

Financial Results for the Fiscal Year Ended March 31, 2019 [Japan GAAP] (Consolidated)

May 10, 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 of Annual Meeting of Shareholders: June 26, 2019
 Scheduled commencement date of dividends payment: June 27, 2019
 Scheduled filing date of the securities report: June 27, 2019
 Preparation of supplementary materials for financial results: None
 Convening 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 2019 (From April 1, 2018 to March 31, 2019)

(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 2019	12,008	13.0	900	12.2	905	11.4	630	11.2
Fiscal Year Ended March 2018	10,618	3.9	802	15.0	812	16.1	566	27.5

(Note) Comprehensive income: Fiscal Year Ended March 2019 632 million yen (14.0%)
 Fiscal Year Ended March 2018 554 million yen (25.6%)

	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 2019	187.39	–	15.2	14.8	7.4
Fiscal Year Ended March 2018	168.21	–	15.2	14.9	7.5

(Reference) Equity method investment gain (loss):

Fiscal Year Ended March 2019 0 million yen
 Fiscal Year Ended March 2018 3 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 2019	6,486	4,350	67.0	1,310.90
Fiscal Year Ended March 2018	5,741	3,939	68.6	1,169.33

(Reference) Shareholders' equity: Fiscal Year Ended March 2019 4,350 million yen
Fiscal Year Ended March 2018 3,939 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 2019	441	(230)	(231)	2,352
Fiscal Year Ended March 2018	618	(676)	(106)	2,374

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 2018	–	0.00	–	58.00	58.00	97	17.2	2.6
Fiscal Year Ended March 2019	–	0.00	–	35.00	35.00	116	18.6	2.8
Fiscal Year Ending March 2020 (forecast)	–	0.00	–	42.00	42.00		20.4	

(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 2020 (from April 1, 2019 to March 31, 2020)

(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)	6,100	6.6	400	21.4	400	20.8	260	9.8	78.34
Full year	12,600	4.9	1,030	14.3	1,030	13.8	680	7.9	204.90

* 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): None

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

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 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	Fiscal Year Ended March 2019	50,350 shares	Fiscal Year Ended March 2018	194 shares
3) Average number of shares issued during the period	Fiscal Year Ended March 2019	3,363,252 shares	Fiscal Year Ended March 2018	3,368,876 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.

* Financial results are not subject to the audit procedure performed 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. Overview of operating results, etc., (4) Future outlook” on Page 4 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. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended March 2019

During the fiscal year under review, the Japanese economy continued on a gradual path to recovery backed by an improvement in corporate earnings and the employment environment, while the future outlook remained hard to predict due to growing uncertainty over the global economy, such as trade friction caused by U.S. trade policies, the effect of fluctuations in the financial capital market and Great Britain's exit from the EU.

Under these circumstances, and based on its Fourth Medium-Term Management Plan, a three-year management plan from the fiscal year ended March 2019, the Group aimed for sustainable growth in its core Translation Business, and strove to capture the demand for translation and interpretation accompanying corporate global expansion by utilizing the latest technologies, such as translation support systems and machine translation.

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. The Group posted net sales of 12,008 million yen, up 13.0% on a year-on-year basis, due to the consolidation effects following an M&A, in addition to the steady performance of the Translation Business, the core business of the Group. In line with higher net sales and an improved gross profit margin for the Translation Business, operating income was 900 million yen, up 12.2% on a year-on-year basis, and ordinary income increased by 11.4% on a year-on-year basis to 905 million yen. Net income attributable to the parent company's shareholders was 630 million yen, up 11.2% on a year-on-year basis.

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

The "Language Education Business," which used to be disclosed as a reporting segment, is now excluded from reporting segments and reclassified as "Other" from the fiscal year under review. Moreover, comparison and analysis of the fiscal year under review is based on the changed classification.

i) Translation Business

In the Patent field, net sales increased by 13.7% on a year-on-year basis to 2,139 million yen due to solid orders from patent firms, the Group's main customers, and steady business transactions with the intellectual property departments of companies. In the Medical field, net sales increased by 5.5% on a year-on-year basis to 2,897 million yen due to steady business transactions with CRO (Contract Research Organization), as well as steady orders from pharmaceutical companies at home and abroad. In the Industrial & Localization field, net sales increased by 21.6% on a year-on-year basis to 2,725 million yen due to the new consolidation of Media Research, Inc. In the Finance & Legal field, net sales increased by 1.9% on a year-on-year basis to 744 million yen as transactions with administrative departments of corporations remained strong.

