

## FY2011 Third 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  
 URL : <http://www.hikari.co.jp/>  
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(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Results for FY2011 Third Quarter (April 1, 2010 through December 31, 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 Third Quarter	324,132	31.0	(1,677)	—	(2,296)	—	(1,228)	—
FY2010 Third Quarter	247,511	8.0	4,511	(58.4)	3,330	(69.8)	1,730	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2011 Third Quarter	(22.72)	—
FY2010 Third Quarter	30.68	30.64

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
FY2011 Third Quarter (as of Dec 31, 2010)	219,626	108,009	45.5	1,874.45
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)	—	0.00	—	60.00	60.00
FY2011 (Full Year)	—	0.00	—		
FY2011 (Forecast)				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)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2011 (Full Year)	420,000	20.3	5,000	30.0	5,000	77.5	3,000	297.0	55.69

(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 Third Quarter	58,349,642	FY2010	58,349,642
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  - (ii) Number of Treasury Stock at the End of Each Period

FY2011 Third Quarter	5,032,850	FY2010	3,935,167
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  - (iii) Average Number of Shares Issued and Outstanding in Each Period

FY2011 Third Quarter	54,049,895	FY2010 Third Quarter	56,407,217
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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 third quarter of FY2011 (October 1, 2010 – December 31) goes as follows. Despite continues an economic moderate recovery, risks for stagnation of economic recovery and influences from the change in fiscal policies of nations are anticipated due to credit crunches and continuation of high unemployment rate.

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. In sales of our own products, initial costs are caused ahead and it still has been increased because of huge improvement number of sales. On the other hands, stock commission has been accumulated by increasing number of retaining customers.

FY2011 3Q (3-month) financial results were: net sales of ¥114,263 million, operating loss of ¥144 million, ordinary loss of ¥2 million, net income before tax of ¥107 million, and net income of ¥735 million.

FY2011 third quarter (6-month) financial results were: net sales of ¥324,132 million, operating loss of ¥1,677 million, ordinary loss of ¥2,296 million, net loss before tax of ¥1,364 million, and net loss of ¥1,228 million.

We expected to have commission depend on sales volume in fourth quarter.

(Millions of Yen)

	FY2011 3 <sup>rd</sup> Quarter (October 1, 2010 - December 31, 2010)	Nine month period ended December 31, 2010	Nine month period ended December 31, 2009
Net sales	114,263	324,132	247,511
Operating income	(144)	(1,677)	4,511
Ordinary income	(2)	(2,296)	3,330
Net income before tax (Loss)	107	(1,364)	3,149
Net income (Loss)	735	(1,228)	1,730

#### <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.

Also, the expansion of broadband services centered on FTTH is accompanied by an ongoing optical access, high-speed data link. As a result, competition of services is entering a new phase.

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 improving sales of our own products. On the other hands, stock commission has been accumulated by increasing number of retaining customers.

Corporate business FY2011 3Q (3-month) financial results were: net sales of ¥46,331 million and operating loss of ¥2,078 million.

For the nine months ended December 31, 2010, net sales of ¥131,763 million, and operating loss of ¥6,131 million.

<sup>1</sup>Stock 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 smartphones, data communication terminals, mobile Wi-Fi and routers. Additionally, advances in telecommunications technology, fixed rates for data transfer and the entrance of technology-intensive have produced almost any kind of mobile-centered service imaginable and is becoming more and more relevant.

Under these circumstances, as a result of expanding sales network, the number of shops increased to 2,007(14.6% up) and also the number of handsets with recurring commission rise to 2.78million (18.3% up). In addition to its fundamental selling of mobile phones at shops, we also began developing/selling mobile contents.

For the three months ended December 31, 2010, the company registered net sales of ¥65,270 million, operating income of ¥2,480 million.

For the nine months ended December 31, 2010, the company registered net sales of ¥184,093 million, operating income of ¥5,732 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 turnaround.

For the three months ended December 31, 2010, the company registered net sales of ¥2,150 million and operating income of ¥186 million.

For the nine months ended December 31, 2010, the company registered net sales of ¥6,569 million, and operating loss of ¥952 million.

## **Media Advertising Business**

From this quarter, Hikari Tsushin added 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 December 31, 2010, the company registered net sales of ¥1,278 million, with operating income of ¥94 million.

For the nine months ended December 31, 2010, the company registered net sales of ¥ 3,882 million, with operating loss of ¥329 million.

