

FY2012 First Half Consolidated Financial Results

Company Name : Hikari Tsushin Inc.
 Stock Exchanges on which the Shares are listed : Tokyo Stock Exchange - First Section
 Code Number : 9435
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(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for FY2012 First Half (April 1, 2011 through September 30, 2011)

(1) Consolidated Financial Results

(Percentages are shown as year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2012 First Half	233,208	11.1	7,720	—	6,554	—	3,895	—
FY2011 First Half	209,869	26.6	(1,533)	—	(2,293)	—	(1,963)	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2012 First Half	73.75	73.66
FY2011 First Half	(36.17)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
FY2012 First Half (as of September 30, 2011)	205,068	104,777	46.6	1,823.21
FY2011 (Full Year) (Apr 1 2010-March31, 2011)	228,885	109,411	43.7	1,879.76

2. Cash Dividends

(Term Recorded)	Dividends Per Share				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
FY2011	—	0.00	—	60.00	60.00
FY2012	—	30.00	—	—	—
FY2012 (Forecast)	—	—	—	40.00	70.00

(Note) Revisions to the Forecast of Cash Dividends in the Current Quarter: None

3. Forecast of Consolidated Results for FY2012 (April 1, 2011 through March 31, 2012)

(% Change from FY2011)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2012 (Full Year)	460,000	2.4	17,000	555.2	15,500	1,237.0	7,500	—	140.98

(Note) Revisions to the Forecast of Consolidated Results in the Current Quarter: None

4. Other

- (1) Changes Among Significant Subsidiaries during the Quarter
(Changes Among Specific Subsidiaries Resulting in Changes in the Scope of Consolidation): None
New: None
Elimination: None
- (2) Application of special accounting methods for preparation for the consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and retrospective restatements in the consolidated financial statements
 - ① Changes due to revisions in accounting standards: Yes
 - ② Changes Other Than (3)-① Above: None
 - ③ Changes in accounting estimates: None
 - ④ Retrospective restatements: None
- (4) Number of Shares Issued and Outstanding (Common Stock)
 - ① Number of Shares Issued and Outstanding at the End of Each Period (Including Treasury Stock)

FY2012 First Half	58,349,642	FY2011	58,349,642
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 - ② Number of Treasury Stock at the End of Each Period

FY2012 First Half	5,928,570	FY2011	5,150,170
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 - ③ Average Number of Shares Issued and Outstanding in Each Period

FY2012 First Half	52,825,806	FY2011 First Half	54,283,133
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Cautionary Statement with Respect to Optimistic Statements

The forecasts listed above have been prepared based on information available as of the date on which this document is released. Owing to a variety of factors, actual results may vary from these forecasts.

Qualitative Information and Financial Statements

1. Qualitative Information about Consolidated Results

<Performance Overview>

A brief review of the domestic economic circumstances for the first half of FY2012 (Apr 1, 2011 –September 30, 2011) goes as follows. An economy fell into a slump following the Great East Japan Earthquake, but it began to recover during the period under review due to the restoration of the damaged supply chain and to improvement in corporate and consumer sentiment. Nonetheless, in addition to the unusual conditions in the global economy and the continued strength of the yen, progressing of falling stock prices have left no clear pictures of sustained recovery. On the other hands, in the mobile communication markets, we foresee an even greater market expansion of the entire mobile business due to evidence of upward growth in smartphones, data communication terminals, mobile WiFi and routers.

In this situation, Hikari Tsushin has been secured the continuing profits by accumulating the stock comission in the future, while we focus on the business that are more efficient and growth potential with selectiion and concentration of business that are needed up-front costs.

For the six months ended September 30, 2011, the company registered net sales of ¥233,208 million, operating income of ¥7,720 million, ordinary income of ¥6,554 million, net income before tax of ¥6,787 million, and net income of ¥3,895 million.

(Millions of Yen)

	FY2012 First Half Apr 1, 2011 -Sep 30, 2011	FY2011 First Half Apr 1, 2010 - Jun 30, 2010	Change	Change (%)
Net sales	233,208	209,869	23,339	11.1
Operating income	7,720	(1,533)	9,253	—
Ordinary income	6,554	(2,293)	8,847	—
Net income before tax (Loss)	6,787	(1,472)	8,259	—
Net income (Loss)	3,895	(1,963)	5,859	—

<Overview by Segments>

Corporate Business

Hikari Tsushin Group's corporate business segment engages in the sales of OA equipment, telecommunication line services, and enterprise solution services. The difficult environment for our main customers, SMEs, continues. In this environment, Hikari Tsushin strove to expand its nationwide sales networks and offer customers ways to increase efficiency and reduce costs by offering many kinds of products and services. Also, the expansion of broadband services centered on FTTH is accompanied by an ongoing optical access, high-speed data link. In this quarter, Hikari Tsushin has been secured the continuing profits by accumulating the stock commission in the future, while we focus on the business that are more efficient and growth potential with selection and concentration of business that are needed up-front costs. As a results, the revenues roses significantly. Additionally, we try to increase the average sale per customer with sales of data communication terminals.

