Financial Results for the Fiscal Year Ended March 31, 2017 [Japan GAAP] (Consolidated)

May 11, 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 of Annual Meeting of Shareholders:	June 27, 2017
Scheduled commencement date of dividends payment:	June 28, 2017
Scheduled filing date of the securities report:	June 28, 2017
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 2017 (From April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results (Percent represents comparison changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal Year Ended March 2017	10,218	11.3	697	30.3	699	30.8	444	3.2
Fiscal Year Ended March 2016	9,178	(0.1)	534	5.9	534	6.3	430	52.0

(Note) Comprehensive income: Fiscal Year Ended March 2017 441 million yen (3.2%)
Fiscal Year Ended March 2016 427 million yen (41.0%)

	Net income per share	Net income per share – diluted	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal Year Ended March 2017	263.78	–	13.4	14.3	6.8
Fiscal Year Ended March 2016	255.48	–	14.4	11.6	5.8

(Reference) Equity method investment gain (loss):
Fiscal Year Ended March 2017 (0) million yen
Fiscal Year Ended March 2016 (3) 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 2017	5,111	3,477	68.0	2,064.69
Fiscal Year Ended March 2016	4,657	3,126	67.1	1,855.74

(Reference) Shareholders' equity: Fiscal Year Ended March 2017 3,477 million yen
Fiscal Year Ended March 2016 3,126 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 2017	650	(43)	(104)	2,541
Fiscal Year Ended March 2016	147	130	(96)	2,039

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 Q4	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal Year Ended March 2016	–	0.00	–	53.00	53.00	89	20.7	3.0
Fiscal Year Ended March 2017	–	0.00	–	55.00	55.00	92	20.8	2.8
Fiscal Year Ending March 2018 (forecast)	–	0.00	–	58.00	58.00		18.7	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 2018 (from April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to parent company's shareholders		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Q2 (cumulative)	4,700	(5.4)	210	(38.5)	210	(40.8)	140	(38.2)	83.11
Full year	10,300	0.7	750	7.5	750	7.2	520	17.0	308.69

* 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 2017	1,684,500 shares	Fiscal Year Ended March 2016	1,684,500 shares
2) Number of shares of treasury shares at the end of the period	Fiscal Year Ended March 2017	– shares	Fiscal Year Ended March 2016	– shares
3) Average number of shares issued during the period	Fiscal Year Ended March 2017	1,684,500 shares	Fiscal Year Ended March 2016	1,684,500 shares

* This financial results summary is not subject to the audit procedure.

* 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. Overview of operating results, etc., (4) Future outlook” on Page 4 of the attachments.

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1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year ended March 2017

During the fiscal year ended March 2017, the Japanese economy continued on a moderate recovery path as the employment and income environment improved, among other factors. The U.S. economy also continued to expand moderately on the backdrop of growth in consumer spending in line with the improvement in the employment environment. The Chinese economy is showing signs of recovery due to the effects of various measures implemented. Meanwhile, European economies have also been demonstrating a mild upward trend.

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 the above, the Group posted another record high in net sales as well as in income for the fiscal year under review. Looking at sales, the Group posted consolidated net sales of 10.218 billion yen, up 11.3% from a year earlier thanks to a significant year on year increase of 101% in the convention business as a result of running major international conferences, in addition to the steady performance of the Group's core translation business, which recorded an increase of 4.5% from a year earlier. In terms of income, as a result of higher revenues, operating income increased 30.3% year on year to 697 million yen, and ordinary income rose 30.8% year on year to 699 million yen. Net income attributable to the parent company's shareholders came to 444 million yen, up 3.2% from a year earlier when the Company posted a gain on sales of investment securities.

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

i) Translation Business

In the patent field, net sales increased by 1.3% on a year on year basis to 1.824 billion yen on steady orders from the intellectual property departments of companies, although transactions with patent firms were weak. In the medical field, net sales were 2.445 billion yen, up 2.8% on a year on year basis on stable orders from foreign pharmaceutical companies, increased orders from domestic pharmaceutical companies, and the acquisition of a long-term deal from CRO (Contract Research Organization). In the industrial and localization fields, net sales amounted to 2.02 billion yen, up 5.3% from the year before due to favorable transactions with information communication-related firms, and a large deal acquired from a steel-related company. In the finance and legal fields, net sales rose 17.7% from a year earlier to 745 million yen as a result of increased orders from corporate management departments and long-term orders from banks.

