

FY2008 Interim Consolidated Financial Results

Company name	: Hikari Tsushin Inc.
Stock Exchanges on which the shares are listed	: TSE First Section
Code number	: 9435
URL	: http://www.hikari.co.jp/
Representative	: Yasumitsu Shigeta, Chairman and CEO
Contact person	: Koh Gidoh, Director, Head of Administrative Headquarters
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1. Consolidated results for FY2008 Interim (April 1, 2007 through September 30, 2007)

(1) Consolidated financial results (Amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2008 interim	144,494	58.0	7,707	(1.3)	8,429	(14.6)
FY2007 interim	91,476	(8.1)	7,810	(49.9)	9,875	(43.7)
FY2007(full year)	211,881	-	18,558	-	20,374	-

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
FY2008 interim	5,718	(26.4)	98.43	98.32
FY2007 interim	7,772	(31.3)	133.93	133.43
FY2007(full year)	18,483	-	318.39	317.40

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2008 interim	213,954	134,048	57.0	2,098.39
FY2007 interim	182,246	126,826	63.0	1,978.86
FY2007(full year)	214,191	138,193	57.9	2,134.75

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financial activities	Cash and cash equivalents at the end of the term
	Million yen	Million yen	Million yen	Million yen
FY2008 interim	(192)	(6,807)	5,663	20,391
FY2007 interim	4,558	(2,764)	4,302	21,014
FY2007(full year)	10,941	(8,110)	3,978	21,725

2. Forecast of consolidated results for FY2008 (April 1, 2007 through March 31, 2008)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2008 (full year)	300,000	41.6	23,000	23.9	24,000	17.8	20,000	8.2	344.09

The forecasts set out above have been prepared on the basis of 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. Please note also that the profits (losses) of the investment partnerships that are the Company's consolidated subsidiaries and other investment funds in which the Company invests are heavily dependent on external conditions such as the market environment and the economic situation, and thus are difficult to forecast. In view of this, they have not been reflected in the figures above.

3. Others

- (1) Changes among significant subsidiaries during the term (Changes among specific subsidiaries resulting in changes in the scope of consolidation) : none
- (2) Changing of accounting policies
 1. Changes by a newly issued accounting pronouncement : none
 2. Changes other than (2)-1 : yes

1. Qualitative Information about Consolidated Results

<Overview>

During the interim period, we redoubled our focus on our sales structure in each segment. This initiative generated net sales of ¥144,494 million, operating income of ¥7,707 million, ordinary income of 8,492 million, net income before tax of ¥8,549 million and net income of ¥5,718 million. We posted dividend income of ¥512 million as non-operating income.

<Overview by Segments>

Corporate Business

Our corporate business segment services principally small and medium enterprises (SMEs), with our activities centering on direct sales, principally of office automation (OA) equipment; the sale of telecommunications line services, including fixed lines and broadband lines; and the planning and sale of Internet advertising. In direct sales of OA equipment, we continued our efforts to build up an educational system and train sales personnel as a means of improving productivity. As a result, unit sales were up 14% on a year-on-year basis. To bolster our ability to provide solutions, especially for SMEs, we developed strategic specializations in individual industry sectors. Sales of telecommunications line services meanwhile remained solid. At our consolidated subsidiary e-machitown Co., Ltd. (TSE Mothers Market: Code 4747), our strategy was to use our sales force to expand mobile internet advertising. As a result of these initiatives, net sales of the corporate business segment totaled ¥55,337million, while operating income reached ¥5,559million.

Insurance Business

In the insurance business segment, we use telemarketing methods to sell insurance policies. During the interim period, we shifted operators from the agency business to direct sales. As in the previous term, recruiting costs and selling, general and administrative expenses increased as we expanded our operations. Revenue generated from the insurance business was ¥9,311 million, producing an operating income of ¥85 million.

Shop Business

Our shop business segment primarily sells mobile phones using a nationwide network of outlets as its principal sales channel. Since the introduction of mobile phone number portability in Japan on October 24, 2006, competition between mobile phone carriers has intensified. We focused on expanding our network of outlets, centering on secondary agents, and consequently boosted the number of handsets sold 74% year on year. The number of handsets generating recurring commissions increased to 1.87 million. As a result, the shop business segment registered net sales of ¥80,861 million, with operating income of ¥2,235 million.

Venture Fund Business

In the venture fund business segment, there were no new listings among our investments. We did, however, sell marketable securities in a venture fund that was liquidated. As a result, revenues in this segment during the year under review totaled ¥984 million, and operating income was ¥566 million.

