



# Financial Results

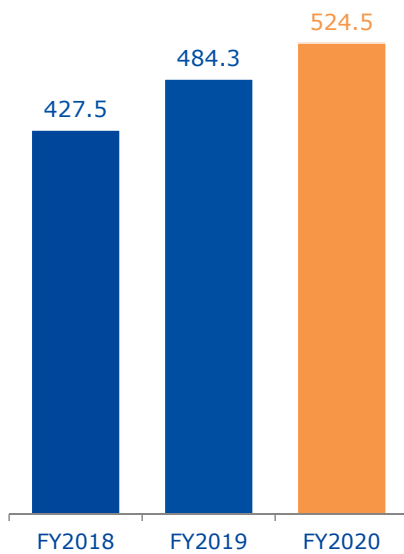
For the fiscal year ended March 2020

May 20, 2020

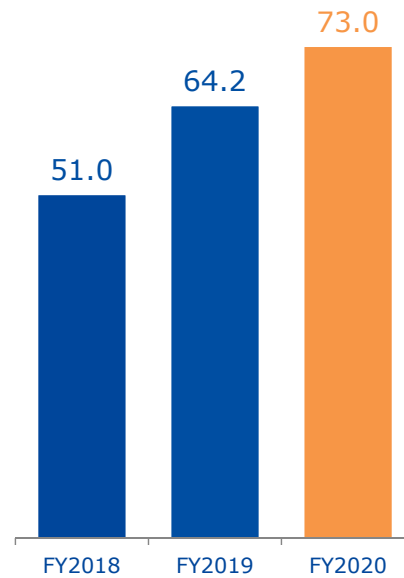
# Steady Performance

## 1) Revenue

(Billions JPY)

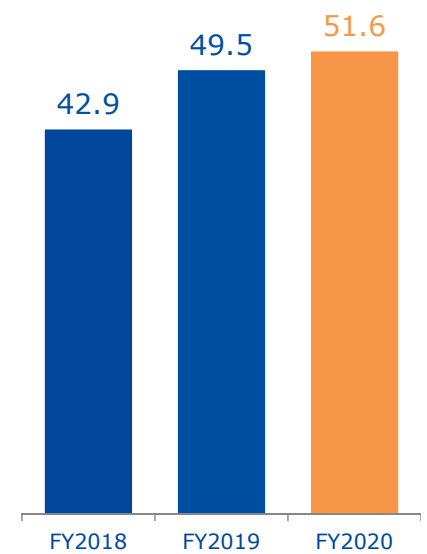


## 2) Operating Profit

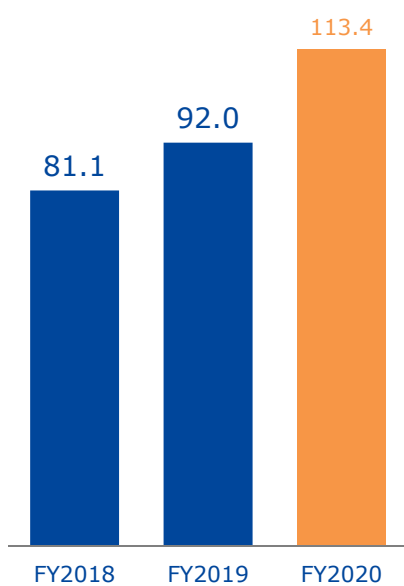


## 3) Net Income

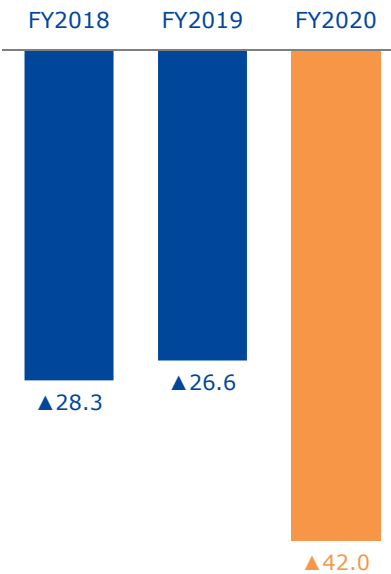
(Net income attributable to owners of parent)



## 4) Recurring Profit

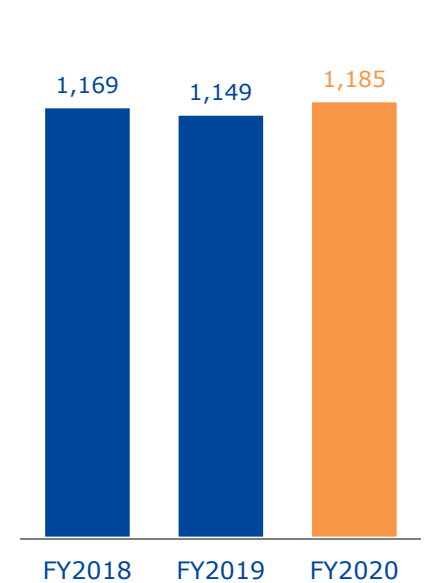


## 5) In-House Product Acquisition Cost



## 6) Number of In-House Products Acquired

(Thousand Units)



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

# Business Areas

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

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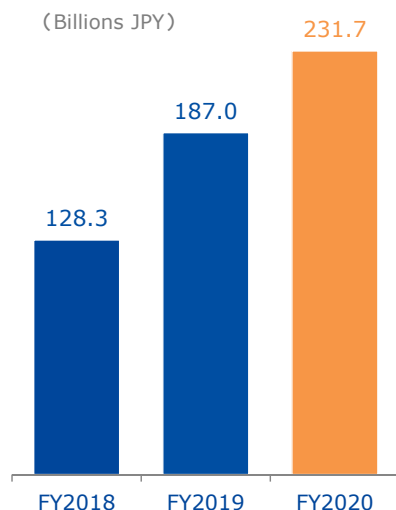
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## Corporate Service

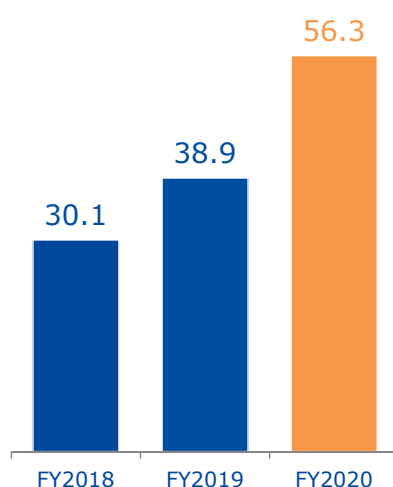
Main business: Internet communication line, content, electricity, industry-specific IT solutions, etc.

