

FY2011 First Quarter 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 FY2011 First Quarter (April 1, 2010 through June 30, 2010)

(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	%
FY2011 First Quarter	97,154	16.9	(2,063)	—	(2,456)	—	(2,307)	—
FY2010 First Quarter	83,102	13.4	1,323	(54.1)	909	(75.7)	516	(68.5)

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2011 First Quarter	(42.41)	—
FY2010 First Quarter	9.10	9.09

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
FY2011 First Quarter (as of June 30, 2010)	206,090	107,225	48.3	1,829.11
FY2010 (Full Year) (Apr 1 2009-March 31, 2010)	217,552	114,046	49.2	1,967.93

2. Cash Dividends

(Term Recorded)	Dividends Per Share				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
FY2010 (Full Year)	—	—	—	60.00	60.00
FY2011 (Full Year)	—				
FY2011 (Forecast)		0.00	—	60.00	60.00

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

3. Forecast of Consolidated Results for FY2011 (April 1, 2010 through March 31, 2011)

(% Change from FY2010 Semi-Annual or FY2010)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2010 (1st Half)	170,000	2.5	(2,000)	—	(2,000)	—	(2,000)	—	(36.75)
FY2010 (Full Year)	370,000	6.0	5,000	30.0	5,000	77.5	3,000	297.1	55.13

(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) 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: Yes

(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)

FY2011 First Quarter 58,349,642 FY2010 58,349,642

(ii) Number of Treasury Stock at the End of Each Period

FY2011 First Quarter 3,935,250 FY2010 3,935,167

(iii) Average Number of Shares Issued and Outstanding in Each Period

FY2011 First Quarter 54,414,454 FY2010 First Quarter 56,802,084

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 third quarter of FY2011 (Apr 1, 2010 –June 30, 2010) goes as follows. Despite continues an economic moderate recovery as a result from increasing in exports toward developing countries and government economic policy, due to Europe's financial instability caused by Greek's financial crisis, progressing of falling stock prices and the appreciation of the yen have left no clear picture of sustained recovery.

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 commission¹, one of Hikari Tsushin's key sources of profit growth.

On the other hands, the cost of sales promotion and commission charges for partner has been increased with expanding sales networks. Especially to sell our own products, it costs to pay for sales partners as a lump-sum commission earlier than collecting usage fee from subscribers monthly.

For the three months ended June 30, 2010, the company registered net sales of ¥97,154 million, operating loss of ¥2,063 million, ordinary loss of ¥2,456 million, net loss before tax of ¥1,834 million, and net loss of ¥2,307 million.

(Millions of Yen)

	FY2011 First Quarter (April 1, 2010 - June 30, 2010)	FY2010 First Quarter (April 1, 2009 - June 30, 2009)	Increase (Decrease)	Increase (Decrease) (%)
Net sales	97,154	83,102	14,052	16.9
Operating income	(2,063)	1,323	(3,386)	—
Ordinary income	(2,456)	909	(3,366)	—
Net income before tax (Loss)	(1,834)	690	(2,525)	—
Net income (Loss)	(2,307)	516	(2,824)	—

<Overview by Segments>

Corporate Business

Hikari Tsushin Group's corporate business segment engages in the sales 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. On the other hands, the cost of sales promotion and commission charges for partner has been increased with expanding sales networks. Especially to sell our own products, it costs to pay for sales partners as a lump-sum commission earlier than collecting usage fee from subscribers monthly.

Corporate business FY2011 1Q (3-month) financial results were: net sales of ¥40,116 million and operating loss of ¥2,726 million.

Also, add an internet mobile advertising business as a new segments included corporate business from FY2011 this period.

¹Stock commission- income calculated based on subscribers' monthly 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, as a results of expanding sales network, the number of shops increased to 1,861(8.5% up) and also the number of handsets with recurring commission rise to 2.72million (19.2% up). In addition to its fundamental selling of mobile phones at shops, we also began developing/selling mobile contents.

For the three months ended June 30, 2010, the company registered net sales of ¥54,238 million, operating income of ¥1,246 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 quarter of FY2011, because of repair the profit imbalance of the last period, it slightly has been achieved a turnaround.

For the three months ended June 30, 2010, the company registered net sales of ¥2,131 million and operating income of ¥287 million.

Media Advertising Business

From this quarter, Hikari Tsushin add an internet mobile advertising business as a new segments included corporate 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 316 area in Japan.

For the three months ended June 30, 2010, the company registered net sales of ¥1,266 million, with operating income of ¥144 million.

Consolidated financial position

	FY2010	FY2011 First Quarter	Change
	Million Yen	Million Yen	Million yen
Total Assets	217,552	206,090	(11,461)
Liabilities	103,505	98,864	(4,641)
Net Assets	114,046	107,225	(6,820)

Total Assets ended in ¥206,090 million, down ¥11,461 million due to decreases the notes and accounts receivable trade.

Liabilities decreased ¥4,641 million and totaled ¥98,864 million. This mainly reflected the decreases in Trade Notes and Accounts Payable and account payable other.

