

FY2010 Consolidated Financial Results

Company Name : Hikari Tsushin Inc.
 Stock Exchanges on which the Shares are listed : Tokyo Stock Exchange - First Section
 Code Number : 9435
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(Amounts are rounded down to the nearest million yen)

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

(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	349,097	4.6	3,847	(82.1)	2,817	(86.5)	755	—
FY2009	333,663	6.2	21,464	(6.4)	20,902	(11.1)	(1,002)	—

	Net income per share	Diluted net income per share	ROE	ROA	Operating income/Net sales
	Yen	Yen	%	%	%
FY2010	13.51	13.40	0.7	1.3	1.1
FY2009	(17.55)	—	—	9.3	6.4

*1 ROA: Ordinary income/Total assets×100

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2010	217,552	114,046	49.2	1,967.93
FY2009	221,091	116,094	47.2	1,836.39

(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
FY2010	6,688	4,785	(8,357)	19,651
FY2009	16,587	1,645	(15,874)	18,800

2. Cash Dividends

	Dividends per share					Total dividend amount (full-year)	Payout ratio (Consolidated)	Ratio of dividend to net assets (consolidated)
	(Record date)	1Q	2Q	3Q	Year-end			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2009	—	0.00	—	60.00	60.00	3,412	—	3.0
FY2010	—	0.00	—	60.00	60.00	3,264	444.0	3.2
FY2011 (forecast)	—	0.00	—	60.00	60.00		108.8	

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
First half	170,000	2.5	(2,000)	—	(2,000)	—	(2,000)	—	(36.75)
Full year	370,000	6.0	5,000	30.0	5,000	77.5	3,000	297.1	55.13

4. Others

- (1) Changes among significant subsidiaries during FY2010 (Changes among specific subsidiaries resulting in changes in the scope of consolidation) : Yes
 New: 1 (Company name: Frontier Co.,Ltd)
 Exclude: 1 (Company name; Japan Spread PartnersIII Investment Union)
- (2) Changes in principles and practices in the preparation of the consolidated financial statements, or method of presentation (Items to be listed under changes in the basis of presentation of consolidated financial statements)
 1. Changes arising from revision of accounting standards: None
 2. Other changes: None
- (3) Number of shares issued and outstanding (common stock)
 1. Number of shares issued and outstanding at the end of each fiscal year (including treasury stocks)
 - FY2010 58,349,642 shares
 - FY2009 58,349,642 shares
 2. Number of shares of treasury stock at the end of each fiscal year
 - FY2010 3,935,167 shares
 - FY2009 1,472,149 shares

Reference: Non-consolidated results

1. Non-consolidated results for FY2010 (April 1, 2009 through March 31, 2010)

(1)Non-consolidated financial results (Amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2010	14,689	(12.3)	4,663	(43.4)	14,346	(58.0)	11,739	(6.8)
FY2009	16,754	16.4	8,234	28.5	34,150	173.0	12,594	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY2010	209.95	209.95
FY2009	220.54	220.53

(2)Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2010	148,100	102,528	68.6	1,867.32
FY2009	164,824	88,557	53.3	1,544.72

Note: Explanation concerning appropriate use of the earning forecast, and other matters to note

Earning forecasts contained in these documents and other forward-looking statements are forecast based on the Company's own judgment supported by currently available information. Accordingly, it is possible that, owing to various factors, actual future performance will differ substantially from the forecasts. For the notes on the assumptions on which these forecasts are premised and on the use of results forecast, please see the Analysis of Business Results section on page 4.

Qualitative Information and Financial Statements

1. Qualitative Information about Consolidated Results

<Performance Overview>

	FY2009 (April 1, 2008 - March 31, 2009)	FY2010 (April 1, 2009 - March 31, 2010)	Increase (decrease)	Increase(decrease) (%)
Net sales	333,663	349,097	15,433	4.6
Operating income	21,464	3,847	(17,617)	(82.1)
Ordinary income	20,902	2,817	(18,085)	(86.5)
Net income before tax (Loss)	8,225	2,504	(5,720)	(69.6)
Net income (Loss)	(1,002)	755	1,757	—

1. Operating Results

(1) Analysis about Operating Results

<Performance Overview>

A brief review of the domestic economic circumstances for FY2010 (April 1, 2009 – March 31, 2010) goes as follows. There are indications that business will partly recover. Especially, for the latter half of the business year, export to Asia (mainly to China) has been active, and as a result, the domestic yields have partly increased. On the other hand, the future prospects are unclear since severe employment circumstances and the progress of deflation lower individual consumption. 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, 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 business year ended March 31, 2010, the company registered net sales of ¥349,097 million (up to 4.6% Y-o-Y), operating income of ¥3,847 million (down to 82.1% Y-o-Y), ordinary income of ¥2,817 million (down to 86.5% Y-o-Y), net income before tax of ¥2,504 million, and net income of ¥ 755 million.

