

For the Six Months Ended September 30, 2013 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/>
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(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for the Six Months Ended September 30, 2013 (April 1, 2013 through September 30, 2013)

(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	%
For the Six Months Ended September 30, 2013	256,367	14.1	15,731	34.5	20,868	79.5	17,773	230.4
For the Six Months Ended September 30, 2012	224,677	(3.7)	11,698	51.5	11,625	77.4	5,378	38.1

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
For the Six Months Ended September 30, 2013	372.01	371.36
For the Six Months Ended September 30, 2012	108.48	108.38

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
September 30, 2013	266,104	138,953	47.9	2,692.35
March 31, 2013	251,251	123,854	46.0	2,374.66

2. Cash Dividends

(Term Recorded)	Dividends Per Share				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
FY2013 (Full Year)	20.00	21.00	23.00	30.00	94.00
FY2014 (Full Year)	30.00	35.00			
FY2014 (Forecast)			35.00	35.00	135.00

(Note) Revisions to the Forecast of Cash Dividends in the Current Quarter: Yes

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2014 (April 1, 2013 through March 31, 2014)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2014 (Full Year)	540,000	7.9	32,000	30.1	35,000	28.7	24,000	42.1	507.19

(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: None
 - 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)

As of September 30, 2013:	49,349,642	As of March 31, 2013:	53,349,642
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 - ② Number of Treasury Stock at the End of Each Period

As of September 30, 2013:	2,030,392	As of March 31, 2013:	4,632,131
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 - ③ Average Number of Shares Issued and Outstanding in Each Period

For the Six month ended September 30, 2013	47,775,611	For the Six month ended September 30, 2012	49,585,785
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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 current fiscal year ending March 31, 2014 (Apr 1, 2013 – September 30, 2013) goes as follows. As a result of measures which government has currently proposed such as easy monetary policy and so forth, steady progress towards economic recovery can be seen especially in the growth of corporate earnings and consumer spending.

In the telecommunication market, although the network environment has continued to be advanced which could be seen in the increased investments especially in the facilitation of the high-speed data communication network, a penetration level of smartphones and tablet devices in Japan are still lower than those of many other countries. Consequently, it is predicted that as more services and related goods are developed which fulfill consumers' demand, those of penetration level will be enhanced in the future.

In this situation, Hikari Tsushin has offered a variety of advanced IT services for SME which have been played a role in many phases of their management. Moreover, as the demand of environment-conscious products has been increased among SME, Hikari Tsushin has stepped on sales of LED lighting. The sales of LED lighting have been three times as many as the same time in last year. Hikari Tsushin has dealt with environmental problems through the spread of these kinds of environment-conscious products.

Moreover, Hikari Tsushin has tried to strength a network environment by increasing sales partners, sales persons and so forth. We have also embarked on new businesses for establishing new revenue bases for further growth in the future while we have continuously tried to secure and accumulate the continuous profit through existing businesses.

For the Six months ended September 30, 2013, the company registered net sales of ¥256,367 million, operating income of ¥15,731 million, ordinary income of ¥20,868 million, net income before tax of ¥27,082 million, and net income of ¥17,773 million.

(Millions of Yen)

	For the Six Months Ended September 30, 2013 Apr 1, 2013 - September 30, 2013	For the Six Months Ended September 30, 2012 Apr 1, 2012 - September 30, 2012	Change	Change (%)
Net sales	256,367	224,677	31,690	14.1
Operating income	15,731	11,698	4,032	34.5
Ordinary income	20,868	11,625	9,242	79.5
Net income before tax	27,082	11,893	15,189	127.7
Net income	17,773	5,378	12,394	230.4

<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. In the telecommunication market, although the network environment has continued to be advanced which could be seen in the increased investments especially in the facilitation of the high-speed data communication network, a penetration level of smartphones and tablet devices in Japan are still lower than those of many other countries. Consequently, it is predicted that as more services and related goods are developed which fulfill consumers' demand, those of penetration level will be enhanced in the future. In this situation, Hikari Tsushin has offered a variety of advanced IT services for SME which have been played a role in many phases of their management. Moreover, as the demand of environment-conscious products has been increased among SME, Hikari Tsushin has stepped on sales of LED lighting. The sales of LED lighting have been three times as many as the same time in last year. Hikari Tsushin has dealt with environmental problems through the spread of these kinds of environment-conscious products.

