Financial Results for the Fiscal Year Ended March 31, 2016 [Japan GAAP] (Consolidated)

May 12, 2016

Company Name:	Honyaku Center Inc.		Exchange listed on:		Tokyo
Security Code:	2483	URL:	http://www.honyakuctr.com		
Representative:	(Title)	President	(Name)	Ikuo Higashi	
Contact:	(Title)	Director; General Manager, Administrative Division	(Name)	Hiroshi Nakamoto	(TEL) 06-6282-5013

Scheduled date of Annual Meeting of Shareholders:	June 28, 2016
Scheduled commencement date of dividends payment:	June 29, 2016
Scheduled filing date of the securities report:	June 29, 2016
Supplementary materials for financial results:	None
Financial results briefing:	Yes (for analysts only)

(Amounts rounded down to the nearest millions of yen.)

1. Consolidated Financial Results for the Fiscal Year Ended March 2016 (From April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results

(Percent represents comparison changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to parent company shareholders	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal Year Ended March 2016	9,178	(0.1)	534	5.9	534	6.3	430	52.0
Fiscal Year Ended March 2015	9,191	4.7	504	38.5	502	39.6	283	58.1

(Note) Comprehensive income: Fiscal Year Ended March 2016 427 million yen (41.0%)
Fiscal Year Ended March 2015 302 million yen (47.1%)

	Profit per share	Profit per share – diluted	Profit to shareholders equity	Ordinary income to assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal Year Ended March 2016	255.48	–	14.4	11.6	5.8
Fiscal Year Ended March 2015	168.00	–	10.4	11.7	5.4

(Reference) Equity method investment gain (loss): Fiscal Year Ended March 2016 (3) million yen
Fiscal Year Ended March 2015 – million yen

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal Year Ended March 2016	4,657	3,126	67.1	1,855.74
Fiscal Year Ended March 2015	4,501	2,815	62.5	1,671.18

(Reference) Shareholders' equity: Fiscal Year Ended March 2016 3,126 million yen
Fiscal Year Ended March 2015 2,815 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal Year Ended March 2016	147	130	(96)	2,039
Fiscal Year Ended March 2015	399	79	(92)	1,923

2. Dividends

	Annual dividends					Total amount of annual dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	End of the year	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal Year Ended March 2015	–	0.00	–	48.00	48.00	80	28.5	2.9
Fiscal Year Ended March 2016	–	0.00	–	53.00	53.00	89	20.7	3.0
Fiscal Year Ending March 2017 (forecast)	–	0.00	–	55.00	55.00		23.1	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 2017 (from April 1, 2016 to March 31, 2017)

(Percentage represents changes from the previous year for Full year, and on YoY basis for Quarterly results.)

	Net sales		Operating income		Ordinary income		Profit attributable to parent company shareholders		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Q2 (cumulative)	4,600	7.9	180	33.8	180	41.7	110	78.3	65.30
Full year	9,600	4.5	620	15.9	620	16.0	400	(7.0)	237.45

*NOTES

(1) Changes in major subsidiaries during the fiscal year under review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None

Newly consolidated: – company (companies) (company name)

Excluded: – company (companies) (company name)

(2) Change in accounting policies or estimates and retrospective restatements

1) Change in accounting policies in accordance with revision of accounting standards: Yes

2) Change in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(3) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)	Fiscal Year Ended March 2016	1,684,500 shares	Fiscal Year Ended March 2015	1,684,500 shares
2) Number of shares of treasury shares at the end of the period	Fiscal Year Ended March 2016	– shares	Fiscal Year Ended March 2015	– shares
3) Average number of shares issued during the period	Fiscal Year Ended March 2016	1,684,500 shares	Fiscal Year Ended March 2015	1,684,500 shares

(Referrence) Summary of Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 2016 (From April 1, 2015 to March 31, 2016)

(1) Non-Consolidated Business Results

(Percent represents comparison changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal Year Ended March 2016	6,370	3.6	444	8.3	460	4.5	408	53.1
Fiscal Year Ended March 2015	6,147	8.1	409	54.7	440	55.1	266	66.6

	Profit per share	Profit per share – diluted
	yen	yen
Fiscal Year Ended March 2016	242.60	–
Fiscal Year Ended March 2015	158.44	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal Year Ended March 2016	4,026	2,936	72.9	1,743.30
Fiscal Year Ended March 2015	3,771	2,608	69.1	1,548.70

(Reference) Shareholders' equity: Fiscal Year Ended March 2016 2,936 million yen
Fiscal Year Ended March 2015 2,608 million yen

* Indication of audit procedure implementation status

This financial results summary is not subject to the audit procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial results summary, the audit procedure of the consolidated financial statements based on the Financial Instruments and Exchange Act has not yet been completed.

* Explanation of appropriate use of operating results forecasts and other special notes

Any statement on the future such as outlook for financial results included in this material is based on information the Company presently has and certain assumptions the Company considers reasonable, and the Company does not intend to be committed to its realization. In addition, actual financial results may significantly differ due to various factors. For assumptions for operating results forecasts and points to consider in utilizing them, please see “1. Analysis of Operating Results and Financial Position (1) Analysis of operating results” on Page 2 of the attachments.

○ Table of Contents of Attachments

1. Analysis of Operating Results and Financial Position 6
(1) Analysis of operating results....6
(2) Analysis of financial position 8
(3) Basic policy for appropriation of profits and dividends for the iscal year under review and next fiscal year 9
(4) Risk of businesses....9
2. Status of Corporate Group....14
3. Management Policy....16
(1) Basic policy for management of the Company....16
(2) Management benchmarks to be targeted....16
(3) Medium- and long-term management strategy of the Company 16
(4) Issues of the Company to be dealt with 16
4. Basic Approach Towards Selection of Accounting Standard 17
5. Consolidated Financial Statements 18
(1) Consolidated balance sheet....18
(2) Consolidated statement of income and consolidated statement of comprehensive income....20
(Consolidated statement of income) 20
(Consolidated statement of comprehensive income) 21
(3) Consolidated statement of changes in equity....22
(4) Consolidated statement of cash flows....24
(5) Notes to consolidated financial statements 25
(Notes to assumptions for going concern) 25
(Significant matters as the basis for preparation of consolidated financial statements) 25
(Change in accounting policies) 26
(Information related to consolidated statement of income) 27
(Information related to consolidated statement of comprehensive income) 27
(Information related to consolidated statement of changes in equity) 28
(Information related to consolidated statement of cash flows) 29
(Segment information)....29
(Per-share information)....34
(Important subsequent events)....34
6. Non-Consolidated Financial Statements 36
(1) Balance sheet 36
(2) Statement of income 38
(3) Statement of changes in equity 40
7. Other....41
(1) Transfer of directors 41

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

1) Overview of the fiscal year under review

During the fiscal year under review, the Japanese economy remained largely on a gradual path of recovery as corporate earnings and the employment environment improved due to various policies implemented by the government. The U.S. economy and the European economy were on a track to sustained recovery although the growth of emerging economies in Asia, notably China, slowed down. On the whole, the global economy continued a mild upswing.

Under these circumstances, the Group, based on the Third Medium-Term Management Plan (from fiscal year ended March 2016 to fiscal year ending March 2018), has promoted new value creation by expanding its language business areas and worked to meet increasing demand for translation and interpretation due to the global business expansion of companies.

As a result of these activities, net sales in the fiscal year under review amounted to 9,178 million yen, down 0.1% on a year-on-year basis, as net sales of the Temporary Staffing Business decreased due to the sale of its subsidiary (staffing agency) in the previous period while net sales of the Translation Business, the core business of the Group, remained steady. In terms of income, operating income was 534 million yen, up 5.9% on a year-on-year basis, contributed by an increase in the net sales of the Translation Business, and ordinary income increased by 6.3% on a year-on-year basis to 534 million yen. Profit attributable to owners of parent was 430 million yen, up 52.0% on a year-on-year basis as extraordinary income from the sale of investment securities and extraordinary losses from the liquidation of HC Beijing, Inc. (overseas subsidiary) were recorded.

