

## FY2008 Third Quarter Consolidated Financial Results

Company name	: Hikari Tsushin Inc.
Stock Exchanges on which the shares are listed	: TSE First Section
Code number	: 9435
URL	: <a href="http://www.hikari.co.jp/">http://www.hikari.co.jp/</a>
Representative	: Yasumitsu Shigeta, Chairman and CEO
Contact person	: Koh Gidoh, Director, Head of Administrative Headquarters
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### 1. Consolidated results for FY2008 Third Quarter (April 1, 2007 through December 31, 2007)

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 third quarter	223,143	52.1	12,631	( 1 . 9 )	13,634	(11.0)
FY2007 third quarter	146,665	0.5	12,877	(44.7)	15,313	(39.4)
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 third quarter	10,041	(30.2)	172.80	172.65
FY2007 third quarter	14,389	(11.8)	247.90	247.06
FY2007(full year)	18,483	-	318.39	317.40

#### (1) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2008 third quarter	228,272	142,617	57.5	2,256.58
FY2007 third quarter	201,344	134,492	59.5	2,063.03
FY2007(full year)	214,191	138,193	57.9	2,134.75

#### (2) 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 third quarter	(3,535)	(11,086)	7,911	14,997
FY2007 third quarter	4,364	(4,688)	7,999	22,594
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 revenues	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
FY2008 (full year)	300,000	23,000	24,000	20,000	344.08

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): Yes

New	-	Excluded	HTC Partners, L.P
			HTC Partners II, L.P

- (2) Simplified accounting methods: Applied

- (3) Changing of accounting policies from the previous fiscal year: None

## **Qualitative Information and Financial Statement**

### **1. Qualitative Information about Consolidated Results**

#### **<Overview>**

During the quarter, we redoubled our focus on our sales structure to improve profitability. This initiative generated net sales of ¥223,143 million, operating income of 12,631 million, ordinary income of 13,634 million, net income before tax of 13,523 million and net income of 10,041 million. We posted dividend income of ¥920 million as non-operating income.

#### **<Overview by Segments>**

##### **Corporate Business**

In the corporate business segment, we engage in business primarily for small and medium enterprises (SMEs), 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 from previous term to educate and train sales personnel and improved profitability. As a result, we sold 23,986 copiers (up 15% year on year). To bolster our capability to provide solutions, especially for SMEs, we plot strategies that specialize in individual industry sectors. Sales of telecommunications line services were solid. At our consolidated subsidiary e-machitown Co., Ltd. (TSE Mothers Market: Code 4747), we sought to achieve high customer satisfaction, advertising effectiveness and strong identity to build an earnings model centering on Internet advertising for mobile phone sites. As a result of these activities, the net sales of the corporate business segment totaled ¥87,000 million, while operating income reached ¥8,763 million.

##### **Shop Business**

Our shop business segment, primarily sells mobile phones using a nationwide network of outlets as a principal sales channel. Since the introduction of mobile phone number portability in Japan in October 24, 2006, we focused on expanding our outlet network. In line with plans made in the previous quarter, however, we shifted our strategy to improve the productivity of existing outlets. The number of handsets in use, included in the scope of recurring commissions, increased to 2.02 million (up 150,000 from the end of September, 2007). As a result, net sales generated in the shop business segment totaled ¥125,279 million, with operating income of ¥3,836 million.

##### **Insurance Business**

In the insurance business segment, we use telemarketing methods for the insurance agency business and sales of insurance policies. During the quarter under review, we reduced the number of telephone operators to maximize profitability and restructure to achieve stable profit. As a result, the revenue generated from the insurance business reached ¥12,830 million, producing an operating loss of ¥9 million. We expect to record a profit in the next term.

##### **Venture Fund Business**

In the venture fund business segment, we sold our holdings and dissolved a fund. As a result, revenues in this segment during the year under review totaled ¥1,461 million, and operating income was ¥735 million.

