

# Financial Results

For the fiscal year ended March 2023

May 16, 2023

# Table of Contents

- ① Financial Results for the Fiscal Year Ended March 2023
- ② Financial Results Forecast for the Fiscal Year Ending March 2024
- ③ Medium to Long-term Growth Rate
- ④ Hypothetical Consolidated Performance
- ⑤ Reference Materials

# Key Points for the Fiscal Year Ended March 2023

## (1) Full-year performance

Revenue, recurring profit, operating profit, and net income attributable to owners of parent were **all higher than the previous fiscal year** despite being significantly affected by a surge in electricity transaction prices.

## (2) Electricity Business

**Broke free from the state where the performance of the Company (Hikari Tsushin) had changed considerably in line with large fluctuations in market prices.**  
The churn rate is within our assumption.

## (3) Shareholder Return

Dividend per share **rose 10% year on year** to 545 yen. **Dividend has increased for 12 consecutive fiscal years** with no dividend decrease for 20 consecutive fiscal years. Purchase of the Company's own shares totals 7 billion yen.

# Performance

(Billions JPY)

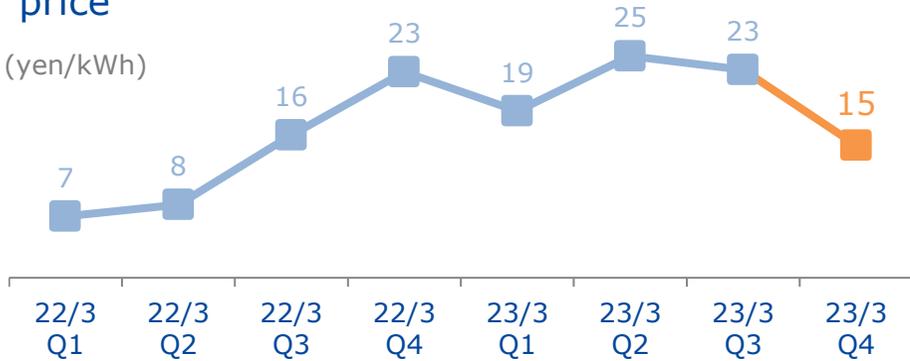
	FY2021	FY2022	FY2023	YoY
	Results	Results	Results	
Revenue	559.4	573.0	Record-high 643.9	+12%
Operating Profit	69.2	83.5	Record-high 86.6	+3%
Net Income (Net income attributable to owners of parent)	54.6	87.5	Record-high 91.3	+4%
Recurring Profit	108.3	127.0	Record-high 127.0	+0%
Number of In-House Products Acquired (Thousand Units)	1,236	1,191	1,230	+3%
(Reference) Subsidiary acquisition costs excluding one-time gains and losses	(41.0)	(53.2)	(53.8)	+1%
(Reference) Operating profit excluding one-time gains and losses	67.3	73.7	73.2	+0%

\* One-time gains and losses mainly indicate gains and losses on acquisition of or loss of control of subsidiaries, gains and losses on business transfers, gains and losses on sale of fixed assets and impairment losses.

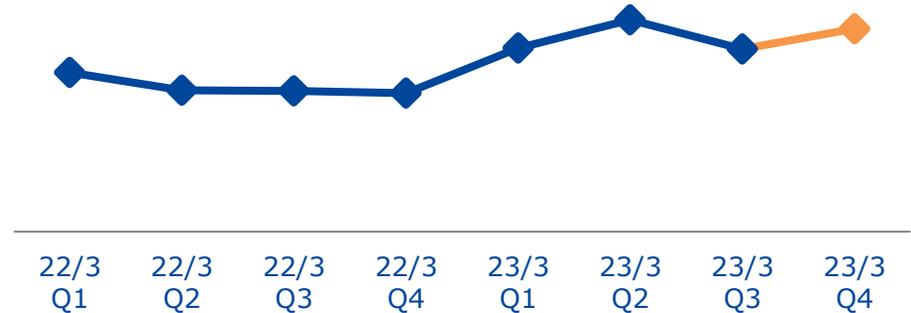
# Electricity Business : Major indicators

## ■ JEPX quarterly average of spot market system price

(yen/kWh)



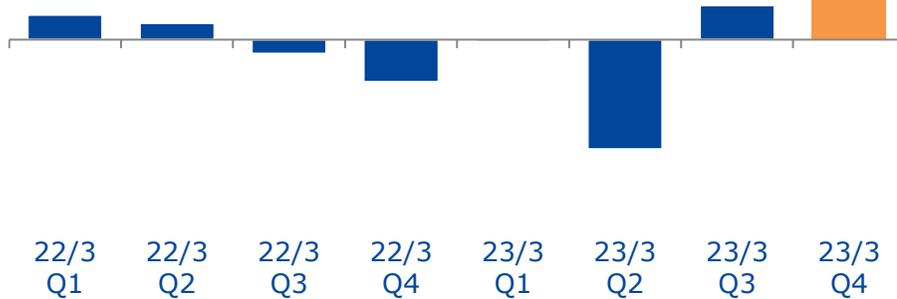
## ■ Churn rate



## ■ Operating Profit

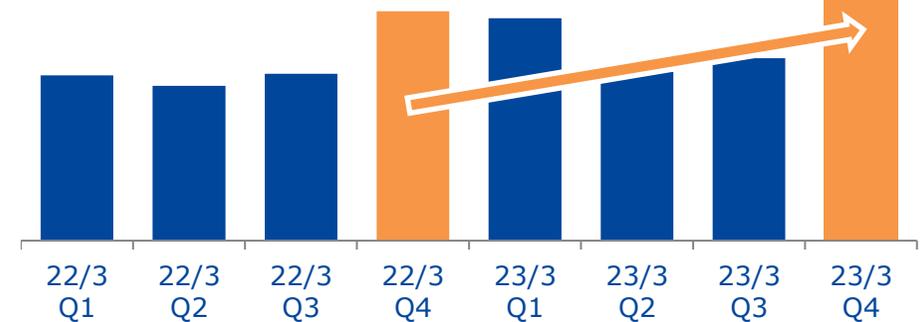
Profits increased due to the successful implementation of a new plan\*.

\* A plan that hedges against the risk of market price fluctuations. Applied to individual customers from Q3 of the current fiscal year and to corporate customers from Q4 of the current fiscal year.



## ■ Number of Acquisitions

Up 20% from the previous term on a full-year basis and up 24% from the same quarter a year earlier.



# Main Business and Segments

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

# Financial Results by Segment

(Billions JPY)

	Corporate Service			Individual Customer Service			Commission-based Sales		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
Revenue	278.2	278.6	304.7 a	120.5	148.8	219.3 a, b	161.8	147.5	122.0
Recurring Profit	44.9	55.6	48.2 a, c, d	38.3	46.6	58.9 a, b, d	25.0	24.6	19.8
Operating Profit	22.8	35.7	13.3 a, c, d, e	24.5	29.1	41.7 a, b, d	24.2	21.2	34.4 f

[Main reasons for change] (a) a surge in electricity transaction prices, (b) good performance (in delivery water and insurance), (c) a decline in the possession of internet lines, (d) application of the electricity new plan, (e) impairment losses, and (f) profit on a loss of control of subsidiaries

# Non-Operating Profit

Main one-time gains were 10.7 billion yen for FYE 3/23 (foreign exchange gains of 5.7 billion yen and one-time depreciation of negative goodwill of 4.9 billion yen)

(Billions JPY)	FY2021	FY2022	FY2023
Operating Profit	69.2	83.5	86.6
Financial revenue + Financial expenses	0.6	11.4	14.2
Share of loss (profit) of entities accounted for using equity method	5.3	13.0	16.3
Other non-operating expenses (income)	6.8	0.4	1.2
Net income before income tax	82.1	108.5	Record-high 118.4
Corporate income tax expenses	(22.8)	(17.1)	(23.4)
Non-controlling interests	(4.6)	(3.8)	(3.6)
Net income attributable to owners of parent	54.6	87.5	91.3

# Consolidated Cash Flows

(Billions JPY)

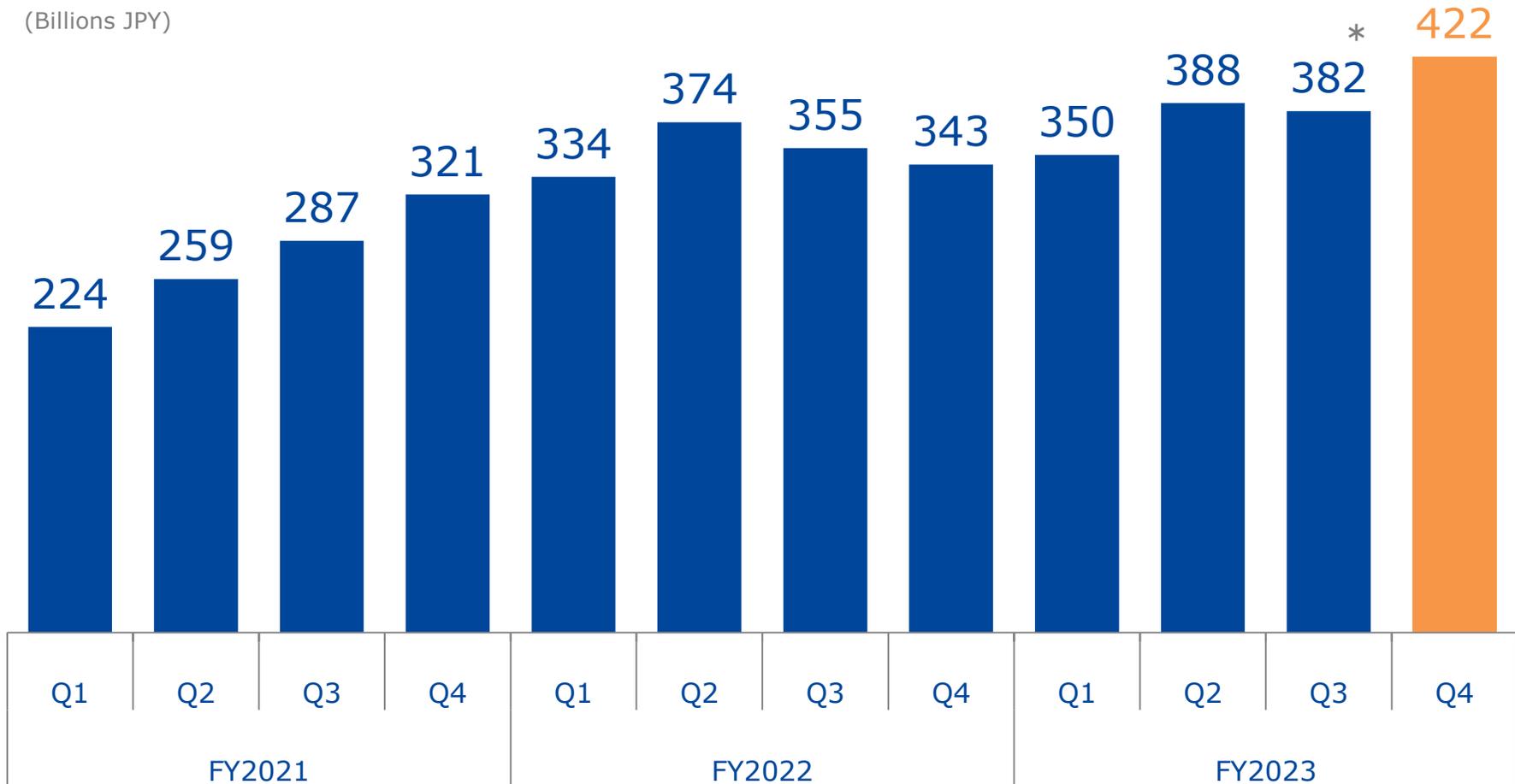
	FY2021	FY2022	FY2023
Cash Flow from Operating Activities	+58.1	+51.0	+54.8
Cash Flow from Investing Activities	(96.6)	(95.9)	(79.3)
Excluding trading in investment securities	(11.9)	(13.5)	+8.1
Free Cash Flow	(38.5)	(44.9)	(24.5)
Excluding trading in investment securities	+46.1	+37.4	+63.0
Cash Flow from Financial Activities	+89.8	+50.0	+69.2

# Net Cash Assets

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

Record-high

(Billions JPY)



\* The figure in the 3rd quarter financial results was incorrect and have been corrected.

# Revision of Dividends and Dividend Forecasts (Dividend Increase)

	FY2022	FY2023		
		Announced in February	Announced in May	YoY
Dividends per share	¥491	¥542	¥545	+10%
Q1	¥119	¥131	¥131	+10%
Q2	¥121	¥135	¥135	+11%
Q3	¥124	¥138	¥138	+11%
Q4	¥127	¥138	¥141	+11%
Basic net income per share	¥1,927	¥1,963	¥2,037	+5%
Dividend payout ratio	25%	27%	26%	-

Dividend per share rose 10% year on year to 545 yen. Dividend has increased for 12 consecutive fiscal years with no dividend decrease for 20 consecutive fiscal years.

# Fiscal Year Ending March 2024

# Key Points for the Fiscal Year Ending March 2024

## (1) Performance Forecast

Recurring profit will be 150 billion yen (up 15% YoY) and operating profit will be 93 billion yen (up 7% YoY and up 26% YoY when excluding one-time gains and losses) primarily due to a recovery in the Electricity Business. Revenue is expected to decline in expectation of a decline in electricity transaction prices.

## (2) Outlook for Each Business

- (1) In the Electricity Business, profit is expected to grow significantly, and acquisitions steady.
- (2) In the Delivery Water Business and Insurance Business, profit is expected to increase, and acquisitions steady.
- (3) In the Internet Connection Line Business, profit will decline but hit the bottom in the second half, and acquisitions steady.

## (3) Shareholder Return

Dividend per share will rise 3% year on year to 564 yen. The Company expects that dividend will increase for 13 consecutive fiscal years with no dividend decrease for 21 consecutive fiscal years. A resolution was passed to purchase 5 billion yen of the Company's own shares.

