

Financial Results Summary for the Nine-Month Period Ended December 31, 2018 [Japanese GAAP] (Consolidated)

February 8, 2019

Company Name: Honyaku Center Inc. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 2483 URL: <https://www.honyakuctr.com/>
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Scheduled date for submission of quarterly report: February 13, 2019
 Scheduled commencement date of dividends payment: -
 Preparation of supplementary materials for quarterly report: None
 Convening quarterly results briefing: None

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

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2018 (From April 1, 2018 to December 31, 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	%
Nine-month period ended December 31, 2018	8,680	13.5	551	6.8	552	5.9	412	13.3
Nine-month period ended December 31, 2017	7,645	(1.3)	516	(9.4)	521	(10.5)	364	(0.5)

(Note) Comprehensive income: Nine-month period ended December 31, 2018 414 million yen (14.9%)
 Nine-month period ended December 31, 2017 360 million yen (5.3%)

	Net income per share	Net income per share – diluted
	yen	yen
Nine-month period ended December 31, 2018	122.57	-
Nine-month period ended December 31, 2017	108.13	-

(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.

* 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)	Q3 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	Q3 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)	Q3 of fiscal year ending March 2019	3,368,740 shares	Q3 of fiscal year ended March 2018	3,368,898 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 nine-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 remained uncertain due to growing uncertainty over the global economy, such as trade friction caused by U.S. trade policies and the effect of fluctuations in the financial capital market.

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 nine-month period under review amounted to 8.680 billion yen, up 13.5% on a year-on-year basis, as net sales in the Translation Business, the core business of the Group, remained steady in addition to the new consolidation of Media Research, Inc. In terms of income, as increased income in the Translation Business made up for reduced income from the Convention Business, operating income was 551 million yen, up 6.8% on a year-on-year basis, and ordinary income increased by 5.9% on a year-on-year basis to 552 million yen. Net income attributable to the parent company's shareholders increased by 13.3% on a year-on-year basis to 412 million yen due to the effect of the gain on transfer of the IT business of Media Research, Inc.

The financial results of each segment for the nine-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 nine-month period under review is based on the changed classification.

i) Translation Business

In the Patent field, net sales increased by 11.6% on a year-on-year basis to 1.576 billion yen due to solid orders from patent firms and steady business transactions with the intellectual property departments of companies. In the Medical field, net sales increased by 7.0% on a year-on-year basis to 2.146 billion yen due to the expansion of business transactions with foreign pharmaceutical companies. In the Industrial & Localization field, net sales increased by 40.7% on a year-on-year basis to 1.918 billion yen as business with information and telecommunication companies remained strong in addition to the new consolidation of Media Research, Inc. In the Finance & Legal field, net sales increased by 7.3% on a year-on-year basis to 583 million yen due to steady orders from administrative departments of corporations.

As a result, net sales of the Translation Business were 6.226 billion yen, up 16.9% 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 904 million yen, up 6.3% 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 7.3% on a year-on-year basis to 770 million yen due to steady orders for IR interpretation services from finance-related companies in addition to strong business transactions with pharmaceutical companies.

iv) Convention Business

In the convention business, net sales declined by 27.8% on a year-on-year basis to 331 million yen due to a limited number of conventions held in the third quarter, in spite of the winning and management of international conventions such as the "Arms Trade Treaty Fourth Conference of States Parties" and medical conventions such as the "14th Asia Pacific Conference on Disaster Medicine."

v) Other

In other segments, net sales increased by 53.2% on a year on year basis to 448 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.

The Company sold the IT business during the third quarter under review.

(2) Explanation of financial position

(Assets)

Current assets as of the end of the third quarter under review were 4.611 billion yen, down 57 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 142 million yen from the end of the previous fiscal year to 1.214 billion yen. This is because “ other” of intangible assets increased mainly due to the provision of development expenses for internal systems.

As a result, total assets amounted to 5.826 billion yen, up 85 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the third quarter under review were 1.476 billion yen, down 242 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 11 million yen from the end of the previous fiscal year to 94 million yen. This is because net defined benefit liability increased.

As a result, total liabilities amounted to 1.570 billion yen, down 230 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the third quarter under review were 4.255 billion yen, up 316 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 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)	Third quarter under review (December 31, 2018)
Assets		
Current assets		
Cash and deposits	2,584,656	2,533,377
Notes and accounts receivable – trade, net	1,763,815	1,751,077
Work in process	129,532	170,348
Other	190,580	156,771
Total current assets	4,668,584	4,611,575
Non-current assets		
Property, plant and equipment	98,914	88,224
Intangible assets		
Goodwill	269,360	247,761
Other	144,448	319,492
Total intangible assets	413,808	567,254
Investments and other assets	559,752	559,283
Total non-current assets	1,072,475	1,214,762
Total assets	5,741,060	5,826,337
Liabilities		
Current liabilities		
Accounts payable – trade	753,313	677,892
Income taxes payable	144,131	99,961
Provision for bonuses	238,043	167,825
Other	582,925	530,685
Total current liabilities	1,718,414	1,476,365
Non-current liabilities		
Provision for directors' retirement benefits	23,800	23,800
Net defined benefit liability	59,571	70,641
Total non-current liabilities	83,371	94,441
Total liabilities	1,801,785	1,570,806
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,856,725	3,171,945
Treasury shares	(357)	(609)
Total shareholders' equity	3,923,633	4,238,602
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(187)	(397)
Foreign currency translation adjustment	24,322	25,182
Accumulated remeasurements of defined benefit plans	(8,493)	(7,856)
Total accumulated other comprehensive income	15,641	16,928
Total net assets	3,939,274	4,255,530
Total liabilities and net assets	5,741,060	5,826,337

