

Financial Results

For the three months ended June 30, 2023

August 14, 2023

Key Points

[1]

Performance

Mainly due to a recovery in the Electricity Business, recurring profit was 38.4 billion yen, an increase of 26% year on year, and operating profit was 23.9 billion yen, an increase of 31% year on year, excluding one-time gains and losses, an increase of 55% year and year.

[2]

Main Businesses

Performance, acquisitions, and the churn rate made progress in general as planned at the beginning of the term. In particular, due to the successful hedge against the risk of fluctuations in electricity transaction prices, the Electricity Business posted a significant profit increase.

[3]

Shareholder Return

- (1) Made a resolution to increase dividends. Dividend per share for Q1 is up 2 yen from the forecast at the beginning of the current term. Full-year dividend per share is up 8 yen from the above forecast.
- (2) Made a resolution to purchase the Company's own shares of 3 billion yen (0.44% of issued shares).

Performance

(Billions JPY)

	FY2022	FY2023	FY2024	YoY
	Q1	Q1	Q1	
Revenue	133.4	143.4	140.1	(2%)
Operating Profit	24.3	18.2	23.9	+31%
Quarterly Net Income (Quarterly net income attributable to owners of parent)	20.6	27.6	Record-high 32.7	+18%
Recurring Profit	33.1	30.3	Record-high 38.4	+26%
Number of In-House Products Acquired (Thousand Units)	30.6	31.7	31.1	(1%)
(Reference) Subsidiary acquisition costs excluding one-time gains and losses	(10.1)	(14.9)	(14.4)	(3%)
(Reference) Operating profit excluding one-time gains and losses	22.6	15.3	23.9	+55%

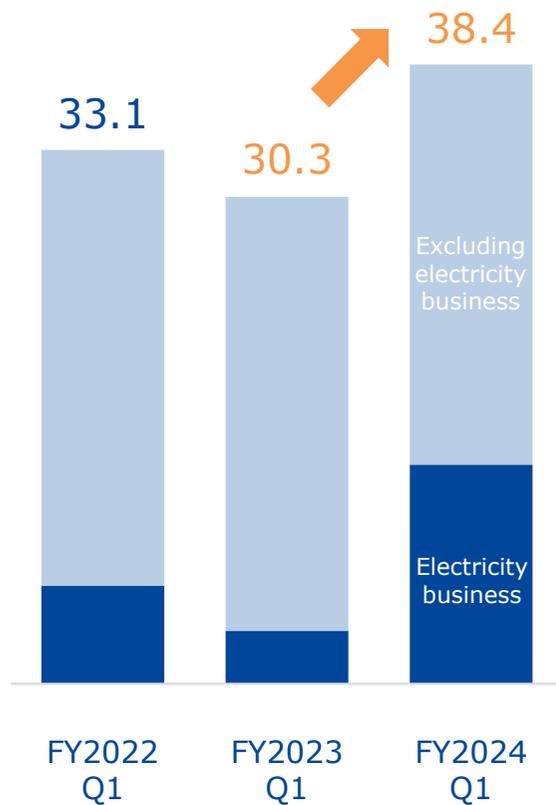
* One-time gains and losses mainly indicate gains and losses on acquisition of or loss of control of subsidiaries, gains and losses on business transfers, gains and losses on sale of fixed assets and impairment losses.

Significant Profit Increase Mainly in Electricity Business

(Billions JPY)

