

FY2010 First Quarter 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
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(amounts are rounded down to the nearest million yen)

1. Consolidated Results for FY2010 First Quarter (April 1, 2009 through June 30, 2009)

(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	%
FY2010 First Quarter	83,102	13.4	1,323	(54.1)	909	(75.7)	516	(68.5)
FY2009 First Quarter	73,271		2,883		3,746		1,643	

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2010 First Quarter	9.10	9.09
FY2009 First Quarter	28.43	28.41

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
FY2010 First Quarter	196,207	117,921	54.2	1,881.15
FY2009 (Full Year)	221,091	116,094	47.2	1,836.39

2. Cash Dividends

(Term Recorded)	Dividends Per Share				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
FY2009 (Full Year)	—	—	—	60.00	60.00
FY2010 (Full Year)	—	—	—	—	—
FY2010 (Forecast)	—	0.00	—	60.00	60.00

(Note) Revisions to the Forecast of Cash Dividends in the Current Quarter: None

3. Forecast of Consolidated Results for FY2010 (April 1, 2009 through March 31, 2010)

(% Change from FY2009 Semi-Annual or FY2009)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2010(1st Half)	156,000	0.3	4,500	(43.0)	3,500	(58.4)	1,600	-	28.30
FY2010(Full Year)	335,000	0.4	18,000	(16.1)	16,000	(23.5)	8,500	-	150.36

(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
- (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: None
 - (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)

FY2010 First Quarter	58,349,642	FY2009	58,349,642
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 - (ii) Number of Treasury Stock at the End of Each Period

FY2010 first quarter	1,818,509	FY2009	1,472,149
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 - (iii) Average Number of Shares Issued and Outstanding in Each Period

FY2010 First Quarter	56,802,084	FY2009 First Quarter	57,796,968
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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. Please note also that the profits (and 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. Acknowledging 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 (April 1, 2009~June 30, 2009), while signs of business bottoming out, after a round of inventory adjustments by companies and improvements in exports leading to China's recovery, have begun to show, there is still no clear indicator of Japan's economic recovery as the situation for both corporations and consumers continues to be strict. We at Hikari Tsushin Group took this as an opportunity, and in addition to pouring effort into our usual sales activities, we also conducted recruitment and investment activities for new businesses.

As a result, for the first quarter, we registered Net Sales of ¥ 83,102 million, Operating Income of ¥ 1,323 million, Ordinary Income of ¥ 909 million, Net Income Before Tax of ¥ 690 million and a Net Loss of ¥ 516 million.

	FY2010 First Quarter (April 1, 2009 ~ June 1, 2009)	FY2009 First Quarter (April 1, 2008 ~ June 1, 2008)	Change
Net Sales	83,102	73,271	9,830
Operating Income	1,323	2,883	△1,559
Ordinary Income	909	3,746	△2,836
Net income Before Tax (Loss)	690	3,378	△2,688
Net income (Loss)	516	1,643	△1,126

<Overview by Segments>

Corporate Business

In the corporate business segment, we engage primarily with Small and Medium Enterprises (SMEs), with our activities centering on Direct Sales, primarily of Office Automation (OA) Equipment; the sale of Telecommunication Line Services, including Fixed Lines and Broadband Lines; and the planning and sale of Internet Advertising. Due to the recession, SMEs are facing a difficult business environment and, cost cutting efforts are becoming an increasingly important issue for enterprises. Responding to the needs of enterprises, Hikari Tsushin Group provides promotion of business streamlining and proposals for cost cutting for our customers by using our sales network and providing various qualitative products and services.

In April 2009, we established a joint venture company, "Alibaba Marketing", to expand corporate users of "Alibaba Japan." Alibaba Japan is a Japanese corporation founded and operated by Alibaba.com Limited, the world leading B2B E-Commerce company, which operates "Alibaba.com." This joint venture became a sales agent and had acquired the rights to act as a sales agent in Japan for all services provided by Alibaba. As this business started in the second quarter, the contribution to profit will be reported after next year. However, we believe that this business will become an important pillar of growth for Hikari Tsushin Group.

As a result of these initiatives, Net Sales of the corporate business segment totaled ¥ 37,651 million, while Operating Income totaled ¥ 2,355 million.

