



Financial Results

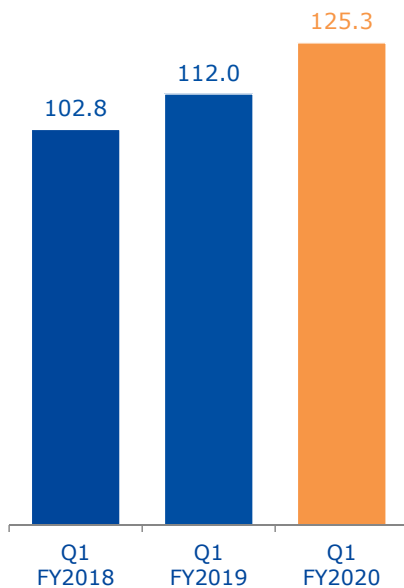
For the three months ended June 30, 2019

August 14, 2019

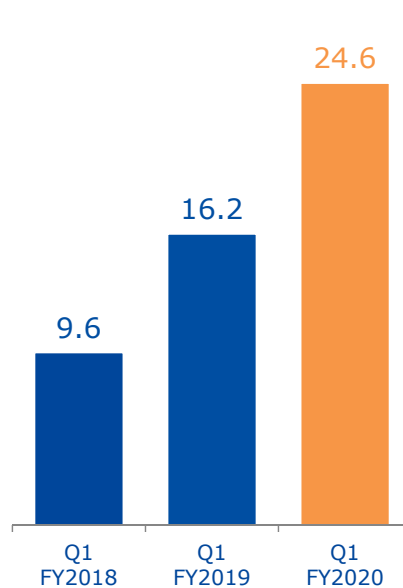
Steady Performance

1) Revenue

(Billions JPY)

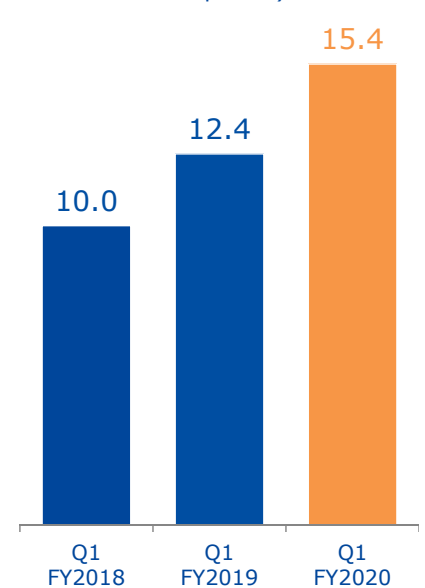


2) Operating Profit

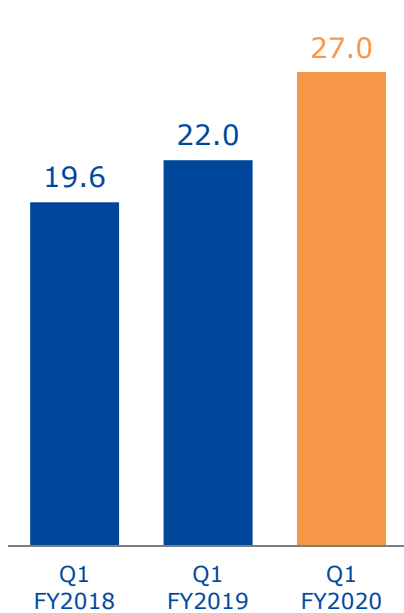


3) Quarterly Net Income

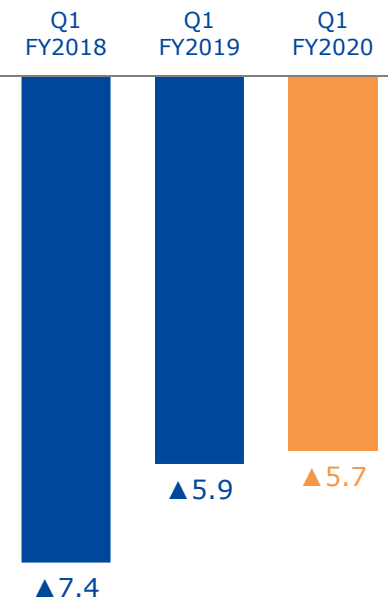
(Quarterly net income attributable to owners of parent)



4) Recurring Profit



5) In-House Product Acquisition Cost



6) Number of In-House Products Acquired

(Thousand Units)



Revenue and profit increased due to an increase in recurring profit which is a long-term, stable revenue.