<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 year encouraged Hikari Tsushin to further increase the accumulation of stock commission¹ 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 financial results were: net sales of ¥153,543 million and operating income of ¥1,540 million.

¹ 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 business year ended March 31, 2010, the company registered net sales of ¥188,429 million, operating income of ¥5,416 million.

Insurance Business

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

In FY2010, when protection of consumers has been socially required, Hikari Tsushin, which deals with financial instruments, was in business under the more strict sales rules than ever and furthermore employed a large number of recruits and other labor to expand business. However, the result was a drastic decrease of productivity per individual, partly because of the social circumstances. 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 business year ended March 31, 2010, the company registered net sales of ¥10,241 million, operating loss of ¥905 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 business year ended March 31, 2010, the company registered net sales of ¥15 million, with operating loss of ¥222 million.

Consolidated financial position

	FY2009	FY2010	Change
	Million Yen	Million Yen	Million yen
Total Assets	221,091	217,552	(3,539)
Liabilities	104,996	103,505	(1,491)
Net Assets	116,094	114,046	(2,048)

Total Assets ended in ¥217,552 million, down ¥3,539 million due to decreases in Inventories, Trade Notes and Accounts Receivable, Operational investment securities.

Liabilities decreased ¥1,491 million and totaled ¥103,505 million. This mainly reflected the decreases in Trade Notes and Accounts Payable.

Net Assets ended in ¥114,046 million, decreased ¥2,048 million due to decrease in Minority Interests and share by buck.

Consolidated Cash Flows

	FY2009	FY2010	Change
	Million Yen	Million Yen	Million Yen
Cash Flow from Operations	16,587	6,688	(9,898)
Cash Flow from Investment	1,645	4,785	3,140
Cash Flow from Financial Activities	(15,874)	(8,537)	7,516
Cash (and Equivalents) at the End of the Term	18,800	19,651	850

Cash flow from operations ended in ¥6,688 million, due to revenue in operating activity and decreases the inventories.

Cash flow from investment ended in ¥4,785 million, reflecting the marketable securities sale and so on.

Cash flow from financial activities ended in minus ¥8,357 million, as a result of share buy back.

As a result, cash and cash equivalents at the end of the term ended in ¥19,651 million.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	FY2009 (As of March 31, 2009)	FY2010 (As of Mar 31, 2010)
Assets	Amount	Amount
Current Assets		
Cash and Bank Deposits	18,545	18,672
Trade Notes and Accounts Receivable	66,428	57,210
Marketable securities	—	1,937
Operational Investment Securities	5,915	—
Account receivable other	2,982	5,910
Inventories	15,417	10,050
Deferred Tax Assets	3,309	2,158
Other Current Assets	6,861	10,671
Allowance for Loss on Operational Investment	(859)	—
Allowance for Doubtful Accounts	(308)	(356)
Total Current Assets	118,292	106,255
Fixed Assets		
Property, Plants and Equipments		
Building and structure	6,678	6,762
Accumulated depreciation	(2,534)	(2,651)
Building and structure	4,144	4,110
Machinery and Vehicles	23	22
Accumulated depreciation	(17)	(17)
Machinery and Vehicles	5	5
Tools and Equipment	4,714	3,724
Accumulated depreciation	(3,326)	(2,810)
Tools and Equipment	1,388	913
Land	2,153	2,647
Lease Assets	1,116	934
Accumulated depreciation	(160)	(462)
Lease Assets	955	472
Total property, plants and equipments	8,647	8,149
Intangible Assets		
Goodwill	2,343	3,978
Other Intangible Assets	1,095	810
Total Intangible Assets	3,438	4,788
Investments and Other Assets		
Investments Securities	60,159	66,429
Long-term loans receivable	4,464	6,339
Lease Deposits	6,058	5,758
Bankrupt credits	1,602	1,577
Deferred Tax Assets	18,474	17,862
Other Assets	6,194	7,887
Allowance for Doubtful Accounts	(6,242)	(7,494)
Total Investments and Other Assets	90,711	98,359
Total Fixed Assets	102,798	111,297
Total Assets	221,091	217,552

