Financial Results for the Fiscal Year Ended March 31, 2018 [Japan GAAP] (Consolidated)

May 11, 2018

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, 2018
Scheduled commencement date of dividends payment:	June 28, 2018
Scheduled filing date of the securities report:	June 28, 2018
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 2018 (From April 1, 2017 to March 31, 2018)

(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 2018	10,618	3.9	802	15.0	812	16.1	566	27.5
Fiscal Year Ended March 2017	10,218	11.3	697	30.3	699	30.8	444	3.2

(Note) Comprehensive income: Fiscal Year Ended March 2018 554 million yen (25.6%)
Fiscal Year Ended March 2017 441 million yen (3.2%)

	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 2018	168.21	–	15.2	14.9	7.5
Fiscal Year Ended March 2017	131.89	–	13.4	14.3	6.8

(Reference) Equity method investment gain (loss):
Fiscal Year Ended March 2018 3 million yen
Fiscal Year Ended March 2017 (0) million yen

(Note) On April 1, 2018, the Company carried out a two-for-one stock split of its common shares. Net income per share and net income per share - diluted have been calculated assuming this stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal Year Ended March 2018	5,741	3,939	68.6	1,169.33
Fiscal Year Ended March 2017	5,111	3,477	68.0	1,032.34

(Reference) Shareholders' equity: Fiscal Year Ended March 2018 3,939 million yen
Fiscal Year Ended March 2017 3,477 million yen

(Note) On April 1, 2018, the Company carried out a two-for-one stock split of its common shares. Net assets per share have been calculated assuming this stock split was conducted at the beginning of the previous fiscal year.

(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 2018	618	(676)	(106)	2,374
Fiscal Year Ended March 2017	650	(43)	(104)	2,541

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 2017	–	0.00	–	55.00	55.00	92	20.8	2.8
Fiscal Year Ended March 2018	–	0.00	–	58.00	58.00	97	17.2	2.6
Fiscal Year Ending March 2019 (forecast)	–	0.00	–	35.00	35.00		19.6	

(Note) On April 1, 2018, the Company carried out a two-for-one stock split of its common shares. The stated amount of dividends before the fiscal year ended March 2018 is the actual amount of dividends before the said stock split.

3. Forecast of Consolidated Results for the Fiscal Year Ending March 2019 (from April 1, 2018 to March 31, 2019)

(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)	5,700	16.2	310	9.9	310	9.1	210	3.1	62.33
Full year	12,000	13.0	900	12.2	900	10.8	600	5.8	178.10

* 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): Yes

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

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: None

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 2018	3,369,000 shares	Fiscal Year Ended March 2017	3,369,000 shares
2) Number of treasury shares at the end of the period	Fiscal Year Ended March 2018	194 shares	Fiscal Year Ended March 2017	– shares
3) Average number of shares issued during the period	Fiscal Year Ended March 2018	3,368,876 shares	Fiscal Year Ended March 2017	3,369,000 shares

(Note) On April 1, 2018, the Company carried out a two-for-one stock split of its common shares. Number of shares issued at the end of the period, Number of treasury shares at the end of the period and Average number of shares issued during the period have been calculated assuming this stock split was conducted at the beginning of the previous fiscal year.

* This financial results summary is not subject to the audit procedure performed by certified public accountants or auditing firms.

* 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 2018

During the fiscal year ended March 2018, the Japanese economy continued on a moderate recovery path backed by an improved corporate earnings and employment environment, although the outlook for the global economy remains unclear due to the potential impact of U.S. policies and geopolitical risk in Asia.

Under these circumstances, the Group, based on the Third Medium-Term Management Plan (from fiscal year ended March 2016 to fiscal year ended 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 company’s global business expansion.

As a result of the above, the Group posted record highs again in net sales as well as in profit for the fiscal year under review. Looking at sales, the Group posted consolidated net sales of 10.618 billion yen, up 3.9% from a year earlier thanks to the steady performance of the Group’s core Translation Business, which recorded an increase of 7.9% from a year earlier, as well as increases in the Temporary Staffing Business and Interpretation Business of 25.1% and 19.2%, respectively, from a year earlier, offsetting the slowdown of the Convention Business. In terms of income, as a result of an increase in net sales and improvement in gross profit margin, operating income was 802 million yen, up 15.0% on a year-on-year basis, and ordinary income increased by 16.1% on a year-on-year basis to 812 million yen. Net income attributable to the parent company's shareholders was 566 million yen, up 27.5% on a year-on-year basis.

