

Financial Results Summary for the Three-Month Period Ended June 30, 2019 [Japanese GAAP] (Consolidated)

August 9, 2019

Company Name: Honyaku Center Inc. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 2483 URL: <https://www.honyakuctr.com/>
 Representative: (Title) President (Name) Shunichiro Ninomiya
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Scheduled date for submission of quarterly report: August 14, 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 Three-Month Period Ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(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, 2019	2,735	(5.2)	88	(48.0)	91	(47.3)	56	(58.4)
Three-month period ended June 30, 2018	2,886	19.2	169	37.3	172	37.1	134	40.2

(Note) Comprehensive income: Three-month period ended June 30, 2019 56 million yen (-55.8%)
 Three-month period ended June 30, 2018 126 million yen (38.8%)

	Net income per share	Net income per share – diluted
	yen	yen
Three-month period ended June 30, 2019	16.88	-
Three-month period ended June 30, 2018	40.02	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Three-month period ended June 30, 2019	5,999	4,290	71.5
Fiscal year ended March 2019	6,486	4,350	67.0

(Note) Shareholders' equity: Three-month period ended June 30, 2019 4,290 million yen
 Fiscal year ended March 2019 4,350 million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
Fiscal year ended March 2019	yen -	yen 0.00	yen -	yen 35.00	yen 35.00
Fiscal year ending March 2020	-				
Fiscal year ending March 2020 (forecast)		0.00	-	42.00	42.00

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

3. Forecast of Consolidated Results for the Fiscal Year Ending March 2020 (from April 1, 2019 to March 31, 2020)

(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 yen
	million yen	%	million yen	%	million yen	%	million 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

(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 2020	3,369,000 shares	Fiscal year ended March 2019	3,369,000 shares
2) Number of treasury shares at the end of the period	Q1 of fiscal year ending March 2020	50,350 shares	Fiscal year ended March 2019	50,350 shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	Q1 of fiscal year ending March 2020	3,318,650 shares	Q1 of fiscal year ended March 2019	3,368,788 shares

* 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.

○ Table of Contents of Attachments

1. Qualitative Information on Quarterly Financial Results under Review
 - (1) Explanation of operating results
 - (2) Explanation of financial position
 - (3) Explanation of future forecast information such as consolidated financial results forecasts
2. Quarterly Consolidated Financial Statements and Key Notes
 - (1) Quarterly consolidated balance sheet
 - (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 - (Quarterly consolidated statement of income)
(Three-month period)
 - (Quarterly consolidated statement of comprehensive income)
(Three-month period)
 - (3) Notes to quarterly consolidated financial statements
 - (Notes to assumptions for on going concerns)
 - (Notes when there is a significant change in the amount of shareholders' equity)
 - (Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)
 - (Segment information)

1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of operating results

During the three-month period under review, the future outlook of the Japanese economy remained uncertain due in part to frictions caused by U.S. trade policies, slowing growth of the Chinese economy, and the effect of fluctuations in the financial capital market.

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 tools and machine translation.

Concerning the financial results for the three-month period under review, net sales decreased by 5.2% on a year-on-year basis to 2,735 million yen due to decreased revenues of the Translation Business, the core business of the Group, operating income fell by 48.0% on a year-on-year basis to 88 million yen due to an increase in selling, general and administrative expenses, ordinary income dropped by 47.3% on a year-on-year basis to 91 million yen, and net income attributable to the parent company's shareholders dropped by 58.4% on a year-on-year basis to 56 million yen.

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

1) Translation Business

In the Patent field, net sales increased by 16.9% on a year-on-year basis to 581 million yen due to increasing orders from the intellectual property departments of companies in addition to steady orders from patent firms against the backdrop of strong demand for translation backed by the increasing number of foreign patent application filings. In the Medical field, net sales fell by 18.2% on a year-on-year basis to 595 million yen due partly to a rebound after one-time projects for new drug application documents were recorded in the same period of the previous year, though the Company received large projects from multiple pharmaceutical companies. In the Industrial & Localization field, net sales declined by 16.4% on a year-on-year basis to 519 million yen due to the sluggish orders from automobile-related companies, one of the main customers of the Group, while transactions with energy-related companies remained steady. In the Finance & Legal field, net sales decreased by 4.8% on a year-on-year basis to 191 million yen due to the sluggish orders from administrative departments of corporations, though large projects from insurance-related companies contributed to sales.

