

Financial Results

For the six months ended September 30, 2023

November 13, 2023

Highlights

[1] Overall Performance

Mainly due to the Electricity Business recovery, **recurring profits and operating profits, excluding one-time gains and losses, rose by 46% and 92%, respectively.**

Quarterly profit attributable to the parent company's owners mainly increased due to foreign exchange gains.

[2] Insights through Segments

The Electricity Business continues to perform well. Significant increase in profits, rise in the number of acquisitions, and a decrease in the churn rate.

Other businesses are also progressing mostly as planned from the beginning of the period.

[3] Shareholder Return

(1) Decided on **dividend increase**. Increased the initial forecast for the second quarter dividend by 2 yen, and the full-year dividend forecast by 6 yen.

(2) Resolved **share repurchase** for 5 billion yen (0.78% of issued shares).

Performance

(Billions JPY)

	FY2022	FY2023	FY2024	YoY
	H1	H1	H1	
Revenue	271.3	310.0	296.4	(4%)
Operating Profit	49.0	46.1	48.4	+5%
Quarterly Net Income (Quarterly net income attributable to owners of parent)	40.2	59.8	Record-high 61.7	+3%
Recurring Profit	66.7	52.21	Record-high 77.6	+48%
Number of In-House Products Acquired (Thousand Units)	595	605	612	+1%
(Reference) Subsidiary acquisition costs excluding one-time gains and losses	(19.3)	(27.1)	(29.1)	+7%
(Reference) Operating profit excluding one-time gains and losses	44.5	25.1	48.4	+92%

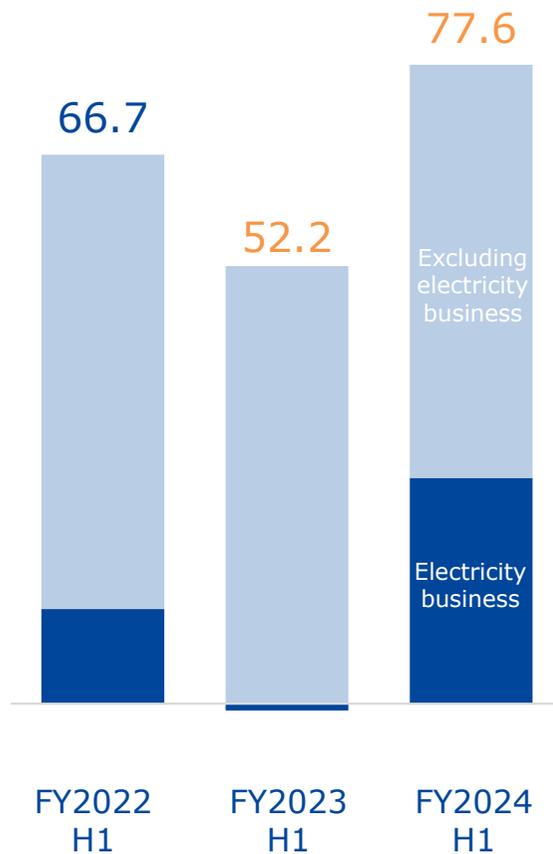
* One-time gains and losses mainly indicate gains and losses on acquisition of or loss of control of subsidiaries, gains and losses on business transfers, gains and losses on sale of fixed assets and impairment losses.

Significant Profit Increase Mainly in Electricity Business

(Billions JPY)

