The Earnings Call for the Second Quarter of the Fiscal Year Ending March 2026

November 12, 2025

Speakers:
Hiroyuki Ohashi, Managing Executive Officer
Naomi Imoto, Head of Financial Strategy, Investor and Public Relations

■ Financial Results Presentation

P1—First highlight
There are three highlights. The first is the increase in recurring operating profit. Recurring operating profit is our key performance indicator, and it increased by 11 billion yen from the previous fiscal year, reaching 92 billion yen. This represents a 13.6% year-on-year increase, with 11.4% coming from organic growth and 2.2% from M&A.

P2—Second highlight
The second is that our equity has surpassed 1 trillion yen. This represents a 27.7% increase compared to the previous fiscal year, with an average annual growth rate of 20.7% over the past ten years. Our equity has been steadily accumulating.

P3—Third highlight
The third is that we announced a revision to our earnings forecast yesterday. We had initially disclosed a net profit projection of 100 billion yen, but as the outlook has been revised upward to 115 billion yen, we have updated our forecast accordingly.

P4—The five-year average growth rate
All indicators have been growing steadily, but in particular, share of profit (loss) of equity method investments in our investment holdings has increased by an average of 35% per year, while dividend and interest income have grown significantly by 57% per year. In addition, net income has shown an average annual growth rate of 20%, and comprehensive income has grown by 30%.

P5—The five-year average growth rate, mainly for balance sheet indicators
All metrics have been growing steadily. Total equity attributable to owners of parent has exceeded 1 trillion yen, and the equity ratio has reached 41%.

P6—Financial performance
We achieved record-high figures across all key metrics, including revenue, recurring operating profit, operating profit, pre-tax profit, net profit, and comprehensive income. In addition, as mentioned earlier, we have revised our net profit forecast upward.

P7—Profit (loss) by business segment
Our recurring operating profit, which is a particularly important indicator, has grown by 13%. The strongest growth in recurring operating profit came from the insurance business, followed by the electricity and gas, beverage, and solutions businesses.

P8 —Customer acquisition
The number of contracts acquired for low-voltage electricity, IT, and small-amount, short-term insurance has been steadily increasing compared to the previous fiscal year.

P9—Pre-tax profit
Pre-tax profit increased by 27% compared to the previous fiscal year, and as you can see, share of profit (loss) of equity-method investments as well as dividend and interest income made significant contributions to this growth.

P10—Cash flow
EBITDA increased by 2% compared to the previous fiscal year. In addition, we recorded an outflow of 80 billion yen due to changes in receivables and payables etc. related to operating activities. Dividend and interest income from investment holdings amounted to 31.5 billion yen, representing a 29% increase from the previous fiscal year.

P11— Changes in equity attributable to owners of parent
Equity has surpassed 1 trillion yen, marking a 27% increase from the previous fiscal year and an accumulation of 144.9 billion yen since the end of the previous fiscal year. In addition to the contribution from net profit, the growth in unrealized gains has also made a significant contribution.

P12—Investment Holdings Performance
As of the end of the second quarter, the book value of our investments was 808.7 billion yen, with a market value of 1 trillion 436.8 billion yen, resulting in unrealized gains of 628.1 billion yen. The performance of our investee companies has been strong, with look-through earnings reaching a high level of 131.7 billion yen. We generally target an earnings yield (look-through earnings ÷ investment book value) of around 15%, but it exceeded that level, reaching 16.2%. In addition, we recorded 26 billion yen in gains on sales, and the dividend yield stood at 4.2%.

P13 — Publicly listed equity-method affiliates
Four companies have been newly added this time, bringing the total to 41 as of the end of September.

P14 — Dividend forecast
We resolved to increase the dividend by 4 yen, from 181 yen to 185 yen. For the full year, the total dividend will be 736 yen, representing an 11% increase.

P15 — Share repurchase and cancellation of treasury shares
We resolved yesterday to repurchase and cancel our own shares. As stated, we will conduct a share repurchase of up to 10 billion yen, with an upper limit of 350,000 shares. Regarding the cancellation, we will cancel 280,000 shares.