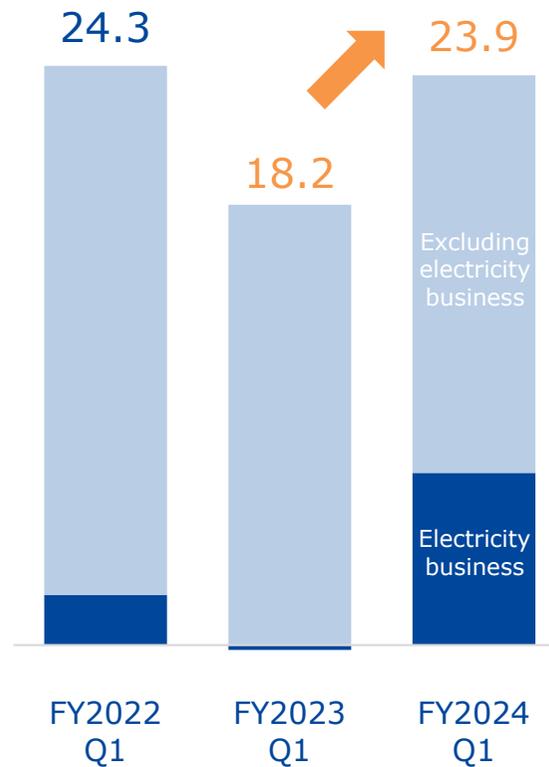
■ Recurring Profit

YoY+26%、+8.1 billion yen



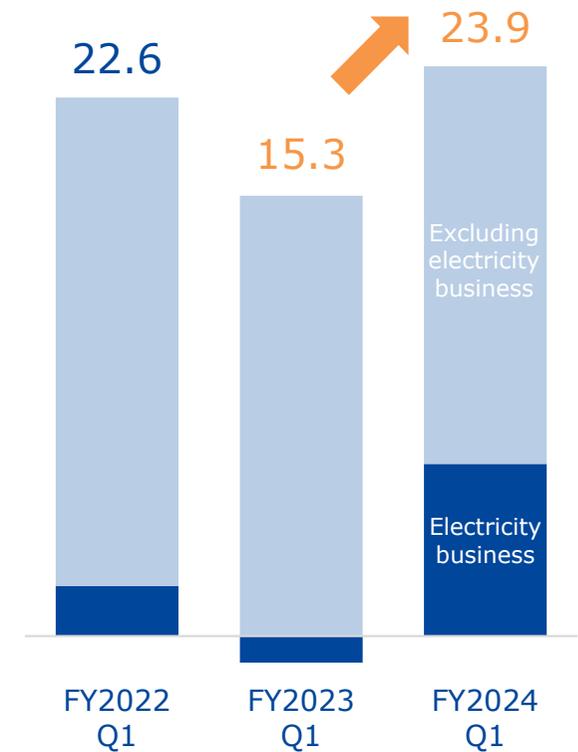
■ Operating Profit

YoY+31%、+5.7 billion yen



■ Operating profit excluding one-time gains and losses

YoY+55%、+8.6 billion yen



Financial Results by Segment

(Billions JPY)

Revenue decreased
but profits increased

Revenue and profits
increased

Revenue and profits
decreased

	Corporate Service			Individual Customer Service			Commission-based Sales		
	FY2022	FY2023	FY2024	FY2022	FY2023	FY2024	FY2022	FY2023	FY2024
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
Revenue	63.1	71.0	62.4 a	33.9	41.2	51.8 a, c	36.9	31.7	26.5 d
Recurring Profit	16.0	12.0	18.9 b	11.0	12.4	16.0 b, c	6.0	5.8	3.4 d
Operating Profit	12.1	6.9	12.0 b	7.2	8.0	9.2 b	5.4	4.0	3.5

[Main reasons for change]

(a) decline in electricity transaction prices, (b) application of the electricity new plan,
(c) acquisition of the Electricity Business, (d) off-balancing of insurance sales agency business.

Outlook for main in-house products

Operating profit year-on-year change

Unchanged		FY2024(E)	FY2025(E)
Internet connection line	Corporate Service	Profit decrease (Expect to hit bottom in the 2nd half)	Profit increase
Electricity	Corporate Service/ Individual Customer Service	Large profit increase	Profit increase
Industry-specific IT Solutions	Corporate Service	Profit increase	Profit increase
Insurance	Individual Customer Service	Profit increase	Profit increase
Water delivery	Individual Customer Service	Profit increase	Profit increase

Non-Operating Profit

A one-time gain (gain on foreign exchange) was 16.6 billion yen in Q1 FY2024

(Billions JPY)

