



Financial Results

For the six months ended September 30, 2021

November 12, 2021

Record High Performance

1) Revenue

(Billions JPY)

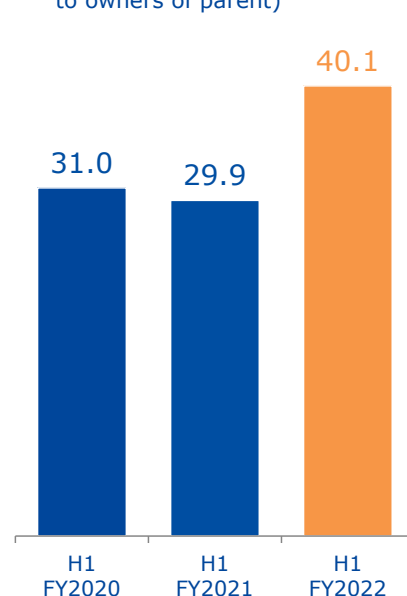


2) Operating Profit

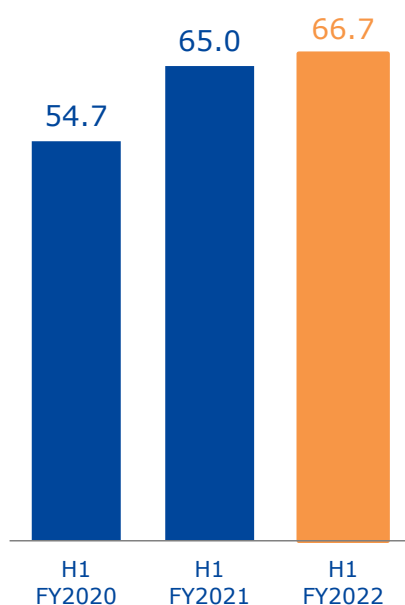


3) Quarterly Net Income

(Quarterly net income attributable to owners of parent)



4) Recurring Profit

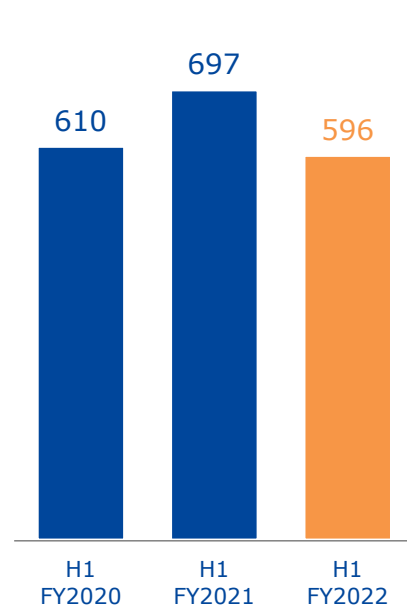


5) In-House Product Acquisition Cost



6) Number of In-House Products Acquired

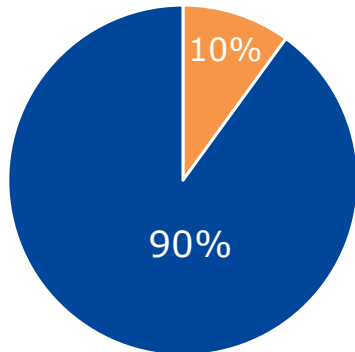
(Thousand Units)



Profit increased despite increased procurement of electricity through negotiation transactions at higher unit price than the market price, to hedge against the risk of fluctuations in electricity transaction prices in the electricity business.

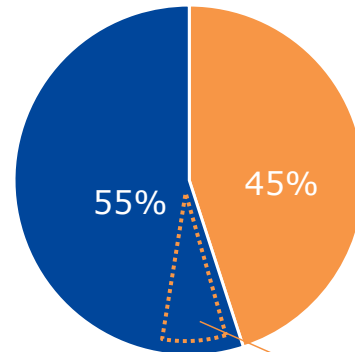
Procurement Composition in the electricity business

- Variable price procurement (mainly in JEPX Spot Market)
- Fixed price procurement (mainly through negotiation transaction)



FY2021 H1

* Fixed price procurement ratio of 13% in FY2021



FY2022 H1

7% of the variable price procurement was available through negotiation transaction

Increased fixed price procurement to hedge against the risk of fluctuations in electricity transaction prices.

Electricity Transaction Prices

(yen/kWh)

Electricity transaction prices fluctuated from +1.4yen to +3.7yen on a year-on-year basis during the first half.

Spot Market monthly average system prices
(Japan Electric Power Exchange, JEPX)

H1 ← → H2

— FY2021
— FY2022

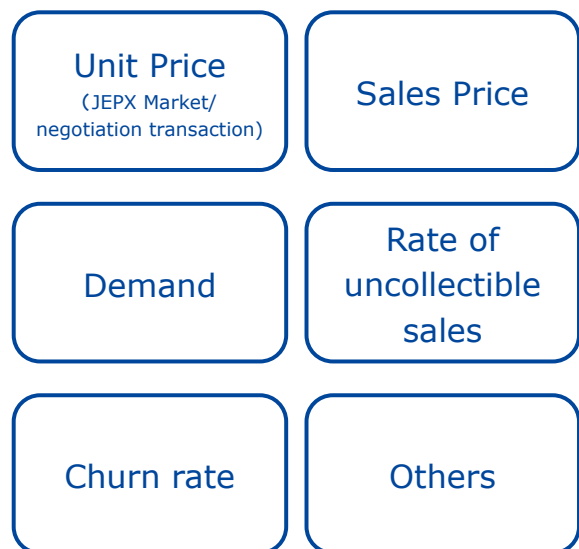
April May June July August September October

FY2021	5.2	4.1	5.0	4.3	7.0	6.3	5.0
FY2022	6.6	6.7	7.1	8.0	8.5	7.9	12.0
difference	+1.4	+2.5	+2.1	+3.7	+1.5	+1.6	+7.0

Prepared by Hikari Tsushin based on the JEPX disclosed data

Electricity Business Estimated effects

Main factors affecting the performance



Expected impact on the recurring profit and operating profit

* This simulation is based on certain conditions and may differ from the actual amount of impact if it were to occur.

Spot market system prices	Effects <small>The difference from monthly average spot unit price of 10 yen/kWh</small>
In the case that the monthly average price is 20 yen/kWh	About 1.7 to 2.7 billion yen lose per month
In the case that the monthly average price is 63 yen/kWh* <small>(*same level as the price hike in January 2021)</small>	About 4.5 to 9.0 billion yen lose per month

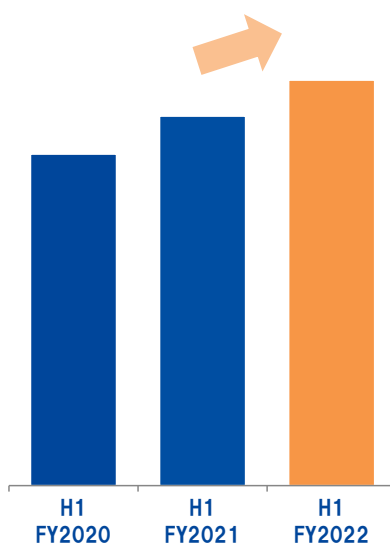
Performance excluding electricity business

(Billions JPY)

1) Revenue



2) Recurring Profit



3) Operating Profit



Both recurring profit and profit increased by 10% year on year except for electricity business.