# Performance Forecast

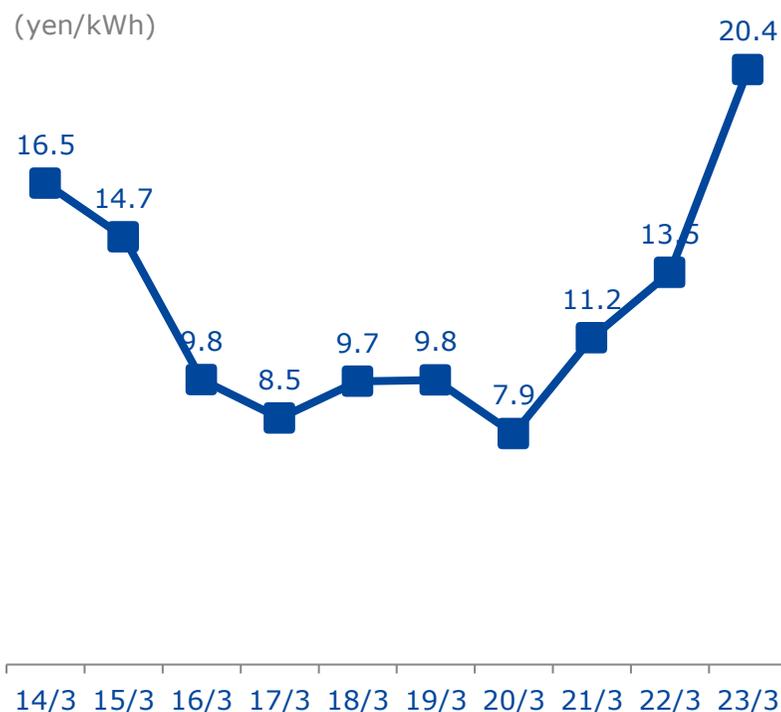
(Billions JPY)

	FY2022	FY2023	FY2024	YoY
	Results	Results	Forecast	
Revenue	573.0	643.9	<span>Record-high</span> 625.0	(2%)
Operating Profit	83.5	86.6	<span>Record-high</span> 93.0	+7%
Net Income (Net income attributable to owners of parent)	87.5	91.3	<span>Record-high</span> 76.0	(16%)
Recurring Profit	127.0	127.0	<span>Record-high</span> 150.0	+18%
Number of In-House Products Acquired (Thousand Units)	1,191	1,230	1,490	+25%
(Reference) Subsidiary acquisition costs excluding one-time gains and losses	(53.2)	(53.8)	(56.9)	+6%
(Reference) Operating profit excluding one-time gains and losses	73.7	73.2	93.0	+26%

\* One-time gains and losses mainly indicate gains and losses on acquisition of or loss of control of subsidiaries, gains and losses on business transfers, gains and losses on sale of fixed assets and impairment losses.

# Electricity Business Impact on Performance (estimate)

## ■ JEPX Spot Market annual average system prices



## ■ Impact on recurring profit and operating profit

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

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

[Reference]

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

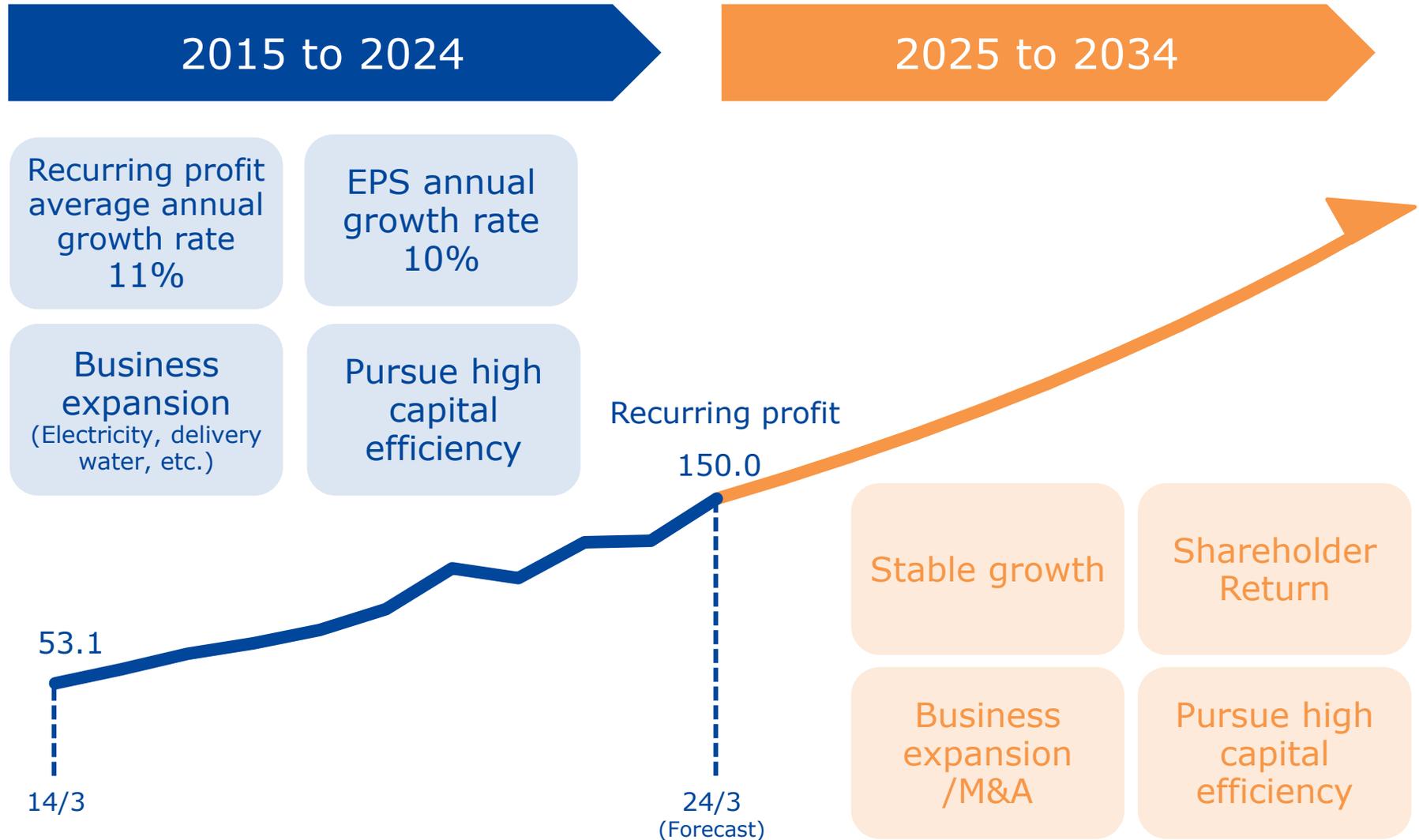
# Outlook for main in-house products

Operating profit year-on-year change

	FYE 3/24		FYE 3/25	
	Corporate Service	Individual Customer Service	Corporate Service	Individual Customer Service
Internet connection line	Profit decrease (Expect to hit bottom in the 2nd half)	Flat	Profit increase	Flat
Electricity	Large profit increase	Large profit increase	Profit increase	Profit increase
Industry-specific IT Solutions	Profit increase	-	Profit increase	-
Insurance	-	Profit increase	-	Profit increase
Delivery water	-	Profit increase	-	Profit increase

# The Next 10 years

(Billion JPY)



# Resolution of Share Repurchase

Resolution date	May 16, 2023
Total number of shares to be repurchased	350,000 (maximum) (0.78% of outstanding shares (excluding treasury stock))
Total amount of repurchase price	5.0 billion yen (maximum)
Period of repurchase	From May. 17, 2023 to Jul. 31, 2023

# Trend of Shareholder Returns

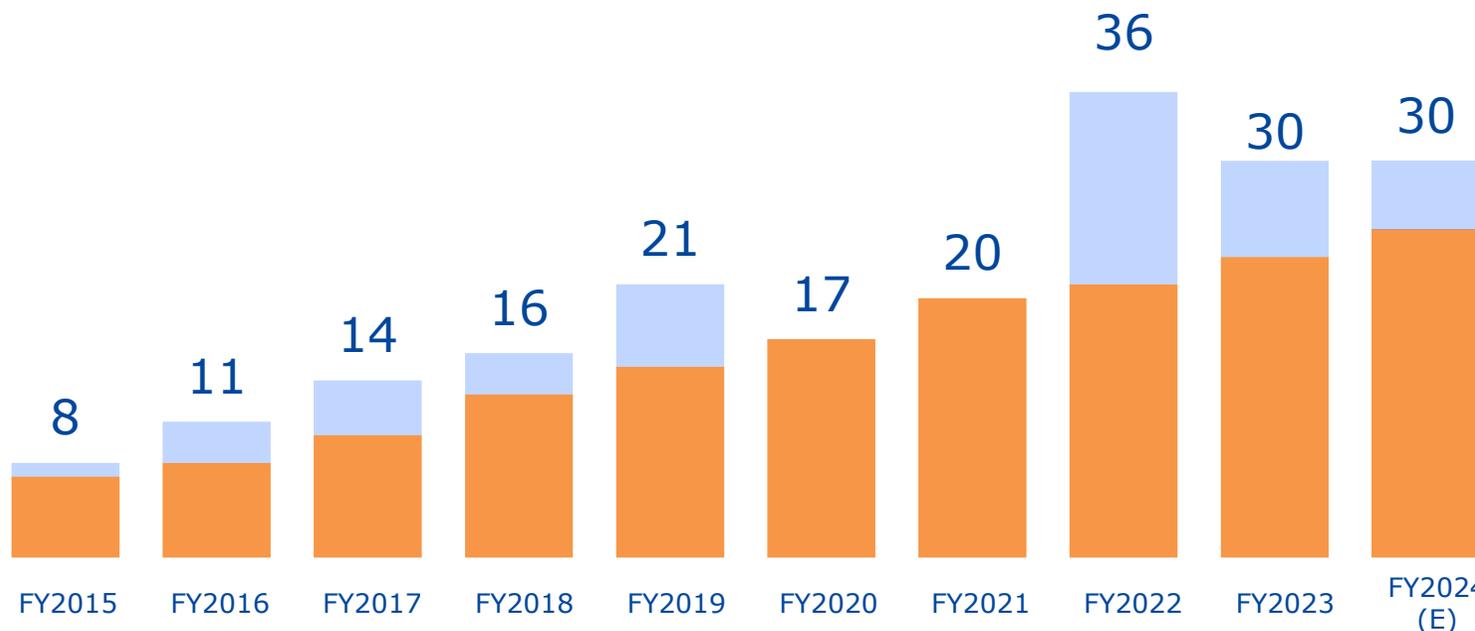
(Billions JPY)

Aggregate Amount of Treasury Stock Repurchased

Dividend Payment Amount

Total Return Ratio  
(10-year cumulative basis)

**38%**



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 (E)	Total
Dividend Payment Amount	7	8	10	13	15	17	20	21	23	25	163
Aggregate Amount of Treasury Stock Repurchased	1	3	4	3	6	0	0	14	7	5	44
Total Return Ratio	42%	44%	37%	38%	43%	34%	37%	41%	33%	39%	38%

# Medium to Long-term Growth Rate

# Annual Growth Rate for 10 Fiscal Years (1)

(Billion JPY)

	Sales			Recurring profit			Operating profit			Net income
	Total	In-house products	Third-party products	Total	In-house products	Third-party products	Total	In-house products	Third-party products	
14/3	565.1	78.0	489.5	53.1	19.1	33.9	31.7	8.7	27.9	29.3
15/3	562.5	86.4	479.3	60.4	25.0	35.3	32.0	5.4	32.3	20.7
16/3	447.6	120.0	330.1	68.6	32.3	36.2	37.6	8.6	34.3	22.5
17/3	428.9	146.8	284.0	74.1	40.3	33.8	41.5	11.1	35.1	39.0
18/3	427.5	216.4	212.8	81.1	50.9	30.2	49.4	22.5	30.3	41.8
19/3	484.3	282.1	204.5	92.0	64.3	27.7	64.2	38.3	27.9	49.5
20/3	524.5	337.6	189.4	113.3	87.9	25.4	73.0	45.8	28.4	51.6
21/3	559.4	398.8	161.8	108.3	83.3	25.0	69.2	47.3	24.2	54.6
22/3	578.2	427.4	147.5	127.0	102.3	24.6	83.0	64.9	21.2	87.3
23/3	643.9	524.0	122.0	127.0	107.2	19.8	86.6	55.0	34.4	91.3
FYE 3/24 (forecast)	625.0	518.7	114.2	150.0	134.9	15.0	93.0	78.6	16.7	76.0
Average growth rate for 10 fiscal years	1%	20%	(13%)	11%	21%	(7%)	11%	24%	(5%)	10%

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

# Annual Growth Rate for 10 Fiscal Years (2)

(Billion JPY)

	BS	Per share			Shareholder Return		Capital efficiency		
	Equity	EPS (Yen)	BPS (Yen)	Dividends (Yen)	Acquisition of the Company's own shares	Dividend payment amount	ROA	Hypothetical consolidated ROA	ROE
14/3	130.0	¥615	¥3,008	¥140	22.0	6.7	10.8%	-	23.9%
15/3	161.2	¥435	¥3,676	¥160	1.3	7.4	8.8%	-	14.3%
16/3	166.7	¥473	¥3,618	¥186	3.1	8.1	9.4%	-	13.8%
17/3	180.4	¥817	¥4,056	¥240	4.3	11.1	9.0%	-	22.5%
18/3	225.3	¥877	¥5,059	¥300	3.0	13.9	8.3%	-	20.6%
19/3	257.2	¥1,064	¥5,876	¥351	6.0	16.1	8.6%	-	20.5%
20/3	285.7	¥1,110	¥6,844	¥402	0.0	18.4	8.2%	9.8%	19.0%
21/3	393.4	¥1,173	¥9,217	¥456	0.0	20.9	6.2%	10.2%	16.1%
22/3	467.3	¥1,927	¥10,935	¥491	14.8	22.2	6.1%	11.4%	20.3%
23/3	571.0	¥2,028	¥13,384	¥545	7.1	24.3	5.5%	10.6%	17.6%
FYE 3/24 (forecast)	618.2	¥1,687	¥13,523	¥564	5.0	25.2	5.4%	-	12.3%
Average growth rate for 10 fiscal years	16%	10%	18%	15%	-	14%	-	-	-

\* The cumulative total from FYE 3/14 to FYE 3/24 (planned) will be 66.6 billion yen in acquisition of the Company's own shares, 174.3 billion yen in payment of dividends and 240.9 billion yen in shareholder return.