Change in Reportable Segments

Reportable segments will be changed from the fiscal year ending March 31, 2020 as follows due to a change in management structure.

■ Segments before change

Name	Subclass
Company	Communication Line Business
	Water Business
	New Business and others
	Office-related Business
SHOP	
Insurance	



■ Segments after change

Name	Description
Corporate Service	In-house products (for companies)
Individual Customer Service	In-house products (for individuals)
Commission-based Sales	Third-party products

Business Areas

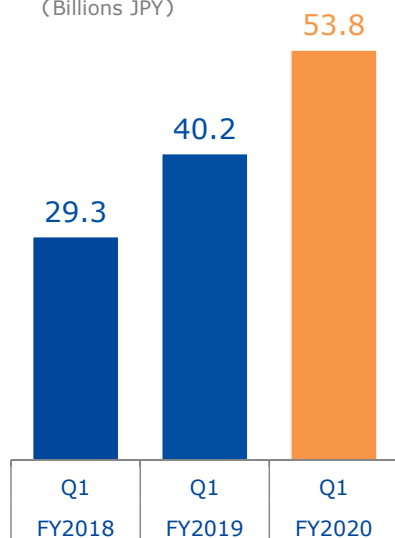
Segments	Main Business	Conceptual Image	Target	Marketing Method
Corporate Services (In-house products for companies)	Internet connection line		SMEs	Door-to-door sales, TMS, etc.
	Contents			
	Industry-specific IT Solutions	E PARK		
	Electricity			
Individual Customer Service (In-house products for individuals)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

Corporate Service

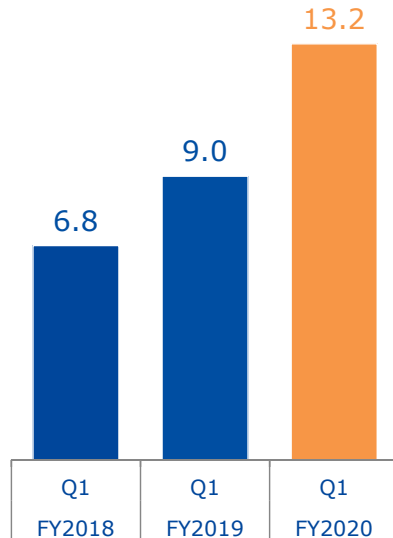
Main business: Internet communication line, content, electricity, industry-specific IT solutions, etc.

1) Revenue

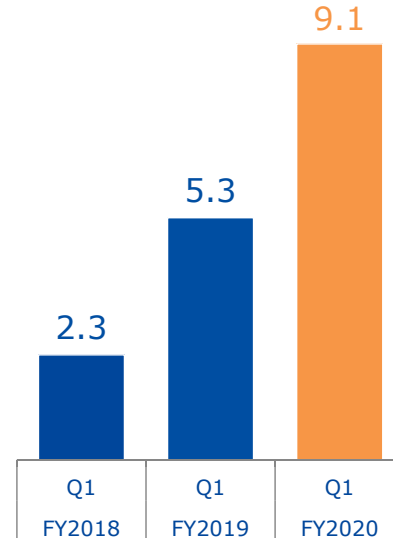
(Billions JPY)



2) Recurring Profit



3) Operating Profit



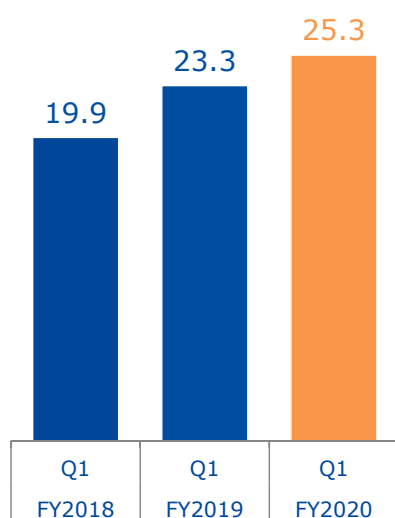
Both revenue and profit increased for each business.

Individual Customer Service

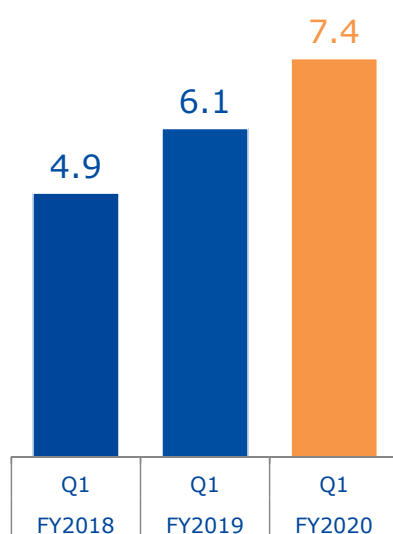
Main business: Internet communication line, content, water delivery, etc.