P16— Trend in shareholder returns
As we plan to repurchase 6 billion yen worth of our own shares out of the 10 billion yen authorized, the total shareholder return ratio for this fiscal year is expected to be 33%.

P17— First-half summary
In our operating business, recurring operating profit grew firmly by 13.6%. Equity also increased significantly, surpassing 1 trillion yen. In addition, we have revised our net profit forecast upward.
As for investment holdings, the EY stood at 16.2%, maintaining a level above 15%. Look-through earnings rose 36% year on year to 131.7 billion yen. Dividend and interest income also continued to grow, increasing by 15% from the previous fiscal year.
Regarding shareholder returns, we have resolved to both increase dividends and conduct share repurchases and cancellations. We expect to achieve 15 consecutive years of dividend increases and 23 consecutive years without a reduction. The cumulative total shareholder return ratio over the past ten years stands at 35%.

Appendix 1—Shares tendered through takeover bids
We have listed the shares tendered through TOBs from April to September 2025. There were six stocks during this period.

Appendix 2—Financial discipline
We have established a discipline to maintain cash reserves exceeding the balance of interest-bearing debt maturing within three years. This chart shows the amount of surplus funds we hold under that policy.

■ Q&A Session

(1) Earnings call for Japanese investors

[Question] Your company has numerous small subsidiaries. Could you please explain the reason for adopting such a structure? In recent years, there have been cases where some large corporations encountered accounting issues at their subsidiaries. Therefore, from a governance standpoint, it might seem more efficient to carry out a merger by absorption. What is your view on this matter?

[Answer] Our company consists of a group of more than 150 subsidiaries. There are several reasons why we maintain such a decentralized structure, but one of the most important is to create an environment where a strong sense of ownership can be fully exercised. At Hikari Tsushin, we operate a wide range of businesses, including insurance and electricity. If all of these were managed under a single corporate entity, it would inevitably be difficult to maintain a strong sense of ownership for each individual business. Therefore, we have built a structure in which subsidiaries are organized and managed separately by business unit within each segment. Naturally, having a large number of subsidiaries entails certain risks and governance challenges. For this reason, we place great importance on striking a balance between fostering a strong sense of ownership and ensuring robust governance. This structure also provides the benefit of risk diversification, and by encouraging competition and collaboration among subsidiary presidents, it creates a healthy and productive competitive environment. In terms of governance, each business division is overseen by an executive officer, who in turn reports to a managing executive officer. In addition, each business leader supervises multiple subsidiaries and provides leadership and direction to their respective subsidiary presidents.

[Question] It appears that your company raised a significant amount of funds through corporate bonds. Could you please explain the reason for this approach? Generally speaking, bank loans are considered a more advantageous financing method due to their lower funding costs. I would like to understand the background and intention behind your decision to actively utilize corporate bonds instead.

[Answer] Due to Japan's monetary easing policy, the environment several years ago was highly favorable for issuing corporate bonds under very advantageous conditions. Because we were able to secure sufficient issuance volumes at a low cost, we actively raised funds through corporate bonds. Our strategy was to strengthen and solidify our financial base by securing long-term, fixed-rate funding at low interest rates. As you are aware, base interest rates have risen recently, increasing funding costs not only for corporate bonds but also for bank borrowings. Therefore, bank loans are not necessarily more favorable than bond issuance. Rather than focusing on either option, we take a flexible approach to financing—selecting the most appropriate method based on prevailing market conditions and funding terms at the time. Another reason we have made active use of corporate bonds is that they allow us to secure long-term financing. In the past, we have issued 30-year bonds, and more recently, we successfully issued 10-year foreign bonds. The ability to secure long-term, fixed-rate funding—longer than what is typically available through bank loans—is a major advantage for us.

[Question] I would like to ask about the background behind your company's issuance of U.S. dollar-denominated bonds. Was this decision driven by a business need for U.S. dollar funding?

