

FY2011 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 FY2011 First Half (April 1, 2010 through September 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 Half	209,869	26.6	(1,533)	—	(2,293)	—	(1,963)	—
FY2010 First Half	165,785	6.6	3,943	(50.0)	2,659	(68.4)	1,825	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2011 First Half	(36.17)	—
FY2010 First Half	32.24	32.20

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
FY2011 First Half (as of Sep 30, 2010)	207,704	104,725	46.7	1805.58
FY2010 (Full Year) (Apr 1 2009-March31, 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	55.57

(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 Half 58,349,642 FY2010 58,349,642

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

FY2011 First Half 4,663,250 FY2010 3,935,167

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

FY2011 First Half 54,283,133 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 first half of FY2011 (July 1, 2010 – Sep 30, 2010) goes as follows. Despite continues an economic moderate recovery as a result of government economic policy and growth in developing countries, due to 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. In sales of our own products, initial costs are caused ahead and it has been increased because of huge improvement number of sales, but it become turnaround in revenue as coordination of acquisitions costs.

FY2011 2Q (3-month) financial results were: net sales of ¥112,714 million, operating income of ¥529 million, ordinary income of ¥163 million, net income before tax of ¥362 million, and net income of ¥344 million. FY2011 first half (6-month) financial results were: net sales of ¥209,869 million, operating loss of ¥1,533 million, ordinary loss of ¥2,293 million, net loss before tax of ¥1,472 million, and net loss of ¥1,963 million.

(Millions of Yen)

	FY2011 2 nd Quarter (July 1, 2010 - September 30, 2010)	FY2011 First Half (April 1, 2010 - September 30, 2010)	FY2010 First Half (April 1, 2009 - September 30, 2009)
Net sales	112,714	209,869	165,785
Operating income	529	(1,533)	3,943
Ordinary income	163	(2,293)	2,659
Net income before tax (Loss)	362	(1,472)	3,136
Net income (Loss)	344	(1,963)	1,825

<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 improving sales of our own products. However, it became turnaround in revenue as accumulated stock commissions and coordination of acquisitions costs.

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

Corporate business FY2011 2Q (3-month) financial results were: net sales of ¥45,315 million and operating income of ¥1,326 million.

Corporate business FY2011 first half (6-month) financial results were: net sales of ¥85,432 million, and operating loss of ¥4,052 million.

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 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 1,926 (13.2% up) and also the number of handsets with recurring commission rose to 2.75 million (17.1% up). In addition to its fundamental selling of mobile phones at shops, we also began developing/selling mobile contents.

SHOP business FY2011 2Q (3-month) financial results were: net sales of ¥64,584 million and operating income of ¥2,005 million.

SHOP business FY2011 first half (6-month) financial results were: net sales of ¥118,822 million, and operating income of ¥3,252 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.

Insurance business FY2011 2Q (3-month) financial results were: net sales of ¥2,286, and operating income of ¥478 million.

Insurance business FY2011 first half (6-month) financial results were: net sales of ¥4,418 million, and operating income of ¥766 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.

Media advertising business FY2011 2Q (3-month) financial results were: net sales of ¥1,337, and operating income of ¥90 million.

Media advertising business FY2011 first half (6-month) financial results were: net sales of ¥2,604 million, and operating income of ¥234 million.

Consolidated financial position

	FY2010	FY2011 First Half	Change
	Million Yen	Million Yen	Million yen
Total Assets	217,552	207,704	(9,847)
Liabilities	103,505	102,979	(525)
Net Assets	114,046	104,725	(9,321)

Total Assets ended in ¥207,704 million, down ¥9,847 million due to decreases accounts receivable and inventory.

Liabilities decreased ¥525 million and totaled ¥102,979 million. This mainly reflected the increase short term loans payable and issues of corporate bonds despite decreases in account payable other.

Net Assets ended in ¥104,725 million, decreased ¥9,321 million due to purchase of treasury stock and payments for dividends and decreases in retained earnings .