1) Revenue

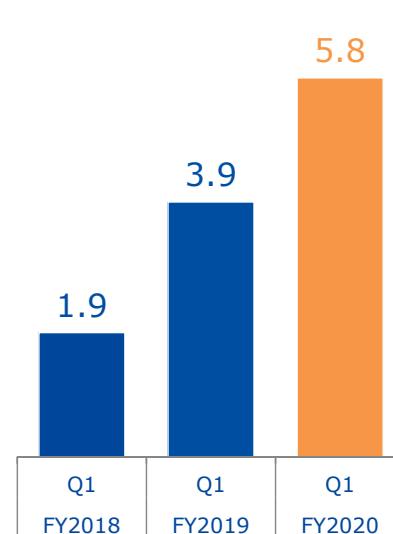
(Billions JPY)



2) Recurring Profit



3) Operating Profit



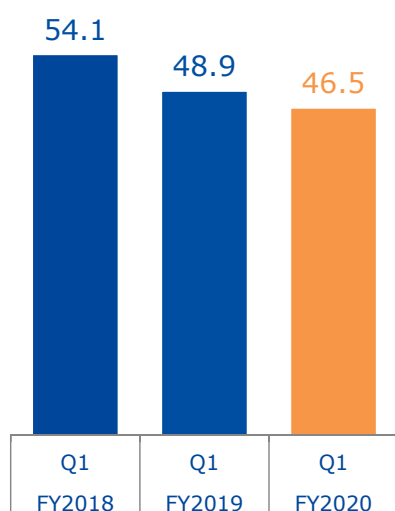
Revenue and profit increased mainly in the water delivery business.

Commission-based Sales

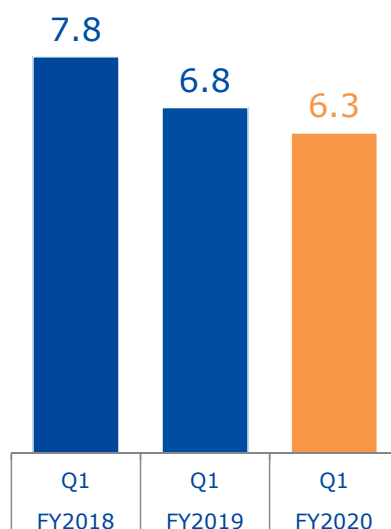
Main business: Commission-based sales for mobile phones, OA equipment, insurance, etc.

1) Revenue

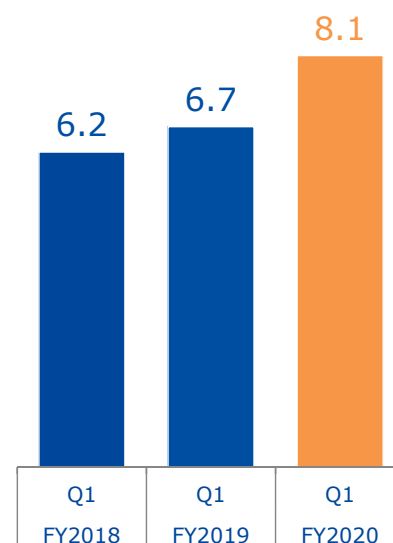
(Billions JPY)



2) Recurring Profit



3) Operating Profit



Revenue and profit tend to decrease due to change in external environment. Profit increased, however, through efforts to improve productivity such as by sales of business assets.

Non-Operating Profit

(Billions JPY)

	FY2018	FY2019	FY2020
	Q1	Q1	Q1
Operating Profit	9.6	16.2	24.6
Financial revenue + Financial expenses	0.9	2.3	▲0.6
Share of loss (profit) of entities accounted for using equity method	0.1	0.3	0.8
Other non-operating expenses (income)	5.8	0.1	0.1
Quarterly profit (loss) before income taxes	16.5	19.0	25.0
Corporate income tax expenses	▲6.1	▲5.8	▲8.4
Non-controlling interests	▲0.3	▲0.8	▲1.0
Quarterly net income attributable to owners of parent	10.0	12.4	15.4

Performance forecast : Steady progress

(Billions JPY)

	FY2020 Q1	FY2020(E)	
	Actual Results	Forecast	Progress Rate
Revenue	125.3	530.0	23%
Operating Profit	24.6	70.0	35%
Quarterly net income and net income attributable to owners of parent	15.4	46.0	33%