Moreover, Hikari Tsushin has tried to strength a network environment by increasing sales partners, sales persons and so forth. We have also embarked on new businesses for establishing new revenue bases for further growth in the future while we have continuously tried to secure and accumulate the continuous profit through existing businesses.

As a result, CORPORATE business for the Six months ended September 30, 2013 financial results were: net sales of ¥103,220 million and operating income of ¥12,374 million.

Media Advertising Business which was reported separately until previous term is integrated into CORPORATE Segment from current period.

SHOP Business

Hikari Tsushin's SHOP business mainly sells mobile phones through its nationwide sales channels. In domestic mobile phone market, there appeared a move toward reorganization between some distributors. Moreover, some consumers tended to hold off on purchasing mobiles in hope of the release of the latest series and the short supply of stock was seen in the domestic mobile phone market.

Under these circumstances, Hikari Tsushin deals with not only smartphones and tablet devices, but also a variety of accessorial products such as contents and support services. In order to improve customer satisfaction in each shop, Hikari Tsushin has focused on strength customer services quality.

SHOP business registered net sales of ¥148,820 million, operating income of ¥5,857 million for the Six months ended September 30, 2013.

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.

Moreover, the insurance shops introducing a wide variety of insurances to the customers face to face has the fastest-growing channels in the insurance field, so we have strongly enhanced its business. Although upfront investment has accrued for expanding its scale of operation, the number of the shops has reached over 160 in the end of September, 2013.

For the Six months ended September 30, 2013, Insurance business registered net sales of ¥5,804 million and operating income of ¥55million.

Consolidated financial position

	March 31, 2013	September 30, 2013	Change
	Million Yen	Million Yen	Million yen
Total Assets	251,251	266,104	14,853
Liabilities	127,396	127,151	(245)
Net Assets	123,854	138,953	15,098

Total Assets ended in ¥266,414 million, increased ¥14,853 million mainly by recording goodwill with making FT communications., Ltd. a consolidated subsidiary.

Liabilities decreased ¥245million and totaled ¥127,151 million. This mainly reflected the decreases in accounts payable.

Net Assets ended in ¥138,953million, increased ¥15,098 million owing to stable business performance.

Consolidated Cash Flows

	For the Six Months Ended September 30, 2012	For the Six Months Ended September 30, 2013
	Million Yen	Million Yen
Cash Flow from Operations	17,327	17,641
Cash Flow from Investment	1,592	(5,864)
Cash Flow from Financial Activities	(14,300)	(6,581)
Cash (and Equivalents) at the End of the Term	20,970	23,419

Cash flow from operations ended in ¥17,641 million, as an increase of operating income from normal sales performance.

Cash flow from investment ended in minus ¥5,864 million from purchase of investment in securities and so on.

Cash flow from financial activities ended in minus ¥6,581 million from repurchase of shares and so on.

As a result, cash and cash equivalents at the end of the term ended in ¥23,419 million.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Mar 31, 2013	September 30, 2013
	Amount	Amount
Assets		
Current Assets		
Cash and Bank Deposits	12,198	19,953
Trade Notes and Accounts Receivable	78,410	66,847
Lease Receivables and Lease Investment Assets	8,015	8,832
Marketable securities	2,610	3,135
Inventories	13,764	14,453
Account Receivable Other	6,546	5,771
Deferred Tax Assets	7,031	2,684
Other Current Assets	9,222	10,265
Allowance for Doubtful Accounts	(870)	(1,295)
Total Current Assets	136,929	130,647
Fixed Assets		
Property, Plants and Equipments	8,625	11,992
Intangible Assets		
Goodwill	4,809	10,170
Other Intangible Assets	887	972
Total Intangible Assets	5,697	11,142
Investments and Other Assets		
Investments Securities	90,301	101,266
Deferred Tax Assets	1,050	1,258
Other Assets	16,655	16,523
Allowance for Doubtful Accounts	(8,009)	(6,726)
Total Investments and Other Assets	99,998	112,321
Total Fixed Assets	114,321	135,456
Total Assets	251,251	266,104

