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Company name: Honyaku Center Inc.
Representative: Shunichiro Ninomiya, President
(Code: 2483 JASDAQ Standard)
Contact: Masashi Uotani, Administrative and Accounts Director
(TEL) 06-6282-5013

Announcement of Upward Revision of Earnings Forecast and Recording of Extraordinary Losses

Honyaku Center Inc. (the "Company") announces that it has revised the full-year forecast of consolidated results for the fiscal year ending March 31, 2021, which was released on August 11, 2020, and recorded extraordinary losses for the nine-month period ended December 31, 2020, as shown below.

1. Earnings Forecast Revision

(1) Consolidated Earnings Forecast for the Fiscal Year Ending March 2021 (from April 1, 2020 to March 31, 2021)

	Net sales	Operating income	Ordinary income	Net income attributable to the parent company's shareholders	Net income per share
	million yen	million yen	million yen	million yen	yen
Previous forecast (A)	9,300	170	150	30	9.02
Current forecast (B)	9,600	300	340	30	9.02
Amount increase (decrease) (B) - (A)	300	130	190	-	
% increase (decrease)	3.2	76.4	126.6	-	
(Reference) Results for the previous fiscal year ended March 2020	11,550	813	822	304	91.82

(2) Reason for the revision

In the Translation Business, the core business of the Group, all fields except for the Medical field had seen weak orders affected by sluggish business activities due to the expansion of remote work implemented by customer companies as well as weakening business confidence mainly in the manufacturing industry because of the effect of the spread of the novel coronavirus disease (COVID-19). Amid restricted business activities, the Company made strenuous efforts in respect of online sales activities and webinars to create opportunities to win orders. As a result, orders, while varying among different fields, have been recovering, and both net sales and income are expected to exceed the initial forecast.

The Interpretation Business and the Convention Business have been facing tough times due to the cancellation and postponement of international conferences, seminars and symposiums, and various exhibitions as measures to prevent the spread of COVID-19; however, the efforts for introducing simultaneous interpretation booths that allow for the delivery of non-face-to-face interpretation services and proposals for implementing conferences online have panned out. Accordingly, actual projects have been increasing gradually, and orders are recovering.

Therefore, the Company's earnings forecast for the fiscal year under review is expected to exceed the one previously released in terms of net sales, operating income and ordinary income. The annual dividend payment for the fiscal year will remain the same.

2. Extraordinary losses

The Company decided at the board of directors meeting held today that the goodwill recognized upon the acquisition of Media Research Inc. ("Media Research"), a consolidated subsidiary of the Company, would be recorded as extraordinary losses of 192 million yen for the third quarter of the fiscal year ending March 2021.

Media Research started as an IT consulting firm, and now its business operation is centered on the translation business. The company was among the first in the translation industry to launch a machine translation business and has expertise in evaluating machine translation output and developing data for machine learning, which the company has cultivated through its long-term experience.

The Group made Media Research a subsidiary of the Group through acquisition in November 2017, aiming for the expansion and improvement of the Group's knowledge of machine translation, customer base and resources. The Group had promoted cooperation within the Group, such as collaborating in a project for the development of industry-specific machine translation models as well as working on strengthening the earning power of the company. However, the company's business environment turned harsh as the sluggish business activities of public institutions and private companies, the main customers of the company, and softening demand caused by the cancellation and postponement of educational training due to the effect of COVID-19 spread. Furthermore, in January 2020, another state of emergency was declared in some parts of Japan, which increased the uncertainty about the business environment.

Although the company's orders are on a recovery trend compared with before, the deviation from the business plan at the time of the acquisition has been widening; thus, the excess earning power projected in the beginning is no longer expected. For this reason, the Group decided to record impairment loss on goodwill in the third quarter of the current fiscal year ending March 2021.

Going forward, the Group will endeavor to create synergy across the Group companies and improve corporate value while integrating the management resources.

(Note) The forecast above is based on information available as of the date of this announcement. In addition, actual financial results may significantly differ due to various factors.