©2019 HIKARI TSUSHIN, INC. All Rights Reserved

9

Consolidated Cash Flow

(Billions JPY)

	FY2018	FY2019	FY2020
	Q1	Q1	Q1
Cash Flow from Operating Activities	+2.1	+15.2	+22.2
Cash Flow from Investing Activities	+8.3	(13.5)	(8.3)
Free Cash Flow	+10.5	+1.7	+13.8
Cash Flow from Financial Activities	(0.1)	(16.3)	(12.0)

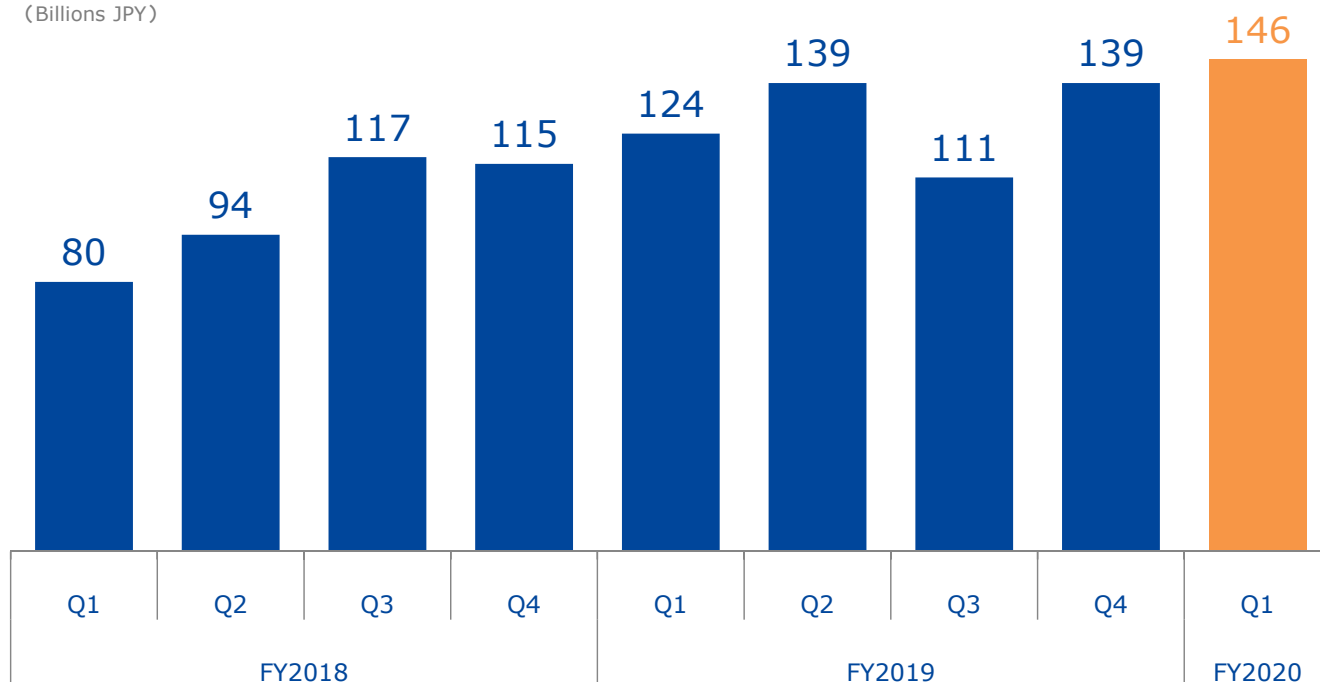
©2019 HIKARI TSUSHIN, INC. All Rights Reserved

10

Net Cash Assets

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

(Billions JPY)

