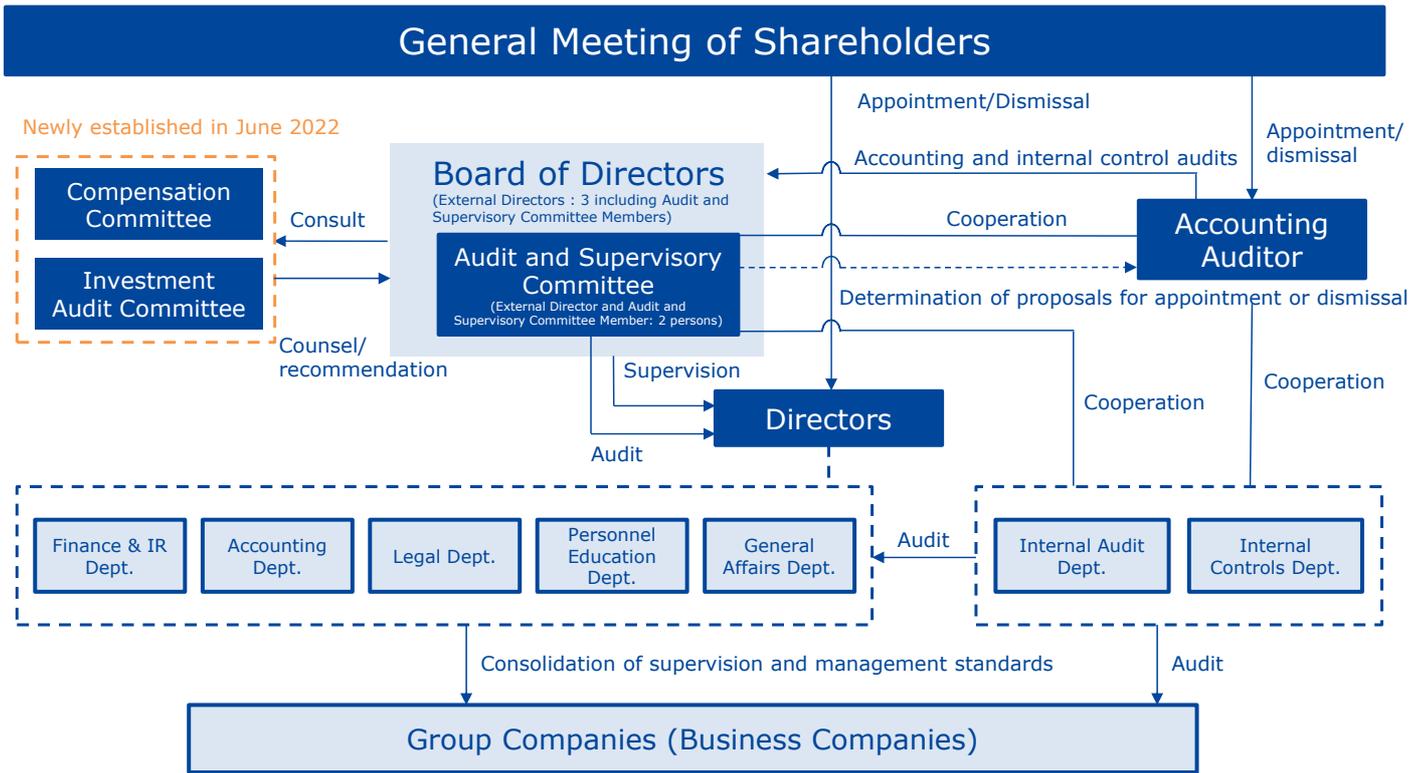
As part of our response to the basic policy for internal control determined by the Board of Directors, we hold regular meetings to gather internal risk information and report to the Audit and Supervisory Committee.

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.

Governance-3 Corporate Governance Structure



ESG data (consolidated)

		Unit	FY2022	
E (Environment)	CO ₂ emissions (Scope 1 & 2)		t-CO ₂	8,088
	S (Social)	Number of employees (regular employees)	Total	Persons
Ratio of females			%	42
Number of employees in managerial positions (regular employees)		Total	Persons	952
		Ratio of females	%	18
Number of female employees who took childcare leave		Persons	195	
Average overtime hours per month (regular employees)		Hours	16	
Utilization of paid leave (regular employees)		%	64	

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 the 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.

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