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Notice Concerning Formulation of Medium-Term Management Plan

The Honyaku Center Group has formulated a three-year Medium-Term Management Plan for the period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025.

1. Background to formulation of Medium-Term Management Plan

Under the previous Medium-Term Management Plan, the final year of which was the fiscal year ended March 31, 2021, the Honyaku Center Group set the strategic utilization of machine translation as one of its priority measures, based on the management vision of being a “language concierge that connects all companies to the world,” and has worked toward establishing an environment to accumulate and manage language assets that will support the Group’s competitiveness in the medium-to-long term.

Specifically, the Group provided services that combine manual translation skills and expertise with machine translation technology, such as the development and sale of the field-specific machine translation service “pharmaceutical model,” and had been making steady progress on the priority measures. However, the effects of the novel coronavirus (COVID-19) pandemic temporarily dampened demand for the Group, and, as a result, the Group’s performance targets were not achieved.

The business environment of the Group has been changing significantly due to work-style changes and the advancement of digital technology, and the Group recognizes that it is necessary to develop a medium-to-long term strategy that appropriately captures changes in society.

Amid the expectation that foreign language needs will grow when companies’ globalization is accelerated, the Group formulated a three-year Medium-Term Management Plan that starts in the fiscal year ending March 31, 2023, taking into account achievements and challenges from the previous Medium-Term Management Plan and changes in the management environment.

2. Basic policy of the Medium-Term Management Plan

The Group will continue to work toward the management vision of a “language concierge that connects all companies to the world” and carry out the basic policy and priority measures indicated below in an aim to be a company that offers high added value and responds to the increasingly diverse and sophisticated needs of customers.

[Basic policy]

The Group will establish models utilizing language assets that are optimized for different types of industries and documents, increase its presence in the target markets, and achieve its sustainable growth while responding to changes in the business environment and the advancement of digitalization.

3. Priority measures under the Medium-Term Management Plan

The following three priority measures will be pursued in the period of the Medium-Term Management Plan.

(1) Building a mechanism to collect documents

- Cultivate new domains of specialization from the perspective of document type
- Build systems to increase customer experience value and collect translation projects

By collecting translation source documents within the Group, the Group will widen the range of its utilization of language assets such as corpora and glossaries, and improve customers’ translation

environment. To collect documents, the Group will optimize translation services by type of document developed within customer companies in order to cultivate new domains of specialization.

In addition, the Group will enhance services for processes before and after translation, such as developing documents and using translated materials in order to develop a system to meet a wide range of customer needs.

(2) Establishing models to utilize language assets by document type

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| <ul style="list-style-type: none"> - Improve MT (machine translation) accuracy through developing models by document type - Improve productivity by process improvement |
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Under the previous Medium-Term Management Plan, the Group focused on the development of field-specific machine translation mainly for English. Going forward, the Group will work on developing machine translation models by document type, customer and project as well as expanding the scope of application of machine translation to more languages, and aim to achieve higher accuracy of machine translation.

Furthermore, amid the accelerated digitalization of translation processes, the Group will adapt to such changes in the environment and improve not only the translation processes but also the overall production process with an aim to further improve productivity.

(3) Developing a management foundation to support work-style reforms and business transformation

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| <ul style="list-style-type: none"> - Build a labor environment and workplace adapted to the new normal, including work-style reforms - Developing a management foundation that supports active investments in human resources for IT and technology, and business transformation |
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The group will aim to create a labor environment and workplace that is adapted to changes in the environment, including work-style reforms. Moreover, the Group will actively secure talent with high digitalization literacy and make active investments in IT technology in a bid to promote the utilization of IT technology for business activities, and strengthen the management foundation that supports business transformation.

4. Consolidated operating performance targets

	Results for the fiscal year ended March 31, 2022		Results for the fiscal year ending March 31, 2025
Net sales	10,337 million yen	➔	12,100 million yen
Operating income	811 million yen		1,100 million yen
Net income	573 million yen		750 million yen
Management indicators	Operating margin		9%
	ROE		12%

(Note) Operating performance forecasts and other forward-looking statements indicated above are expectations and projections based on information available at the time of the preparation of this document and include uncertain elements. Actual financial results may differ from forecasts due to changes in operating conditions and other factors.