

Consolidated Interim Financial Report

Six Months Ended September 30, 2004

Nov. 16, 2004

Company Name: HIKARI TSUSHIN, INC.
 Code No.: 9435 Tokyo Stock Exchange – First Section
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1 . Summary of Consolidated Financial Statement (April 1, 2004 ~ September 30, 2004)

(1) Consolidated Operating Results

	Sales		Operating Profit		Ordinary Profit	
	%: Change over previous year		%: Change over previous year		%: Change over previous year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim 2004.9	79,690	6.9%	10,177	15.2%	15,470	105.5%
Interim 2003.9	74,570	25.2%	8,832	90.2%	7,529	273.5%
FY 2004.3	145,995	17.6%	17,068	66.2%	19,628	476.8%

	Net Income		Net Income Per Share		Diluted Net Income Per Share	
	%: Change over previous year		Yen		Yen	
	Millions of yen	%				
Interim 2004.9	9,229	148.2%	160.	61	159.	07
Interim 2003.9	3,718		66.	84	63.	80
FY 2004.3	10,626		187.	99	182.	63

Equity in net losses of affiliates: Interim2004.9: 115 million yen Interim2003.9: 154 million yen,
 FY 2004.3: 277 million yen

Weighted-Average Number of Common Shares Outstanding (consolidated):

Interim2004.9: 57,465,178 Interim2003.9: 55,630,244 FY2004.3: 56,527,961

Change in Accounting Procedure: None

(2) Consolidated Financial Conditions

	Total Assets	Shareholders' Equity	Shareholders' Equity/Total Assets (%)	Shareholders' Equity Per Share
	Millions of yen	Millions of yen	%	Yen
Interim 2004.9	128,580	76,736	59.7	1,336. 11
Interim 2003.9	113,250	62,779	55.4	1,094. 16
FY 2004.3	101,068	71,748	71.0	1,248. 57

Common Stock Issued and Outstanding (Consolidated): Sept.30 2004: 57,432,595 Sept.30, 2003: 57,376,389
 March 31, 2004: 57,464,255

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Cash Flows in Ordinary Operations	Cash Flows in Investment Activities	Cash Flows in Financial Activities	Cash and its Equivalent Balance at the End of Period
	Interim 2004.9	33,327	(1,828)	(4,909)
Interim 2003.9	9,284	1,513	(11,354)	29,061
FY 2004.3	15,010	2,115	(36,555)	10,337

(4) Regarding the Applicability of Consolidated Accounting and Equity Method

Consolidated Subsidiaries: 51 Non- consolidated subsidiaries applied on equity method: 0

Affiliates applied on equity method: 14

(5) Change in the Applicability of Consolidated Accounting and Equity Method

Consolidated: new 17 exception 1 Equity Method: new 8 exception 2

2 . Estimates of Consolidated Business Performance (April 1, 2003 ~ March 31, 2004)

(Millions of Yen)

	Sales	Operating Profit	Ordinary Profit	Net Income
Annual	160,000	20,500	26,000	15,500

(Reference) Expected net income per share (Annual): 269. 88

Estimates are based on Hikari Tsushin's current expectations, which have been deprived from information that is available to it currently, and involve a number of risks and uncertainties. Actual results may differ significantly from these estimates.

Consolidated Balance Sheets

(Millions of yen)

	Interim 2003.9 As of September 30, 2003			Interim 2004.9 As of September 30, 2004			Fiscal Year 2004.3 As of March 31, 2004		
	A m o u n t		Comp. Ratio	A m o u n t		Comp. Ratio	A m o u n t		Comp. Ratio
ASSETS			%			%			%
Current Assets									
1 . Cash and Bank Deposits		30,613			38,623			11,446	
2 . Notes and Accounts Receivable – trade		14,794			18,428			20,309	
3 . Short-term Investments		340			265			314	
4 . Inventories		2,378			2,552			2,209	
5 . Other Current Assets		3,954			8,466			5,715	
6 . Allowance for Doubtful Accounts		(440)			(359)			(550)	
Total Current Assets		51,641	45.6		67,977	52.9		39,743	39.3
Fixed Assets									
1 . Tangible Assets		5,355			6,380			5,276	
2 . Intangible Assets									
(1) Consolidated Goodwill	946			619			774		
(2) Other Intangible Assets	1,209	2,156		1,285	1,905		1,110	1,885	
3 . Investment and Other Assets									
(1) Investment Securities	25,821			25,396			33,596		
(2) Investments in Capital	8,838			4,493			6,945		
(3) Bankrupt credits	6,723			931			5,165		
(4) Deferred Income Taxes	22,901			15,292			18,689		
(5) Other Assets	7,518			8,542			7,438		
(6) Allowance for Loss on Investments	(10,793)			(647)			(12,166)		
(7) Allowance for doubtful accounts	(6,914)	54,096		(1,691)	52,318		(5,505)	54,164	
Total Fixed Assets		61,608	54.4		60,603	47.1		61,325	60.7
Total Assets		113,250	100.0		128,580	100.0		101,068	100.0