Corporate business FY2012 2Q (six-month) financial results were: net sales of ¥87,966 million and operating income of ¥4,867 million.

SHOP Business

Hikari Tsushin's SHOP business mainly sells mobile phones through its nationwide sales channels. In the mobile phone market, in the midst of longer intervals between phone model changes, we foresee an even greater market expansion of the entire mobile business due to evidence of upward growth in smartphones. We actively sold the smartphones with increasing in customer services quality. Under these circumstances, as a results of expanding sales network, the number of handsets with recurring commission rise to 2.84million (3.2% up).

For the six months ended September 30, 2011, SHOP business registered net sales of ¥139,191 million, operating income of ¥4,128 million.

Insurance Business

Hikari Tsushin conducts its insurance business primarily by selling insurance policies to customers using telemarketing at its nationwide call centers. In this period, we tried to maintenance of appropriate sales personnel and development of human resources and productivity improvement expansion of customer list due to business alliance with a company holding customer base.

For the six months ended September 30, 2011, Insurance business registered net sales of ¥4,564 million and operating income of ¥432 million.

Media Advertising Business

Media advertising business segments engages in sales and purchase of advertisement based on mobile, and operations of web site. In the sales and purchase of advertisement spot, increased new clients by consolidation of selling system although the big advertisement agency made a full-scale entry. In the site operations, it has been trying to increase the profit by intention of own media with leveraging an advantage of "e-machi town" which is the biggest town information sites, develop 320 area in Japan.

Media Advertising business FY2012 2Q (six-month) financial results were: net sales of ¥3,236 million and operating income of ¥87 million.

Consolidated financial position

	FY2011	FY2012 First Half	Change
	Million Yen	Million Yen	Million yen
Total Assets	228,885	205,068	(23,817)
Liabilities	119,474	100,290	(19,183)
Net Assets	109,411	104,777	(4,634)

Total Assets ended in ¥205,068 million, down ¥23,817 million due to decreases the accounts receivable trade.

Liabilities decreased ¥19,183 million and totaled ¥100,290 million. This mainly reflected the decreases in Trade Notes and Accounts Payable.

Net Assets ended in ¥104,777 million, decreased ¥4,634 million due to purchase of treasury stock and payment for dividends.

Consolidated Cash Flows

	FY2011 First Half	FY2012 First Half
	Million Yen	Million Yen
Cash Flow from Operations	(5,610)	10,766
Cash Flow from Investment	(5,022)	(2,177)
Cash Flow from Financial Activities	7,146	(8,519)
Cash (and Equivalents) at the End of the Term	16,081	15,364

Cash flow from operations ended in ¥10,766 million, as a result of decreasing the trade notes and account receivable.

Cash flow from investment ended in minus ¥2,177 million as a result of acquiring investment securities and so on.

Cash flow from financial activities ended in minus ¥8,519 million due to payment for dividends and repayment of debt.

As a result, cash and cash equivalents at the end of the term ended in ¥15,364 million.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 (As of Mar 31, 2011)	FY2012 Second Quarter (As of September 30, 2011)
	Amount	Amount
Assets		
Current Assets		
Cash and Bank Deposits	15,400	14,661
Trade Notes and Accounts Receivable	71,906	55,745
Marketable securities	30	699
Inventories	11,255	10,989
Account Receivable Other	6,313	6,063
Deferred Tax Assets	2,967	3,753
Other Current Assets	5,512	5,347
Allowance for Doubtful Accounts	(360)	(634)
Total Current Assets	113,024	96,626
Fixed Assets		
Property, Plants and Equipments	8,708	8,818
Intangible Assets		
Goodwill	5,243	5,255
Other Intangible Assets	895	996
Total Intangible Assets	6,138	6,251
Investments and Other Assets		
Investments Securities	68,085	62,412
Deferred Tax Assets	17,719	16,078
Other Assets	23,040	23,076
Allowance for Doubtful Accounts	(7,831)	(8,196)
Total Investments and Other Assets	101,014	93,371
Total Fixed Assets	115,861	108,441
Total Assets	228,885	205,068