	FY2009 (As of March 31, 2009)	FY2010 (As of Mar 31, 2010)
	Amount	Amount
Liabilities		
Current liabilities		
Trade note and account payable	37,158	26,046
Short-term loan payable	19,650	19,793
Current portion of bonds	—	456
Account payable-other	27,853	33,849
Income tax payable	7,298	1,813
Advances received	2,285	—
Deposits	—	11,104
Accrued bonuses	918	926
Accrued bonuses for directors and auditors	59	40
Other current liabilities	5,852	4,297
Total current liabilities	101,076	98,328
Fixed liabilities		
Long-term loans payable	1	—
Allowance for retirement benefits for directors and auditors	153	165
Bonds	—	995
Deferred tax liabilities	499	9
Other fixed liabilities	3,265	4,005
Total fixed liabilities	3,919	5,176
Total liabilities	104,996	103,505
Net assets		
Shareholders equity		
Capital	54,259	54,259
Additional paid-in capital	25,293	25,293
Retained earning	37,301	34,721
Treasury stock	(5,675)	(9,875)
Total shareholders equity	111,179	104,399
Valuation and translation differences		
Net unrealized holding gain on securities	(6,723)	2,698
Foreign currency translation adjustment	(6)	(14)
Total valuation and translation differences	(6,730)	2,684
Share warrants	812	1,089
Minority interests	10,833	5,873
Total net assets	116,094	114,046
Total liabilities and net assets	221,091	217,552

Consolidated Income Statement

	FY2009 (As of March 31, 2009)	FY2010 (As of Mar 31, 2010)
	Amount	Amount
Net Sales	333,663	349,097
Cost of sales	173,824	190,589
Gross profit	159,839	158,508
Selling general and administrative expenses	138,374	154,660
Operating income	21,464	3,847
Non-operating income		
Interest income	175	241
Dividend income	1,328	453
Gain on sale of investment securities	-	250
Amortization of negative goodwill	340	341
Other non-operating income	800	806
Total non-operating income	2,646	2,093
Non-operating expense		
Interest expense	454	320
Loss on sales of Investment Securities	875	1,399
Equity in net losses of affiliates	137	144
Provision for doubtful accounts	791	279
Loss on sales of securities fee paid	-	386
Fee paid	60	83
Other non-operating expense	888	508
Total non-operating expense	3,207	3,123
Ordinary income	20,902	2,817
Extraordinary income		
Gain on sale of shares of subsidiary	309	2,700
Gain on sale of shares of subsidiary	7,204	1,172
Reversal of doubtful account	269	118
Reversal accrued bonuses	85	106
Reversal for contingent loss	20	-
Gain on transferred of venture fund	-	2,264
Penalty charges	173	-
Total extraordinary income	8,061	6,363
Extraordinary losses		
Loss on disposal and sale of fixed assets	752	443
Impairment loss on investment securities	2,262	2,992
Loss on sales of investment securities	17,723	1,309
Loss on sales of shares of subsidiaries	-	117
Impairment loss	-	880
Loss on business liquidations	-	812
Loss on cancellation of contract of buildings	-	121
Total extraordinary losses	20,738	6,676
Net income before tax	8,225	2,504
Income and enterprise taxes	10,614	2,046
Deferred income taxes	(1,121)	304
Total income taxes	9,492	1,742
Minority interests	(264)	6
Net income	(1,002)	755

Consolidated Statement of Cash flow

(Millions of yen)