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

(Quarterly consolidated statement of income)

(Nine-month period)

(Unit: Thousand yen)

	Nine-month period in the previous fiscal year (From April 1, 2017 to December 31, 2017)	Nine-month period under review (From April 1, 2018 to December 31, 2018)
Net sales	7,645,062	8,680,042
Cost of sales	4,389,630	5,051,225
Gross profit	3,255,432	3,628,816
Selling, general and administrative expenses	2,739,038	3,077,100
Operating income	516,393	551,716
Non-operating income		
Interest income	22	50
Share of profit of entities accounted for using equity method	1,795	-
Foreign exchange gains	2,347	-
Compensation for damage received	-	550
Other	1,365	2,106
Total non-operating income	5,531	2,707
Non-operating expenses		
Interest expenses	29	9
Share of loss of entities accounted for using equity method	-	1,283
Foreign exchange losses	-	413
Total non-operating expenses	29	1,707
Ordinary income	521,896	552,717
Extraordinary income		
Gain on liquidation of subsidiaries and associates	14,209	-
Compensation for expropriation	-	28,539
Gain on transfer of business	-	42,849
Total extraordinary income	14,209	71,388
Extraordinary losses		
Loss on retirement of non-current assets	-	682
Total extraordinary losses	-	682
Net income before income taxes	536,105	623,423
Income taxes	171,811	210,507
Net income	364,293	412,915
Net income attributable to the parent company's shareholders	364,293	412,915

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

(Unit: Thousand yen)

	Nine-month period in the previous fiscal year (From April 1, 2017 to December 31, 2017)	Nine-month period under review (From April 1, 2018 to December 31, 2018)
Net income	364,293	412,915
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(210)
Foreign currency translation adjustment	(4,049)	860
Remeasurements of defined benefit plans	-	637
Total other comprehensive income	(4,049)	1,287
Comprehensive income	360,243	414,202
(Components)		
Comprehensive income attributable to the parent company's shareholders	360,243	414,202
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for on going concerns)

Not applicable.

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

Not applicable.

(Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)

With respect to tax expenses, the Company reasonably estimated the effective tax rate after applying tax effect accounting to net income before income taxes in the fiscal year including the third quarter under review and calculated them by multiplying this estimated effective tax rate by net income before income taxes.

(Segment information)

Segment information

I. Nine-month period in the previous fiscal year (From April 1, 2017 to December 31, 2017)

1. Information on net sales, income or loss by reporting segment

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Sales to external customers	5,325,767	850,656	717,188	458,935	7,352,547	292,514	7,645,062
Intersegment sales or transfer	72,925	2,924	31,217	-	107,067	27,467	134,534
Total	5,398,692	853,581	748,405	458,935	7,459,615	319,982	7,779,597
Segment income	422,925	57,485	29,205	3,343	512,960	9,605	522,565

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

2. Information on assets by reporting segment

In the nine-month period under review, assets increased mainly in the Translation Business, and total assets including other reporting segments increased by 412.024 million yen as a result of the acquisition of shares of Media Research, Inc.

3. Difference between total income or loss of reporting segment and amounts reported in quarterly consolidated statement of income and major components thereof (matters concerning difference adjustment)

(Unit: Thousand yen)

Income	Amount of payment
Total reporting segment	512,960
“Other” income	9,605
Elimination of intersegment transactions	17,099
Amortization of goodwill	(23,271)
Operating income in quarterly consolidated statement of income	516,393

4. Information on impairment loss on non-current assets and goodwill and other by reporting segment

(Important change in amount of goodwill)

In the nine-month period under review, the amount of goodwill increased by 275.29 million yen as a result of the acquisition of all shares of Media Research, Inc. A reporting segment to which goodwill is attributable is under consideration by the Company.

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

II. Nine-month period under review (From April 1, 2018 to December 31, 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	6,226,044	904,421	770,200	331,130	8,231,796	448,245	8,680,042
Intersegment sales or transfer	51,094	4,213	51,403	-	106,711	9,804	116,515
Total	6,277,139	908,634	821,604	331,130	8,338,508	458,049	8,796,558
Segment income (loss)	548,914	53,397	32,892	(61,547)	573,656	(19,064)	554,591

(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	573,656
“Other” income	(19,064)
Elimination of intersegment transactions	17,771
Amortization of goodwill	(20,646)
Operating income in quarterly consolidated statement of income	551,716

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

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