# Annual Growth Rate for 10 Fiscal Years (3)

	Employees		
	Number of employees (people)	Sales per capita (millions of yen)	Operating profit per capita (millions of yen)
14/3	11,198	58	3
15/3	12,367	47	2
16/3	11,805	37	3
17/3	10,463	38	3
18/3	8,667	44	5
19/3	7,572	59	7
20/3	8,033	67	9
21/3	7,224	73	9
22/3	6,802	82	11
23/3	5,697	107	14
FYE 3/24 (forecast)	5,654	115	17
Average growth rate for 10 fiscal years	(6%)	7%	18%

## Supplementary information

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

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

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

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

\* The five fiscal years are based on numerical comparison between FYE 3/19 and FYE 3/24 (forecast).

\* The 10 fiscal years are based on numerical comparison between FYE 3/14 and FYE 3/24 (forecast).

\* The 20 fiscal years are based on numerical comparison between FYE 3/04 and FYE 3/24 (forecast).

\* Results for in-house and third-party products prior to FYE 3/18 are provisional figures as they were before the change in reporting segments.

# 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

# Listed company stock investment status

## (1) EY

(Billions JPY)

	2022				2023
	End of March	End of June	End of September	End of December *	End of March
Investment book value (Acquisition price)	456.0	476.5	510.2	524.2	532.6
[Ref.] Market value	6,180	6,436	6,974	7,270	759.2
Look-through earnings Last 12 months *	70.8	72.2	76.4	78.8	80.3
[Ref.] Of which, affiliated companies accounted for by the equity method	11.8	11.9	13.1	13.1	13.4
<b>Earnings Yield</b> Look-through earnings / Investment book value	15.5%	15.2%	15.0%	15.0%	15.1%
Number of companies we have invested in	499	496	470	496	494
Of which, affiliated companies accounted for by the equity method	18	22	24	26	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.

\* The figures in the 3rd quarter financial results were incorrect and have been corrected.

# Listed Company Stock Investment Status

## (2) Look-through Performance and Indicators

(Billions JPY)

PL	Look-through revenue	1,314.1
	Look-through earnings	80.3
	Look-through basic earnings	52.4
BS	Look-through net cash assets	261.0
	Look-through total assets	1,367.1
	Look-through shareholders' equity	634.1

Indicator	EY	15.1%
	PER	10.2
	PBR	0.8
	Dividend yield	3.4%

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

# 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.

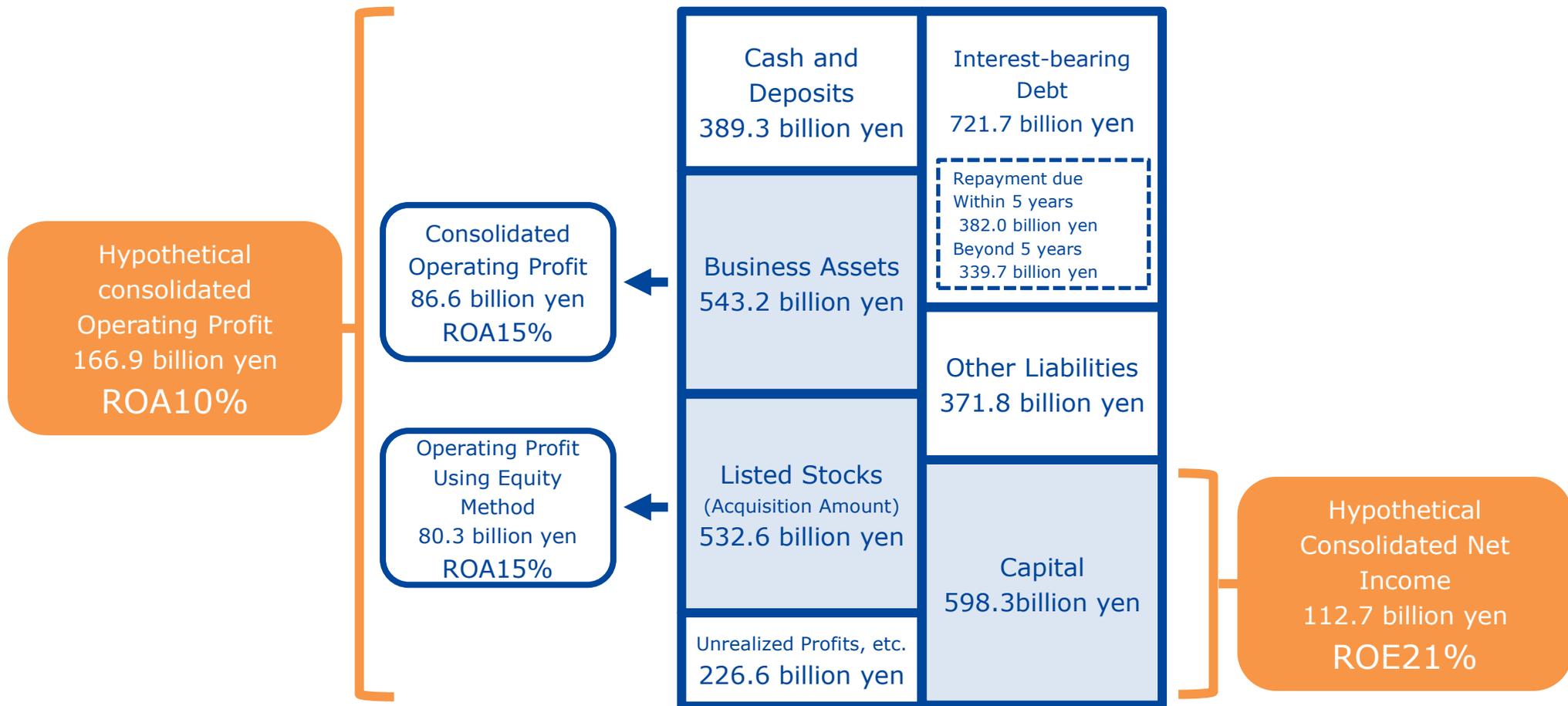
(Billions JPY)

	Business: Consolidated Results (Results for FY2023)	Net Investment: Performance Using Equity Method (Last 12 months)	Hypothetical Consolidated Performance
Revenue	643.9	1,314.1	1,958.1
Operating Profit	86.6	80.3	166.9
Net income attributable to owners of parent	91.3	52.4	112.7 *Excluding equity in earnings (losses) of affiliates and dividend income

# Capital Efficiency (Based on Hypothetical Consolidated Results)

As of the end of March 2023

## Total Assets 1,691.9 billion yen



# Reference Materials

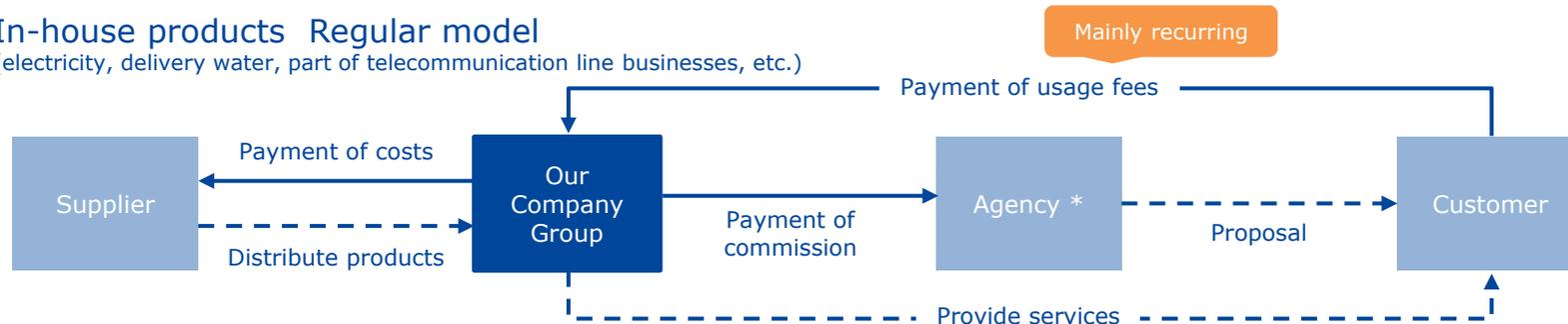
- 1 Business Overview
- 2 Past Performance
- 3 Financial Strategy
- 4 Other Supplementary Materials
- 5 Sustainability Information



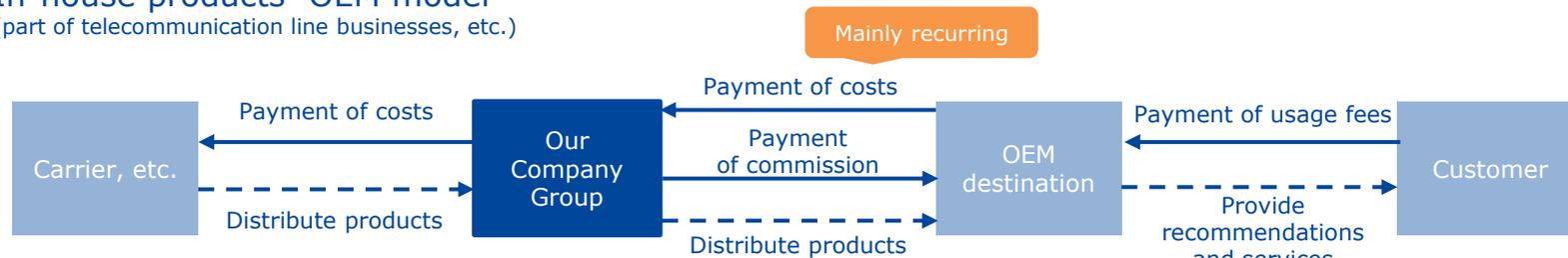
# Flow of Money and Services



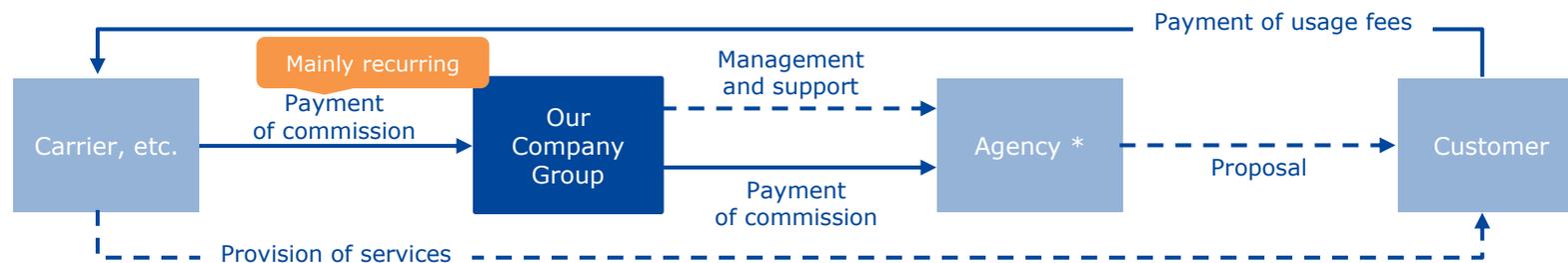
## 1 In-house products Regular model (electricity, delivery water, part of telecommunication line businesses, etc.)



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



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



# Strengths

## (1) Recurring-type business model

A business model based on recurring profit, which is long-term stable revenue. Recurring sales in which 72% of the revenue comes from constant income.

## (2) Strong sales structure

One of the best sales networks and customer bases in Japan

## (3) High liquidity on hand

Net cash assets \*422.6 billion yen (as of March 2023)  
\*Cash and deposits + Listed investment securities  
(not including listed subsidiaries) – Interest-bearing liabilities