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 (As of Mar 31, 2011)	FY2012 Second Quarter (As of September 30, 2011)
	Amount	Amount
Liabilities		
Current liabilities		
Trade Notes and Accounts Payable	28,179	23,167
Short-Term Loans Payable	22,579	20,511
Current Portion of Bonds	624	8,480
Account Payable-Other	38,532	30,480
Income Tax Payable	1,115	505
Accrued Bonuses	752	920
Other Current Liabilities	7,312	4,996
Total Current Liabilities	99,096	89,060
Fixed Liabilities		
Long-term Loans Payable	3,714	3,084
Bonds	14,120	5,812
Provision for directors' retirement benefits	181	188
Other Fixed Liabilities	2,359	2,144
Total Fixed Liabilities	20,377	11,229
Total Liabilities	119,474	100,290
Net Assets		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	25,293
Retained Earnings	30,723	31,426
Treasury Stock	(11,875)	(13,375)
Total Shareholders Equity	98,400	97,604
Accumulated other comprehensive income		
Net Unrealized Holding Gains on Securities	1,627	(1,999)
Foreign Currency Translation Adjustment	(25)	(30)
Total Accumulated other comprehensive income	1,601	(2,030)
Share Warrants	1,281	1,221
Minority Interests	8,127	7,981
Total Net Assets	109,411	104,777
Total Liabilities and Net Assets	228,885	205,068

Quarterly Consolidated statements of Income

(Millions of Yen)

	FY2011 First Half	FY2012 First Half
	(As of September 30, 2010)	(As of september 30, 2011)
	Amount	Amount
Net Sales	209,869	233,208
Cost of Sales	114,549	126,790
Gross Profit	95,320	106,418
Selling General and Administrative Expenses	96,853	98,698
Operating Income	(1,533)	7,720
Non-Operating Income		
Interest Income	153	148
Dividend Income	293	430
Gain on Sale of Investment Securities	73	—
Amortization of Negative Goodwill	157	147
Other Non-Operating Income	342	530
Total Non-Operating Income	1,020	1,256
Non-Operating Expense		
Interest Expenses	296	396
Loss on Sale of Investment Securities	—	9
Loss on Valuation of Investment Securities	505	174
Equity in Net Losses of Affiliates	19	1,287
Loss on investment in VC funds	535	185
Provision of allowance for doubtful accounts	37	108
Other Non-Operating Expenses	386	260
Total Non-Operating Expenses	1,780	2,422
Ordinary Income	(2,293)	6,554
Extraordinary Income		
Gain on Sales of Investment Securities	1,189	371
Gain on Sales of Shares of Subsidiaries	57	123
Gain from change of interest in investments in affiliates	340	247
Reversal of Subscription rights to shares	—	128
Gain on Step Acquisitions	98	—
Gain on Negative Goodwill	162	—
Other extraordinary income	292	—
Total Extraordinary Income	2,141	870
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	194	182
Impairment Loss on Investment Securities	33	144
Loss on Sale of Shares of Subsidiaries	437	26
Loss on changes in equity	135	11
Impairment Loss	68	102
Loss on Adjustment for Changes of Accounting Standard for Asset Retirement Obligations	197	—
Provision of allowance for doubtful accounts	—	170
Other extraordinary Losses	252	—
Total Extraordinary Losses	1,319	637
Net Income Before Tax	(1,472)	6,787
Income and Enterprise Taxes	808	328
Refund Tax by claim and decision	(487)	—
Deferred Income Taxes	(243)	2,292
Total Income Taxes	77	2,621
Income Before Minority Interest	(1,549)	4,165

Minority Interests	414	270
Net Income	(1,963)	3,895

Comprehensive Income Abstract Statements

	FY2011 First Half (As of September 30, 2010)	FY2012 First Half (As of September 30, 2011)
	Amount	Amount
Income (loss) before minority interests	(1,549)	4,165
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,753)	(3,678)
Foreign currency translation adjustment	(6)	(3)
Share of other comprehensive income of associates accounted for using equity method	(3)	(15)
Other comprehensive income	(3,763)	(3,697)
Comprehensive income	(5,312)	467
Comprehensive income attributable to owners of the parent	(5,703)	264
Comprehensive income attributable to minority interests	391	203

Consolidated Statements of Cash Flow

(Millions of Yen)