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

i) Translation Business

In the Patent field, net sales increased by 3.0% on a year-on-year basis to 1.880 billion yen due to steady orders from patent firms. In the Medical field, net sales increased by 12.2% on a year-on-year basis to 2.744 billion yen due to the expansion of orders from CRO (Contract Research Organization) and medical equipment companies, as well as steady business transactions with pharmaceutical companies at home and abroad. In the Industrial & Localization field, net sales increased by 10.8% on a year-on-year basis to 2.239 billion yen as new orders from automobile related industry remained strong in addition to the effect of the new consolidation of Media Research, Inc. In the Finance & Legal field, net sales decreased by 2.1% on a year-on-year basis to 729 million yen due to stagnant sales to financial institutions, though transactions with management-related departments of corporations remained strong.

As a result, net sales in the Translation Business were 7.593 billion yen, up 7.9% 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 1.127 billion yen, up 25.1% 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 19.2% on a year-on-year basis to 933 million yen due to steady orders from large information and telecommunications-related companies, pharmaceutical-related companies and IR interpretation projects.

iv) Language Education Business

In the Language Education Business, net sales amounted to 197 million yen, down 6.0% on a year-on-year basis as the number of students for the interpreter/translator training courses was lower than the previous year.

v) Convention Business

In the Convention Business, net sales dropped by 55.1% on a year-on-year basis to 496 million yen, compared with the previous year that had many major international conferences.

vi) Other

In other segments, net sales increased by 48.9% on a year on year basis to 269 million yen due to the steady performance of FIPAS Inc., which prepares documents required for overseas patent applications and performs application procedures, as well as the addition in sales of the IT business of Media Research, Inc.

(2) Overview of financial position for the fiscal year ended March 2018

(Assets)

Current assets as of the end of the fiscal year under review were 4.783 billion yen, up 151 million yen compared to the end of the previous fiscal year. This is mainly due to an increase in notes and accounts receivable – trade. Non-current assets increased by 478 million yen from the end of the previous fiscal year to 957 million yen. This is mainly due to an increase in goodwill as a result of the acquisition of 100% ownership in Media Research, Inc.

As a result, total assets amounted to 5.741 billion yen, up 629 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 1.718 billion yen, up 175 million yen compared to the end of the previous fiscal year. This is mainly due to an increase in provision for bonuses.

As a result, total liabilities amounted to 1.801 billion yen, up 168 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 3.939 billion yen, up 461 million yen compared to the end of the previous fiscal year. This is mainly due to an increase in retained earnings thanks to recording of profit.

(3) Overview of cash flows for the fiscal year ended March 2018

Cash and cash equivalents as of the end of the fiscal year under review were 2.374 billion yen, down 167 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 618 million yen (650 million yen of proceeds in the preceding year).

This is mainly due to proceeds of 824 million yen resulting from the recording of income before income taxes, and income taxes paid of 284 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 676 million yen (43 million yen in payment in the preceding year).

This is mainly due to payment of 454 million yen for the purchase of shares of subsidiaries associated with changes in the scope of consolidation arising from the acquisition of Media Research, Inc. and Mirai Translate, Inc. shares, as well as payment of 167 million yen for the purchase of securities.

(Cash flows from financing activities)

Net cash used in financing activities was 106 million yen (104 million yen in payment in the preceding year).

This is mainly due 92 million yen in cash dividends paid.

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

	Fiscal Year Ended March 2014	Fiscal Year Ended March 2015	Fiscal Year Ended March 2016	Fiscal Year Ended March 2017	Fiscal Year Ended March 2018
Shareholders' equity ratio (%)	63.6	62.5	67.1	68.0	68.6
Shareholders' equity ratio on a market value basis (%)	143.6	133.9	129.6	119.6	118.3
Ratio of cash flows to interest-bearing debt (year)	0.3	0.1	0.2	0.0	0.0
Interest coverage ratio	11,727.6	2,976.3	1,053.7	7,881.6	17,338.4

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. Market capitalization is calculated based on the number of shares issued excluding treasury shares.

3. 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 as the environment of both employment and income continues to improve, there are concerns about uncertainties in overseas economic policies and the impact from geopolitical risk. Hence, the operating environment will likely be such that an optimistic view cannot be taken.