The Group’s business performance by segment is as follows.

i) Translation Business

In the Patent field, net sales increased by 3.9% on a year-on-year basis to 1,799 million yen due to steady orders from departments related to the intellectual property of companies as well as patent firms and a temporary increase in English-Japanese translation projects as a result of the revision of the U.S. patent law. In the Medical field, net sales were 2,376 million yen, up 5.3% on a year-on-year basis, due to stable orders from foreign pharmaceutical companies with which the Company has preferred vendor agreements (see Note), as well as increased orders from domestic pharmaceutical companies and medical equipment companies. In the Industrial and Localization field, net sales increased by 0.3% on a year-on-year basis to 1,917 million yen due to the sluggish growth of projects in the electric appliances sector, while projects in the energy and automobile sectors grew steadily. In the Financial and Legal field, net sales increased by 6.5% on a year-on-year basis to 633 million yen due to stable orders from law firms and expansion of orders concerning IR-related materials as a result of the establishment of the corporate governance code, in addition to steady expansion of transactions with administrative departments of companies. As a result, net sales of the Translation Business were 6,727 million yen, up 3.6% on a year-on-year basis.

ii) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with high language skills, net sales amounted to 881 million yen, down 32.7% on a year-on-year basis, due to the sale of its subsidiary (staff agency) in the previous period, although orders from information and telecommunications companies remained steady.

iii) Interpretation Business

In the Interpretation Business, net sales decreased by 2.1% on a year-on-year basis to 632 million yen due to decreased orders from IT and telecommunications companies, despite steady orders from pharmaceutical companies and an increase in IR projects.

iv) Language Education Business

In the Language Education Business, net sales amounted to 213 million yen, down 0.4% on a year-on-year basis as the number of applications for the interpreter/translator training course offered by ISS Institute was below plan.

v) Convention Business

In the Convention Business, net sales increased by 34.1% on a year-on-year basis to 550 million yen due to the winning and running of large projects such as the 7th Pacific Islands Leaders Meeting, the 2015 Osaka Convention of Asia Oceania Tax Consultant Association (AOTCA) and the 36th Annual Meeting of The Japanese Society of Clinical Pharmacology and Therapeutics.

vi) Other

In other segments, net sales increased by 48.3% on a year-on-year basis to 171 million yen due to the steady performance of FIPAS Inc. which prepares documents required for foreign patent application filing and performs application procedures.

(Note) Preferred vendors refer to specified vendors to whom companies consign businesses on a preferential basis with the aim of securing excellent human resources and reducing costs.

2) Outlook for the next fiscal year

The pace of recovery of the Japanese economy is slowing down due to concerns about the effect on corporate financial results of the further appreciation of the yen after the start of the year, while various economic measures are expected to produce results. Turning to the global economy, while the U.S. economy and the European economy are expected to remain on a recovery path, there are growing concerns for the effect of the slowdown of the Chinese economy on the global economy. Considering the above, the outlook for the business environment is expected to remain unpredictable.

Under these conditions, the Group, based on the Third Medium-Term Management Plan announced in May 2015, will work for the sustainable growth of the Translation Business, its core business, and strengthen the operating base of each business. In addition, the Group will promote business synergies among Group companies and facilitate the creation of new values by expanding businesses in the fields related to language services.

The Group’s measures by segment are as follows.

In the Translation Business, the Group will continue to promote the strategy to specialize in the four major fields: Medical, Patent, Industrial & Localization and Finance & Legal, strengthen its specialization and expand its market share. In the Medical field, the Group will work to win preferred vendor agreements, develop business relations with mega-pharmaceutical companies, its core target, and increase orders for development-related documents. In the Patent field, the Group will facilitate cooperation with FIPAS Inc., its subsidiary, and promote the creation of new customers and the expansion of sales of intellectual property departments of companies as well as enhancement of services targeting patent firms. In the Industrial and Localization field, the Group will focus on services targeting the energy, electric appliances, information and telecommunications/IT sectors and promote the establishment of specialization, in addition to expansion of orders from automobile-related companies, which are the main source of sales. In the Financial and Legal field, the Group will expand orders from management-related departments of companies, and strengthen its services to financial institutions and law firms at home and abroad.

In the Temporary Staffing Business, the Group will make it a top priority to secure interpreters and translators who meet various needs within companies and aim to improve performance with pharmaceutical companies, information and telecommunications companies and financial companies.

In the Interpretation Business, the Group will aim to further expand IR interpretation projects, in addition to specialization of the interpretation services targeting the information and telecommunications sector and the pharmaceutical sector.

In the Language Education Business, the Group will establish a new course and expand development of translators while steadily meeting demand for training of interpreters in the Tokyo Metropolitan area.

In the Convention Business, the Group will work to satisfy needs of general companies for events while proactively accommodating needs of government offices as well as foundations.

In other businesses, the Group will promote services which leverage the features of FIPAS Inc.

Accordingly, the Company expects net sales of 9,600 million yen, up 4.5% on a year-on-year basis, operating income of 620 million yen, up 15.9% on a year-on-year basis, ordinary income of 620 million yen, up 16.0% on a year-on-year basis, and profit attributable to owners of parent of 400 million yen, down 7.0% on a year-on-year basis.

(2) Analysis of financial position

(Assets)

Current assets as of the end of the fiscal year under review were 4,097 million yen, up 240 million yen compared to the end of the previous fiscal year. This is mainly due to an increase in cash and deposits and accounts receivable – trade. Non-current assets decreased by 85 million yen from the end of the previous fiscal year to 559 million yen. This is mainly due to a decrease in tangible assets and intangible assets as a result of depreciation and amortization of goodwill.

As a result, total assets amounted to 4,657 million yen, up 155 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the fiscal year under review were 1,435 million yen, down 110 million yen compared to the end of the previous fiscal year. This is mainly due to a decrease in other current liabilities as a result of a decline in accrued consumption taxes. Non-current liabilities decreased by 45 million yen from the end of the previous fiscal year to 95 million yen. This is mainly due to a decrease in net defined benefit liability as a result of accumulation of pension assets.

As a result, total liabilities amounted to 1,531 million yen, down 155 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the fiscal year under review were 3,126 million yen, up 310 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 327 million yen in retained earnings due to recording of profit.

(Cash flows)

Cash and cash equivalents as of the end of the fiscal year under review were 2,039 million yen, up 116 million yen compared to the end of the previous fiscal year.

Cash flows and the factors for changes thereof in the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 147 million yen (399 million yen of proceeds in the preceding year).

This is mainly due to proceeds of 676 million yen due to recording of profit before income taxes and payment of income tax of 273 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities was 130 million yen (79 million yen in proceeds in the preceding year).

This is mainly due to proceeds of 184 million yen from sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was 96 million yen (92 million yen in payments in the preceding year).

This is mainly due to payment of dividends of 80 million yen.

The trend of the cash flow benchmarks of the Group is as follows.

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013	Fiscal Year Ended March 2014	Fiscal Year Ended March 2015	Fiscal Year Ended March 2016
Shareholders' equity ratio (%)	67.0	64.3	63.6	62.5	67.1
Shareholders' equity ratio on a market value basis (%)	70.7	149.3	143.6	133.9	129.6
Ratio of cash flows to interest-bearing debt (year)	0.0	0.0	0.3	0.1	0.2
Interest coverage ratio	–	–	11,727.6	2,976.3	1,053.7

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market value basis: Value of shares/Total assets

Ratio of cash flows to interest-bearing debt: Interest-bearing debt/Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest payment

(Notes) 1. The benchmarks above are calculated based on financial figures on a consolidated basis.

2. Cash flows from operating activities are used for cash flows. Interest-bearing debt covers amounts reported on the consolidated balance sheet and for which the Group pays interest.

(3) Basic policy for appropriation of profits and dividends for the fiscal year under review and next fiscal year

The Group recognizes the return of profits to shareholders to be a significant managerial issue, and sets the appropriation of profits in accordance with its performance as one of the basic policies of the Company. Based on the policy above, the Group plans to pay 53 yen per share as the dividend for the fiscal year under review, which consists of 48 yen in ordinary dividend and 5 yen in commemorative dividend for the 30th anniversary of the Group. The Group will work on the return of profits to shareholders based on the profit level.

The Group plans to pay 55 yen per share, up 2 yen, as the dividend for the next fiscal year.

(4) Risk of businesses

Major matters which are considered potential risk factors for business development of the Group and other important matters are as follows. Although the Group, fully aware of the possibility of such risks arising, has a policy to implement measures to prevent such risks from arising or respond when such risks do arise, we believe any investment decision on the Company's shares should be made after carefully examining this section and details other than this section of the report. Of the matters described below, those concerning the future are based on judgments of the Group as of the date of submission of this report and thus entail uncertainty. Therefore, actual results may differ. Please note that descriptions below do not cover all risks related to investments in the Company's shares.