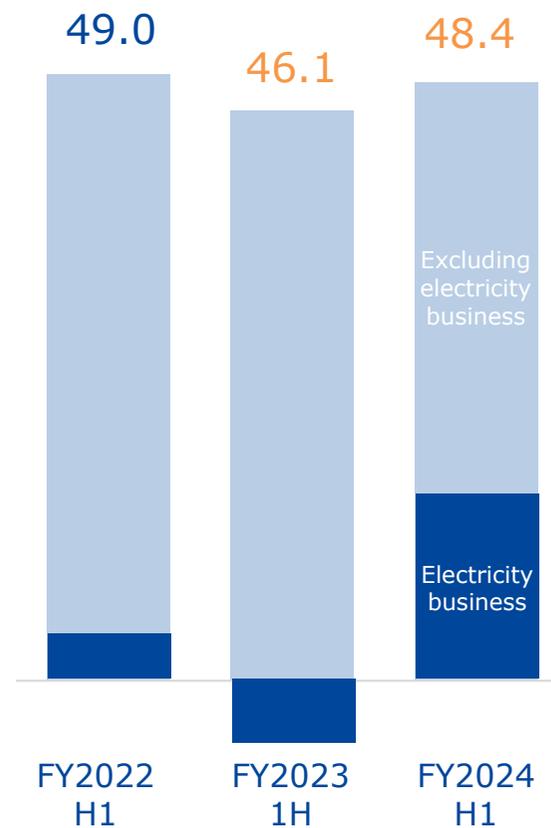
■ Recurring Profit

YoY+48%, +25.3billion yen



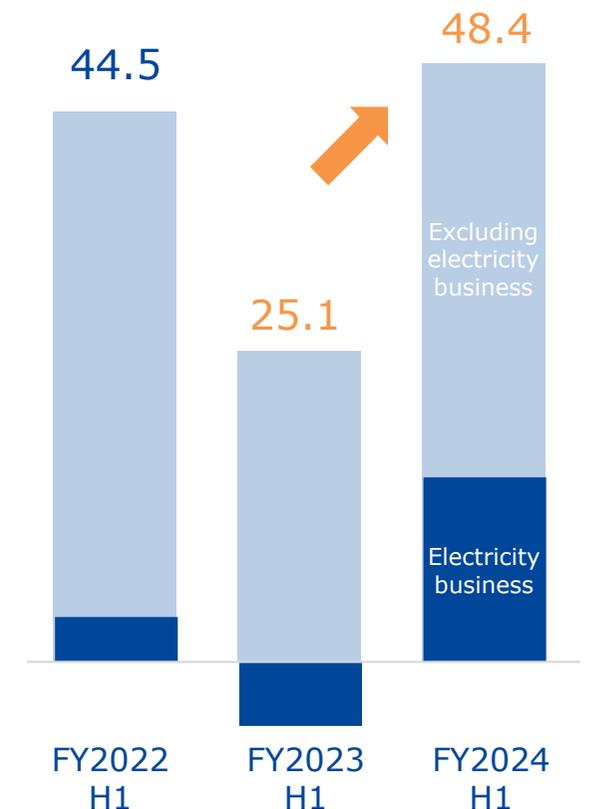
■ Operating Profit

YoY+5%, +2.3 billion yen



■ Operating profit excluding one-time gains and losses

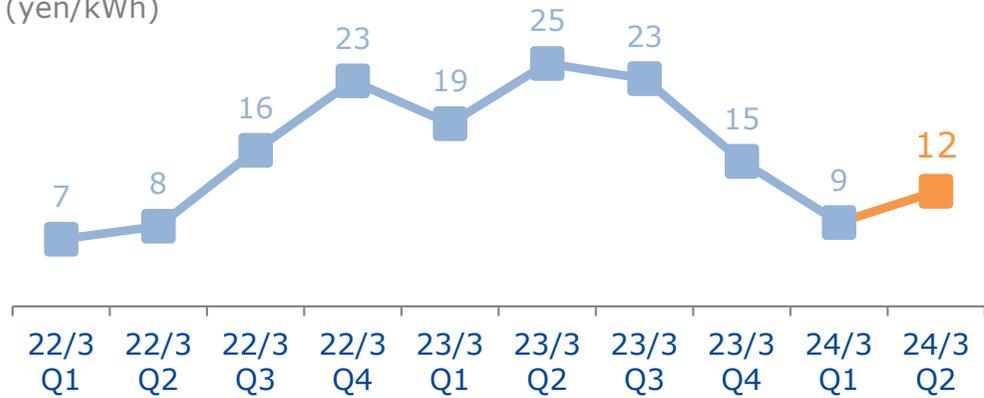
YoY+92%, +23.3 billion yen



Electricity Business : Major indicators

■ JEPX quarterly average of spot market system price

(yen/kWh)