	FY2022	FY2023	FY2024
	Q1	Q1	Q1
Operating Profit	24.3	18.2	23.9
Financial revenue + Financial expenses	2.7	18.9	20.7
Share of loss (profit) of entities accounted for using equity method	3.1	3.2	2.2
Other non-operating expenses (income)	0.0	0.0	0.5
Quarterly profit (loss) before income taxes	30.2	40.5	Record-high 47.5
Corporate income tax expenses	(7.8)	(13.0)	(14.5)
Non-controlling interests	(1.7)	0	(0.2)
Quarterly net income attributable to owners of parent	20.6	27.6	Record-high 32.7

Steady Performance

(Billions JPY)

	FY2024 Q1	FY2024(E)	
	Actual Results	Forecast	Progress Rate
Revenue	140.1	625.0	22%
Operating Profit	23.9	93.0	25%
Quarterly net income and net income attributable to owners of parent	32.7	76.0	43%

Consolidated Cash Flows

(Billions JPY)

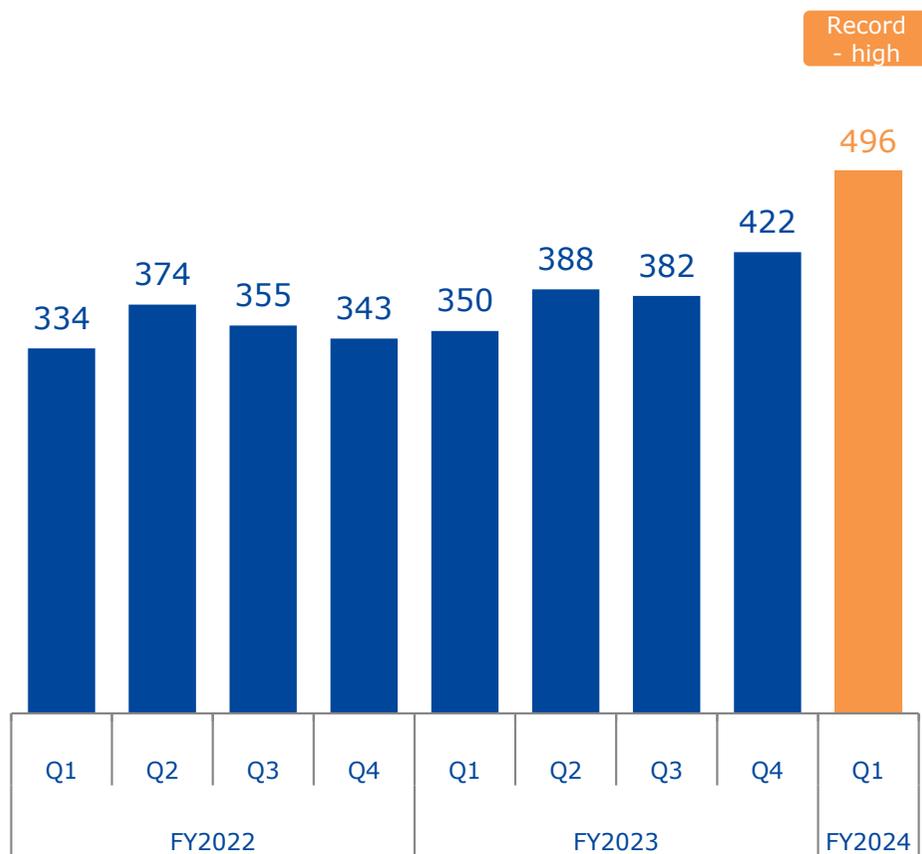
	FY2022	FY2023	FY2024
	Q1	Q1	Q1
Cash Flow from Operating Activities	+10.1	+4.3	+37.4
Cash Flow from Investing Activities	(20.7)	(22.0)	(20.3)
Excluding trading in investment securities	(1.1)	(2.8)	(5.9)
Free Cash Flow	(10.6)	(17.6)	+17.1
Excluding trading in investment securities	9.0	1.5	31.5
Cash Flow from Financial Activities	+37.8	+12.2	+20.1