SHOP Business

Our SHOP Business Segment primarily sells mobile phones using a nationwide network of outlets as its principal sales channel.

In the mobile phone market, since the introduction of the Installment Payment System, weak phone replacement demand and a downturn in individual consumption accompanying the economic recession, the number of mobile phone sales continued to decrease. To keep growing in this business, there is a pressing need to build a new profit structure in addition to sales of mobile phones. In our SHOP business segment, we established a joint venture company with Japan Best Rescue System (CODE:2453) and began providing a mobile content service, "Life

Support Pack” ※1 to customers in our shops. Furthermore, the mobile affiliate business, started from the previous term※2, has experienced an increase in content subscribers. These new content businesses will contribute to the profit after the second half of this fiscal year.

As a result, the SHOP Business Segment registered Net Sales of ¥43,474million, with Operating Income of ¥686 million.

※1 Life Support Pack is a mobile content service which support mobile phone troubles and daily troubles.

※2 In Mobile Affiliate business, we sell mobile ad spaces by affiliate type and promote a mobile contents to customers using the Felica reader machine.

Insurance Business

In the Insurance Business Segment, by using our sales capabilities and call centers nationwide as a sales network, the company provides insurance policies for customers. We actively recruited new personnel as well as hiring new graduates for future expansion. However, as we conducted our sales activities while discreetly following our strict sales guidelines for the future growth, it has resulted in decreased productivity.

The Insurance Business Segment registered Net Sales of ¥2,858 million, with Operating Income of ¥1,158 million.

Venture Fund Business

In our Venture Fund Business Segment, we manage several venture funds in accordance with the Japanese “Financial Instruments and Exchange Law”. Investments are focused in the IT sector, which includes mobile media and contents. Where appropriate, the company may support portfolio companies of these funds in sales/marketing and overseas expansion. We are interested in clean-tech, consumer products and distribution, and medical / healthcare sectors as well. Portfolio companies are primarily in Japan, but the funds also have investments in the Asian-Pacific Rim (including China and Korea as well as Australia).

As a result of an extremely difficult environment for Exit Transactions, including a low number of IPOs resulting from the continuing weak performance of Japanese emerging markets, the current global financial crisis, and a more stringent IPO regulatory process, we were unable to generate significant returns through the sale of investment holdings.

As a result, the Venture Fund Business Segment registered Net Sales of ¥3 million, and operating loss of ¥163 million.

2. Consolidated financial position

	FY2009	FY2010 First Quarter	Change
	Million Yen	Million Yen	Million yen
Total Asset	221,091	196,207	(24,883)
Liabilities	104,996	78,286	(26,710)
Net Asset	116,094	117,921	1,826

Total Assets ended in ¥196,207million, down ¥24,883million due to decreases in Inventories, Trade Notes and Accounts Receivable.

Liabilities decreased ¥26,710million and totaled ¥78,286million. This mainly reflected the decreases in Trade Notes and Accounts Payable.

Net Assets ended in ¥117,921million, increased ¥1,826million due to increases in Net Unrealized Gains on Securities from an upturn in the actual value of our Holding Securities.

2. Consolidated Cash Flows

(Cash Flow Situation)

	FY2009 First Quarter	FY2010 First Quarter
	Million Yen	Million Yen
Cash Flow from Operations	4,942	1,077
Cash flow from Investment	(3,012)	(5,111)
Cash flow from Financial Activities	189	3,348
Cash (and Equivalents) at the End of the Term	18,655	18,103

Cash Flow from Operating Activities ended in ¥1,077million, due to decreases in Notes and Accounts Receivable in the previous year.

Cash Flow from Investment ended in minus ¥5,111 million, reflecting the acquisition of Investment Securities.