Business Areas

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

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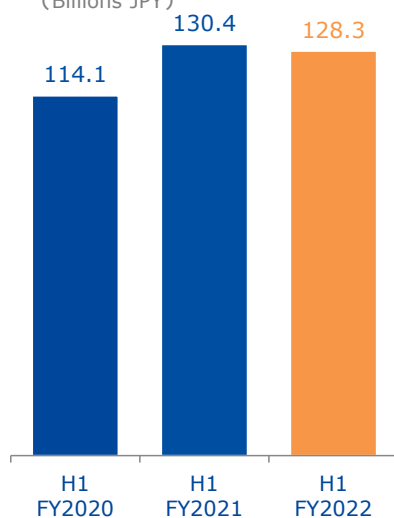
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Corporate Service

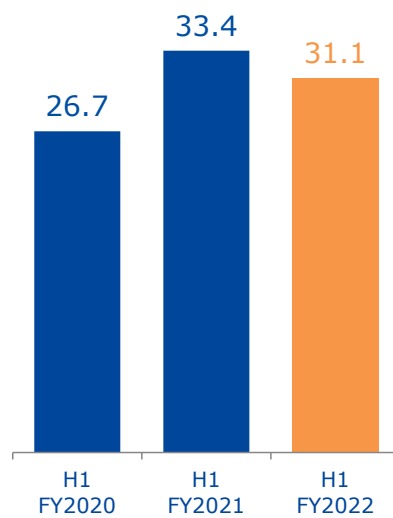
Main business: Internet communication line, content, electricity, industry-specific IT solutions, etc.

1) Revenue

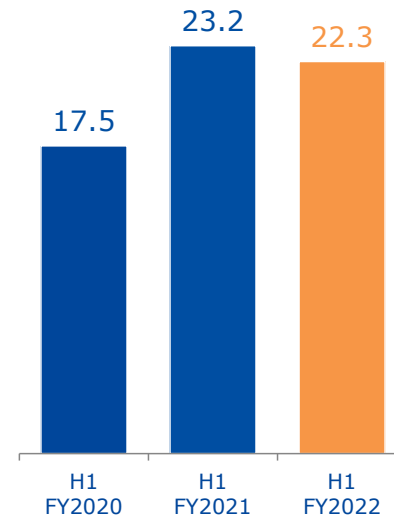
(Billions JPY)



2) Recurring Profit



3) Operating Profit



Profit decreased due to a review of the procurement composition in the electricity business.

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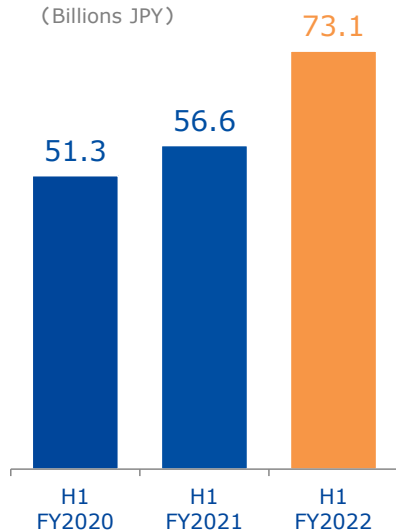
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Individual Customer Service

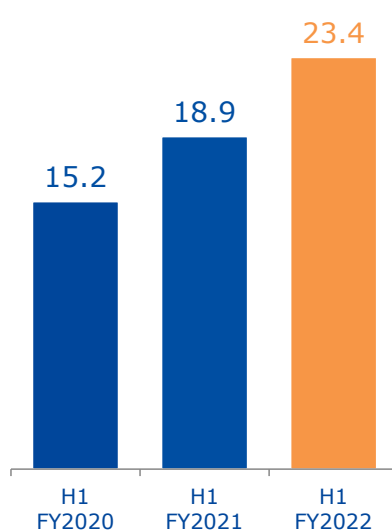
Main business: Internet communication line, content, water delivery, etc.

1) Revenue

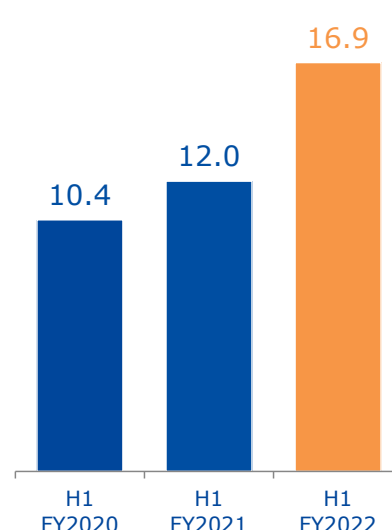
(Billions JPY)



2) Recurring Profit



3) Operating Profit



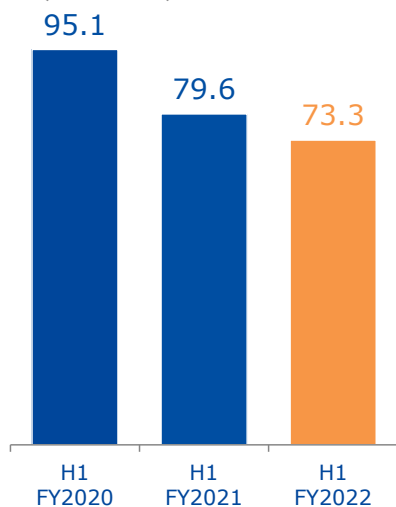
Revenue and profit increased mainly in the water delivery business.

Commission-based Sales

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

1) Revenue

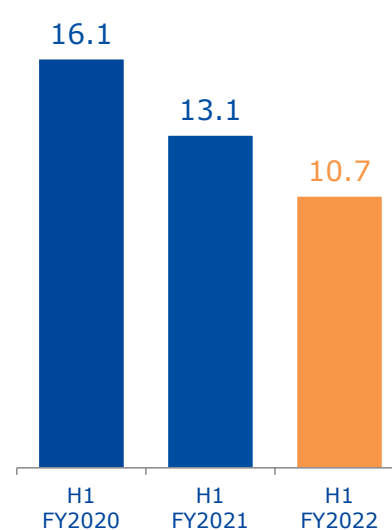
(Billions JPY)



2) Recurring Profit



3) Operating Profit



Revenue and profit tend to decrease due to change in external environment.