1) Changes in demand

The main customers of the Group's Translation Business, Temporary Staffing Business and Interpretation Business can be classified into patent firms, pharmaceutical companies, manufacturers in various sectors, government offices and financial institutions. When there is any change in legal systems; the economy or the number of companies due to industry reorganization in these sectors in which such main customers operate their business; or when there is a change in policies of these customers (i.e. start self-manufacture or narrow down subcontractors), demand for the Group's services may significantly change, which in turn may affect businesses and financial results of the Group.

2) Legal regulations

When legal regulations for businesses of the Group are strengthened or expanded, they may affect financial results of the Group.

The Temporary Staffing Business of the Group has received authorization from the Minister of Health, Labour and Welfare as a general worker dispatch business based on the "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers" (hereinafter called the "Worker Dispatch Act"). When there is a change in the Worker Dispatch Act or other laws and regulations, or when a new law and regulation is established, or when there is a change in the interpretation thereof, it may affect businesses and financial results of the Group.

3) Technological development which utilizes ICT

In the Group's Translation Business, technological development which utilizes ICT is in progress, and new services such as machine translation have been introduced. While the Group makes efforts toward study and R&D of machine translation technologies and Internet-related technologies, the competitiveness of the Group may deteriorate when the Group fails to keep up with such technological developments in a timely manner. When significant investment is required for development of a new technology, it may affect financial results and financial position of the Group.

4) Barriers to entry

As businesses the Group operates have low barriers to entry, it may affect businesses and financial results of the Group in the form of a decline in order volume or an increase in cost of sales when competition gets fierce with new or existing competitors, or when a large-scale price competition or a competition to secure translators and interpreters (registered staff) arises.

5) Business environment for Convention Business

In the Convention Business, the Group organizes and runs (including preparation, running, translation, interpretation, and administrative work) international conferences such as academic and research meetings and symposiums at home and abroad, but these international conferences may be canceled or postponed due to a change in the external environment such as terrorism, outbreak of infectious disease, natural disaster or diplomatic issue.

When the Group receives an order for a large international conference, payment on behalf of the customer during the preparatory period up to the date of such conference, or risk of collecting a large amount of debt may arise after such conference ends. In such case, it may affect the financial results of the Group.

6) Defect or fault in translation/interpretation or late delivery

For translation and interpretation services, support for foreign patent application filing and medical writing services the Group provides, the Group has a system to secure sufficient staff and thoroughly manages delivery deadline and quality, but the Group may cause serious damage to its customer due to contents of such deliverables or late delivery.

The Group rechecks contents of translated work it receives from its registered staff of translators and delivers it to its customer so that deliverables are free of any defect or fault. Although no claim for compensation caused by contents of translation, interpretation, support for foreign patent application filing and medical writing has ever been lodged against the Group at the date of publication of this report, it may affect businesses and financial results of the Group in the form of compensation of damages or lost credibility when its customer suffers serious damage due to contents of such deliverables.

7) Copyright

The Group keeps a copyrighted work of a customer upon its request and translates it. Most manuscripts for translation are internal documents whose copyrights are owned by customers, but in some cases, customers do not own copyrights of such manuscripts. When it is apparent that a copyright of a manuscript for translation belongs to a third party, the Group checks with the customer that there is no problem using such manuscript for work by the Group. The Group has not encountered any problem concerning copyrights to date. If any problem occurs because a manuscript for translation the Group receives from its customer violates copyright of a third party, and compensation is sought from not only such customer but the Group, such compensation may affect financial results of the Group.

8) Competitive work of retired director and employee

There may be a case where a retired or resigned director or employee of the Group is now engaged in the same business. While the Group obtains a written pledge when a director or an employee of the Group retires or resigns, it may affect businesses and financial results of the Group when such person is engaged in the same business, due to possible competition for orders over customers of the Group.

9) Securing and training of human resources

i) Registered staff

As the Group outsources work to its registered staff of freelance translators and interpreters in the Group's Translation Business, Temporary Staffing Business and Interpretation Business, it is necessary to secure excellent registered staff in the respective business. While the financial results of the Group have never been seriously affected by the shortage of registered staff, it may affect businesses and financial results of the Group when it fails to secure sufficient registered staff in terms of quality and quantity.

ii) Employees

The Group recognizes that securing and training excellent human resources is an important issue and implements recruitment activities according to the speed of growth of the Group.

However, when the Group fails to secure and train excellent human resources based on these measures, it may affect businesses and the financial results of the Group in the form of labor shortage or decreased quality of its services.

10) Compliance

i) Protection of customer's confidential information

A manuscript for translation the Group receives from its customer may contain important confidential information concerning corporate management of such customer, and thus it is extremely important for the Group's businesses to prevent leakage of such confidential information and unauthorized access from the outside. In order to prevent leakage of such confidential information and other information to a third party, the Group requires its employees and registered staff of translators and interpreters to sign a written pledge or imposes the obligation of confidentiality on them based on an outsourcing agreement.

The Group also distributes the information management manual to its registered staff of translators and interpreters and requires them to comply with it. Each company within the Group also installs a security lock at its office and strictly manages related parties' entering and leaving from its business establishments.

However, when leakage of confidential information occurs for any reason despite these measures, it may affect businesses and the financial results of the Group in the form of compensation of damages or lost credibility.

ii) Leakage of personal information

The Group owns the personal information of its registered staff such as translators and interpreters and customers as well as that of students who take courses of its interpretation and translation school. The Group manages personal information in a system by company, and access to such information is restricted based on job rank and duty.

In addition, the Company has obtained ISMS certification and works to protect personal information by measures such as formulation and application of the information management regulations and education of all directors and employees based on a training provided on a regular basis.

However, when leakage of personal information the Group owns occurs due to unforeseen circumstances, such incident may affect the businesses and financial results of the Group in the form of compensation of damages or lost credibility.

iii) Compliance

The Group positions “focus on compliance” as one of its basic management policies. In order to develop and establish a compliance framework, the Company has formulated the group companies’ code of conduct, formed a compliance committee headed by the Executive Officer in charge of compliance, established a compliance consultation desk and implemented educational activities targeting its employees to strengthen the compliance framework.

However, despite these efforts, it is difficult to completely eliminate compliance risks. When business management of the Group violates laws and regulations, such violation may affect business continuity or the financial results of the Group.

iv) Dispute with third party

The Group prevents legal violation, information leakage, infringement of intellectual property rights and other incidents by promoting compliance activities based on legal compliance. It also works to eliminate risks which may lead to litigation by properly responding to legal amendments and fully examining legal consequences of the act of concluding an agreement.

However, an unexpected problem with a customer, a business partner or a third party may lead to litigation due to an unforeseen event regardless of the presence or absence of legal violation. In the Translation Business, when a manuscript for translation the Group receives from a customer violates the copyright of a third party, it may seek compensation from not only such customer but the Group, and depending on the details and results of such litigation, it may affect business continuity or financial results of the Group in the form of tremendous amounts of litigation cost or lost credibility.

11) Overseas expansion

The Group established a subsidiary in the U.S. and offers translation services locally. In conducting business activities overseas, when any event arises such as an institutional problem, unexpected worsening of the management environment or a change in the exchange rate, it may affect the financial results and financial position of the Group.