### 1) Revenue

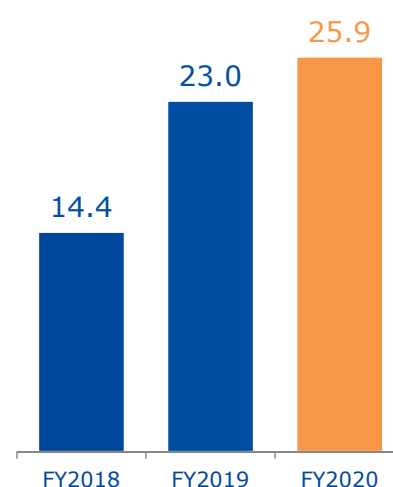
(Billions JPY)



### 2) Recurring Profit



### 3) Operating Profit



Recurring Profit increased significantly.

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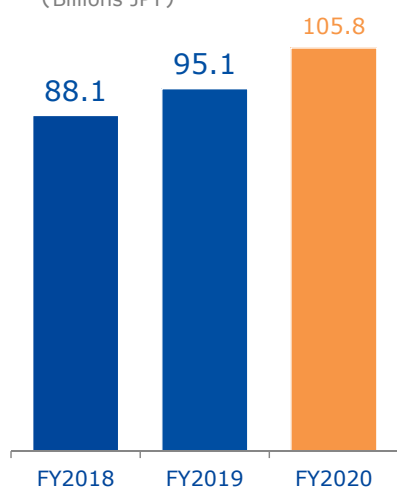
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# Individual Customer Service

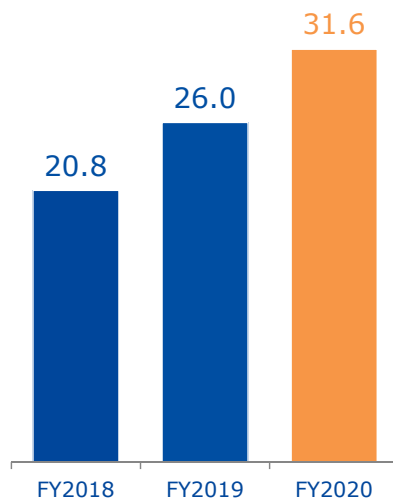
Main business: Internet communication line, content, water delivery, etc.

## 1) Revenue

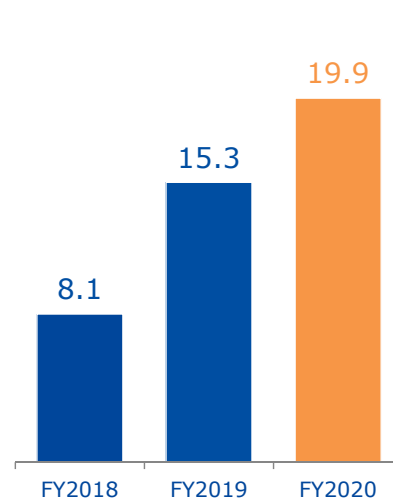
(Billions JPY)



## 2) Recurring Profit



## 3) Operating Profit



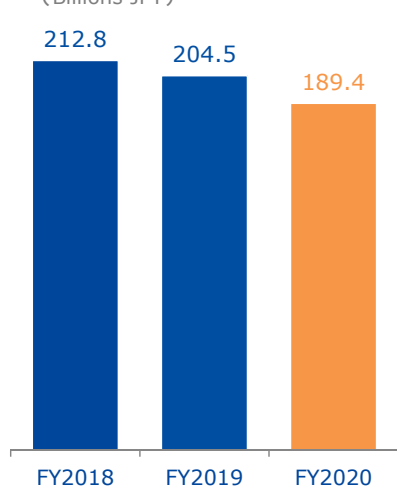
Revenue and profit increased mainly in the water delivery business.

# Commission-based Sales

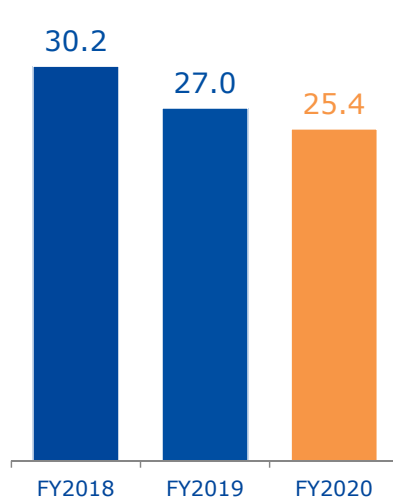
Main business: Commission-based sales for mobile phones, OA equipment, insurance, etc.