Non-Operating Profit

(Billions JPY)

	FY2020	FY2021	FY2022
	H1	H1	H1
Operating Profit	44.8	47.5	48.8
Financial revenue + Financial expenses	▲0.3	▲1.7	3.0
Share of loss (profit) of entities accounted for using equity method	1.5	2.1	8.4
Other non-operating expenses (income)	0.8	2.1	0.2
Quarterly profit (loss) before income taxes	46.8	50.1	60.6
Corporate income tax expenses	▲14.1	▲17.6	▲17.5
Non-controlling interests	▲1.7	▲2.4	▲2.9
Quarterly net income attributable to owners of parent	31.0	29.9	40.1

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Performance forecast : Steady progress

(Billions JPY)

	FY2022 H1	FY2022(E)	
	Actual Results	Forecast	Progress Rate
Revenue	273.9	585.0	46%
Operating Profit	48.8	83.0	58%
Quarterly net income and net income attributable to owners of parent	40.1	58.5	68%

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Consolidated Cash Flow

(Billions JPY)

	FY2020	FY2021	FY2022
	H1	H1	H1
Cash Flow from Operating Activities	+43.2	+38.7	+27.2
Cash Flow from Investing Activities	(39.0)	(51.6)	(55.8)
Free Cash Flow	+4.1	(12.8)	(28.6)
Cash Flow from Financial Activities	+40.9	+27.1	+8.2

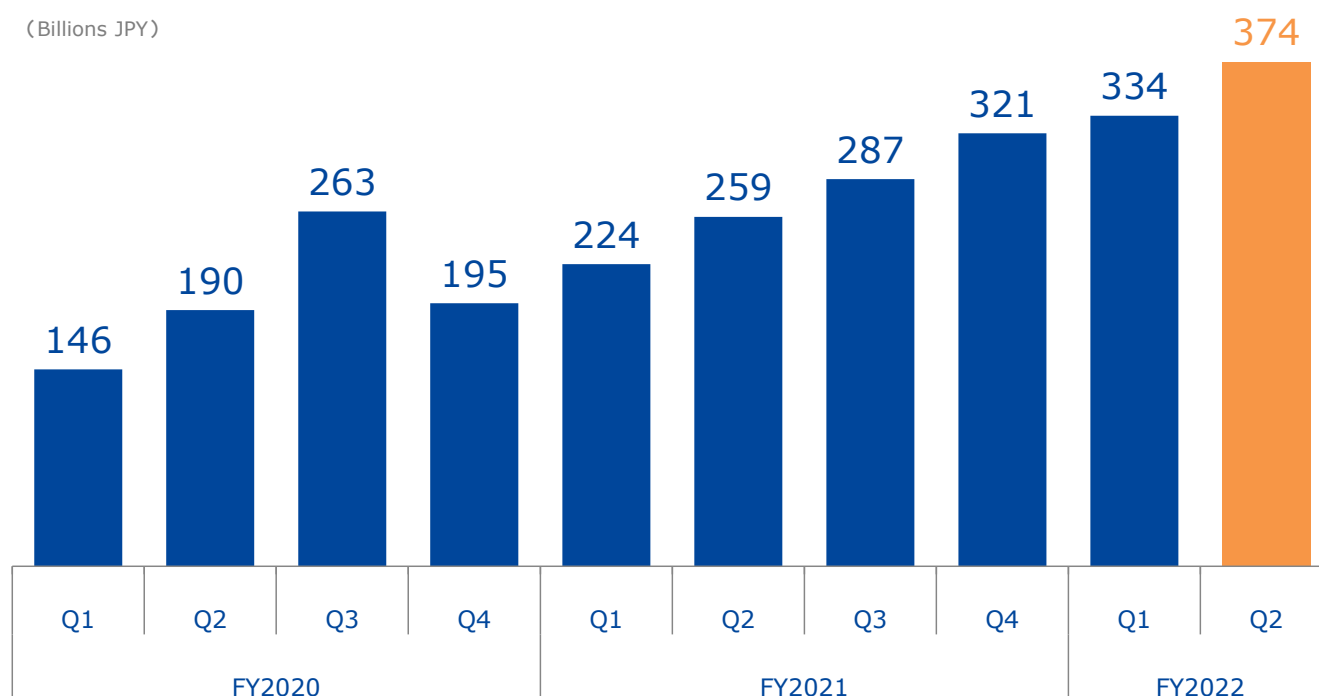
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Net Cash Assets

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

(Billions JPY)



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Listed stock investment policy/approach

(principles)

- Net investment

- Stable

*Invest in stable companies with sound cash flow, recurring revenue, solid financial foundation, etc.

- We shall consider “Purchasing stocks means that we own part of the business”

- We will aim to establish a good relationship with companies we have invested in

Listed company stock investment status

(1)EY

Number of companies we have invested in: 481
(including 16 affiliated companies accounted for by the equity-method)

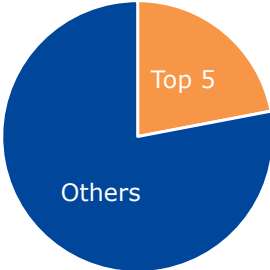
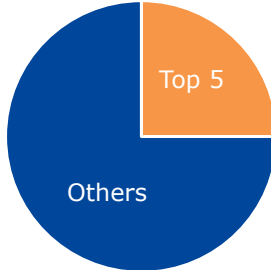
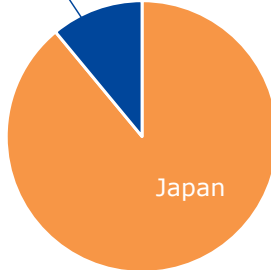

(1)	(2)	(2)/(1)
Investment book value As of the end of September 2021	Look-through earnings Last 12 months *	EY Earnings Yield
417.4 billion yen	58.9 billion yen (Including 12.1 billion yen for affiliated companies accounted for by the equity-method)	14.1%

* “Look-through earnings” is calculated by multiplying operating profit of each of the companies we invested in by our stock holding ratio and adding them all up.

* “Last 12 months” means four quarters from October 2020 until the end of September 2021 for which financial results have been announced.

Listed company stock investment status

(2)Portfolio

Investment book value	Market value	Regional Distribution	Industry Distribution (Japanese stocks only)
 <p>Top 5 Composition 22%</p>	 <p>Top 5 Composition 25%</p>	 <p>Mainly in Japan</p>	 <p>Information & Communication 23%</p>