## (4) Corporate culture

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

## (5) Uniqueness

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

# Solid Sales Structure

As of March 31, 2023

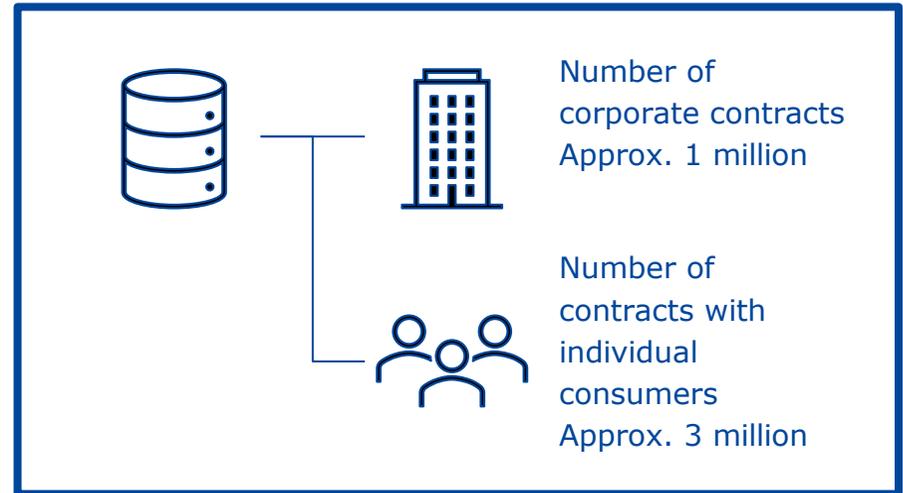
## Sales network

Mainly leverage agencies



## Customer base

Sell mainly to SMEs and individual consumers



## Sales channels

Primarily push marketing



# Shareholder Return Policy (Principle)

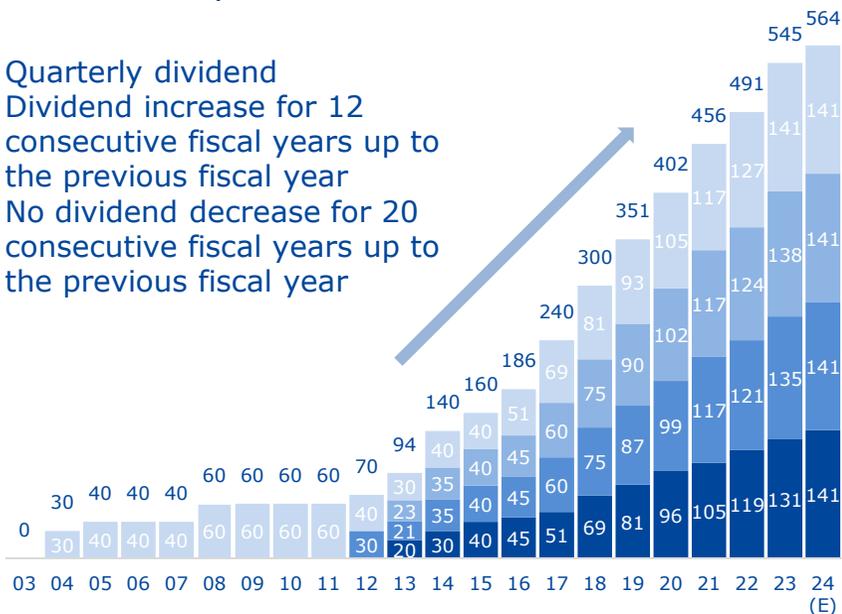
## (1) Dividend

Be aware of progressive dividends\*

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

### ■ Dividends per share (JPY)

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

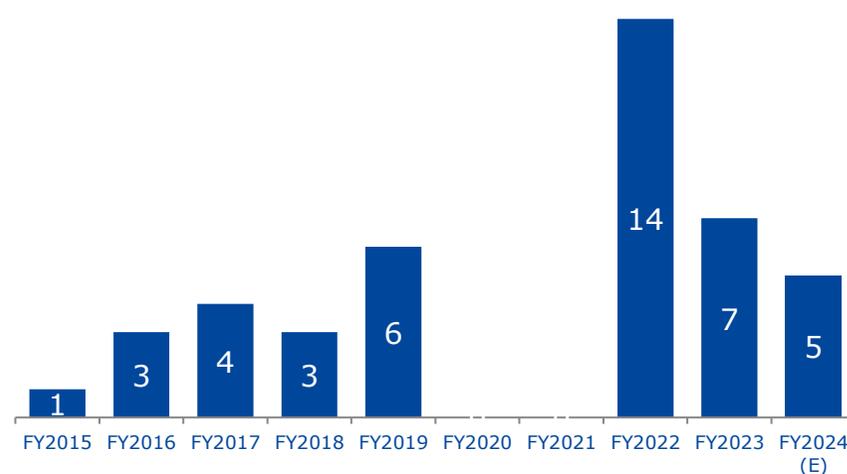


## (2) Repurchase of treasury stock

Agile repurchase according to stock prices

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

- 10-year cumulative total 44.7 billion yen

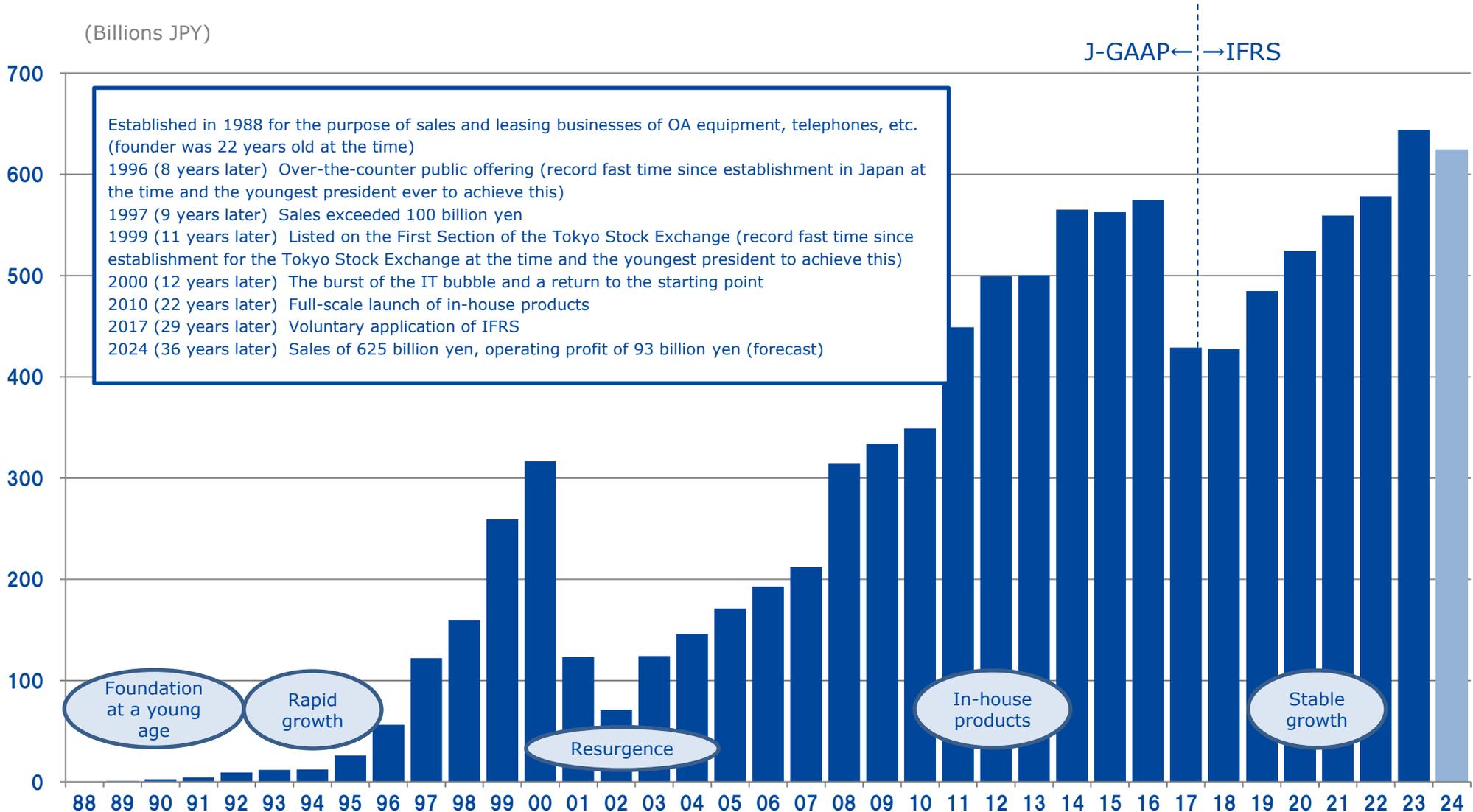


# Reference Materials

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

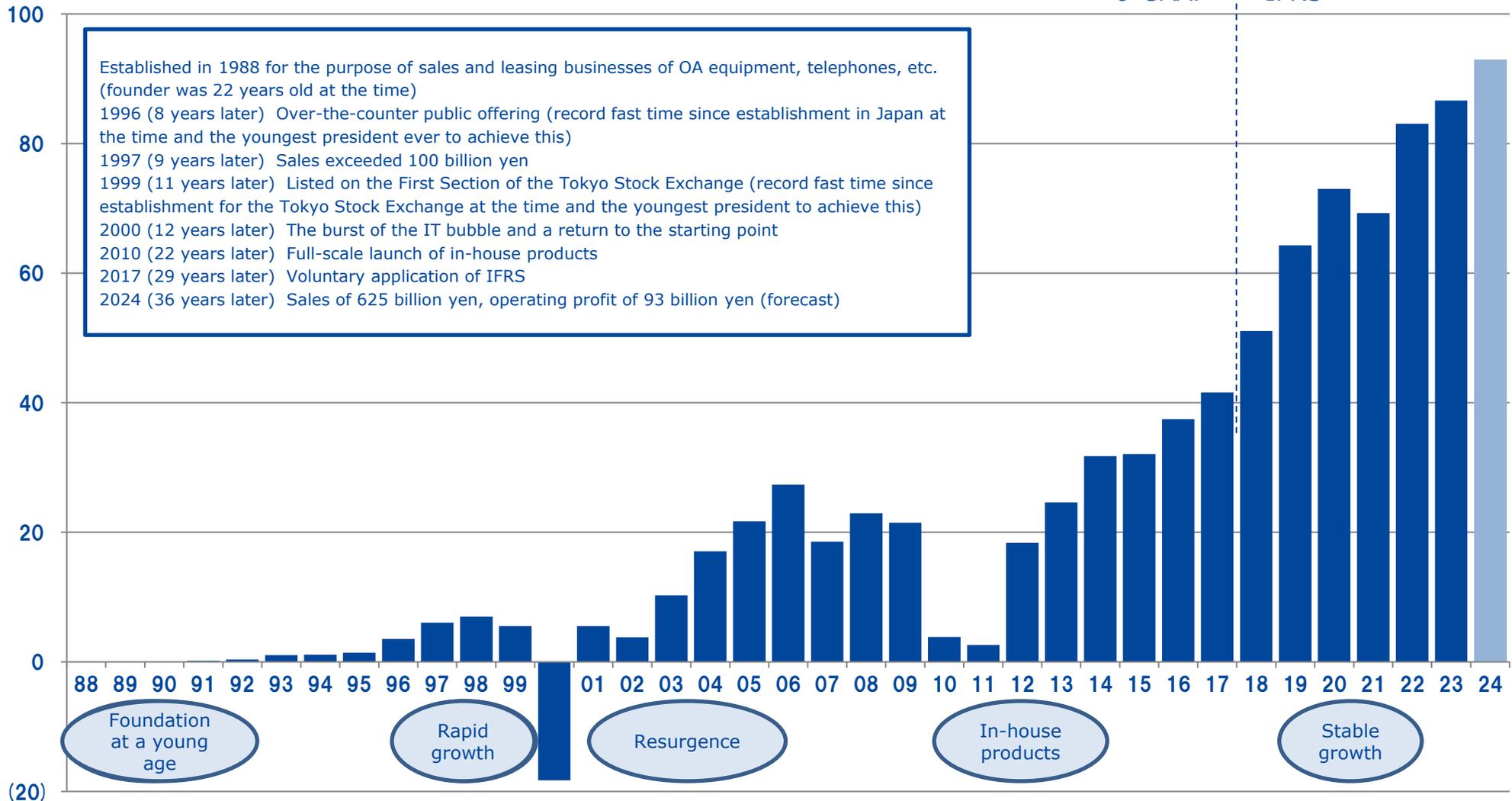
# Sales Since Establishment

(Billions JPY)



# Operating Profit Since Establishment

(Billions JPY)



(20)

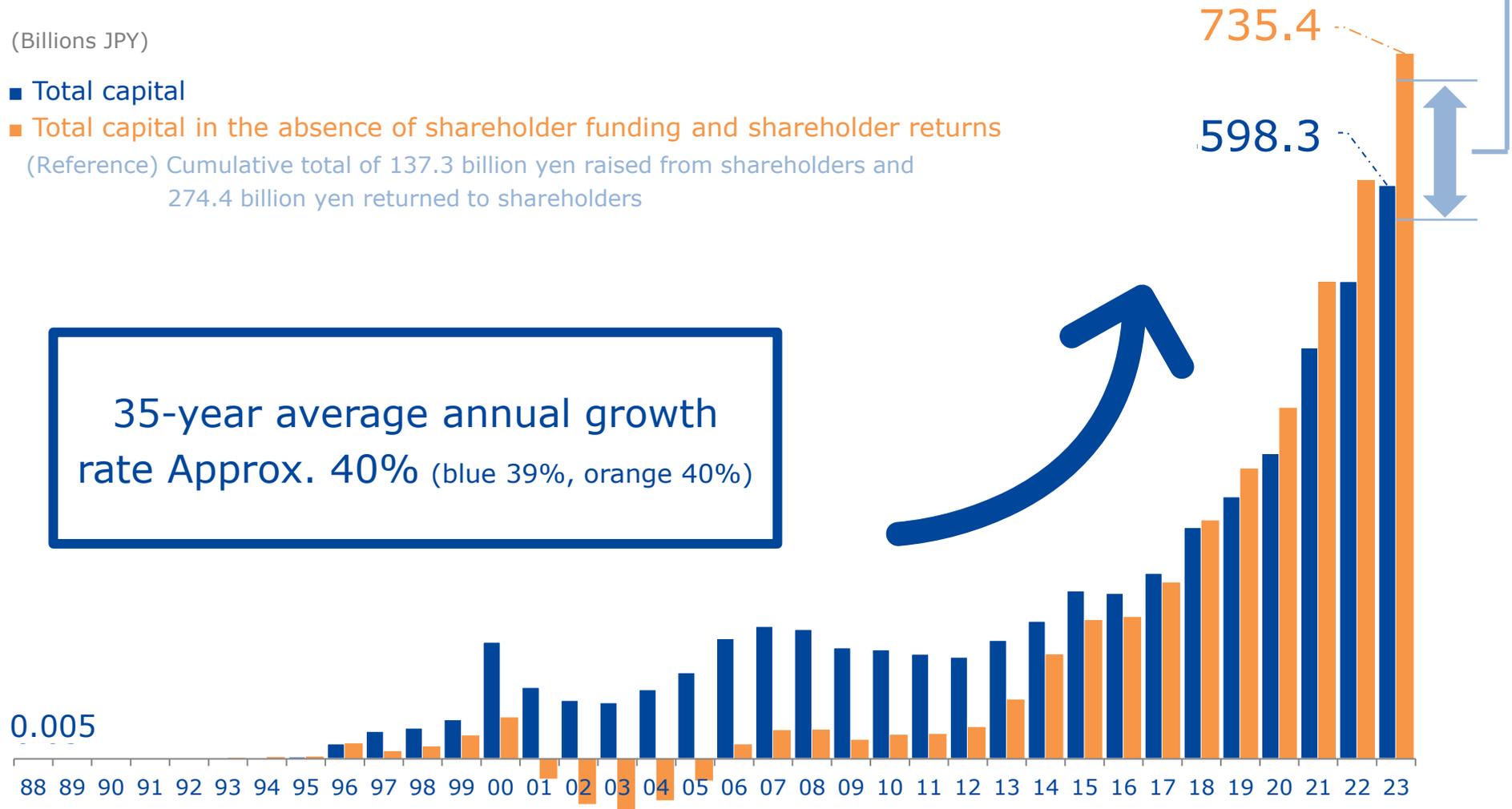
# Total Capital Since Establishment (Net Assets)