## 1) Revenue

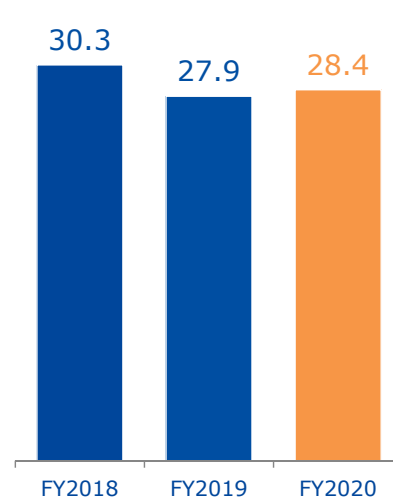
(Billions JPY)



## 2) Recurring Profit



## 3) Operating Profit



Revenue and profit 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 |
|--|--------|--------|--------|
| Operating Profit   | 51.0   | 64.2   | 73.0   |
| Financial revenue + Financial expenses                               | ▲7.5   | 1.1    | 2.3    |
| Share of loss (profit) of entities accounted for using equity method | 1.6    | 2.3    | 3.8    |
| Other non-operating expenses (income)                                | 8.6    | 3.8    | 0.8    |
| Net income before income taxes                                       | 53.7   | 71.5   | 80.0   |
| Corporate income tax expenses  | ▲8.0   | ▲18.6  | ▲25.8  |
| Non-controlling interests  | ▲2.7   | ▲3.3   | ▲2.5   |
| Net income attributable to owners of parent                          | 42.9   | 49.5   | 51.6   |

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# Consolidated Cash Flow

(Billions JPY)

|                                     | FY2018 | FY2019 | FY2020 |
|-------------------------------------|--------|--------|--------|
| Cash Flow from Operating Activities | +27.8  | +63.2  | +87.0  |
| Cash Flow from Investing Activities | (44.9) | (89.0) | (61.9) |
| Free Cash Flow                      | (17.1) | (25.7) | +25.1  |
| Cash Flow from Financial Activities | +86.2  | +21.2  | +61.0  |

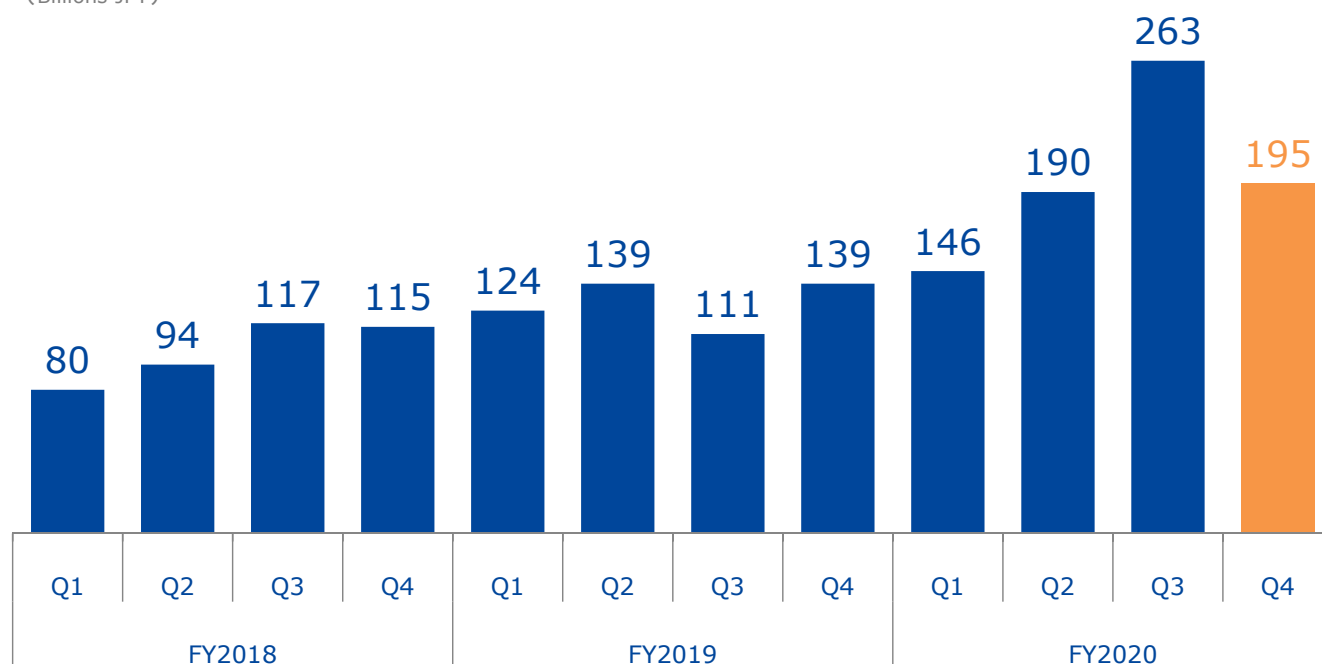
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# Net Cash Assets

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

(Billions JPY)



## Forecast for FY2021

# Performance forecast

(Billions JPY)

|   | FY2020         | FY2021(E) |                |
|---|----------------|-----------|----------------|
|   | Actual Results | Forecast  | Rate of Change |
| Revenue                                     | 524.5          | 525.0     | 100%           |
| Operating Profit                            | 73.0           | 75.0      | 102%           |
| Net income attributable to owners of parent | 51.6           | 53.0      | 102%           |

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# Capital Efficiency

|                          | FY2019 | FY2020 | FY2021(E) |
|--------------------------|--------|--------|-----------|
| Return on Equity ※1      | 20.5%  | 19.0%  | 18.5%     |
| Return on Assets ※2      | 8.6%   | 8.2%   | 7.7%      |
| Operating Profit Margin  | 13.3%  | 13.9%  | 14.3%     |
| Earnings per Share (JPY) | 1,075  | 1,126  | 1,155     |

※1 The capital and total assets of FY 2021 are not the average forecast for the period, but are actual results at the end of FY 2020.