As a result, net sales in the Translation Business were 8,506 million yen, up 12.0% 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 1,192 million yen, up 5.7% from the previous year, thanks to solid demand from finance-related companies, IT service-related companies and pharmaceutical-related companies.

iii) Interpretation Business

In the Interpretation Business, net sales increased by 11.3% on a year-on-year basis to 1,039 million yen due to steady orders from large information and telecommunications-related companies, pharmaceutical-related companies and IR interpretation projects.

iv) Convention Business

In the Convention Business, net sales increased by 36.3% on a year-on-year basis to 677 million yen, due to the winning and running of international meeting project contracts such as the "8th Pacific Islands Leaders Summit" and the "5th World Assembly for Women WAW!/W20" as well as medical society projects including the "49th Annual Meeting of the Japanese Society for Replacement Arthroplasty."

v) Other

In other segments, net sales increased by 27.0% on a year-on-year basis to 593 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) Overview of financial position for the fiscal year ended March 2019

(Assets)

Current assets as of the end of the fiscal year under review were 5,220 million yen, up 552 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 193 million yen from the end of the previous fiscal year to 1,265 million yen. This is because intangible assets increased mainly due to the provision of development expenses for internal systems.

As a result, total assets amounted to 6,486 million yen, up 745 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 1,974 million yen, up 256 million yen compared to the end of the previous fiscal year. This is mainly due to an increase in accounts payable - trade. Non-current liabilities increased by 77 million yen from the end of the previous fiscal year to 161 million yen. This is mainly due to an increase in net defined benefit liability. As a result, total liabilities amounted to 2,135 million yen, up 334 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 4,350 million yen, up 441 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) Overview of cash flows for the fiscal year ended March 2019

Cash and cash equivalents as of the end of the fiscal year under review were 2,352 million yen, down 22 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 441 million yen (618 million yen of proceeds in the preceding year).

This is mainly due to proceeds of 954 million yen resulting from the recording of net income before income taxes, and payment of 572 million yen due to an increase in notes and accounts receivable - trade.

(Cash flows from investing activities)

Net cash used in investing activities was 230 million yen (676 million yen in payment in the preceding year).

This is mainly due to payment of 216 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 231 million yen (106 million yen in payment in the preceding year).

This is mainly due to payment of 123 million yen for purchase of treasury shares and cash dividends paid of 97 million yen.

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

	Fiscal Year Ended March 2015	Fiscal Year Ended March 2016	Fiscal Year Ended March 2017	Fiscal Year Ended March 2018	Fiscal Year Ended March 2019
Shareholders' equity ratio (%)	62.5	67.1	68.0	68.6	67.0
Shareholders' equity ratio on a market value basis (%)	133.9	129.6	119.6	118.3	137.5
Ratio of cash flows to interest-bearing debt (year)	0.1	0.2	0.0	0.0	-
Interest coverage ratio	2,976.3	1,053.7	7,881.6	17,338.4	43,987.8

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

For the outlook for the Japanese economy, business confidence and consumer spending are expected to be uncertain due to the scheduled consumption tax hike in October. Turning to the global economy, while the robust U.S. economy is expected to continue, the outlook for the business environment is expected to remain unpredictable due to Great Britain's exit from the EU, China's economic recovery and geopolitical risks.

Under these conditions, the Group, based on the Fourth Medium-Term Management Plan, a three-year management plan starting from the year ended 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 administrative departments of companies.

In the Temporary Staffing Business, the Group will make it a top priority to secure interpreters and translators 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 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. and will provide enhanced courses that meet the needs of students in the Language Education Business.