	FY2011 First Half (April 1 2010-Sep 30, 2010)	FY2012 First Half (April 1 2011-Sep 30, 2011)
	Amount	Amount
Cash Flow from Operating activities		
Net Income Before Tax	(1,472)	6,787
Depreciation and Amortization	801	1,099
Amortization of Goodwill	397	514
Gain on Negative Goodwill	(162)	—
Increase (Decrease) in Allowance for Doubtful Accounts	769	683
Increase (Decrease) in Allowance for Operational Investment	(446)	(578)
Interest and Dividends Income	296	396
Interest Expenses	380	(97)
Loss (Gain) on Sale of Share of Subsidiary	(1,242)	(362)
Loss (Gain) on Sales of Investment Securities	538	318
Equity in Net Losses (Gain) of Affiliates	19	1,287
Loss on Adjustment for Changes of Accounting Standard for Asset Retirement Obligations	197	—
Loss on Step Acquisitions	(98)	—
Loss (Gain) on Sale and Disposal of Property, Equipment and Intangible Assets	140	182
Accumulated impairment loss	68	102
Increase (Decrease) in Notes and Accounts Receivable- Trade	3,907	15,446
Increase (Decrease) in Inventories	1,045	564
Increase (Decrease) in Notes and Accounts Payable- Trade	(1,900)	(5,271)
Increase (Decrease) in Accounts Payable-Other	(3,951)	(7,757)
Other Cash Flow from Operating Activities	(1,779)	329
Subtotal	(2,491)	13,645
Interest and Dividends Received	585	695

Interest Paid	(285)	(404)
Income Taxes Paid	(9,085)	(3,641)
Income Taxes Refunded	5,665	472
Net Cash provided by Operating Activities	(5,610)	10,766

Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2011 First Half (April 1 2010-Sep 30, 2010)	FY2012 First Half (April 1 2011-Sep 30, 2011)
	Amount	Amount
Cash Flow from Investing activities		
Purchases of Property, Equipment and Intangible Assets	(2,072)	(1,210)
Purchases of Investment Securities	(10,094)	(4,160)
Proceeds from Sale of Investment Securities	6,468	2,764
Purchases from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	(914)	(46)
Proceeds from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	380	222
Proceeds from Sale of Shares in Subsidiaries Resulting in Change of Consolidation	585	15
Expenditure for Sale of Shares in Subsidiaries Resulting in Change of Consolidation	(378)	(29)
Gain on Business Transfer	767	—
Increase in Loans Receivable	(2,595)	(664)
Decrease in Loans Receivable	2,254	1,173
Other Investment Activities	576	(240)
Net Cash Provided by (used in) Investing activities	(5,022)	(2,177)
Cash Flow from Financing Activities		
Increases (Decreases) in Short-Term Loan	909	(2,062)
Income from Long-Term Loans	3,869	250
Payment of Long-Term Debt	(772)	(887)
Proceeds from Issuance of Corporate Bonds	7,930	—
Payment from redemption of bonds	(49)	(122)
Proceeds from Sale of Common Stock Subsidiaries to Minority Shareholders	27	1
Purchases of Treasury Stock	(1,129)	(1,499)
Payment of Dividends	(3,261)	(3,202)
Payment of Dividends for Minority Shareholders	(133)	(788)
Payment of Lease Debt	(243)	(208)
Net Cash Provided by (used in) Financing Activities	7,146	(8,519)
Translation Adjustments on Cash and Cash Equivalents	(60)	(91)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,546)	(21)
Cash and Cash Equivalents at the Beginning of the Period	19,651	15,386
Decreased Cash Equivalents for Unconsolidated Entities	(23)	—
Cash and Cash Equivalents at the End of the Period	16,081	15,364

Business Segment Information

FY2011 First Half (Apr 1, 2010~September 30, 2010)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Media Advertising Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	85,432	118,822	4,418	2,604	211,277	(1,409)	209,869
Operating Income	(4,052)	3,252	766	234	200	(1,733)	(1,533)

FY2012 First Half (Apr 1, 2011~September 30, 2011)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Media Advertising Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	87,966	139,191	4,564	3,236	234,959	(1,750)	233,208
Operating Income	4,867	4,128	432	87	9,517	(1,796)	7,720

Note: Hikari Tsushin believes that the previous accounting method, in which venture capital funds managed by its subsidiaries were excluded from its consolidated Financial Statements (method with funds unconsolidated), is useful for showing the Group's operating results and financial position, and will therefore continue to use that method to present them.