(Millions of yen)

	Interim 2003.9 As of September 30, 2003		Interim 2004.9 As of September 30, 2004		Fiscal Year 2004.3 As of March 31, 2004	
	A m o u n t	Comp. Ratio	A m o u n t	Comp. Ratio	A m o u n t	Comp. Ratio
LIABILITIES		%		%		%
Current Liabilities						
1 . Accounts Payable-trade	11,442		13,425		14,162	
2 . Short-term Bank Borrowings	2,366		614		1,719	
3 . Current Portion of Bonds	23,947		200		200	
4 . Account Payable-others	-		7,134		4,377	
5 . Advance	-		13,540		-	
6 . Accrued Bonuses	500		489		168	
7 . Other Current Liabilities	7,367		3,042		4,564	
Total Current Liabilities	45,624	40.3	38,448	29.9	25,193	24.9
Long-term Liabilities						
1 . Bonds	3,600		1,800		3,300	
2 . Long-term Borrowings	614		0		4	
3 . Advance	-		10,604		-	
4 . Retirement Benefits for Directors and Corporate Auditors	78		90		84	
5 . Other Lon-term Liabilities	95		76		95	
Total Long-term Liabilities	4,388	3.9	12,571	9.8	3,485	3.5
Total Liabilities	50,013	44.2	51,020	39.7	28,678	28.4
MINORITY INTERESTS	457	0.4	824	0.6	642	0.6
SHAREHOLDER'S EQUITY						
Common Stock	53,294	47.1	53,409	41.5	53,347	52.8
Additional Paid-in Capital	24,288	21.4	24,421	19.0	24,353	24.1
Accumulated Deficit	(17,340)	(15.3)	(2,926)	(2.3)	(10,431)	(10.3)
Net unrealized holding gains on securities	2,422	2.1	2,495	2.0	4,371	4.3
Foreign Currency Translation Adjustments	121	0.1	-	-	117	0.1
Treasury Stock	(7)	(0.0)	(664)	(0.5)	(10)	(0.0)
Total Shareholders' Equity	62,779	55.4	76,736	59.7	71,748	71.0
Total Liabilities and Shareholders' Equity	113,250	100.0	128,580	100.0	101,068	100.0

Consolidated Statements of Operations

(Millions of yen)