[Answer] Regarding the issuance of U.S. dollar-denominated bonds, our business is primarily domestic, so the purpose was not to directly utilize U.S. dollar funds. Rather, the background was that in the current Japanese corporate bond market, concerns over rising interest rates have made it increasingly difficult to issue long-term bonds. Amid such conditions, as we explored options for securing long-term financing, we found that the U.S. dollar bond market offered potentially more favorable terms. As a result, we took on the challenge and successfully issued a 10-year bond. As mentioned earlier, our fundamental strategy is to secure long-term funding whenever possible. From that perspective, we are constantly evaluating the most advantageous means of raising long-term capital, and the issuance of U.S. dollar-denominated bonds was undertaken as part of that ongoing strategy.

[Question] Could you please explain the factors behind the slower growth in the high-voltage segment compared with the low-voltage segment of your electricity business? Also, as I understand your electricity business has a relatively high proportion in the low-voltage segment, could you tell me which segment — high-voltage or low-voltage — has higher profitability?

[Answer] In the materials, it appears that growth in the high-voltage segment has slowed. However, this is primarily because the number of high-voltage contracts increased more than expected in the first half of the previous fiscal year. Therefore, the current results do not indicate weak performance — the number of contracts is progressing in line with our plan — but rather that the growth rate appears smaller when compared to the strong increase seen in the previous year.
As for profitability, the characteristics differ between the high-voltage and low-voltage segments. In the high-voltage segment, electricity usage is greater, so the absolute amount of profit tends to be larger, but the profit margin is relatively lower. On the other hand, in the low-voltage segment, usage is smaller but the profit margin is higher. In other words, low-voltage is advantageous in terms of margin, while high-voltage is advantageous in terms of absolute amount of profit.

[Question] I have two questions. The first is about the electricity business. In the first half, the number of contracts acquired appears to have increased by about 40% year on year, showing very strong performance. However, the outlook for recurring operating profit has not been revised upward. Was the strong growth in the first half unusually high or above expectations? In addition, could you share your rough view on the outlook for customer acquisitions in the second half? Also, could you explain whether there will be a gradual difference in the pace of customer acquisitions between the first and second halves, or if there were any specific factors unique to the first half that contributed to the strong results?

[Answer] In the electricity business, the number of contracts acquired has been progressing steadily, particularly in the low-voltage segment for individual customers. As for the outlook for the second half, we are taking a rather conservative view at this stage. However, it is also possible that, at the end of the fiscal year, the actual number of customer acquisitions will exceed our expectations. At present, customer acquisitions in the low-voltage electricity segment for individual customers are running significantly above plan. On the other hand, the expansion of our recurring operating profit is also attracting new market entrants. In particular, in the electricity segment for small and medium-sized enterprises (SMEs), the fact that we are securing profits indicates that there are also earnings opportunities for our competitors, and we expect competition in this area to intensify going forward. Therefore, we are not taking an overly optimistic view of the market environment. While closely monitoring competitors' actions, we will continue to implement appropriate measures on our side. Against this backdrop, we have adopted a conservative outlook for the time being.

[Question] Regarding the electricity business, is it correct to understand that the number of customer acquisitions in the second half is expected to increase by roughly 10–20% year on year? In addition, could you share your view on what type or segment of competitors are gaining momentum in the second half?

[Answer] Currently, competition is intensifying among new electricity retail providers that mainly target SMEs. In particular, companies allocating their sales resources to the low-voltage segment for SMEs — namely, small offices and retail stores—are our primary competitors. On the other hand, in the low-voltage segment for individual customers, we have not observed movements by new electricity retail providers to significantly expand their market share at this stage.

[Question] My second question is about the share buyback. You recently announced a ¥10 billion share buyback for the first time in quite a while, which I think was a very positive initiative. On the other hand, the planned amounts for this fiscal year and next are ¥6 billion and ¥4 billion, respectively. From this pace, it appears that you are taking a more moderate approach rather than executing the buyback rapidly. Could you please explain the background behind this share buyback, and also share how much flexibility remains in terms of the tradable share ratio after the buyback?