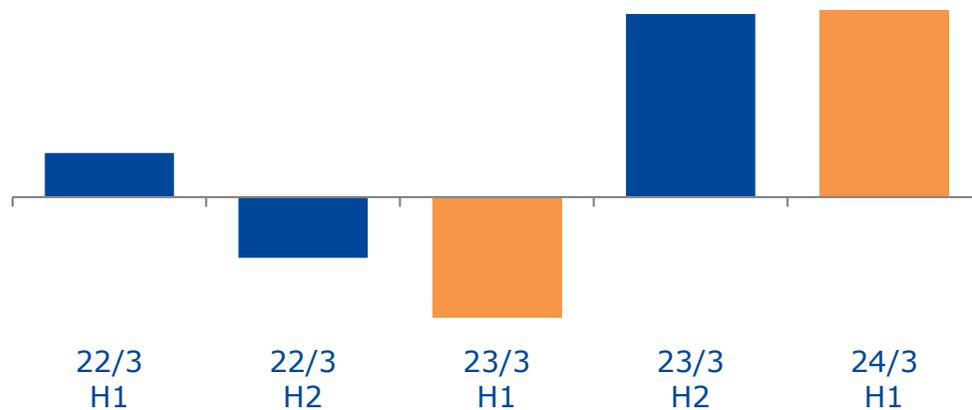


■ Churn rate Decrease



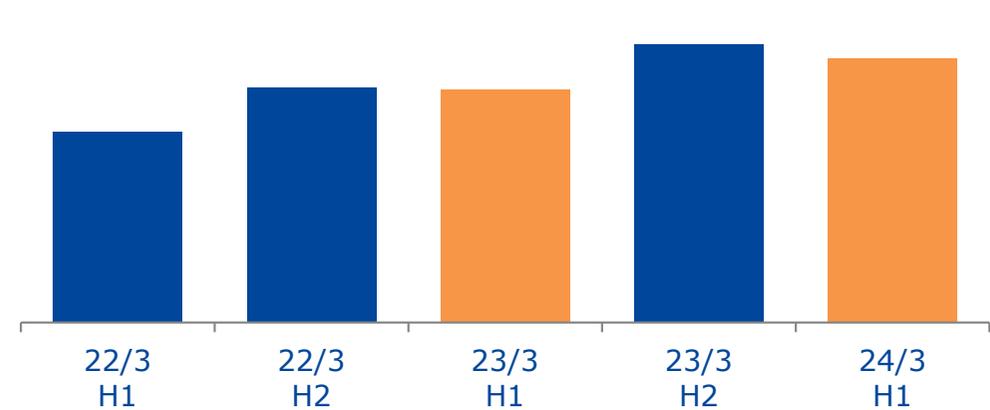
■ Operating Profit

Significant H1 YoY profit increase



■ Number of Acquisitions

H1 YoY +13%



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
	H1	H1	H1	H1	H1	H1	H1	H1	H1
Revenue	128.3	151.2	132.7 a	70.5	97.3	111.6 a, c	73.3	62.7	53.4
Recurring Profit	31.1	17.1	36.1 b	23.4	23.5	34.1 b, c	12.1	11.5	7.3
Operating Profit	22.3	5.8	21.6 b	17.1	14.6	21.5 b	10.7	27.2 d	7.1

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

Foreign exchange gains: current H1 24.4 billion yen, previous H1 19.7 billion yen.

(Billions JPY)

	FY2022	FY2023	FY2024
	H1	H1	H1
Operating Profit	49.0	46.1	48.4
Financial revenue + Financial expenses	3.0	26.4	32.0
Share of loss (profit) of entities accounted for using equity method	8.4	9.6	5.5
Other non-operating expenses (income)	0.2	0.0	1.1
Quarterly profit (loss) before income taxes	60.8	82.2	Record-high 87.2
Corporate income tax expenses	(17.5)	(22.3)	(24.6)
Non-controlling interests	(2.9)	(0.1)	(0.7)
Quarterly net income attributable to owners of parent	40.2	59.8	Record-high 61.7

Steady Performance

(Billions JPY)

	FY2024 H1	FY2024(E)	
	Actual Results	Forecast	Progress Rate
Revenue	296.4	625.0	47%
Operating Profit	48.4	93.0	52%
Quarterly net income and net income attributable to owners of parent	61.7	76.0	81%

Forecast for net income attributable to parent is kept unchanged in preparation for foreign exchange fluctuations.

Consolidated Cash Flows

(Billions JPY)

	FY2022	FY2023	FY2024
	H1	H1	H1
Cash Flow from Operating Activities	+27.2	+2.4	+71.6
Cash Flow from Investing Activities	(55.8)	(33.8)	(29.5)
Excluding trading in investment securities	(7.1)	+18.1	(11.0)
Free Cash Flow	(28.6)	(31.4)	+42.1
Excluding trading in investment securities	+20.1	+20.6	+60.6
Cash Flow from Financial Activities	+0.8	+76.7	(3.7)

Main factors for the increase in operating cash flow

1) Improvement in working capital due to fluctuations in electricity transaction prices, among other factors, 2) increase in operating profit excluding one-time gains and losses, 3) increase in received interest and dividends.