Resolution of Share Repurchase

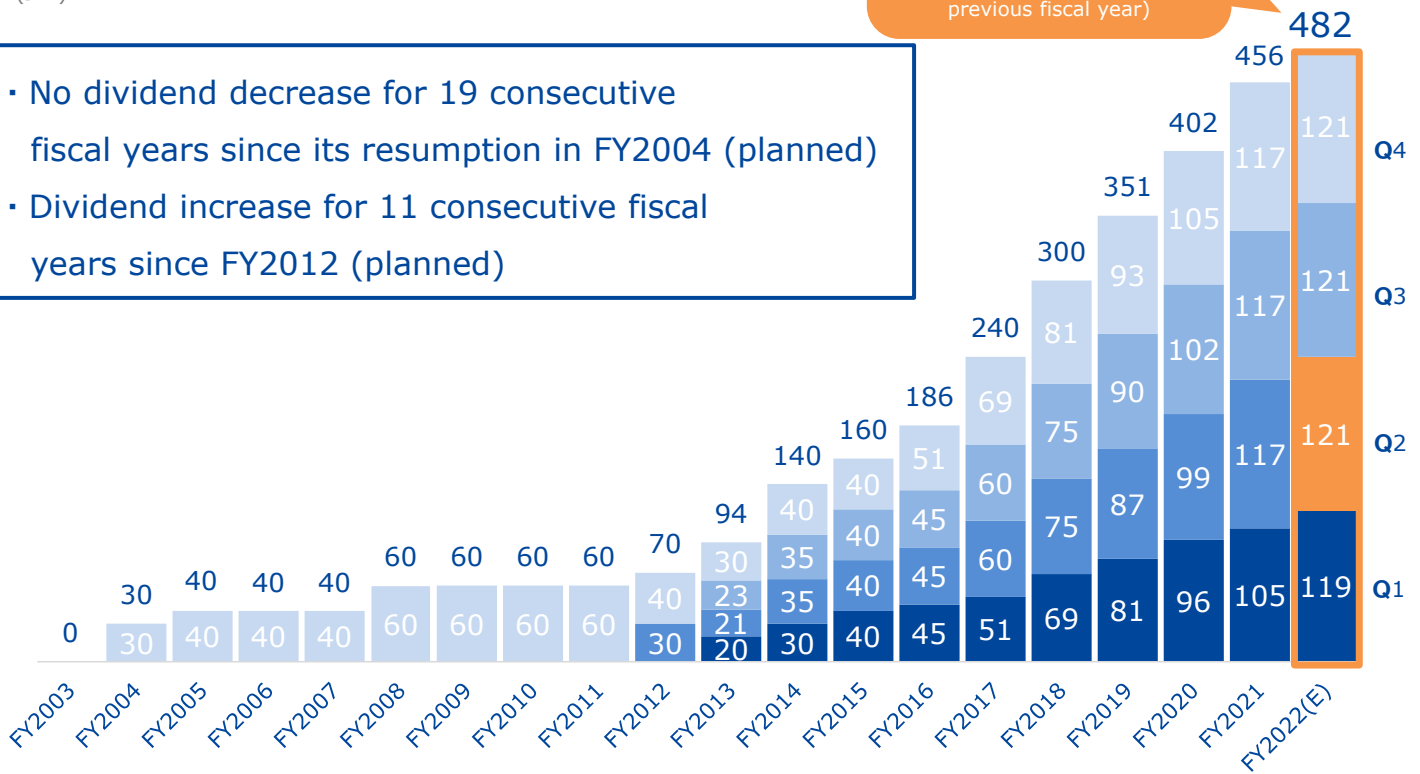
Resolution date	November 12, 2021
Total number of shares to be repurchased	350,000 (maximum) (0.77% of outstanding shares (excluding treasury stock))
Total amount of repurchase price	4.9 billion yen (maximum)
Period of repurchase	From Nov. 15, 2021 to Jan. 31, 2022

Dividends per share

(JPY)

Dividend for FY2022 H1 increase by 2 yen from 119 yen
 (Plan to increase the dividend by 26 yen compared to the previous fiscal year)

- No dividend decrease for 19 consecutive fiscal years since its resumption in FY2004 (planned)
- Dividend increase for 11 consecutive fiscal years since FY2012 (planned)



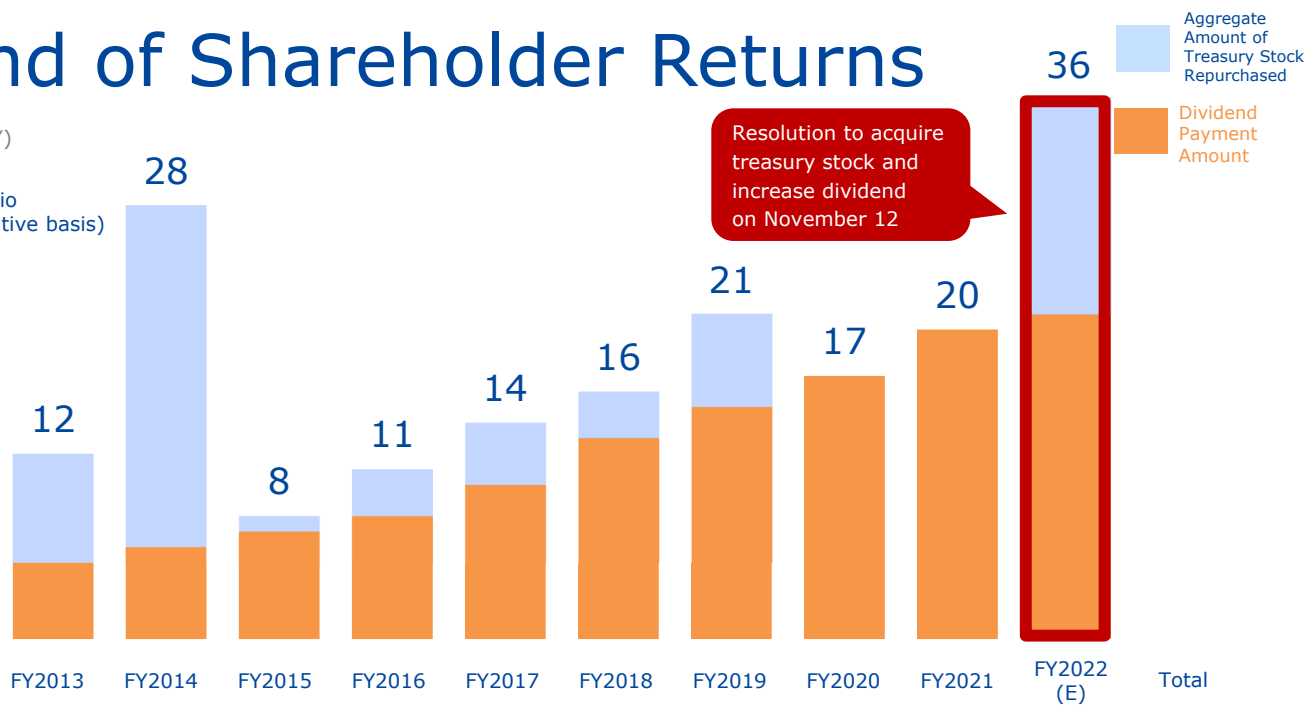
Trend of Shareholder Returns

(Billions JPY)

Total Return Ratio
(10-year cumulative basis)

47%

Resolution to acquire treasury stock and increase dividend on November 12



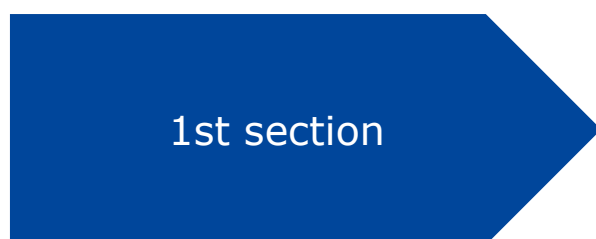
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (E)	Total
Dividend Payment Amount	5	6	7	8	10	13	15	17	20	21	126
Aggregate Amount of Treasury Stock Repurchased	7	22	1	3	4	3	6	0	0	14	62
Total Return Ratio	75%	98%	42%	44%	37%	38%	43%	34%	37%	62%	48%

Resolution to select Prime Market

On July 9, 2021, we received a notice from Tokyo Stock Exchange, Inc. that we have met the continued listing criteria of the new market segments, as the "Prime Market" .

Based on the result, at the Board of Directors Meeting held on November 12, 2021, we resolved to select the "Prime Market".

