

Financial Results Summary for the Three-Month Period Ended June 30, 2018 [Japanese GAAP] (Consolidated)

August 8, 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: August 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 Three-Month Period Ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(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	%
Three-month period ended June 30, 2018	2,886	19.2	169	37.3	172	37.1	134	40.2
Three-month period ended June 30, 2017	2,420	(6.6)	123	(28.9)	125	(28.8)	96	(14.7)

(Note) Comprehensive income: Three-month period ended June 30, 2018 126 million yen (38.8%)
 Three-month period ended June 30, 2017 91 million yen (-12.8%)

	Net income per share	Net income per share – diluted
	yen	yen
Three-month period ended June 30, 2018	40.02	-
Three-month period ended June 30, 2017	28.53	-

(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
	million yen	million yen	%
Three-month period ended June 30, 2018	5,673	3,968	69.9
Fiscal year ended March 2018	5,741	3,939	68.6

(Note) Shareholders' equity: Three-month period ended June 30, 2018 3,968 million yen
 Fiscal year ended March 2018 3,939 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 2018	-	0.00	-	58.00	58.00
Fiscal year ending March 2019	-				
Fiscal year ending March 2019 (forecast)		0.00	-	35.00	35.00

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

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)

(Percentages represent changes from the previous year for full year, and on year-on-year basis for quarterly results.)

	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
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

(Note) Revision of the consolidated results forecast released most recently: None

* Notes

- (1) Changes in major subsidiaries during the period under review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None

Newly consolidated: – company (companies) (company name)

Excluded: – company (companies) (company name)

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

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)	Q1 of fiscal year ending March 2019	3,369,000 shares	Fiscal year ended March 2018	3,369,000 shares
2) Number of treasury shares at the end of the period	Q1 of fiscal year ending March 2019	267 shares	Fiscal year ended March 2018	194 shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	Q1 of fiscal year ending March 2019	3,368,788 shares	Q1 of fiscal year ended March 2018	3,368,968 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.

* Quarterly financial results are not subject to quarterly reviews by a Certified Public Accountant or audit firm.

* Explanation of appropriate use of operating results forecasts and other special notes

(Notes relating to statements on the future)

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.

(Change in Presentation of Dates)

From the “Financial Results Summary for the Three-Month Period Ended June 30, 2018,” the presentation of dates was changed from that of the Japanese calendar to the western calendar.

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1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of operating results

During the three-month period under review, the Japanese economy continued on a moderate recovery path backed by improved corporate earnings and employment environment, while the future outlook, such as the impact of trade frictions between U.S. and China, as well as the U.S. and Europe, remained uncertain.

Under these circumstances, the Group, based on the Fourth Medium-Term Management Plan, a three-year management plan starting from the year ending March 2019, worked for sustainable growth in its core translation business, and strove to capture the demand for translation and interpretation with the global expansion of companies by actively utilizing the latest technologies such as translation support systems and machine translation.

As a result, net sales for the three-month period under review increased by 19.2% on a year-on-year basis to 2.886 billion yen, operating income by 37.3% to 169 million yen, ordinary income by 37.1% to 172 million yen, net income attributable to the parent company's shareholders by 40.2% to 134 million yen, due to the consolidation of Media Research, Inc. and increased sales in the Convention Business, in addition to steady sales in the Translation Business, the core business of the Group.

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

From this first quarter, the "Language Education Business" which used to be disclosed as a reporting segment is excluded from reporting segments and reclassified as "Other." Moreover, comparison and analysis of the three-month period under review is based on the changed classification.

i) Translation Business

In the Patent field, net sales increased by 2.1% on a year-on-year basis to 497 million yen on steady orders from patent firms. In the medical field, net sales were 727 million yen, up 13.0% on a year-on-year basis on the acquisition of new drug application document deals from domestic and foreign pharmaceutical companies, and increased orders from CRO (Contract Research Organization). In the Industrial & Localization field, net sales increased by 29.9% on a year-on-year basis to 621 million yen due to expanded transactions with automobile related companies and stable transactions with large information and telecommunications companies, in addition to the new consolidation of Media Research, Inc. In the Finance & Legal field, net sales decreased by 3.9% on a year-on-year basis to 200 million yen due to declined orders from financial institutions, though transactions with administrative departments of corporations remained steady.