※2 Operating Profit ÷ Total Assets

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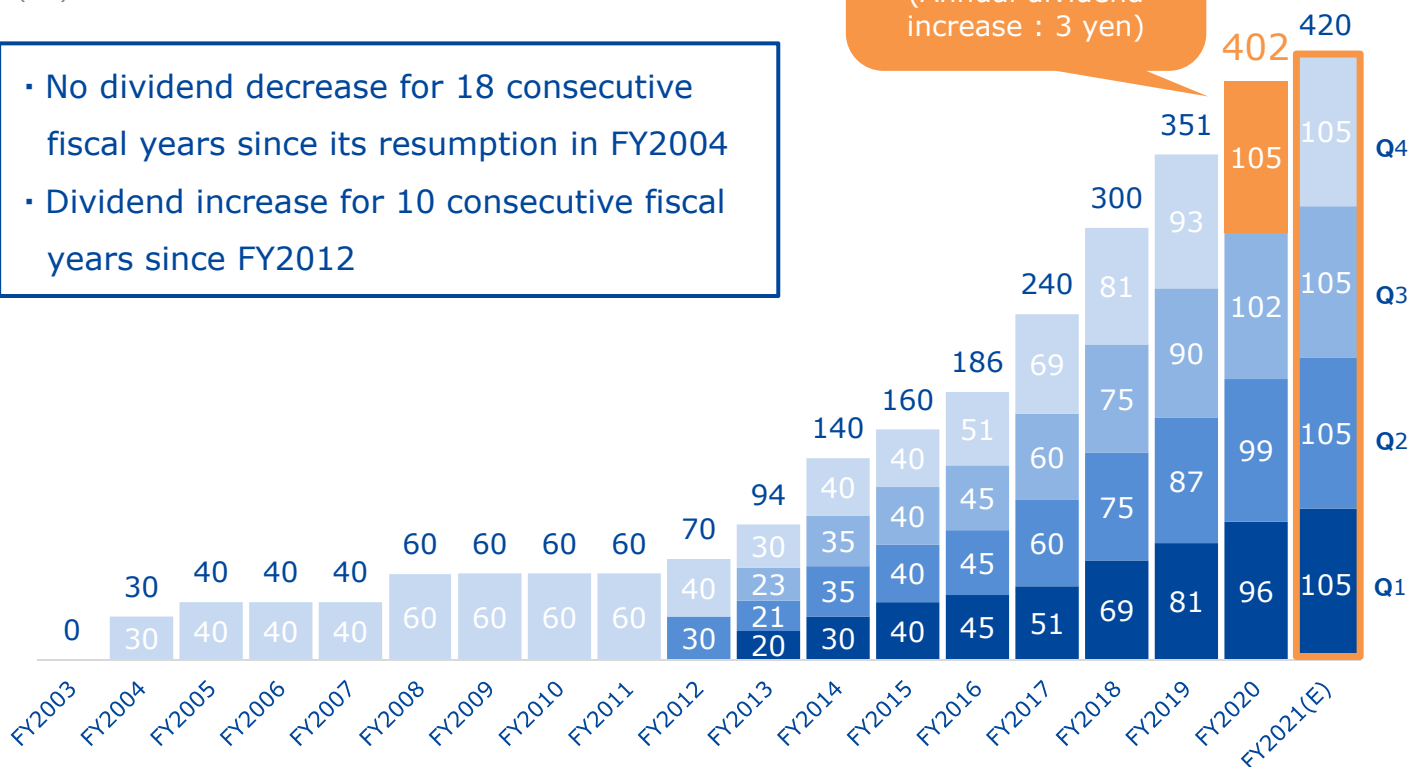
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# Dividends per share

(JPY)

Dividend forecast for FY2020 Q4 Increase by 3 yen from 102 yen (Annual dividend increase : 3 yen)

- No dividend decrease for 18 consecutive fiscal years since its resumption in FY2004
- Dividend increase for 10 consecutive fiscal years since FY2012



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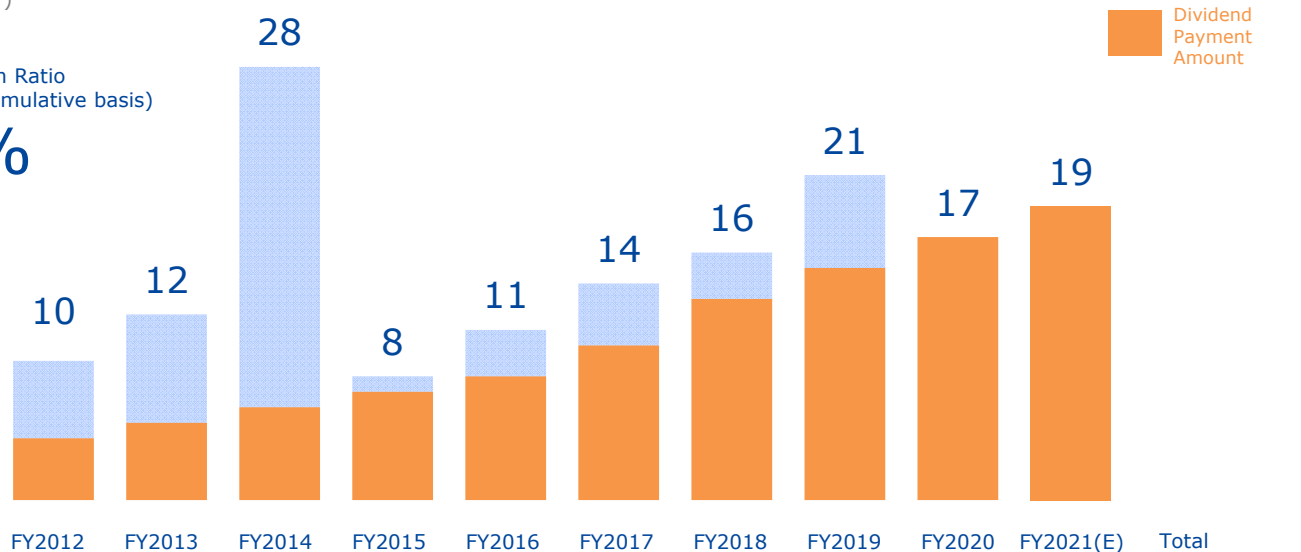
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# Trend of Shareholder Returns

(Billions JPY)

Total Return Ratio (10-year cumulative basis)