Cash Flow from Financial Activities ended in ¥3,348 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 ¥18,103 million.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheet

(Millions of Yen)

	FY2010 First Quarter (As of June 30, 2009)	FY2009 (As of March 31, 2009)
	Amount	Amount
Assets		
Current Assets		
Cash and Bank Deposits	17,923	18,545
Trade Notes and Accounts Receivable	37,471	66,428
Operational Investment Securities	5,954	5,915
Inventory	9,950	15,417
Other Accounts Receivable	3,391	2,982
Deferred Tax Assets	3,984	3,309
Other Current Assets	7,882	6,861
Allowance for Loss on Operational Investment	(955)	(859)
Allowance for Doubtful Accounts	(330)	(308)
Total Current Assets	85,274	118,292
Fixed Assets		
Property, Plants and Equipment	8,045	8,647
Intangible Assets		
Goodwill	2,472	2,343
Other Intangible Assets	1,112	1,095
Total Intangible Assets	3,584	3,438
Investments and Other Assets		
Investments Securities	69,062	60,159
Deferred Tax Assets	17,873	18,474
Other Investments	18,574	18,319
Allowance for Doubtful Accounts	(6,206)	(6,242)
Total Investments and Other Assets	99,304	90,711
Total Fixed Assets	110,933	102,798
Total Assets	196,207	221,091

Quarterly Consolidated Balance Sheet

(Millions of Yen)

	FY2010 First Quarter (As of June 30, 2009)	FY2009 (As of March 31, 2009)
	Amount	Amount
Liabilities		
Current liabilities		
Trade Notes and Accounts Payable	16,774	37,158
Short-Term Loans Payable	26,823	19,650
Account Payable-Other	21,021	27,853
Income Tax Payable	913	7,298
Accrued Bonuses	569	918
Accrued Bonuses for Directors and Auditors	36	59
Other Current Liabilities	8,207	8,137
Total Current Liabilities	74,346	101,076
Fixed Liabilities		
Allowance for Retirement Benefits for Directors and Auditors	157	153
Deferred Tax Liabilities	348	499
Other Fixed Liabilities	3,433	3,267
Total Fixed Liabilities	3,939	3,919
Total Liabilities	78,286	104,996
Net Assets		
Shareholders Equity		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	25,293
Retained Earning	34,262	37,301
Treasury Stock	(6,391)	(5,675)
Total Shareholders Equity	107,473	111,179
Valuation and Translation Differences		
Net Unrealized Holding Gains on Securities	(1,069)	(6,723)
Foreign Currency Translation Adjustment	(10)	(6)
Total Valuation and Translation Differences	(1,079)	(6,730)
Share Warrants	879	812
Minority Interests	10,698	10,833
Total Net Assets	117,921	116,094
Total Liabilities and Net Assets	196,207	221,091

Quarterly Consolidated Income Statement

	FY2009 First Quarter (April 1, 2008~June 30, 2008)	FY2010 First Quarter (April 1, 2009~June 30, 2009)
	Amount	Amount
Net Sales	73,271	83,102
Cost of Sales	38,833	46,093
Gross Profit	34,438	37,009
Selling General and Administrative Expenses	31,555	35,685
Operating Income	2,883	1,323
Non-Operating Income		
Interest Income	30	51
Dividend Income	802	154
Gains on Sale of Investment Securities	120	—
Amortization of Negative Goodwill	73	82
Other Non-Operating Income	217	106
Total Non-Operating Income	1,244	395
Non-Operating Expense		
Interest Expenses	107	80
Equity in Net Losses of Affiliates	138	547
Other Non-Operating Expenses	134	182
Total Non-Operating Expenses	381	809
Ordinary Income	3,746	909
Extraordinary Income		
Gain on Sales of Investment Securities	—	10
Gains on Sale of Shares of Subsidiaries	28	80
Reversal of Doubtful Accounts	44	16
Reversal of Accrued Bonuses	88	54
Penalty Charges	173	—
Total Extraordinary Income	336	161
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	185	71
Impairment Loss on Investment Securities	518	7
Loss on Sales of Investment Securities	—	302
Total Extraordinary Losses	703	380
Net Income Before Tax	3,378	690
Income and Enterprise Taxes	1,023	782
Deferred Income Taxes	863	(278)
Total Income Taxes	1,886	504
Minority Interests	(151)	(331)
Net Income	1,643	516

Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2009 First Quarter (April 1, 2008~June 30, 2008)	FY2010 First Quarter (April 1, 2009~June 30, 2009)
	Amount	Amount
Operations		
Net Income Before Tax	3,378	690
Depreciation and Amortization	629	520
Amortization of Goodwill	7	127
Increase (Decrease) in Allowance for Doubtful Accounts	271	(18)
Increase (Decrease) in Allowance for Operational Investment	(204)	(31)
Interest and Dividends Income	(833)	(206)
Interest Expenses	107	80
Loss (Gain) on Sales of Investment Securities	(120)	327
Impairment Loss (Gain) on Investment Securities	518	7
Equity in Net Losses (Gain) of Affiliates	138	547
Loss (Gain) on Sale and Disposal of Property, Equipment and Intangible Assets	185	71
Increase (Decrease) in Notes and Accounts Receivable-Trade	18,226	29,189
Increase (Decrease) in Inventories	140	5,470
Increase (Decrease) in Operational Investment in Securities	(136)	118
Increase (Decrease) in Notes and Accounts Payable-Trade	(8,794)	(20,616)
Increase (Decrease) in Accounts Payable-Other	(5,594)	(6,970)
Other Cash Flow from Operating Activities	1,084	(1,352)
Subtotal	9,002	7,953
Interest and Dividends Received	858	237
Interest Paid	(59)	(56)
Income Taxes Paid	(4,916)	(7,147)
Income Taxes Refunded	57	91
Net Cash provided by Operating Activities	4,942	1,077

Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2009 First Quarter (April 1, 2008~June 30, 2008)	FY2010 First Quarter (April 1, 2009~June 30, 2009)
	Amount	Amount
Investment		
Purchases of Property, Equipment and Intangible Assets	(501)	(251)
Purchases of Investment Securities	(2,536)	(9,034)
Proceeds from Sale of Investment Securities	667	4,985
Purchases from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	(111)	—
Proceeds from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	—	34
Proceeds from Sale of Shares in Subsidiaries Resulting in Change of Consolidation	608	95
Expenditure for Sale of Shares in Subsidiaries Resulting in Change of Consolidation	(4)	(205)
Increase in Loans Receivable	(1,755)	(1,321)
Decrease in Loans Receivable	531	518
Other Investment Activities	90	67
Net Cash Provided by (used in) Investment	(3,012)	(5,111)
Financing Activities		
Increases (Decreases) in Short-Term Loan	8,327	6,919
Income from Long-Term Loans	—	80
Payment of Long-Term Debt	(3)	—
Proceeds from Issuance of Corporate Bonds	—	350
Proceeds from Issuance of Common Stock	169	—
Proceeds from Sale of Common Stock Subsidiaries to Minority Shareholders	30	169
Purchases of Treasury Stock	(5,000)	(716)
Payment of Dividends	(3,176)	(3,311)
Payment of Dividends for Minority Shareholders	(28)	(29)
Payment of Lease Debt	(128)	(112)
Net Cash Provided by (used in) Financing Activities	189	3,348
Translation Adjustments on Cash and Cash Equivalents	45	26
Net Increase (Decrease) in Cash and Cash Equivalents	2,165	(657)
Cash and Cash Equivalents at the Beginning of the Period	16,490	18,800
Decreased Cash Equivalents for Unconsolidated Entities	—	(39)
Cash and Cash Equivalents at the End of the Period	18,655	18,103

Business Segment Information

FY2010 First Quarter (April 1, 2009~June 30, 2009)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	37,651	43,474	2,858	3	83,987	(884)	83,102
Operating Income	2,355	686	(1,158)	(163)	1,719	(395)	1,323

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 Income	2,477	598	315	(194)	3,196	(312)	2,883

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.

(amounts are rounded down to the nearest million yen)

Fund Unconsolidated Results for FY2010 First Quarter (April 1, 2009 through June 30, 2009)

※ Percentage are Shown as Year-On-Year Changes

(1) Fund Unconsolidated Financial Results

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2010 First Quarter	83,100	13.3	1,412	(54.1)	998	(74.7)	548	(67.7)
FY2009 First Quarter	73,351	—	3,072	—	3,943	—	1,701	—
FY2009 (Full Year)	334,040	6.5	22,101	(3.9)	21,403	(9.7)	1,195	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2010 First Quarter	7.13	7.12
FY2009 First Quarter	29.44	29.43
FY2009 (Full Year)	(20.93)	—

(2) Fund Unconsolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million yen	Million yen	%	Yen
FY2010 First Quarter	191,155	112,991	55.8	1,888.03
FY2009 First Quarter	215,233	126,978	56.5	2,137.40
FY2009 (Full Year)	215,674	110,656	48.4	1,834.39