Net Cash Assets and Total Equity Attributable to Owners of Parent

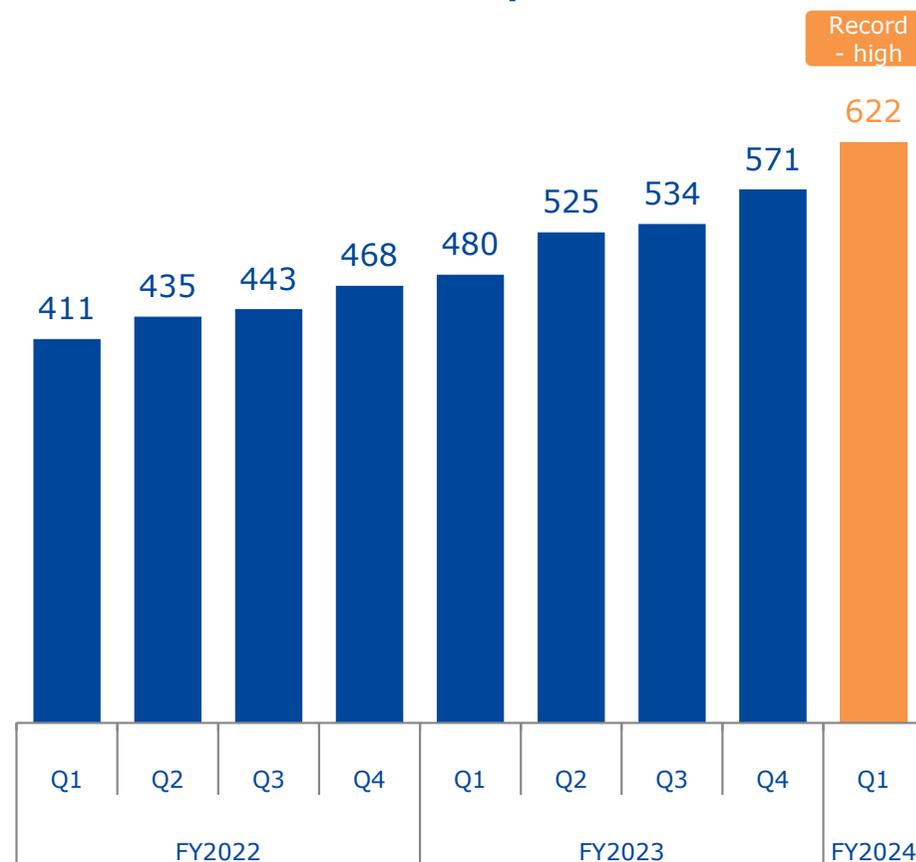
(Billions JPY)

Net Cash Assets

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



Total equity attributable to owners of parent



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 June	End of September	End of December	End of March	End of June
Investment book value (Acquisition price)	476.5	510.2	524.2	532.6	544.4
[Ref.] Market value	6,436	6,974	7,270	759.2	830.0
Look-through earnings Last 12 months *	72.2	76.4	78.8	80.3	83.8
[Ref.] Of which, affiliated companies accounted for by the equity method	11.9	13.1	13.1	13.4	13.7
Earnings Yield Look-through earnings / Investment book value	15.2%	15.0%	15.0%	15.1%	15.4%
Number of companies we have invested in	496	470	496	494	554
Of which, affiliated companies accounted for by the equity method	22	24	26	26	27

* "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 of the last 12 months from the record date for which financial results have been announced.

Listed Company Stock Investment Status

(2) Look-through Performance and Indicators

(Billions JPY)

PL	Look-through revenue	1,374.6
	Look-through earnings	83.8
	Look-through basic earnings	58.9
BS	Look-through net cash assets	296.1
	Look-through total assets	1,408.8
	Look-through shareholders' equity	655.7

54% of listed share acquisition value

Indicator	EY	15.4%
	PER	9.2
	PBR	0.8
	Dividend yield	3.8%

- * As of the end of June 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)

	Hypothetical Consolidated Performance			
	(1)+(2)+(3)	(1) Business: Consolidated Results (Last 12 months)	(2) Net Investment: Performance Using Equity Method (Last 12 months)	(3) Deduction of Duplications*
Revenue	1,970.5	640.6	1,374.6	(44.7)
Operating Profit	171.5	92.3	83.8	(4.6)
Net income attributable to owners of parent	123.5	96.4	58.9	(31.9)

* As of the end of June 2023.