Under these conditions, the Group, based on the Fourth Medium-Term Management Plan, a three-year management plan starting from the year ending March 2019, will work for sustainable growth in its core Translation Business, and actively utilize translation support systems and machine translation.

The Group's measures by segment are as follows.

In the Translation Business, the Group is committed to actively introducing cutting-edge technology including AI and ICT (Note), and working on increasing productivity in translation services and streamlining internal operation processes. In addition, 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 development and sales expansion of transactions with intellectual property divisions of companies. In the Industrial & Localization field, the Group will focus on the four specialized fields of automobile, electric appliances and machinery, energy and telecommunications/IT, as core areas, to facilitate differentiation by actively utilizing various tools and software. In the Finance & Legal field, the Group will facilitate enhancing its share of services in customer companies, mainly by expanding orders from management-related departments of companies.

In the Temporary Staffing Business, the Group will make it a top priority to secure interpreters and translators who meet various needs within companies and aim to improve performance with pharmaceutical-related companies, information and telecommunications-related companies and finance-related companies.

In the Interpretation Business, the Group will aim to further expand IR interpretation projects, in addition to sales expansion in pharmaceutical, finance and information and telecommunications sectors. The Group will also work on strengthening marketing in the Kansai and Chubu regions.

In the Language Education Business, the Group will acquire demand for the training of interpreters steadily in the Tokyo metropolitan and expand translator development, as well as enhance programs meeting the needs of students. The Group will also strive to expand sales in corporate training.

In the Convention Business, the Group will work to satisfy the needs of international convention and academic conferences sponsored by government offices and foundations, while proactively accommodating the needs of general companies for events.

In other businesses, the Group will promote services that leverage the features of FIPAS Inc.

Accordingly, for the year ending March 2019, the Company expects net sales of 12.0 billion yen, up 13.0% on a year on year basis, operating income of 900 million yen, up 12.2% on a year on year basis, ordinary income of 900 million yen, up 10.8% on a year on year basis, and net income attributable to the parent company's shareholders of 600 million yen, up 5.8% on a year on year basis.

The Company reported the above-mentioned financial forecasts based on information available as of the date of announcement of this release, and they may differ from actual results due to various uncertainties and future business conditions.

(Note) ICT is an acronym for Information and Communication Technology. It is an umbrella term that encompasses technologies, industries, equipment and services in various computer and network-related fields in information processing and information communication.

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, 2017)	Fiscal year under review (March 31, 2018)
Assets		
Current assets		
Cash and deposits	2,700,767	2,584,656
Notes and accounts receivable - trade	1,615,417	1,764,276
Work in process	105,752	129,532
Deferred tax assets	103,891	115,047
Other	108,010	190,580
Allowance for doubtful accounts	(1,622)	(461)
Total current assets	4,632,216	4,783,631
Non-current assets		
Property, plant and equipment		
Buildings	112,186	127,866
Accumulated depreciation	(59,609)	(76,161)
Buildings, net	52,576	51,705
Tools, furniture and fixtures	181,608	101,289
Accumulated depreciation	(133,544)	(65,616)
Tools, furniture and fixtures, net	48,063	35,673
Other	5,944	69,191
Accumulated depreciation	(3,297)	(57,654)
Other, net	2,647	11,536
Total property, plant and equipment	103,287	98,914
Intangible assets		
Goodwill	29,937	269,360
Other	75,156	144,448
Total intangible assets	105,094	413,808
Investments and other assets		
Investment securities	22,209	194,733
Deferred tax assets	33,526	32,368
Other	215,173	218,711
Allowance for doubtful accounts	(343)	(1,108)
Total investments and other assets	270,564	444,705
Total non-current assets	478,946	957,428
Total assets	5,111,162	5,741,060

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2017)	Fiscal year under review (March 31, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	704,150	753,313
Income taxes payable	171,778	144,131
Provision for bonuses	179,672	238,043
Provision for directors’ bonuses	36,000	38,000
Other	451,558	544,925
Total current liabilities	1,543,159	1,718,414
Non-current liabilities		
Lease obligations	13,250	-
Provision for directors’ retirement benefits	23,800	23,800
Net defined benefit liability	52,972	59,571
Total non-current liabilities	90,022	83,371
Total liabilities	1,633,182	1,801,785
Net assets		
Shareholders’ equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,382,675	2,856,725
Treasury shares	-	(357)
Total shareholders’ equity	3,449,941	3,923,633
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	(187)
Foreign currency translation adjustment	28,039	24,322
Accumulated remeasurements of defined benefit plans	-	(8,493)
Total accumulated other comprehensive income	28,039	15,641
Total net assets	3,477,980	3,939,274
Total liabilities and net assets	5,111,162	5,741,060