As a result, net sales in the translation business were 7.035 billion yen, up 4.5% on a year on year basis.

ii) Temporary Staffing Business

In the temporary staffing business, in which the Company dispatches staff with professional language skills, net sales amounted to 900 million yen, up 2.1% from the previous year, thanks to steady demand from finance-related companies and IT service-related companies.

iii) Interpretation Business

In the interpretation business, net sales increased by 23.8% on a year on year basis to 783 million yen due to steady demand for IR interpretation and favorable orders from medical-related companies, as well as the winning of a large interpretation project from a foreign communication equipment manufacturer.

iv) Language Education Business

In the language education business, net sales amounted to 210 million yen, down 1.5% on a year on year basis as the number of applications for the autumn-season regular interpreter/translator training course (held from October through March) offered by ISS Institute, Inc. fell short of expectations.

v) Convention Business

In the convention business, net sales were 1.107 billion yen, up 101% year on year as a result of operating several large-scale international conferences such as the 99th Lions Clubs International

Convention and the 40th World Congress of The International College of Surgeons (ICS2016).

vi) Other

In other segments, net sales increased by 5.1% on a year on year basis to 180 million yen due to the steady performance of FIPAS Inc., which prepares documents required for overseas patent applications and performs application procedures.

(2) Overview of financial position for the fiscal year ended March 2017

(Assets)

Current assets as of the end of the fiscal year under review were 4.632 billion yen, up 534 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 508 million yen in cash and deposits, and an increase of 34 million yen in notes and accounts receivable - trade. Non-current assets decreased by 80 million yen from the end of the previous fiscal year to 478 million yen. This is mainly due to a decrease in tangible and intangible assets as a result of depreciation and amortization of goodwill.

As a result, total assets amounted to 5.111 billion yen, up 454 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 1.543 billion yen, up 108 million yen compared to the end of the previous fiscal year. This is primarily due to increases in accrued consumption taxes of 39 million yen, other accounts payable of 35 million yen, and in other current liabilities. Non-current liabilities decreased by 5 million yen from the end of the previous fiscal year to 90 million yen. This is mainly because of a 14 million yen decrease in lease obligations due to scheduled payments.

As a result, total liabilities amounted to 1.633 billion yen, up 102 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 3.477 billion yen, up 351 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 355 million yen in retained earnings from the recording of net income.

(3) Overview of cash flows for the fiscal year ended March 2017

Cash and cash equivalents as of the end of the fiscal year under review were 2.541 billion yen, up 502 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 650 million yen (147 million yen of proceeds in the preceding year).

This is mainly due to proceeds of 700 million yen resulting from the recording of income before income taxes, and income taxes paid of 243 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 43 million yen (130 million yen of proceeds in the preceding year).

This is mainly due to payment of 18 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 104 million yen (96 million yen in payments in the preceding year).

This is mainly due 89 million yen in cash dividends paid.

The Group’s cash flow benchmark trends are as follows.

	Fiscal Year Ended March 2013	Fiscal Year Ended March 2014	Fiscal Year Ended March 2015	Fiscal Year Ended March 2016	Fiscal Year Ended March 2017
Shareholders’ equity ratio (%)	64.3	63.6	62.5	67.1	68.0
Shareholders’ equity ratio on a market value basis (%)	149.3	143.6	133.9	129.6	119.6
Ratio of cash flows to interest-bearing debt (year)	0.0	0.3	0.1	0.2	0.0
Interest coverage ratio	—	11,727.6	2,976.3	1,053.7	7,881.6

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 payments

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

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.

(4) Future outlook

Taking a look at the Japanese economy going forward, while there is anticipation that the economy will continue a moderate recovery path supported by various economic measures, there are concerns about the impact from political situations in Europe and the U.S., and fluctuations in the financial and capital markets. Hence, the operating environment will likely be such that an optimistic view cannot be taken.

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

The Group’s measures by segment are as follows.