2. Qualitative Information about consolidated financial situation

(Cash flow situation)

	FY2007 interim	FY2008 interim	Rise and fall
	Million yen	Million yen	Million yen
Cash flow from operating activities	4,558	(192)	(4,750)
Cash flow from investing activities	(2,764)	(6,807)	(4,043)
Cash flow from financial activities	4,302	5,663	1,361
Cash and cash equivalents at the end of the term	21,014	20,391	(623)

Cash flow from operating activities ended in ¥192million minus, attributable to corporate tax and increased inventory, which offset the steady results of the shop and corporate segments.

Cash flow from investing activities ended in ¥6,807 million minus, reflecting the acquisition of investment securities and purchase of property, equipment and intangible assets.

Cash flow from financial activities ended in ¥5,663 million plus, as a result of financing using short-term debt.

As a result, cash and cash equivalents at the end of the term ended in ¥20,391 million.

Quarterly Consolidated Financial Statements

Interim Consolidated Balance Sheet

(Millions of Yen)

	FY2007 Interim (As of Sep 30, 2006)		FY2008 Interim (As of Sep 30, 2007)		FY2007 (As of Mar 31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
ASSETS		%		%		%
Current assets						
Cash and bank deposits	20,628		20,252		21,663	
Trade notes and account receivable	20,469		37,361		36,876	
Marketable securities	299		767		314	
Inventories	3,088		10,120		9,034	
Operational investment securities	6,811		6,273		7,028	
Other current assets	7,725		8,279		7,193	
Allowance for loss on operational investment	(3,434)		(885)		(2,690)	
Allowance for doubtful accounts	(336)		(313)		(221)	
Total current assets	55,252	30.3	81,857	38.3	79,199	37.0
Fixed assets						
Property, plants and equipments	8,689		10,927		9,576	
Intangible assets						
Goodwill	778		56		1,532	
Other intangible assets	988	1,766	1,075	1,131	1,122	2,654
Investments and other assets						
Investments securities	106,472		101,712		108,586	
Deferred income tax assets	3,891		9,573		6,664	
Other Investments	7,944		11,451		10,296	
Allowance for doubtful accounts	(1,770)	116,537	(2,699)	120,038	(2,786)	122,761
Total Fixed Assets	126,994	69.7	132,097	61.7	134,992	63.0
TOTAL ASSETS	182,246	100.0	213,954	100.0	214,191	100.0

Interim Consolidated Balance Sheet

(Millions of Yen)

	FY2007 Interim (As of Sep 30, 2006)		FY2008 Interim (As of Sep 30, 2007)		FY2007 (As of March 31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
LIABILITIES		%		%		
Current liabilities						
Trade notes and account payable	10,252		18,751		20,564	
Short-term loans	9,000		17,500		8,000	
Current portion of bonds payable	1,600		-		-	
Other account payable	11,631		18,049		19,688	
Advances received	3,184		3,350		3,443	
Accrued bonuses	604		941		944	
Accrued bonuses for directors and auditors	-		82		347	
Other current liabilities	2,928		7,931		7,882	
Total current liabilities	39,202	21.5	66,606	31.1	60,870	28.4
Non current liabilities						
Bonds	10,000		10,000		10,000	
Long-term loans	46		0		1	
Long-term advances received	5,315		2,652		3,979	
Allowance for retirement benefits for directors and auditors	114		131		122	
Deferred tax liabilities	45		88		94	
Other fixed liabilities	696		426		929	
Total fixed liabilities	16,217	8.9	13,299	6.2	15,127	7.1
TOTAL LIABILITIES	55,419	30.4	79,906	37.3	75,997	35.5
Net assets						
Shareholders equity						
Capital	54,095		54,155		54,122	
Additional paid-in capital	25,130		25,190		25,156	
Retained earnings	30,603		44,710		41,314	
Treasury stock	(671)		(672)		(672)	
Total shareholders equity	109,157	59.9	123,383	57.7	119,921	56.0
Valuation and translation difference						
Net unrealized holding gain on securities	5,741		(1,434)		4,060	
Foreign currency translation adjustment	1		18		4	
Total Valuation and translation difference	5,742	3.2	(1,415)	(0.7)	4,065	1.9
Share warrants	21	0.0	321	0.2	153	0.1
Minority interests	11,905	6.5	11,759	5.5	14,053	6.5
TOTAL NET ASSETS	126,826	69.6	134,048	62.7	138,193	64.5
TOTAL LIABILITIES AND NET ASSETS	182,246	100.0	213,954	100.0	214,191	100.0