(Billions JPY)

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

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

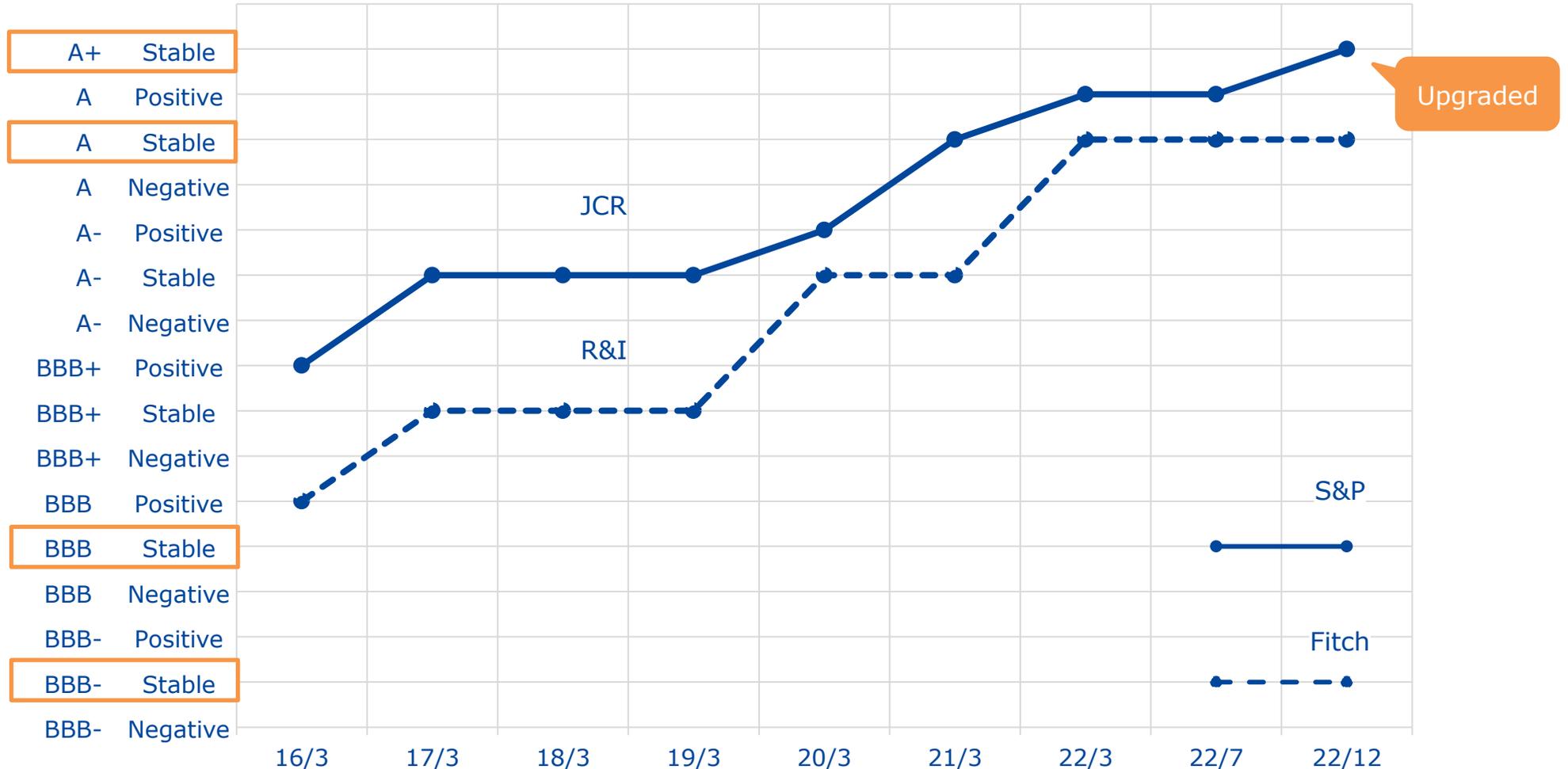
137 billion yen more in returns than amount raised



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

# External Ratings

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



# Reference Materials

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

# Financial Strategy

## Financing

## Investment

1

Diversification  
of means

Agile financing  
according to use

1

Business  
investment

Invest in capital  
efficient businesses

2

Long-term

Long-term financing, in  
principle

2

Strategic saving  
/Securing funds  
for repayment

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

3

Fixed  
interest rate

Financing at fixed  
rates, in principle

3

Investment  
of surplus

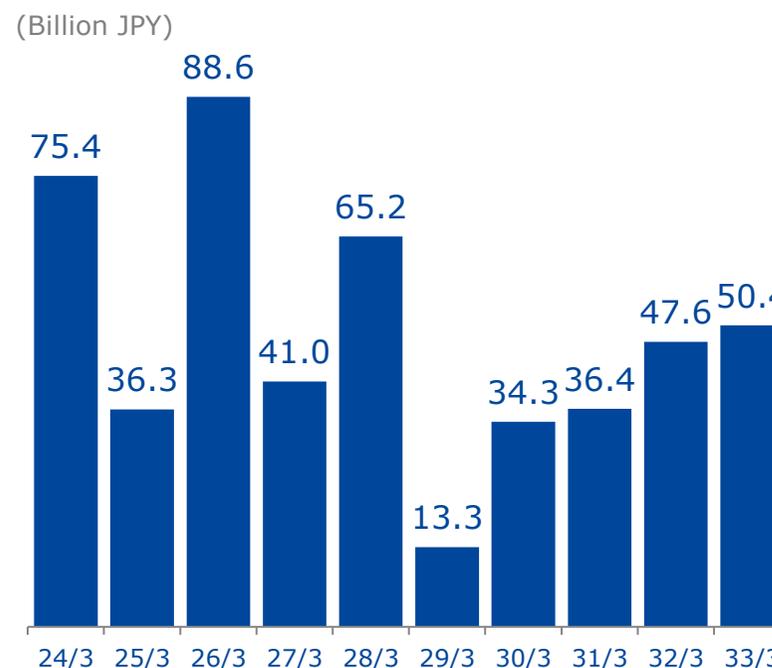
Invest if surplus funds

# Financing

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

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

## ■ Long-term borrowing Scheduled term-by-term payments for the next 10 fiscal years

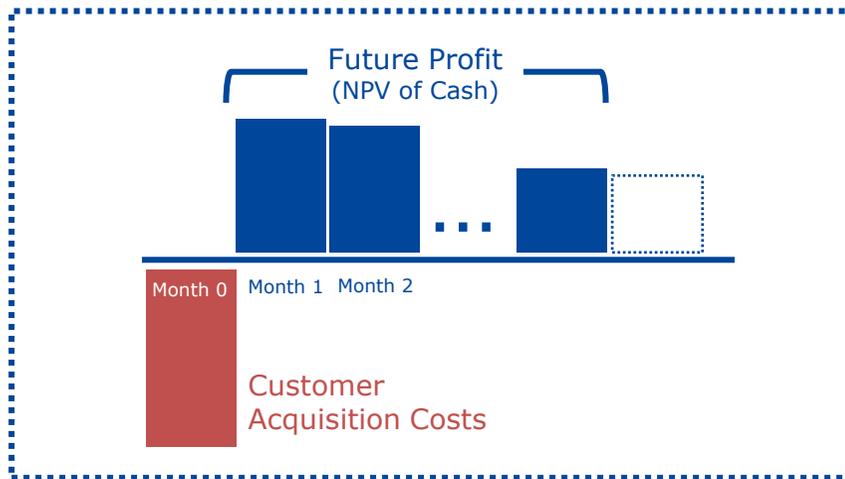


The company tries to make its financial foundation solid with financing by borrowing for as long a term as possible without risk of interest-rate fluctuations.

# Capital Efficiency Management

## ■ Concept

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



## ■ Monthly Capital Allocation Review

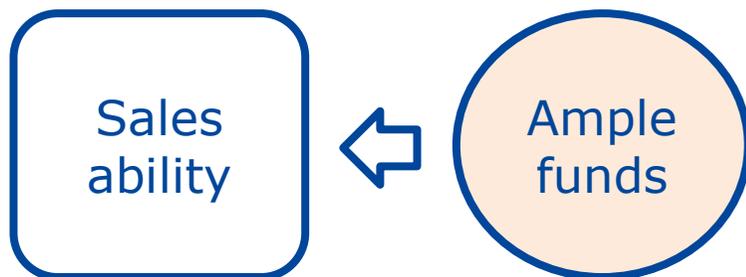
Rank	Products	Sales Method		Business Return	Check
1	A	Indirect	Web	x %	✓
2	B	Indirect	TMS	y %	✓
3	C	Direct	Booth	y %	✓
4	A	Indirect	Door-to-door sales	z %	-

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

# Cases of Ensuring Competitive Advantage

## (1) Water delivery

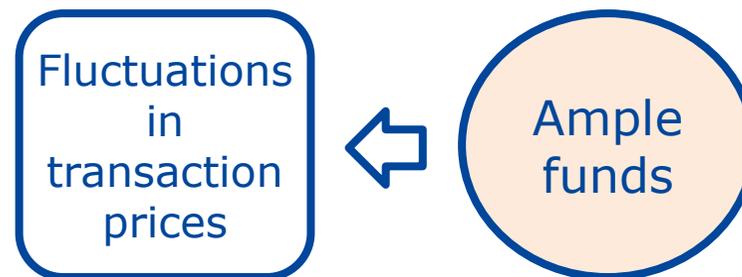
No.1 market share in Japan



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

## (2) Electricity

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



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

# Cash Reserves

(Billions JPY)

	As of Mar 31, 2021	As of Mar 31, 2022	As of Mar 31, 2023 (Provisional)
Cash and cash equivalents	324.5	338.2	389.3
Balance of interest-bearing liabilities due within 3 years	221.5	212.3	275.8
Within 1 year	138.4	109.3	150.8
Over 1 year but within 2 years	31.3	63.3	36.3
Over 2 year but within 3 years	51.7	39.5	88.6

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

# Method of Investing Surplus Funds

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

20-year and 30-year holdings were expanded

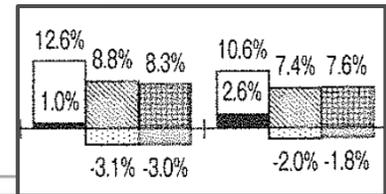
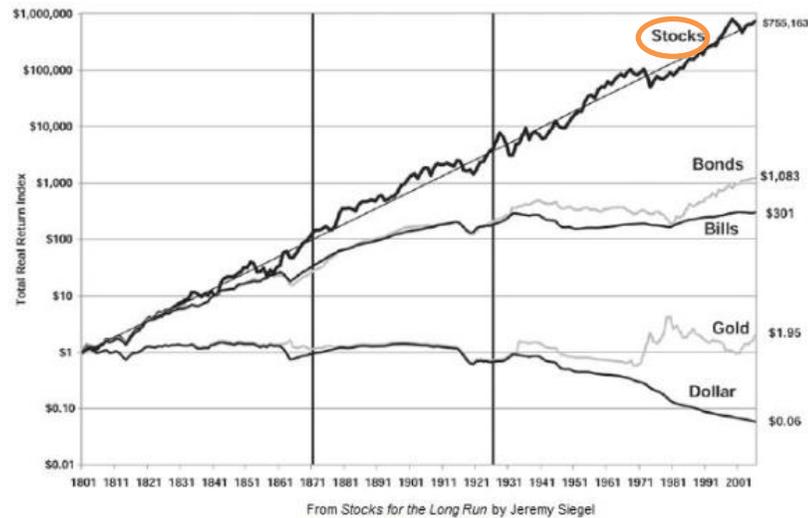
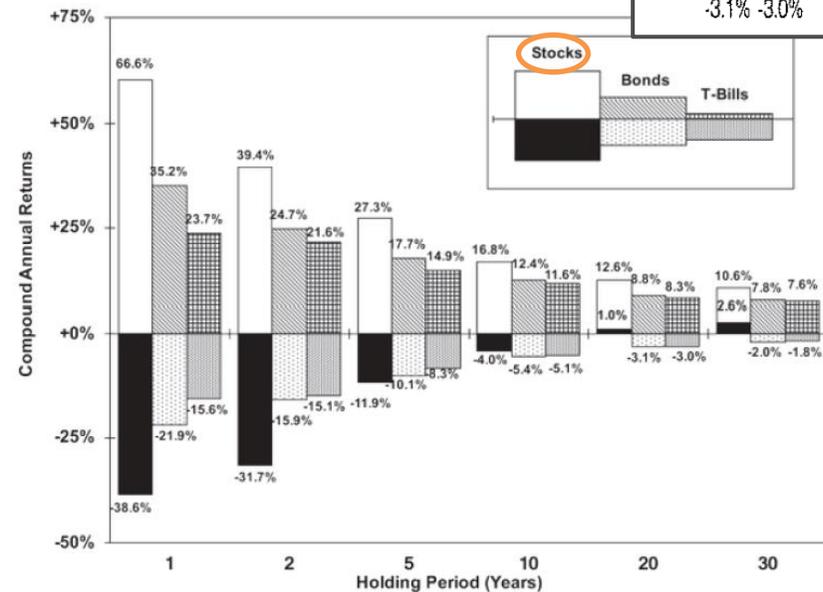


FIGURE 1-4

Total Real Return Indexes, 1802 through December 2006



Maximum and minimum real holding period returns, 1802–2021



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

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

# Characteristics of Our Stock Investment

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

We can manage surplus funds for a long period.