## 2. Qualitative Information about consolidated financial situation

(Cash flow situation)

	FY2007 third quarter	FY2008 third quarter	Rise and fall
	Million yen	Million yen	Million yen
Cash flow from operating activities	4,364	(3,535)	(7,899)
Cash flow from investing activities	(4,688)	(11,086)	(6,398)
Cash flow from financial activities	7,999	7,911	(87)
Cash and cash equivalents at the end of the term	22,594	14,997	(7,597)

Cash flow from operating activities ended in ¥3,535 million minus, due to the increase of operating bond and corporate tax for expansion of sales network.

Cash flow from investing activities ended in ¥11,086 million minus, due to acquisition of investment securities and tangible fixed assets.

Cash flow from financial activities ended in ¥7,911 million plus, due to short-term debt.

As a result, cash and cash equivalents at the end of the term ended in ¥14,997 million.

## 3. Qualitative Information about forecast of consolidated result

We expect a steady earning performance in the corporate business segment. New personnel hired in the first half of FY2008 will play a role in boosting results for individual products.

In the shop business, we anticipate that the March peak season will increase sales and handsets in use. Sales of handsets should also benefit in March from the impending start of the new fiscal year.

In the insurance business, the employment adjustment executed in the third quarter is set to improve profitability in the next term.

As a consequence of these developments, we forecast net sales of ¥300,000 million (up 41.6% year on year), operating income of ¥23,000 million (up 23.9%), ordinary income of ¥24,000 million (up 17.8% ) and net income of ¥20,000 million (an 8.2% year- on- year increase).

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.

## Quarterly Consolidated Financial Statements

### Quarterly Consolidated Balance Sheet

(Millions of Yen)

	FY2007 Q3 (As of Dec 31, 2007)		FY2008 Q3 (As of Dec 31, 2006)		FY2007 (As of Mar 31, 2007)
		Ratio		Ratio	
<b>ASSETS</b>		%		%	
Current assets					
Cash and bank deposits	22,368		14,350		21,663
Trade notes and account receivable	32,189		46,691		36,876
Marketable securities	309		813		314
Inventories	4,778		9,743		9,034
Operational investment securities	7,756		6,049		7,028
Other current assets	9,482		10,285		7,193
Allowance for loss on operational investment	(3,352)		(555)		(2,690)
Allowance for doubtful accounts	(347)		(720)		(221)
Total current assets	73,185	36.3	86,659	38.0	79,199
Fixed assets					
Property, plants and equipments	8,748	4.3	10,745	4.7	9,576
Intangible assets					
Goodwill	1,615		50		1,532
Other intangible assets	942		1,235		1,122
Total Intangible assets	2,558	1.3	1,286	0.6	2,654
Investments and other assets					
Investments securities	106,345		111,461		108,586
Deferred income tax assets	3,839		8,332		6,664
Other Investments	8,461		12,331		10,296
Allowance for doubtful accounts	(1,793)		(2,545)		(2,786)
Total Investments and Other Assets	116,852	58.1	129,580	56.8	122,761
Total Fixed Assets	128,158	63.7	141,612	62.0	134,992
<b>TOTAL ASSETS</b>	<b>201,344</b>	<b>100.0</b>	<b>228,272</b>	<b>100.0</b>	<b>214,191</b>

Quarterly Consolidated Balance Sheet

(Millions of Yen)

