

## FY2010 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  
 URL : <http://www.hikari.co.jp/>  
 Representative : Takeshi Tamamura, President and COO  
 Contact : Koh Gidoh, Director, Head of Administrative Headquarters  
 Tel. (03) 5951-3718

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Results for FY2010 First Half (April 1, 2009 through September 30, 2009)

(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	%
FY2010 First Half	165,785	6.6	3,943	(50.0)	2,659	(68.4)	1,825	—
FY2009 First Half	155,565	—	7,891	—	8,422	—	(5,884)	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2010 First Half	32.24	32.20
FY2009 First Half	(102.64)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
FY2010 First Half (as of Sep 30, 2009)	184,895	113,404	58.0	1,899.39
FY2009 (Full Year) (Apr 1 2008-March 31, 2009)	221,091	116,094	47.2	1,836.39

### 2. Cash Dividends

(Term Recorded)	Dividends Per Share				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
FY2009 (Full Year)	—	0.00	—	60.00	60.00
FY2010 (Full Year)	—	0.00	—	—	—
FY2010 (Forecast)	—	—	—	60.00	60.00

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

### 3. Forecast of Consolidated Results for FY2010 (April 1, 2009 through March 31, 2010)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2010 (Full Year)	335,000	0.4	8,000	(62.7)	6,000	(71.3)	2,500	—	44.27

(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): Yes  
New: None  
Elimination: (Company Name: Japan Spread Partners III Investment Union)
- (2) Simplified Accounting Methods and Accounting Procedures Specific to Quarterly Consolidated Financial Statements: Yes
- (3) Changes in Accounting Principles, Procedures, and Disclosures for Quarterly Consolidated Financial Statements
  - (i) Changes by Newly Issued Accounting Pronouncements: None
  - (ii) Changes Other Than (3)-(i) Above: None
- (4) Number of Shares Issued and Outstanding (Common Stock)
  - (i) Number of Shares Issued and Outstanding at the End of Each Period (Including Treasury Stock)

FY2010 First Half	58,349,642	FY2009	58,349,642
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  - (ii) Number of Treasury Stock at the End of Each Period

FY2010 First Half	1,878,537	FY2009	1,472,149
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  - (iii) Average Number of Shares Issued and Outstanding in Each Period

FY2010 First Half	56,638,709	FY2009 First Half	57,334,844
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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 FY2010 (July 1, 2009 – September 30) goes as follows. Despite signs of economic recovery as a result from government economic policy, sluggish personal consumption and deteriorating employment conditions and other factors have left no clear picture of sustained recovery. In addition, the Group's corporate customers being small-medium sized enterprises (SMEs) continue to struggle in a difficult market environment.

In this situation, Hikari Tsushin met the challenge of expanding its sales networks, and increasing sales per customer by developing and selling new products in a concentrated effort to increase and sustain revenue from stock commission<sup>1</sup>, one of Hikari Tsushin's key sources of profit growth.

Additionally, in September, Hikari Tsushin transferred the rights of operation of its Venture Fund business' funds to SBI Group. The resulting ¥1,888 million in profit from the transfer will be recorded as extraordinary income.

FY2010 2Q (3-month) financial results were: net sales of ¥82,683 million, operating income of ¥2,619 million, ordinary income of ¥1,750 million, net income before tax of ¥2,446 million, and net income of ¥1,309 million.

FY2010 first half (6-month) financial results were: net sales of ¥165,785 million, operating income of ¥3,943 million, ordinary income of ¥2,659 million, net income before tax of ¥3,136 million, and net income of ¥1,825 million.

	FY2010 2Q (Jul 1, 2009 - Sep 30, 2009)	FY2010 First Half (Apr 1, 2009 - Sep 30, 2009)	FY2009 First Half (Apr 1, 2008 - Sep 30, 2008)
Net sales	82,683	165,785	155,565
Operating income	2,619	3,943	7,891
Ordinary income	1,750	2,659	8,422
Net income before tax (Loss)	2,446	3,136	(2,251)
Net income (Loss)	1,309	1,825	(5,884)

#### <Overview by Segments>

##### Corporate Business

Hikari Tsushin Group's corporate business segment engages in the sale of OA equipment, telecommunication line services, enterprise solution services, and mobile advertising sales. 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. This quarter also encouraged Hikari Tsushin to further increase the accumulation of stock commission and expand future sources of revenue. The measures we took are as follows: 1) expanding our principal sales network of sales partners 2) shifting from the lump-sum payment model to the stock model 3) developing supplementary services to complement our core products and focus on acquisitions of said services.