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

(Consolidated statement of income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Fiscal year under review (From April 1, 2017 to March 31, 2018)
Net sales	10,218,750	10,618,900
Cost of sales	6,026,835	6,112,716
Gross profit	4,191,915	4,506,184
Selling, general and administrative expenses	3,494,854	3,704,100
Operating income	697,060	802,083
Non-operating income		
Interest income	88	58
Dividend income	-	212
Foreign exchange gains	-	2,033
Share of profit of entities accounted for using equity method	-	3,462
Reversal of allowance for doubtful accounts	1,677	614
Gain on adjustment of account payable	-	1,893
Other	3,861	1,730
Total non-operating income	5,626	10,005
Non-operating expenses		
Interest expenses	82	35
Share of loss of entities accounted for using equity method	96	-
Foreign exchange losses	2,780	-
Other	512	-
Total non-operating expenses	3,471	35
Ordinary income	699,215	812,053
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
Extraordinary losses		
Loss on retirement of non-current assets	-	1,901
Total extraordinary losses	-	1,901
Income before income taxes	700,613	824,360
Income taxes - current	274,082	236,271
Income taxes - deferred	(17,819)	21,391
Total income taxes	256,262	257,662
Net income	444,350	566,697
Net income attributable to the parent company's shareholders	444,350	566,697

(Consolidated statement of comprehensive income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Fiscal year under review (From April 1, 2017 to March 31, 2018
Net income	444,350	566,697
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(187)
Foreign currency translation adjustment	(3,094)	(3,716)
Remeasurements of defined benefit plans	-	(8,493)
Total other comprehensive income	(3,094)	(12,397)
Comprehensive income	441,256	554,299
(Components)		
Comprehensive income attributable to the parent company's shareholders	441,256	554,299
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2016 to March 31, 2017)

(Unit: Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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
Purchase of treasury shares					
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
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	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
Purchase of treasury shares					
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

Fiscal year under review (From April 1, 2017 to March 31, 2018)

(Unit: Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	588,443	478,823	2,382,675	-	3,449,941
Changes of items during period					
Dividends of surplus			(92,647)		(92,647)
Net income attributable to the parent company's shareholders			566,697		566,697
Purchase of treasury shares				(357)	(357)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	474,050	(357)	473,692
Balance at end of current period	588,443	478,823	2,856,725	(357)	3,923,633

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	-	28,039	-	28,039	3,477,980
Changes of items during period					
Dividends of surplus					(92,647)
Net income attributable to the parent company's shareholders					566,697
Purchase of treasury shares					(357)
Net changes of items other than shareholders' equity	(187)	(3,716)	(8,493)	(12,397)	(12,397)
Total changes of items during period	(187)	(3,716)	(8,493)	(12,397)	461,294
Balance at end of current period	(187)	24,322	(8,493)	15,641	3,939,274