Consolidated Cash Flows

	FY2010 Second Quarter	FY2011 Second Quarter
	Million Yen	Million Yen
Cash Flow from Operations	13,456	(5,610)
Cash Flow from Investment	1,554	(5,022)
Cash Flow from Financial Activities	(11,429)	7,146
Cash (and Equivalents) at the End of the Term	20,349	16,081

Cash flow from operations ended in minus ¥5,610 million, due to decrease account payable and payment of income taxes despite decreases in account receivable.

Cash flow from investment ended in minus ¥5,022 million, due to acquisition of investment securities and so on.

Cash flow from financial activities ended in ¥7,146 million, as a result of financing using long-term debt by issues of corporate bonds.

As a result, cash and cash equivalents at the end of the term ended in ¥16,081 million.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 Second Quarter (As of September 30, 2010)	FY2010 (As of Mar 31, 2010)
	Amount	Amount
Assets		
Current Assets		
Cash and Bank Deposits	16,585	18,672
Trade Notes and Accounts Receivable	54,131	57,210
Marketable securities	24	1,937
Inventories	8,560	10,050
Deferred Tax Assets	1,866	2,158
Other Current Assets	11,528	16,582
Allowance for Doubtful Accounts	(400)	(356)
Total Current Assets	92,295	106,255
Fixed Assets		
Property, Plants and Equipments	8,672	8,149
Intangible Assets		
Goodwill	4,458	3,978
Other Intangible Assets	870	810
Total Intangible Assets	5,328	4,788
Investments and Other Assets		
Investments Securities	65,099	66,429
Deferred Tax Assets	20,396	17,862
Other Assets	23,910	21,562
Allowance for Doubtful Accounts	(7,998)	(7,494)
Total Investments and Other Assets	101,407	98,359
Total Fixed Assets	115,408	111,297
Total Assets	207,704	217,552

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2011 Second Quarter (As of September 30, 2010)	FY2010 (As of Mar 31, 2010)
	Amount	Amount
Liabilities		
Current liabilities		
Trade Notes and Accounts Payable	24,645	26,046
Short-Term Loans Payable	21,515	19,793
Current Portion of Bonds	504	456
Account Payable-Other	31,433	33,849
Income Tax Payable	806	1,813
Accrued Bonuses	898	926
Accrued Bonuses for Directors and Auditors	14	40
Other Current Liabilities	8,264	15,401
Total Current Liabilities	88,083	98,328
Fixed Liabilities		
Bonds	8,867	995
Long-term Loans Payable		
Allowance for retirement benefits for directors and auditors	3,303	657
Deferred Tax Liabilities	171	165
Other Fixed Liabilities	15	9
Other Fixed Liabilities	2,538	3,348
Total Fixed Liabilities	14,896	5,176
Total Liabilities	102,979	103,505
Net Assets		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	25,293
Retained Earnings	29,442	34,721
Treasury Stock	(11,004)	(9,875)
Total Shareholders Equity	97,991	104,399
Valuation and Translation Differences		
Net Unrealized Holding Gains on Securities	(1,028)	2,698
Foreign Currency Translation Adjustment	(27)	(14)
Total Valuation and Translation Differences	(1,056)	2,684
Share Warrants	1,193	1,089
Minority Interests	6,596	5,873
Total Net Assets	104,725	114,046
Total Liabilities and Net Assets	207,704	217,552

Quarterly Consolidated statements of Income

(Millions of Yen)

