

For the Nine Months Ended December 31, 2014 Consolidated Financial Results

Company Name : Hikari Tsushin Inc
 Stock Exchanges on which the Shares are listed : Tokyo Stock Exchange - First Section
 Code Number : 9435
 URL : <http://eng.hikari.co.jp/>
 Representative : Takeshi Tamamura, President and COO
 Contact : Koh Gidoh, Managing director, Head of Administrative Headquarters
 : Tel. +81-(0)3-5951-3718

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for the Nine Months Ended December 31, 2014 (April 1, 2014 through December 31, 2014)

(1) Consolidated Operating 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	%
For the Nine Months Ended December 31, 2014	404,102	0.7	18,141	(19.5)	22,574	(23.2)	16,340	(31.2)
For the Nine Months Ended December 31, 2013	401,298	9.5	22,531	25.7	29,398	45.3	23,742	63.5

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
For the Nine Months Ended December 31, 2014	354.65	353.21
For the Nine Months Ended December 31, 2013	499.92	498.60

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
December 31, 2014	370,293	166,610	41.5	3,324.20
March 31, 2014	338,815	143,651	38.4	2,842.67

Reference: Shareholder's Equity As of December 31, 2014: 153,600 million yen

As of March 31, 2014: 130,062 million yen

2. Cash Dividends

(Term Recorded)	Dividends Per Share				
	Q1	Q2	Q3	Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY2014.3 (Full Year)	30.00	35.00	35.00	40.00	140.00
FY2015.3 (Full Year)	40.00	40.00	40.00		
FY2015.3 (Forecast)				40.00	160.00

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

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2015 (April 1, 2014 through March 31, 2015)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2015.3 (Full Year)	580,000	2.6	32,000	0.7	36,500	(8.1)	22,000	(25.1)	476.12

(Note) Revisions to the Forecast of Consolidated Results in the Current Quarter: Yes

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) Changes in accounting policies, accounting estimates and retrospective restatements in the consolidated financial statements
- ① Changes due to revisions in accounting standards: None
- ② Changes Other Than (2)-① Above: None
- ③ Changes in accounting estimates: None
- ④ Retrospective restatements: None
- (3) Number of Shares Issued and Outstanding (Common Stock)
- ① Number of Shares Issued and Outstanding at the End of Each Period (Including Treasury Stock)
- | | | | |
|--------------------------|------------|-----------------------|------------|
| As of December 31, 2014: | 47,749,642 | As of March 31, 2014: | 47,749,642 |
|--------------------------|------------|-----------------------|------------|
- ② Number of Treasury Stock at the End of Each Period
- | | | | |
|--------------------------|-----------|-----------------------|-----------|
| As of December 31, 2014: | 1,542,821 | As of March 31, 2014: | 1,996,105 |
|--------------------------|-----------|-----------------------|-----------|
- ③ Average Number of Shares Issued and Outstanding in Each Period
- | | | | |
|--|------------|--|------------|
| For the Nine Months Ended
December 31, 2014 | 46,074,984 | For the Nine Months Ended
December 31, 2013 | 47,491,865 |
|--|------------|--|------------|

Indication of Quarterly Review Procedure Implementation Status

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

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.

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1. Qualitative Information and Financial Statements

(1) Qualitative Information about Consolidated Results

<Performance Overview>

A brief review of the domestic economic circumstances for the current fiscal year ending March 31, 2015 (Apr 1, 2014 – December 31, 2014) goes as follows. Domestic economy had experienced ongoing impact in consumption by tax hike, and also the decrease of real income dent consumer spending to which remain in weak growth even turn to increase. On the other hands, overseas economy is picking up mainly among U.S, trading environment has been improve because the yen keeps weakening, the economic recovery is expected from the uptrend in income and improvement in employment.

In the telecommunication market, there was a react against the last-minutes demand for mobile handset sales at the end of previous year, whereas the rise in market will be expected as the emergence of MVNO and a wide range of services such as new price plan.