Present



April 4, 2022 (planned)



Issuer Rating Change (the rating upgraded to A)

On August 27, 2021, Rating and Investment Information, Inc. (R&I) has announced a change in the issuer rating.

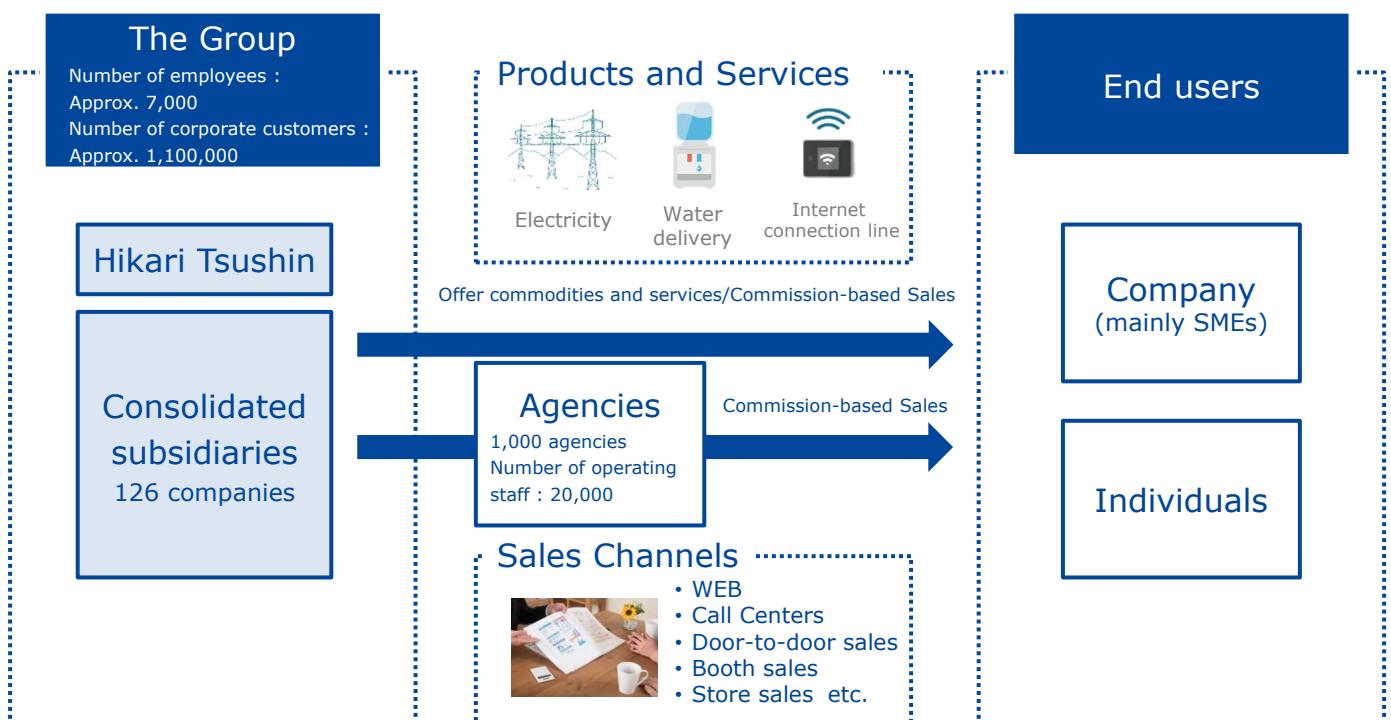
Before	After
A- (Stable)	A (Stable)

In January 2021, we received an issuer rating of A (stable) from Japan Credit Rating Agency, Ltd. (JCR).

Basic Information

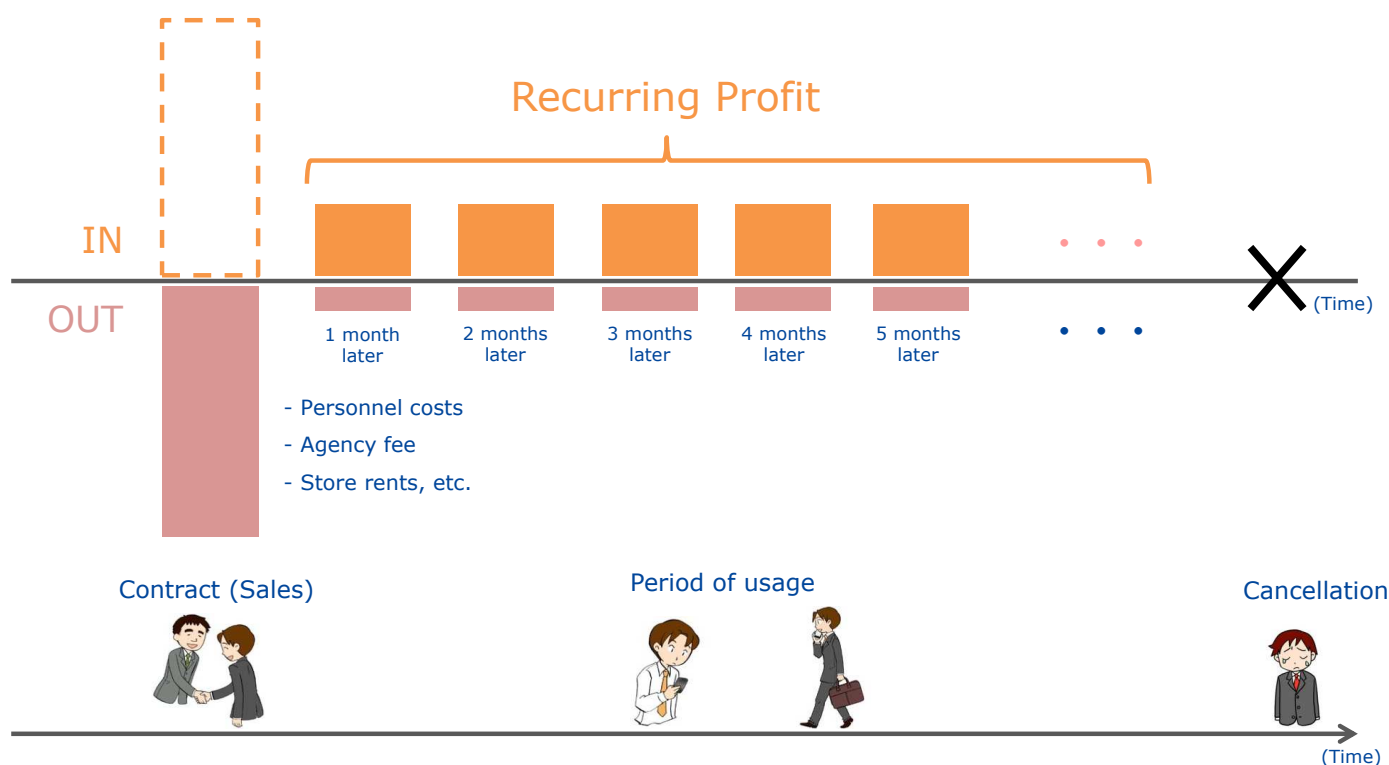
Business Overview

As of March 31, 2021



Representative Earnings Model

(conceptual image of earnings per deal)