Interim Consolidated Statement of Income

(Millions of Yen)

	FY2007 Interim (As of Sep 30, 2006)		FY2008 Interim (As of Sep 30, 2007)		FY2007 (As of March 31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Net Sales	91,476	100.0	144,494	100.0	211,881	100.0
Cost of sales	40,478	44.3	72,420	50.1	98,480	46.5
Gross profit	50,997	55.7	72,074	49.9	113,401	53.5
Selling general and administrative expenses	43,187	47.2	64,366	44.6	94,842	44.7
Operating income	7,810	8.5	7,707	5.3	18,558	8.8
Non-operating income						
Interest income	20		70		41	
Dividend income	178		512		743	
Gain on sale of investment securities	1,581		-		1,457	
Gain on investment in venture capital funds	117		-		-	
Gain on investment securities	-		482		-	
Amortization of negative goodwill	115		101		206	
Other non-operating income	601	2.9	122	0.9	607	1.4
Non-operating expense						
Interest expense	160		201		327	
Equity in net losses of affiliates	-		147		-	
Loss on sale of investment securities	-		60		-	
Fee payments of rental rate	77		-		142	
Provision for doubtful accounts	31		-		80	
Other non-operating expense	280	0.6	157	0.4	690	0.6
Ordinary income	9,875	10.8	8,429	5.8	20,374	9.6
Extraordinary income						
Gain on sale of investment securities	60		44		60	
Gain on redemption of bonds	1,293		-		4,389	
Reversal accrued bonuses	-		175		-	
Reversal of doubtful account	52		92		211	
Other extraordinary income	4	1.5	26	0.2	1,107	2.7
Extraordinary losses						
Loss on disposal and sale of fixed assets	117		54		150	
Impairment loss on investment securities	-		163		-	
Other extraordinary losses	38	0.1	-	0.1	1,104	0.6
Net income before tax	11,130	12.2	8,549	5.9	24,887	11.7
Income and enterprise taxes	1,246		1,997		5,448	
Deferred income taxes	1,552	3.1	221	1.5	886	3.0
Minority interests	577	0.6	611	0.4	68	0.0
NET INCOME	7,772	8.5	5,718	4.0	18,483	8.7

Interim Consolidated Statement of Cash flow

(Millions of Yen)

	FY2007 Interim (As of Sep 30, 2006)	FY2008 Interim (As of Sep 30, 2007)	FY2007 (As of March 31, 2007)
	Amount	Amount	Amount
Operating activities			
Income before income tax and minority interest	11,130	8,549	24,887
Depreciation and amortization	776	1,171	1,718
Amortization of goodwill	21	46	171
Increase (decrease) in allowance for doubtful accounts	15	273	948
Increase (decrease) in allowance for operational investment	(8,141)	(1,813)	(8,885)
Interest and dividends income	(198)	(582)	(785)
Interest expenses	160	201	327
Sale of shares of subsidiary	(1,256)	-	(4,353)
Loss (gain) on sale of investments securities	(1,639)	16	(1,514)
Impairment loss on investments securities	-	163	246
Loss (gain) on investment in VC funds	(117)	8	84
Equity in net losses of affiliates	(152)	147	(55)
Loss (gain) on sale and disposal of fixed assets	117	28	150
Increase (decrease) in notes and accounts receivable-trade	1,858	566	13,924
Increase (decrease) in inventories	866	(1,086)	(5,525)
Increase (decrease) in operational investment in securities	7,533	617	7,322
Increase (decrease) in account receivable-other	162	184	(676)
Increase (decrease) in notes and accounts payable-trade	(4,046)	(1,810)	5,871
Increase (decrease) in account payable-other	136	(685)	8,987
Increase (decrease) in advances	(1,474)	(1,325)	(2,571)
Increase (decrease) in other current assets	69	(643)	(269)
Increase (decrease) in other current liabilities	(117)	1,003	368
Other cash flow from operating activities	(291)	(793)	(461)
Subtotal	5,409	3,106	12,063
Interest and dividends received	219	598	769
Interest paid	(165)	(194)	(342)
Income taxes paid	(1,704)	(4,070)	(2,918)
Income taxes refunded	798	367	1,368
Net cash provided by operating activities	4,558	(192)	10,941

(Millions of Yen)