In this situation, Hikari Tsushin has stepped more on sales of own developed products, MVNO services and revenue-share typed services that could accumulate more continuous profits in the future in addition to the sales of products as a distributor. As a result, subscriptions have grown at a healthy pace which ensures stable profits in the future, while new customer acquisition costs have been increased. Also, we started new business offering the IT-solution services specified by industries toward riding on our strength of “real” sales channel and sales network. Moreover, we have enlarged our new revenue stream with the lifestyle-related service such as water cooler and insurance etc...other than telecommunication services while utilizing our sales network which is our major strengths.

For the nine months ended December 31 2014, the company registered net sales of ¥404,102 million, operating income of ¥18,141 million, ordinary income of ¥22,574 million, net income before tax of ¥32,339 million, and net income of ¥16,340 million.

(Millions of Yen)

	For the Nine Months Ended December 31, 2013 Apr 1, 2013 –December 31, 2013	For the Nine Months Ended December 31, 2014 Apr 1, 2014 –December 31, 2014	Change	Change (%)
Net sales	401,298	404,102	2,804	0.7
Operating income	22,531	18,141	(4,389)	(19.5)
Ordinary income	29,398	22,574	(6,824)	(23.2)
Net income before tax	37,803	32,339	(5,464)	(14.5)
Net income	23,742	16,340	(7,402)	(31.2)

<Overview by Segments>

CORPORATE Business

Hikari Tsushin Group's CORPORATE business segment engages in the sales of OA equipment, eco-related product, telecommunication line service, and enterprise solution service for Small and Medium-sized enterprises with door-to-door sales. Also, we offer the communication line such as fixed line and broadband line through the call center and WEB, etc.

In this situation, Hikari Tsushin has stepped more on sales of own developed products, MVNO services and revenue-share typed services that could accumulate more continuous profits in the future with sales of mobiles and other products as a distributor. As a result, subscriptions have grown at a healthy pace which ensures stable profits in the future, while new customer acquisition costs have been increased. Also we have started to offer the IT solution services such as an Internet media advertisement for SME who run a business in the field of medical care, food services, beauty salons and so forth. Moreover, as the demand of environment-conscious products has been increased among SME, Hikari Tsushin has stepped on sales of LED lighting, air conditioner, solar-panel and water cooler. Hikari Tsushin has dealt with environmental problems through the spread of these kinds of environment-conscious products.

As a result, CORPORATE business for the nine months ended December 31, 2014 financial results were: net sales of ¥179,433 million and operating income of ¥14,077 million.

SHOP Business

Hikari Tsushin's SHOP business mainly sells mobile phones, mobile Wi-Fi routers and mobile applies (contents) through its nationwide sales channels. In the telecommunication market, there was a react against the last-minutes demand for mobile handset sales at the end of previous year, whereas the rise in market will be expected as the emergence of MVNO and a wide range of services such as new price plan.

Under these circumstances, Hikari Tsushin have been working on the sales of high quality applies and looking for more productivity while we had felt the ripple effect of mobile phone market's downtrend.

Moreover, in order to improve customer satisfaction in each shop, Hikari Tsushin has focused on strengthen customer services quality.

SHOP business registered net sales of ¥217,777 million, operating income of ¥7,664 million for the nine months ended December 31, 2014.

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, the expansion of Worker Dispatching Undertaking business forming an alliance with a company who has a customer base leads to the improvement of sales efficiency and we have started the consulting services for corporates. The sales through telemarketing have made strong earnings which earn the trust of clients with its strong compliance structure and new listed at TSE by operating company. Moreover, we obtained the subsidiary in which they have strengths in the sales of retail stores and web channel, and we expect the development in all channel covered.

For the nine months ended December 31, 2014, IUNSRANCE business registered net sales of ¥9,015 million and operating income of ¥961 million.

(2) Consolidated Financial Position

	March 31, 2013	December 31, 2014	Change
	Million Yen	Million Yen	Million yen
Total Assets	338,815	370,293	31,477
Liabilities	195,163	203,682	8,519
Net Assets	143,651	166,610	22,958

Total Assets ended in ¥370,293 million, increased ¥31,477million mainly to post the decreases of goodwill by acquiring of WebCrew Inc. and so on.