As a result, net sales of the Translation Business were 2.047 billion yen, up 12.6% 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 310 million yen, up 14.5% from the previous year, thanks to solid demand from IT service-related companies, finance-related companies and pharmaceutical companies.

iii) Interpretation Business

In the Interpretation Business, net sales decreased by 2.5% on a year-on-year basis to 221 million yen, mainly due to a reactionary drop in the project of a major information and telecommunication company that was received in the previous year, while orders from pharmaceutical companies and finance-related companies were steady.

iv) Convention Business

In the Convention Business, net sales increased by 123 million yen on a year-on-year basis to 135 million yen, due to the winning and running of international meeting projects such as the "8th Pacific Islands Leaders Meeting" as well as medical society projects, etc. including the "29th Annual Scientific Meeting of the Japanese Society of Echocardiography."

v) Other

In other segments, net sales increased by 79 million yen on a year-on-year basis to 172 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) Explanation of financial position

(Assets)

Current assets as of the end of the first quarter under review were 4.523 billion yen, down 144 million yen compared with the end of the previous fiscal year. This is because notes receivable - trade and accounts receivable - trade decreased mainly due to the collection of bills in the Translation Business. Non-current assets increased by 77 million yen from the end of the previous fiscal year to 1.149 billion yen. This is because intangible assets and others increased mainly due to the provision of development expenses for internal systems.

As a result, total assets amounted to 5.673 billion yen, down 67 million yen compared to the end of the previous fiscal year.

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. since the beginning of the first quarter, and compared and analyzed the status of financial position with the previous fiscal year using the figures after retroactively applying that accounting standard, etc.

(Liabilities)

Current liabilities as of the end of the first quarter under review were 1.621 billion yen, down 97 million yen compared to the end of the previous fiscal year. This is mainly due to a decrease in the provision for bonuses. Non-current liabilities were almost the same at the end of the previous fiscal year at 83 million yen.

As a result, total liabilities amounted to 1.704 billion yen, down 96 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the first quarter under review were 3.968 billion yen, up 29 million yen compared to the end of the previous fiscal year. This is mainly due to the recording of net income attributable to the parent company’s shareholders and dividends of surplus.

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

There are no changes to the six-month period or full year consolidated financial results forecasts announced in “Financial Results Summary for the Fiscal Year Ended March 2018” on May 11, 2018.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2018)	First quarter under review (June 30, 2018)
Assets		
Current assets		
Cash and deposits	2,584,656	2,514,752
Notes and accounts receivable – trade, net	1,763,815	1,658,260
Work in process	129,532	142,827
Other	190,580	207,899
Total current assets	4,668,584	4,523,739
Non-current assets		
Property, plant and equipment	98,914	102,744
Intangible assets		
Goodwill	269,360	261,525
Other	144,448	207,207
Total intangible assets	413,808	468,733
Investments and other assets	559,752	578,116
Total non-current assets	1,072,475	1,149,595
Total assets	5,741,060	5,673,334
Liabilities		
Current liabilities		
Accounts payable – trade	753,313	744,604
Income taxes payable	144,131	79,927
Provision for bonuses	238,043	130,102
Other	582,925	666,550
Total current liabilities	1,718,414	1,621,184
Non-current liabilities		
Provision for directors' retirement benefits	23,800	23,800
Net defined benefit liability	59,571	59,992
Total non-current liabilities	83,371	83,792
Total liabilities	1,801,785	1,704,977
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,856,725	2,893,865
Treasury shares	(357)	(545)
Total shareholders' equity	3,923,633	3,960,586
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(187)	(209)
Foreign currency translation adjustment	24,322	16,262
Accumulated remeasurements of defined benefit plans	(8,493)	(8,281)
Total accumulated other comprehensive income	15,641	7,771
Total net assets	3,939,274	3,968,357
Total liabilities and net assets	5,741,060	5,673,334

