

## FY2010 Third 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/>  
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(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Results for FY2010 Third Quarter (April 1, 2009 through December 31, 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 Third Quarter	247,511	8.0	4,511	(58.4)	3,330	(69.8)	1,725	—
FY2009 Third Quarter	229,147	—	10,854	—	11,021	—	(7,269)	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2010 Third Quarter	30.60	30.55
FY2009 Third Quarter	(127.13)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset Per Share
	Million Yen	Million Yen	%	Yen
FY2010 Third Quarter (as of Dec 31, 2009)	193,539	110,792	53.9	1,916.96
FY2009 (Full Year) (Apr 1 2008-March 31, 2009)	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)	—	0.00	—	60.00	60.00
FY2010 (Full Year)	—	0.00	—		
FY2010 (Forecast)				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)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2010 (Full Year)	335,000	0.4	4,000	(81.4)	2,000	(90.4)	1,000	—	17.88

(Note) Revisions to the Forecast of Consolidated Results in the Current Quarter: Yes

#### 4. Other

- (1) Changes Among Significant Subsidiaries during the Quarter (Changes Among Specific Subsidiaries Resulting in Changes in the Scope of Consolidation): None  
New: None  
Elimination: 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 Third Quarter	58,349,642	FY2009	58,349,642
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  - (ii) Number of Treasury Stock at the End of Each Period

FY2010 Third Quarter	3,935,127	FY2009	1,472,149
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  - (iii) Average Number of Shares Issued and Outstanding in Each Period

FY2010 Third Quarter	56,407,217	FY2009 Third Quarter	57,181,526
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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.

## Qualitative Information and Financial Statements

### 1. Qualitative Information about Consolidated Results

#### <Performance Overview>

A brief review of the domestic economic circumstances for the third quarter of FY2010 (October 1, 2009 – December 31) goes as follows. Despite continues an economic moderate recovery as a result from government economic policy, sluggish personal consumption and deteriorating employment conditions and other factors have left no clear picture of sustained recovery. In addition, the Group's corporate customers being small-medium sized enterprises (SMEs) continue to struggle in a difficult market environment.

In this situation, Hikari Tsushin met the challenge of expanding its sales networks, and increasing sales per customer by developing and selling new products in a concentrated effort to increase and sustain revenue from stock commission<sup>1</sup>, one of Hikari Tsushin's key sources of profit growth.

On the other hands, the cost of sales promotion and commission charges for partner has been increased with expanding sales networks. Especially to sell our own products, it costs to pay for sales partners as a lump-sum commission earlier than collecting usage fee from subscribers monthly.

For the three months ended December 31, 2009, the company registered net sales of ¥81,726 million, operating income of ¥568 million, ordinary income of ¥670 million, net income before tax of ¥5 million, and net loss of ¥100 million.

For the nine months ended December 31, 2009, the company registered net sales of ¥247,511 million, operating income of ¥4,511 million, ordinary income of ¥3,330 million, net income before tax of ¥3,141 million, and net income of ¥1,725 million.

	FY2010 Third Quarter (October 1, 2009 - December 31, 2009)	FY2010 Third Quarter (April 1, 2009 - December 31, 2009)	FY2009 Third Quarter (April 1, 2008- December 31, 2008)
Net sales	81,726	247,511	229,147
Operating income	568	4,511	10,854
Ordinary income	670	3,330	11,021
Net income before tax (Loss)	5	3,141	(2,051)
Net income (Loss)	(100)	1,725	(7,269)

#### <Overview by Segments>

##### Corporate Business

Hikari Tsushin Group's corporate business segment engages in the sale of OA equipment, telecommunication line services, enterprise solution services, and mobile advertising sales. The difficult environment for our main customers, SMEs, continues. In this environment, Hikari Tsushin strove to expand its nationwide sales networks and offer customers ways to increase efficiency and reduce costs by offering many kinds of products and services.

This quarter also encouraged Hikari Tsushin to further increase the accumulation of stock commission and expand future sources of revenue. The measures we took are as follows: 1) expanding our principal sales network of sales partners 2) shifting from the lump-sum payment model to the stock model 3) developing supplementary services to complement our core products and focus on acquisitions of supplementary ancillary services.