## Fund Management (3) Investment of Surplus Funds

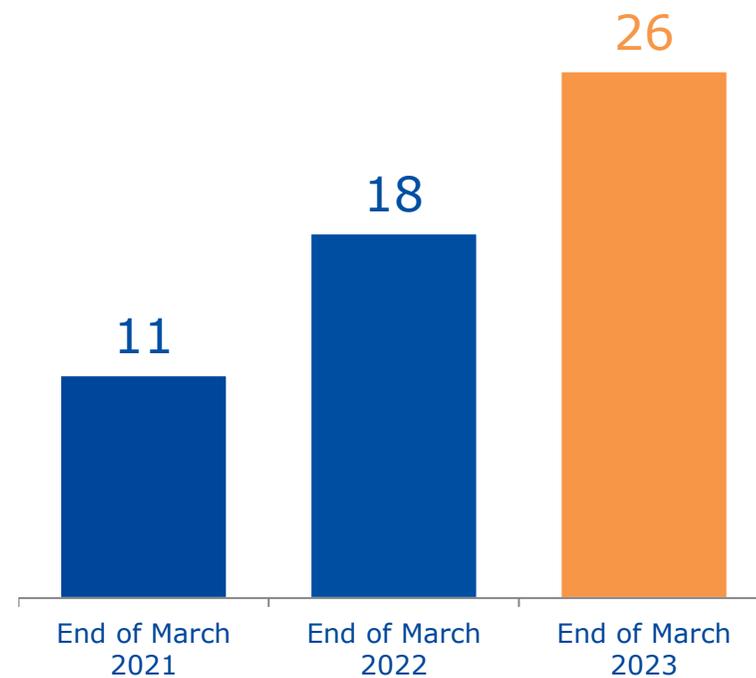
# Major Listed Companies that Became Consolidated Subsidiaries /Number of Affiliated Companies Accounted For by the Equity Method

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

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

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

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



# Listed stock investment policy/approach (Principle)

- Net investment

- Stability

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

- We regard purchasing stocks as owning part of the business

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

# Listed Stock Investment Status

## Turnover and Liquidity

### ■ Turnover rate

(Billions JPY)

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

### ■ Liquidity

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

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

# Reference Materials

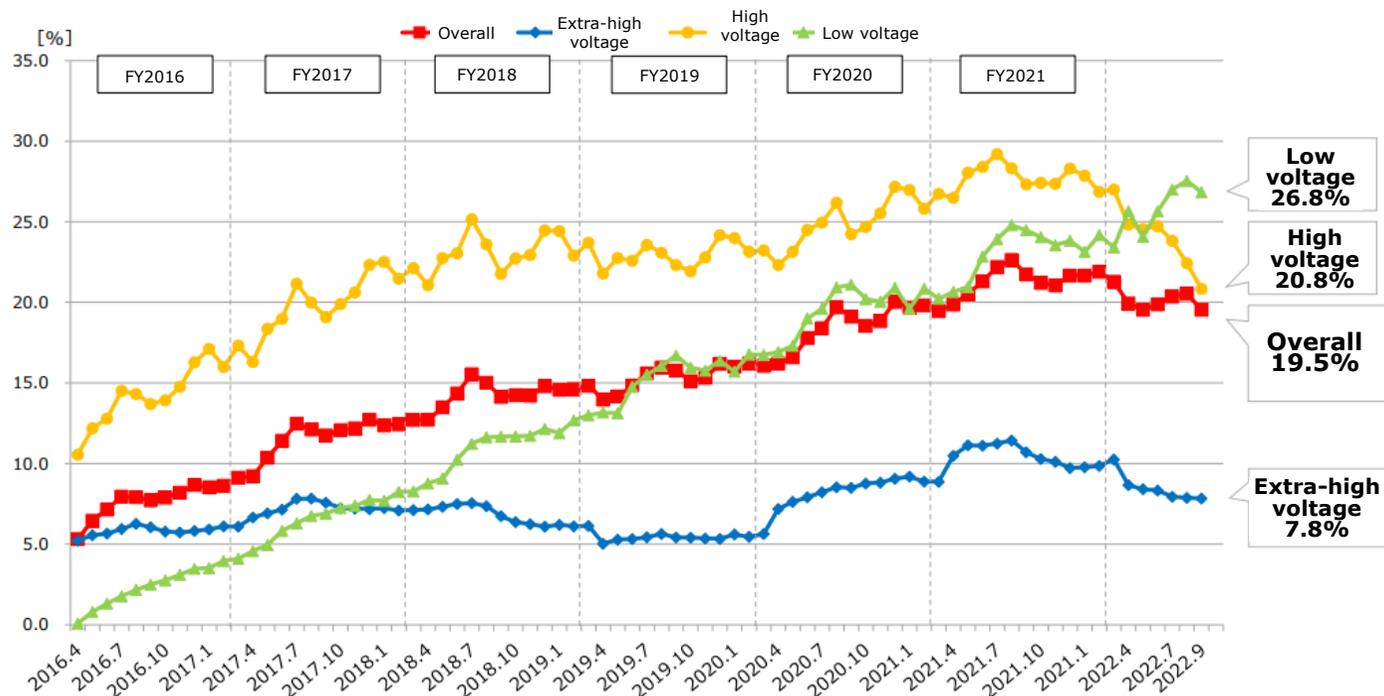
- 1 Business Overview
- 2 Past Performance
- 3 Financial Strategy
- 4 Other Supplementary Materials**
- 5 Sustainability Information

# Electricity Business Market

(share of PPS in total electricity sales)

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

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



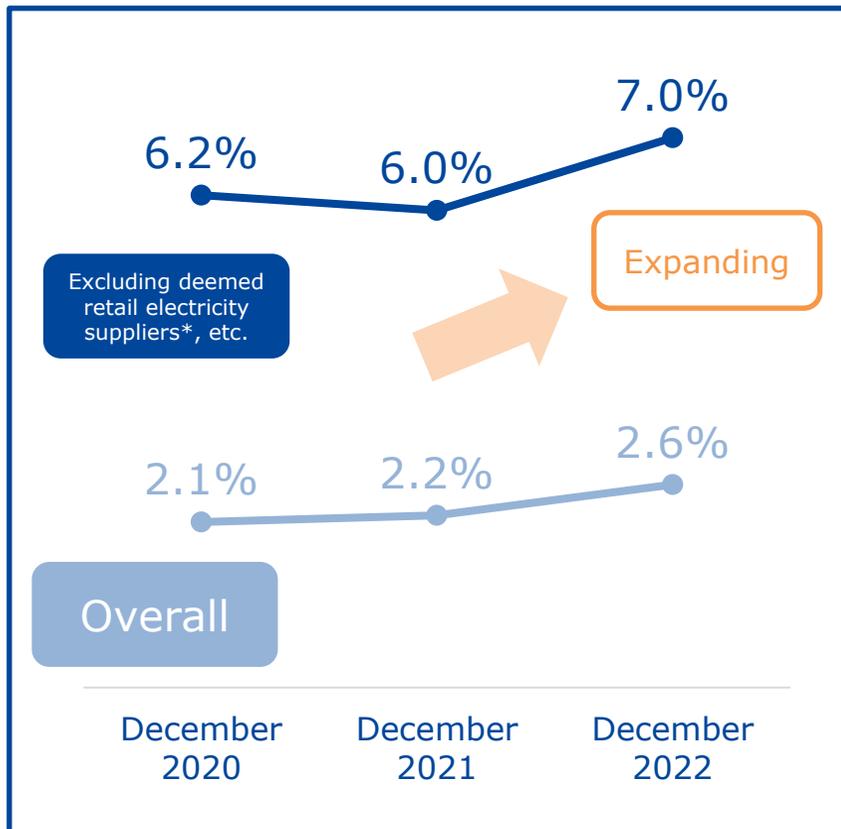
\* The term "PPS" (Power Producer and Supplier) does not include major electric power companies outside the service area (former general electric utilities), but includes subsidiaries of major electric power companies.  
 \* Share is calculated based on the volume of electricity sold.

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

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](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"

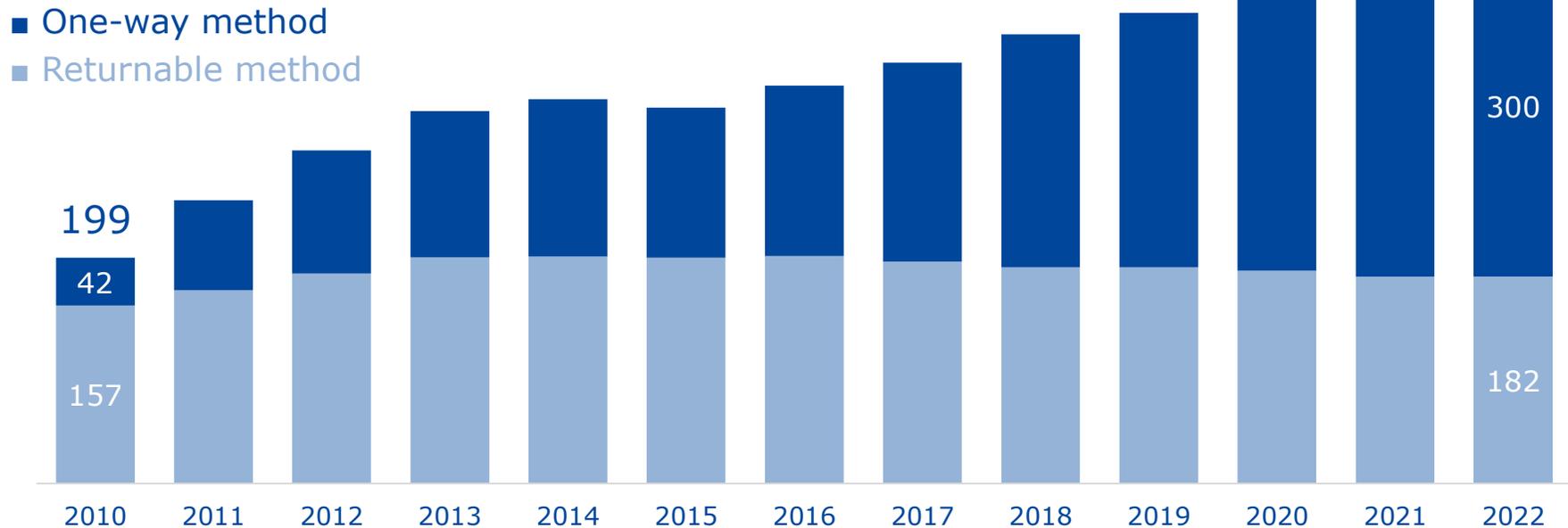
\*Deemed retail electricity suppliers, etc. include TEPCO Energy Partner, Inc. The Kansai Electric Power Co., Inc., and Chubu Electric Power Miraiz Co., Inc.

# Delivery Water Business Market

(Number of Customers)

(10,000 dispensers)

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



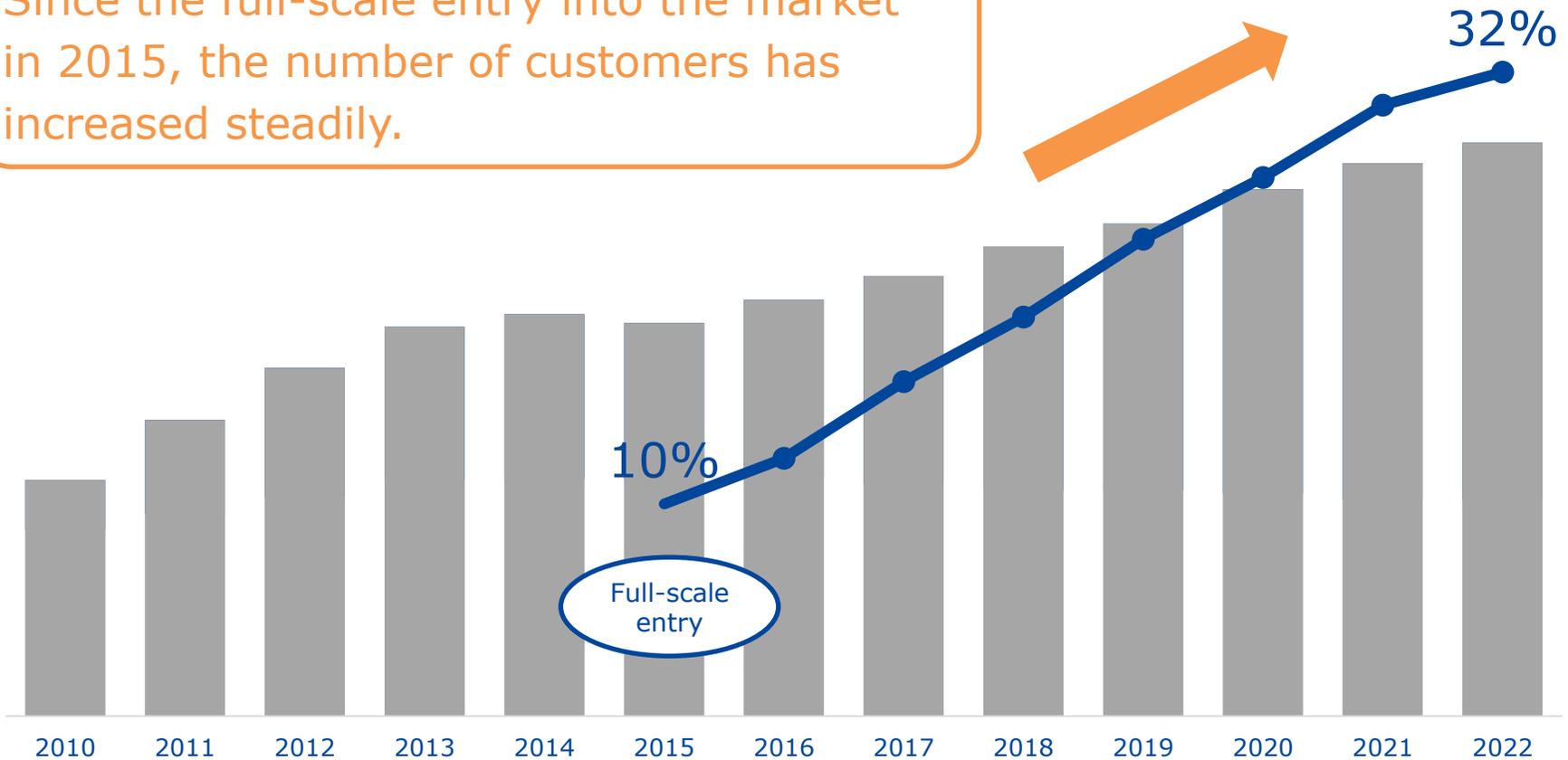
Source: Japan Delivery Water & Server Association's "Statistics of the Delivery Water Industry in Japan" <https://jdsa-net.org/data/statistics/>