[Answer] The decision to proceed with the share buyback reflects our message that we are not satisfied with our current market capitalization. Our recurring operating profit and other financial indicators have been growing steadily, and we believe that our corporate value will continue to rise going forward. From that perspective, we determined that the current share price and market capitalization are undervalued, which led us to implement the buyback. In this instance, our approach is not to make a large-scale repurchase all at once, but rather to execute it flexibly over a certain period of time. The ¥6 billion figure represents an approximate annual target—if executed at a fixed amount each month, it would be roughly at that level—but the actual pace of purchases may vary depending on market conditions. As for the tradable share ratio, there is absolutely no concern about falling below the listing requirements. Assuming the cancellation of treasury shares, we have a total capacity of around ¥120 billion, of which ¥10 billion will be utilized for this buyback.

[Question] Could you please share the background behind your decision that the company's current share price is undervalued? Was this judgment influenced by increased confidence in profitability, given that net income reached a high level in the second quarter? Or was it more due to the perception that your company's share price appeared relatively undervalued compared with the broader market, such as the Nikkei Average, which has been rising overall?
In other words, was your decision primarily driven by confidence in profit growth, or by the recognition that your stock appeared relatively undervalued amid the broader market rally? While both factors may have played a role, which of the two would you say had the greater influence?

[Answer] Fundamentally, our view is based on the steady accumulation of recurring operating profit. Given the current growth trajectory, we can reasonably estimate the level of profit we are likely to achieve in five years. Based on those projections, we believe that our current market capitalization remains undervalued. In addition, the operating profits of our investment holdings are steadily increasing, and unrealized gains are also growing. Taking all of these factors into account, we recognize that our current market capitalization—approximately ¥1.9 to ¥2.0 trillion—remains at a relatively low level.

[Question] Could you please provide an update on the electricity and gas business as well as the finance business?

[Answer] In the electricity and gas business, we operate in both the high-voltage and low-voltage markets, and the number of users as well as recurring operating profits are steadily expanding. Looking ahead, we believe that in order to maintain this growth trajectory amid ongoing competition, we will need to further enhance our initiatives, including new product development and the expansion of sales channels. The finance business has also continued to perform well, with particularly notable growth in our overseas operations. As a result, we have been able to steadily increase our operating profit.

[Question] Could you please explain the reasons behind the decline in profits in the beverage, solution, and commission-based sales businesses, as well as your outlook for these segments?

[Answer] In the beverage business, which includes water and beer, demand peaks during the summer season, when customer acquisitions are most active. Consequently, this is also the period when promotional expenses are at their highest. While recurring operating profit has grown steadily, the increase in promotional spending resulted in operating profit remaining roughly flat.
In the solution business, we primarily operate under the EPARK brand. Our focus has been on building recurring operating profit, and while both sales and operating profit have declined slightly, this is due to our strategy of concentrating on efficient and targeted customer acquisitions. The business continues to perform steadily, with recurring operating profit showing solid growth.
In the commission-based sales business, we handle sales on behalf of partners such as SoftBank's mobile shops and Sharp's multifunction printers. This segment is not currently in a phase of heavy investment in customer acquisition, and our policy is to maintain existing sales channels. Therefore, we do not plan any major reinforcement at this stage.
Additionally, in the telecommunications business, recurring operating profit has begun to rise again after reaching a bottom. Until last year, recurring operating profit in the telecommunications segment had been declining while other segments expanded, but now recurring operating profits are increasing across all our in-house business segments, and we believe we are returning to a well-balanced growth trajectory overall.

[Question] Could you please share your policy for customer acquisition spending in the second half of the fiscal year?

[Answer] There will be no significant change in our policy between the first and second half of the fiscal year. We have established a hurdle rate for customer acquisition investments. Our policy is not to pursue user growth at the expense of returns. Accordingly, we aim to maximize both user growth and recurring operating profit while maintaining appropriate returns. In the third and fourth quarters as well, we do not plan any major increases or decreases in spending. Our approach remains consistent — allocating costs where necessary and refraining from spending where it is not, maintaining disciplined management throughout.

[Question] Do you have any plans to issue bonds in the second half of the fiscal year?

[Answer] At this point, we do not have any specific plans in place.

[Question] Could you please explain the main factors behind the significant increase in recurring operating profits in the insurance business? If new initiatives—such as the launch of new products or the acquisition of insurance companies—have contributed to this growth, we would appreciate it if you could elaborate on those as well.