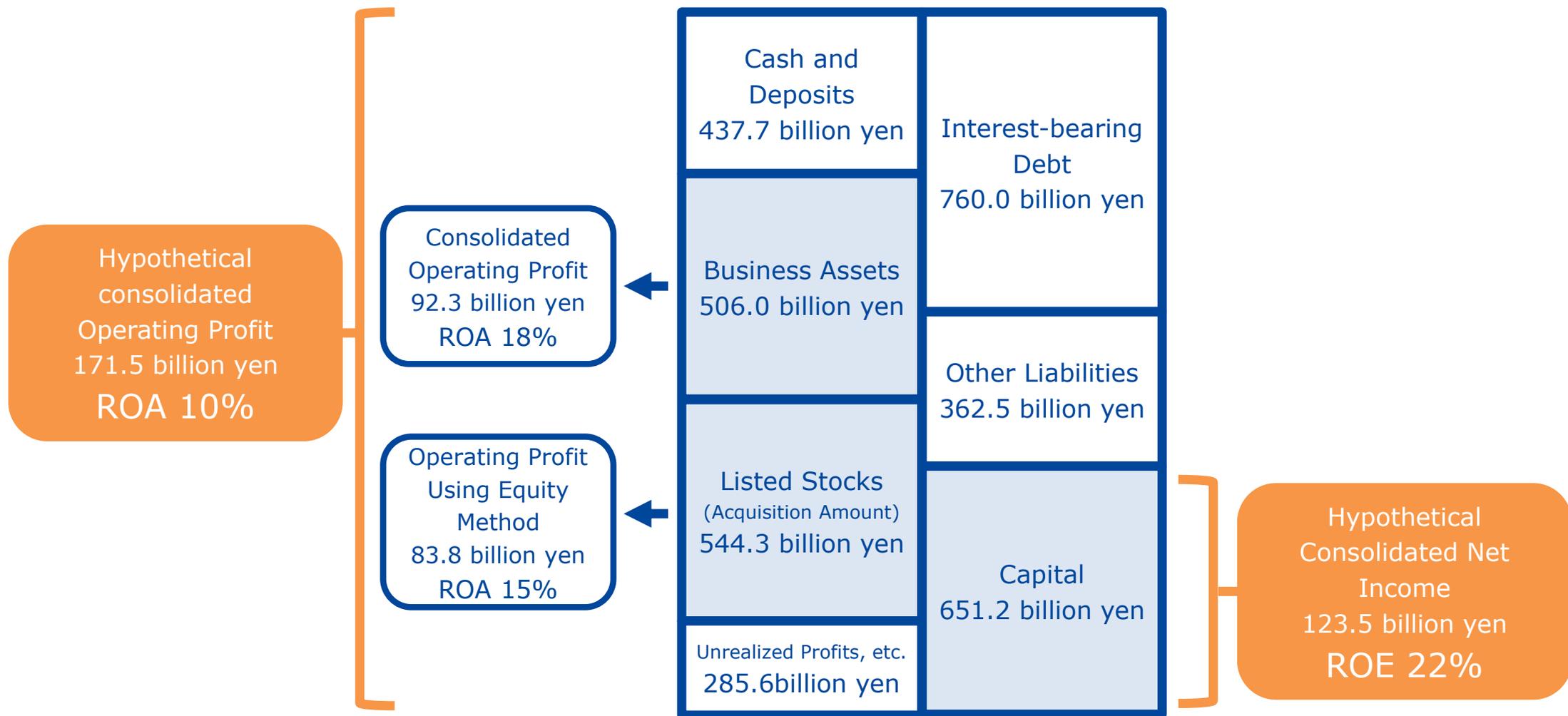
* Last 12 months means four quarters of the last 12 months from the record date for which financial results have been announced.
(Consolidated results are from the second quarter of the fiscal year ended March 2023 to the first quarter of the fiscal year ending March 2024)

* The deduction of duplications includes share of profits of entities accounted for using the equity method, dividends received, non-controlling interests, etc.