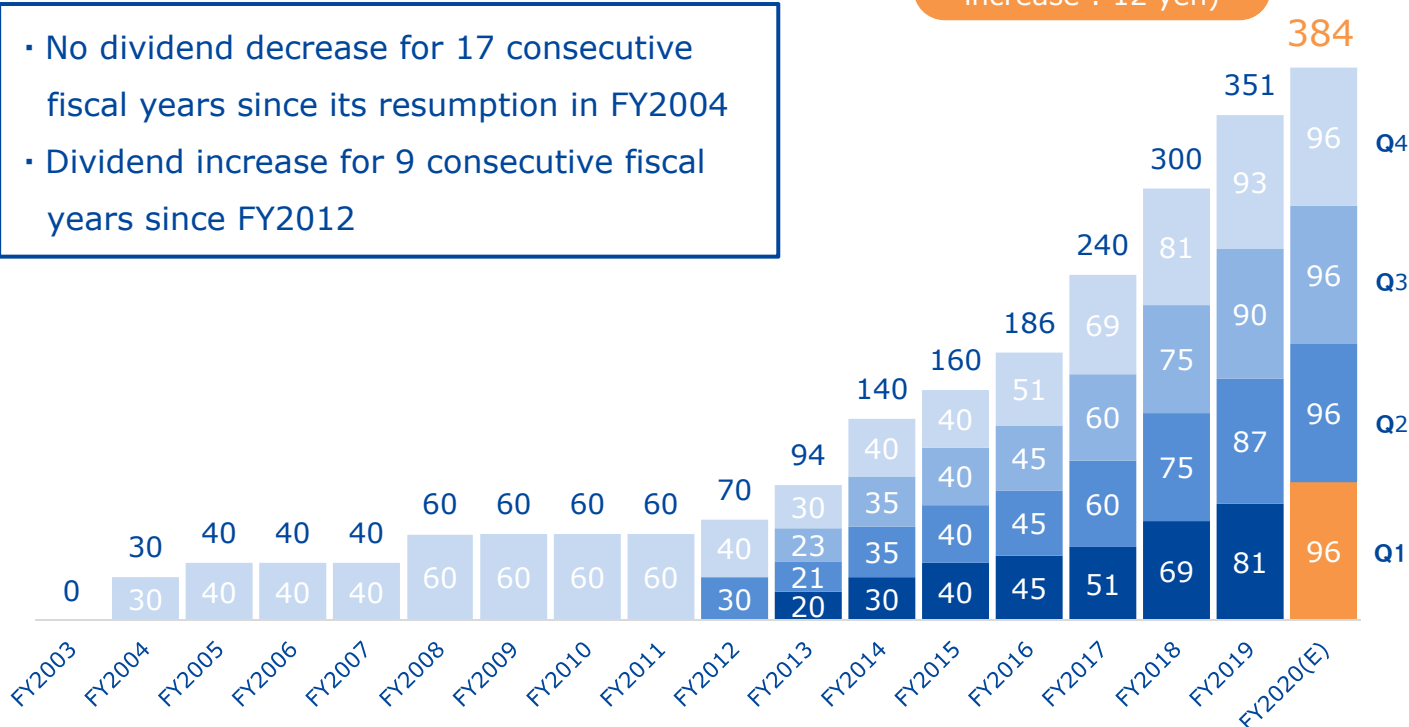


Dividends per share

(JPY)

- No dividend decrease for 17 consecutive fiscal years since its resumption in FY2004
- Dividend increase for 9 consecutive fiscal years since FY2012

Dividend forecast for FY2020 Q1 Increase by 3 yen from 93 yen (Annual dividend increase : 12 yen)



Granting of Non-Life Insurance License to Company's Subsidiary

The Company's consolidated subsidiary (Sakura Insurance Inc.) was granted a non-life insurance business license from the Financial Services Agency on June 28, 2019.

(1) Name of Company	Sakura Insurance Inc.
(2) Location of Head Office	1-12-5, Higashi-Ikebukuro, Toshima-ku, Tokyo
(3) Representative Director and President	Yoshihiko Komatsu
(4) Capital	1,010,000,000 yen
(5) Shareholder Composition	HIKARI TSUSHIN, INC. (shareholding ratio: 100%)
(6) Date of Commencement of Business	July 1, 2019

Change in Company's Issuer Rating (upgraded)