Net Assets ended in ¥107,225 million, decreased ¥6,820 million due to decrease in quarterly net loss and payment for dividends.

Consolidated Cash Flows

	FY2010 First Quarter	FY2011 First Quarter
	Million Yen	Million Yen
Cash Flow from Operations	1,077	(7,447)
Cash Flow from Investment	(5,111)	(3,657)
Cash Flow from Financial Activities	3,348	9,552
Cash (and Equivalents) at the End of the Term	18,103	18,041

Cash flow from operations ended in minus ¥7,447 million, due to decrease the trade notes and account receivable and account payable other, also payment for corporate tax.

Cash flow from investment ended in minus ¥3,657 million, sale and acquisition of investment securities and so on.

Cash flow from financial activities ended in ¥9,552 million, as a result of financing using short-term debt.

As a result, cash and cash equivalents at the end of the term ended in ¥18,041 million.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 First Quarter (As of June 30, 2010)	FY2010 (As of Mar 31, 2010)
	Amount	Amount
Assets		
Current Assets		
Cash and Bank Deposits	18,019	18,672
Trade Notes and Accounts Receivable	44,207	57,210
Marketable securities	259	1,937
Inventories	10,024	10,050
Account Receivable Other	5,218	5,910
Deferred Tax Assets	2,300	2,158
Other Current Assets	10,858	10,671
Allowance for Doubtful Accounts	(419)	(356)
Total Current Assets	90,469	106,255
Fixed Assets		
Property, Plants and Equipments	7,990	8,149
Intangible Assets		
Goodwill	5,022	3,978
Other Intangible Assets	756	810
Total Intangible Assets	5,779	4,788
Investments and Other Assets		
Investments Securities	67,271	66,429
Deferred Tax Assets	19,771	17,862
Other Assets	22,778	21,562
Allowance for Doubtful Accounts	(7,971)	(7,494)
Total Investments and Other Assets	101,850	98,359
Total Fixed Assets	115,620	111,297
Total Assets	206,090	217,552

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 First Quarter (As of June 30, 2010)	FY2010 (As of Mar 31, 2010)
	Amount	Amount
Liabilities		
Current liabilities		
Trade Notes and Accounts Payable	22,154	26,046
Short-Term Loans Payable	32,158	19,793
Current Portion of Bonds	429	456
Account Payable-Other	27,770	33,849
Income Tax Payable	1,187	1,813
Accrued Bonuses	503	926
Accrued Bonuses for Directors and Auditors	18	40
Other Current Liabilities	9,037	15,401
Total Current Liabilities	93,260	98,328
Fixed Liabilities		
Bonds	966	995
Long-term Loans Payable		
Allowance for retirement benefits for directors and auditors	1,679	657
Deferred Tax Liabilities	168	165
Other Fixed Liabilities	20	9
Other Fixed Liabilities	2,780	3,348
Total Fixed Liabilities	5,604	5,176
Total Liabilities	98,864	103,505
Net Assets		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	25,293
Retained Earnings	29,098	34,721
Treasury Stock	(9,875)	(9,875)
Total Shareholders Equity	111,179	104,399
Valuation and Translation Differences		
Net Unrealized Holding Gains on Securities	772	2,698
Foreign Currency Translation Adjustment	(19)	(14)
Total Valuation and Translation Differences	753	2,684
Share Warrants	1,136	1,089
Minority Interests	6,559	5,873
Total Net Assets	107,225	114,046
Total Liabilities and Net Assets	206,090	217,552

Quarterly Consolidated statements of Income

(Millions of Yen)

	FY2010 First Quarter (As of June 30, 2010)	FY2011 First Quarter (As of June 30, 2010)
	Amount	Amount
Net Sales	83,102	97,154
Cost of Sales	46,093	53,217
Gross Profit	37,009	43,937
Selling General and Administrative Expenses	35,685	46,001
Operating Income	1,323	(2,063)
Non-Operating Income		
Interest Income	51	71
Dividend Income	154	191
Gain on Sale of Investment Securities	—	122
Amortization of Negative Goodwill	82	78
Other Non-Operating Income	106	155
Total Non-Operating Income	395	620
Non-Operating Expense		
Interest Expenses	80	140
Equity in Net Losses of Affiliates	547	206
Loss on investment in VC funds	—	492
Other Non-Operating Expenses	182	174
Total Non-Operating Expenses	809	1,013
Ordinary Income	909	(2,456)
Extraordinary Income		
Gain on Sales of Investment Securities	10	1,179
Gain on Sales of Shares of Subsidiaries	80	—
Gain from change of interest in investments in subsidiaries and affiliates	—	219
Reversal of Doubtful Accounts	16	48
Reversal of Accrued Bonuses	54	95
Gain on Step Acquisitions	—	162
Gain on Negative Goodwill	—	135
Other extraordinary income	—	—
Total Extraordinary Income	161	1,874
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	71	119
Impairment Loss on Investment Securities	7	300
Loss on Sales of Investment Securities	302	—
Loss on Sale of Shares of Subsidiaries	—	363
Impairment Loss	—	135
Loss on Adjustment for Changes of Accounting Standard for Asset Retirement Obligations	—	197
Other extraordinary Losses	—	136
Total Extraordinary Losses	380	1,253
Net Income Before Tax	690	(1,834)
Income and Enterprise Taxes	782	430
Refund Tax by claim and decision	—	778
Deferred Income Taxes	(278)	(878)
Total Income Taxes	504	330
Income Before Minority Interest	—	(2,165)