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Fiscal year under review (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	700,613	824,360
Depreciation	51,475	53,568
Amortization of goodwill	61,565	35,867
Increase (decrease) in allowance for doubtful accounts	(1,795)	(2,150)
Interest and dividend income	(88)	(271)
Interest expenses	82	35
Share of (income) loss of entities accounted for using equity method	96	(3,462)
Loss (gain) on change in equity	(1,397)	-
Loss on retirement of non-current assets	-	1,901
Loss (gain) on liquidation of subsidiaries and associates	-	(14,209)
Increase (decrease) in provision for directors’ bonuses	(4,000)	2,000
Increase (decrease) in provision for directors’ retirement benefits	(11,600)	-
Increase (decrease) in provision for bonuses	10,617	41,956
Increase (decrease) in net defined benefit liability	20,702	(5,636)
Decrease (increase) in net defined benefit asset	56	-
Decrease (increase) in notes and accounts receivable - trade	(36,062)	(14,099)
Decrease (increase) in inventories	16,245	12,166
Increase (decrease) in notes and accounts payable - trade	7,103	5,324
Other	79,922	(34,107)
Subtotal	893,536	903,243
Interest and dividend income received	88	271
Interest expenses paid	(82)	(35)
Income taxes paid	(243,212)	(284,809)
Cash flows from operating activities	650,329	618,669
Cash flows from investing activities		
Payments into time deposits	(6,023)	(9,010)
Purchase of property, plant and equipment	(7,265)	(8,908)
Purchase of intangible assets	(18,397)	(73,569)
Purchase of investment securities	-	(167,310)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(454,416)
Payments for guarantee deposits	(1,511)	(2,612)
Proceeds from collection of guarantee deposits	651	1,176
Proceeds from liquidation of subsidiaries and associates	-	39,261
Other	(10,473)	(1,578)
Cash flows from investing activities	(43,020)	(676,967)
Cash flows from financing activities		
Repayments of finance lease obligations	(14,838)	(13,205)
Purchase of treasury shares	-	(357)
Cash dividends paid	(89,278)	(92,647)
Cash flows from financing activities	(104,117)	(106,210)
Effect of exchange rate change on cash and cash equivalents	(719)	(3,120)
Net increase (decrease) in cash and cash equivalents	502,473	(167,629)
Cash and cash equivalents at beginning of period	2,039,464	2,541,937
Cash and cash equivalents at end of period	2,541,937	2,374,307

(5) Notes to consolidated financial statements

(Notes to assumptions of a going concern)

Not applicable.

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

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 6

Names of consolidated subsidiaries

HC Language Solutions, Inc.

FIPAS Inc.

ISS Inc.

ISS Institute, Inc.

Panacea Inc.

Media Research, Inc.

From the fiscal year ended March 2018, the Company acquired shares of Media Research, Inc. and included it in the scope of consolidation.

2. Application of the Equity Method

(1) Affiliate accounted for using equity method: 1

Name of entity accounted for using equity method

LanguageOne Corporation.

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 market value

Stated at market value based on the quoted market price and other factors on the date of financial settlement (valuation difference is reported as a component of net assets, and the cost of securities sold is calculated by the moving-average method).

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

i) 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.

ii) Expense recognition method for actuarial gain/loss

Actuarial gain and loss is amortized by the straight-line method 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 fiscal year following the respective fiscal year of recognition.

iii) 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 to ten 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.

(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, 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 (loss)	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.

Fiscal year under review (From April 1, 2017 to March 31, 2018)

(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	7,593,742	1,127,073	933,918	197,964	496,864	10,349,563	269,337	10,618,900
Intersegment sales or transfer	97,079	4,236	43,603	7,504	-	152,424	23,811	176,235
Total	7,690,822	1,131,309	977,522	205,468	496,864	10,501,987	293,148	10,795,136
Segment income (loss)	700,838	70,919	44,712	(8,880)	(10,290)	797,299	10,006	807,306
Segment assets	4,553,504	130,063	142,141	109,687	61,034	4,996,431	189,617	5,186,048
Other items								
Depreciation	45,923	1,947	1,682	2,680	855	53,088	480	53,568
Investment in entities accounted for using equity method	-	-	-	-	-	-	25,672	25,672
Increase in property, plant and equipment and intangible assets	64,907	-	-	23,295	-	88,202	-	88,202

(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	10,143,277	10,501,987
“Other” sales	209,789	293,148
Elimination of intersegment transactions	(134,316)	(176,235)
Net sales reported in consolidated financial statements	10,218,750	10,618,900

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	722,688	797,299
“Other” income	13,628	10,006
Elimination of intersegment transactions	16,594	24,930
Amortization of goodwill	(55,850)	(30,153)
Operating income reported in consolidated financial statements	697,060	802,083

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	4,983,000	4,996,431
“Other” assets	120,819	189,617
Elimination of intersegment transactions	(800,057)	(754,106)
Unamortized portion of goodwill	23,271	268,408
Company-wide assets (Note)	784,129	1,040,710
Total assets reported in consolidated financial statements	5,111,162	5,741,060

(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	50,995	53,088	480	480	-	-	51,475	53,568
Increase in property, plant and equipment and intangible assets	22,834	88,202	-	-	2,828	7,110	25,662	95,312

(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, 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.