Capital Efficiency (Based on Hypothetical Consolidated Results)

As of the end of June 2023

Total Assets 1,773 billion yen



Shareholder Returns

The Company's PER for the Last 10 Years

(from August 2013 to July 2023)

Formula: Market capitalization is divided by net income attributable to owners of parent (consolidated financial result forecast)

Average for the last ten years: 18.0 times
As of the end of July 2023: 12.5 times



Resolution of Share Repurchase

Resolution date	August 14, 2023
Total number of shares to be repurchased	200,000 (maximum) (0.44% of outstanding shares (excluding treasury stock))
Total amount of repurchase price	3.0 billion yen (maximum)
Period of repurchase	From Aug. 15, 2023 to Sep. 30, 2023

Revision of Dividends and Dividend Forecasts (Dividend Increase)

	FY2023	FY2024		
		Announced in May	Announced in August	YoY
Dividends per share	¥545	¥545	¥572	+4%
Q1	¥131	¥141	¥143	+9%
Q2	¥135	¥141	¥143	+5%
Q3	¥138	¥141	¥143	+3%
Q4	¥141	¥141	¥143	+1%
Basic net income per share	¥2,037	¥1,700	¥1,706	(16%)
Dividend payout ratio	26%	33%	33%	-

Dividends per share for Q1 increased by 9% compared to the previous year. Dividends per share are expected to increase for 13 consecutive terms without any decrease for 21 consecutive terms.

Trend of Shareholder Returns

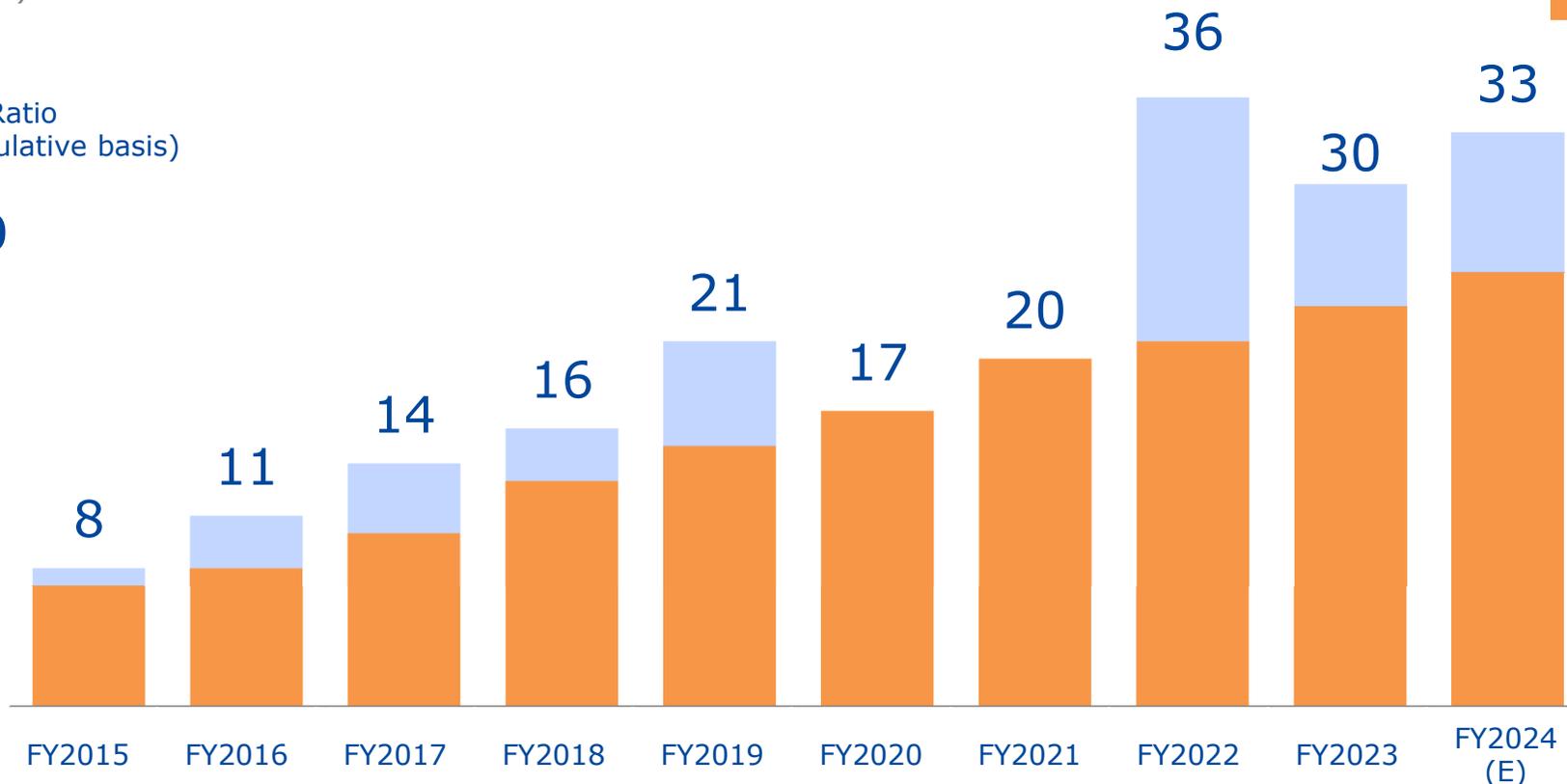
(Billions JPY)