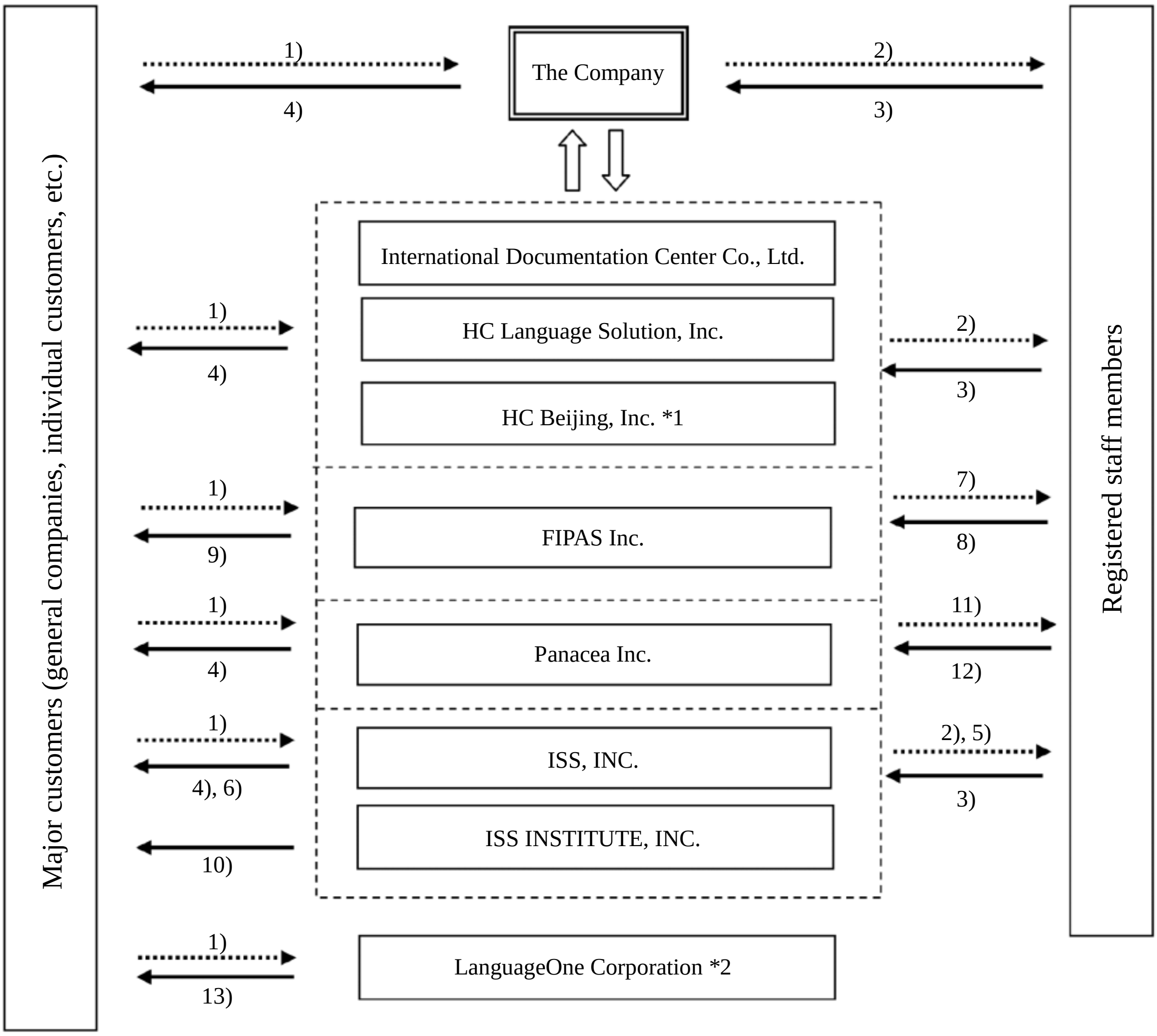
12) Corporate acquisition

The Group may acquire a company or make investments including capital participation for the purpose of enhancing and reinforcing its businesses. While the Group works to spread corporate culture and management strategy of the Group in order to facilitate integration with a company it acquires or to enhance the effect of investments, it may affect financial results and financial position of the Group when it fails to secure the expected profit or synergy effect.

13) Large-scale natural disaster

When there is damage to sites of the Group or important facilities of its customer due to large-scale natural disasters such as earthquake, water damage or fire; man-made disasters such as insurgency or terrorism; or unexpected disasters or accidents, it may affect financial results and the financial position of the Group. The Company has formulated a “business continuity plan (BCP)” which will be applied when a large-scale natural disaster occurs at one of its sites.

2. Status of Corporate Group



1) Acceptance of order: Accept an order from a customer.
2) Request for translation/interpretation: Select appropriate registered translator or interpreter and request him/her to undertake an assignment.
3) Receipt of translated work: Receive translated work from registered translator (in the case of interpretation, provide interpretation services at customer's site based on service contract).
4) Delivery after detailed check: Carry out quality control of submitted translation work at the Company and deliver it to customer or subsidiary thereof (in the case of interpretation, provide interpretation services at customer's site based on service contract).
5) Request for dispatch: Select appropriate registered translator or interpreter and request him/her to be dispatched.
6) Contract of supply of temporary labor: Dispatch registered translator or interpreter to customer.
7) Request for drafting of patent specification for foreign patent application filing: Select appropriate registered staff member and request him/her to draft patent specification for foreign patent application filing.

8) Receipt of patent specification for foreign patent application filing: Receive patent specification for foreign patent application filing from registered staff member.

9) Support for foreign patent application filing: Provide support for foreign patent application such as drafting of patent specification.

10) Provision of educational course: Provide educational course to those who request such service.

11) Request for writing: Select appropriate registered staff member and request him/her to undertake a writing job.

12) Receipt of document: Receive written document from registered staff member.

13) Signing of contract for multilingual call center service: Provide customers with a multilingual call center service.

(Notes) Unmarked companies are consolidated subsidiaries of the Company.

*1 As the liquidation proceedings were carried out as of March 31, 2016, it was excluded from the scope of consolidation as of the end of the fiscal year under review.

*2 It is an entity accounted for using the equity method.

3. Management Policy

(1) Basic policy for management of the Company

With the corporate philosophy of "aiming to become a company which supports global activities of companies at home and abroad and contributes to international economic and cultural exchange through business and technical translation," the Group is committed to enhancing corporate value as well as the competitiveness of its customers by offering language services which earn high customer satisfaction. The Group will also improve the level of satisfaction of all stakeholders, promote transparent corporate management and enhance its corporate value.

(2) Management benchmarks to be targeted

The Group designates consolidated operating income to sales and return on equity (ROE) as its management benchmarks. The Group aims for 8% of operating income to sales in the medium- and long-term by increasing sales and profit and works to secure 10% or more of ROE by improving capital efficiency.

(3) Medium- and long-term management strategy of the Company

Under the Third Medium-Term Management Plan, a three-year plan which started in 2015, the Group will continue to work on the management vision presented in the Second Medium-Term Management Plan, "language concierge which connects all companies to the world," promote its strategy to specialize in certain fields to meet diversified and advanced customer needs, and aim to expand its market share.

As priority measures, the Group will further promote its strategy to specialize in certain fields to improve customer satisfaction. In order to provide services that satisfy our customers in an environment where the global business development of companies is accelerating, it is essential that the Group has a system of providing field-specific services. The Group will then change the organizational system of the Translation Business, conducted by region, to one with four fields of specialization: Patent, Medical, Industrial & Localization, and Finance & Legal, to promote a system of providing high value-added services. In order to respond to diversification of customer needs, the Group will expand its market share by implementing specialized marketing activities based on the features of each field/document.

Next, the Group will promote productivity improvement by optimizing its business processes. Optimization of the existing business processes is essential to improvement of the operational efficiency, which is a continuing issue of the Second Medium-Term Management Plan. The Group will introduce ICT proactively and work on specialization and productivity improvement by utilizing information assets accumulated in each field and improving the operational flow. The Group will also further improve the operational efficiency by developing a working environment where each employee can show his/her ability to the fullest.

In addition, the Group will promote maximization of the Group synergies through its language services. The Group will facilitate new business development and service expansion and create a new market to respond to expansion of needs for foreign languages and diversification of language services. In the full-line language services, the Group will also promote mutual synergies among the Group's Translation Business, Temporary Staffing Business, Convention Business and Language Education Business and generate further growth of the entire Group.

By steadily implementing these priority measures, the Group will work for sustainable growth and the securing of stable profit.

(4) Issues of the Company to be dealt with

The pace of recovery of the Japanese economy is slowing down due to concerns about the effect on corporate financial results of the further appreciation of the yen after the start of the year, while various economic measures are expected to produce results. Turning to the global economy, while the U.S. economy and the European economy are expected to remain on a recovery path, there are growing concerns for the effect of the slowdown of the Chinese economy on the global economy. Considering the above, the outlook for the business environment is expected to remain unpredictable.

1) Expansion of businesses in the fields related to language services

The Group is facing the issue of boosting sales and profitability of each business in order to expand the scale of the Group. The Group conducts the Translation Business through the Company, the International Documentation Center Co., Ltd., and HC Language Solutions, Inc. in the U.S. The medical writing services, which are value-added services in the Medical field, are provided by Panacea Inc. The Group's Temporary Staffing Business, Interpretation Business, and Convention Business are operated by ISS, Inc., while the Language Education Business is conducted by ISS Institute, Inc. FIPAS Inc. provides support for foreign patent application as value-added services in the Patent field of the Translation Business. The Group will promote mutual synergies while leveraging cooperation within the Group, including sharing of resources and expertise and customer bases in each business, in order to drive further business growth.