In the translation business, the Group will continue to pursue a strategy of specialization in the four major divisions of Medical, Patent, Industrial & Localization, and Finance & Legal, strengthen its specialization, and expand its market share. In the medical field, the Group will work to 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 subsidiary FIPAS Inc., and pursue the acquisition of new customers, expansion of sales to corporate intellectual property departments, as well as enhance services targeting patent firms. In the industrial and localization fields, the Group will focus on services targeting the energy, electric appliances, information and telecommunications/IT sectors, establish stronger field specialization, and increase orders from automobile-related companies, which are the main source of sales. In the finance and legal fields, the Group will facilitate strengthening services to financial institutions and law firms at home and abroad, while increasing orders from management-related departments of corporations.

In the temporary staffing business, the Group will make it a top priority to secure interpreters and translators who meet the various needs of corporate clients, 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 advancing specialization in interpretation services targeting the information and telecommunications sector and the pharmaceutical sector.

In the language education business, the Group will expand translator development while steadily meeting demand for the training of interpreters in the Tokyo metropolitan area.

In the convention business, although it is projected that fewer conventions will be held in the coming year because large international conferences were concentrated in the fiscal year under review, the Group will work to satisfy the needs of corporations for events and proactively accommodate the needs of government offices and foundations.

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

Accordingly, the Company expects net sales of 10.3 billion yen, up 0.7% on a year on year basis, operating income of 750 million yen, up 7.5% on a year on year basis, ordinary income of 750 million yen, up 7.2% on a year on year basis, and net income attributable to the parent company’s shareholders of 520 million yen, up 17% on a year on year basis.

2. 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.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2016)	Fiscal year under review (March 31, 2017)
Assets		
Current assets		
Cash and deposits	2,192,270	2,700,767
Notes and accounts receivable - trade	1,580,799	1,615,417
Work in process	121,777	105,752
Deferred tax assets	89,546	103,891
Other	115,895	108,010
Allowance for doubtful accounts	(2,968)	(1,622)
Total current assets	4,097,320	4,632,216
Non-current assets		
Property, plant and equipment		
Buildings	111,968	112,186
Accumulated depreciation	(51,007)	(59,609)
Buildings, net	60,961	52,576
Tools, furniture and fixtures	181,695	181,608
Accumulated depreciation	(118,216)	(133,544)
Tools, furniture and fixtures, net	63,479	48,063
Other	5,944	5,944
Accumulated depreciation	(2,415)	(3,297)
Other, net	3,529	2,647
Total property, plant and equipment	127,969	103,287
Intangible assets		
Goodwill	91,502	29,937
Other	77,677	75,156
Total intangible assets	169,180	105,094
Investments and other assets		
Net defined benefit asset	56	—
Deferred tax assets	30,051	33,526
Other	233,274	237,382
Allowance for doubtful accounts	(793)	(343)
Total investments and other assets	262,588	270,564
Total non-current assets	559,738	478,946
Total assets	4,657,059	5,111,162

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2016)	Fiscal year under review (March 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	697,459	704,150
Income taxes payable	137,797	171,778
Provision for bonuses	169,055	179,672
Provision for directors’ bonuses	40,000	36,000
Other	390,843	451,558
Total current liabilities	1,435,155	1,543,159
Non-current liabilities		
Lease obligations	28,232	13,250
Provision for directors’ retirement benefits	35,400	23,800
Net defined benefit liability	32,269	52,972
Total non-current liabilities	95,902	90,022
Total liabilities	1,531,057	1,633,182
Net assets		
Shareholders’ equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,027,602	2,382,675
Total shareholders’ equity	3,094,868	3,449,941
Accumulated other comprehensive income		
Foreign currency translation adjustment	31,133	28,039
Total accumulated other comprehensive income	31,133	28,039
Total net assets	3,126,002	3,477,980
Total liabilities and net assets	4,657,059	5,111,162