Aggregate Amount of Treasury Stock Repurchased

Dividend Payment Amount

Total Return Ratio
(10-year cumulative basis)

39%



	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	164
Aggregate Amount of Treasury Stock Repurchased	1	3	4	3	6	0	0	14	7	8	47
Total Return Ratio	42%	44%	37%	38%	43%	34%	37%	41%	33%	43%	39%

[Reference] Total Shareholder Return Since Listing (TSR)

■ Each fiscal year

	TOPIX share index with dividends included	Total shareholder return of HIKARI TSUSHIN		TOPIX share index with dividends included	Total shareholder return of HIKARI TSUSHIN
1996/8	-0.2%	186.6%	2010/3	28.5%	-11.2%
1997/8	-6.7%	-31.9%	2011/3	-9.2%	8.0%
1998/8	-21.8%	-22.7%	2012/3	0.6%	38.4%
1999/8	32.9%	1241.6%	2013/3	23.8%	78.5%
2000/8	4.4%	-90.4%	2014/3	18.6%	71.6%
2001/8	-26.4%	-74.4%	2015/3	30.7%	-7.9%
2002/3	-3.1%	2.1%	2016/3	-10.8%	10.8%
2003/3	-24.8%	-2.7%	2017/3	14.7%	25.8%
2004/3	51.1%	290.5%	2018/3	15.9%	51.8%
2005/3	1.4%	36.3%	2019/3	-5.0%	22.9%
2006/3	47.8%	12.9%	2020/3	-9.5%	-10.5%
2007/3	0.3%	-32.5%	2021/3	42.1%	22.2%
2008/3	-28.1%	-41.0%	2022/3	2.0%	-30.8%
2009/3	-34.8%	-30.3%	2023/3	5.8%	29.4%

■ Annual average growth rate

	TOPIX share index with dividends included	Total shareholder return of HIKARI TSUSHIN
Since listing 1996-2023	2.7%	8.0%
In the last 20 years	6.8%	16.0%
In the last 10 years	9.2%	16.1%

■ Total growth rate

Since listing 1996-2023	203%	789%
In the last 20 years	374%	1,930%
In the last 10 years	242%	446%

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.

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