

FY2009 First Quarter 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 Tel. (03) 5951-3718

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for FY2009 First Quarter (April 1, 2008 through June 30, 2008)

(1) Consolidated financial results

(Percentage are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2009 first quarter	73,271	-	2,883	-	3,746	-	1,643	-
FY2008 first quarter	68,375	51.3	4,333	6.0	4,908	(1.1)	2,978	(13.9)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2009 first quarter	28.43	28.41
FY2008 first quarter	51.14	51.06

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2009 first quarter	220,497	132,186	54.8	2,124.64
FY2008 (full year)	230,777	135,154	53.7	2,130.50

2. Cash Dividends

(Record date)	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Annual
	Yen	Yen	Yen	Yen	Yen
FY2008 (full year)	—	—	—	60.00	60.00
FY2009 (full year)	—	—	—	—	—
FY2009(forecast)	—	—	—	60.00	60.00

(Note) Revisions to the forecast of cash dividends in the current quarter: none

3. Forecast of Consolidated Results for FY2009 (April 1, 2008 through March 31, 2009)

(% of change from FY2008 semi-annual or FY2008)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2009(1st half)	150,000	-	8,500	-	8,500	-	5,000	-	87.91
FY2009(full year)	335,000	6.6	25,500	11.3	25,500	8.4	16,000	471.2	281.33

(Note) Revisions to the forecast of consolidated results in the current quarter: none

4. Others

- (1) Changes among significant subsidiaries during the quarter (Changes among specific subsidiaries resulting in changes in the scope of consolidation): 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 a newly issued accounting pronouncement: yes
 - (ii) Changes other than (3)-(i) above: yes
- (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)

FY2009 first quarter	58,344,942	FY2008	58,280,942
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 - (ii) Number of treasury stock at the end of each period

FY2009 first quarter	1,471,774	FY2008	147,029
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 - (iii) Average number of shares issued and outstanding in each period

FY2009 first quarter	57,796,968	FY2008 first quarter	58,251,746
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Cautionary Statement with Respect to Forward-Looking Statements

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.

Qualitative Information and Financial Statements

1. Qualitative Information about Consolidated Results

<Overview>

During the first quarter, we redoubled our focus on our sales structure in each segment. Consequently, we generated net sales of ¥73,271 million, operating income of ¥2,883 million, ordinary income of ¥ 3,746 million, net income before tax of ¥3,378 million and net income of ¥1,643 million. We posted dividend income of ¥802 million as non-operating income.

<Overview by Segments>

Corporate Business

Our corporate business segment mainly focuses on 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 selling of Internet advertising.

In direct sales of OA equipment, we sold 8,225 copiers (decreased by 1.6% year on year basis), and holding volume of copiers, which generate recurring commission, was 101,775 units (increased by 6.0% year on year basis). Sales of telecommunications line services was solid ongoing from previous period.

The company had launched specialization strategy in the previous period. With this strategy, we practiced some measures such as product planning and business alliance in each business segment.

At our consolidated subsidiary e-machitown Co., Ltd. (TSE Mothers Market: Code 4747), we sought to achieve “Only One Mobile Internet media advertising company” which means “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 initiatives, net sales of the corporate business segment totaled ¥32,648 million, while operating income reached ¥2,477 million.

SHOP Business

Our SHOP business segment primarily sells mobile phones using a nationwide network of outlets as its principal sales channel. In this first quarter, we redoubled our focus on readjustment of unprofitable outlets, expanding of a sales network especially in our secondary agencies and diversification of sales channel.

In sales volume of handset, market demand recessed compared with FY2008 first quarter, when mobile phone market was healthy by introduction of MNP services. In spite of the negative situation, the number of handsets in use, included in the scope of recurring commissions, increased steadily to 2.14 million (increased by 17.5% year on year basis).

As a result, the SHOP business segment registered net sales of ¥38,077 million, with operating income of ¥598 million.

Insurance Business

In the insurance business segment, we use telemarketing methods to provide an insurance agency service and sell insurance policies. During the first quarter, new recruits were assigned as we planned, and this reduced productivity temporarily.

As a result, the insurance business segment registered net sales of ¥3,395 million, with operating income of ¥315 million.

Venture Fund Business

Our venture fund business segment operates venture funds. In this first quarter, we evaluated some of the holding stocks in our operating funds.