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

(Consolidated statement of income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Fiscal year under review (From April 1, 2016 to March 31, 2017)
Net sales	9,178,312	10,218,750
Cost of sales	5,307,285	6,026,835
Gross profit	3,871,026	4,191,915
Selling, general and administrative expenses	3,336,369	3,494,854
Operating income	534,656	697,060
Non-operating income		
Interest income	822	88
Dividend income	500	—
Foreign exchange gains	456	—
Reversal of allowance for doubtful accounts	—	1,677
Other	1,666	3,861
Total non-operating income	3,445	5,626
Non-operating expenses		
Interest expenses	139	82
Share of loss of entities accounted for using equity method	3,591	96
Foreign exchange losses	—	2,780
Other	—	512
Total non-operating expenses	3,731	3,471
Ordinary income	534,370	699,215
Extraordinary income		
Gain on sales of investment securities	172,477	—
Gain on change in equity	—	1,397
Total extraordinary income	172,477	1,397
Extraordinary losses		
Loss on retirement of non-current assets	2,605	—
Loss on liquidation of subsidiaries	28,056	—
Total extraordinary losses	30,662	—
Income before income taxes	676,186	700,613
Income taxes - current	236,072	274,082
Income taxes - deferred	9,748	(17,819)
Total income taxes	245,820	256,262
Net income	430,365	444,350
Net income attributable to the parent company's shareholders	430,365	444,350

(Consolidated statement of comprehensive income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Fiscal year under review (From April 1, 2016 to March 31, 2017)
Net income	430,365	444,350
Other comprehensive income		
Foreign currency translation adjustment	(3,080)	(3,094)
Total other comprehensive income	(3,080)	(3,094)
Comprehensive income	427,285	441,256
(Components)		
Comprehensive income attributable to the parent company’s shareholders	427,285	441,256
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in equity

Previous fiscal year (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)
Net income attributable to the parent company's shareholders			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)
Net income attributable to the parent company's shareholders			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

Fiscal year under review (From April 1, 2016 to March 31, 2017)

(Unit: Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	588,443	478,823	2,027,602	3,094,868
Changes of items during period				
Dividends of surplus			(89,278)	(89,278)
Net income attributable to the parent company's shareholders			444,350	444,350
Change of scope of consolidation				―
Net changes of items other than shareholders' equity				
Total changes of items during period	―	―	355,072	355,072
Balance at end of current period	588,443	478,823	2,382,675	3,449,941

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	31,133	31,133	3,126,002
Changes of items during period			
Dividends of surplus			(89,278)
Net income attributable to the parent company's shareholders			444,350
Change of scope of consolidation			―
Net changes of items other than shareholders' equity	(3,094)	(3,094)	(3,094)
Total changes of items during period	(3,094)	(3,094)	351,978
Balance at end of current period	28,039	28,039	3,477,980

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Fiscal year under review (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Income before income taxes	676,186	700,613
Depreciation	56,838	51,475
Amortization of goodwill	62,003	61,565
Increase (decrease) in allowance for doubtful accounts	778	(1,795)
Interest and dividend income	(1,322)	(88)
Interest expenses	139	82
Share of (income) loss of entities accounted for using equity method	3,591	96
Loss (gain) on change in equity	—	(1,397)
Loss on retirement of non-current assets	2,605	—
Loss (gain) on sales of investment securities	(172,477)	—
Loss on liquidation of subsidiaries	28,056	—
Increase (decrease) in provision for directors' bonuses	4,000	(4,000)
Increase (decrease) in provision for directors' retirement benefits	—	(11,600)
Increase (decrease) in provision for bonuses	6,475	10,617
Increase (decrease) in net defined benefit liability	(29,484)	20,702
Decrease (increase) in net defined benefit asset	(56)	56
Decrease (increase) in notes and accounts receivable - trade	(124,829)	(36,062)
Decrease (increase) in inventories	(20,159)	16,245
Increase (decrease) in notes and accounts payable - trade	(1,728)	7,103
Other	(70,534)	79,922
Subtotal	420,083	893,536
Interest and dividend income received	1,322	88
Interest expenses paid	(139)	(82)
Income taxes paid	(273,927)	(243,212)
Cash flows from operating activities	147,338	650,329
Cash flows from investing activities		
Payments into time deposits	(6,021)	(6,023)
Purchase of property, plant and equipment	(816)	(7,265)
Purchase of intangible assets	(10,500)	(18,397)
Purchase of investment securities	(24,500)	—
Proceeds from sales of investment securities	184,973	—
Payments for guarantee deposits	(10,511)	(1,511)
Proceeds from collection of guarantee deposits	280	651
Other	(2,251)	(10,473)
Cash flows from investing activities	130,652	(43,020)
Cash flows from financing activities		
Repayments of finance lease obligations	(15,727)	(14,838)
Cash dividends paid	(80,856)	(89,278)
Cash flows from financing activities	(96,583)	(104,117)
Effect of exchange rate change on cash and cash equivalents	(2,965)	(719)
Net increase (decrease) in cash and cash equivalents	178,442	502,473
Cash and cash equivalents at beginning of period	1,923,008	2,039,464
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(61,987)	—
Cash and cash equivalents at end of period	2,039,464	2,541,937