47%



|  | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021(E) | Total |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-------|
| Dividend Payment Amount                        | 4      | 5      | 6      | 7      | 8      | 10     | 13     | 15     | 17     | 19        | 108   |
| Aggregate Amount of Treasury Stock Repurchased | 5      | 7      | 22     | 1      | 3      | 4      | 3      | 6      | 0      | -         | 53    |
| Total Return Ratio                             | 132%   | 75%    | 98%    | 42%    | 44%    | 36%    | 38%    | 43%    | 34%    | 36%       | 47%   |

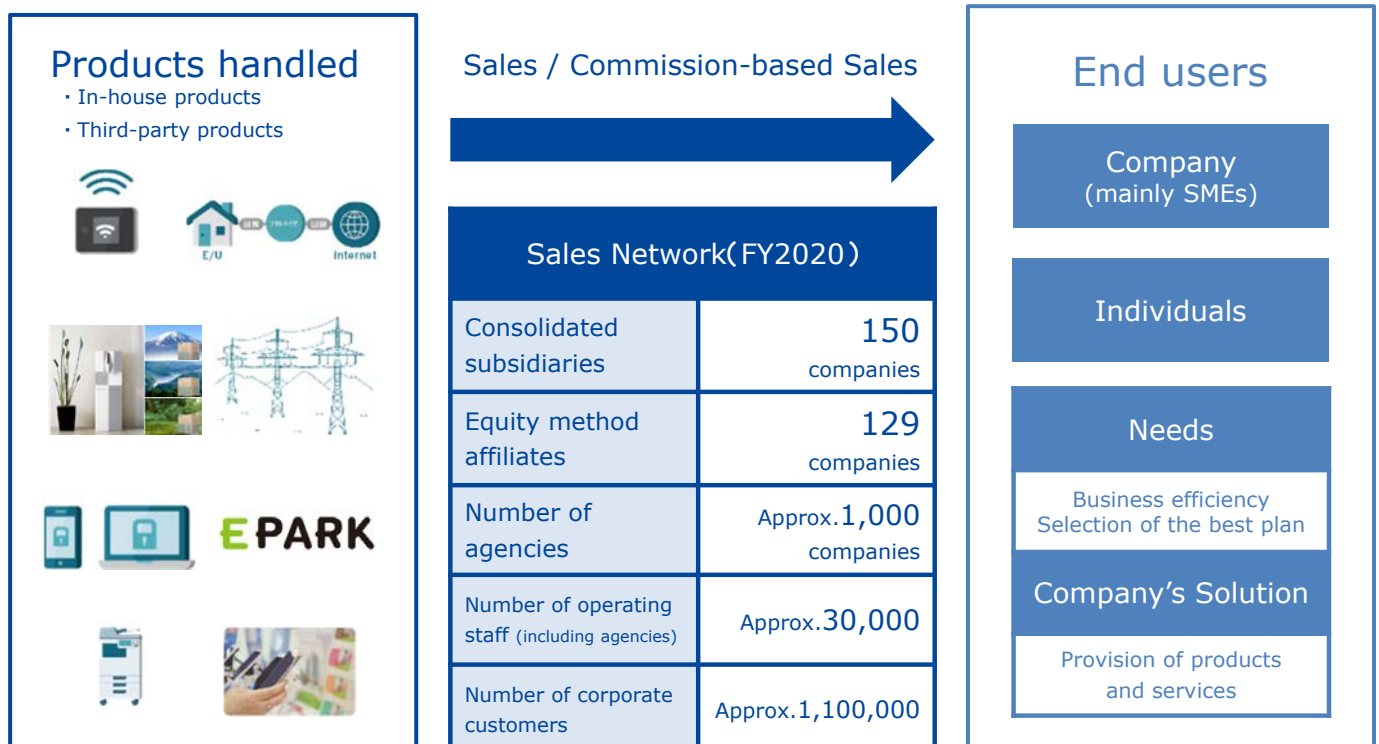
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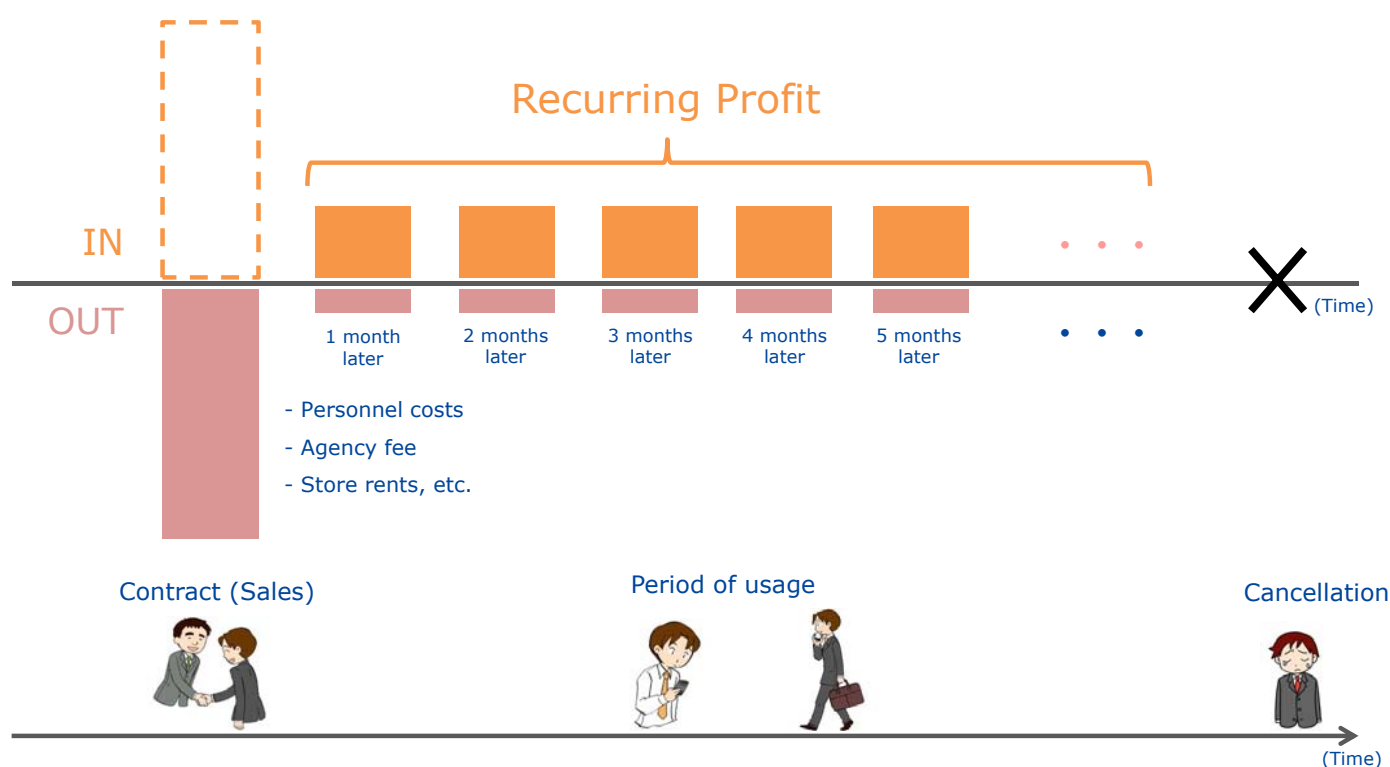
# Basic Information