Corporate business FY2010 2Q (3-month) financial results were: net sales of ¥35,905 million and operating income of ¥2,282 million.

Corporate business FY2010 first half (6-month) financial results were: net sales of ¥73,556 million, and operating income of ¥4,638 million.

<sup>1</sup> Stock commission – income calculated based on subscribers' monthly basic/usage fees over a given time period, received monthly as a handler's fee from carriers, insurance companies.

### **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 mobile contents/commerce.

Additionally, advances in telecommunications technology, fixed rates for data transfer and the entrance of technology-intensive smart phones have produced almost any kind of mobile-centered service imaginable and is becoming more and more relevant.

Under these circumstances, Hikari Tsushin in addition to its fundamental selling of mobile phones at shops, we also began developing/selling mobile contents.

SHOP business FY2010 2Q (3-month) financial results were: net sales of ¥44,938 million and operating income of ¥1,059 million.

SHOP business FY2010 first half (6-month) financial results were: net sales of ¥88,412 million, and operating income of ¥1,745 million.

### **Insurance Business**

Hikari Tsushin conducts its insurance business primarily by selling insurance policies to customers using telemarketing at its nationwide call centers.

In the first half of FY2010, we continued sales activities for mid-long term strategy while at the same time further strengthening their compliance regimes.

In an effort to repair the profit imbalance of last quarter, Hikari Tsushin made amendments to its insurance sales call center operator staff but was unable to return the insurance business to a stable platform of profit.

Insurance business FY2010 2Q (3-month) financial results were: net sales of ¥2,579, and operating loss of ¥308 million.

Insurance business FY2010 first half (6-month) financial results were: net sales of ¥5,437 million, and operating loss of ¥1,467 million.

### **Other Businesses**

From September 29, 2009, Hikari Tsushin Group transferred the managing rights of its Venture Fund (VF) business to SBI Group which includes funds owned by its subsidiary HIKARI Private Equity. As a result, a total of 7 funds will be excluded from consolidation and from now onwards, matters related to the VF business for the 2Q consolidated accounting period will be considered "Other Businesses".

In Other Businesses, we mainly planned and managed venture funds in accordance with the Japanese Financial Instruments and Exchange Law. The economic environment throughout the FY2010 first half accounting period continued to be severe due to the prolonged depression in domestic emerging markets, recent global financial uncertainty and the tightening of IPO regulations.

Other Businesses FY2010 2Q (3-month) financial results were: net sales of ¥3 million, and operating loss of ¥10 million.

Other Businesses FY2010 first half (6-month) financial results were: net sales of ¥6 million, and operating loss of ¥173 million.

**Consolidated financial position**

	FY2009	FY2010 Second Quarter	Change
	Million Yen	Million Yen	Million yen
Total Assets	221,091	184,895	(36,195)
Liabilities	104,996	71,490	(33,505)
Net Assets	116,094	113,404	(2,690)

Total Assets ended in ¥184,895million, down ¥36,195million due to decreases in Inventories and Trade Notes and Accounts Receivable.

Liabilities decreased ¥33,505million and totaled ¥71,490million. This mainly reflected the decreases in Short-Term Loans Payable and Trade Notes and Accounts Payable.

Net Assets ended in ¥113,404million, decreased ¥2,690million due to decrease in Minority Interests by transferring the rights of operation of its Venture Fund business' funds to SBI Group.

**Consolidated Cash Flows**

	FY2010 Second Quarter	FY2009 Second Quarter
	Million Yen	Million Yen
Cash Flow from Operations	13,456	9,876
Cash Flow from Investment	1,554	(4,238)
Cash Flow from Financial Activities	(11,429)	(3,040)
Cash (and Equivalents) at the End of the Term	20,349	19,076

Cash flow from operations ended in ¥13,456 million, due to revenue in operating activity and income tax refund.

