



Financial Results Summary for the Six-Month Period Ended September 30, 2016 [Japanese GAAP] (Consolidated)

November 10, 2016

Company Name: Honyaku Center Inc.	Exchange listed on: Tokyo Stock Exchange
Securities Code: 2483	URL: http://www.honyakuctr.com
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Contact: (Title) Director; General Manager, Administrative Division	(Name) Hiroshi Nakamoto TEL: 06-6282-5013
Scheduled date for submission of quarterly report: November 14, 2016	
Scheduled commencement date of dividends payment: -	
Preparation of supplementary materials for quarterly report: None	
Convening quarterly results briefing: Applicable	

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

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

(1) Quarterly Operating Results (cumulative)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six-month period ended September 30, 2016	4,970	16.5	341	154.1	355	179.6	226	267.5
Six-month period ended September 30, 2015	4,262	(2.2)	134	(12.9)	126	(19.4)	61	(28.9)

(Notes) Comprehensive income:	Six-month period ended September 30, 2016	208 million yen	(223.1%)
	Six-month period ended September 30, 2015	64 million yen	((19.3)%)

	Profit per share	Profit per share – diluted
	yen	yen
Six-month period ended September 30, 2016	134.56	–
Six-month period ended September 30, 2015	36.60	–

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six-month period ended September 30, 2016	4,728	3,245	68.6
Fiscal year ended March 2016	4,657	3,126	67.1

(Reference) Shareholders' equity:	Six-month period ended September 30, 2016	3,245 million yen	
	Fiscal year ended March 2016	3,126 million yen	

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of the year	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 2016	–	0.00	–	53.00	53.00
Fiscal year ending March 2017	–	0.00	–		
Fiscal year ending March 2017 (forecast)			–	55.00	55.00

(Notes) Revision of the dividends forecast released most recently: None

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

(Percentages represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	9,950	8.4	720	34.6	720	34.7	465	8.0	276.04

(Note) Revision of the consolidated results forecast released most recently: None

* Notes

- (1) Changes in major subsidiaries during the period under review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None
 Newly consolidated: – companies (company name)
 Excluded: – companies (company name)
- (2) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements: Applicable
 For details, please see “2. Matters Concerning Summary Information (Notes), (1) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements” on Page 3 of the attachments.
- (3) Change in accounting policies or estimates and retrospective restatements:
 1) Change in accounting policies in accordance with revision of accounting standards: Applicable
 2) Change in accounting policies other than item 1) above: None
 3) Change in accounting estimates: None
 4) Retrospective restatements: None
 For details, please see “2. Matters Concerning Summary Information (Notes), (2) Change in accounting policies or estimates and retrospective restatements” on Page 3 of the attachments.

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)	Q2 of fiscal year ending March 2017	1,684,500 shares	Fiscal year ended March 2016	1,684,500 shares
2) Number of treasury shares at the end of the period	Q2 of fiscal year ending March 2017	– shares	Fiscal year ended March 2016	– shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	Q2 of fiscal year ending March 2017	1,684,500 shares	Q2 of Fiscal Year Ended March 2016	1,684,500 shares

* Indication of quarterly review procedure implementation status

This financial results summary is not subject to the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial results summary, the review procedure of the quarterly 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. Qualitative Information on Quarterly Financial Results under Review (3) Explanation of future forecast information such as consolidated financial results forecasts” on Page 3 of the attachments.

○ Table of Contents of Attachments

1. Qualitative Information on Quarterly Financial Results under Review	2
(1) Explanation of operating results	2
(2) Explanation of financial position.....	3
(3) Explanation of future forecast information such as consolidated financial results forecasts	4
2. Matters Concerning Summary Information (Notes)	4
(1) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements	4
(2) Changes in accounting policies or estimates and retrospective restatements	4
(3) Additional information	4
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
(Quarterly consolidated statement of income) (Six-month period).....	6
(Quarterly consolidated statement of comprehensive income) (Six-month period).....	7
(3) Quarterly consolidated statement of cash flows	8
(4) Notes to quarterly consolidated financial statements	9
(Notes to assumptions for going concern).....	9
(Notes when there is a significant change in the amount of shareholders' equity)	9
(Segment information)	9

1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of operating results

The Japanese economy during the six-month period under review is on a gradual recovery track as a result of various economic and political measures taken by the government. However, the economy remained uncertain due to effects of the appreciation of the yen on corporate earnings, the continuing economic slowdown in emerging countries in Asia such as China, and Britain's withdrawal from the EU.