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Mar 31, 2013	September 30, 2013
	Amount	Amount
Liabilities		
Current liabilities		
Trade Notes and Accounts Payable	34,806	33,593
Short-Term Loans Payable	20,229	20,843
Current Portion of Bonds	5,524	34
Account Payable-Other	44,671	35,869
Income Tax Payable	2,208	3,109
Accrued Bonuses	1,277	1,625
Other Current Liabilities	7,709	6,308
Total Current Liabilities	116,426	101,384
Fixed Liabilities		
Long-term Loans Payable	2,950	4,812
Bonds	340	10,233
Provision for directors' retirement benefits	208	215
Other Fixed Liabilities	7,471	10,506
Total Fixed Liabilities	10,970	25,767
Total Liabilities	127,396	127,151
Net Assets		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	12,190
Retained Earnings	33,965	48,994
Treasury Stock	(11,748)	(6,828)
Total Shareholders Equity	101,770	108,616
Accumulated other comprehensive income		
Net Unrealized Holding Gains on Securities	13,889	18,772
Foreign Currency Translation Adjustment	27	11
Total Accumulated other comprehensive income	13,916	18,783
Share Warrants	1,203	1,270
Minority Interests	6,963	10,282
Total Net Assets	123,854	138,953
Total Liabilities and Net Assets	251,251	266,104

Quarterly Consolidated statements of Income

(Millions of Yen)

	For the Six Months Ended September 30, 2012	For the Six Months Ended September 30, 2013
	Amount	Amount
Net Sales	224,677	256,367
Cost of Sales	119,349	131,707
Gross Profit	105,327	124,659
Selling General and Administrative Expenses	93,628	108,928
Operating Income	11,698	15,731
Non-Operating Income		
Interest Income	120	101
Dividend Income	485	731
Gain on sales of investment securities	—	2,739
Amortization of Negative Goodwill	119	115
Investment Gain on Equity Method	—	418
Gain on investment in VC funds	—	536
Other Non-Operating Income	391	924
Total Non-Operating Income	1,117	5,568
Non-Operating Expense		
Interest Expenses	304	215
Loss on Sale of Investment Securities	49	—
Investment Loss on Equity Method	203	—
Loss on investment in VC funds	246	—
Commission fee	38	104
Other Non-Operating Expenses	347	111
Total Non-Operating Expenses	1,190	431
Ordinary Income	11,625	20,868
Extraordinary Income		
Gain on Sales of Investment Securities	478	3,271
Gain on compensation for eviction	1,442	—
Gain on step acquisitions	—	3,593
Other extraordinary income	192	80
Total Extraordinary Income	2,113	6,946
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	117	94
Loss on Sale of Investment Securities	415	187
Amortization of Goodwill	1,059	245
Impairment loss	—	163
Other extraordinary Losses	253	41
Total Extraordinary Losses	1,845	732
Net Income Before Income Tax	11,893	27,082
Income and Enterprise Taxes	2,497	3,501
Deferred Income Taxes	3,905	5,216
Total Income Taxes	6,403	8,717
Income Before Minority Interest	5,490	18,364
Minority Interests	111	591
Net Income	5,378	17,773

Comprehensive Income Abstract Statements

	For the Six Months Ended September 30, 2012	For the Six Months Ended September 30, 2013
	Amount	Amount
Income before minority interests	5,490	18,364
Other comprehensive income		
Valuation difference on available-for-sale securities	712	4,916
Foreign currency translation adjustment	(3)	(12)
Share of other comprehensive income of associates accounted for using equity method	(8)	(7)
Other comprehensive income	700	4,896
Comprehensive income	6,191	23,261
Comprehensive income attributable to owners of the parent	6,085	22,639
Comprehensive income attributable to minority interests	105	621

