

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

November 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: November 14, 2018
 Scheduled commencement date of dividends payment: -
 Preparation of supplementary materials for quarterly report: None
 Convening quarterly results briefing: Yes (for analysts only)

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

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2018 (From April 1, 2018 to September 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	%
Six-month period ended September 30, 2018	5,718	16.6	329	16.8	331	16.6	236	16.2
Six-month period ended September 30, 2017	4,903	(1.3)	281	(17.5)	283	(20.0)	203	(10.1)

(Note) Comprehensive income: Six-month period ended September 30, 2018 234 million yen (17.9%)
 Six-month period ended September 30, 2017 198 million yen (-4.7%)

	Net income per share	Net income per share – diluted
	yen	yen
Six-month period ended September 30, 2018	70.29	-
Six-month period ended September 30, 2017	60.45	-

(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	%
Six-month period ended September 30, 2018	5,785	4,075	70.4
Fiscal year ended March 2018	5,741	3,939	68.6

(Note) Shareholders' equity: Six-month period ended September 30, 2018 4,075 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	-	0.00			
Fiscal year ending March 2019 (forecast)			-	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.)

	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	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, (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 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	Q2 of fiscal year ending March 2019	291 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)	Q2 of fiscal year ending March 2019	3,368,754 shares	Q2 of fiscal year ended March 2018	3,368,936 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 years 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 six-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 friction caused by U.S. trade policies, 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 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 of these activities, net sales in the six-month period under review amounted to 5.718 billion yen, up 16.6% on a year-on-year basis, as net sales in the Translation Business, the Group's core business, remained steady, Media Research, Inc. was added to the scope of consolidation, and increased net sales in the Convention Business made contributions. In terms of income, as a result of increased revenue in the Translation Business, operating income was 329 million yen, up 16.8% on a year-on-year basis, and ordinary income increased by 16.6% on a year-on-year basis to 331 million yen. Net income attributable to the parent company's shareholders was 236 million yen, up 16.2% on a year-on-year basis.

The financial results of each segment for the six-month period under review are as follows.

From the 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 six-month period under review is based on the changed classification.

i) Translation Business

In the Patent field, net sales increased by 6.6% on a year-on-year basis to 1.033 billion yen on steady orders from patent firms. In the Medical field, net sales increased by 3.8% on a year-on-year basis to 1.375 billion yen on steady orders from foreign pharmaceutical companies. In the Industrial & Localization field, net sales increased by 38.4% on a year-on-year basis to 1.271 billion yen due to expanded transactions with information and telecommunications companies, in addition to the new consolidation of Media Research, Inc. In the Finance & Legal field, net sales increased by 5.2% on a year-on-year basis to 388 million yen due to steady orders from administrative departments of corporations.

As a result, net sales of the Translation Business were 4.069 billion yen, up 13.6% 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 606 million yen, up 9.3% 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 increased by 4.3% on a year-on-year basis to 478 million yen due to steady orders from pharmaceutical companies and finance-related companies, in addition to commencing business with major foreign IT companies.

iv) Convention Business

In the Convention Business, net sales increased by 92.9% on a year-on-year basis to 229 million yen, due to the winning and management of international meeting projects such as the "8th Pacific Islands Leaders Meeting" and the "Arms Trade Treaty 4th Conference of States Parties", 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 75.5% on a year-on-year basis to 334 million yen due to the steady performance of FIPAS Inc., which prepares documents required for overseas patent applications and performs application procedures.

(2) Explanation of financial position

(Assets)

Current assets as of the end of the second quarter under review were 4.585 billion yen, down 82 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 127 million yen from the end of the previous fiscal year to 1.199 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 5.785 billion yen, up 44 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 1.619 billion yen, down 98 million yen compared to the end of the previous fiscal year. This is mainly due to a decrease in accounts payable - trade. Non-current liabilities increased by 6 million yen from the end of the previous fiscal year to 90 million yen.

As a result, total liabilities amounted to 1.709 billion yen, down 91 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 4.075 billion yen, up 136 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.

(Cash flows)

Cash and cash equivalents as of the end of the second quarter under review were 2.396 billion yen, up 22 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 309 million yen (169 million yen of proceeds in the same period of the preceding year).

This is mainly due to proceeds of 358 million yen due to recording of net income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was 180 million yen (12 million yen of proceeds in the same period of the preceding year).

This is mainly due to payment of 140 million yen for purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 104 million yen (99 million yen of payments in the same period of the preceding year).

This is mainly due to payment of dividends of 97 million yen.

(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)	Second quarter under review (September 30, 2018)
Assets		
Current assets		
Cash and deposits	2,584,656	2,616,346
Notes and accounts receivable – trade, net	1,763,815	1,628,697
Work in process	129,532	156,284
Other	190,580	184,493
Total current assets	4,668,584	4,585,821
Non-current assets		
Property, plant and equipment	98,914	95,839
Intangible assets		
Goodwill	269,360	254,643
Other	144,448	282,585
Total intangible assets	413,808	537,229
Investments and other assets	559,752	566,686
Total non-current assets	1,072,475	1,199,754
Total assets	5,741,060	5,785,576
Liabilities		
Current liabilities		
Accounts payable – trade	753,313	689,553
Income taxes payable	144,131	140,827
Provision for bonuses	238,043	265,126
Other	582,925	524,135
Total current liabilities	1,718,414	1,619,643
Non-current liabilities		
Provision for directors' retirement benefits	23,800	23,800
Net defined benefit liability	59,571	66,437
Total non-current liabilities	83,371	90,237
Total liabilities	1,801,785	1,709,880
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,856,725	2,995,830
Treasury shares	(357)	(609)
Total shareholders' equity	3,923,633	4,062,487
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(187)	(239)
Foreign currency translation adjustment	24,322	21,517
Accumulated remeasurements of defined benefit plans	(8,493)	(8,069)
Total accumulated other comprehensive income	15,641	13,208
Total net assets	3,939,274	4,075,695
Total liabilities and net assets	5,741,060	5,785,576