2) Securing and acquiring of more registered translators and interpreters

In the business model of the Group's Translation Business, Temporary Staffing Business and Interpretation Business, it is crucial to secure and acquire more registered translators, interpreters and other language experts. In order to acquire more competent staff, the Group will conduct recruiting through various channels, including by utilizing the Company's website and running advertisements in translation journals. In addition, at ISS Institute, Inc., a subsidiary engaged in the Language Education Business, the Group will advance diversification of courses and enhance the contents of lectures to meet the needs of customers in the Translation Business, the Temporary Staffing Business and the Interpretation Business, with the aim of establishing a system for producing industry-ready graduates.

3) Productivity improvement

Increasing the efficiency of business is essential for the Group to further expand its operations. In the Translation Business, in particular, the Group will introduce ICT proactively and utilize know-how in translation and information assets accumulated in each field, in order to provide translation services with a level of quality that satisfies its customers, while concurrently working to control cost of sales. Further, the Group will review the existing business processes of both the sales and administrative departments to bring about business process optimization, in order to improve the operational efficiency and increase productivity.

4) Advancement of specialization

In order to provide services that satisfy our customers and achieve differentiation from other companies in the Translation Business, it is essential that we establish a system of providing field-specific services. The Group, based on the Third Medium-Term Management Plan, changed the organizational system of the Translation Business from one that was by region to one that was by field in April 2015. The Group will establish a system of providing high value-added services in the four fields of specialization: Patent, Medical, Industrial & Localization, and Finance & Legal.

4. Basic Approach Towards Selection of Accounting Standard

The Group applies J-GAAP. With regard to application of IFRS in the future, the Group will take appropriate action in light of situations at home and abroad.

5. Consolidated Financial Statements

(1) Consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2015)	Fiscal year under review (March 31, 2016)
Assets		
Current assets		
Cash and deposits	2,069,792	2,192,270
Notes and accounts receivable – trade	1,457,793	1,580,799
Work in process	102,673	121,777
Deferred tax assets	95,473	89,546
Other	133,432	115,895
Allowance for doubtful accounts	(2,574)	(2,968)
Total current assets	3,856,592	4,097,320
Non-current assets		
Property, plant and equipment		
Buildings	111,968	111,968
Accumulated depreciation	(40,874)	(51,007)
Buildings, net	71,094	60,961
Tools, furniture and fixtures	203,562	181,695
Accumulated depreciation	(116,115)	(118,216)
Tools, furniture and fixtures, net	87,446	63,479
Other	5,944	5,944
Accumulated depreciation	(1,238)	2,415
Other, net	4,706	3,529
Total property, plant and equipment	163,246	127,969
Intangible assets		
Goodwill	154,822	91,502
Other	97,709	77,677
Total intangible assets	252,532	169,180
Investments and other assets		
Net defined benefit asset	–	56
Deferred tax assets	33,872	30,051
Other	195,860	233,274
Allowance for doubtful accounts	(409)	(793)
Total investments and other assets	229,322	262,588
Total non-current assets	645,101	559,738
Total assets	4,501,693	4,657,059

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2015)	Fiscal year under review (March 31, 2016)
Liabilities		
Current liabilities		
Accounts payable – trade	699,165	697,459
Income taxes payable	170,523	137,797
Provision for bonuses	162,580	169,055
Provision for directors’ bonuses	36,000	40,000
Other	477,270	390,843
Total current liabilities	1,545,538	1,435,155
Non-current liabilities		
Lease obligations	43,898	28,232
Provision for directors’ retirement benefits	35,400	35,400
Net defined benefit liability	61,753	32,269
Total non-current liabilities	141,052	95,902
Total liabilities	1,686,591	1,531,057
Net assets		
Shareholders’ equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	1,699,995	2,027,602
Total shareholders’ equity	2,767,261	3,094,868
Accumulated other comprehensive income		
Foreign currency translation adjustment	47,841	31,133
Total accumulated other comprehensive income	47,841	31,133
Total net assets	2,815,102	3,126,002
Total liabilities and net assets	4,501,693	4,657,059

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Net sales	9,191,266	9,178,312
Cost of sales	5,090,977	5,307,285
Gross operating income	4,100,289	3,871,026
Selling, general and administrative expenses	3,595,533	3,336,369
Operating income	504,755	534,656
Non-operating income		
Interest income	842	822
Dividend income	500	500
Foreign exchange gains	–	456
Reversal of allowance for doubtful accounts	2,082	–
Other	2,687	1,666
Total non-operating income	6,112	3,445
Non-operating expenses		
Interest expenses	134	139
Share of loss of entities accounted for using equity method	–	3,591
Foreign exchange losses	7,468	–
Other	605	–
Total non-operating expenses	8,208	3,731
Ordinary income	502,660	534,370
Extraordinary income		
Gain on sales of investment securities	–	172,477
Gain on sales of shares of subsidiaries and associates	35,922	–
Total extraordinary income	35,922	172,477
Extraordinary losses		
Loss on retirement of non-current assets	–	2,605
Loss on liquidation of subsidiaries	–	28,056
Total extraordinary losses	–	30,662
Profit before income taxes	538,582	676,186
Income taxes – current	263,219	236,072
Income taxes – deferred	(7,640)	9,748
Total income taxes	255,578	245,820
Profit	283,004	430,365
Profit attributable to owners of parent	283,004	430,365

(Consolidated statement of comprehensive income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Profit	283,004	430,365
Other comprehensive income		
Foreign currency translation adjustment	19,927	(3,080)
Total other comprehensive income	19,927	(3,080)
Comprehensive income	302,931	427,285
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	302,931	427,285
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(Unit: Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	588,443	478,823	1,492,794	2,560,060
Changes of items during period				
Dividends of surplus			(75,802)	(75,802)
Profit attributable to owners of parent			283,004	283,004
Net changes of items other than shareholders' equity				
Total changes of items during period	–	–	207,201	207,201
Balance at end of current period	588,443	478,823	1,699,995	2,767,261

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	27,914	27,914	2,587,974
Changes of items during period			
Dividends of surplus			(75,802)
Profit attributable to owners of parent			283,004
Net changes of items other than shareholders' equity	19,927	19,927	19,927
Total changes of items during period	19,927	19,927	227,128
Balance at end of current period	47,841	47,841	2,815,102

Fiscal year under review (From April 1, 2015 to March 31, 2016)

(Unit: Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	588,443	478,823	1,699,995	2,767,261
Changes of items during period				
Dividends of surplus			(80,856)	(80,856)
Profit attributable to owners of parent			430,365	430,365
Change of scope of consolidation			(21,902)	(21,902)
Net changes of items other than shareholders' equity				
Total changes of items during period	–	–	327,607	327,607
Balance at end of current period	588,443	478,823	2,027,602	3,094,868

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	47,841	47,841	2,815,102
Changes of items during period			
Dividends of surplus			(80,856)
Profit attributable to owners of parent			430,365
Change of scope of consolidation			(21,902)
Net changes of items other than shareholders' equity	(16,707)	(16,707)	(16,707)
Total changes of items during period	(16,707)	(16,707)	310,899
Balance at end of current period	31,133	31,133	3,126,002

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Profit before income taxes	538,582	676,186
Depreciation	76,625	56,838
Amortization of goodwill	62,003	62,003
Increase (decrease) in allowance for doubtful accounts	(9,080)	778
Interest and dividend income	(1,342)	(1,322)
Interest expenses	134	139
Share of (profit) loss of entities accounted for using equity method	–	3,591
Loss on retirement of non-current assets	–	2,605
Loss (gain) on sales of investment securities	–	(172,477)
Loss (gain) on sales of shares of subsidiaries and associates	(35,922)	–
Loss on liquidation of subsidiaries	–	28,056
Increase (decrease) in provision for directors’ bonuses	9,000	4,000
Increase (decrease) in provision for bonuses	29,382	6,475
Increase (decrease) in net defined benefit liability	(26,590)	(29,484)
Increase (decrease) in net defined benefit asset	-	(56)
Decrease (increase) in notes and accounts receivable – trade	(171,525)	(124,829)
Decrease (increase) in inventories	(13,690)	(20,159)
Increase (decrease) in notes and accounts payable – trade	94,186	(1,728)
Other	40,907	(70,534)
Subtotal	592,669	420,083
Interest and dividend income received	1,342	1,322
Interest expenses paid	(134)	(139)
Income taxes paid	(194,456)	(273,927)
Cash flows from operating activities	399,421	147,338
Cash flows from investing activities		
Payments into time deposits	(6,020)	(6,021)
Purchase of property, plant and equipment	(12,328)	(816)
Purchase of intangible assets	(66,905)	(10,500)
Purchase of investment securities	–	(24,500)
Proceeds from sales of investment securities	–	184,973
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	71,887	–
Payments for guarantee deposits	(503)	(10,511)
Proceeds from collection of guarantee deposits	93,157	280
Other	(58)	(2,251)
Cash flows from investing activities	79,229	130,652
Cash flows from financing activities		
Repayments of finance lease obligations	(16,997)	(15,727)
Cash dividends paid	(75,802)	(80,856)
Cash flows from financing activities	(92,800)	(96,583)
Effect of exchange rate change on cash and cash equivalents	14,582	(2,965)
Net increase (decrease) in cash and cash equivalents	400,433	178,442
Cash and cash equivalents at beginning of period	1,522,575	1,923,008
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	(61,987)
Cash and cash equivalents at end of period	1,923,008	2,039,464

(5) Notes to consolidated financial statements

(Notes to assumptions for going concern)

Not applicable.