Progress of listed stock sales

(Billions JPY)

	FY2021	FY2022	FY2023	FY2024		
				Q1	Q2	H1
(1) Sales Proceeds	25.4	28.6	52.0	15.2	38.1	53.4
(2) Acquisition Cost	13.7	20.7	36.9	8.8	21.9	30.7
(3) Difference(1-2)	+11.7	+7.8	+15.0	+6.4	+16.2	+22.6

In H1 of FY2024, the difference between the sales proceeds and the acquisition cost was 22.6 billion yen.

Net Cash Assets and Total Equity Attributable to Owners of Parent

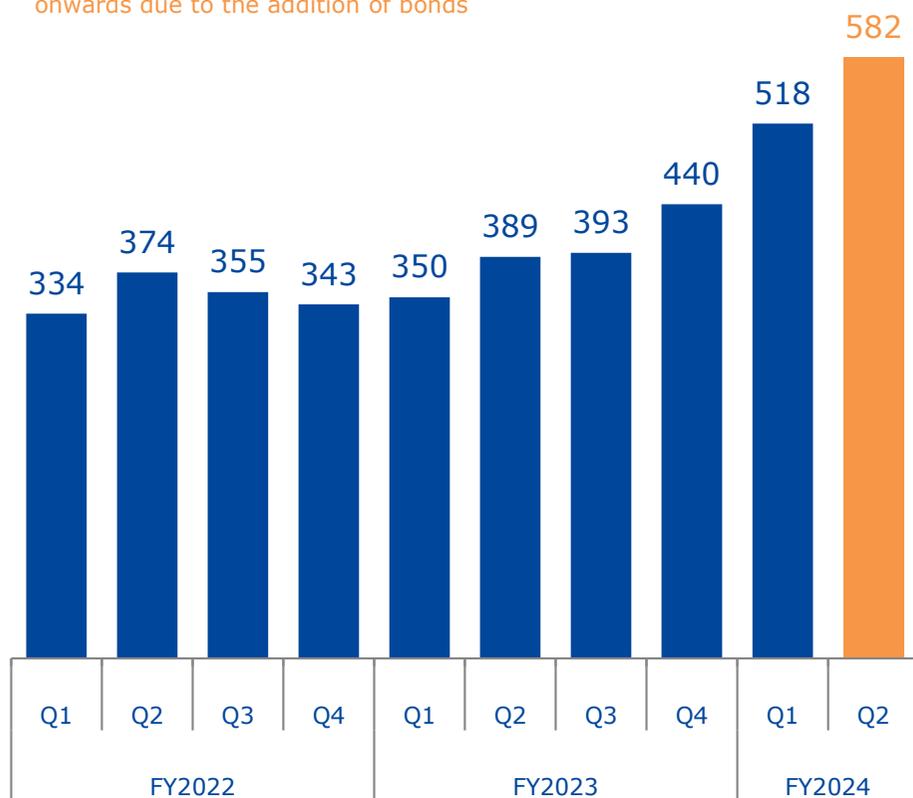
(Billions JPY)