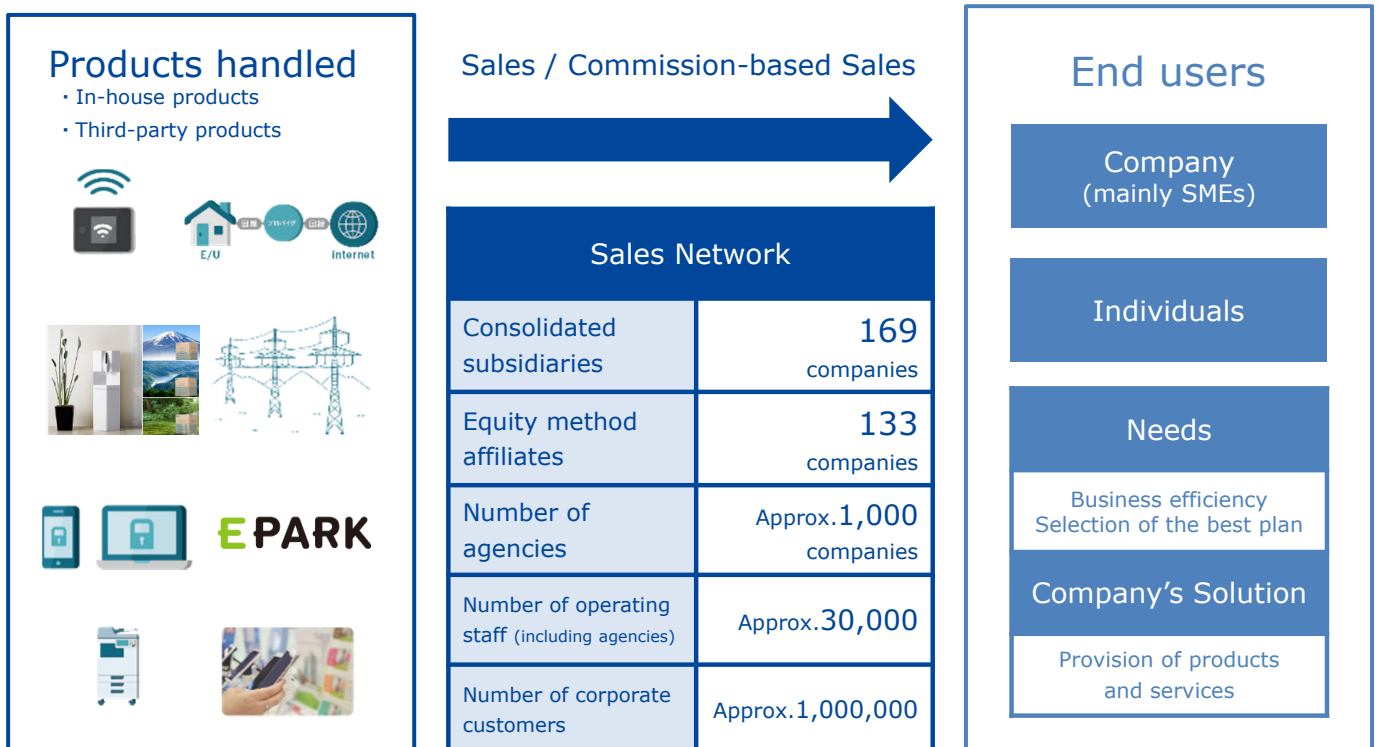
The Company's issuer rating was announced by Rating and Investment Information, Inc. (R&I) on July 5, 2019.

Before change	After change
<p>BBB+ (Stable)</p>	<p>A- (Stable)</p>

The Company obtained an issuer rating of A- (stable) from Japan Credit Rating Agency Ltd. (JCR) in November 2018.