\* Calendar year (for example, 2021 is the number of customers at the end of December 2021)

# Delivery Water Business Market Share

(Number of Customers)

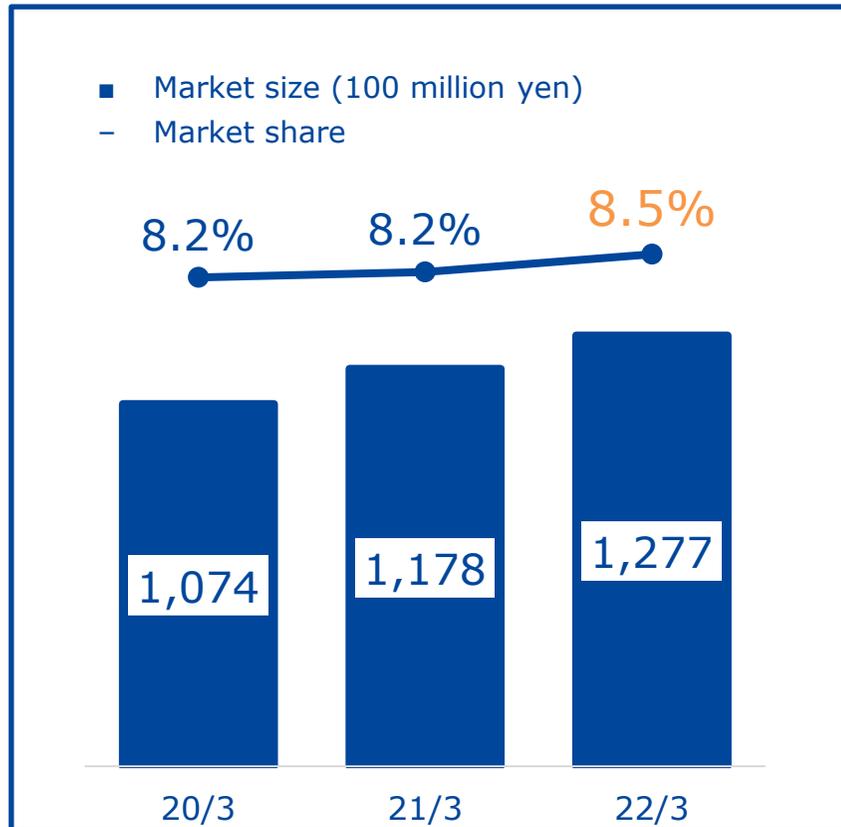
Since the full-scale entry into the market in 2015, the number of customers has increased steadily.



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

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

(1) Market size and market share



(2) Ranking (FYE 3/22)



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

# Examples of Insurance Business

(General insurance, Small amount & short term insurance)

(1) Communication device repair insurance

(2) Home insurance

Mobile Insurance

**モバイル保険**

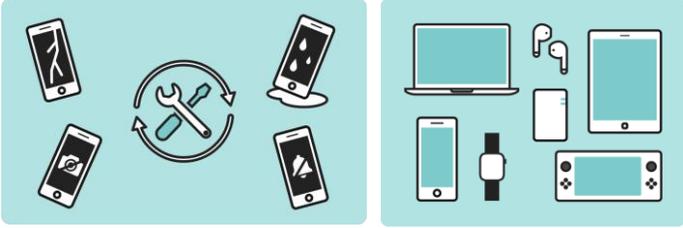


Illustration showing various mobile devices (smartphones, tablets, laptops, smartwatch, game console) and repair tools (wrench, screwdriver) around a central gear icon, representing mobile insurance coverage.

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

Anshin Sumairu home insurance

賃貸住宅に住む人の暮らしを守る  
**あんしん住まいる家財保険**



Illustration showing a green dinosaur standing next to a small house with a red roof, symbolizing home insurance.

おかげさまで契約件数  
**50万件突破!**

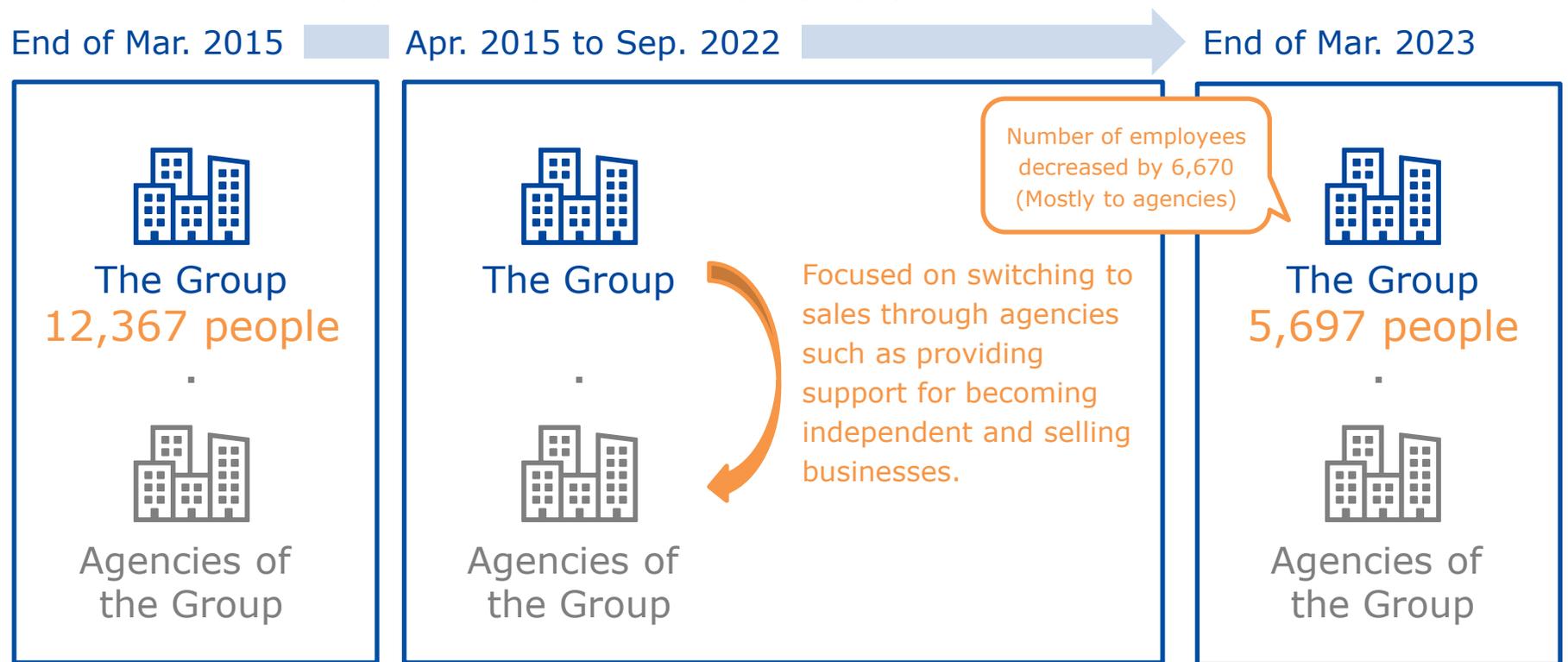


Illustration showing various household accidents: a woman cleaning a spill, a man looking at a broken table, a man looking at a broken washing machine, a man looking at a broken ceiling, and a man looking at a broken window.

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

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

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



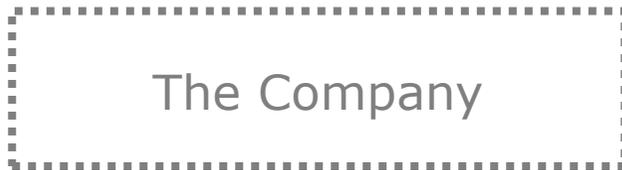
Focused on expanding sales through agencies, which brings higher operating profit per person.

# 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)

Before off-the-balance transaction



After off-the-balance transaction  
(End of Sept. 2022 onward)



Consolidated subsidiaries



NFC group  
NFCグループはお客様の“人生100年時代への備え”をサポート致します

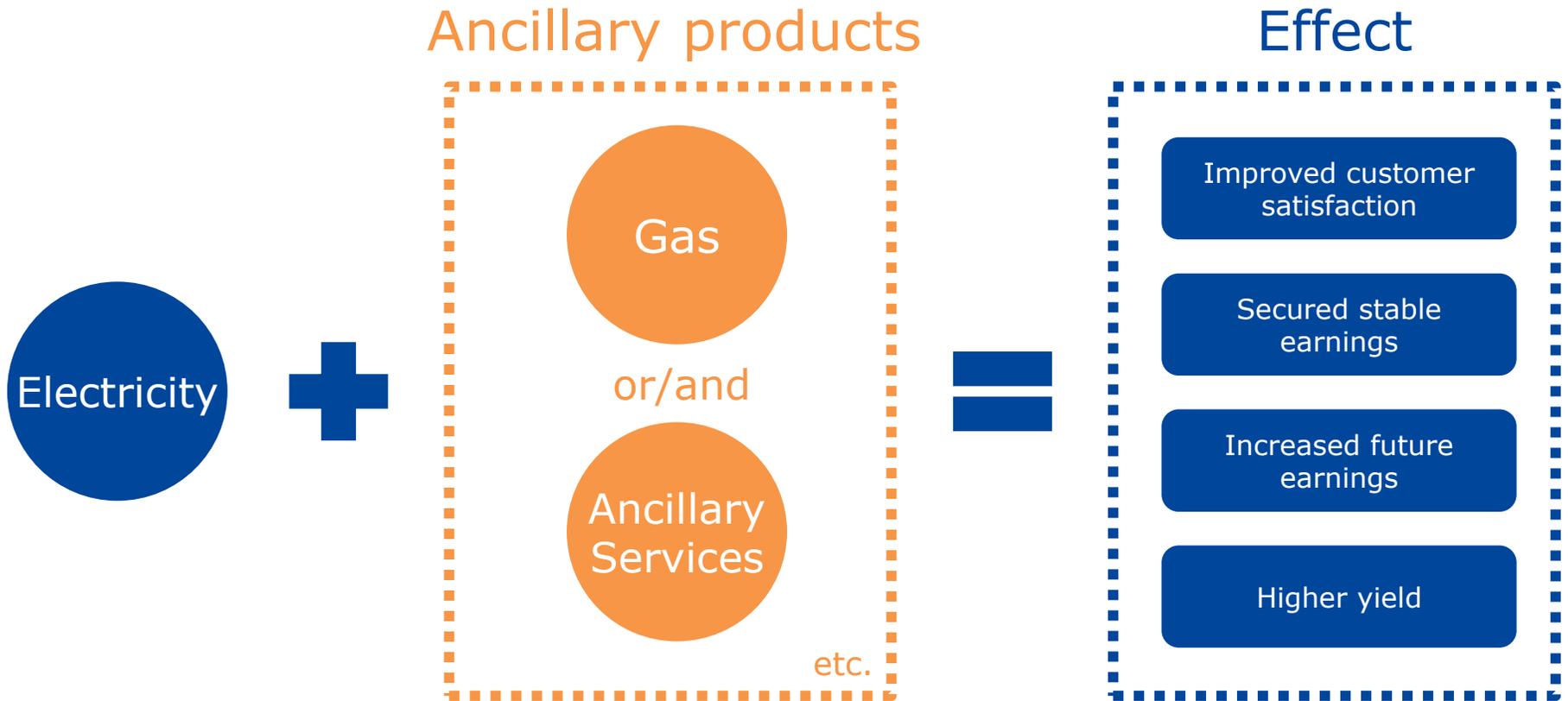
保険ショップ × コールセンター × Web × 訪問サポート  
保険ショップ：全国 348 店舗 取扱保険会社数：69 社

newton financial consulting  
日本最大規模の保険コールセンター

保険見直し本舗  
全国展開の保険ショップ 348 店舗 and others

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

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



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

# Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

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

# Methods and Range of Stock Valuation by Disclosure Material

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

# Profit Recognition Due to Changes in Shareholdings

Unrealized Gains on listed stock investments do not affect basic earnings

	Account Items	Range		Line Items Impacted
		Before	After	
Decrease in Shareholdings	Profits or Losses from Sales of Shares Revaluation Gain at Exclusion of Stock	Consolidated Subsidiaries	Consolidated Subsidiaries	No profit*
		Consolidated Subsidiaries	Equity Method Affiliates/ Others	Operating Income
		Equity Method Affiliates	Equity Method Affiliates/ Others	Pre-tax Profits
		Others	Others	Comprehensive Income
Increase in Shareholdings	Profits or Losses from Step-by-Step Acquisition of Stocks	Equity Method Affiliates	Consolidated Subsidiaries	Pre-tax Profits
		Others	Equity Method Affiliates/ Consolidated Subsidiaries	Comprehensive Income
	Gain from Negative Goodwill	Others/ Equity Method Affiliates	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)
- 3 Financial Strategy
- 4 Other Supplementary Materials
- 5 Sustainability Information**

# Our Sustainability

## Management Principles

- Contribute to stakeholders by providing products and services that meet the needs of the times
- Follow the true nature of our company as we respond in a timely and appropriate manner to those changes, and take a medium- to long-term perspective to propose and implement strategies aligned with the circumstances of the times, in order to 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	(2) Pursue Capital Efficiency	(3) Human Resource Development	(4) Speedy Management
Governance			

# (1) Revenue Structure/Risk Diversification

## ■ Revenue Structure

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

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

Long-term, stable earnings      Mainly variable costs

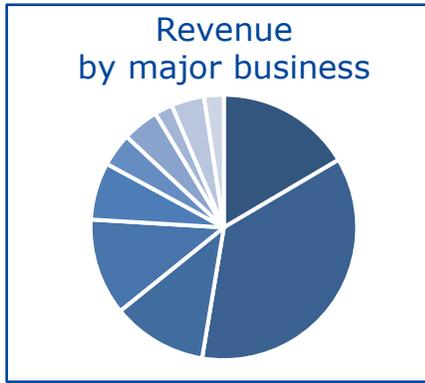
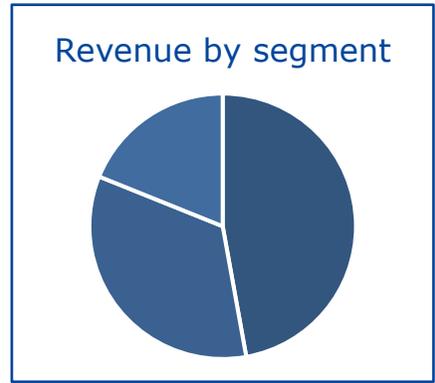
Recurring profit is long-term, stable earnings, and unlikely to see a large deterioration in the short run. Acquisition costs are variable costs, over which the company has control on its own. Accordingly, the revenue structure is adaptable to changes in the business environment.