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Explanation of Recurring Profit and Acquisition Cost

(Billions JPY)

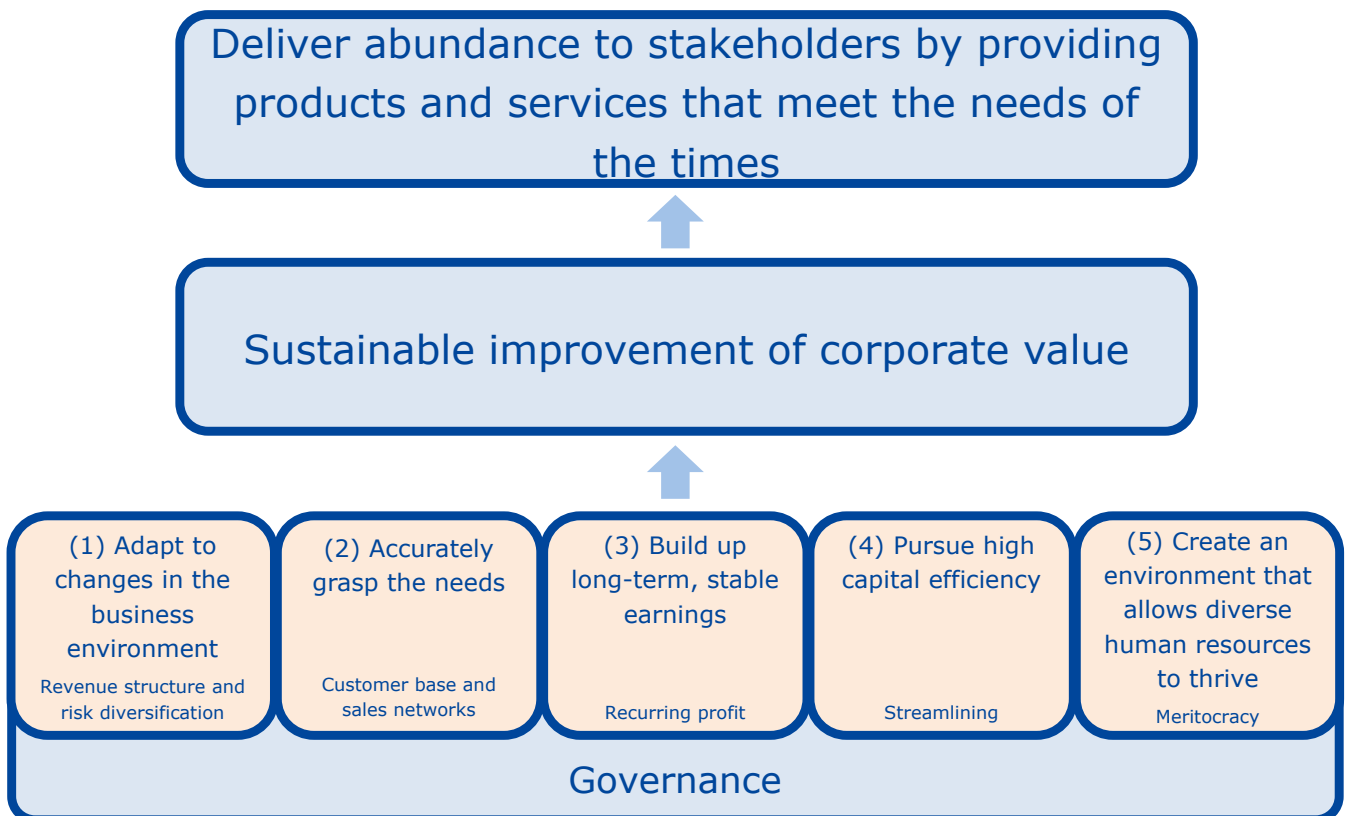
	FY2021				
	Total	Recurring		Lump-sum	
Revenue	559.4	Communication usage fees from Company's customers, commission income from telecommunication carriers and insurance companies	389.4	Initial commission income, hardware sales proceeds of hardware, etc.	170.0
Cost of goods sold + SGA expenses	(490.2)	Cost of service provided, cost of customer retention such as billing costs, etc.	(281.2)	Hardware purchasing cost, personnel expenses for marketing, sales commission to secondary agents, etc.	(209.0)
Operating Profit	69.2	Recurring Profit	108.3	Acquisition Cost	(39.0)

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Our Sustainability

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

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

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.

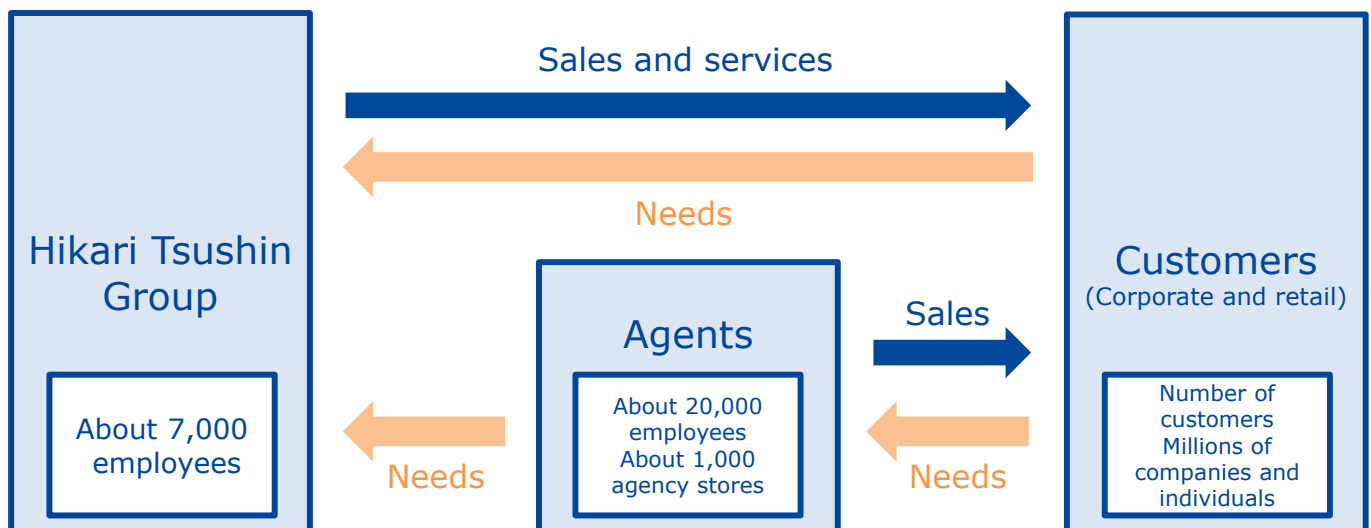
[Reference] Business portfolio

	Office automation (OA) equipment	Mobile phones	Insurance	Land lines	Systems	Water	Electric power
1988-2000	○	○	-	-	-	-	-
2001-2010	○	○	○	○	-	-	-
2011-2021	○	○	○	○	○	○	○