	FY2007 Q3 (As of Dec 31, 2007)		FY2008 Q3 (As of Dec 31, 2006)		FY2007 (As of March 31, 2007)
		Ratio		Ratio	Amount
<b>LIABILITIES</b>		%		%	
Current liabilities					
Trade notes and account payable	16,237		21,255		20,564
Short-term loans	12,000		20,894		8,000
Other account payable	15,172		20,827		19,688
Advances received	3,216		3,145		3,443
Accrued bonuses	207		435		944
Other current liabilities	4,571		6,327		8,229
Total current Liabilities	51,405	25.5	72,886	31.9	60,870
Non current liabilities					
Bonds	10,000		10,000		10,000
Long-term advances received	4,645		1,989		3,979
Allowance for retirement benefits for directors and auditors	118		135		122
Deferred tax liabilities	45		139		94
Other fixed liabilities	636		503		930
Total fixed liabilities	15,446	7.7	12,767	5.6	15,127
TOTAL LIABILITIES	66,852	33.2	85,654	37.5	75,997
Net assets					
Shareholders equity					
Capital	54,111		54,156		54,122
Additional paid-in capital	25,146		25,190		25,156
Retained earnings	37,220		49,032		41,314
Treasury stock	(671)		(673)		(672)
Total shareholders equity	115,807	57.5	127,705	55.9	119,921
Valuation and translation differences					
Net unrealized holding gain on securities	3,995		3,450		4,060
Foreign currency translation adjustment	2		6		4
Total Valuation and translation differences	3,998	2.0	3,457	1.5	4,065
Share warrants	86	0.0	404	0.2	153
Minority interests	14,600	7.3	11,049	4.8	14,053
TOTAL NET ASSETS	134,492	66.8	142,617	62.5	138,193
TOTAL LIABILITIES AND NET ASSETS	201,344	100.0	228,272	100.0	214,191

Quarterly Consolidated Balance Sheet

(Millions of Yen)

	FY2007 Q3 (As of Dec 31, 2006 )			FY2008 Q1 (As of Dec 31, 2007)			FY2007 (As of March 31, 2007)	
	Amount		Ratio	Amount		Ratio	Amount	
Net Sales		14,665	100.0		223,143	100.0		211,881
Cost of sales		66,642	45.4		115,249	51.6		98,480
Gross profit		80,023	54.6		107,894	48.4		113,401
Selling general and administrative expanses								
Sales commission	28,522			45,502			41,245	
Salaries	18,902			23,873			25,508	
Depreciation expense	1,173			1,730			1,643	
Other expense	18,548	67,146	45.8	24,155	95,262	42.7	26,445	94,842
Operating income		12,877	8.8		12,631	5.7		18,558
Non-operating income								
Interest income	26			108			41	
Dividends income	743			920			743	
Gain on sale of investment securities	1,591			16			1,457	
Amortization of negative goodwill	137			184			206	
Other non-operating income	793	3,292	2.2	736	1,965	0.8	607	3,056
Non-operating expense								
Interest expense	250			322			327	
Other non-operating expense	606	856	0.6	641	963	0.4	913	1,240
Ordinary income		15,313	10.4		13,634	6.1		20,374
Extraordinary income		4,068	2.8		387	0.2		5,769
Extraordinary losses		167	0.1		498	0.2		1,255
Net income before tax		19,215	13.1		13,523	6.1		24,887
Income taxes		4,358	3.0		2,373	1.1		6,335
Minority interests		467	0.3		1,108	0.5		68
NET INCOME		14,389	9.8		10,041	4.5		18,483

## Business segment Information

FY2007 Q3 (April 1, 2006~December 31, 2006)

(Millions of Yen)

	Corporate Business	Insurance Business	SHOP Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sale	58,803	14,468	74,551	1,929	149,752	(3,086)	146,665
Operating Expenses	53,468	10,274	72,043	1,176	136,963	(3,174)	133,788
Operating Income	5,334	4,193	2,507	752	12,789	87	12,877

FY2008 Q3 (April 1, 2007~December 31, 2007)

(Millions of Yen)

	Corporate Business	Insurance Business	SHOP Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sale	87,000	12,830	125,279	1,461	226,572	(3,428)	223,143
Operating Expenses	78,236	12,839	121,443	726	213,245	(2,733)	210,511
Operating Income	8,763	(9)	3,836	735	13,326	(694)	12,631

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	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 Third Quarter (April 1, 2007 through December 31, 2007)

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2008 third quarter	221,970	47.6	11,844	△ 2.4	13,051	(12.0)
FY2007 third quarter	150,412	10.5	12,129	(29.2)	14,824	(30.9)
FY2007(full year)	209,705	-	18,166	-	20,244	-

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2008 third quarter	226,350	140,552	60.1	2,341.02
FY2007 third quarter	193,677	126,752	62.3	2,072.65
FY2007(full year)	210,308	134,425	61.2	2,216.32