As a result, revenues in this segment during this quarter under review totaled ¥4 million, and operating loss was ¥194 million.

2. Qualitative Information about Consolidated Cash Flows

(Cash flow situation)

	FY2008 first quarter	FY2009 first quarter	Increase and decrease
	Million yen	Million yen	Million yen
Cash flow from operating activities	(988)	4,942	5,930
Cash flow from investing activities	(5,055)	(3,012)	2,043
Cash flow from financial activities	5,374	189	(5,185)
Cash and cash equivalents at the end of the term	21,166	18,655	(2,511)

Cash flow from operating activities ended in ¥4,942million, due to decrease of note and accounts receivable in previous year.

Cash flow from investing activities ended in ¥3,012 million minus, reflecting the acquisition of investment securities.

Cash flow from financial activities ended in ¥189 million, as a result of financing using short-term debt.

As a result, cash and cash equivalents at the end of the term ended in ¥18,655 million.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheet	(Millions of yen)	
	FY2009 first quarter (As of June 30, 2008)	FY2008 (As of Mar 31, 2008)
	Amount	Amount
Assets		
Current assets		
Cash and bank deposits	18,695	16,588
Trade note and account receivable	37,103	56,306
Marketable securities	367	418
Operational investment securities	5,813	5,918
Inventories	13,857	14,315
Deferred tax assets	3,708	3,663
Other current assets	11,005	7,593
Allowance for loss on operational investment	(636)	(768)
Allowance for doubtful accounts	(496)	(382)
Total current assets	89,419	103,653
Fixed assets		
Property, plants and equipments	9,211	10,450
Intangible assets		
Goodwill	90	-
Other intangible assets	906	968
Total intangible assets	996	968
Investments and other assets		
Investments securities	98,215	90,936
Deferred tax assets	11,448	15,061
Other investments	14,823	13,104
Allowance for doubtful accounts	(3,618)	(3,398)
Total investments and other assets	120,868	115,704
Total fixed assets	131,077	127,124
Total assets	220,497	230,777

Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2009 first quarter (As of June 30, 2008)	FY2008 (As of Mar 31, 2008)
	Amount	Amount
Liabilities		
Current liabilities		
Trade note and account payable	20,256	29,671
Short-term loan payable	26,150	17,874
Current portion of bonds	10,000	10,000
Account payable-other	17,685	23,364
Income tax payable	1,172	4,042
Accrued bonuses	484	1,023
Accrued bonuses for directors and auditors	40	144
Other current liabilities	8,968	6,275
Total current liabilities	84,757	92,397
Fixed liabilities		
Allowance for retirement benefits for directors and auditors	143	139
Deferred tax liabilities	732	944
Negative goodwill	-	78
Other fixed liabilities	2,676	2,062
Total fixed liabilities	3,552	3,225
Total liabilities	88,310	95,622
Net assets		
Shareholders equity		
Capital	54,253	54,168
Additional paid-in capital	25,287	25,203
Retained earning	39,948	41,792
Treasury stock	(5,674)	(674)
Total shareholders equity	113,814	120,490
Valuation and translation differences		
Net unrealized holding gain on securities	7,014	3,364
Foreign currency translation adjustment	5	(0)
Total valuation and translation differences	7,020	3,364
Share warrants	562	484
Minority interests	10,789	10,815
Total net assets	132,186	135,154
Total liabilities and net assets	220,497	230,777

Quarterly Consolidated Statement of Income

(Millions of yen)

	FY2009 first quarter (April 1, 2008~June 30, 2008)
	Amount
Net Sales	73,271
Cost of sales	38,833
Gross profit	34,438
Selling general and administrative expenses	31,555
Operating income	2,883
Non-operating income	
Interest income	30
Dividend income	802
Gain on sale of investment securities	120
Amortization of negative goodwill	73
Other non-operating income	217
Total non-operating income	1,244
Non-operating expense	
Interest expense	107
Equity in net losses of affiliates	138
Other non-operating expense	134
Total non-operating expense	381
Ordinary income	3,746
Extraordinary income	
Gain on sale of shares of subsidiary	28
Reversal of doubtful account	44
Reversal of accrued bonuses	88
Penalty charges	173
Total extraordinary income	336
Extraordinary losses	
Loss on disposal and sale of fixed assets	185
Impairment loss on investment securities	518
Total extraordinary losses	703
Net income before tax	3,378
Income and enterprise taxes	1,023
Deferred income taxes	863
Total income taxes	1,886
Minority interests	(151)
Net income	1,643