	Interim 2003.9 (April 2003 - September 2003)			Interim 2004.9 (April 2004 - September 2004)			Fiscal Year 2004.9 (April 2003 - March 2004)		
	Amount		Comp. Ratio	Amount		Comp. Ratio	A m o u n t		Comp. Ratio
			%			%			%
Net Sales	74,570		100.0	79,690		100.0	145,995		100.0
Cost of Sales	40,582		54.4	39,760		49.9	79,108		54.2
Gross Profit	33,988		45.6	39,930		50.1	66,887		45.8
Selling, General and Administrative Expenses	25,155		33.8	29,753		37.3	49,819		34.1
Operating Profit	8,832		11.8	10,177		12.8	17,068		11.7
Non-operating Income									
1 · Interest Income	166			18			193		
2 · Dividends Income	-			83			25		
3 · Gain on Sale of Marketable Securities	875			5,237			5,932		
4 · Amortization of Consolidated Goodwill	184			184			369		
5 · Other Non-operating Income	309	1,536	2.1	431	5,955	7.5	462	6,983	4.7
Non-operating Expenses									
1 · Interest Expense	295			42			453		
2 · Equity in net Losses of Affiliates	154			115			277		
3 · Loss on Investments in Capital	1,579			107			2,235		
4 · Provision for Doubtful Accounts	152			24			322		
5 · Other Non-operating Expenses	659	2,840	3.8	372	662	0.9	1,133	4,422	3.0
Ordinary Profit		7,529	10.1		15,470	19.4		19,628	13.4
Extra Ordinary Income									
1 · Gain on Sale of Investment Securities	774			891			805		
2 · Gain on Redemption of Bonds	4			-			4		
3 · Gain on Reversal of Allowance for Doubtful Account	136			137			124		
4 · Other Extra Ordinary Income	1	916	1.2	-	1,028	1.3	1	936	0.6
Extra Ordinary Losses									
1 · Loss on Disposal and Sale of Fixed Assets	151			52			447		
2 · Impairment Loss on Investment Securities	451			733			484		
3 · Loss on Sales of Investment Securities	15			1,526			15		
4 · Provision for loss on Investments	11			-			1,649		
5 · Expense for Litigation Settlement	1,018			-			1 018		
6 · Other Extra Ordinary Losses	72	1,720	2.3	89	2,401	3.0	11	3,626	2.4
Income before Income Taxes and Minority Interests		6,725	9.0		14,097	17.7		16,939	11.6
Income Taxes:									
Current	535			701			1,222		
Deferred	2,585	3,121	4.2	4,012	4,713	5.9	5,057	6,279	4.3
Minority Interests		(113)	(0.2)		153	0.2		32	0.0
Net Income		3,718	5.0		9,229	11.6		10,626	7.3

Consolidated Statements of Cash Flows

(Millions of yen)

	Interim 2003.9 (April 2003 - September 2003)	Interim 2004.9 (April 2004 - September 2004)	Fiscal Year 2004.9 (April 2003 - March 2004)
	Amount	Amount	Amount
Operating Activities			
Income before Income taxes and minority interests	6,725	14,097	16,939
Depreciation and amortization	497	463	966
Amortization of consolidated goodwill	173	158	393
Allowance for doubtful accounts	81	198	(22)
Allowance for loss on investments	11	80	1,838
Interest and dividends income	(173)	(102)	(218)
Interest expense	295	42	453
Loss (Gain) on sale of investments in securities	(1,634)	(4,601)	(6,722)
Impairment Loss on investments in securities	451	733	484
Loss on investments in capital	1,579	107	2,235
Equity in net loss of affiliates	154	115	277
Loss (Gain) on sale and disposal of property and Equipment, net	149	52	446
Gain on redemption of bonds	(4)	-	(4)
Expense for litigation settlement	(1,018)	-	1,018
(Increase) Decrease in Notes and accounts receivable – trade	1,766	2,164	(5,795)
(Increase) Decrease in inventories	167	(342)	407
(Increase) Decrease in Accounts receivable – other	204	(2,342)	547
Increase (Decrease) in Accounts payable – trade	(1,136)	(738)	3,339
Increase (Decrease) in Accounts payable – other	(233)	3,329	102
Increase in Advance		22,983	-
(Increase) Decrease in other current assets	582	(2,323)	(1,673)
Increase (Decrease) in other current liabilities	29	67	758
Other cash-flow from operating activities	11	449	968
Subtotal	10,718	34,593	16,737
Interest and dividends received	39	101	85
Interest paid	(300)	(52)	(442)
Income taxes paid	(461)	(1,488)	(669)
Income taxes refunded	307	173	318
Expense for litigation settlement	(1,018)	-	(1,018)
Net cash provided by Operating Activities	9,284	33,327	15,010

(Millions of yen)