Liabilities increased ¥8,519 million and totaled ¥203,682 million. This mainly reflected the increases in the purchase liabilities and so on.

Net Assets ended in ¥166,610 million, increased ¥22,958 million by the increases of Retained earnings.

(3) Consolidated Cash Flows

	For the Nine Months Ended December 31, 2013	For the Nine Months Ended December 31, 2014
	Million Yen	Million Yen
Cash Flow from Operations	26,724	19,989
Cash Flow from Investment	(21,544)	925
Cash Flow from Financial Activities	1,661	(5,022)
Cash (and Equivalents) at the End of the Term	25,588	41,350

Cash flow from operations ended in ¥19,989 million mainly from collection of Trade Notes and Accounts Receivable and so on.

Cash flow from investment ended in ¥925 million from sales of investment securities and so on.

Cash flow from financial activities ended in minus ¥5,022 million mainly from payment of dividend and so on.

2. Notes Regarding Summary Information

(1) Changes in significant consolidated subsidiaries during the nine months ended December 31, 2014

No applicable items.

(2) Application of Specific Accounting Methods for Producing Quarterly Consolidated Financial Statements

No applicable items.

(3) Changes in accounting policies, accounting estimates and restatement of corrections

(Changes in accounting policies)

No applicable items.

3. Material Events Related to Going Concern Assumptions

No applicable items.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Mar 31, 2014	December 31, 2014
Assets		
Current Assets		
Cash and Bank Deposits	23,683	40,668
Trade Notes and Accounts Receivable	100,064	73,120
Lease Receivables and Lease Investment Assets	9,707	10,769
Inventories	17,259	21,131
Account Receivable Other	5,895	7,041
Deferred Tax Assets	2,724	2,003
Other Current Assets	13,492	28,754
Allowance for Doubtful Accounts	(1,507)	(1,829)
Total Current Assets	171,319	181,658
Fixed Assets		
Property, Plant and Equipment	12,219	13,921
Intangible Assets		
Goodwill	8,748	21,228
Other Intangible Assets	1,492	3,014
Total Intangible Assets	10,240	24,242
Investments and Other Assets		
Investment Securities	133,112	133,593
Deferred Tax Assets	1,516	932
Other Assets	16,508	23,667
Allowance for Doubtful Accounts	(6,101)	(7,722)
Total Investments and Other Assets	145,035	150,470
Total Fixed Assets	167,495	188,634
Total Assets	338,815	370,293

(Millions of Yen)

	Mar 31, 2014	December 31, 2014
Liabilities		
Current liabilities		
Trade Notes and Accounts Payable	48,265	55,893
Short-Term Loans Payable	34,890	42,133
Current Portion of Bonds	170	276
Account Payable-Other	53,406	40,761
Income Taxes Payable	10,398	6,326
Accrued Bonuses	1,829	1,388
Other Current Liabilities	7,234	10,150
Total Current Liabilities	156,196	156,927
Fixed Liabilities		
Long-term Loans Payable	4,314	4,413
Bonds	20,040	21,596
Provision for directors' retirement benefits	229	322
Other Fixed Liabilities	14,383	20,423
Total Fixed Liabilities	38,967	46,755
Total Liabilities	195,163	203,682
Net Assets		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	3,864	5,344
Retained Earnings	57,318	68,153
Treasury Stock	(10,724)	(8,614)
Total Shareholders Equity	104,717	119,142
Accumulated other comprehensive income		
Net Unrealized Holding Gains on Securities	25,306	34,338
Foreign Currency Translation Adjustment	38	119
Total Accumulated other comprehensive income	25,344	34,458
Share Warrants	1,137	119
Minority Interests	12,452	12,194
Total Net Assets	143,651	166,610
Total Liabilities and Net Assets	338,815	370,293

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

(Millions of Yen)