## Business Overview



# Representative Earnings Model

(conceptual image of earnings per deal)



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## Explanation of Recurring Profit and Acquisition Cost

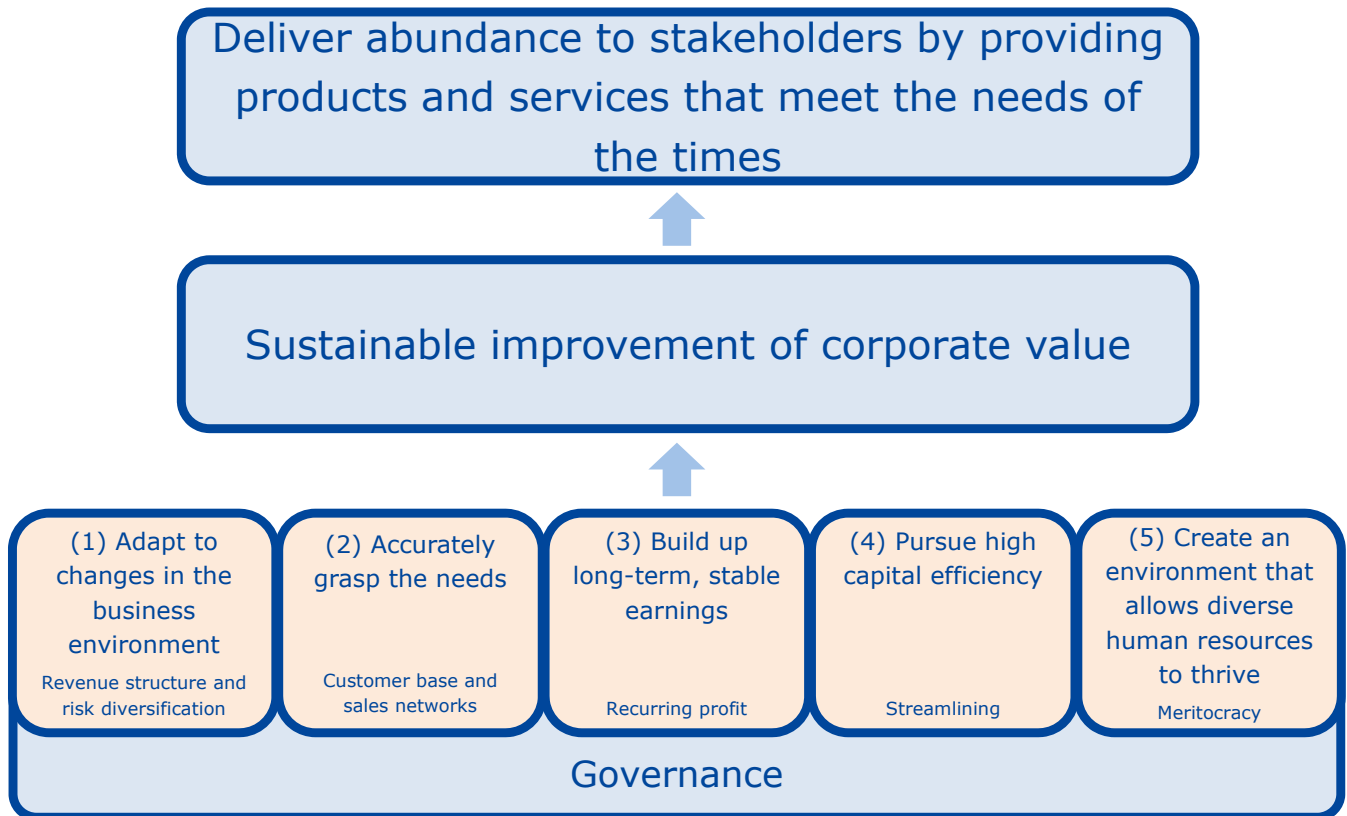
(Billions JPY)

|                                   | FY2020  |  |         |  |         |
|-----------------------------------|---------|--|---------|--|---------|
|                                   | Total   | Recurring  |         | Lump-sum   |         |
| Revenue                           | 524.5   | Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies | 340.2   | Initial commission income, hardware sales proceeds of hardware, etc.                                   | 184.3   |
| Cost of goods sold + SGA expenses | (451.5) | Cost of service provided, cost of customer retention such as billing costs, etc.   | (226.7) | Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc. | (224.8) |
| Operating Profit                  | 73.0    | Recurring Profit   | 113.4   | Acquisition Cost   | (40.4)  |