[Answer] In our insurance business, most of the products we offer are small-amount, short-term insurance, with mobile insurance serving as the core offering, which continues to grow steadily. In addition, we are developing new products and expanding into niche areas, albeit on a small scale. We focus on segments such as household property insurance and other areas that are relatively difficult for major insurers to enter, developing and offering distinctive insurance products. By accumulating these offerings, we are driving overall business growth. As for mobile device insurance, we operate in a market with very limited competition, and we expect it to continue showing steady growth going forward.

[Question] Your company has a wide range of subsidiaries. In that context, could you please share any internal corporate governance measures or initiatives that are in place to prevent circular transactions among operating companies — particularly those that may be difficult for the head office to detect?

[Answer] With regard to circular transactions within the group, we have established an evaluation framework designed to prevent such activities from occurring. In principle, we assess performance based on recurring operating profits generated from external customers. Accordingly, for the management teams of our subsidiaries as well, the most important performance indicator is the recurring operating profits earned from external customers. Profits earned through internal transactions within the group are not reflected in their evaluations. In this way, the design of our evaluation system itself functions as a structural deterrent to circular transactions. Naturally, legal and accounting checks are also in place to ensure proper oversight.

[Question] Could you please share an update on the interns and AI initiatives that were mentioned previously? If there are any specific examples or cases, we would appreciate it if you could share those as well.

[Answer] We have been actively strengthening our initiatives involving interns and AI. Currently, more than 100 interns are working across our group, with roughly half of them engaged in AI-related projects. The other members are contributing in various business divisions, leveraging their individual areas of expertise. At our company, we believe that the most effective way to generate results is to assign the person most skilled in a particular area to the business where their strengths can be maximized, regardless of their employment status. In the AI field in particular, our student interns are closely involved in practical research and development, and their efforts have already begun to produce tangible results. Specifically, AI-driven automation of tasks previously performed by humans—such as process optimization and cost reduction—has already been put into practical use and is contributing to our business operations. We are also advancing AI adoption in both inbound and outbound call operations, transitioning part of our call-handling work, which was previously carried out by a workforce of around 6,000 people, to AI-based systems.

[Question] I have two questions. The first is about your sales channels. It was mentioned that out of the 13.6% growth in recurring operating profits, 2.2% was driven by M&A. My understanding is that, in the electricity business, you have been expanding your sales channels partly through M&A. In this context, could you please elaborate on the scale of your organic sales capabilities and resources—specifically, how strong your sales power is on a standalone basis—and to what extent these have been expanded or strengthened through M&A? I would appreciate it if you could share your thoughts on how these aspects have evolved at the current stage.

[Answer] We estimate that organic growth within our existing sales channels is around 10% annually, which we consider to be our inherent growth capability. On top of that, the additional contribution from M&A shapes our overall growth rate. Naturally, as the denominator expands, the organic growth rate tends to decline unless new initiatives are introduced. To address this, we have established a dedicated organization focused on developing new sales networks and are actively working to expand our sales channels. Expanding these networks also requires a broader range of product offerings, so we are strengthening both sales network expansion and product development as our core business focus areas. In addition to this organic growth, business expansion through M&A further reinforces and accelerates our overall growth.

[Question] My understanding is that this fiscal year's M&A activities have produced results in the form of expanded sales channels, which have also contributed to recurring operating profit. It appears that your initiatives this fiscal year are progressing broadly in line with the plan, but given the tangible results achieved so far, is it reasonable to assume that you intend to continue pursuing incremental growth through M&A, on top of organic growth, in the coming fiscal years?

[Answer] M&A activities are, to some extent, influenced by timing. When things progress smoothly, our overall growth rate can exceed 15%, but there are also cases where deals cannot be executed due to circumstances on the counterparties' side.
We have a dedicated M&A team within the company that continuously researches and visits potential target companies in areas such as the electricity and gas business and the telecommunications business, ensuring that we are ready to act promptly when the right timing and opportunity arise.

[Question] My second question is about your organizational structure for managing securities investments. Could you please describe the current framework under which these investments are managed, as well as what kind of structure you envision going forward? If you have already transitioned to a new framework, could you also provide an overview of the new structure?