Corporate business FY2010 3Q (3-month) financial results were: net sales of ¥37,304 million and operating income of ¥65 million.

For the nine months ended December 31, 2009, net sales was ¥110,860 million, and operating income of ¥4,703 million.

<sup>1</sup>Stock commission- income calculated based on subscribers' monthly basic/usage fees over a given time period, received monthly as a handler's fee from carriers, insurance companies.

### **SHOP Business**

Hikari Tsushin's SHOP business mainly sells mobile phones through its nationwide sales channels.

In the mobile phone market, in the midst of longer intervals between phone model changes, we foresee an even greater market expansion of the entire mobile business due to evidence of upward growth in mobile contents/commerce.

Additionally, advances in telecommunications technology, fixed rates for data transfer and the entrance of technology-intensive smart phones have produced almost any kind of mobile-centered service imaginable and is becoming more and more relevant.

Under these circumstances, Hikari Tsushin in addition to its fundamental selling of mobile phones at shops, we also began developing/selling mobile contents.

For the three months ended December 31, 2009, the company registered net sales of ¥42,739 million, operating income of ¥876 million.

For the nine months ended December 31, 2009, the company registered net sales of ¥131,151 million, operating income of ¥2,622 million.

### **Insurance Business**

Hikari Tsushin conducts its insurance business primarily by selling insurance policies to customers using telemarketing at its nationwide call centers.

In the third quarter of FY2010, we continued sales activities for mid-long term strategy while at the same time further strengthening their compliance regimes.

In an effort to repair the profit imbalance of this first quarter, Hikari Tsushin made amendments to its insurance sales call center operator staff but was unable to return the insurance business to a stable platform of profit.

For the three months ended December 31, 2009, the company registered net sales of ¥2,515 million and operating income of ¥244 million.

For the nine months ended December 31, 2009, the company registered net sales of ¥7,952 million, and operating loss of ¥1,222 million.

### **Other Businesses**

From September 29, 2009, Hikari Tsushin Group transferred the managing rights of its Venture Fund (VF) business to SBI Group which includes funds owned by its subsidiary HIKARI Private Equity. As a result, a total of 7 funds will be excluded from consolidation and from now onwards, matters related to the VF business for the 2Q consolidated accounting period will be included in "Other Businesses".

For the three months ended December 31, 2009, the company registered net sales of ¥6 million, with operating loss of ¥18 million.

For the nine months ended December 31, 2009, the company registered net sales of ¥12 million, with operating loss of ¥192 million.

Hikari Tsushin operates the Venture Capital business through the joint venture company with SBI group (SBI-HIKARI P.E Co., Ltd.) from this third quarter.

**Consolidated financial position**

	FY2009	FY2010 Third Quarter	Change
	Million Yen	Million Yen	Million yen
Total Assets	221,091	193,539	(27,551)
Liabilities	104,996	82,747	(22,248)
Net Assets	116,094	110,792	(5,302)

Total Assets ended in ¥193,539 million, down ¥27,551 million due to decreases in Inventories, Trade Notes and Accounts Receivable, Operational investment securities, and also Cash and Bank Deposits.

Liabilities decreased ¥22,248 million and totaled ¥82,747 million. This mainly reflected the decreases in Short-Term Loans Payable and Trade Notes and Accounts Payable.

Net Assets ended in ¥110,792 million, decreased ¥5,302 million due to decrease in Minority Interests and share buy back.

**Consolidated Cash Flows**

	FY2010 Third Quarter	FY2009 Third Quarter
	Million Yen	Million Yen
Cash Flow from Operations	11,996	14,004
Cash Flow from Investment	2,314	(5,023)
Cash Flow from Financial Activities	(11,437)	(9,294)
Cash (and Equivalents) at the End of the Term	19,666	16,130

Cash flow from operations ended in ¥11,996 million, due to decrease the Trade Notes and account receivable.