## ■ Risk Diversification

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

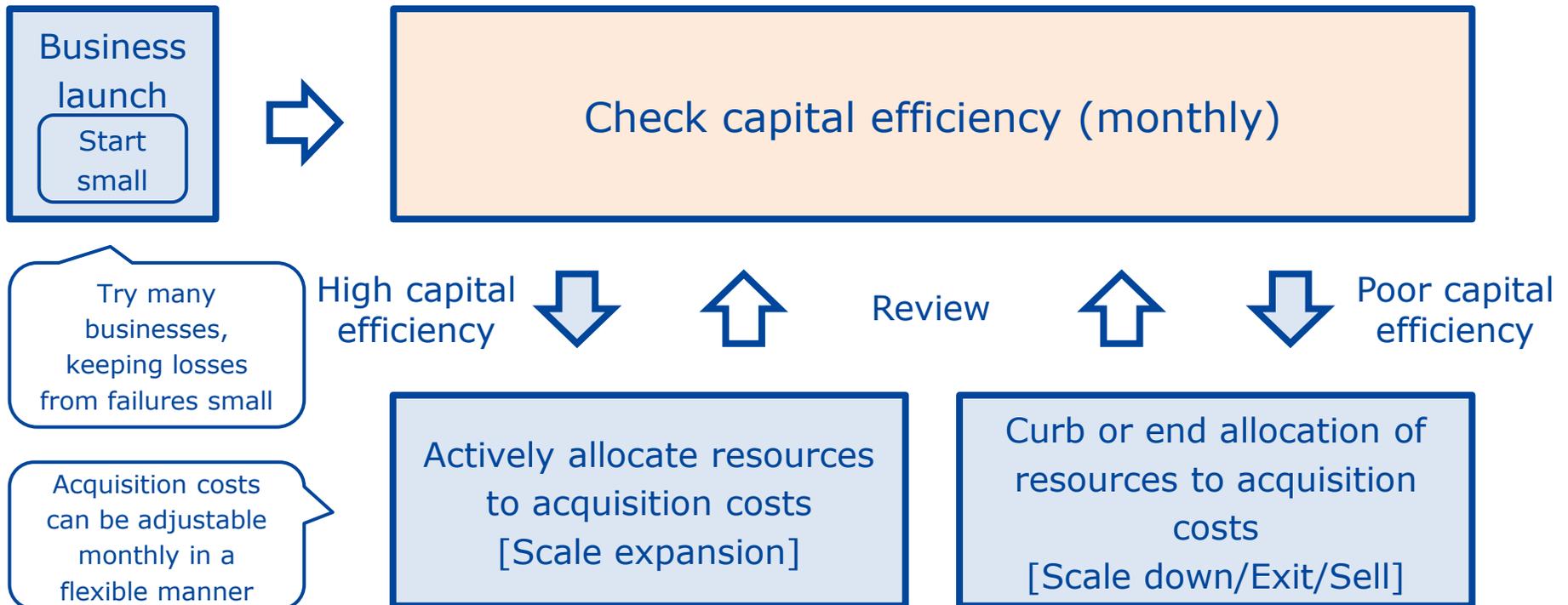
Corporate customers  
Approx. 1,000,000  
Individual consumers  
Approx. 3,000,000

Agencies  
Approx. 1,000



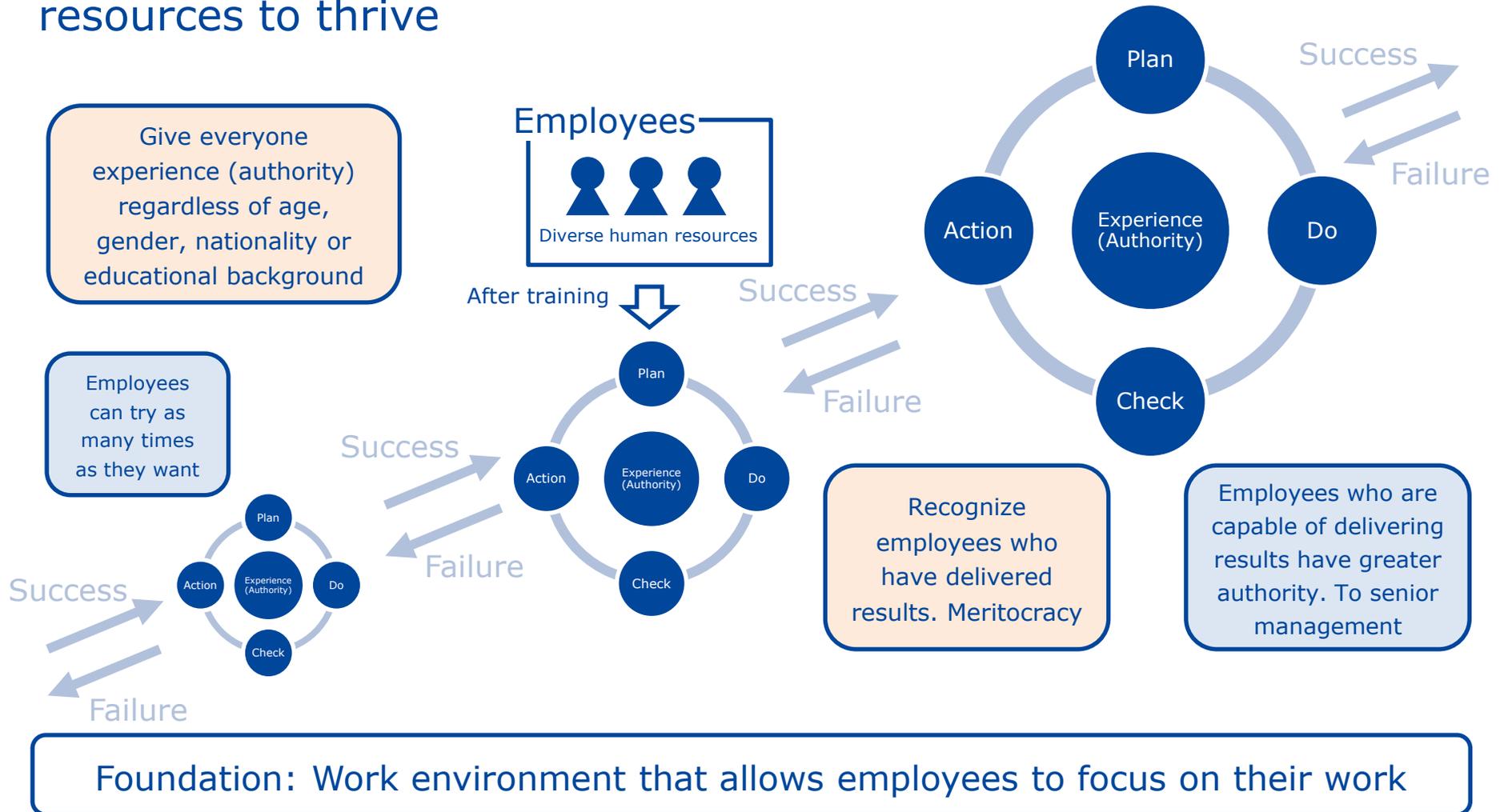
## (2) Pursue Capital Efficiency

- 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



# (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) Forest maintenance activity

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

## 2) Mt. Fuji clean-up activity

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

## 3) PET Bottle Weight Reduction

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

## 4) Provision of water to welfare facilities

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

## 5) Non-possession

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

## 6) Reuse

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

## 7) Paperless

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

# Social

## 1) Promotion of diversity

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

## 2) Meritocracy

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

## 3) Respect for human rights

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

## 4) Working hours

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

## 5) Various systems

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

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

## 6) Setting up an opinion-box system

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

# Social

## 7) Economic contributions

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

## 8) Contribution to local government

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

# Governance

## 1) Remuneration of executive directors

Remuneration of executive directors is determined based on indices including operating profit in order to incentivize executive directors to 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.

## 2) Listed Stock Investments

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

## 3) Risk Management

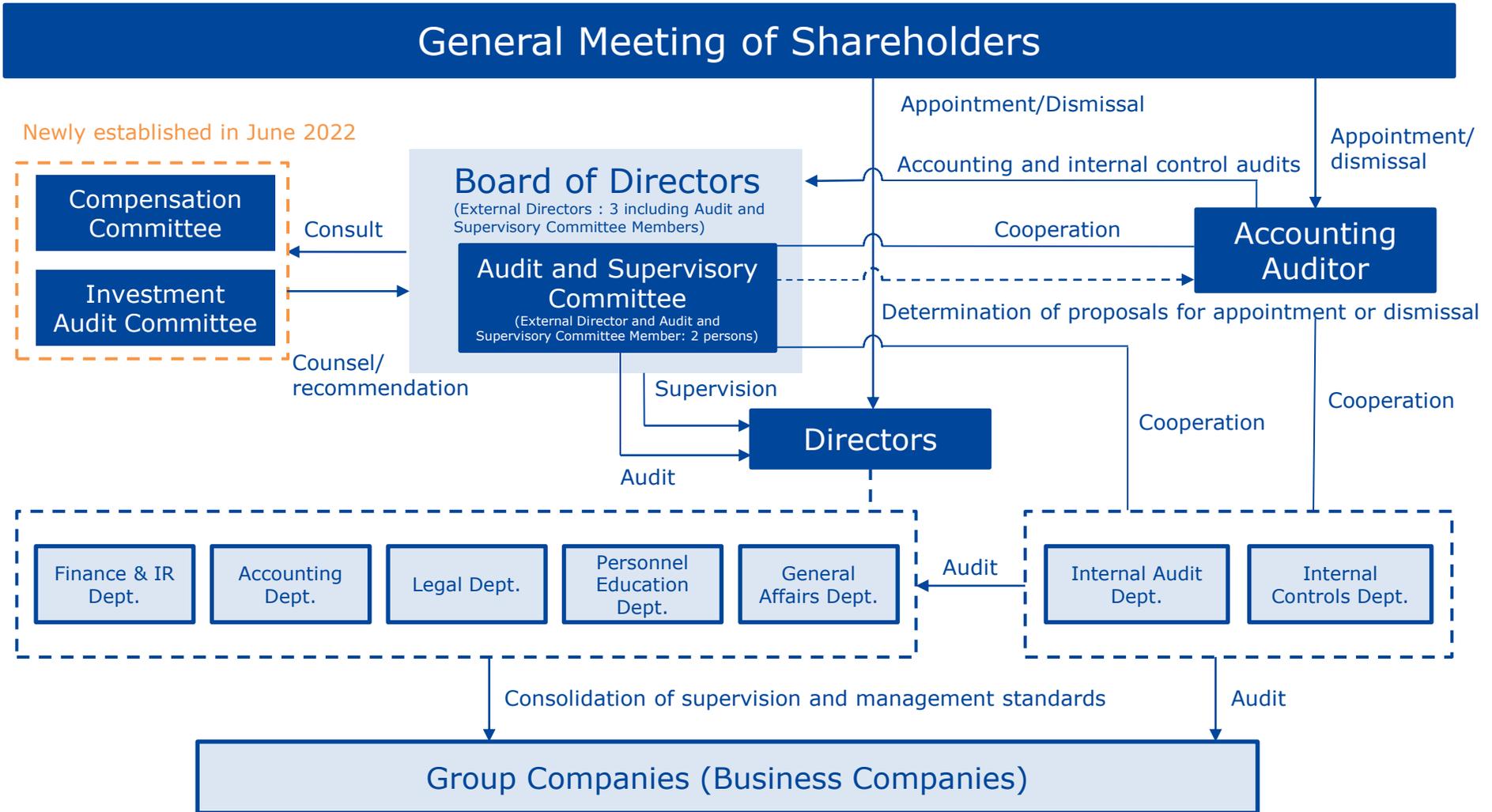
As part of our response to the basic policy for internal control determined by the Board of Directors, we hold regular meetings to gather internal risk information and report to the Audit and Supervisory Committee.

## 4) Information Security / Business Continuity Plan

To manage the personal information of our customers and employees properly, we are trying to establish a system that allows us to comply with laws and regulations, prevent breaches of contracts, gather and manage information, and propose an appropriate operational procedures.

In addition, we have set crisis management rules for the risks that would occur in our daily business operations and the risks caused by external factors such as disasters, and are creating a BCP system.

# Corporate Governance Structure



# ESG data (consolidated)

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

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

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

# ESG data (consolidated)

## S(Social)

		Unit	FY2022	FY2023 (Provisional)
Number of employees (regular employees)	Total	Persons	5,310	4,488
	Ratio of females	%	42	35
Number of employees in managerial positions (regular employees)	Total	Persons	952	892
	Ratio of females	%	18	17
Number of female employees who took childcare leave		Persons	195 * female only	99
Average overtime hours per month (regular employees)		Hours	16	13
Utilization of paid leave (regular employees)		%	64	65

## Notes in regard to this material

### **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.

### **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.