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 six-month period under review amounted to 4,970 million yen, up 16.5% on a year-on-year basis, as net sales of the Translation Business, the core business of the Group, increased by 5.6% on a year-on-year basis, and net sales of the Convention Business significantly increased by 339.3% on a year-on-year basis due to running of major international conferences. In terms of income, as a result of an increase in net sales of the Translation Business and the Convention Business, operating income was 341 million yen, up 154.1% on a year-on-year basis, and ordinary income increased by 179.6% on a year-on-year basis to 355 million yen. Profit attributable to owners of parent was 226 million yen, up 267.5% on a year-on-year basis.

The financial results of each segment for the six-month period under review are as follows.

i) Translation Business

In the Patent field, net sales increased by 3.1% on a year-on-year basis to 903 million yen due to solid orders from patent firms and steady orders from the intellectual property departments of companies. In the Medical field, net sales were 1,193 million yen, up 8.8% on a year-on-year basis, due to stable orders from foreign pharmaceutical companies with which the Company has preferred vendor agreements (see Note), increased orders from domestic pharmaceutical companies and medical equipment companies, and the winning of a long-term project from a CRO. In the Industrial & Localization field, net sales declined by 1.4% on a year-on-year basis to 889 million yen due to the sluggish growth of projects in the automobile sector while the business volume in information and telecommunication companies expanded, in addition to steady orders from electronics/electronic components manufacturers. In the Finance & Legal field, net sales increased by 20.4% on a year-on-year basis to 399 million yen due to the winning of spot projects from banks, in addition to expansion of orders from administrative departments of companies, such as the winning of new projects concerning IR-related materials including notices of annual shareholders meetings.

As a result, net sales of the Translation Business were 3,385 million yen, up 5.6% 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 440 million yen, down 1.1% on a year-on-year basis, due to the shortage of registered staff, although demand for staff from finance-related companies and service-related companies remained steady.

iii) Interpretation Business

In the Interpretation Business, net sales increased by 19.7% on a year-on-year basis to 351 million yen due to steady orders from finance-related companies such as insurance, banking and securities, and medical-related companies, in addition to the winning of a large interpretation project from a foreign securities firm in the second quarter under review.

iv) Language Education Business

In the Language Education Business, net sales amounted to 107 million yen, up 1.0% on a year-on-year basis as the number of applications for the regular course held from April to September of the interpreter/translator training course offered by ISS Institute, Inc. turned out as planned.

v) Convention Business

In the Convention Business, net sales increased by 339.3% on a year-on-year basis to 598 million yen due to the running of projects such as the 99th Lions Clubs International Convention, a large international conference held in Fukuoka in June 2016; the 19th Congress of Japanese Society for Emergency Medicine; and the 17th International Symposium on Olfaction and Taste (ISOT2016).

vi) Other

In other segments, net sales increased by 17.2% on a year-on-year basis to 85 million yen due to the steady performance of FIPAS Inc. which prepares documents required for overseas patent application 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) Explanation of financial position

(Assets)

Current assets as of the end of the second quarter under review were 4,202 million yen, up 105 million yen compared with the end of the previous fiscal year. This is mainly due to an increase of 149 million yen in cash and deposits due to recording of profit attributable to owners of parent. Non-current assets decreased by 33 million yen from the end of the previous fiscal year to 525 million yen. This is mainly due to a decrease in intangible assets as a result of amortization of goodwill.

As a result, total assets amounted to 4,728 million yen, up 71 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the second quarter under review were 1,408 million yen, down 26 million yen compared to the end of the previous fiscal year. This is mainly due to a decrease in accounts payable - trade. Non-current liabilities decreased by 21 million yen from the end of the previous fiscal year to 74 million yen. This is mainly due to a decrease in provision for directors' retirement benefits as a result of retirement of directors.

As a result, total liabilities amounted to 1,483 million yen, down 47 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the second quarter under review were 3,245 million yen, up 119 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 137 million yen in retained earnings due to recording of profit attributable to owners of parent.