	Interim 2003.9 (April 2003 - September 2003)	Interim 2004.9 (April 2004 - September 2004)	Fiscal Year 2004.9 (April 2003 - March 2004)
	Amount	Amount	Amount
Investing Activities			
Purchases of property, equipment and intangible assets	(366)	(1,098)	(862)
Proceeds from sale of property, equipment and intangible assets	18	11	24
Purchase of investment securities	(10)	(16,586)	(7,331)
Proceeds from sale of investment securities	2,502	15,489	9,533
Purchase of shares in subsidiaries	(554)	(300)	(747)
Proceeds from sale of shares in subsidiaries		45	65
Proceeds from acquirement of shares in subsidiaries resulting change in consolidated subsidiaries		42	-
Increase in investments in capital		(40)	(293)
Decrease in investments in capital	163	1,249	2,098
Increase in loans receivable	(10)	(664)	(139)
Decrease in loans receivable	221	215	308
Increase in lease deposits	(510)	(428)	(760)
Decrease in lease deposits	77	57	526
Other investing activities	(17)	177	(307)
Net cash provided by (used in) investing activities	1,513	(1,828)	2,115
Financing Activities			
Proceeds from short-term borrowings	100	-	200
Payment of short-term borrowings	(206)	-	(306)
Payment of long-term debt	(1,862)	(1,109)	(3,118)
Redemption of bonds	(4,705)	(1,557)	(28,752)
Proceeds from issuance of common stock	23	124	129
Cash distribution to shareholders with capital reduction	(4,699)	-	(4,699)
Increase in treasury stock	(3)	(654)	(7)
Retirement of treasury stock		(1,711)	-
Net Cash used in financing activities	(11,354)	(4,909)	(36,555)
Effect of exchange rate changes on cash and cash equivalents	(51)	29	(76)
Net decrease in cash and cash equivalents	(608)	26,618	(19,506)
Increase in cash and cash equivalents arising from increase in consolidated subsidiaries		10	173
Cash and cash equivalents at beginning of the period	29,669	10,337	29,669
Cash and cash equivalents at end of the period	29,061	36,965	10,337

Segment Information

Segment Information by the type of Business

Segment	Main Line of Business
Corporate Business	Sales of copier, facsimile, business phone, Internet related services, My-Line and other services to corporate users
Insurance Business	Sales of insurance mainly to individuals
SHOP Business	Sales of mobile phones through sales outlets mainly to individuals
Others	Management of venture capital funds

Interim 2004.9 (April 1, 2004 – September 30, 2004) (Millions of yen)

	Corporate Business	Insurance Business	SHOP Business	Others	Total	Elimination or Corporate	Consolidated
Sales							
(1)Customers	40,385	3,222	35,755	327	79,690	-	79,690
(2)Inter-segment	584	-	769	-	1,354	(1,354)	-
	40,969	3,222	36,525	327	81,044	(1,354)	79,690
Operating expense	35,870	2,358	33,682	333	72,244	(2,731)	69,513
Operating profit	5,098	864	2,842	(6)	8,799	1,377	10,177

Operating expenses included in “elimination or corporate” that are no allocable amounted to 2,418 million yen for Interim 2004.9. These expenses principally included headquarters’ expenses from general administration or accounting.

Interim 2003.9 (April 1, 2003 – September 30, 2003) (Millions of yen)

	Corporate Business	Insurance Business	SHOP Business	Others	Total	Elimination or Corporate	Consolidated
Sales							
(1)Customers	28,825	1,394	43,941	408	74,570	-	74,570
(2)Inter-segment	136	-	143	-	279	(279)	-
	28,962	1,394	44,084	408	74,850	(279)	74,570
Operating expense	25,225	1,256	39,624	354	66,461	(724)	65,737
Operating profit	3,736	138	4,459	54	8,388	444	8,832

Operating expenses included in “elimination or corporate” that are no allocable amounted to 1,802 million yen for Interim 2003.9. These expenses principally included headquarters’ expenses from general administration or accounting.

FY 2004.3 (April 1, 2003 – March 31, 2004) (Millions of yen)

	Corporate Business	Insurance Business	SHOP Business	Others	Total	Elimination or Corporate	Consolidated
Sales							
(1)Customers	58,919	3,485	82,863	726	145,995	-	145,995
(2)Inter-segment	1,236	-	650	-	1,887	(1,887)	-
	60,156	3,485	83,513	726	147,883	(1,887)	145,995
Operating expense	53,490	2,915	75,414	609	132,429	(3,502)	128,927
Operating profit	6,666	570	8,099	117	15,453	1,614	17,068

Operating expenses included in “elimination or corporate” that are no allocable amounted to 3,904 million yen for FY2004.3. These expenses principally included headquarters’ expenses from general administration or accounting.