Accordingly, the Company expects net sales of 12,600 million yen, up 4.9% on a year-on-year basis, operating income of 1,030 million yen, up 14.3% on a year-on-year basis, ordinary income of 1,030 million yen, up 13.8% on a year-on-year basis, and net income attributable to the parent company's shareholders of 680 million yen, up 7.9% 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, 2018)	Fiscal year under review (March 31, 2019)
Assets		
Current assets		
Cash and deposits	2,584,656	2,579,080
Notes and accounts receivable - trade	1,764,276	2,336,911
Work in process	129,532	135,910
Other	190,580	169,142
Allowance for doubtful accounts	(461)	(204)
Total current assets	4,668,584	5,220,840
Non-current assets		
Property, plant and equipment		
Buildings	127,866	132,423
Accumulated depreciation	(76,161)	(81,214)
Buildings, net	51,705	51,209
Tools, furniture and fixtures	101,289	103,459
Accumulated depreciation	(65,616)	(74,306)
Tools, furniture and fixtures, net	35,673	29,153
Other	69,191	4,455
Accumulated depreciation	(57,654)	(4,455)
Other, net	11,536	0
Total property, plant and equipment	98,914	80,362
Intangible assets		
Goodwill	269,360	240,879
Other	144,448	306,017
Total intangible assets	413,808	546,896
Investments and other assets		
Investment securities	194,733	195,182
Net defined benefit asset	-	66,929
Deferred tax assets	147,415	156,590
Other	218,711	220,493
Allowance for doubtful accounts	(1,108)	(858)
Total investments and other assets	559,752	638,338
Total non-current assets	1,072,475	1,265,597
Total assets	5,741,060	6,486,438

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2018)	Fiscal year under review (March 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	753,313	915,736
Income taxes payable	144,131	238,023
Provision for bonuses	238,043	258,281
Provision for directors' bonuses	38,000	41,000
Other	544,925	521,886
Total current liabilities	1,718,414	1,974,927
Non-current liabilities		
Provision for directors' retirement benefits	23,800	23,800
Net defined benefit liability	59,571	137,263
Total non-current liabilities	83,371	161,063
Total liabilities	1,801,785	2,135,991
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	2,856,725	3,389,269
Treasury shares	(357)	(123,875)
Total shareholders' equity	3,923,633	4,332,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(187)	(237)
Foreign currency translation adjustment	24,322	22,002
Accumulated remeasurements of defined benefit plans	(8,493)	(3,979)
Total accumulated other comprehensive income	15,641	17,785
Total net assets	3,939,274	4,350,446
Total liabilities and net assets	5,741,060	6,486,438

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

(Consolidated statement of income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Fiscal year under review (From April 1, 2018 to March 31, 2019)
Net sales	10,618,900	12,008,756
Cost of sales	6,112,716	6,999,482
Gross profit	4,506,184	5,009,274
Selling, general and administrative expenses	3,704,100	4,108,858
Operating income	802,083	900,415
Non-operating income		
Interest income	58	65
Dividend income	212	-
Foreign exchange gains	2,033	1,819
Share of profit of entities accounted for using equity method	3,462	525
Reversal of allowance for doubtful accounts	614	326
Gain on adjustment of account payable	1,893	-
Other	1,730	2,897
Total non-operating income	10,005	5,635
Non-operating expenses		
Interest expenses	35	10
Commission expenses	-	959
Total non-operating expenses	35	969
Ordinary income	812,053	905,081
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	1,901	1,003
Impairment loss	-	20,969
Total extraordinary losses	1,901	21,972
Income before income taxes	824,360	954,497
Income taxes - current	236,271	335,394
Income taxes - deferred	21,391	(11,136)
Total income taxes	257,662	324,257
Net income	566,697	630,239
Net income attributable to the parent company's shareholders	566,697	630,239

(Consolidated statement of comprehensive income)

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Fiscal year under review (From April 1, 2018 to March 31, 2019)
Net income	566,697	630,239
Other comprehensive income		
Valuation difference on available-for-sale securities	(187)	(49)
Foreign currency translation adjustment	(3,716)	(2,320)
Remeasurements of defined benefit plans	(8,493)	4,514
Total other comprehensive income	(12,397)	2,144
Comprehensive income	554,299	632,384
(Components)		
Comprehensive income attributable to the parent company's shareholders	554,299	632,384
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

Previous fiscal year (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

Fiscal year under review (From April 1, 2018 to March 31, 2019)