Cash flow from investment ended in ¥1,554 million, reflecting the proceed from transferred its Venture Fund Business.

Cash flow from financial activities ended in minus ¥11,429 million, as a result of financing using short-term debt, payment for dividends and share buy back.

As a result, cash and cash equivalents at the end of the term ended in ¥20,349 million.

## Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheet

(Millions of Yen)

	FY2009 (As of March 31, 2009 )	FY2010 Second Quarter (As of Sep 30, 2009 )
	Amount	Amount
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Bank Deposits	18,545	20,284
Trade Notes and Accounts Receivable	66,428	37,845
Operational Investment Securities	5,915	—
Inventory	15,417	8,028
Deferred Tax Assets	3,309	4,142
Other Current Assets	9,844	9,685
Allowance for Loss on Operational Investment	(859)	—
Allowance for Doubtful Accounts	(308)	(330)
<b>Total Current Assets</b>	<b>118,292</b>	<b>79,656</b>
<b>Fixed Assets</b>		
Property, Plants and Equipment	8,647	7,799
<b>Intangible Assets</b>		
Goodwill	2,343	2,516
Other Intangible Assets	1,095	906
<b>Total Intangible Assets</b>	<b>3,438</b>	<b>3,423</b>
<b>Investments and Other Assets</b>		
Investments Securities	60,159	64,300
Deferred Tax Assets	18,474	17,524
Other Investments and Other Assets	18,319	18,754
Allowance for Doubtful Accounts	(6,242)	(6,564)
<b>Total Investments and Other Assets</b>	<b>90,711</b>	<b>94,016</b>
<b>Total Fixed Assets</b>	<b>102,798</b>	<b>105,238</b>
<b>Total Assets</b>	<b>221,091</b>	<b>184,895</b>

## Quarterly Consolidated Balance Sheet

(Millions of Yen)

	FY2009 (As of Mar 31, 2009 )	FY2010 Second Quarter (As of Sep 30, 2009 )
	Amount	Amount
<b>Liabilities</b>		
Current liabilities		
Trade Notes and Accounts Payable	37,158	17,677
Short-Term Loans Payable	19,650	12,446
Account Payable-Other	27,853	20,316
Income Tax Payable	7,298	1,760
Accrued Bonuses	918	883
Accrued Bonuses for Directors and Auditors	59	51
Other Current Liabilities	8,137	14,654
<b>Total Current Liabilities</b>	<b>101,076</b>	<b>67,789</b>
Fixed Liabilities		
Allowance for Retirement Benefits for Directors and Auditors	153	160
Deferred Tax Liabilities	499	407
Other Fixed Liabilities	3,267	3,133
<b>Total Fixed Liabilities</b>	<b>3,919</b>	<b>3,700</b>
<b>Total Liabilities</b>	<b>104,996</b>	<b>71,490</b>
<b>Net Assets</b>		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	25,293
Retained Earning	37,301	35,780
Treasury Stock	(5,675)	(6,521)
<b>Total Shareholders Equity</b>	<b>111,179</b>	<b>108,811</b>
Valuation and Translation Differences		
Net Unrealized Holding Gains on Securities	(6,723)	(1,532)
Foreign Currency Translation Adjustment	(6)	(18)
<b>Total Valuation and Translation Differences</b>	<b>(6,730)</b>	<b>(1,551)</b>
Share Warrants	812	953
Minority Interests	10,833	5,190
<b>Total Net Assets</b>	<b>116,094</b>	<b>113,404</b>
<b>Total Liabilities and Net Assets</b>	<b>221,091</b>	<b>184,895</b>