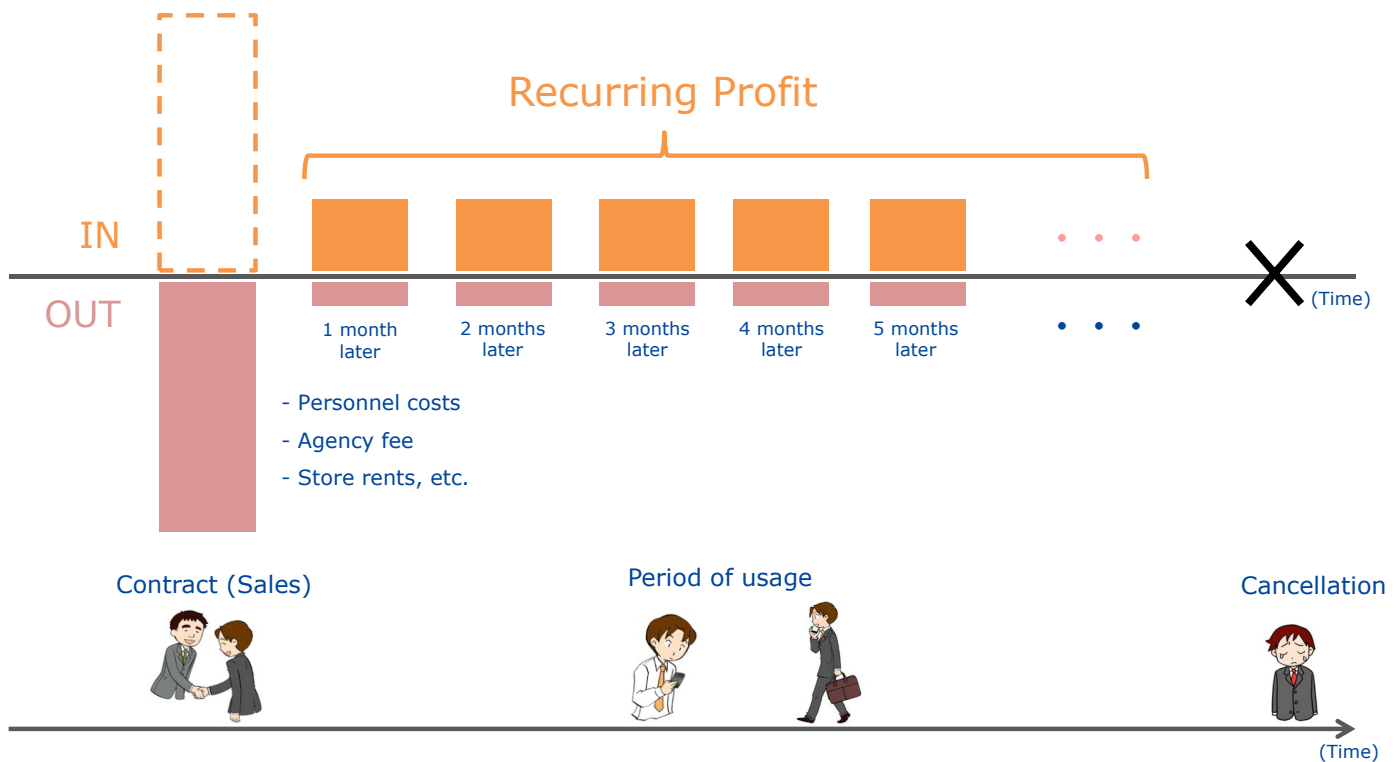
Basic Information

Business Overview



Representative Earnings Model

(conceptual image of earnings per deal)