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

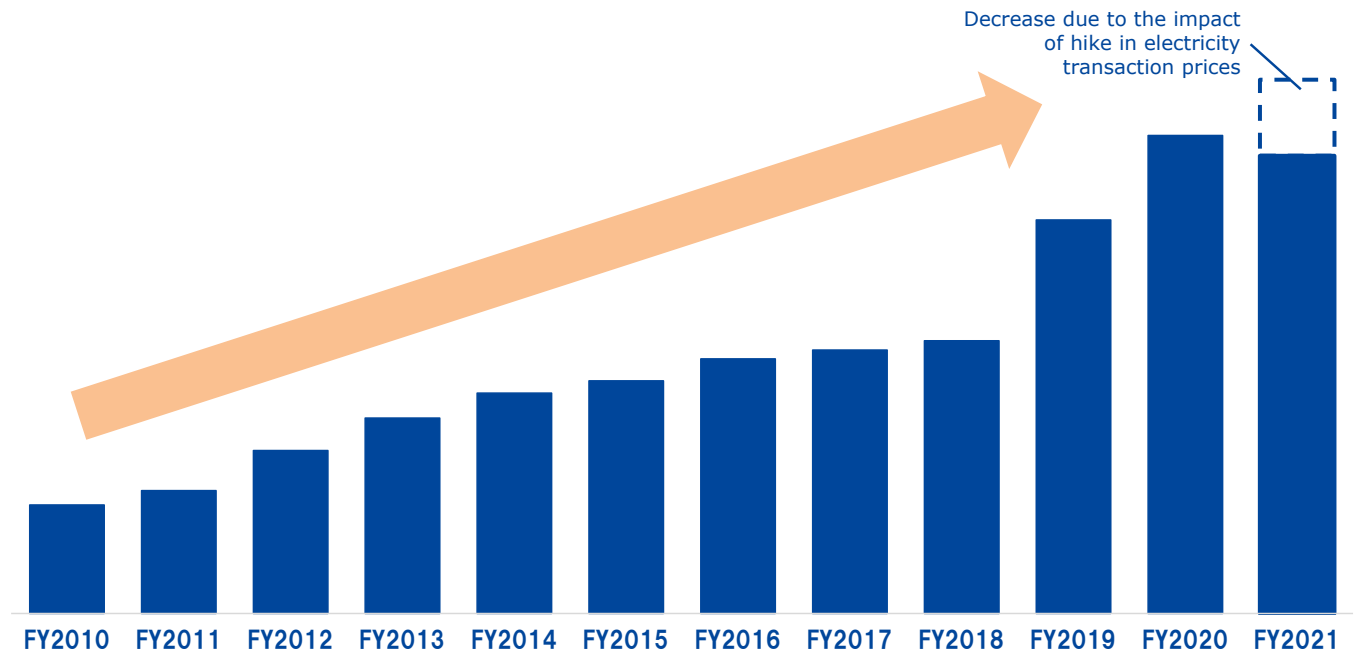
(2) System to accurately grasp needs

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



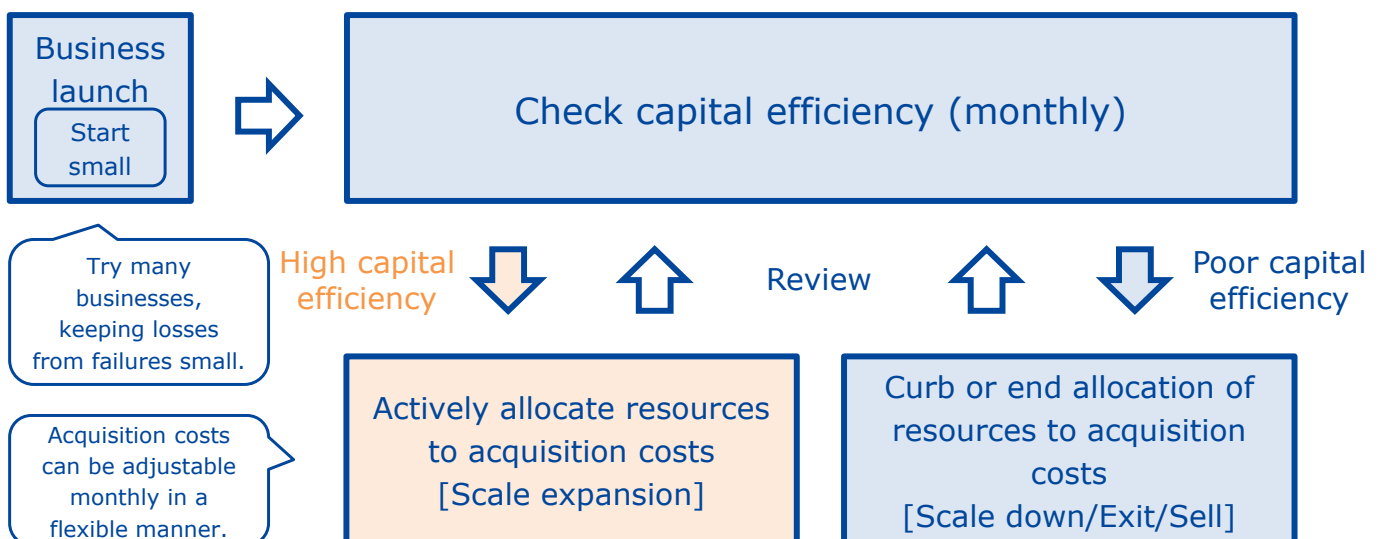
(3) Build up long-term, stable earnings

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



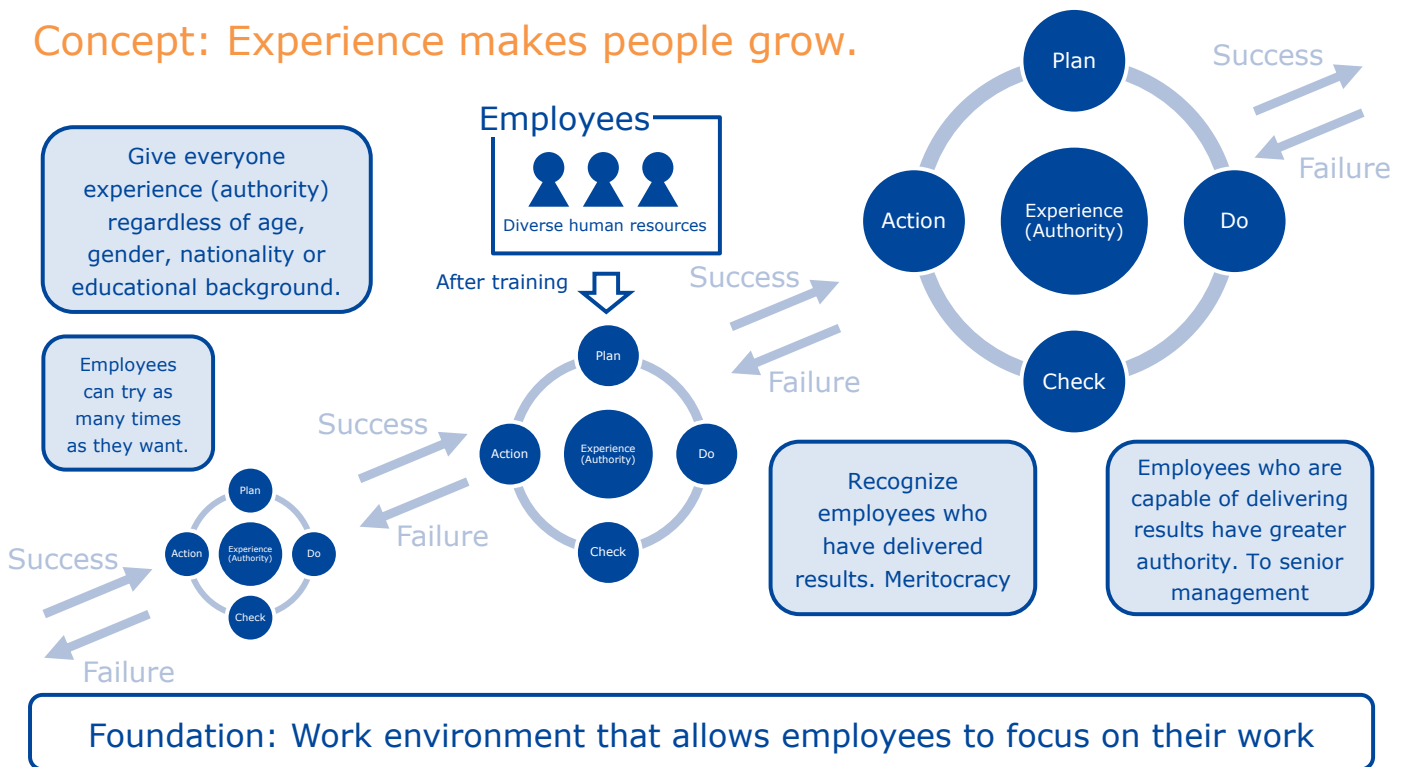
(4) Pursue high capital efficiency

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.

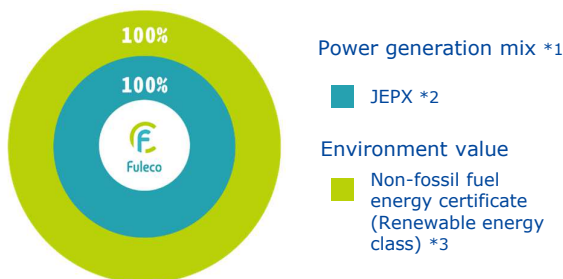


Environment-1 Effort to achieve decarbonized society

On May 10, 2021, we released our new electric power service, "Fuleco".

It is an environmentally friendly power service to supply electricity derived from renewable energy with non-fossil fuel energy certificates, and is environmentally valuable.

Fuleco's power generation mix



In case of a contract for 50A and 500kWh of monthly usage, the amount of annual CO₂ reduction is estimated to be about 2,916 kg, which is equivalent to 208 Japanese cedar trees.

*Estimate based on certain conditions. For more information, please visit the Fuleco website, <https://fuleco.net/>.

*1 Data of FY2021 plan

*2 This electricity includes hydro, thermal, nuclear, FIT electricity, renewable energy, etc.

*3 Since non-fossil fuel energy certificates for renewable energy are purchased through market transactions, we may not be able to procure sufficient quantity.

Environment-2 Protection of water resources

We are implementing the following measures working with local communities, experts, etc.

Forest maintenance activity

Considering that a forest with a high function to conserve water source creates a high-quality water resource and generates a rich dietary life, we are maintaining forests by thinning, etc. to create healthy forests.

Mt. Fuji clean-up activity

We regularly participate in clean-up activities held by local communities and specialists to protect the environment surrounding Mt. Fuji.

Minamiaso rice planting/harvesting

We support the rice fields in front of our factory and are working on a groundwater conservation activity to grow rice using a farming method that stores water all year round.

Provision of water to welfare facilities

To effectively utilize home delivery water that Premium Water's users did not receive and help to improve welfare, we provide local welfare facilities for the disabled with water servers and home delivery water free of charge.

Environment-3 Reduce resources and waste

Non-possession

- Tangible fixed assets accounted for 1.7% of the total assets as of the end of the fiscal year ended March 2021.

Reuse

- When purchasing furniture and fixtures, used items are selected in principle.
- Reuse shelves are available for employees to share stationery and office supplies, and this reduces the number of new items purchased and waste.

Paperless

- Other efforts include promoting paperless meetings including the meetings of the Board of Directors.
- Encourage suppliers to digitize invoices and other mailed items.

Social-1 Development of management personnel

Promotion of diversity

- Through a thorough performance-based evaluation, the Group practices a fair performance evaluation that is free from bias based on age, gender, nationality and educational background.

Meritocracy

- Based on the idea that experience makes people grow, we give employees countless opportunities to tackle challenges, and highly evaluate those who deliver results. Those who can make achievements gain a greater authority and are promoted to executive positions.