	FY2007 Interim (As of Sep 30, 2006)	FY2008 Interim (As of Sep 30, 2007)	FY2007 (As of March 31, 2007)
	Amount	Amount	Amount
Investing activities			
Purchases of property, equipment and intangible assets	(1,280)	(3,835)	(2,967)
Proceeds from sale of property, equipment and intangible assets	8	643	97
Purchases of investment securities	(9,262)	(3,346)	(15,181)
Proceeds from sale of investment securities	6,186	1,087	6,491
Purchase of shares in subsidiaries	(118)	-	(118)
Proceeds from sale of subsidiaries	1,812	-	1,812
Proceeds from sale of shares in subsidiaries resulting in change in scope of consolidation	-	-	2,958
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(166)	-	(166)
Proceeds from acquirement of shares in subsidiaries resulting in change of consolidation	-	-	(269)
Proceeds from the divestiture	-	-	571
Increase in loans receivable	(101)	(1,949)	(846)
Decrease in loans receivable	267	532	515
Increase in lease deposit	(388)	(754)	(1,412)
Decrease in lease deposit	161	111	478
Other investing activities	118	703	(73)
Net cash provided by (used in) investing activities	(2,764)	(6,807)	(8,110)
Financing activities			
Increase (decrease) in short-term loan	4,000	9,500	2,768
Payment of long-term debt	0	0	(588)
Redemption of bonds	-	-	(1,600)
Proceeds from issuance of common stock	158	66	212
Payments received from minority shareholders	4,363	230	7,903
Increase in treasury stock	0	0	(1)
Dividends paid	(2,303)	(2,320)	(2,316)
Dividends paid for minority shareholders	(1,720)	(1,565)	(1,963)
Payments of lease obligations	(193)	(247)	(436)
Net cash provided by (used in) financing activities	4,302	5,663	3,978
Translation adjustments on cash and cash equivalents	3	3	0
Net increase (decrease) in cash and cash equivalents	6,098	(1,333)	6,809
Cash and cash equivalents at beginning of the period	14,915	21,725	14,915
Cash and cash equivalents at end of the period	21,014	20,391	21,725

Business segment Information

FY2007 Interim (April 1, 2006~Sep 30, 2006)

(Millions of Yen)

	Corporate Business	Insurance Business	SHOP Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sale							
(1) customer	37,403	8,883	43,518	1,670	91,476	-	91,476
(2) Inter-segment	1,003	22	757	-	1,783	(1,783)	-
Net Sale total	38,407	8,905	44,276	1,670	93,259	(1,783)	91,476
Operating Expenses	35,571	6,578	42,611	779	85,540	(1,874)	83,665
Operating Income	2,835	2,327	1,664	890	7,718	91	7,810

FY2008 Interim (April 1, 2007~Sep 30,2007)

(Millions of Yen)

	Corporate Business	Insurance Business	SHOP Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sale							
(1) customer	54,472	9,272	80,359	390	144,494	-	144,494
(2) Inter-segment	865	39	501	594	2,000	(2,000)	-
Net Sale total	55,337	9,311	80,861	984	146,495	(2,000)	144,494
Operating Expenses	49,778	9,226	78,626	417	138,048	(1,262)	136,786
Operating Income	5,559	85	2,235	566	8,446	(738)	7,707

FY2007 (April 1, 2006~March 31, 2007)

(Millions of Yen)

	Corporate Business	Insurance Business	SHOP Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sale							
(1) customer	80,345	20,762	108,572	2,200	211,881	-	211,881
(2) Inter-segment	1,950	75	1,578	-	3,604	(3,604)	-
Net Sale total	82,296	20,838	110,150	2,200	215,486	(3,604)	211,881
Operating Expenses	74,217	14,465	106,591	1,861	197,136	(3,813)	193,322
Operating Income	8,078	6,373	3,559	338	18,349	209	18,558

Reference Information

Consolidated Financial Statements 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.

Reference; Consolidated results for FY2008 First Quarter (April 1, 2007 through June 30, 2007)

(1) Consolidated financial results (% of change from previous third quarter)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2008 interim	143,766	60.0	7,104	0.9	8,032	(13.2)
FY2007 interim	89,872	(3.3)	7,039	(36.4)	9,253	(37.3)
FY2007(full year)	209,705	-	18,166	-	20,244	-

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
FY2008 interim	5,599	(24.9)	96.37	96.27
FY2007 interim	7,453	(33.6)	128.42	127.94
FY2007(full year)	18,374	-	316.51	315.52

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2008 interim	211,479	131,517	59.8	2,176.04
FY2007 interim	178,298	123,067	66.8	2,051.25
FY2007(full year)	210,308	134,425	61.2	2,216.32