Minority Interests	(331)	142
Net Income	516	(2,307)

Consolidated Statements of Cash Flow

(Millions of Yen)

	FY2010 First Quarter (As of June 30, 2010)	FY2011 First Quarter (As of June 30, 2010)
	Amount	Amount
Cash Flow from Operating activities		
Net Income Before Tax	690	(1,834)
Depreciation and Amortization	520	398
Amortization of Goodwill	127	192
Gain on Negative Goodwill	—	(162)
Increase (Decrease) in Allowance for Doubtful Accounts	(18)	471
Increase (Decrease) in Allowance for Operational Investment	(31)	—
Interest and Dividends Income	(206)	(263)
Interest Expenses	80	140
Loss (Gain) on Sale of Share of Subsidiary	—	363
Loss (Gain) on Sales of Investment Securities	327	(1,302)
Impairment Loss (Gain) on Investment Securities	7	300
Equity in Net Losses (Gain) of Affiliates	547	206
Loss on Adjustment for Changes of Accounting Standard for Asset Retirement Obligations	—	197
Loss on Step Acquisitions	—	(95)
Loss (Gain) on Sale and Disposal of Property, Equipment and Intangible Assets	71	74
Increase (Decrease) in Notes and Accounts Receivable-Trade	29,189	13,854
Increase (Decrease) in Inventories	5,470	423
Increase (Decrease) in Operational Investment in Securities	118	—
Increase (Decrease) in Notes and Accounts Payable-Trade	(20,616)	(4,363)
Increase (Decrease) in Accounts Payable-Other	(6,970)	(7,293)
Other Cash Flow from Operating Activities	(1,352)	(205)
Subtotal	7,953	1,101
Interest and Dividends Received	237	316
Interest Paid	(56)	(141)
Income Taxes Paid	(7,147)	(8,797)
Income Taxes Refunded	91	71
Net Cash provided by Operating Activities	1,077	(7,447)

Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2010 First Quarter (As of June 30, 2010)	FY2011 First Quarter (As of June 30, 2010)
	Amount	Amount
Cash Flow from Investing activities		
Purchases of Property, Equipment and Intangible Assets	(251)	(383)
Purchases of Investment Securities	—	747
Proceeds from Sale of Investment Securities	(9,034)	(7,969)
Purchases from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	4,985	4,533
Proceeds from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	—	(909)
Proceeds from Sale of Shares in Subsidiaries Resulting in Change of Consolidation	34	380
Expenditure for Sale of Shares in Subsidiaries Resulting in Change of Consolidation	95	136
Gain on Transferred of Venture Fund	(205)	(298)
Increase in Loans Receivable	(1,321)	(1,665)
Decrease in Loans Receivable	518	1,360
Other Investment Activities	67	409
Net Cash Provided by (used in) Investing activities	(5,111)	(3,657)
Cash Flow from Financing Activities		
Increases (Decreases) in Short-Term Loan	6,919	12,295
Income from Long-Term Loans	80	845
Payment of Long-Term Debt	—	(224)
Proceeds from Issuance of Corporate Bonds	350	—
Payment from redemption of bonds	—	(36)
Proceeds from Sale of Common Stock Subsidiaries to Minority Shareholders	169	—
Purchases of Treasury Stock	(716)	(0)
Payment of Dividends	(3,311)	(3,175)
Payment of Dividends for Minority Shareholders	(29)	(28)
Payment of Lease Debt	(112)	(122)
Net Cash Provided by (used in) Financing Activities	3,348	9,552
Translation Adjustments on Cash and Cash Equivalents	26	(56)
Net Increase (Decrease) in Cash and Cash Equivalents	(657)	(1,609)
Cash and Cash Equivalents at the Beginning of the Period	18,800	19,651
Decreased Cash Equivalents for Unconsolidated Entities	(39)	—
Cash and Cash Equivalents at the End of the Period	18,103	18,041

Business Segment Information

FY2010 First Quarter (Apr 1, 2009~June 30, 2009)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	37,651	43,474	2,858	3	83,987	(884)	83,102
Operating Income	2,355	686	(1,158)	(163)	1,719	(395)	1,323

FY2011 First Quarter (Apr 1, 2010~June 30, 2010)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Media Advertising Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	40,116	54,238	2,131	1,266	97,753	(658)	97,154
Operating Income	(2,726)	1,246	287	144	(1,047)	(989)	(2,063)

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.