(Significant matters as the basis for preparation of consolidated financial statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 6

Names of consolidated subsidiaries

International Documentation Center Co, Ltd.

HC Language Solutions,Inc.

FIPAS Inc.

ISS Inc.

ISS Institute, Inc.

Panacea Inc.

(2) Names of major non-consolidated subsidiary

Name of major non-consolidated subsidiary

HC Beijing, Inc.

(Reason to exclude from scope of consolidation)

As it became less important as a result of the commencement of the liquidation proceedings in the fiscal year under review, we excluded it from the scope of consolidation as of the end of the fiscal year under review.

2. Application of the Equity Method

(1) Affiliate accounted for using equity method: 1

Name of main affiliate

LanguageOne Corporation

(2) As it met the requirements for an affiliate as a result of the acquisition of shares during the fiscal year under review, we decided to include it in the affiliates accounted for using the equity method.

3. Fiscal Years and Other Matters of Consolidated Subsidiaries

The date of financial settlement of the consolidated subsidiary HC Language Solutions, Inc. is December 31.

When preparing the consolidated financial statements, the Company uses financial statements of subsidiaries as of the date of financial settlement. Necessary adjustments for consolidation, however, were made for significant transactions that occurred in the period spanning from January 1 to March 31, the date of consolidated financial settlement.

4. Standards for Accounting Procedures

(1) Evaluation standards and methods for significant assets

i) Securities

Available-for-sale securities

Securities with market value

Stated at market value based on the quoted market price and other factors on the date of financial settlement (valuation difference is reported as a component of net assets, and the cost of securities sold is calculated by the moving-average method).

Securities with no market value

Stated at cost based on the moving-average method.

ii) Inventories

Work in process

Stated at cost by the specific cost method (amounts on the balance sheet are calculated after book value is entered based on a decrease in profitability).

(2) Method of depreciation and amortization for significant depreciable assets

i) Property, plant and equipment (excluding lease assets)

Depreciation by the Company and its domestic consolidated subsidiaries is calculated by the declining-balance method, while depreciation by its overseas consolidated subsidiaries is calculated by the straight-line method.

The useful lives are mainly as follows:

Buildings	8-18 years
Tools, furniture and fixtures	3-15 years

ii) Intangible assets (excluding lease assets)

Depreciation is calculated by the straight-line method.

Depreciation of software for internal use is calculated based on the estimated useful lives (five years).

iii) Leased assets

Depreciation of lease assets is calculated by the straight-line method, with lease periods of such assets being useful lives, and residual values being zero.

(3) Accounting standards for significant allowances and provisions

i) Allowance for doubtful accounts

To prepare for possible losses on accounts receivable, the Company sets aside an amount that is expected to be irrecoverable, after it considers the possibility of recoverability of (a) general accounts receivable, by actual default ratio, and (b) specific accounts receivable where recoverability is in doubt, on a case-by-case basis.

ii) Provision for bonuses

To prepare for the provision of bonuses for employees, the Company sets aside an estimated amount for the provision of bonuses for the fiscal year under review in which such amounts shall be disbursed.

iii) Provision for directors' bonuses

To prepare for the provision for directors' bonuses, the Company sets aside an estimated amount for the provision of bonuses for the fiscal year under review in which such amount shall be disbursed.

iv) Provision for directors' retirement benefits

To prepare for the provision for directors' retirement benefits, the Company sets aside the amount necessary at the end of fiscal year under review based on the Company's internal rules.

The Company abolished the system of provision for directors' retirement benefits at the Board of Directors meeting held on June 9, 2006. The amount of such provisions is that estimated to be disbursed to Executive Officers who were in tenure of office on or before the date the system was abolished.

(4) Accounting procedures for retirement benefit

The Company has adopted the simplified method where retirement benefit obligations are measured at the amount of retirement benefits to be required for voluntary termination at the end of the fiscal year for the calculation of net defined benefit liability and retirement benefit expenses.

(5) Amortization of goodwill and negative goodwill

Goodwill is amortized by the straight-line method over the period of five years.

(6) Scope of funds in consolidated statement of cash flows

Funds consist of cash on hand, deposits which can be withdrawn as needed and easily-convertible short-term investments which have very limited risk for any change in the value and will be redeemed within three months from the date of acquisition.

(7) Other Significant Accounting Policies for Preparing the Consolidated Financial Statements

Accounting Procedures for Consumption and Other Taxes:

Consumption and other taxes are not included in listed amounts.

(Change in accounting policies)

(Adoption of accounting standard for business combinations)

The Company adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013. Hereinafter called the “Accounting Standard for Business Combinations”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013. Hereinafter called the “Accounting Standard for Consolidation”) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013. Hereinafter called the “Accounting Standard for Business Divestitures”) from the fiscal year under review. Accordingly, the Company recorded the difference arising from any change in the Company’s equity in a subsidiary under continuing control as capital surplus and began to record acquisition-related costs as expenses in the consolidated accounting period when such cost accrues. With respect to business combinations implemented after the beginning of the fiscal year under review, the Company adopted a method to reflect the reviewed allocation of acquisition cost after finalization of tentative accounting in consolidated financial statements for a fiscal year to which the date of business combinations belongs. In addition, the Company restated net income and changed the presentation of minority interests to non-controlling interests. In order to reflect this change in presentation, the Company reclassified consolidated financial statements in the previous fiscal year.

With respect to the Accounting Standard for Business Combinations, etc., the Company followed the transitional treatment as stipulated by Section 58-2 (4) of the Accounting Standard for Business Combinations, Section 44-5 (4) of the Accounting Standard for Consolidation, and Section 57-4 (4) of the Accounting Standard for Business Divestitures and adopted them from the beginning of the fiscal year under review.

There is no effect of such adoption on consolidated financial statements.

(Information related to consolidated statement of income)

* Major items and amounts of selling, general and administrative expenses are as follows.

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Employees’ salaries and allowances	1,633,176 thousand yen	1,515,499 thousand yen
Provision for bonuses	139,396	139,939
Provision for directors’ bonuses	36,000	40,000
Retirement benefit expenses	27,946	32,117

(Information related to consolidated statement of comprehensive income)

* Reclassification and income tax relating to other comprehensive income

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Foreign currency translation adjustment:		
Adjustment for the year	19,927	(3,080)
Total other comprehensive income	19,927	(3,080)

(Information related to consolidated statement of changes in equity)

Previous fiscal year (From April 1, 2014 to March 31, 2015)

1. Types and Total Numbers of Shares Outstanding and Treasury Shares

	Number of shares at the beginning of fiscal year under review	Number of shares increased in the fiscal year under review	Number of shares decreased in the fiscal year under review	Number of shares at the end of fiscal year under review
Shares issued				
Common shares	1,684,500	–	–	1,684,500
Treasury shares				
Common shares	–	–	–	–

2. Subscription Rights to Shares and Treasury Subscription Rights to Shares

Not applicable.