(Cash flows)

Cash and cash equivalents as of the end of the second quarter under review were 2,185 million yen, up 146 million yen compared to the end of the previous fiscal year.

Cash flows and factors for changes thereof in the six-month period under review are as follows.

(Cash flows from operating activities)

Net cash provided in operating activities were 267 million yen (35 million yen of payments in the same period of the preceding year).

This is mainly due to proceeds of 356 million yen due to recording of profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities were 11 million yen (37 million yen of payments in the same period of the preceding year).

This is mainly due to payment of 7 million yen for purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities were 97 million yen (88 million yen of payments in the same period of the preceding year).

This is mainly due to payment of dividends of 89 million yen.

(3) Explanation of future forecast information such as consolidated financial results forecasts

There is no change in the full year financial results forecasts for fiscal year ended March 2017 announced in “Notice Concerning Revision of Financial Results Forecasts” on October 27, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements

With respect to tax expenses, the Company reasonably estimated the effective tax rate after applying tax effect accounting to profit before taxes in the fiscal year including the second quarter under review and calculated them by multiplying this estimated effective tax rate by profit before income taxes.

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

(Change in accounting policies)

(Application of the practical solution on a change in depreciation method due to Tax Reform 2016)

The Company applied “Practical solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No. 32, June 17, 2016) in the first quarter and changed the depreciation method for facilities attached to buildings and structures obtained on April 1, 2016 and later from the declining-balance method to the straight-line method in accordance with the revision of the Corporation Tax Act.

Effects of this change on income in the six-month period under review are insignificant.

(3) Additional information

(Adoption of the application guideline for recoverability of deferred tax assets)

The Company has adopted “Application guideline for recoverability of deferred tax assets” (ASBJ Application Guideline No. 26, March 28, 2016) from the first quarter.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2016)	Second quarter under review (September 30, 2016)
Assets		
Current assets		
Cash and deposits	2,192,270	2,341,803
Notes and accounts receivable – trade, net	1,577,831	1,495,540
Work in process	121,777	162,484
Other	205,442	202,803
Total current assets	4,097,320	4,202,631
Non-current assets		
Property, plant and equipment	127,969	111,974
Intangible assets		
Goodwill	91,502	60,720
Other	77,677	75,247
Total intangible assets	169,180	135,967
Investments and other assets	262,588	277,946
Total non-current assets	559,738	525,889
Total assets	4,657,059	4,728,520
Liabilities		
Current liabilities		
Accounts payable – trade	697,459	665,077
Income taxes payable	137,797	133,541
Provision for bonuses	169,055	219,416
Other	430,843	390,459
Total current liabilities	1,435,155	1,408,495
Non-current liabilities		
Provision for directors' retirement benefits	35,400	23,800
Net defined benefit liability	32,269	30,496
Other	28,232	20,390
Total non-current liabilities	95,902	74,686
Total liabilities	1,531,057	1,483,182
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,027,602	2,164,990
Total shareholders' equity	3,094,868	3,232,256
Accumulated other comprehensive income		
Foreign currency translation adjustment	31,133	13,081
Total accumulated other comprehensive income	31,133	13,081
Total net assets	3,126,002	3,245,338
Total liabilities and net assets	4,657,059	4,728,520

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Six-month period)

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2015 to September 30, 2015)	Six-month period under review (From April 1, 2016 to September 30, 2016)
Net sales	4,262,927	4,970,013
Cost of sales	2,459,348	2,912,426
Gross profit	1,803,578	2,057,586
Selling, general and administrative expenses	1,669,116	1,715,855
Operating income	134,461	341,730
Non-operating income		
Interest income	420	28
Dividend income	500	-
Share of profit of entities accounted for using equity method	-	2,397
Foreign exchange gains	-	8,681
Other	519	2,308
Total non-operating income	1,439	13,416
Non-operating expenses		
Interest expenses	46	33
Share of loss of entities accounted for using equity method	7,402	-
Foreign exchange losses	1,455	-
Total non-operating expenses	8,905	33
Ordinary income	126,996	355,112
Extraordinary income		
Gain on change in equity	-	1,397
Total extraordinary income	-	1,397
Profit before income taxes	126,996	356,510
Income taxes	65,330	129,844
Profit	61,666	226,666
Profit attributable to owners of parent	61,666	226,666

(Quarterly consolidated statement of comprehensive income)