	FY2009 (April 1, 2008 ~ March 31, 2009)	FY2010 (April 1, 2009 ~ March 31, 2010)
	Amount	Amount
Cash Flow from Operating activities		
Net Income Before Tax	8,225	2,504
Depreciation and Amortization	2,428	1,999
Amortization of Goodwill	294	499
Increase in Allowance for Doubtful Accounts	1,877	1,287
Decrease in Allowance for Operational Investment	152	(84)
Interest and Dividends Income	(1,504)	(694)
Interest Expenses	454	320
Loss on sale of share of subsidiary	(7,204)	(1,055)
Loss (Gain) on Sales of Investment Securities	17,540	(1,641)
Impairment loss on investment securities	2,262	2,992
Loss (Gain) on investment in VC funds	137	144
Equity in Net Losses (Gain) of Affiliates	875	1,399
Loss on Business Transfer	—	(2,264)
Impairment Loss	—	880
Loss on Business Liquidation	—	812
Loss on cancellation of contract of buildings	—	121
Loss (Gain) on Sale and Disposal of Property, Equipment and Intangible Assets	(9,784)	10,493
Increase (Decrease) in Notes and Accounts Receivable- Trade	(1,412)	5,594
Increase (Decrease) in Inventories	(373)	116
Increase (Decrease) in Operational Investment in Securities	(599)	(2,727)
Increase (Decrease) in account receivable-other	7,139	(11,717)
Increase (Decrease) in Notes and Accounts Payable-Trade	3,672	4,300
Increase (Decrease) in Advances	(2,651)	(1,325)
Increase (Decrease) in other current assets	(1,336)	(1,212)
Increase (Decrease) in other current liabilities	259	(587)
Other Cash Flow from Operating Activities	490	173
Subtotal	21,696	10,773
Interest and dividends received	1,509	915
Interest paid	(481)	(309)
Income taxes paid	(10,531)	(13,470)
Income taxes refunded	4,376	8,778
Net cash provided by operating activities	16,587	6,688

Consolidated Statement of Cash flow

(Millions of yen)

	FY2009 (April 1, 2008 ~ March 31, 2009)	FY2010 (April 1, 2009 ~ March 31, 2010)
	Amount	Amount
Investing activities		
Purchases of property, equipment and intangible assets	(1,963)	(1,409)
Proceeds from sale of property, equipment and intangible assets	129	123
Income from business transfer	—	3,169
Purchases of investment securities	(11,264)	(18,452)
Proceeds from sale of investment securities	8,854	22,864
Purchase of shares in subsidiaries	(45)	(372)
Proceeds from sale of shares in subsidiaries	7,502	79
Purchase from acquirement of shares in subsidiaries resulting in change of consolidation	(794)	(298)
Proceeds from acquirement of shares in subsidiaries resulting in change of consolidation	106	753
Proceeds from sale of shares in subsidiaries resulting in change of consolidation	614	1,200
Expenditure for sale of shares in subsidiaries resulting in change of consolidation	(290)	(1,009)
Increase in loans receivable	(3,709)	(4,262)
Decrease in loans receivable	2,231	2,459
Increase in lease deposit	(741)	(369)
Decrease in lease deposit	865	715
Other investing activities	148	(405)
Net cash provided by (used in) investing activities	1,645	4,785
Financing activities		
Increase (decrease) in short-term loan	1,776	(1,426)
Proceeds from long-term debt	—	234
Payment of long-term debt	(54)	(18)
Proceeds from issuance of bonds	—	680
Redemption of bonds	(10,000)	—
Proceeds from issuance of common stock	181	—
Proceeds from sale of common stock subsidiaries to minority shareholders	380	486
Purchases of treasury stock	(5,000)	(4,200)
Payment of dividends	(3,471)	(3,411)
Payment of dividends for minority shareholders	(361)	(239)
Payment of lease debt	(554)	(464)
Proceeds from sales and lease back	1,230	—
Net cash provided by (used in) financing activities	(15,874)	(8,357)
Translation adjustments on cash and cash equivalents	(47)	78
Net increase (decrease) in cash and cash equivalents	2,310	3,194
Cash and cash equivalents at beginning of the period	16,490	18,800
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(2,344)
Cash and cash equivalents at end of the period	18,800	19,651

Business Segment Information

FY2010 (Apr 1, 2009~Mar 31, 2010)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	153,543	188,429	10,241	15	352,229	(3,132)	349,097
Operating Income	1,540	5,416	(905)	(222)	5,829	(1,981)	3,847

FY2009 (Apr 1, 2008~Mar 31, 2009)

(Millions of Yen)

	Corporate Business	SHOP Business	Insurance Business	Venture Fund Business	Combined Total	Elimination or Corporate	Consolidated
Net Sales	151,215	169,402	16,713	15	337,348	(3,684)	333,663
Operating Income	14,356	4,848	3,953	(729)	22,429	(965)	21,464

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.