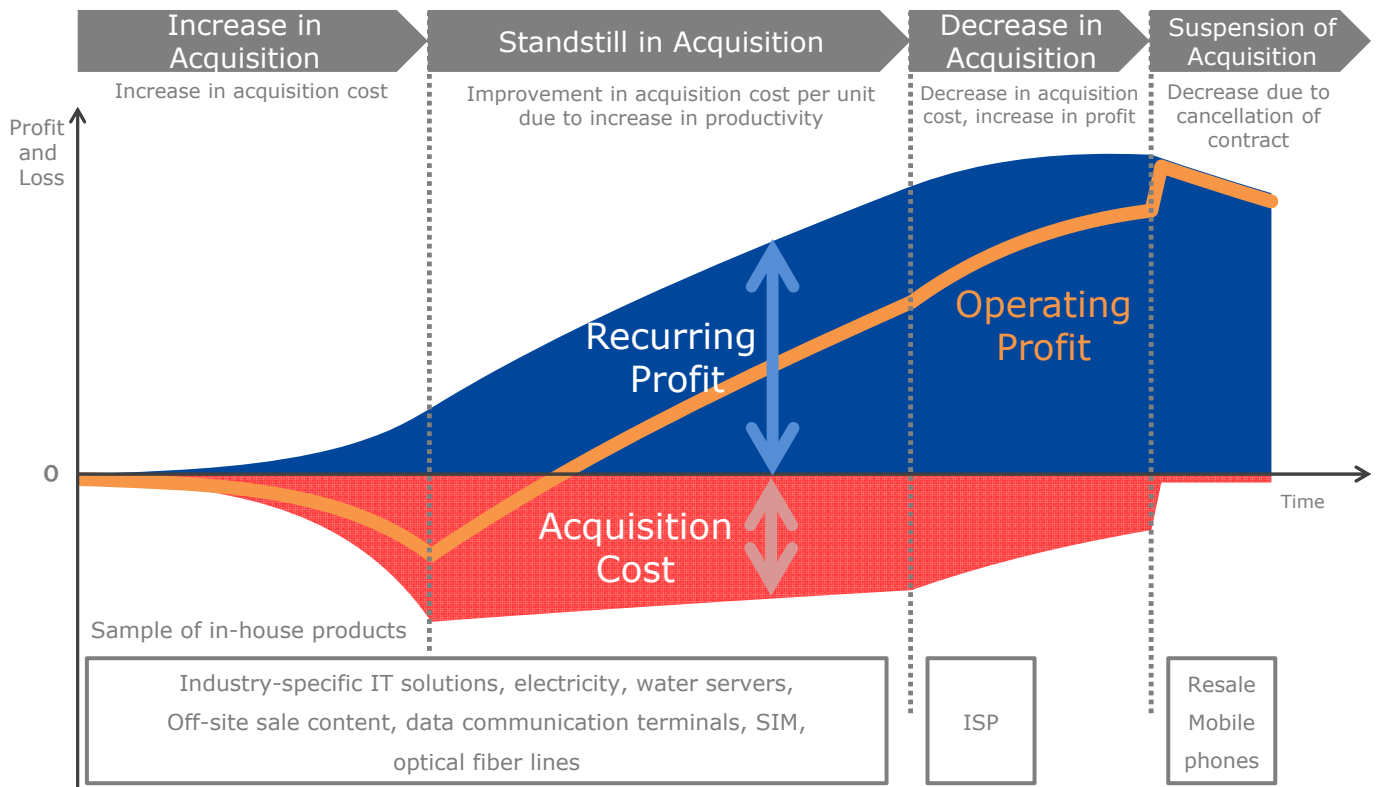


Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

	Total	Recurring		Lump-sum	
Revenue	484.3	Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies	267.1	Initial commission income, hardware sales proceeds of hardware, etc.	217.2
Cost of goods sold + SGA expenses	(420.1)	Cost of service provided, cost of customer retention such as billing costs, etc.	(175.0)	Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc.	(245.0)
Operating Profit	64.2	Recurring Profit	92.0	Acquisition Cost	(27.8)

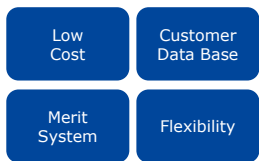
Conceptual Image of Trend in Operating Profit from In-House Products



©2019 HIKARI TSUSHIN, INC. All Rights Reserved

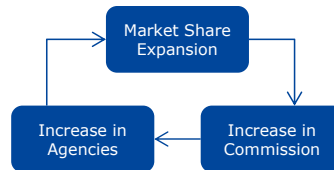
Our Strengths

1) Strength Since Establishment



Our corporate culture, valued and cultivated since our establishment, acts as a driving force to increase earnings.

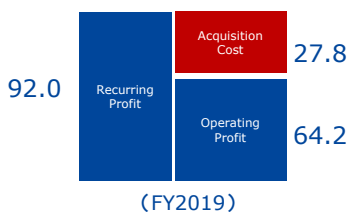
3) Overwhelming Sales Network



Virtuous cycle (market share expansion — increase in agencies) continues, developing the sales network.

2) Recurring Profit

(Billions JPY)



Significant amount of stable monthly profit allows us to incur sufficient amount of expenses to expand business.

4) Our Customers



List of potential customers for solicitation have been databased, and an efficient increase in profit through cross selling is expected.

©2019 HIKARI TSUSHIN, INC. All Rights Reserved

Our Initiatives

Development of Employment Environment

1) Promotion of Diversity

We promote diversification group-wide to adopt to the diversifying business society. Childcare and reinstatement are also actively supported.



2) Participation in the Toshima Ikuboss Declaration

Our Ikuboss declaration was made at the "Toshima Ikuboss Declaration" held by academia, industry, and government at Toshima Ward Office in September 2016.

*Ikuboss refers to a boss (management, superiors) capable of thinking about work balance (balance between work and life) of subordinates and staff working together in the office, support their carriers and lives, and enjoy one's own work and private life while also achieving business performance in the organization.



3) Acquisition of "Kurumin" Mark

We have been recognized as a company that supports the development of the next generation children by the Tokyo Labor Bureau, and have received the accreditation mark (known as "Kurumin") based on the Act on Advancement of Measures to Support Raising Next-Generation Children.



Efforts toward Social Contribution Activities

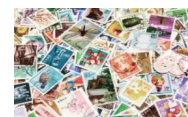
4) Bottle Cap Collection

We support activities of NPO Ecocap Movement which is engaged in the collection of bottle caps to fund vaccines. (as of March 31, 2019: cumulative total of 4,140,000 bottle caps, equivalent to vaccines for approx. 4,256 people were collected)



5) Used Stamp Collection

We donate used stamps to the Council of Social Welfare in Toshima Ward. The used stamps, after being converted to cash, are used for welfare. (as of March 31, 2019: cumulative total of 7,963 grams were donated)



6) Implementation of TC Activities (Toshima Ward Cleaning Plan)

Setting the ninth day of every month as a "Clean Day," we conduct clean up activities around Ikebukuro Station. We have been awarded a letter of appreciation from Toshima Ward as an organization promoting environmental activities in 2016.



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 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.