Quarterly Consolidated Income Statement

	FY2009 First Half (Apr 1, 2008~Sep 30, 2008)	FY2010 First Half (Apr 1, 2009~Sep 30, 2009)
	Amount	Amount
Net Sales	155,565	165,785
Cost of Sales	82,920	91,093
Gross Profit	72,644	74,691
Selling General and Administrative Expenses	64,752	70,748
Operating Income	7,891	3,943
Non-Operating Income		
Interest Income	87	107
Dividend Income	811	201
Gains on Sale of Investment Securities	191	38
Amortization of Negative Goodwill	156	167
Other Non-Operating Income	402	318
Total Non-Operating Income	1,649	833
Non-Operating Expense		
Interest Expenses	228	213
Equity in Net Losses of Affiliates	429	915
Allowance for Doubtful Accounts	170	176
Loss on Sales of Account receivable	—	386
Other Non-Operating Expenses	290	425
Total Non-Operating Expenses	1,118	2,117
Ordinary Income	8,422	2,659
Extraordinary Income		
Gain on Sales of Investment Securities	—	82
Gains on Sale of Shares of Subsidiaries	28	168
Reversal of Doubtful Accounts	182	91
Reversal of Accrued Bonuses	88	100
Gain on Transferred of Venture Fund	—	1,888
Penalty Charges	173	—
Total Extraordinary Income	473	2,332
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	452	287
Impairment Loss on Investment Securities	10,694	180
Loss on Sales of Investment Securities	—	783
Loss on Sale of Shares of Subsidiaries	—	9
Impairment Loss	—	594
Total Extraordinary Losses	11,146	1,855
Net Income Before Tax	(2,251)	3,136
Income and Enterprise Taxes	2,622	1,905
Deferred Income Taxes	1,247	13
Total Income Taxes	3,869	1,918
Minority Interests	(235)	(608)
Net Income	(5,884)	1,825



Quarterly Consolidated Income Statement

	FY2009 Second Quarter (July 1, 2008~Sep 30, 2008)	FY2010 Second Quarter (July 1, 2009~Sep 30,2009)
	Amount	Amount
Net Sales	82,293	82,683
Cost of Sales	44,087	45,000
Gross Profit	38,206	37,682
Selling General and Administrative Expenses	33,197	35,063
Operating Income	5,008	2,619
Non-Operating Income		
Interest Income	57	56
Dividend Income	8	46
Gains on Sale of Investment Securities	70	38
Amortization of Negative Goodwill	83	84
Other Non-Operating Income	185	211
Total Non-Operating Income	404	437
Non-Operating Expense		
Interest Expenses	121	133
Equity in Net Losses of Affiliates	291	368
Allowance for Doubtful Accounts	165	157
Loss on Sales of Account receivable	—	386
Other Non-Operating Expenses	159	261
Total Non-Operating Expenses	737	1,307
Ordinary Income	4,675	1,750
Extraordinary Income		
Gain on Sales of Investment Securities	—	71
Gains on Sale of Shares of Subsidiaries	—	88
Reversal of Doubtful Accounts	137	75
Reversal of Accrued Bonuses	—	46
Gain on Transferred of Venture Fund	—	1,888
Total Extraordinary Income	137	2,171
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	266	216
Impairment Loss on Investment Securities	10,176	172
Loss on Sales of Investment Securities	—	481
Loss on Sale of Shares of Subsidiaries	—	9
Impairment Loss	—	594
Total Extraordinary Losses	10,442	1,475
Net Income Before Tax	(5,629)	2,446
Income and Enterprise Taxes	1,598	1,122
Deferred Income Taxes	383	291
Total Income Taxes	1,982	1,414
Minority Interests	(83)	(277)
Net Income	(7,528)	1,309

## Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2009 First Half (Apr 1, 2008~ Sep 30, 2008)	FY2010 First Half (Apr 1, 2009~ Sep 30, 2009)
	Amount	Amount
Operations		
Net Income Before Tax	(2,251)	3,136
Depreciation and Amortization	1,175	1,044
Amortization of Goodwill	80	255
Increase (Decrease) in Allowance for Doubtful Accounts	675	415
Increase (Decrease) in Allowance for Operational Investment	(43)	(84)
Interest and Dividends Income	(898)	(309)
Interest Expenses	228	213
Loss (Gain) on Sales of Investment Securities	(191)	662
Impairment Loss (Gain) on Investment Securities	1,0694	180
Equity in Net Losses (Gain) of Affiliates	429	915
Loss (Gain) on Sale and Disposal of Property, Equipment and Intangible Assets	452	287
Loss due to Impairment	—	594
Gain on Transferred of Venture Fund	—	(1,888)
Increase (Decrease) in Notes and Accounts Receivable-Trade	14,002	28,906
Increase (Decrease) in Inventories	4,209	7,395
Increase (Decrease) in Operational Investment in Securities	(213)	92
Increase (Decrease) in Notes and Accounts Payable-Trade	(8,809)	(19,553)
Increase (Decrease) in Accounts Payable-Other	(4,268)	(7,720)
Other Cash Flow from Operating Activities	(1,943)	(1,931)
Subtotal	13,327	12,611
Interest and Dividends Received	901	341
Interest Paid	(217)	(195)
Income Taxes Paid	(7,226)	(7,868)
Income Taxes Refunded	3,091	8,567
Net Cash provided by Operating Activities	9,876	13,456

## Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2009 First Half (Apr 1, 2008 ~ Sep 30, 2008)	FY2010 First Half (Apr 1, 2009 ~ Sep 30, 2009)
	Amount	Amount
Investment		
Purchases of Property, Equipment and Intangible Assets	(753)	(746)
Purchases of Investment Securities	(5,818)	(11,923)
Proceeds from Sale of Investment Securities	3,611	12,606
Purchases from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	(731)	(298)
Proceeds from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	—	34
Proceeds from Sale of Shares in Subsidiaries Resulting in Change of Consolidation	608	495
Expenditure for Sale of Shares in Subsidiaries Resulting in Change of Consolidation	(4)	(753)
Gain on Transferred of Venture Fund	—	2,772
Increase in Loans Receivable	(2,317)	(1,552)
Decrease in Loans Receivable	1,034	1,096
Other Investment Activities	131	(175)
Net Cash Provided by (used in) Investment	(4,238)	(1,554)
Financing Activities		
Increases (Decreases) in Short-Term Loan	4,776	(7,535)
Income from Long-Term Loans	—	140
Payment of Long-Term Debt	(3)	(5)
Proceeds from Issuance of Corporate Bonds	—	350
Proceeds from Issuance of Common Stock	181	—
Proceeds from Sale of Common Stock Subsidiaries to Minority Shareholders	176	202
Purchases of Treasury Stock	(5,000)	(846)
Payment of Dividends	(3,466)	(3,402)
Payment of Dividends for Minority Shareholders	(290)	(106)
Payment of Lease Debt	(258)	(224)
Proceeds from sales and leaseback transactions	846	—
Net Cash Provided by (used in) Financing Activities	(3,040)	(11,429)
Translation Adjustments on Cash and Cash Equivalents	(10)	24
Net Increase (Decrease) in Cash and Cash Equivalents	2,586	3,606
Cash and Cash Equivalents at the Beginning of the Period	16,490	18,800
Decreased Cash Equivalents for Unconsolidated Entities	—	(2,057)
Cash and Cash Equivalents at the End of the Period	19,076	20,349

## Business Segment Information

FY2010 First Half (Apr 1, 2009~Sep 30, 2009)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	73,556	88,412	5,437	6	167,413	(1,627)	165,785
Operating Income	4,638	1,745	(1,467)	(173)	4,742	(798)	3,943

FY2009 First Half (Apr 1, 2008~Sep 30, 2008)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	66,199	83,162	7,678	23	157,064	(1,499)	155,565
Operating Income	5,972	1,306	1,372	(346)	8,305	(413)	7,891

## Reference Information

Consolidated Financial Statements are based on the accounting method in which funds are excluded from the consolidation (Unaudited)

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.

(amounts are rounded down to the nearest million yen)

Fund Unconsolidated Results for FY2010 First Half (Apr 1, 2009 through Sep 30, 2009)

※ Percentage are Shown as Year-On-Year Changes

(1) Fund Unconsolidated Financial Results

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2010 First Half	165,933	6.5	4,121	(49.6)	2,681	(69.1)	1,428	—
FY2009 First Half	155,769	—	8,181	—	8,680	—	5,951	—
FY2009 (Full Year)	334,040	6.5	22,101	(3.9)	21,403	(9.7)	(1,195)	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2010 Second Quarter	25.21	25.18
FY2009 Second Quarter	(103.81)	—
FY2009 (Full Year)	(20.93)	—