



Financial Results Summary for the Nine-Month Period Ended December 31, 2016 [Japanese GAAP] (Consolidated)

February 9, 2017

Company Name: Honyaku Center Inc.	Exchange listed on: Tokyo Stock Exchange
Securities 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 for submission of quarterly report:	February 13, 2017
Scheduled commencement date of dividends payment:	-
Preparation of supplementary materials for quarterly report:	None
Convening quarterly results briefing:	None

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2016 (From April 1, 2016 to December 31, 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	%
Nine-month period ended December 31, 2016	7,752	15.3	570	64.6	583	70.0	362	18.6
Nine-month period ended December 31, 2015	6,723	0.8	346	21.4	343	19.2	305	98.0

(Notes) Comprehensive income:
 Nine-month period ended December 31, 2016 341 million yen (12.6%)
 Nine-month period ended December 31, 2015 303 million yen (90.2%)

	Profit per share	Profit per share – diluted
	yen	yen
Nine-month period ended December 31, 2016	215.02	–
Nine-month period ended December 31, 2015	181.26	–

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Nine-month period ended December 31, 2016	4,926	3,378	68.5
Fiscal year ended March 2016	4,657	3,126	67.1

(Reference) Shareholders' equity:
 Nine-month period ended December 31, 2016 3,378 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

(Note) 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) Changes 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)	Q3 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	Q3 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)	Q3 of fiscal year ending March 2017	1,684,500 shares	Q3 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.

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1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of operating results

The Japanese economy during the nine-month period under review is on a gradual recovery track with improvement of the employment and income environment. However, the economy remained not optimistic due to heightened uncertainty over the global economy triggered by the effects of the US presidential election in addition to the continuing economic slowdown in emerging countries and Britain's withdrawal from the EU.

Under these circumstances, the Group, based on the Third Medium-Term Management Plan (from the fiscal year ended March 2016 to the 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 nine-month period under review amounted to 7,752 million yen, up 15.3% on a year-on-year basis, as net sales of the Translation Business, the core business of the Group, steadily increased by 4.4% on a year-on-year basis, and net sales of the Convention Business significantly increased by 181.8% 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 570 million yen, up 64.6% on a year-on-year basis, and ordinary income increased by 70.0% on a year-on-year basis to 583 million yen. Profit attributable to owners of parent, on the other hand, increased by 18.6% on a year-on-year basis to 362 million yen, as gain on sales of investment securities was recorded in the third quarter of the previous year.

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

i) Translation Business

In the Patent field, net sales decreased by 1.1% on a year-on-year basis to 1,346 million yen due to a decline in business volume with patent firms while orders from the intellectual property departments of companies grew steadily. In the Medical field, net sales were 1,807 million yen, up 4.5% on a year-on-year basis, due to stable orders from foreign pharmaceutical companies, increased orders from domestic pharmaceutical companies, and the winning of a long-term project from a CRO (Contract Research Organization). In the Industrial & Localization field, net sales increased by 4.1% on a year-on-year basis to 1,413 million yen as the business volume with information and telecommunication companies expanded, in addition to steady orders from electronics/electronic components manufacturers. In the Finance & Legal field, net sales increased by 21.6% on a year-on-year basis to 569 million yen due to the winning of spot projects from banks, in addition to the expansion of orders from administrative departments of companies.

As a result, net sales of the Translation Business were 5,138 million yen, up 4.4% 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 663 million yen, up 0.9% on a year-on-year basis, as demand for staff from finance-related companies and IT 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 588 million yen due to steady orders for IR interpretation and from medical-related companies, in addition to winning of a large interpretation project from a foreign telecommunications equipment manufacturer in the third quarter under review.

iv) Language Education Business

In the Language Education Business, net sales remained unchanged at 162 million yen on a year-on-year basis as the number of applications for the autumn regular course held from October to March of the

interpreter/translator training course offered by ISS Institute, Inc. fell below the plan while that for the spring course held from April to September turned out as planned.

v) Convention Business

In the Convention Business, net sales increased by 181.8% on a year-on-year basis to 1,073 million yen due to the running of projects such as the 99th Lions Clubs International Convention, the 40th World Congress of the International College of Surgeons (ICS2016), and the 18th IFHIMA (International Federation of Health Information Management Associations) International Congress Tokyo 2016.

vi) Other

In other segments, net sales increased by 10.2% on a year-on-year basis to 127 million yen due to the steady performance of FIPAS Inc. which prepares documents required for overseas patent application and performs application procedures.

(2) Explanation of financial position

(Assets)

Current assets as of the end of the third quarter under review were 4,417 million yen, up 319 million yen compared with the end of the previous fiscal year. This is mainly due to an increase of 178 million yen in cash and deposits due to recording of profit attributable to owners of parent. Non-current assets decreased by 50 million yen from the end of the previous fiscal year to 509 million yen. This is mainly due to a decrease of 52 million yen in intangible assets as a result of amortization of goodwill.

As a result, total assets amounted to 4,926 million yen, up 269 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the third quarter under review were 1,476 million yen, up 41 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 57 million yen in accounts payable - trade. Non-current liabilities decreased by 24 million yen from the end of the previous fiscal year to 71 million yen. This is mainly due to a decrease of 11 million yen in provision for directors' retirement benefits as a result of the retirement of directors.