Fiscal year under review (From April 1, 2017 to March 31, 2018)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	7,593,742	1,127,073	1,898,084	10,618,900

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, 2016 to March 31, 2017)

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

Fiscal year under review (From April 1, 2017 to March 31, 2018)

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, 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

Fiscal year under review (From April 1, 2017 to March 31, 2018)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Language Education Business	Convention Business	Other	Company-wide	Total
Amortization for period	5,714	-	-	-	-	-	30,153	35,867
Balance at end of current period	952	-	-	-	-	-	268,408	269,360

Information on gain on bargain purchase by reporting segment

Previous fiscal year (From April 1, 2016 to March 31, 2017)

Not applicable.

Fiscal year under review (From April 1, 2017 to March 31, 2018)

Not applicable.

(Per-share information)

Previous fiscal year (From April 1, 2016 to March 31, 2017)		Fiscal year under review (From April 1, 2017 to March 31, 2018)	
Net assets per share	1,032.34 yen	Net assets per share	1,169.33 yen
Net income per share	131.89 yen	Net income per share	168.21 yen

(Notes) 1. Net income per share – diluted is not stated as there are no dilutive shares.
2. On April 1, 2018, the Company carried out a two-for-one stock split of its common shares. Net assets per share and net income per share have been calculated assuming this stock split was conducted at the beginning of the previous fiscal year.
3. The basis for calculation of the amount of net income per share is as follows.

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Fiscal year under review (From April 1, 2017 to March 31, 2018)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	444,350	566,697
Amount not attributable to common shareholders (thousand yen)	-	-
Net income attributable to common shares of the parent company's shareholders (thousand yen)	444,350	566,697
Average number of shares issued during the period (shares)	3,369,000	3,368,876

(Important subsequent events)

(Stock-split and Partial Amendment to the Articles of Incorporation)

The Company, at the Board of Directors meeting held on March 2, 2018, resolved to split its shares, amend a part of its Articles of Corporation, and carried out the stock split as of April 1, 2018.

I. Stock split

1. Purpose of the stock split

The purpose of the stock split is to increase the liquidity of the Company's stock and arrange an environment in which investors can more easily invest in the Company's stock, as well as to expand the investor base by reducing the stock price per trading unit.

2. Overview of the stock split

(1) Method of stock split

The record date of the stock split was March 31, 2018 (provided, however, the practical record date was Friday, March 30, 2018). Each share of common stock owned by shareholders registered or recorded on the final shareholder registry as of the record date was split into two shares.

(2) Number of shares increased by the stock split

Total number of shares outstanding before stock split	1,684,500 shares
Number of shares increased by this stock split	1,684,500 shares
Total number of shares outstanding after stock split	3,369,000 shares
Total number of authorized shares after stock split	10,280,000 shares

(3) Stock split schedule

Date of announcement of the record date Monday, March 12, 2018

Record date Saturday, March 31, 2018

Date to come into effect　Sunday, April 1, 2018

(4) Impact on per share information

Impact on information per share was stated in "Per share Information".

(5) Other

There is no change in the amount of capital due to this stock split.

II. Partial Amendment to the Articles of Incorporation

1. Reasons for amendment

Due to the stock split, on Sunday, April 1, 2018, the Company amended Article 6 of its Articles of Incorporation to change the total number of shares authorized to be issued corresponding to the ratio of the split in accordance with Article 184, Paragraph 2 of the Companies Act.

2. The details of revision

(Items to be amended are underlined.)

Current Articles of Incorporation	Proposed amendments
Article 6 (Total number of authorized shares) The Company's total number of authorized shares shall be <u>5,140,000</u> shares.	Article 6 (Total number of authorized shares) The Company's total number of authorized shares shall be <u>10,280,000</u> shares.

3. Schedule

Date of resolution by the Board of Directors　Friday, March 2, 2018
Date to come into effect　Sunday, April 1, 2018

4. Other

(1) Transfer of directors

1) Transfer of President

President　Shunichiro Ninomiya (currently, Corporate Strategy Operations Director)

Chairman　Ikuo Higashi (currently, President)

2) Transfer of other directors

- Candidate for new director

  Director　Masashi Uotani (currently, General Manager, Financial and Accounting Division)

- Director to retire

  Director　Hiroshi Nakamoto (To be appointed as advisor)

3) Scheduled date of assumption and retirement of position

At the conclusion of the Annual Meeting of Shareholders to be held on June 27, 2018