[Answer] With regard to listed equity investments, we operate with a small, highly skilled team, and this approach has remained unchanged. We have no plans to significantly expand the team—for example, to a structure of around 100 members—and will continue to manage our investments with the current expert team. Our investment policy also remains the same: we will continue investing in high-quality companies that are undervalued and financially stable, with no changes to our investment team.

[Question] My understanding is that you have continued to raise funds through corporate bonds, and that, including bonds, purchases have exceeded sales, resulting in a net increase in your investment balance. Also, you have also mentioned that you are considering diversifying your funding sources, including bank borrowings. Is it correct to understand that regarding your basic policy of your investment balance, you will continue to make flexible decisions depending on circumstances, as you have done so far? In addition, could you share your view on whether you believe the balance has been steadily increasing at this point in time?

[Answer] As a result, our investment balance has continued to accumulate. We do not set any specific target for the total amount of investments; rather, our basic policy is to invest when we find good companies that are undervalued. Accordingly, depending on market conditions, there may be times when we make no new investments at all if we do not identify attractive opportunities. On the other hand, we continue to see many excellent companies in the current equity market that are still undervalued. Therefore, our policy is to continue making investments in such attractive companies as appropriate, within our surplus funds.

[Question] I have two questions. First, in the electricity and gas business, could you please elaborate on the timing of when newly acquired customers begin contributing to recurring operating profit? Customer acquisition was very strong in the first half, but should we expect these results to start contributing to recurring operating profit growth from the third quarter? Or is it more accurate to understand that, due to the impact of initial discounts or free trial periods, it takes a certain amount of time before the results are reflected in recurring operating profit? While it may vary depending on the business, could you give us a general sense of the typical time lag between customer acquisition and its contribution to recurring operating profits?

[Answer] While there is some difference in timing between low-voltage and high-voltage segments, you may assume that the contribution to recurring operating profit will be reflected within approximately six months at the latest.

[Question] Should we understand that the strong customer acquisition performance in the first half will contribute to growth in the next fiscal year, rather than being reflected in recurring operating profit in the second half?

[Answer] That is correct.

[Question] Second, I would like to ask about the impact of fluctuations in electricity and crude oil prices on your recurring operating profit. Is it correct to understand that your current sales strategy is designed in such a way that your business is largely unaffected by these price fluctuations?

[Answer] Our pricing structure is linked to the market, so fluctuations in crude oil prices—whether increases or decreases—do not have a direct impact on our earnings.

[Question] My understanding is that the market value of your investment holdings has roughly tripled over the past five years. Do you have any internal benchmarks or guidelines regarding the appropriate level of these investments? Given that the current amount exceeds your shareholders' equity, it may appear somewhat large — could you please share your thoughts or policy on this matter?

[Answer] As mentioned earlier, we do not set any specific target for the total amount of our investments. Our basic stance is to invest when we find high-quality companies that are undervalued. Our investment policy is guided by three key criteria: the company's business is stable, and it generates consistent cash flow; it has a solid financial foundation (for example, a high cash ratio and low levels of debt); and its stock price is trading at a low valuation. We operate under these principles in a stable and disciplined manner. We view these investments purely as the management of surplus funds, with minimized risk of loss. We believe that investing in undervalued equities is the most suitable way to steadily increase cash over time. In terms of the cash coverage ratio of our investment portfolio, we maintain a level of around 50% of the book value, which we consider to represent sound and prudent investment management.

That concludes today's earnings call. Thank you very much.

(2) Earnings call for overseas investors
Speakers:
Masao Sugita, Senior Executive Officer, Finance, Head of M&A
Naomi Imoto, Head of Financial Strategy, Investor and Public Relations

[Question] Operating profit excluding one-time gains and losses increased by 2.8% year on year. Could you please explain the reason for the significant increase in customer acquisition costs despite this?