Net Cash Assets

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

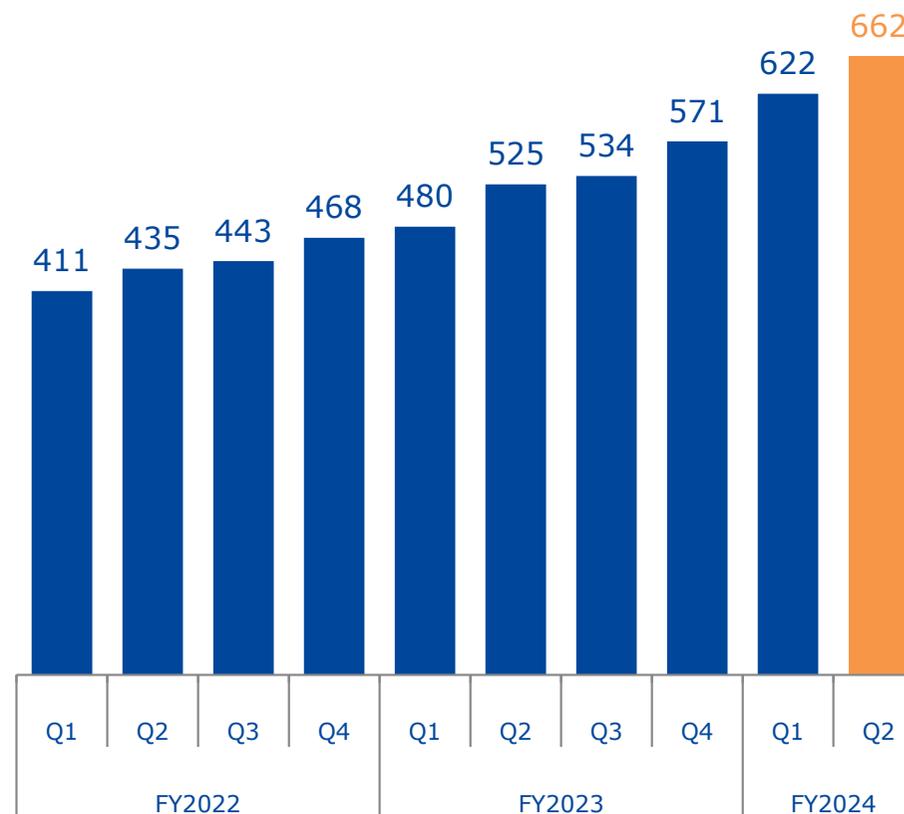
*Retrospectively adjusted the figures from Q2 of FY 2023 onwards due to the addition of bonds

Record - high



Total equity attributable to owners of parent

Record - high



Update of Financial Discipline

(Billions JPY)

	As of Mar 31, 2021	As of Mar 31, 2022	As of Mar 31, 2023	As of Sep 30, 2023
(1) Cash Reserves	324.5	338.2	406.9	486.4
Cash and cash equivalents	324.5	338.2	389.3	443.5
Bonds (*Mainly U.S. bonds, high-grade corporate bonds)	-	-	17.5	42.9
(2) Balance of interest-bearing liabilities due within 3 years	221.5	212.3	265.9	241.3
(3) Difference (1-2)	102.9	125.9	140.9	245.1

Added bonds to our cash reserves, and continue to maintain cash reserves that exceed the balance of interest-bearing liabilities due within three years.

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

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	1,993.3	630.4	1,412.2	(49.3)
Operating Profit	166.6	88.9	82.0	(4.3)
Net income attributable to owners of parent	132.0	93.2	66.8	(28.0)

* As of the end of September 2023.

