

Financial Results Summary for the Six-Month Period Ended September 30, 2017 [Japanese GAAP] (Consolidated)

November 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: November 14, 2017
 Scheduled commencement date of dividends payment: -
 Preparation of supplementary materials for quarterly report: None
 Convening quarterly results briefing: Yes

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

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders	
	million yen	%	million yen	%	million yen	%	million yen	%
Six-month period ended September 30, 2017	4,903	(1.3)	281	(17.5)	283	(20)	203	(10.1)
Six-month period ended September 30, 2016	4,970	16.5	341	154.1	355	179.6	226	267.5

(Note) Comprehensive income: Six-month period ended September 30, 2017 198 million yen (-4.7%)
 Six-month period ended September 30, 2016 208 million yen (223.1%)

	Net income per share	Net income per share – diluted
	yen	yen
Six-month period ended September 30, 2017	120.91	-
Six-month period ended September 30, 2016	134.56	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six-month period ended September 30, 2017	5,093	3,583	70.3
Fiscal year ended March 2017	5,111	3,477	68.0

(Note) Shareholders' equity: Six-month period ended September 30, 2017 3,583 million yen
 Fiscal year ended March 2017 3,477 million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 2017	-	0.00	-	55.00	55.00
Fiscal year ending March 2018	-	0.00			
Fiscal year ending March 2018 (forecast)			-	58.00	58.00

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

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

(Percentages represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	10,600	3.7	780	11.8	780	11.5	530	19.2	314.64

(Note) Revision of the consolidated results forecast released most recently: Yes

For revision of the consolidated results forecast, please see "Notice Concerning Revision of Financial Results Forecasts" announced on November 9, 2017.

* 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: – company (companies) (company name)

Excluded: – company (companies) (company name)

- (2) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements: Yes

For details, please see “2. Quarterly Consolidated Financial Statements and Key Notes, (4) Notes to quarterly consolidated financial statements (Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)” on Page 9 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: None

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

3) Change in accounting estimates: None

4) Retrospective restatements: None

- (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 2018	1,684,500 shares	Fiscal year ended March 2017	1,684,500 shares
2) Number of treasury shares at the end of the period	Q2 of fiscal year ending March 2018	97 shares	Fiscal year ended March 2017	- shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	Q2 of fiscal year ending March 2018	1,684,468 shares	Q2 of fiscal year ended March 2017	1,684,500 shares

* This financial results summary is not subject to the quarterly review 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. 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

During the six-month period under review, the Japanese economy continued on a moderate recovery path backed by improved corporate earnings and employment environment. The U.S. economy also was on a steady growth track on the backdrop of growth in consumer spending in line with the improvement in the employment environment and a capital spending increase. The European economy also continued to pick up at a moderate pace.

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 4.903 billion yen, down 1.3% on a year-on-year basis, as net sales in the Convention Business were weak, although net sales in the Translation Business, the core business of the Group, increased by 5.7% on a year-on-year basis, net sales of the Temporary Staffing Business increased by 25.7% on a year-on-year basis, and net sales of the Interpretation Business increased by 30.3% on a year-on-year basis. In terms of income, as a result of a decrease in net sales in the Convention Business, operating income was 281 million yen, down 17.5% on a year-on-year basis, and ordinary income decreased by 20% on a year-on-year basis to 283 million yen. Net income attributable to the parent company's shareholders was 203 million yen, down 10.1% 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 7.3% on a year-on-year basis to 969 million yen on steady orders from patent firms. In the Medical field, net sales increased by 10.8% on a year-on-year basis to 1.324 billion yen due to the expansion of orders from Japanese pharmaceutical companies, as well as steady business transactions with foreign pharmaceutical companies. In the Industrial & Localization field, net sales increased by 3.2% on a year-on-year basis to 918 million yen as new orders from automobile related industry remained strong. In the Finance & Legal field, net sales decreased by 7.4% on a year-on-year basis to 369 million yen due to a drop in spot projects from financial institutions compared with the previous year, although business transactions with administrative departments of companies were on the rise.

As a result, net sales in the Translation Business were 3.581 billion yen, up 5.7% 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 554 million yen, up 25.7% from the previous year, thanks to steady demand from finance-related companies, IT service-related companies and pharmaceutical-related companies.

iii) Interpretation Business

In the Interpretation Business, net sales increased by 30.3% on a year-on-year basis to 458 million yen due to steady orders from large IT-related companies and finance-related companies.

iv) Language Education Business

In the Language Education Business, net sales amounted to 100 million yen, down 6.9% on a year-on-year basis as the number of students for the interpreter/translator training courses offered by ISS Institute was below the previous year.

v) Convention Business

In the Convention Business, net sales dropped by 80.1% on a year-on-year basis to 118 million yen, compared with the previous year that had many major international conferences.

vi) Other

In other segments, net sales increased by 5.5% on a year-on-year basis to 90 million yen due to the

steady net sales 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 second quarter under review were 4.664 billion yen, up 32 million yen compared with the end of the previous fiscal year. This is mainly due to an increase of 81 million yen in cash and deposits due to recording of net income attributable to the parent company's shareholders. Non-current assets decreased by 49 million yen from the end of the previous fiscal year to 428 million yen. This is mainly due to a decrease in subsidiaries' shares due to the liquidation of HC Beijing Inc., its non-consolidated subsidiary.