Cash flow from investment ended in ¥2,314 million, reflecting the marketable securities sale and so on.

Cash flow from financial activities ended in minus ¥11,437 million, as a result of financing using short-term debt and share buy back.

As a result, cash and cash equivalents at the end of the term ended in ¥19,666 million.

## Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2009 (As of March 31, 2009 )	FY2010 Third Quarter (As of Dec 31, 2009 )
	Amount	Amount
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Bank Deposits	18,545	18,695
Trade Notes and Accounts Receivable	66,428	43,286
Marketable securities	—	1,286
Operational Investment Securities	5,915	—
Inventories	15,417	9,926
Deferred Tax Assets	3,309	4,409
Other Current Assets	9,844	12,511
Allowance for Loss on Operational Investment	(859)	—
Allowance for Doubtful Accounts	(308)	(369)
<b>Total Current Assets</b>	<b>118,292</b>	<b>89,747</b>
<b>Fixed Assets</b>		
Property, Plants and Equipments	8,647	7,470
<b>Intangible Assets</b>		
Goodwill	2,343	2,322
Other Intangible Assets	1,095	881
<b>Total Intangible Assets</b>	<b>3,438</b>	<b>3,203</b>
<b>Investments and Other Assets</b>		
Investments Securities	60,159	63,092
Deferred Tax Assets	18,474	17,991
Other Assets	18,319	19,070
Allowance for Doubtful Accounts	(6,242)	(7,035)
<b>Total Investments and Other Assets</b>	<b>90,711</b>	<b>93,118</b>
<b>Total Fixed Assets</b>	<b>102,798</b>	<b>103,792</b>
<b>Total Assets</b>	<b>221,091</b>	<b>193,539</b>

## Quarterly Consolidated Balance Sheets

(Millions of Yen)

	FY2009 (As of Mar 31, 2009 )	FY2010 Third Quarter (As of Dec 31, 2009 )
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade Notes and Accounts Payable	37,158	22,480
Short-Term Loans Payable	19,650	15,559
Account Payable-Other	27,853	23,542
Income Tax Payable	7,298	994
Accrued Bonuses	918	620
Accrued Bonuses for Directors and Auditors	59	103
Other Current Liabilities	8,137	15,917
<b>Total Current Liabilities</b>	<b>101,076</b>	<b>79,219</b>
<b>Fixed Liabilities</b>		
Allowance for Retirement Benefits for Directors and Auditors	153	162
Deferred Tax Liabilities	499	424
Other Fixed Liabilities	3,267	2,941
<b>Total Fixed Liabilities</b>	<b>3,919</b>	<b>3,528</b>
<b>Total Liabilities</b>	<b>104,996</b>	<b>82,747</b>
<b>Net Assets</b>		
<b>Shareholders Equity</b>		
Capital	54,259	54,259
Additional Paid-In Capital	25,293	25,293
Retained Earnings	37,301	35,701
Treasury Stock	(5,675)	(9,875)
<b>Total Shareholders Equity</b>	<b>111,179</b>	<b>105,379</b>
<b>Valuation and Translation Differences</b>		
Net Unrealized Holding Gains on Securities	(6,723)	(1,053)
Foreign Currency Translation Adjustment	(6)	(14)
<b>Total Valuation and Translation Differences</b>	<b>(6,730)</b>	<b>(1,068)</b>
Share Warrants	812	1,021
Minority Interests	10,833	5,459
<b>Total Net Assets</b>	<b>116,094</b>	<b>110,792</b>
<b>Total Liabilities and Net Assets</b>	<b>221,091</b>	<b>193,539</b>