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# Our Sustainability



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

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

### [Reference] Revenue structure

Operating income =  $\frac{\text{Recurring profit}}{\text{Long-term, stable earnings}}$  +  $\frac{\text{Acquisition cost}}{\text{Mainly variable costs}}$

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

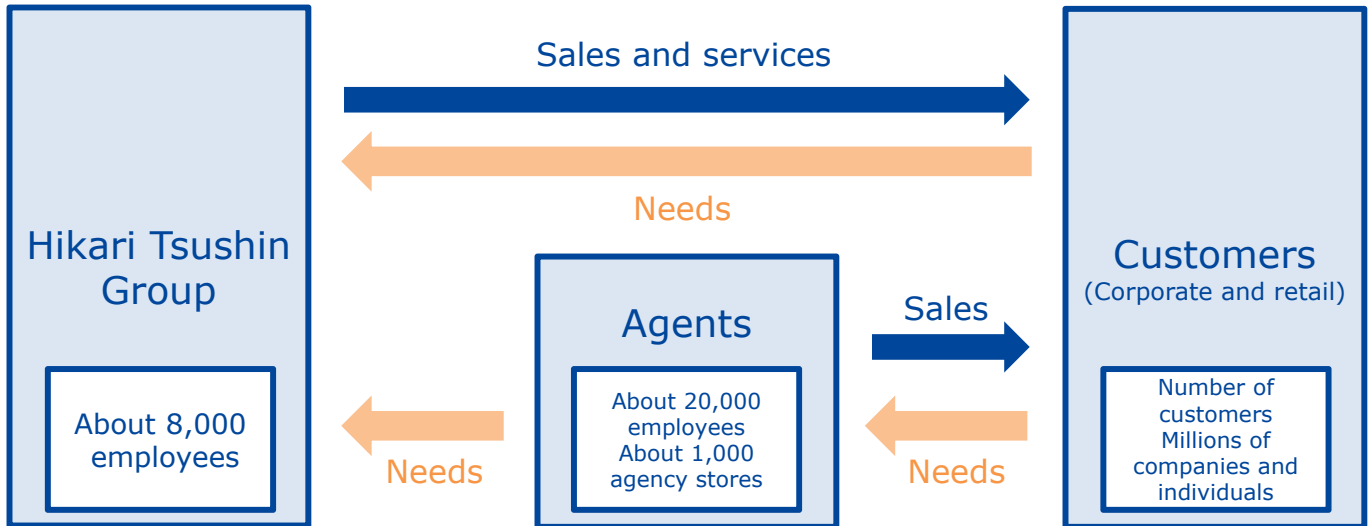
### [Reference] Business portfolio

|           | Office automation (OA) equipment | Mobile phones | Insurance | Land lines | Systems | Water | Electric power |
|-----------|----------------------------------|---------------|-----------|------------|---------|-------|----------------|
| 1988~2000 | ○                                | ○             | -         | -          | -       | -     | -              |
| 2001~2010 | ○                                | ○             | ○         | ○          | -       | -     | -              |
| 2011~2020 | ○                                | ○             | ○         | ○          | ○       | ○     | ○              |