**Consolidated financial position**

	FY2010	FY2011 Third Quarter	Change
	Million Yen	Million Yen	Million yen
Total Assets	217,552	219,626	2,074
Liabilities	103,505	111,617	8,112
Net Assets	114,046	108,009	(6,037)

Total Assets ended in ¥219,626 million, increase ¥2,074 million due to increase inventory by bumper sales of mobile phones.

Liabilities increased ¥8,112 million and totaled ¥111,617 million. This mainly reflected the issues of corporate bonds.

Net Assets ended in ¥118,009 million, decreased ¥6,037 million due to purchase of treasury stock and payments for dividends and decreases in retained earnings .

**Consolidated Cash Flows**

	Nine month Ended December 31, 2009	Nine month Ended December 31, 2010
	Million Yen	Million Yen
Cash Flow from Operations	11,966	(8,445)
Cash Flow from Investment	2,314	(4,422)
Cash Flow from Financial Activities	(11,437)	(8,204)
Cash (and Equivalents) at the End of the Term	19,666	14,822

Cash flow from operations ended in minus ¥8,445 million, due to increase onventory.

Cash flow from investment ended in minus ¥4,422 million, due to acquisition of investment securities and so on.

Cash flow from financial activities ended in ¥8,204 million, as a result of financing using long-term debt by issues of corporate bonds despite acquisitions of treasury stock.

As a result, cash and cash equivalents at the end of the term ended in ¥14,822 million.

## Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 3 <sup>rd</sup> Quarter (As of December 31, 2010 )	FY2010 (As of March 31, 2010 )
	Amount	Amount
Assets		
Current Assets		
Cash and Bank Deposits	13,837	18,672
Trade Notes and Accounts Receivable	58,628	57,210
Marketable securities	1,408	1,937
Inventories	13,089	10,050
Deferred Tax Assets	1,883	2,158
Other Current Assets	12,185	16,582
Allowance for Doubtful Accounts	(361)	(356)
Total Current Assets	100,671	106,255
Fixed Assets		
Property, Plants and Equipments	8,547	8,149
Intangible Assets		
Goodwill	4,784	3,978
Other Intangible Assets	888	810
Total Intangible Assets	5,672	4,788
Investments and Other Assets		
Investments Securities	68,559	66,429
Deferred Tax Assets	20,408	17,862
Other Assets	23,831	21,562
Allowance for Doubtful Accounts	(8,064)	(7,494)
Total Investments and Other Assets	104,734	98,359
Total Fixed Assets	118,954	111,297
Total Assets	219,626	217,552

## Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 3 <sup>rd</sup> Quarter (As of December 31, 2010 )	FY2010 (As of March 31, 2010 )
	Amount	Amount
<b>Liabilities</b>		
Current liabilities		
Trade Notes and Accounts Payable	29,925	26,046
Short-Term Loans Payable	23,139	19,793
Current Portion of Bonds	624	456
Account Payable-Other	34,030	33,849
Income Tax Payable	559	1,813
Accrued Bonuses	598	926
Accrued Bonuses for Directors and Auditors	21	40
Other Current Liabilities	8,300	15,401
<b>Total Current Liabilities</b>	<b>97,201</b>	<b>98,328</b>
Fixed Liabilities		
Bonds	8,633	995
Long-term Loans Payable		
Allowance for retirement benefits for directors and auditors	3,082 174	657 165
Deferred Tax Liabilities	40	9
Other Fixed Liabilities	2,485	3,348
<b>Total Fixed Liabilities</b>	<b>14,416</b>	<b>5,176</b>
<b>Total Liabilities</b>	<b>111,617</b>	<b>103,505</b>
<b>Net Assets</b>		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	25,293
Retained Earnings	30,198	34,721
Treasury Stock	(11,660)	(9,875)
<b>Total Shareholders Equity</b>	<b>98,091</b>	<b>104,399</b>
Valuation and Translation Differences		
Net Unrealized Holding Gains on Securities	1,876	2,698
Foreign Currency Translation Adjustment	(28)	(14)
<b>Total Valuation and Translation Differences</b>	<b>1,848</b>	<b>2,684</b>
Share Warrants	1,231	1,089
Minority Interests	6,838	5,873
<b>Total Net Assets</b>	<b>108,009</b>	<b>114,046</b>
<b>Total Liabilities and Net Assets</b>	<b>219,626</b>	<b>217,552</b>

## Quarterly Consolidated statements of Income

(Millions of Yen)