[Answer] When making customer acquisition investments, we place great importance on returns. Accordingly, we have established an internal hurdle rate, and we maintain strict discipline not to invest in cases where expected returns fall significantly below that threshold. Conversely, when the expected return is sufficiently high, our policy is to actively invest to drive customer acquisition. This disciplined approach has remained consistent over time.
As for our return benchmark, we generally target around a 2x return on acquisition costs over five years — in other words, we aim to recover twice the amount of our initial investment within five years. For example, in the first half of the current fiscal year, we invested approximately ¥35 billion in acquisition costs, which we expect to generate around ¥70 billion in returns over the next five years. While higher returns may sometimes make operating profit appear temporarily lower in the short term, these investments contribute directly to the growth of recurring operating profits, which we view as a key KPI. Therefore, we see this as a very positive development.

[Question] Could you please explain the reason for the significant increase in working capital?

[Answer] The main reason for the negative change in receivables and payables, etc. is the strong performance of our finance business. As this segment has been performing very well, cash outflows have been occurring ahead of inflows.

[Question] Could you please explain the background behind the significant increase in spending on listed equity and bond investments? According to page 10 of the financial results presentation, the amount for the first half of the fiscal year ending March 2026 is almost at the same level as the full-year figure for the fiscal year ended March 2025.

[Answer] With respect to listed equity investments, our policy is to actively increase our holdings when we identify stocks that we consider undervalued. Therefore, we do not set specific upper or lower limits on our investment amount. We continue to selectively add to our holdings when we find companies that align with our investment policy — those that are undervalued, stable, and cash-rich. As for bond investments, these are held as reserve funds in preparation for future equity investments, and they are included in this category as well.

[Question] In the second quarter of the fiscal year ended March 2025, sales grew by 15% year on year, but in the second quarter of the fiscal year ending March 2026, the growth rate slowed to 8%. Could you please share your outlook for the full-year growth rate?

[Answer] Sales and operating profit have been progressing in line with our initial plan, while recurring operating profits have been tracking above expectations. For the full year, we expect total sales to be roughly ¥760 billion, in line with our earnings forecast.

[Question] You have significantly increased customer acquisition costs — should we understand this as an indication that you expect accelerated organic growth in sales and operating profit going forward?

[Answer] That is correct.

[Question] On slide 12, comparing September 2025 with September 2024, the book value of investments has increased by 20%, and look-through earnings by 36%. Could you provide some color on which sectors are driving this growth?

[Answer] Our investments are relatively diversified and not concentrated in any specific sector. Overall, they have been showing steady growth. In line with our policy of investing in areas we understand well, our investments include sectors such as telecommunications, real estate, and software—not in emerging areas like AI, but rather in systems such as accounting software that tend to be used continuously once implemented. In this sense, no particular industry is showing exceptional growth; instead, we are seeing balanced growth across our portfolio as a whole.

[Question] What is the background of Mr. Sugita, the head of M&A? Where do you see the greatest opportunities for acquisitions?

[Answer] As for my background, I began my professional career at Hikari Tsushin and have been involved in M&A operations ever since joining the company. I hold a master's degree in economics, which gives me an academic foundation, but my professional experience has been entirely at Hikari Tsushin, consistently working on M&A from the acquirer's perspective. Unlike investment banks or private equity funds, my experience has been in executing M&A as the ultimate buyer.
As a company, we are most actively pursuing M&A opportunities within our core business domains, and we believe that the larger deals are most likely to come from these areas. Specifically, these include sectors such as electricity, insurance, and telecommunications, as well as related fields where we already have established relationships through our sales channels and alliances. We see these areas as offering the greatest potential for sizable M&A opportunities.

[Question] Could you please elaborate on the Solution business, including the reasons behind the revenue decline and the strategic progress you are making in developing new verticals.

[Answer] Regarding the Solution business, we operate mainly under the EPARK brand, which provides a queue and reservation system. In the past, we covered a wide range of sectors, but since the previous fiscal year, we have been focusing on higher-return businesses, following a strategy of selection and concentration. Currently, our main focus areas are the dental and restaurant and bar sectors.
Our key KPI, recurring operating profit, has been steadily increasing, and we view the current situation as very positive. Therefore, rather than seeing the slight decline in sales or operating profit as negative, we consider it a reflection of our strategic focus on steadily growing recurring operating profits. We will continue to thoroughly pursue our strategy of selection and concentration.

