

Financial Results Summary for the Nine-Month Period Ended December 31, 2017 [Japanese GAAP] (Consolidated)

February 9, 2018

Company Name: Honyaku Center Inc. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 2483 URL: <http://www.honyakuctr.com>
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Scheduled date for submission of quarterly report: February 14, 2018
 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 millions of yen.)

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2017 (from April 1, 2017 to December 31, 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	%
Nine-month period ended December 31, 2017	7,645	(1.3)	516	(9.4)	521	(10.5)	364	0.5
Nine-month period ended December 31, 2016	7,752	15.3	570	64.6	583	70.0	362	18.6

(Note) Comprehensive income: Nine-month period ended December 31, 2017 360 million yen (5.3%)
 Nine-month period ended December 31, 2016 341 million yen (12.6%)

	Net income per share	Net income per share – diluted
	yen	yen
Nine-month period ended December 31, 2017	216.26	-
Nine-month period ended December 31, 2016	215.02	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Nine-month period ended December 31, 2017	5,348	3,745	70.0
Fiscal year ended March 2017	5,111	3,477	68.0

(Note) Shareholders' equity: Nine-month period ended December 31, 2017 3,745 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

(Note) 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 financial 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): Yes

Newly consolidated: 1 company (company name) Media Research, Inc.

Excluded: – company (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, (3) Notes to quarterly consolidated financial statements (Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)” on Page 7 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)	Q3 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	Q3 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)	Q3 of fiscal year ending March 2018	1,684,449 shares	Q3 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 nine-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 grew slightly against 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 nine-month period under review amounted to 7,645 million 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 3.6% on a year-on-year basis, net sales of the Temporary Staffing Business increased by 28.2% on a year-on-year basis, and net sales of the Interpretation Business increased by 21.9% on a year-on-year basis. In terms of income, while net sales of the Convention Business declined, gross profit increased due to the steady growth of net sales of the Translation Business which has a high gross profit margin. Meanwhile, as selling, general and administrative expenses increased, operating income was 516 million yen, down 9.4% on a year-on-year basis, and ordinary income declined by 10.5% on a year-on-year basis to 521 million yen. Net income attributable to the parent company's shareholders was 364 million yen, up 0.5% on a year-on-year basis.

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 increased by 4.8% on a year-on-year basis to 1,412 million yen on steady orders from patent firms. In the Medical field, net sales increased by 10.9% on a year-on-year basis to 2,005 million yen due to the expansion of orders from Japanese pharmaceutical companies and medical equipment companies, as well as steady business transactions with foreign pharmaceutical companies. In the Industrial & Localization field, net sales declined by 3.5% on a year-on-year basis to 1,363 million yen due to the sluggish growth of transactions with information and telecommunication companies while orders from automobile-related companies grew steadily. In the Finance & Legal field, net sales decreased by 4.5% on a year-on-year basis to 543 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 5,325 million yen, up 3.6% on a year-on-year basis.

ii) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with professional language skills, net sales amounted to 850 million yen, up 28.2% 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 21.9% on a year-on-year basis to 717 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 153 million yen, down 5.0% 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 57.2% on a year-on-year basis to 458 million yen, compared with the previous year that had many major international conferences.

vi) Other

In other segments, net sales increased by 8.8% on a year-on-year basis to 138 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 third quarter under review were 4,383 million yen, down 248 million yen compared with the end of the previous fiscal year. This is mainly due to a decrease in cash and deposits as a result of acquisition of shares of Media Research, Inc. Non-current assets increased by 486 million yen from the end of the previous fiscal year to 965 million yen. This is mainly due to an increase in goodwill as a result of acquisition of 100% ownership of Media Research, Inc.

As a result, total assets amounted to 5,348 million yen, up 237 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 1,532 million yen, down 11 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 1,603 million yen, down 29 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 3,745 million yen, up 267 million yen compared to the end of the previous fiscal year. This is due to an increase of 271 million yen in retained earnings due to recording of net income attributable to the parent company's shareholders.