3. Dividends

(1) Cash dividends paid

Resolution	Type of shares	Total dividends (thousand yen)	Dividends per share (yen)	Record date	Effective date
June 24, 2014 Annual Meeting of Shareholders	Common shares	75,802	45	March 31, 2014	June 25, 2014

(2) Dividends of which record date is in the fiscal year under review, but which come into effect in the next fiscal year

Resolution	Type of shares	Total dividends (thousand yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
June 25, 2015 Annual Meeting of Shareholders	Common shares	80,856	Retained earnings	48	March 31, 2015	June 26, 2015

Fiscal year under review (From April 1, 2015 to March 31, 2016)

1. Types and Total Numbers of Shares Outstanding and Treasury Shares

	Number of shares at the beginning of fiscal year under review	Number of shares increased in the fiscal year under review	Number of shares decreased in the fiscal year under review	Number of shares at the end of fiscal year under review
Shares issued				
Common shares	1,684,500	–	–	1,684,500
Treasury shares				
Common shares	–	–	–	–

2. Subscription Rights to Shares and Treasury Subscription Rights to Shares

Not applicable.

3. Dividends

(1) Cash dividends paid

Resolution	Type of shares	Total dividends (thousand yen)	Dividends per share (yen)	Record date	Effective date
June 25, 2015 Annual Meeting of Shareholders	Common shares	80,856	48	March 31, 2015	June 26, 2015

(2) Dividends of which record date is in the fiscal year under review, but which come into effect in the next fiscal year

Resolution	Type of shares	Total dividends (thousand yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
June 28, 2016 Annual Meeting of Shareholders	Common shares	89,278	Retained earnings	53	March 31, 2016	June 29, 2016

(Information related to consolidated statement of cash flows)

*1 Relations between cash and cash equivalents at end of period and amounts included in consolidated balance sheet

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Cash and deposits	2,069,792thousand yen	2,192,270thousand yen
Time deposit with deposit term over three months	(146,784)	(152,805)
Cash and cash equivalents	1,923,008	2,039,464

(Segment information)

Segment information

1. Overview of Reporting Segments

The Company's reporting segments consist of the Company's constituent units for which separate financial information is available and which are subject to periodic examination in order for the Board of Directors to determine the allocation of management resources and evaluate financial results.

The businesses of the Company mainly consist of the Translation Business, the Temporary Staffing Business, the Interpretation Business, the Language Education Business and the Convention Business.

The Company and three consolidated subsidiaries thereof mainly operate the Translation Business, while the Temporary Staffing Business, the Interpretation Business, the Language Education Business and the Convention Business are operated by one consolidated subsidiary.

(1) Translation Business

Translation which specializes in the four major fields: Patent, Medical, Industrial & Localization and Finance & Legal

(2) Temporary Staffing Business

Staffing of interpreters and translators

(3) Interpretation Business

Interpretation service for major international conferences and in-house meetings of firms

(4) Language Education Business

Language education aiming to train interpreters and translators

(5) Convention Business

Organization and running of international and national conferences (academic and research meetings), seminars, symposiums and various exhibitions

2. Method Used to Calculate Net Sales, Income or Loss, Assets and Other Items by Reporting Segment

Accounting procedures adopted for the Company's reporting segments are the same as those described under "Significant matters as the basis for preparation of consolidated financial statements."

Income of the reporting segments is based on operating income, and intersegment sales or transfer is based on market prices.

Non-current assets not attributable to reporting segments are managed as company-wide assets while the standard for allocation of depreciation is determined considering the use of such assets by relevant business segments in a comprehensive manner.

3. Information on Net sales, Income or Loss, Assets and Other Items by Reporting Segment

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(Unit: Thousand yen)

	Reporting segment						Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Language Education Business	Convention Business	Total		
Net sales								
Sales to external customers	6,493,393	1,310,398	646,179	214,933	410,514	9,075,419	115,846	9,191,266
Intersegment sales or transfer	27,445	14,029	18,396	784	–	60,655	42,130	102,785
Total	6,520,838	1,324,427	664,576	215,717	410,514	9,136,075	157,977	9,294,052
Segment income	428,112	26,993	12,963	16,711	32,199	516,979	1,954	518,934
Segment assets	4,036,202	114,462	120,924	93,371	97,948	4,462,908	86,109	4,549,018
Other items								
Depreciation	62,081	6,449	2,549	3,312	1,574	75,967	658	76,625
Increase in property, plant and equipment and intangible assets	72,189	–	–	7,044	–	79,234	–	79,234

(Note) “Other” represents segments not included in reporting segments and includes overseas application support business.

Fiscal year under review (From April 1, 2015 to March 31, 2016)

(Unit: Thousand yen)

	Reporting segment						Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Language Education Business	Convention Business	Total		
Net sales								
Sales to external customers	6,727,678	881,498	632,379	213,975	550,879	9,006,410	171,902	9,178,312
Intersegment sales or transfer	46,283	1,840	22,707	671	–	71,504	21,315	92,820
Total	6,773,961	883,339	655,087	214,646	550,879	9,077,915	193,217	9,271,132
Segment income	472,374	43,211	2,183	14,530	35,191	567,491	701	568,193
Segment assets	4,235,013	105,945	92,902	101,771	235,261	4,770,894	124,842	4,895,736
Other items								
Depreciation	46,790	2,828	2,097	2,878	1,763	56,358	479	56,838
Investment in entities accounted for using equity method	–	–	–	–	–	–	20,908	20,908
Increase in property, plant and equipment and intangible assets	4,295	–	–	435	–	4,730	454	5,184

(Note) “Other” represents segments not included in reporting segments and includes overseas application support business.

4. Difference between total income or loss of reporting segment and amounts reported in consolidated financial statements and major components thereof (matters concerning difference adjustment)

(Unit: Thousand yen)

Net sales	Previous fiscal year	Fiscal year under review
Reporting segment total	9,136,075	9,077,915
“Other” sales	157,977	193,217
Elimination of intersegment transactions	(102,785)	(92,820)
Net sales reported in consolidated financial statements	9,191,266	9,178,312

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	516,979	567,491
“Other” income	1,954	701
Elimination of intersegment transactions	41,672	22,314
Amortization of goodwill	(55,850)	(55,850)
Operating income reported in consolidated financial statements	504,755	534,656

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	4,462,908	4,770,894
“Other” assets	86,109	124,842
Elimination of intersegment transactions	(864,237)	(831,614)
Unamortized portion of goodwill	134,972	79,122
Company-wide assets (Note)	681,940	513,815
Total assets reported in consolidated financial statements	4,501,693	4,657,059

(Note) Company-wide assets mainly consist of non-current assets not attributable to reporting segments.

(Unit: Thousand yen)

Other items	Reporting segment total		Other		Adjustments		Amount reported in consolidated financial statements	
	Previous fiscal year	Fiscal year under review	Previous fiscal year	Fiscal year under review	Previous fiscal year	Fiscal year under review	Previous fiscal year	Fiscal year under review
Depreciation	75,967	56,358	658	479	–	–	76,625	56,838
Increase in property, plant and equipment and intangible assets	79,234	4,730	–	454	3,880	–	83,114	5,184

(Note) The adjustment of the increase in property, plant and equipment and intangible assets is the capital investment in company-wide assets.

Relevant information

Previous fiscal year (From April 1, 2014 to March 31, 2015)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	6,493,393	1,310,398	1,387,474	9,191,266

2. Information by Region

(1) Net sales

As net sales to external customers in Japan exceed 90% of net sales reported in the consolidated statement of income, the description is omitted.

(2) Property, plant and equipment

As the amount of property, plant and equipment the Group owns in Japan exceeds 90% of property, plant and equipment reported in the consolidated balance sheet, the description is omitted.

3. Information by Main Customer

Not applicable.

Fiscal year under review (From April 1, 2015 to March 31, 2016)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	6,727,678	881,498	1,569,135	9,178,312

2. Information by Region

(1) Net sales

As net sales to external customers in Japan exceed 90% of net sales reported in the consolidated statement of income, the description is omitted.

(2) Property, plant and equipment

As the amount of property, plant and equipment the Group owns in Japan exceeds 90% of property, plant and equipment reported in the consolidated balance sheet, the description is omitted.

3. Information by Main Customer

Not applicable.

Information on impairment loss on non-current assets by reporting segment

Previous fiscal year (From April 1, 2014 to March 31, 2015)

Not applicable.

Fiscal year under review (From April 1, 2015 to March 31, 2016)

There is no material impairment loss on non-current assets.

Information on amortization of goodwill and unamortized goodwill by reporting segment

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Language education Business	Convention Business	Other	Company-wide	Total
Amortization for period	6,152	–	–	–	–	–	55,850	62,003
Balance at end of current period	19,849	–	–	–	–	–	134,972	154,822

Fiscal year under review (From April 1, 2015 to March 31, 2016)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Language Education Business	Convention Business	Other	Company-wide	Total
Amortization for period	6,152	–	–	–	–	–	55,850	62,003
Balance at end of current period	12,380	–	–	–	–	–	79,122	91,502

The balance of the Translation Business for the previous fiscal year is reduced by 1,315,000 yen due to the commencement of the liquidation proceedings of HC Beijing, Inc.