	FY2010 First Half (As of September 30, 2009)	FY2011 First Half (As of September 30, 2010)
	Amount	Amount
Net Sales	165,785	209,869
Cost of Sales	91,093	114,549
Gross Profit	74,691	95,320
Selling General and Administrative Expenses	70,748	96,853
Operating Income	3,943	(1,533)
Non-Operating Income		
Interest Income	107	153
Dividend Income	201	293
Gain on Sale of Investment Securities	38	73
Amortization of Negative Goodwill	167	157
Other Non-Operating Income	318	342
Total Non-Operating Income	833	1,020
Non-Operating Expense		
Interest Expenses	213	296
Loss on revaluation of investments in securities	—	505
Equity in Net Losses of Affiliates	915	19
Loss on investment in VC funds	—	535
Provision of reserve for Allowance for doubtful accounts	176	37
Loss on sales of Debt	386	—
Other Non-Operating Expenses	425	386
Total Non-Operating Expenses	2,117	1,780
Ordinary Income	2,659	(2,293)
Extraordinary Income		
Gain on Sales of Investment Securities	82	1,189
Gain on Sales of Shares of Subsidiaries	168	57
Gain from change of interest in investments in subsidiaries and affiliates	—	340
Reversal of Doubtful Accounts	91	76
Reversal of Accrued Bonuses	100	55
Loss on transfer of business	1,888	106
Gain on Sales of Fixed Assets	—	53
Gain on Step Acquisitions	—	98
Gain on Negative Goodwill	—	162
Total Extraordinary Income	2,332	2,141
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	287	194
Impairment Loss on Investment Securities	180	33
Loss on Sales of Investment Securities	783	19
Loss on Sale of Shares of Subsidiaries	9	437
Loss on Change of scope of equity method	—	135
Impairment Loss	594	68
Loss on Adjustment for Changes of Accounting Standard for Asset Retirement Obligations	—	197
Other extraordinary Losses	—	232

Total Extraordinary Losses	1,855	1,319
Net Income Before Tax	3,136	(1,472)
Income and Enterprise Taxes	1,905	808
Refund Tax by claim and decision	—	(487)
Deferred Income Taxes	13	(243)
Total Income Taxes	1,918	77
Income Before Minority Interest	—	(1,549)
Minority Interests	(608)	414
Net Income	1,825	(1,963)

Quarterly Consolidated statements of Income

(Millions of Yen)

	FY2010 First Half (July 1 2009-Sep 30, 2009)	FY2011 First Half (July 1 2010-Sep 30, 2010)
	Amount	Amount
Net Sales	82,683	112,714
Cost of Sales	45,000	61,332
Gross Profit	37,682	51,382
Selling General and Administrative Expenses	35,063	50,852
Operating Income	2,619	529
Non-Operating Income		
Interest Income	56	82
Dividend Income	46	101
Gain on Sale of Investment Securities	38	—
Amortization of Negative Goodwill	84	78
Equity in earnings of affiliates	—	187
Other Non-Operating Income	211	187
Total Non-Operating Income	437	636
Non-Operating Expense		
Interest Expenses	133	155
Loss on Sales of investments securities	—	49
Loss on revaluation of investments in securities	—	505
Equity in Net Losses of Affiliates	368	—
Loss on investment in VC funds	—	42
Provision of reserve for Allowance for doubtful accounts	157	37
Loss on sales of Debt	386	—
Other Non-Operating Expenses	261	211
Total Non-Operating Expenses	1,307	1,003
Ordinary Income	1,750	163
Extraordinary Income		
Gain on Sales of Investment Securities	71	9
Gain on Sales of Shares of Subsidiaries	88	57
Gain from change of interest in investments in subsidiaries and affiliates	—	121
Reversal of Doubtful Accounts	75	42
Reversal of Accrued Bonuses	46	7
Loss on transfer of business	1,888	16
Gain on Sales of Fixed Assets	—	8
Gain on Negative Goodwill	—	2
Total Extraordinary Income	2,171	266

Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	216	74
Impairment Loss on Investment Securities	172	(267)
Loss on Sales of Investment Securities	481	19
Loss on Sale of Shares of Subsidiaries	9	74
Impairment Loss	594	42
Other extraordinary Losses	—	122
Total Extraordinary Losses	1,475	66
Net Income Before Tax	2,446	362
Income and Enterprise Taxes	1,122	377
Refund Tax by claim and decision	—	(1,265)
Deferred Income Taxes	291	634
Total Income Taxes	1,414	(253)
Income Before Minority Interest	—	616
Minority Interests	(277)	271
Net Income	1,309	344

Consolidated Statements of Cash Flow

(Millions of Yen)