	FY2010 Third Quarter (Apr 1, 2009~Dec 31, 2009)	FY2011 Third Quarter (Apr 1, 2010~Dec 31, 2010)
	Amount	Amount
Net Sales	247,511	324,132
Cost of Sales	136,137	176,375
Gross Profit	111,373	147,756
Selling General and Administrative Expenses	106,862	149,434
Operating Income	4,511	(1,677)
Non-Operating Income		
Interest Income	168	232
Dividend Income	372	498
Gain on Sale of Investment Securities	128	9
Amortization of Negative Goodwill	252	236
Other Non-Operating Income	517	519
Total Non-Operating Income	1,440	1,496
Non-Operating Expense		
Interest Expenses	272	446
Equity in Net Losses of Affiliates	1,127	471
Loss on investment in VC funds	-	660
Provision of reserve for Allowance for doubtful accounts	219	45
Loss on sales of Debt	386	-
Other Non-Operating Expenses	615	490
Total Non-Operating Expenses	2,620	2,115
Ordinary Income	3,330	(2,296)
Extraordinary Income		
Gain on Sales of Investment Securities	102	1,337
Gain on Sales of Shares of Subsidiaries	180	84
Gain from change of interest in investments in subsidiaries and affiliates	-	355
Reversal of Doubtful Accounts	104	103
Reversal of Accrued Bonuses	105	55
Loss on transfer of business	2,044	113
Gain on Sales of Fixed Assets	-	53
Gain on Step Acquisitions	-	98
Gain on Negative Goodwill	-	162
Total Extraordinary Income	2,537	2,364
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	376	209
Impairment Loss on Investment Securities	310	37
Loss on Sales of Investment Securities	1,303	66
Loss on Sale of Shares of Subsidiaries	10	457
Loss on Change of scope of equity method	-	152
Impairment Loss	632	68
Loss on Adjustment for Changes of Accounting Standard for Asset Retirement Obligations 615	-	197
Loss on inquisition ob business	84	-



Other extraordinary Losses	-	241
Total Extraordinary Losses	2,718	1,432
Net Income Before Tax	3,149	(1,364)
Income and Enterprise Taxes	2,680	1,493
Refund Tax by claim and decision	-	(487)
Deferred Income Taxes	(704)	(1,873)
Total Income Taxes	1,976	(867)
Income Before Minority Interest	-	(496)
Minority Interests	(558)	731
Net Income	1,730	(1,228)

Quarterly Consolidated statements of Income

(Millions of Yen)

	FY2010 Third Quarter (Oct 1, 2009~Dec 31, 2009)	FY2011 Third Quarter (Oct 1, 2010~Dec 31, 2010)
	Amount	Amount
Net Sales	81,726	114,263
Cost of Sales	45,044	61,826
Gross Profit	36,681	52,436
Selling General and Administrative Expenses	36,113	52,580
Operating Income	568	(144)
Non-Operating Income		
Interest Income	61	78
Dividend Income	170	205
Gain on Sale of Investment Securities	90	-
Amortization of Negative Goodwill	84	78
Other Non-Operating Income	198	176
Total Non-Operating Income	606	539
Non-Operating Expense		
Interest Expenses	59	150
Loss on revaluation of investments in securities	-	(505)
Equity in Net Losses of Affiliates	-	64
Loss on investment in VC funds	211	451
Provision of reserve for Allowance for doubtful accounts	-	125
Loss on sales of Debt	42	8
Other Non-Operating Expenses	190	104
Total Non-Operating Expenses	503	398
Ordinary Income	670	(2)
Extraordinary Income		
Gain on Sales of Investment Securities	19	147
Gain on Sales of Shares of Subsidiaries	11	27
Gain from change of interest in investments in subsidiaries and affiliates	-	15
Reversal of Doubtful Accounts	13	27
Reversal of Accrued Bonuses	5	-
Loss on transfer of business	155	6
Total Extraordinary Income	204	223
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	88	15

Impairment Loss on Investment Securities	130	4
Loss on Sales of Investment Securities	519	46
Loss on Sale of Shares of Subsidiaries	0	19
Loss on change in equity	-	17
Impairment Loss	37	-
Loss on liquidation of business	84	-
Other extraordinary Losses	-	9
Total Extraordinary Losses	862	113
Net Income Before Tax	12	107
Income and Enterprise Taxes	774	685
Refund Tax by claim and decision	(717)	(1,630)
Total Income Taxes	57	(945)
Income Before Minority Interest	-	1,052
Minority Interests	50	317
Net Income	(95)	735