Information on gain on bargain purchase by reporting segment

Previous fiscal year (From April 1, 2014 to March 31, 2015)

Not applicable.

Fiscal year under review (From April 1, 2015 to March 31, 2016)

Not applicable.

(Per-share information)

Previous fiscal year (From April 1, 2014 to March 31, 2015)		Fiscal year under review (From April 1, 2015 to March 31, 2016)	
Net assets per share	1,671.18 yen	Net assets per share	1,855.74 yen
Profit per share	168.00 yen	Profit per share	255.48 yen

(Notes) 1. Profit per share – fully diluted is not stated as there are no dilutive shares.

2. The basis for calculation of the amount of profit per share is as follows.

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Profit per share		
Profit attributable to owners of parent (thousand yen)	283,004	430,365
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent of common shares (thousand yen)	283,004	430,365
Average number of shares issued during the period (shares)	1,684,500	1,684,500

(Important subsequent events)

Merger of consolidated subsidiary

The Company, based on the resolution by the Board of Directors' meeting held on December 11, 2015, merged with the International Documentation Center Co., Ltd., its wholly-owned consolidated subsidiary, as of April 1, 2016.

1. Overview of Transaction

(1) Purpose of merger

The purpose of this merger is to consolidate overlapping management resources within the Group and realize further expansion of customer services and efficient business management, in addition to the promotion of business development as defined in the Third Medium-Term Management Plan announced in May 2015.

(2) Names and business of parties to merger

Names of parties to merger (Merging company): Honyaku Center Inc.

(Merged company): International Documentation Center Co., Ltd.

Business: Translation

(3) Effective date of merger

April 1, 2016

(4) Format of merger

Merger with the Company as the merging company and International Documentation Center Co., Ltd. as the merged company

(5) Name of company after merger

Honyaku Center Inc.

2. Overview of Accounting Procedures Performed

The Company processed this transaction as the one under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Application Guideline for the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (ASBJ Application Guideline No. 10, September 13, 2013).

6. Non-Consolidated Financial Statements

(1) Balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2015)	Fiscal year under review (March 31, 2016)
Assets		
Current assets		
Cash and deposits	1,186,451	1,482,768
Notes receivable – trade	21,295	17,977
Accounts receivable – trade	1,044,723	1,084,117
Work in process	70,268	72,987
Prepaid expenses	54,665	56,168
Deferred tax assets	70,250	68,538
Other	69,560	62,278
Allowance for doubtful accounts	(1,380)	(1,000)
Total current assets	2,515,835	2,843,836
Non-current assets		
Property, plant and equipment		
Buildings	92,582	92,582
Accumulated depreciation	(22,980)	(32,908)
Buildings, net	69,601	59,673
Tools, furniture and fixtures	153,798	133,457
Accumulated depreciation	(87,644)	(85,458)
Tools, furniture and fixtures, net	66,153	47,998
Total property, plant and equipment	135,754	107,672
Intangible assets		
Goodwill	18,095	12,380
Software	14,819	67,117
Other	73,493	5,396
Total intangible assets	106,407	84,894
Investments and other assets		
Investment securities	12,495	–
Shares of subsidiaries and associates	668,719	693,219
Long-term loans receivable from subsidiaries and associates	160,000	120,000
Deferred tax assets	24,220	19,837
Prepaid pension cost	–	56
Guarantee deposits	147,735	154,780
Other	559	1,965
Allowance for doubtful accounts	(177)	(83)
Total investments and other assets	1,013,553	989,775
Total non-current assets	1,255,715	1,182,342
Total assets	3,771,551	4,026,178

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2015)	Fiscal year under review (March 31, 2016)
Liabilities		
Current liabilities		
Accounts payable – trade	499,664	490,132
Accounts payable – other	66,034	69,211
Income taxes payable	114,931	130,174
Provision for bonuses	151,000	155,772
Provision for directors’ bonuses	36,000	40,000
Other	198,032	150,183
Total current liabilities	1,065,663	1,035,475
Non-current liabilities		
Lease obligations	28,865	18,701
Provision for retirement benefits	32,830	–
Provision for directors’ retirement benefits	35,400	35,400
Total non-current liabilities	97,095	54,101
Total liabilities	1,162,759	1,089,576
Net assets		
Shareholders’ equity		
Capital stock	588,443	588,443
Capital surplus		
Legal capital surplus	478,823	478,823
Total capital surplus	478,823	478,823
Retained earnings		
Legal retained earnings	14,434	14,434
Other retained earnings		
Retained earnings brought forward	1,527,090	1,854,900
Total retained earnings	1,541,525	1,869,335
Total shareholders’ equity	2,608,791	2,936,601
Total net assets	2,608,791	2,936,601
Total liabilities and net assets	3,771,551	4,026,178

(2) Statement of income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Fiscal year under review (From April 1, 2015 to March 31, 2016)
Net sales	6,147,801	6,370,444
Cost of sales	3,330,367	3,603,284
Gross operating income	2,817,434	2,767,160
Selling, general and administrative expenses	2,407,548	2,322,936
Operating income	409,885	444,223
Non-operating income		
Foreign exchange gains	6,255	–
Commission fee	22,875	17,032
Other	2,251	2,750
Total non-operating income	31,382	19,782
Non-operating expenses		
Interest expenses	134	139
Foreign exchange losses	–	3,129
Other	590	–
Total non-operating expenses	724	3,269
Ordinary income	440,542	460,736
Extraordinary income		
Gain on sales of investment securities	–	172,477
Total extraordinary income	–	172,477
Extraordinary losses		
Loss on retirement of non-current assets	–	2,605
Loss on liquidation of subsidiaries	–	19,548
Total extraordinary losses	–	22,153
Profit before income taxes	440,542	611,060
Income taxes – current	169,200	196,300
Income taxes – deferred	4,437	6,094
Total income taxes	173,637	202,394
Profit	266,905	408,666

Statement of cost of sales

Category	Note number	Previous fiscal year (From April 1, 2014 to March 31, 2015) Amount (thousand yen)	Previous fiscal year Component ratio (%)	Fiscal year under review (From April 1, 2015 to March 31, 2016) Amount (thousand yen)	Fiscal year under review Component ratio (%)
Subcontract expenses		2,982,482	89.4	3,113,071	86.3
In-house processing cost		355,146	10.6	492,932	13.7
Total cost of sales		3,337,629	100.0	3,606,003	100.0
Beginning work in process		63,006		70,268	
Ending work in process		70,268		72,987	
Cost of sales for the year		3,330,367		3,603,284	

(Note) Cost is calculated based on the job order cost system.

(3) Statement of changes in equity

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(Unit: Thousand yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings			Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of current period	588,443	478,823	478,823	14,434	1,335,988	1,350,423	2,417,689	2,417,689
Changes of items during period								
Dividends of surplus					(75,802)	(75,802)	(75,802)	(75,802)
Profit					266,905	266,905	266,905	266,905
Total changes of items during period	–	–	–	–	191,102	191,102	191,102	191,102
Balance at end of current period	588,443	478,823	478,823	14,434	1,527,090	1,541,525	2,608,791	2,608,791

Fiscal year under review (From April 1, 2015 to March 31, 2016)

(Unit: Thousand yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings			Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of current period	588,443	478,823	478,823	14,434	1,527,090	1,541,525	2,608,791	2,608,791
Changes of items during period								
Dividends of surplus					(80,856)	(80,856)	(80,856)	(80,856)
Profit					408,666	408,666	408,666	408,666
Total changes of items during period	–	–	–	–	327,810	327,810	327,810	327,810
Balance at end of current period	588,443	478,823	478,823	144,334	1,854,900	1,869,335	2,936,601	2,936,601

7. Other

(1) Transfer of directors

1) Transfer of President

Not applicable.

2) Transfer of other directors

・Directors to retire

Kazuhiro Asami, Director (expected to continue serving as General Manager, Business Promotion Division)

Kenji Kusumi, Director (appointed as General Manager, Foreign Subsidiaries and expected to continue serving as President, FIPAS Inc.)

3) Scheduled transfer date

At the conclusion of the Annual Meeting of Shareholders to be held on June 28, 2016