## Quarterly Consolidated statements of Income

	FY2009 Third Quarter (Apr 1, 2008~Dec 31, 2008)	FY2010 Third Quarter (Apr 1, 2009~Dec 31,2009)
	Amount	Amount
Net Sales	229,147	247,511
Cost of Sales	120,480	136,137
Gross Profit	108,667	111,373
Selling General and Administrative Expenses	97,812	106,862
Operating Income	10,854	4,511
Non-Operating Income		
Interest Income	134	168
Dividend Income	1,295	372
Gain on Sale of Investment Securities	—	128
Amortization of Negative Goodwill	252	252
Other Non-Operating Income	577	517
Total Non-Operating Income	2,260	1,440
Non-Operating Expense		
Interest Expenses	350	272
Loss on Sales of Investment Securities	53	—
Equity in Net Losses of Affiliates	806	1,127
Provision for Doubtful Accounts	187	219
Loss on Sales of Securities	—	386
Other Non-Operating Expenses	695	615
Total Non-Operating Expenses	2,093	2,620
Ordinary Income	11,021	3,330
Extraordinary Income		
Gain on Sales of Investment Securities	101	102
Gain on Sales of Shares of Subsidiaries	67	180
Reversal of Doubtful Accounts	248	104
Reversal of Accrued Bonuses	88	105
Gain on Transferred of Venture Fund	—	2,044
Penalty Charges	173	—
Total Extraordinary Income	680	2,537
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	537	376
Impairment Loss on Investment Securities	13,215	310
Loss on Sales of Investment Securities	—	1,303
Loss on Sale of Shares of Subsidiaries	—	10
Impairment Loss	—	640
Loss on Business Liquidations	—	84
Total Extraordinary Losses	13,752	2,725
Net Income Before Tax	(2,051)	3,141
Income and Enterprise Taxes	4,188	2,680
Deferred Income Taxes	1,615	(704)
Total Income Taxes	5,803	1,976
Minority Interests	(585)	(560)
Net Income	(7,269)	1,725

Quarterly Consolidated Income Statement

	FY2009 Third Quarter (Oct 1, 2008~Dec 31, 2008)	FY2010 Third Quarter (Oct 1, 2009~Dec 31,2009)
	Amount	Amount
Net Sales	73,582	81,726
Cost of Sales	37,559	45,044
Gross Profit	36,022	36,681
Selling General and Administrative Expenses	33,059	36,113
Operating Income	2,962	568
Non-Operating Income		
Interest Income	46	61
Dividend Income	483	170
Gain on Sales of Investment Securities	—	90
Amortization of Negative Goodwill	96	84
Other Non-Operating Income	175	198
Total Non-Operating Income	802	606
Non-Operating Expense		
Interest Expenses	121	59
Loss on Sales of Investment Securities	244	—
Equity in Net Losses of Affiliates	377	211
Provision for Doubtful Accounts	17	42
Other Non-Operating Expenses	405	190
Total Non-Operating Expenses	1,165	503
Ordinary Income	2,599	670
Extraordinary Income		
Gain on Sales of Investment Securities	101	19
Gain on Sales of Shares of Subsidiaries	38	11
Reversal of Doubtful Accounts	66	13
Reversal of Accrued Bonuses	—	5
Gain on Transferred of Venture Fund	—	155
Total Extraordinary Income	206	204
Extraordinary Losses		
Loss on Disposal and Sale of Fixed Assets	85	88
Impairment Loss on Investment Securities	2,520	130
Loss on Sales of Investment Securities	—	519
Loss on Sale of Shares of Subsidiaries	—	0
Impairment Loss	—	45
Loss on Business Liquidations	—	84
Total Extraordinary Losses	2,605	870
Net Income Before Tax	200	5
Income and Enterprise Taxes	1,566	774
Deferred Income Taxes	368	(717)
Total Income Taxes	1,934	57
Minority Interests	(350)	48
Net Income	(1,384)	(100)

## Consolidated Statements of Cash Flow

(Millions of Yen)