(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, 2017 to September 30, 2017)	Six-month period under review (From April 1, 2018 to September 30, 2018)
Net sales	4,903,833	5,718,347
Cost of sales	2,788,085	3,364,179
Gross profit	2,115,748	2,354,168
Selling, general and administrative expenses	1,833,878	2,024,753
Operating income	281,870	329,414
Non-operating income		
Interest income	22	24
Foreign exchange gains	3,005	828
Other	665	1,885
Total non-operating income	3,692	2,737
Non-operating expenses		
Interest expenses	21	8
Share of loss of entities accounted for using equity method	1,587	1,046
Total non-operating expenses	1,609	1,054
Ordinary income	283,953	331,097
Extraordinary income		
Gain on liquidation of subsidiaries and associates	14,209	-
Compensation for expropriation	-	28,539
Total extraordinary income	14,209	28,539
Extraordinary losses		
Loss on retirement of non-current assets	-	682
Total extraordinary losses	-	682
Net income before income taxes	298,162	358,954
Income taxes	94,487	122,153
Net income	203,675	236,800
Net income attributable to the parent company's shareholders	203,675	236,800

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

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2017 to September 30, 2017)	Six-month period under review (From April 1, 2018 to September 30, 2018)
Net income	203,675	236,800
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(52)
Foreign currency translation adjustment	(4,900)	(2,805)
Remeasurements of defined benefit plans	-	424
Total other comprehensive income	(4,900)	(2,432)
Comprehensive income	198,774	234,368
(Components)		
Comprehensive income attributable to the parent company's shareholders	198,774	234,368
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, 2017 to September 30, 2017)	Six-month period under review (from April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Net income before income taxes	298,162	358,954
Depreciation	24,751	31,947
Amortization of goodwill	26,128	14,716
Increase (decrease) in allowance for doubtful accounts	255	(612)
Increase (decrease) in provision for bonuses	35,041	27,050
Increase (decrease) in provision for directors' bonuses	(16,500)	(17,000)
Increase (decrease) in net defined benefit liability	(9,690)	7,477
Interest and dividend income	(22)	(24)
Interest expenses	21	8
Share of (gain) loss of entities accounted for using equity method	1,587	1,046
Loss on disposal of non-current assets	-	682
Loss (gain) on liquidation of subsidiaries and associates	(14,209)	-
Compensation for expropriation	-	(28,539)
Decrease (increase) in notes and accounts receivable – trade	110,912	135,740
Decrease (increase) in inventories	(17,495)	(25,891)
Increase (decrease) in notes and accounts payable – trade	(67,779)	(63,589)
Other	(48,422)	(31,557)
Subtotal	322,743	410,409
Interest and dividend income received	22	24
Interest expenses paid	(21)	(8)
Proceeds from compensation for expropriation	-	28,539
Income taxes paid	(153,151)	(129,562)
Cash flows from operating activities	169,593	309,403
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,680)	(24,297)
Purchase of intangible assets	(19,308)	(140,971)
Payments into time deposits	(3,000)	(15,001)
Proceeds from withdrawal of time deposits	-	6,000
Collection of loans receivable	125	123
Payments for guarantee deposits	(1,572)	(13,115)
Proceeds from collection of guarantee deposits	324	6,589
Proceeds from liquidation of subsidiaries and associates	39,261	-
Other	(300)	-
Cash flows from investing activities	12,850	(180,674)
Cash flows from financing activities		
Repayments of finance lease obligations	(6,878)	(6,089)
Purchase of treasury shares	(357)	(251)
Cash dividends paid	(92,647)	(97,695)
Cash flows from financing activities	(99,884)	(104,036)

Effect of exchange rate change on cash and cash equivalents	(4,008)	(2,004)
Net increase (decrease) in cash and cash equivalents	78,551	22,687
Cash and cash equivalents at beginning of period	2,541,937	2,374,307
Cash and cash equivalents at the end of the period	2,620,488	2,396,995

(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, 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	Convention Business	Total		
Net sales							
Sales to external customers	3,581,192	554,554	458,843	118,816	4,713,406	190,427	4,903,833
Intersegment sales or transfer	52,646	1,484	18,134	-	72,265	22,383	94,649
Total	3,633,838	556,039	476,977	118,816	4,785,672	212,811	4,998,483
Segment income (loss)	267,928	34,441	14,261	(33,313)	283,317	8,764	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	283,317
"Other" income	8,764
Elimination of intersegment transactions	13,059
Amortization of goodwill	(23,271)
Operating income in quarterly consolidated statement of income	281,870

II. Six-month period under review (From April 1, 2018 to September 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	4,069,444	606,396	478,984	229,299	5,384,125	334,222	5,718,347
Intersegment sales or transfer	36,465	2,864	27,153	-	66,483	6,223	72,706
Total	4,105,910	609,260	506,137	229,299	5,450,608	340,446	5,791,054
Segment income (loss)	332,065	36,669	12,456	(36,719)	344,472	(12,390)	332,082

(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	344,472
"Other" income	(12,390)
Elimination of intersegment transactions	11,096
Amortization of goodwill	(13,764)
Operating income in quarterly consolidated statement of income	329,414

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

From this second 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 six-month period in the previous fiscal year was prepared according to the changed classification method.

(Important subsequent events)

Not applicable.