(5) Notes to consolidated financial statements

(Notes to assumptions for on going concerns)

Not applicable.

(Significant matters forming the basis in preparation of consolidated financial statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 5

Names of consolidated subsidiaries

HC Language Solutions, Inc.

FIPAS Inc.

ISS Inc.

ISS Institute, Inc.

Panacea Inc.

Since in the previous fiscal year, International Documentation Center Co., Ltd., then a consolidated subsidiary, was dissolved effective April 1, 2016 as a result of an absorption-type merger in which the Company was the surviving company, the subsidiary has been removed from the scope of consolidation effective the fiscal year under review.

(2) Names of major non-consolidated subsidiary

Name of major non-consolidated subsidiary

HC Beijing, Inc.

(Reason to exclude from scope of consolidation)

This non-consolidated subsidiary is small in size and its total assets, net sales, net income (loss) (amount corresponding to equity), retained earnings (amount corresponding to equity), etc. all do not have any material impact on the consolidated financial statements.

2. Application of the Equity Method

(1) Affiliate accounted for using equity method: 1

Name of entity accounted for using equity method

LanguageOne Corporation

(2) A non-consolidated subsidiary not accounted for using the equity method (HC Beijing, Inc.) has been excluded from the scope of application of the equity method since the impact of exclusion from the scope of application of the equity method on the consolidated financial statements is minimal in terms of net income (loss) (amount corresponding to equity), retained earnings (amount corresponding to equity), etc. and also on a total basis.

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. Accounting Policies

(1) Evaluation standards and methods for significant assets

i) Securities

Available-for-sale securities

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 leased assets)

Depreciation by the Company and its consolidated subsidiaries is calculated by the declining balance method. However, the straight-line method is applied for facilities attached to buildings and structures acquired on and after April 1, 2016.

Depreciation by 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 leased 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 of bonuses for Executive Officers, the Company sets aside the 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 of retirement benefits for Executive Officers, 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 benefits

a. Period attribution method for the estimated amount of retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated retirement benefit amount to the period up to the end of the fiscal year under review is based on the benefit payment calculation formula standard.

b. Expense recognition method for actuarial gain/loss

Actuarial gain and loss is amortized by the straight-line method mainly over a period within the average remaining service years for employees (10 years) at the time of recognition in each fiscal year and allocated proportionately from the the fiscal year following the respective fiscal year of recognition.

c. Adoption of simplified method for small corporations, etc.

Consolidated subsidiaries adopt 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)

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

The Company has applied “Practical solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No. 32, June 17, 2016) effective the fiscal year under review and changed the depreciation method for facilities attached to buildings and structures obtained on and after April 1, 2016 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 profit/loss in the fiscal year under review are insignificant.

(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 fiscal year under review.

(Retirement benefit related)

The Company had adopted the simplified method for calculating net defined benefit liability and retirement benefit expenses up till the previous fiscal year. However, in conjunction with an increase in the number of employees, the Company has changed to the principles method for the calculation effective the end of the fiscal year under review.

As a result of this change, the difference of 51.722 million yen arising from the calculation regarding retirement benefit obligations using the simplified method and the principles method has been posted as retirement benefit expenses under selling, general and administrative expenses.

(Segment information)

Segment information

1. Overview of Reporting Segments

Reporting segments of the Company are components of the Company for which separate financial information can be obtained, and for which the Board of Directors conducts reviews on a regular basis to determine the allocation of management resources and assess business performance.

The businesses of the Company mainly consist of the translation, temporary staffing, interpretation, language education, and the convention business.