As a result, total assets amounted to 5.093 billion yen, down 17 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 1.438 billion yen, down 104 million yen compared to the end of the previous fiscal year. This is mainly due to a decrease in income taxes payable. Non-current liabilities decreased by 18 million yen from the end of the previous fiscal year to 71 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 1.509 billion yen, down 123 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 3.583 billion yen, up 105 million yen compared to the end of the previous fiscal year. This is due to an increase of 111 million yen in retained earnings due to recording of net income attributable to the parent company's shareholders.

(Cash flows)

Cash and cash equivalents as of the end of the second quarter under review were 2.620 billion yen, up 78 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 by operating activities was 169 million yen (267 million yen of proceeds in the same period of the preceding year).

This is mainly due to proceeds of 298 million yen due to recording of net income before income taxes.

(Cash flows from investing activities)

Net cash provided by investing activities was 12 million yen (11 million yen of proceeds in the same period of the preceding year).

This is mainly due to proceeds of 39 million yen due to liquidation of subsidiaries and affiliates.

(Cash flows from financing activities)

Net cash used in financing activities was 99 million yen (96 million yen of payments in the same period of the preceding year).

This is mainly due to payment of dividends of 92 million yen.

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

The Company revised the full year consolidated financial results forecasts based on the recent trend in financial results. For details, see "Notice Concerning Revision of Financial Results Forecasts" announced on November 9, 2017.

The Company reported financial results forecasts based on information currently available to the Company, and they may differ from actual results due to various uncertainties and future business conditions.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2017)	Second quarter under review (September 30, 2017)
Assets		
Current assets		
Cash and deposits	2,700,767	2,782,318
Notes and accounts receivable – trade, net	1,613,794	1,501,128
Work in process	105,752	123,791
Other	211,902	256,982
Total current assets	4,632,216	4,664,221
Non-current assets		
Property, plant and equipment	103,287	87,567
Intangible assets		
Goodwill	29,937	3,809
Other	75,156	92,113
Total intangible assets	105,094	95,923
Investments and other assets	270,564	245,493
Total non-current assets	478,946	428,984
Total assets	5,111,162	5,093,205
Liabilities		
Current liabilities		
Accounts payable – trade	704,150	636,143
Income taxes payable	171,778	67,935
Provision for bonuses	179,672	214,711
Other	487,558	519,598
Total current liabilities	1,543,159	1,438,387
Non-current liabilities		
Provision for directors' retirement benefits	23,800	23,800
Net defined benefit liability	52,972	43,281
Other	13,250	3,986
Total non-current liabilities	90,022	71,068
Total liabilities	1,633,182	1,509,456
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,382,675	2,493,702
Treasury shares	-	(357)
Total shareholders' equity	3,449,941	3,560,610
Accumulated other comprehensive income		
Foreign currency translation adjustment	28,039	23,138
Total accumulated other comprehensive income	28,039	23,138
Total net assets	3,477,980	3,583,749
Total liabilities and net assets	5,111,162	5,093,205

(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, 2016 to September 30, 2016)	Six-month period under review (from April 1, 2017 to September 30, 2017)
Net sales	4,970,013	4,903,833
Cost of sales	2,912,426	2,788,085
Gross profit	2,057,586	2,115,748
Selling, general and administrative expenses	1,715,855	1,833,878
Operating income	341,730	281,870
Non-operating income		
Interest income	28	22
Share of income of entities accounted for using equity method	2,397	-
Foreign exchange gains	8,681	3,005
Other	2,308	665
Total non-operating income	13,416	3,692
Non-operating expenses		
Interest expenses	33	21
Share of loss of entities accounted for using equity method	-	1,587
Total non-operating expenses	33	1,609
Ordinary income	355,112	283,953
Extraordinary income		
Gain on liquidation of subsidiaries and associates	-	14,209
Gain on change in equity	1,397	-
Total extraordinary income	1,397	14,209
Net income before income taxes	356,510	298,162
Income taxes	129,844	94,487
Net income	226,666	203,675
Net income attributable to the parent company's shareholders	226,666	203,675