	FY2009 Third Quarter (Apr 1, 2008 ~ Dec 31, 2008)	FY2010 Third Quarter (Apr 1, 2009 ~ Dec 31, 2009)
	Amount	Amount
Cash Flow from Operating activities		
Net Income Before Tax	(2,051)	3,141
Depreciation and Amortization	1,783	1,523
Amortization of Goodwill	166	386
Increase (Decrease) in Allowance for Doubtful Accounts	1,019	872
Increase (Decrease) in Allowance for Operational Investment	(0)	(84)
Interest and Dividends Income	(1,429)	(541)
Interest Expenses	350	272
Loss (Gain) on Sales of Investment Securities	(48)	1,072
Impairment Loss (Gain) on Investment Securities	13,215	310
Equity in Net Losses (Gain) of Affiliates	806	1,127
Loss (Gain) on Sale and Disposal of Property, Equipment and Intangible Assets	537	375
Impairment Loss	—	640
Gain on Transferred of Venture Fund	—	(2,044)
Increase (Decrease) in Notes and Accounts Receivable-Trade	16,233	23,429
Increase (Decrease) in Inventories	4,772	5,497
Increase (Decrease) in Operational Investment in Securities	(409)	92
Increase (Decrease) in Notes and Accounts Payable-Trade	(9,550)	(14,749)
Increase (Decrease) in Accounts Payable-Other	(3,144)	(4,424)
Other Cash Flow from Operating Activities	(3,024)	(2,634)
Subtotal	19,226	14,264
Interest and Dividends Received	1,436	587
Interest Paid	(291)	(241)
Income Taxes Paid	(10,280)	(11,204)
Income Taxes Refunded	3,914	8,591
Net Cash provided by Operating Activities	14,004	11,996

## Consolidated Statement of Cash Flow

(Millions of Yen)

	FY2009 Third Quarter (Apr 1, 2008~ Dec 31, 2008)	FY2010 Third Quarter (Apr 1, 2009~ Dec 31, 2009)
	Amount	Amount
Cash Flow from Investing activities		
Purchases of Property, Equipment and Intangible Assets	(1,743)	(1,160)
Purchases of Investment Securities	(6,542)	(14,764)
Proceeds from Sale of Investment Securities	5,100	16,666
Purchases from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	(731)	(298)
Proceeds from Acquirement of Shares in Subsidiaries resulting in Change of Consolidation	106	109
Proceeds from Sale of Shares in Subsidiaries Resulting in Change of Consolidation	614	495
Expenditure for Sale of Shares in Subsidiaries Resulting in Change of Consolidation	(289)	(765)
Gain on Transferred of Venture Fund	—	2,789
Increase in Loans Receivable	(3,193)	(2,132)
Decrease in Loans Receivable	1,662	1,712
Other Investment Activities	(8)	(337)
Net Cash Provided by (used in) Investing activities	(5,023)	2,314
Cash Flow from Financing Activities		
Increases (Decreases) in Short-Term Loan	(1,724)	(4,446)
Income from Long-Term Loans	—	234
Payment of Long-Term Debt	(29)	(8)
Proceeds from Issuance of Corporate Bonds	—	350
Proceeds from Issuance of Common Stock	181	—
Proceeds from Sale of Common Stock Subsidiaries to Minority Shareholders	212	486
Purchases of Treasury Stock	(5,000)	(4,200)
Payment of Dividends	(3,469)	(3,407)
Payment of Dividends for Minority Shareholders	(319)	(136)
Payment of Lease Debt	(375)	(309)
Proceeds from sales and leaseback transactions	1,230	—
Net Cash Provided by (used in) Financing Activities	(9,294)	(11,437)
Translation Adjustments on Cash and Cash Equivalents	(46)	50
Net Increase (Decrease) in Cash and Cash Equivalents	(359)	2,923
Cash and Cash Equivalents at the Beginning of the Period	16,490	18,800
Decreased Cash Equivalents for Unconsolidated Entities	—	(2,057)
Cash and Cash Equivalents at the End of the Period	16,130	19,666

## Business Segment Information

FY2010 Third Quarter (Apr 1, 2009~Dec 31, 2009)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	110,860	131,151	7,952	12	249,977	(2,466)	247,511
Operating Income	4,703	2,622	(1,222)	(192)	5,910	(1,398)	4,511

FY2009 Third Quarter (Apr 1, 2008~Dec 31, 2008)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	100,405	120,139	10,888	27	231,460	(2,312)	229,147
Operating Income	8,797	1,724	1,439	(446)	11,514	(660)	10,854

## 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.