	FY2010 Second Quarter (April 1 2010-Sep 30, 2010)	FY2011 Second Quarter (April 1 2010-Sep 30, 2010)
	Amount	Amount
Cash Flow from Operating activities		
Net Income Before Tax	3,136	(1,472)
Depreciation and Amortization	1,044	801
Amortization of Goodwill	255	397
Gain on Negative Goodwill	—	(162)
Increase (Decrease) in Allowance for Doubtful Accounts	415	769
Increase (Decrease) in Allowance for Operational Investment	(84)	—
Interest and Dividends Income	(309)	(446)
Interest Expenses	213	296
Loss (Gain) on Sale of Share of Subsidiary	—	380
Loss (Gain) on Sales of Investment Securities	662	(1,242)
Impairment Loss (Gain) on Investment Securities	180	538
Equity in Net Losses (Gain) of Affiliates	915	19
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	287	140
Accumulated impairment loss	594	68
Loss(Gain) on Business Transfer	(1,888)	(106)
Increase (Decrease) in Notes and Accounts Receivable-Trade	28,906	3,907
Increase (Decrease) in Inventories	7,395	1,045
Increase (Decrease) in Operational Investment in Securities	92	—
Increase (Decrease) in Notes and Accounts Payable-Trade	(19,553)	(1,900)
Increase (Decrease) in Accounts Payable-Other	(7,720)	(3,951)
Other Cash Flow from Operating Activities	(1,931)	(1,637)
Subtotal	12,611	(2,491)
Interest and Dividends Received	341	585
Interest Paid	(195)	(285)
Income Taxes Paid	(7,868)	(9,085)
Income Taxes Refunded	8,567	5,665
Net Cash provided by Operating Activities	13,456	(5,610)

Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2010 Second Quarter (As of September 30, 2010)	FY2011 Second Quarter (As of September 30, 2010)
	Amount	Amount
Cash Flow from Investing activities		
Purchases of Property, Equipment and Intangible Assets	(746)	(2,072)
Purchases of Investment Securities	(11,923)	(10,094)
Proceeds from Sale of Investment Securities	12,606	6,468
Purchases from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	(298)	(914)
Proceeds from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	34	380
Proceeds from Sale of Shares in Subsidiaries Resulting in Change of Consolidation	495	585
Expenditure for Sale of Shares in Subsidiaries Resulting in Change of Consolidation	(753)	(378)
Gain on Business Transfer	2,772	767
Increase in Loans Receivable	(1,552)	(2,595)
Decrease in Loans Receivable	1,096	2,254
Other Investment Activities	(175)	576
Net Cash Provided by (used in) Investing activities	1,554	(5,022)
Cash Flow from Financing Activities		
Increases (Decreases) in Short-Term Loan	(7,535)	909
Income from Long-Term Loans	140	3,869
Payment of Long-Term Debt	(5)	(772)
Proceeds from Issuance of Corporate Bonds	350	(7,930)
Payment from redemption of bonds	—	(49)
Proceeds from Sale of Common Stock Subsidiaries to Minority Shareholders	202	27
Purchases of Treasury Stock	(846)	(1,129)
Payment of Dividends	(3,402)	(3,261)
Payment of Dividends for Minority Shareholders	(106)	(133)
Payment of Lease Debt	(224)	(243)
Net Cash Provided by (used in) Financing Activities	(11,429)	7,146
Translation Adjustments on Cash and Cash Equivalents	24	(60)
Net Increase (Decrease) in Cash and Cash Equivalents	3,606	(3,546)
Cash and Cash Equivalents at the Beginning of the Period	18,800	19,651
Decreased Cash Equivalents for Unconsolidated Entities	(2,057)	(23)
Cash and Cash Equivalents at the End of the Period	20,349	16,081

Business Segment Information

FY2010 Second Quarter (Apr 1, 2009~September 30,2009)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	35,905	44,938	2,579	3	83,425	(742)	82,638
Operating Income	2,282	1,059	(308)	(10)	3,022	(402)	2,619

FY2011 Second Quarter (Apr 1, 2010~September 30, 2010)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Media Advertising 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

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.