As a result, total liabilities amounted to 1,547 million yen, up 16 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the third quarter under review were 3,378 million yen, up 252 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 272 million yen in retained earnings due to recording of profit attributable to owners of parent.

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

There is no change in the full year financial results forecasts for the fiscal year ending March 2017 announced in the "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 income taxes in the fiscal year including the third quarter under review and calculated them by multiplying this estimated effective tax rate by the 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 nine-month period under review are insignificant.

- (3) Additional information

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

The Company has adopted “Implementation guidance on recoverability of deferred tax assets” (ASBJ Guidance 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)	Third quarter under review (December 31, 2016)
Assets		
Current assets		
Cash and deposits	2,192,270	2,370,809
Notes and accounts receivable – trade, net	1,577,831	1,733,606
Work in process	121,777	107,006
Other	205,442	205,744
Total current assets	4,097,320	4,417,166
Non-current assets		
Property, plant and equipment	127,969	107,477
Intangible assets		
Goodwill	91,502	45,329
Other	77,677	71,777
Total intangible assets	169,180	117,107
Investments and other assets	262,588	284,731
Total non-current assets	559,738	509,315
Total assets	4,657,059	4,926,481
Liabilities		
Current liabilities		
Accounts payable – trade	697,459	755,282
Income taxes payable	137,797	105,416
Provision for bonuses	169,055	145,610
Other	430,843	470,053
Total current liabilities	1,435,155	1,476,363
Non-current liabilities		
Provision for directors' retirement benefits	35,400	23,800
Net defined benefit liability	32,269	30,875
Other	28,232	16,821
Total non-current liabilities	95,902	71,496
Total liabilities	1,531,057	1,547,859
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,027,602	2,300,529
Total shareholders' equity	3,094,868	3,367,795
Accumulated other comprehensive income		
Foreign currency translation adjustment	31,133	10,826
Total accumulated other comprehensive income	31,133	10,826
Total net assets	3,126,002	3,378,622
Total liabilities and net assets	4,657,059	4,926,481

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

(Unit: Thousand yen)

	Nine-month period in the previous fiscal year (From April 1, 2015 to December 31, 2015)	Nine-month period under review (From April 1, 2016 to December 31, 2016)
Net sales	6,723,293	7,752,521
Cost of sales	3,888,548	4,612,426
Gross profit	2,834,744	3,140,094
Selling, general and administrative expenses	2,488,317	2,569,867
Operating income	346,427	570,227
Non-operating income		
Interest income	602	73
Dividend income	500	–
Share of profit of entities accounted for using equity method	–	1,222
Foreign exchange gains	685	9,488
Other	848	2,352
Total non-operating income	2,636	13,137
Non-operating expenses		
Interest expenses	67	48
Share of loss of entities accounted for using equity method	5,936	–
Other	–	32
Total non-operating expenses	6,004	80
Ordinary income	343,059	583,284
Extraordinary income		
Gain on sales of investment securities	172,477	–
Gain on change in equity	–	1,397
Total extraordinary income	172,477	1,397
Profit before income taxes	515,537	584,682
Income taxes	210,204	222,476
Profit	305,333	362,205
Profit attributable to owners of parent	305,333	362,205

(Quarterly consolidated statement of comprehensive income)

(Nine-month period)

(Unit: Thousand yen)

	Nine-month period in the previous fiscal year (From April 1, 2015 to December 31, 2015)	Nine-month period under review (From April 1, 2016 to December 31, 2016)
Profit	305,333	362,205
Other comprehensive income		
Foreign currency translation adjustment	(1,789)	(20,306)
Total other comprehensive income	(1,789)	(20,306)
Comprehensive income	303,543	341,898
(Components)		
Comprehensive income attributable to owners of parent	303,543	341,898
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on quarterly consolidated financial statements

(Notes on 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. Nine-month period in the previous fiscal year (From April 1, 2015 to December 31, 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	4,917,110	656,746	490,986	162,040	380,902	6,607,786	115,507	6,723,293
Intersegment sales or transfer	33,047	1,840	18,284	671	–	53,844	17,373	71,217
Total	4,950,157	658,587	509,270	162,712	380,902	6,661,630	132,880	6,794,510
Segment income (loss)	292,331	29,691	6,895	19,032	31,939	379,891	(7,269)	372,622

(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	379,891
"Other" (loss)	(7,269)
Elimination of intersegment transactions	15,693
Amortization of goodwill	(41,888)
Operating income in quarterly consolidated statement of income	346,427

II. Nine-month period under review (From April 1, 2016 to December 31, 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	5,138,167	663,122	588,118	162,036	1,073,742	7,625,188	127,332	7,752,521
Intersegment sales or transfer	47,392	1,105	25,842	917	–	75,257	21,567	96,825
Total	5,185,559	664,227	613,961	162,954	1,073,742	7,700,446	148,900	7,849,346
Segment income	378,633	36,267	19,335	4,674	150,883	589,794	7,757	597,552

(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	589,794
“Other” income	7,757
Elimination of intersegment transactions	14,563
Amortization of goodwill	(41,888)
Operating income in quarterly consolidated statement of income	570,227