(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	2,856,725	(357)	3,923,633
Changes of items during period					
Dividends of surplus			(97,695)		(97,695)
Net income attributable to the parent company's shareholders			630,239		630,239
Purchase of treasury shares				(123,517)	(123,517)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	532,544	(123,517)	409,027
Balance at end of current period	588,443	478,823	3,389,269	(123,875)	4,332,660

	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	(187)	24,322	(8,493)	15,641	3,939,274
Changes of items during period					
Dividends of surplus					(97,695)
Net income attributable to the parent company's shareholders					630,239
Purchase of treasury shares					(123,517)
Net changes of items other than shareholders' equity	(49)	(2,320)	4,514	2,144	2,144
Total changes of items during period	(49)	(2,320)	4,514	2,144	411,171
Balance at end of current period	(237)	22,002	(3,979)	17,785	4,350,446

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Fiscal year under review (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	824,360	954,497
Depreciation	53,568	67,739
Amortization of goodwill	35,867	28,481
Increase (decrease) in allowance for doubtful accounts	(2,150)	(508)
Interest and dividend income	(271)	(65)
Interest expenses	35	10
Share of (income) loss of entities accounted for using equity method	(3,462)	(525)
Loss on retirement of non-current assets	1,901	1,003
Impairment loss	-	20,969
Loss (gain) on liquidation of subsidiaries and associates	(14,209)	-
Compensation for expropriation	-	(28,539)
Loss (gain) on transfer of business	-	(42,849)
Increase (decrease) in provision for directors' bonuses	2,000	3,000
Increase (decrease) in provision for bonuses	41,956	20,238
Increase (decrease) in net defined benefit liability	(5,636)	84,196
Decrease (increase) in net defined benefit asset	-	(66,929)
Decrease (increase) in notes and accounts receivable - trade	(14,099)	(572,632)
Decrease (increase) in inventories	12,166	(6,420)
Increase (decrease) in notes and accounts payable - trade	5,324	162,554
Other	(34,107)	35,517
Subtotal	903,243	659,737
Interest and dividend income received	271	65
Interest expenses paid	(35)	(10)
Proceeds from compensation for expropriation	-	28,539
Income taxes paid	(284,809)	(247,003)
Cash flows from operating activities	618,669	441,330
Cash flows from investing activities		
Payments into time deposits	(9,010)	(28,514)
Proceeds from withdrawal of time deposits	-	12,000
Purchase of property, plant and equipment	(8,908)	(26,004)
Purchase of intangible assets	(73,569)	(216,653)
Purchase of investment securities	(167,310)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(454,416)	-
Proceeds from transfer of business	-	42,849
Payments for guarantee deposits	(2,612)	(21,286)
Proceeds from collection of guarantee deposits	1,176	7,068
Proceeds from liquidation of subsidiaries and associates	39,261	-
Other	(1,578)	144
Cash flows from investing activities	(676,967)	(230,396)
Cash flows from financing activities		
Repayments of finance lease obligations	(13,205)	(10,075)
Purchase of treasury shares	(357)	(123,517)
Cash dividends paid	(92,647)	(97,695)
Cash flows from financing activities	(106,210)	(231,288)
Effect of exchange rate change on cash and cash equivalents	(3,120)	(1,735)
Net increase (decrease) in cash and cash equivalents	(167,629)	(22,090)
Cash and cash equivalents at beginning of period	2,541,937	2,374,307
Cash and cash equivalents at end of period	2,374,307	2,352,217

(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.

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 Group 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 Group mainly consist of the Translation, Temporary Staffing, Interpretation, and the Convention Business.

The Company and three consolidated subsidiaries thereof mainly operate the Translation Business, while Temporary Staffing, Interpretation, 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) Convention Business

Organization and running of international and national conferences (academic and research meetings), seminars, symposiums and various exhibitions

From the fiscal year under review, 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 the four categories of "Translation Business," "Temporary Staffing Business," "Interpretation Business" and "Convention Business."

The segment information for the previous fiscal year disclosed was prepared according to the changed classification of reporting segments.