(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 2018 announced in the "Notice Concerning Revision of Financial Results Forecasts" on November 9, 2017.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2017)	Third quarter under review (December 31, 2017)
Assets		
Current assets		
Cash and deposits	2,700,767	2,105,489
Notes and accounts receivable – trade, net	1,613,794	1,818,272
Work in process	105,752	173,559
Other	211,902	286,161
Total current assets	4,632,216	4,383,482
Non-current assets		
Property, plant and equipment	103,287	91,279
Intangible assets		
Goodwill	29,937	277,671
Other	75,156	145,302
Total intangible assets	105,094	422,974
Investments and other assets	270,564	450,783
Total non-current assets	478,946	965,037
Total assets	5,111,162	5,348,520
Liabilities		
Current liabilities		
Accounts payable – trade	704,150	759,537
Income taxes payable	171,778	56,719
Provision for bonuses	179,672	147,616
Other	487,558	568,217
Total current liabilities	1,543,159	1,532,091
Non-current liabilities		
Provision for directors' retirement benefits	23,800	23,800
Net defined benefit liability	52,972	46,443
Other	13,250	996
Total non-current liabilities	90,022	71,240
Total liabilities	1,633,182	1,603,331
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,382,675	2,654,290
Treasury shares	-	(357)
Total shareholders' equity	3,449,941	3,721,198
Accumulated other comprehensive income		
Foreign currency translation adjustment	28,039	23,989
Total accumulated other comprehensive income	28,039	23,989
Total net assets	3,477,980	3,745,188
Total liabilities and net assets	5,111,162	5,348,520

(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, 2016 to December 31, 2016)	Nine-month period under review (from April 1, 2017 to December 31, 2017)
Net sales	7,752,521	7,645,062
Cost of sales	4,612,426	4,389,630
Gross profit	3,140,094	3,255,432
Selling, general and administrative expenses	2,569,867	2,739,038
Operating income	570,227	516,393
Non-operating income		
Interest income	73	22
Share of income of entities accounted for using equity method	1,222	1,795
Foreign exchange gains	9,488	2,347
Other	2,352	1,365
Total non-operating income	13,137	5,531
Non-operating expenses		
Interest expenses	48	29
Other	32	-
Total non-operating expenses	80	29
Ordinary income	583,284	521,896
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	584,682	536,105
Income taxes	222,476	171,811
Net income	362,205	364,293
Net income attributable to the parent company's shareholders	362,205	364,293

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

(Unit: Thousand yen)

	Nine-month period in the previous fiscal year (from April 1, 2016 to December 31, 2016)	Nine-month period under review (from April 1, 2017 to December 31, 2017)
Net income	362,205	364,293
Other comprehensive income		
Foreign currency translation adjustment	(20,306)	(4,049)
Total other comprehensive income	(20,306)	(4,049)
Comprehensive income	341,898	360,243
(Components)		
Comprehensive income attributable to the parent company's shareholders	341,898	360,243
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 third quarter under review and calculated them by multiplying this estimated effective tax rate by net income before income taxes.

(Segment information)

Segment information

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

II. Nine-month period under review (from April 1, 2017 to December 31, 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	5,325,767	850,656	717,188	153,908	458,935	7,506,456	138,605	7,645,062
Intersegment sales or transfer	72,925	2,924	31,217	6,736	-	113,803	20,731	134,534
Total	5,398,692	853,581	748,405	160,645	458,935	7,620,260	159,336	7,779,597
Segment income	422,925	57,485	29,205	1,553	3,343	514,513	8,052	522,565

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

2. Information on assets by reporting segment

In the nine-month period under review, assets increased mainly in the Translation Business, and total assets including other reporting segments increased by 412,024 thousand yen as a result of acquisition of shares of Media Research, Inc.

3. 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	514,513
"Other" income	8,052
Elimination of intersegment transactions	17,099
Amortization of goodwill	(23,271)
Operating income in quarterly consolidated statement of income	516,393

4. Information on impairment loss on non-current assets and goodwill and other by reporting segment (Important change in amount of goodwill)

In the nine-month period under review, the amount of goodwill increased by 275,290 thousand yen as a result of acquisition of all shares of Media Research, Inc. A reporting segment to which goodwill is attributable is under consideration by the Company.

The amount of goodwill is provisional as allocation of acquisition cost was not yet completed as of the end of the third quarter under review.