(Six-month period)

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2015 to September 30, 2015)	Six-month period under review (From April 1, 2016 to September 30, 2016)
Profit	61,666	226,666
Other comprehensive income		
Foreign currency translation adjustment	2,898	(18,051)
Total other comprehensive income	2,898	(18,051)
Comprehensive income	64,564	208,614
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	64,564	208,614
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statement of cash flows

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2015 to September 30, 2015)	Six-month period under review (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Profit before income taxes	126,996	356,510
Depreciation	27,824	25,329
Amortization of goodwill	31,001	30,782
Increase (decrease) in allowance for doubtful accounts	(161)	(514)
Increase (decrease) in provision for bonuses	22,247	50,521
Increase (decrease) in provision for directors' bonuses	(16,000)	(22,000)
Increase (decrease) in provision for directors' retirement benefits	–	(11,600)
Increase (decrease) in net defined benefit liability	(13,259)	(1,772)
Increase (decrease) in net defined benefit asset	–	(14,705)
Interest and dividend income	(920)	(28)
Interest expenses	46	33
Share of (profit) loss of entities accounted for using equity method	7,402	2,397
Loss (gain) on change in equity	–	1,397
Decrease (increase) in notes and accounts receivable – trade	176,229	77,654
Decrease (increase) in inventories	(39,818)	(40,802)
Increase (decrease) in notes and accounts payable – trade	(75,546)	(30,949)
Other	(123,302)	(22,131)
Subtotal	122,739	392,530
Interest and dividend income received	920	28
Interest expenses paid	(46)	(33)
Income taxes paid	(158,849)	(124,686)
Cash flows from operating activities	(35,236)	267,839
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(688)
Purchase of intangible assets	(10,025)	(7,637)
Purchase of investment securities	(24,500)	–
Payments into time deposits	(3,000)	(3,000)
Collection of loans receivable	–	123
Payments for guarantee deposits	(320)	(583)
Proceeds from collection of guarantee deposits	280	659
Cash flows from investing activities	(37,565)	(11,126)
Cash flows from financing activities		
Repayments of finance lease obligations	(7,924)	(7,711)
Cash dividends paid	(80,856)	(89,278)
Cash flows from financing activities	(88,780)	(96,990)
Effect of exchange rate change on cash and cash equivalents	2,219	(13,189)
Net increase (decrease) in cash and cash equivalents	(159,362)	146,533
Cash and cash equivalents at beginning of period	1,923,008	2,039,464
Cash and cash equivalents at the end of the period	1,763,646	2,185,998

(4) Notes to quarterly consolidated financial statements

(Notes to assumptions for going concern)

Not applicable.

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Segment information)

Segment information

I. Six-month period in the previous fiscal year (From April 1, 2015 to September 30, 2015)

1. Information on net sales, income or loss by reporting segment

(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	3,207,500	445,580	294,023	106,908	136,137	4,190,149	72,777	4,262,927
Intersegment sales or transfer	17,993	1,840	9,667	28	–	29,530	10,782	40,312
Total	3,225,493	447,421	303,691	106,936	136,137	4,219,680	83,559	4,303,240
Segment income (loss)	148,310	22,357	221	11,085	(23,100)	158,874	(7,806)	151,068

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

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

(Unit: Thousand yen)

Income	Amount
Reporting segment total	158,874
"Other" (loss)	(7,806)
Elimination of intersegment transactions	11,318
Amortization of goodwill	(27,925)
Operating income in quarterly consolidated statement of income	134,461

II. Six-month period under review (From April 1, 2016 to September 30, 2016)

1. Information on net sales, income or loss by reporting segment

(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	3,385,967	440,872	351,980	107,925	598,007	4,884,753	85,259	4,970,013
Intersegment sales or transfer	27,307	–	12,573	–	–	39,881	14,452	54,333
Total	3,413,274	440,872	364,554	107,925	598,007	4,924,634	99,711	5,024,346
Segment income	239,121	20,444	2,317	3,944	88,440	354,268	7,418	361,686

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

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

(Unit: Thousand yen)

Income	Amount
Reporting segment total	354,268
“Other” income	7,418
Elimination of intersegment transactions	7,969
Amortization of goodwill	(27,925)
Operating income in quarterly consolidated statement of income	341,730