2. Method Used to Calculate Net Sales, Income or Loss, Assets and Other Items by Reporting Segment

Accounting procedures adopted for the Group'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, 2017 to March 31, 2018)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Sales to external customers	7,593,742	1,127,073	933,918	496,864	10,151,599	467,301	10,618,900
Intersegment sales or transfer	97,079	4,236	43,603	-	144,919	31,316	176,235
Total	7,690,822	1,131,309	977,522	496,864	10,296,518	498,617	10,795,136
Segment income (loss)	700,838	70,919	44,712	(10,290)	806,179	1,126	807,306
Segment assets	4,553,504	130,063	142,141	61,034	4,886,743	299,305	5,186,048
Other items							
Depreciation	45,923	1,947	1,682	855	50,408	3,160	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	-	-	-	64,907	23,295	88,202

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

Fiscal year under review (From April 1, 2018 to March 31, 2019)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Sales to external customers	8,506,160	1,192,129	1,039,664	677,232	11,415,187	593,568	12,008,756
Intersegment sales or transfer	63,756	5,531	82,689	-	151,977	11,536	163,514
Total	8,569,917	1,197,661	1,122,353	677,232	11,567,165	605,105	12,172,270
Segment income (loss)	811,402	72,768	52,702	(15,052)	921,822	(17,321)	904,500
Segment assets	5,111,869	133,707	211,289	385,843	5,842,710	277,660	6,120,370
Other items							
Depreciation	55,167	2,508	2,350	1,418	61,444	6,294	67,739
Investment in entities accounted for using equity method	-	-	-	-	-	26,197	26,197
Increase in property, plant and equipment and intangible assets	192,251	-	-	-	192,251	4,800	197,051

(Note) "Other" represents segments not included in reporting segments and includes overseas patent 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	10,296,518	11,567,165
“Other” sales	498,617	605,105
Elimination of intersegment transactions	(176,235)	(163,514)
Net sales reported in consolidated financial statements	10,618,900	12,008,756

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	806,179	921,822
“Other” income	1,126	(17,321)
Elimination of intersegment transactions	24,930	23,444
Amortization of goodwill	(30,153)	(27,529)
Operating income reported in consolidated financial statements	802,083	900,415

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	4,886,743	5,842,710
“Other” assets	299,305	277,660
Elimination of intersegment transactions	(754,106)	(731,506)
Unamortized portion of goodwill	268,408	240,879
Company-wide assets (Note)	1,040,710	856,694
Total assets reported in consolidated financial statements	5,741,060	6,486,438

(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	50,408	61,444	3,160	6,294	-	-	53,568	67,739
Increase in property, plant and equipment and intangible assets	64,907	192,251	23,295	4,800	7,110	35,679	95,312	232,731

(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, 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.

Fiscal year under review (From April 1, 2018 to March 31, 2019)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	8,506,160	1,192,129	2,310,465	12,008,756

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, 2017 to March 31, 2018)

Not applicable.

Fiscal year under review (From April 1, 2018 to March 31, 2019)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Other	Company-wide	Total
Impairment loss	-	-	-	-	20,969	-	20,969

Information on amortization of goodwill and unamortized goodwill by reporting segment
 Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation 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

Fiscal year under review (From April 1, 2018 to March 31, 2019)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Other	Company-wide	Total
Amortization for period	952	-	-	-	-	27,529	28,481
Balance at end of current period	-	-	-	-	-	240,879	240,879

Information on gain on negative goodwill by reporting segment
 Previous fiscal year (From April 1, 2017 to March 31, 2018)

Not applicable.

Fiscal year under review (From April 1, 2018 to March 31, 2019)

Not applicable.

(Per-share information)

Previous fiscal year (From April 1, 2017 to March 31, 2018)		Fiscal year under review (From April 1, 2018 to March 31, 2019)	
Net assets per share	1,169.33 yen	Net assets per share	1,310.90 yen
Net income per share	168.21 yen	Net income per share	187.39 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, 2017 to March 31, 2018)	Fiscal year under review (From April 1, 2018 to March 31, 2019)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	566,697	630,239
Amount not attributable to common shareholders (thousand yen)	-	-
Net income attributable to common shares of the parent company's shareholders (thousand yen)	566,697	630,239
Average number of shares issued during the period (shares)	3,368,876	3,363,252

(Important subsequent events)

Not applicable.