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

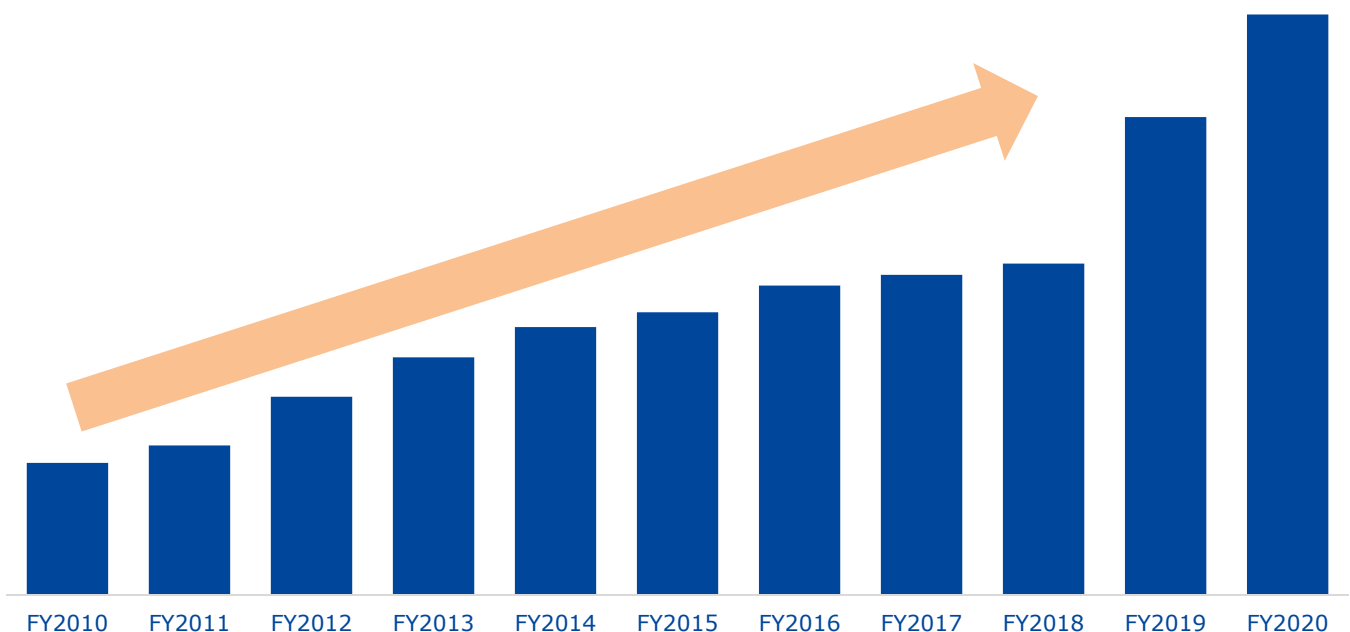
## (2) System to accurately grasp needs

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



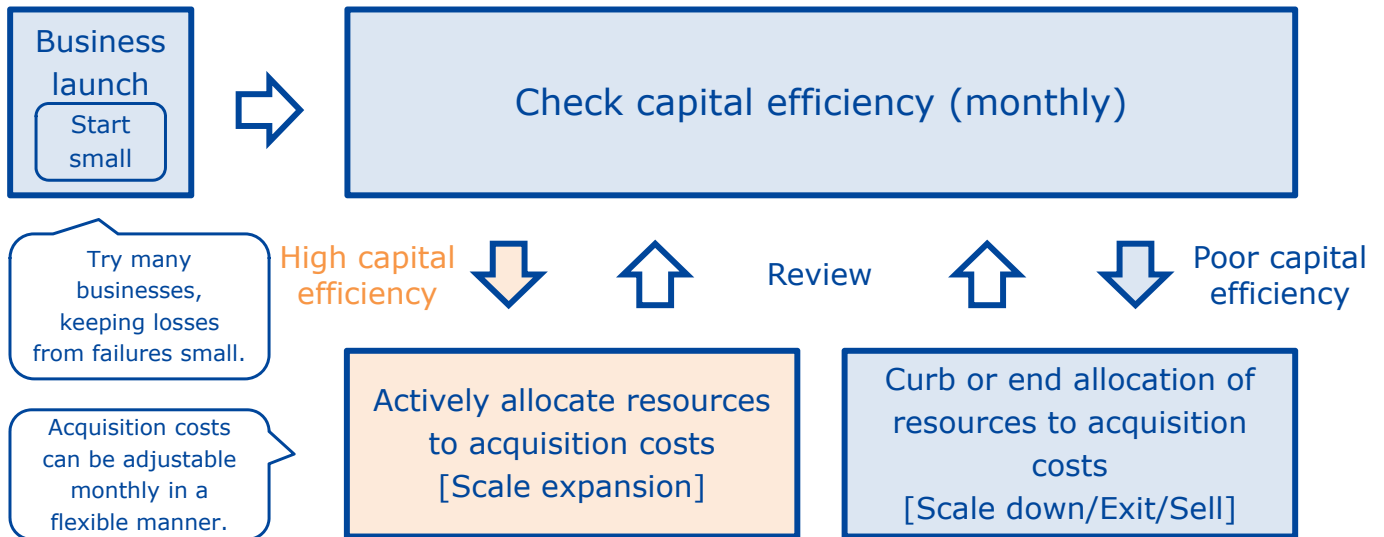
## (3) Build up long-term, stable earnings

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



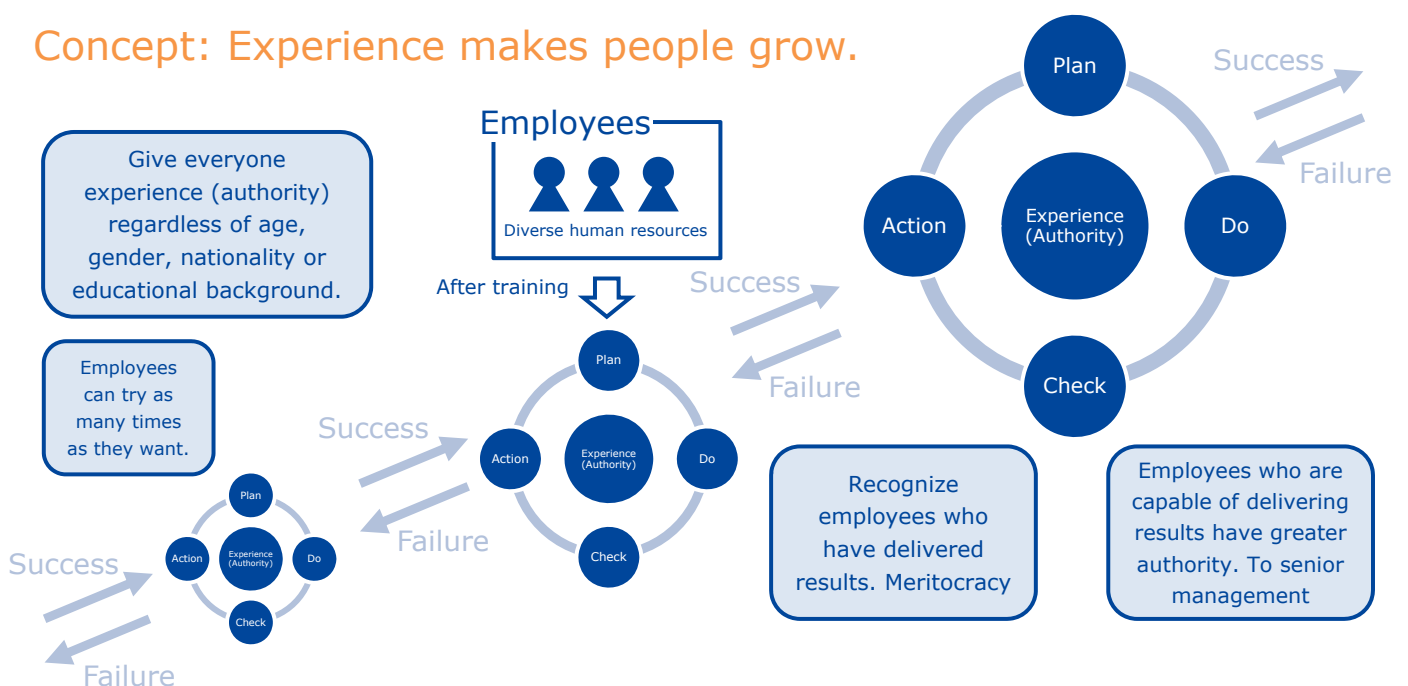
## (4) Pursue high capital efficiency

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



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

Concept: Experience makes people grow.



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

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