Consolidated Statement of Cash flow

(Millions of yen)

	FY2009 first quarter (Three months ended June 30, 2008)
	Amount
Operating activities	
Net income before tax	3,378
Depreciation and amortization	629
Amortization of goodwill	7
Increase (decrease) in allowance for doubtful accounts	271
Increase (decrease) in allowance for operational investment	(204)
Interest and dividends income	(833)
Interest expenses	107
Loss (gain) on sale of investment securities	(120)
Impairment loss (gain) on investment securities	518
Equity in net losses (gain) of affiliates	138
Loss (gain) on sale and disposal of property, equipment and intangible assets	185
Increase (decrease) in notes and accounts receivable-trade	18,226
Increase (decrease) in inventories	140
Increase (decrease) in operational investment in securities	(136)
Increase (decrease) in notes and accounts payable-trade	(8,794)
Increase (decrease) in account payable-other	(5,594)
Other cash flow from operating activities	1,084
Subtotal	9,002
Interest and dividends received	858
Interest paid	(59)
Income taxes paid	(4,916)
Income taxes refunded	57
Net cash provided by operating activities	4,942

Consolidated Statement of Cash flow

(Millions of yen)

	FY2009 first quarter (Three months ended June 30, 2008)
	Amount
Investing activities	
Purchases of property, equipment and intangible assets	(501)
Purchases of investment securities	(2,536)
Proceeds from sale of investment securities	667
Purchase from acquirement of shares in subsidiaries resulting in change of consolidation	(111)
Proceeds from sale of shares in subsidiaries resulting in change of consolidation	608
Expenditure for sale of shares in subsidiaries resulting in change of consolidation	(4)
Increase in loans receivable	(1,755)
Decrease in loans receivable	531
Other investing activities	90
Net cash provided by (used in) investing activities	(3,012)
Financing activities	
Increase (decrease) in short-term loan	8,327
Payment of long-term debt	(3)
Proceeds from issuance of common stock	169
Proceeds from sale of common stock subsidiaries to minority shareholders	30
Purchases of treasury stock	(5,000)
Payment of dividends	(3,176)
Payment of dividends for minority shareholders	(28)
Payment of lease debt	(128)
Net cash provided by (used in) financing activities	189
Translation adjustments on cash and cash equivalents	45
Net increase (decrease) in cash and cash equivalents	2,165
Cash and cash equivalents at beginning of the period	16,490
Cash and cash equivalents at end of the period	18,655

Business Segment Information

FY2009 first quarter (April 1, 2008~June 30, 2008)

(Millions of yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	32,648	38,077	3,395	4	74,125	(853)	73,271
Operating Expenses	30,171	37,478	3,080	199	70,929	(540)	70,388
Operating Income	2,477	598	315	(194)	3,196	(312)	2,883

FY2008 first quarter (April 1, 2007~June 30, 2007)

(Millions of yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	26,784	36,826	5,344	903	69,858	(1,483)	68,375
Operating Expenses	24,424	35,413	4,652	528	65,019	(977)	64,042
Operating Income	2,360	1,412	691	374	4,839	(505)	4,333

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.

(Amounts are rounded down to the nearest million yen)

Fund unconsolidated results for FY2009 First Quarter (April 1, 2008 through June 30, 2008)

(1) Fund unconsolidated financial results

※ Percentage are shown as year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2009 first quarter	73,351	-	3,072	-	3,943	-	1,701	-
FY2008 first quarter	68,221	52.9	4,555	28.1	5,233	27.5	3,602	21.7
FY2008 (full year)	313,737	49.6	22,993	26.6	23,700	17.1	3,572	(80.6)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2009 first quarter	29.44	29.43
FY2008 first quarter	61.84	61.74
FY2008 (full year)	61.48	61.43

(2) Fund unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2009 first quarter	215,233	126,978	56.5	2,137.40
FY2008 first quarter	211,321	132,070	59.5	2,164.42
FY2008 (full year)	228,761	133,845	56.3	2,214.36