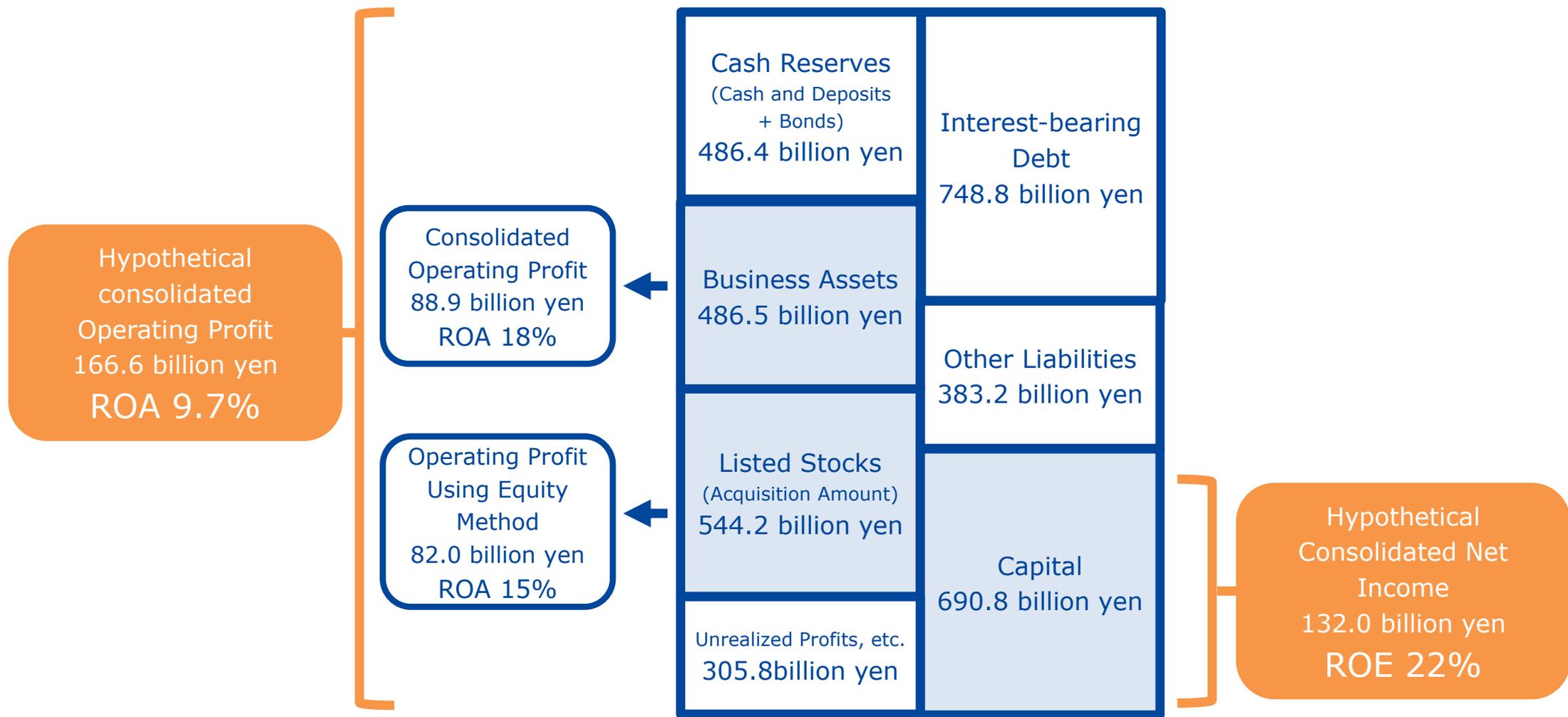
* Last 12 months means four quarters of the last 12 months from the record date for which financial results have been announced.
(Consolidated results are from the third quarter of the fiscal year ended March 2023 to the second quarter of the fiscal year ending March 2024)

* 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 September 2023

Total Assets 1,823 billion yen



Shareholder Returns

The Company's PER for the Last 10 Years

(from November 2013 to October 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 October 2023: 12.8 times



Resolution of Share Repurchase

	FY2024			
	Resolution in May	Resolution in August	Resolution in November	Total
Total number of shares to be repurchased	241,600	128,400	350,000 (maximum)	720,000 (maximum)
Percentage of total shares issued excluding treasury shares	0.54%	0.29%	0.78% (maximum)	1.60% (maximum)
Total amount of repurchase price	Approx. 5 billion yen	Approx. 3 billion yen	Approx. 5 billion yen (maximum)	Approx. 13 billion yen (maximum)
Period of repurchase	May 17 - Jul 18, 2023	Aug 15 - Sep 22, 2023	Nov 14, 2023 - Jan 31, 2024	-

Revision of Dividends and Dividend Forecasts (Dividend Increase)

	FY2023	FY2024		
		Announced in August	Announced in November	YoY
Dividends per share	¥545	¥572	¥578	+6%
Q1	¥131	¥143	¥143	+9%
Q2	¥135	¥143	¥145	+7%
Q3	¥138	¥143	¥145	+5%
Q4	¥141	¥143	¥145	+2%
Basic net income per share	¥2,037	¥1,706	¥1,713	(15%)
Dividend payout ratio	26%	33%	33%	-

Further increase in dividends beyond the initial forecast. Dividends per share are expected to increase for 13 consecutive terms without any decrease for 21 consecutive terms.