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

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (from April 1, 2016 to September 30, 2016)	Six-month period under review (from April 1, 2017 to September 30, 2017)
Net income	226,666	203,675
Other comprehensive income		
Foreign currency translation adjustment	(18,051)	(4,900)
Total other comprehensive income	(18,051)	(4,900)
Comprehensive income	208,614	198,774
(Components)		
Comprehensive income attributable to the parent company's shareholders	208,614	198,774
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, 2016 to September 30, 2016)	Six-month period under review (from April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Net income before income taxes	356,510	298,162
Depreciation	25,329	24,751
Amortization of goodwill	30,782	26,128
Increase (decrease) in allowance for doubtful accounts	(514)	255
Increase (decrease) in provision for bonuses	50,521	35,041
Increase (decrease) in provision for directors' bonuses	(22,000)	(16,500)
Increase (decrease) in provision for directors' retirement benefits	(11,600)	-
Increase (decrease) in net defined benefit liability	(1,772)	(9,690)
Decrease (increase) in net defined benefit asset	(14,705)	-
Interest and dividend income	(28)	(22)
Interest expenses	33	21
Share of (gain) loss of entities accounted for using equity method	(2,397)	1,587
Loss (gain) on change in equity	(1,397)	-
Loss (gain) on liquidation of subsidiaries and associates	-	(14,209)
Decrease (increase) in notes and accounts receivable – trade	77,654	110,912
Decrease (increase) in inventories	(40,802)	(17,495)
Increase (decrease) in notes and accounts payable – trade	(30,949)	(67,779)
Other	(22,131)	(48,422)
Subtotal	392,530	322,743
Interest and dividend income received	28	22
Interest expenses paid	(33)	(21)
Income taxes paid	(124,686)	(153,151)
Cash flows from operating activities	267,839	169,593
Cash flows from investing activities		
Purchase of property, plant and equipment	(688)	(2,680)
Purchase of intangible assets	(7,637)	(19,308)
Payments into time deposits	(3,000)	(3,000)
Collection of loans receivable	123	125
Payments for guarantee deposits	(583)	(1,572)
Proceeds from collection of guarantee deposits	659	324
Proceeds from liquidation of subsidiaries and associates	-	39,261
Other	-	(300)
Cash flows from investing activities	(11,126)	12,850
Cash flows from financing activities		
Repayments of finance lease obligations	(7,711)	(6,878)
Purchase of treasury shares	-	(357)
Cash dividends paid	(89,278)	(92,647)

Cash flows from financing activities	(96,990)	(99,884)
Effect of exchange rate change on cash and cash equivalents	(13,189)	(4,008)
Net increase (decrease) in cash and cash equivalents	146,533	78,551
Cash and cash equivalents at beginning of period	2,039,464	2,541,937
Cash and cash equivalents at the end of the period	2,185,998	2,620,488

(4) Notes to quarterly consolidated financial statements

(Notes to assumptions for on going concerns)

Not applicable.

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

Not applicable.

(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 net income before income taxes in the fiscal year including the second quarter under review and calculated them by multiplying this estimated effective tax rate by net income before income taxes.

(Segment information)

Segment information

I. Six-month period in the previous fiscal year (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 of payment
Total reporting segment	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

II. Six-month period under review (from April 1, 2017 to September 30, 2017)

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	3,581,192	554,554	458,843	100,394	118,816	4,813,801	90,032	4,903,833
Intersegment sales or transfer	52,646	1,484	18,134	6,349	-	78,615	16,034	94,649
Total	3,633,838	556,039	476,977	106,743	118,816	4,892,416	106,067	4,998,483
Segment income (loss)	267,928	34,441	14,261	(531)	(33,313)	282,785	9,296	292,082

(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 of payment
Total reporting segment	282,785
"Other" income	9,296
Elimination of intersegment transactions	13,059
Amortization of goodwill	(23,271)
Operating income in quarterly consolidated statement of income	281,870

(Important subsequent events)

Business combination by acquisition

At the Board of Directors Meeting held on October 30, 2017, the Company resolved that it would acquire all shares of Media Research, Inc. to make it one of its subsidiaries, and entered into the share transfer agreement as of the same date. The outline of the share transfer is as follows.

(1) Outline of the business combination

i) Name of the acquired company and its businesses

Name of the acquired company: Media Research, Inc.

Business domain: Translation and IT businesses

ii) Primary reason for the business combination

To achieve growth and expansion of the Translation Business and improvement in corporate value by offering solutions using neutral machine translation (NMT) in the industrial translation field in line with changes in the market environment due to rapid development of NMT.

iii) Date of the business combination

November 15, 2017 (Scheduled date of share acquisition)

iv) Legal form of the business combination

Share acquisition

v) Name of company after the business combination

No change

- vi) Percentage of voting rights to be acquired
100%
- vii) Primary reason for deciding on the acquired company
For the Company to acquire the shares of the acquired company with cash.

(2) Cost of the acquisition of the acquired company and the breakdown thereof

Consideration for the acquisition	Cash	550,000 thousand yen
Cost of the acquisition		550,000

- (3) Main acquisition-related expenses and amount
To be finalized
- (4) Goodwill arising from the acquisition, reason for the goodwill, and method and period of amortization
To be finalized
- (5) Assets acquired, and liabilities assumed at the acquisition date
To be finalized