## Consolidated Statements of Cash Flow

(Millions of Yen)

	FY2010 Third Quarter (Apr 1, 2009~ Dec 31, 2009)	FY2011 Third Quarter (Apr 1, 2010~ Dec 31, 2010)
	Amount	Amount
Cash Flow from Operating activities		
Net Income Before Tax	3,149	(1,364)
Depreciation and Amortization	1,523	1,292
Amortization of Goodwill	386	566
Gain on Negative Goodwill	-	(162)
Increase (Decrease) in Allowance for Doubtful Accounts	872	298
Increase (Decrease) in Allowance for Operational Investment	(84)	-
Interest and Dividends Income	(541)	(731)
Interest Expenses	272	446
Loss (Gain) on Sale of Share of Subsidiary	-	373
Loss (Gain) on Sales of Investment Securities	1,072	(1,279)
Impairment Loss (Gain) on Investment Securities	310	37
Equity in Net Losses (Gain) of Affiliates	1,127	471
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	375	156
Accumulated impairment loss	632	68
Loss(Gain) on Business Transfer	(2,044)	(113)
Increase (Decrease) in Notes and Accounts Receivable-Trade	23,429	(669)
Increase (Decrease) in Inventories	5,497	(3,481)
Increase (Decrease) in Operational Investment in Securities	92	-
Increase (Decrease) in Notes and Accounts Payable-Trade	(14,749)	3,704
Increase (Decrease) in Accounts Payable-Other	(4,424)	(1,565)
Other Cash Flow from Operating Activities	(2,634)	(3,198)
Subtotal	14,264	(5,052)
Interest and Dividends Received	587	873
Interest Paid	(241)	(384)
Income Taxes Paid	(11,204)	(11,036)
Income Taxes Refunded	8,591	(7,155)
Net Cash provided by Operating Activities	11,996	(8,445)

## Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2010 Third Quarter (Apr 1, 2009~ Dec 31, 2009)	FY2011 Third Quarter (Apr 1, 2010~ Dec 31, 2010)
	Amount	Amount
Cash Flow from Investing activities		
Purchases of Property, Equipment and Intangible Assets	(1,160)	(2,388)
Purchases of Investment Securities	(14,764)	(14,283)
Proceeds from Sale of Investment Securities	16,666	11,742
Purchases from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	(298)	(1,732)
Proceeds from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	109	402
Proceeds from Sale of Shares in Subsidiaries Resulting in Change of Consolidation	495	633
Expenditure for Sale of Shares in Subsidiaries Resulting in Change of Consolidation	(765)	(385)
Gain on Business Transfer	2,789	776
Increase in Loans Receivable	(2,132)	(2,867)
Decrease in Loans Receivable	1,712	2,650
Other Investment Activities	(337)	1,028
Net Cash Provided by (used in) Investing activities	2,314	(4,422)
Cash Flow from Financing Activities		
Increases (Decreases) in Short-Term Loan	(4,446)	2,908
Income from Long-Term Loans	234	4,069
Payment of Long-Term Debt	(8)	(1,018)
Proceeds from Issuance of Corporate Bonds	350	7,930
Payment from redemption of bonds	-	(194)
Proceeds from Sale of Common Stock Subsidiaries to Minority Shareholders	486	49
Purchases of Treasury Stock	(4,200)	(1,785)
Payment of Dividends	(3,407)	(3,263)
Payment of Dividends for Minority Shareholders	(136)	(164)
Payment of Lease Debt	(309)	(326)
Net Cash Provided by (used in) Financing Activities	(11,437)	8,204
Translation Adjustments on Cash and Cash Equivalents	50	(75)
Net Increase (Decrease) in Cash and Cash Equivalents	2,923	(4,739)
Cash and Cash Equivalents at the Beginning of the Period	18,800	19,651
Decreased Cash Equivalents for Unconsolidated Entities	(2,057)	(89)
Cash and Cash Equivalents at the End of the Period	19,666	14,822

## Business Segment Information

FY2010 Third Quarter (Apr 1, 2009~December 31,2009)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	37,304	42,739	2,515	6	82,564	(838)	81,726
Operating Income	65	876	244	(18)	1,168	(600)	568

FY2011 Third Quarter (Apr 1, 2010~December 31, 2010)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Media Advertising Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	110,860	131,151	7,952	12	249,977	(2,466)	247,511
Operating Income	4,703	2,622	(1,222)	(192)	5,910	(1,398)	4,511

## 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.