Trend of Shareholder Returns

(Billions JPY)

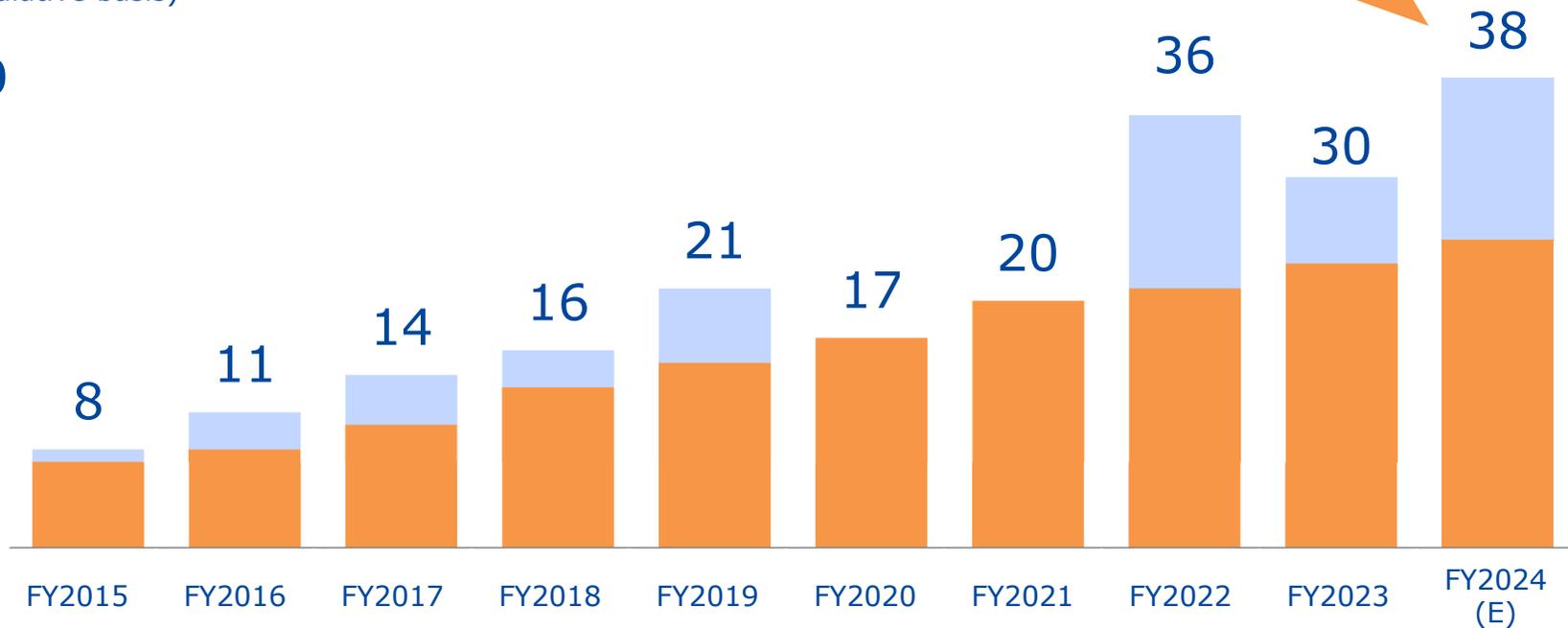
Aggregate Amount of Treasury Stock Repurchased

Dividend Payment Amount

Total Return Ratio
(10-year cumulative basis)

40%

Resolved to increase dividends and share repurchase



	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	13	52
Total Return Ratio	42%	44%	37%	38%	43%	34%	37%	41%	33%	50%	40%

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

■ Cost of Equity As of March 31, 2023

Calculation based on the Capital Asset Pricing Model (CAPM)

(1) Risk Free Rate *1	0.39%
(2) Beta(β) *2	1.01
(3) Market Risk Premium	7.46%
Overall stock market return *3	7.85%
Risk-free rate	0.39%
Cost of Equity (1+2×3)	7.93%

*1 Yield of 10-year JGB as of the end of March 2023

*2 Our company's stock for the most recent two years as of the end of March 2023

*3 Average annual growth rate of TOPIX for the most recent 10 years as of the end of March 2023

■ Return on Equity FY2023

ROE	17.6%
Hypothetical Consolidated ROE	21.6%

■ Market Valuation As of March 31, 2023

PBR *4	1.45 [Ref] End of Sep. 1.52
PER *5	9.11 [Ref] End of Sep. 13.29

*4 Closing stock price of our company as of the end of March 2023 ÷ Net assets per share for the fiscal year ending March 2023

*5 Closing stock price of our company as of the end of March 2023 ÷ Basic earnings per share for the fiscal year ending March 2023

We have achieved a return on equity that exceeds the cost of equity, and we are not falling below a PBR of 1. We will continue to concentrate on our recurring-type business model to ensure stable earnings and profit growth. By pursuing high capital efficiency, we are committed to enhancing our corporate value.

Notes in regard to this material

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