Consolidated Statements of Cash Flow

(Millions of Yen)

	For the Six Months Ended September 30, 2012	For the Six Months Ended September 30, 2013
	Amount	Amount
Cash Flow from Operating activities		
Net Income Before Tax	11,893	27,082
Depreciation and Amortization	805	748
Amortization of Goodwill	1,644	901
Increase (Decrease) in Allowance for Doubtful Accounts	696	(85)
Interest and Dividends Income	(606)	(833)
Interest Expenses	304	215
Loss (Gain) on Sale of Investment Securities	(189)	(6,001)
Loss (Gain) on valuation of investment securities	520	187
Equity in earnings of affiliates	203	(418)
Loss (Gain) on transfer of business	—	(3,593)
Loss (gain) on sales and retirement of noncurrent assets	117	93
Decrease(Increase) in Notes and Accounts Receivable-Trade	16,403	14,368
Decrease(Increase) in Inventories	1,873	962
Increase (decrease) in notes and accounts payable-trade	(3,696)	(2,704)
Increase (decrease) in accounts payable-other	(8,565)	(9,882)
Other Cash Flow from Operating Activities	(3,997)	(2,533)
Subtotal	17,406	18,506
Interest and Dividends Received	642	1,008
Interest Paid	(322)	(211)
Income Taxes Paid	(1,875)	(4,278)
Income Taxes Refunded	1,477	2,616
Net Cash provided by Operating Activities	17,327	17,641

Consolidated Statements of Cash Flow

(Millions of Yen)

	For the Six Months Ended September 30, 2012	For the Six Months Ended September 30, 2013
	Amount	Amount
Cash Flow from Investing activities		
Purchase of property, plant and equipment and intangible assets	(1,113)	(3,294)
Purchases of Investment Securities	(7,043)	(17,846)
Proceeds from Sale of Investment Securities	8,232	16,222
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(611)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	146	103
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	221	—
Payments of loans receivable	(682)	(2,002)
Collection of loans receivable	1,961	1,347
Other Investment Activities	480	(395)
Net Cash Provided by (used in) Investing activities	1,592	5,864
Cash Flow from Financing Activities		
Increases (Decreases) in Short-Term Loan	274	(638)
Proceeds from long-term loans payable	700	4,800
Repayment of long-term loans payable	(1,450)	(2,645)
Proceeds from issuance of bonds	—	9,937

Redemption of bonds	(8,232)	(5,667)
Purchase of treasury stock	(4,054)	(9,000)
Cash dividends paid	(2,911)	(2,862)
Cash dividends paid to minority shareholders	(86)	(10)
Repayments of lease obligations	(253)	(21)
Other Finance Activities	1,714	(473)
Net Cash Provided by (used in) Financing Activities	(14,300)	(6,581)
Translation Adjustments on Cash and Cash Equivalents	(103)	(36)
Net Increase (Decrease) in Cash and Cash Equivalents	4,516	5,157
Cash and Cash Equivalents at the Beginning of the Period	16,454	14,905
Increase in cash and cash equivalents from newly consolidated subsidiary	—	3,397
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(41)
Cash and Cash Equivalents at the End of the Period	20,970	23,419

Business Segment Information

For the Six Months Ended September 30, 2012

(Millions of Yen)

	CORPORATE Business	SHOP Business	Insurance Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	89,354	132,490	4,516	226,438	(1,761)	224,677
Operating Income	8,615	4,324	519	13,464	(1,766)	11,698

For the Six Months Ended September 30, 2013

(Millions of Yen)

	CORPORATE Business	SHOP Business	Insurance Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	103,220	148,820	5,804	257,924	(1,557)	256,367
Operating Income	12,374	5,857	55	18,276	(2,545)	15,731