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)
(Three-month period)

(Unit: Thousand yen)

	Three-month period in the previous fiscal year (From April 1, 2017 to June 30, 2017)	Three-month period under review (From April 1, 2018 to June 30, 2018)
Net sales	2,420,543	2,886,957
Cost of sales	1,380,665	1,700,371
Gross profit	1,039,878	1,186,585
Selling, general and administrative expenses	916,425	1,017,071
Operating income	123,452	169,514
Non-operating income		
Interest income	6	9
Foreign exchange gains	3,745	3,526
Other	259	783
Total non-operating income	4,012	4,319
Non-operating expenses		
Interest expenses	11	4
Share of loss of entities accounted for using equity method	1,476	991
Total non-operating expenses	1,488	996
Ordinary income	125,976	172,836
Extraordinary income		
Gain on liquidation of subsidiaries and associates	14,209	-
Compensation for expropriation	-	28,539
Total extraordinary income	14,209	28,539
Net income before income taxes	140,185	201,376
Income taxes	44,059	66,540
Net income	96,126	134,835
Net income attributable to the parent company's shareholders	96,126	134,835

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

(Unit: Thousand yen)

	Three-month period in the previous fiscal year (From April 1, 2017 to June 30, 2017)	Three-month period under review (From April 1, 2018 to June 30, 2018)
Net income	96,126	134,835
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(22)
Foreign currency translation adjustment	(4,716)	(8,060)
Remeasurements of defined benefit plans	-	212
Total other comprehensive income	(4,716)	(7,870)
Comprehensive income	91,409	126,965
(Components)		
Comprehensive income attributable to the parent company's shareholders	91,409	126,965
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 first quarter under review and calculated them by multiplying this estimated effective tax rate by net income before income taxes.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. since the first quarter, showing deferred tax assets classified in investments and other assets while deferred tax liabilities are in non-current liabilities.

(Segment information)

Segment information

I. Three-month period in the previous fiscal year (From April 1, 2017 to June 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	Convention Business	Total		
Net sales							
Sales to external customers	1,818,008	271,581	226,784	11,689	2,328,063	92,480	2,420,543
Intersegment sales or transfer	33,652	-	11,841	-	45,493	14,471	59,965
Total	1,851,661	271,581	238,625	11,689	2,373,556	106,951	2,480,508
Segment income (loss)	125,416	17,032	8,676	(28,767)	122,357	8,442	130,799

(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	122,357
“Other” income	8,442
Elimination of intersegment transactions	6,615
Amortization of goodwill	(13,962)
Operating income in quarterly consolidated statement of income	123,452

II. Three-month period under review (From April 1, 2018 to June 30, 2018)

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	Convention Business	Total		
Net sales							
Sales to external customers	2,047,717	310,972	221,027	135,100	2,714,817	172,139	2,886,957
Intersegment sales or transfer	16,725	1,443	11,671	-	29,839	2,842	32,682
Total	2,064,443	312,415	232,698	135,100	2,744,657	174,982	2,919,639
Segment income (loss)	160,718	21,146	9,068	(23,529)	167,404	1,870	169,274

(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	167,404
“Other” income	1,870
Elimination of intersegment transactions	7,121
Amortization of goodwill	(6,882)
Operating income in quarterly consolidated statement of income	169,514

3. Matters related to changes to reporting segments, etc.

From this first quarter, the “Language Education Business”, which used to be disclosed as a reporting segment, is excluded from reporting segments and included in “Other” because it has become less important in terms of volume.

As a result, reporting segments were changed from the previous five categories of “Translation Business,” “Temporary Staffing Business,” “Interpretation Business,” “Language Education Business” and “Convention Business” to four categories of “Translation Business,” “Temporary Staffing Business,” “Interpretation Business” and “Convention Business.”

The segment information for the three-month period in the previous fiscal year was prepared according to the changed classification method.