[Question] Could you kindly provide a sense of the rates of return you are seeing across the different business segments? It appears that customer acquisition costs are growing faster in the insurance and the finance segments than in the electricity & gas and the beverage segments.

[Answer] As we have mentioned before, our management policy is to actively invest when the return is attractive. In general, we target approximately a 2x return on customer acquisition costs over five years for most of our businesses. Meanwhile, our finance business is not classified as a recurring revenue business. In this segment, we aim for an annual operating profit ratio of 10–15% or higher relative to the outstanding balance of receivables, and we are steadily generating stable profits in line with that goal.

[Question] Could you please provide some insight into how synergies with the apartment rental companies are being implemented?

[Answer] Things are progressing very well. In the electricity business, the low-voltage segment—particularly the retail customer segment—has made significant progress. In addition, we are seeing various synergies beyond electricity. For example, we are collaborating with our insurance business and implementing initiatives that help reduce vacancy rates for apartment owners, creating mutual benefits for our partners. There is still considerable potential to expand into areas we have not yet explored, and we are very optimistic about future developments.

[Question] It seems there will be an increased focus on M&A going forward. Are there any in-house capabilities or know-how from your existing businesses that you can leverage when acquiring and integrating new companies?

[Answer] Within Hikari Tsushin's business operations, we have placed a strong emphasis on recurring revenue businesses. At the same time, we rigorously manage business returns—specifically, returns on invested capital—and have consistently adhered to the discipline of not engaging in businesses that would lower those returns. This principle also applies to our M&A activities, where we maintain a consistent stance of refraining from acquisitions at excessively high prices. We believe that maintaining this disciplined approach has shaped Hikari Tsushin's M&A track record over the years. In recent years, we have applied the same philosophy to our equity investment activities as well, achieving very strong performance. We intend to continue upholding this fundamental approach in both our M&A and equity investment initiatives going forward.

[Question] What is the history of EPARK? Was it originally developed in-house or acquired? What is its current market position?

[Answer] EPARK was developed in-house. It currently has over 50 million members and offers reservation systems across various fields, including dental clinics, medical clinics, relaxation services, and restaurants and bars. The platform also provides functions such as reservation management and payment processing. In terms of market position, competition is intense in the restaurant and bar sector, so we have focused our efforts on areas with fewer competitors, such as dental and relaxation services. As a result, we have established a strong market share in these segments.

[Question] Does EPARK compete or overlap with Hot Pepper, the service offered by Recruit Holdings?

[Answer] We intentionally avoid competing with Hot Pepper. It is our policy not to enter low-margin business areas. We withdraw from those segments where Hot Pepper operates, as competition tends to intensify and margins decline. There are always business domains that suit our strengths, and our basic approach is to focus on developing our business in those areas.

[Question] Previously, you mentioned that your share buyback capacity was limited due to the low tradable share ratio. Why did you decide to launch a buyback now?

[Answer] This share buyback is also limited in scale. If there were no such constraints, we would likely have considered and carried out a larger buyback.

[Question] In the electricity and gas business, what are the longer-term implications of the restart of nuclear power plants? How will this affect procurement costs for your company and other electricity retailers compared with the EPCOs (electric power companies)?

[Answer] Currently, we maintain a neutral position regarding electricity prices themselves. Our profit structure is designed so that earnings are generated in proportion to customers' electricity usage, meaning that whether electricity prices rise or fall, our profitability remains largely unaffected. Our greatest concern is the potential instability of electricity supply. From that perspective, we view the restart of nuclear power plants as a positive development, as it contributes to the stability of supply.

[Question] What are your views on the new Japanese government, and do you expect it to have any impact on your business?

[Answer] At this point, we do not expect any particular impact from the new administration. Our business model is based on making upfront customer acquisition investments that are designed to generate a twofold return within five years. This return is achieved as our customers continue to use our products and services over time. In other words, as long as our corporate and retail customers continue their business activities and daily lives for five years, our company can continue to earn stable profits. Therefore, unless our customers' economic activities or livelihoods are significantly disrupted, the impact on our business will be limited. Even if there were any effects stemming from the new administration, we believe they would reach us only at a relatively later stage.

This concludes our earnings call. Thank you very much for your attendance today.