The Company and three consolidated subsidiaries thereof mainly operate the translation business, while temporary staffing, interpretation, language education, and the convention business are operated by one consolidated subsidiary.

(1) Translation Business

Translation business focused on four major areas of specialization: Patent, Medical, Industrial & Localization, and Finance & Legal

(2) Temporary Staffing Business

Staffing of interpreters and translators

(3) Interpretation Business

Interpretation services for major international conferences and in-house corporate meetings

(4) Language Education Business

Language education 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 forming the basis in 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, 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.

Fiscal year under review (From April 1, 2016 to March 31, 2017)

(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	7,035,908	900,379	783,255	210,702	1,107,706	10,037,952	180,798	10,218,750
Intersegment sales or transfer	72,265	1,240	30,902	917	—	105,325	28,990	134,316
Total	7,108,174	901,619	814,158	211,619	1,107,706	10,143,277	209,789	10,353,067
Segment income	516,967	48,520	26,962	(9,814)	140,053	722,688	13,628	736,317
Segment assets	4,499,705	109,036	118,893	84,306	171,058	4,983,000	120,819	5,103,819
Other items								
Depreciation	43,404	1,766	1,594	2,060	2,169	50,995	480	51,475
Investment in entities accounted for using equity method	—	—	—	—	—	—	22,209	22,209
Increase in property, plant and equipment and intangible assets	21,200	—	—	1,634	—	22,834	—	22,834

(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	9,077,915	10,143,277
“Other” sales	193,217	209,789
Elimination of intersegment transactions	(92,820)	(134,316)
Net sales reported in consolidated financial statements	9,178,312	10,218,750

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	567,491	722,688
“Other” income	701	13,628
Elimination of intersegment transactions	22,314	16,594
Amortization of goodwill	(55,850)	(55,850)
Operating income reported in consolidated financial statements	534,656	697,060

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	4,770,894	4,983,000
“Other” assets	124,842	120,819
Elimination of intersegment transactions	(831,614)	(800,057)
Unamortized portion of goodwill	79,122	23,271
Company-wide assets (Note)	513,815	784,129
Total assets reported in consolidated financial statements	4,657,059	5,111,162

(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	56,358	50,995	479	480	—	—	56,838	51,475
Increase in property, plant and equipment and intangible assets	4,730	22,834	454	—	—	2,828	5,184	25,662

(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, 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.

Fiscal year under review (From April 1, 2016 to March 31, 2017)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	7,035,908	900,379	2,282,461	10,218,750

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, 2015 to March 31, 2016)

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

Fiscal year under review (From April 1, 2016 to March 31, 2017)

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, 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 million yen due to the commencement of the liquidation proceedings of HC Beijing, Inc.

Fiscal year under review (From April 1, 2016 to March 31, 2017)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Language Education Business	Convention Business	Other	Company-wide	Total
Amortization for period	5,714	—	—	—	—	—	55,850	61,565
Balance at end of current period	6,666	—	—	—	—	—	23,271	29,937

Information on gain on bargain purchase by reporting segment

Previous fiscal year (From April 1, 2015 to March 31, 2016)

Not applicable.

Fiscal year under review (From April 1, 2016 to March 31, 2017)

Not applicable.

(Per-share information)

Previous fiscal year (From April 1, 2015 to March 31, 2016)		Fiscal year under review (From April 1, 2016 to March 31, 2017)	
Net assets per share	1,855.74 yen	Net assets per share	2,064.69 yen
Net income per share	255.48 yen	Net income per share	263.78 yen

(Notes) 1. Net income per share – diluted is not stated as there are no dilutive shares.
2. The basis for calculation of the amount of net income per share is as follows.

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Fiscal year under review (From April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	430,365	444,350
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to common shares of the parent company's shareholders (thousand yen)	430,365	444,350
Average number of shares issued during the period (shares)	1,684,500	1,684,500

(Important subsequent events)

Not applicable.

4. Other

(1) Transfer of directors

1) Transfer of President

Not applicable.

2) Transfer of other directors

- Candidate for new director
  Yoshinori Takeyama (currently General Manager of the Medical Business)
- Scheduled date of assumption of position
  June 27, 2017