	For the Nine Months Ended December 31, 2013	For the Nine Months Ended December 31, 2014
Net Sales	401,298	404,102
Cost of Sales	211,510	212,203
Gross Profit	189,788	191,899
Selling General and Administrative Expenses	167,256	173,757
Operating Income	22,531	181,141
Non-Operating Income		
Interest Income	154	211
Dividend Income	1,177	1,622
Gain on sales of investment securities	2,973	4,539
Amortization of Negative Goodwill	173	172
Investment Gain on Equity Method	393	-
Gain on investment in VC funds	777	-
Other Non-Operating Income	1,813	1,236
Total Non-Operating Income	7,463	7,782
Non-Operating Expense		
Interest Expenses	329	508
Investment Loss on Equity Method	-	2,132
Loss on investment in VC funds	-	192
Commission fee	125	111
Other Non-Operating Expenses	142	404
Total Non-Operating Expenses	596	3,350
Ordinary Income	29,398	22,574
Extraordinary Income		
Gain on Sales of Investment Securities	4,888	7,587
Gain on step acquisitions	3,593	1,057
Gain on Sales of securities of subsidiaries	-	1,661
Gain on Negative Goodwill	556	5
Other extraordinary income	198	244
Total Extraordinary Income	9,237	10,557
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	148	129
Loss on Sale of Investment Securities	211	80
Impairment loss	180	77
Loss on step acquisitions	-	157
Amortization of Goodwill	245	195
Other extraordinary Losses	45	152
Total Extraordinary Losses	831	792
Net Income Before Income Tax	37,803	32,339
Income and Enterprise Taxes	7,199	12,571
Deferred Income Taxes	5,310	2,015
Total Income Taxes	12,510	14,587
Income Before Minority Interest	25,293	17,751
Minority Interests	1,550	1,411
Net Income	23,742	16,340

(3) Comprehensive Income Abstract Statements

(Millions of Yen)

	For the Nine Months Ended December 31, 2013	For the Nine Months Ended December 31, 2014
Income before minority interests	25,293	17,751
Other comprehensive income		
Valuation difference on available-for-sale securities	15,985	9,023
Foreign currency translation adjustment	27	88
Share of other comprehensive income of associates accounted for using equity method	9	(36)
Other comprehensive income	16,021	9,074
Comprehensive income	41,314	26,826
Comprehensive income attributable to owners of the parent	39,725	25,454
Comprehensive income attributable to minority interests	1,589	1,372

(4) Notes Regarding the Premise of a Going Concern

No applicable items.

(5) Segment Information

For the Nine Months Ended December 31, 2013

(Millions of Yen)

	Reporting Segment				Others	Adjustment Amount	Consolidated quarterly balance sheet amount
	CORPORATE Business	SHOP Business	Insurance Business	Combined Total			
Net Sales							
Sales to external customers	160,644	231,663	8,901	401,209	89	-	401,298
Intersegment internal sales or transferred amount	430	1,699	26	2,156	-	(2,156)	-
Total	161,074	233,363	8,928	403,365	89	(2,156)	401,298
Segment Income (loss)	17,974	8,621	44	26,640	(12)	(4,096)	22,531

(Note)

1. The "Others" not included in reportable business segments, including property business and other operations.
2. The adjustment amount of (4,096) million yen includes inter-segment eliminations of 3 million yen and (4,099) million yen in corporate expenses that are not allocated to individual reporting segments.
3. The segment income is adjusted with the operating income in the consolidated quarterly statement of income.

For the Nine Months Ended December 31, 2014

(Millions of Yen)

	Reporting Segment				Others	Adjustment Amount	Consolidated quarterly balance sheet amount
	CORPORATE Business	SHOP Business	Insurance Business	Combined Total			
Net Sales							
Sales to external customers	178,665	216,441	8,836	403,943	159	-	404,102
Intersegment internal sales or transferred amount	768	1,335	179	2,283	-	(2,283)	-
Total	179,433	217,777	9,015	406,227	159	(2,283)	404,102
Segment Income (loss)	14,077	7,664	961	22,703	13	(4,575)	18,141

(Note)

1. The "Others" not included in reportable business segments, including property business and other operations.
2. The adjustment amount of (4,575) million yen includes inter-segment eliminations of 2 million yen and (4,578) million yen in corporate expenses that are not allocated to individual reporting segments.
3. The segment income is adjusted with the operating income in the consolidated quarterly statement of income.