Respect for human rights

- The Group respects human rights and the basic rights of workers, and strives to eliminate unfair discrimination, harassment, forced labor, and child labor.
- The Group focuses on allowing employees to perform activities in good mental and physical health by establishing a counseling desk for employees to talk about any troubles and worries that they may have.

Social-2 Creating a comfortable workplace

Working hours

- Long work hours and working on holidays are prohibited in principle.

Various systems

- The Group created a work environment that allows employees to work comfortably by developing systems including flextime, childcare leave and shortened work hours, and support systems for returning to work after childbirth.
- The Group promotes health improvement activities including subsidizing vaccination through the Group's health insurance association.

Setting up an opinion-box system

- We have established a system that allows employees to directly pass on their opinions, concerns, etc. to the management and executives while either disclosing their identity or doing so anonymously.

Social-3 Social contribution activities

Economic contributions

- The Group runs businesses all over Japan, and its continuous profit growth leads to economic growth of the entire society, job creations in a broad range of fields and revitalization of local communities.

Contribution to local government

- The Group donates to Toshima-ku (head office location) some of the shareholder benefit items given by companies in which the Group invests. In November 2020, the Group received a letter of appreciation from the Toshima Ward Residents Council of Social Welfare.
- The Group donates used stamps to Toshima-ku Residents Council of Social Welfare. (Used stamps are turned into money and used as funds for the welfare businesses.)
- The Group regularly cleans the vicinity of Ikebukuro Station in Toshima-ku.
- The Group supports the NPO Ecocap Promotion Association that collects plastic caps of PET (plastic) bottles to raise money for vaccinations.

Governance-1 Corporate Governance

Remuneration of executive directors

Remuneration of executive directors is determined based on indices including operating profit in order to incentivize executive directors to improve the intrinsic corporate value from a long-term perspective and to achieve performance targets from a short-term perspective.

Risk Management

As part of our response to the basic policy for internal control determined by the Board of Directors, we hold regular meetings to gather internal risk information and report to the Audit and Supervisory Committee.

Information Security / Business Continuity Plan

To manage the personal information of our customers and employees properly, we are trying to establish a system that allows us to comply with laws and regulations, prevent breaches of contracts, gather and manage information, and propose an appropriate operational procedures.

In addition, we have set crisis management rules for the risks that would occur in our daily business operations and the risks caused by external factors such as disasters, and are creating a BCP system.

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.

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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.

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