As a result, net sales of the Translation Business were 1,887 million yen, down 7.8% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with high language skills, net sales amounted to 299 million yen, down 3.7% on a year-on-year basis, due to the effect of the reduction in the number of work days owing to the long holiday period, although demand for staff from IT service-related companies, finance-related companies, and pharmaceutical companies remained steady.

3) Interpretation Business

In the Interpretation Business, net sales increased by 29.0% on a year-on-year basis to 285 million yen due to the expansion of the customer base, including an increase in the number of customer pharmaceutical companies and an increase in IR interpretation projects.

4) Convention Business

In the Convention Business, net sales rose by 16.7% on a year-on-year basis to 157 million yen due partly to winning orders for and organizing leading IT companies' events in addition to international meeting projects such as PetroPhase 2019 and the ICMCI Asia Pacific Conference 2019 as well as medical society projects including the 107th Congress of Japan Society of Aesthetic Surgery.

5) Other

In other segments, net sales fell by 38.4% on a year-on-year basis to 105 million yen due partly to the effect of the sale of the IT business of Media Research, Inc. in the third quarter of the previous fiscal year.

(2) Explanation of financial position

(Assets)

Current assets as of the end of the first quarter under review were 4,698 million yen, down 522 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 35 million yen from the end of the previous fiscal year to 1,300 million 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 5,999 million yen, down 487 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the first quarter under review were 1,546 million yen, down 428 million yen compared to the end of the previous fiscal year. This is mainly due to decreases in income tax payable and the provision for bonuses. Non-current liabilities were almost the same at the end of the previous fiscal year at 162 million yen.

As a result, total liabilities amounted to 1,708 million yen, down 427 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 4,290 million yen, down 60 million yen compared to the end of the previous fiscal year. This is due to dividends of surplus although net income attributable to the parent company's shareholders was recorded.

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

There is no change in the six-month period and full-year financial results forecasts for the fiscal year ending March 31, 2020 announced in the Financial Results for the Fiscal Year Ended March 31, 2019 on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2019)	First quarter under review (June 30, 2019)
Assets		
Current assets		
Cash and deposits	2,579,080	2,517,050
Notes and accounts receivable - trade, net	2,336,707	1,866,903
Work in process	135,910	144,974
Other	169,142	169,400
Total current assets	5,220,840	4,698,328
Non-current assets		
Property, plant and equipment	80,362	76,034
Intangible assets		
Goodwill	240,879	233,996
Other	306,017	336,364
Total intangible assets	546,896	570,361
Investments and other assets	638,338	654,457
Total non-current assets	1,265,597	1,300,853
Total Assets	6,486,438	5,999,181
Liabilities		
Current liabilities		
Accounts payable - trade	915,736	744,314
Income taxes payable	238,023	61,820
Provision for bonuses	258,281	127,896
Other	562,886	612,045
Total current liabilities	1,974,927	1,546,078
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	23,800	21,400
Net defined benefit liability	137,263	141,348
Total non-current liabilities	161,063	162,748
Total Liabilities	2,135,991	1,708,826
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,389,269	3,329,139
Treasury shares	-123,875	-123,875
Total shareholders' equity	4,332,660	4,272,530
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-237	-286
Foreign currency translation adjustment	22,002	21,970
Accumulated remeasurements of defined benefit plans	-3,979	-3,858
Total accumulated other comprehensive income	17,785	17,825
Total Net Assets	4,350,446	4,290,355
Total liabilities and net assets	6,486,438	5,999,181

(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, 2018 to June 30, 2018)	Three-month period under review (From April 1, 2019 to June 30, 2019)
Net sales	2,886,957	2,735,873
Cost of sales	1,700,371	1,587,449
Gross profit	1,186,585	1,148,424
Selling, general and administrative expenses	1,017,071	1,060,290
Operating income	169,514	88,133
Non-operating income		
Interest income	9	8
Foreign exchange gains	3,526	-
Share of profit of entities accounted for using equity method	-	2,231
Reversal of allowance for doubtful accounts	-	834
Other	783	171
Total non-operating income	4,319	3,246
Non-operating expenses		
Interest expenses	4	-
Foreign exchange losses	-	304
Share of loss of entities accounted for using equity method	991	-
Total non-operating expenses	996	304
Ordinary income	172,836	91,075
Extraordinary income		
Compensation for expropriation	28,539	-
Total extraordinary income	28,539	-
Extraordinary losses		
Loss on retirement of non-current assets	-	1,382
Total extraordinary losses	-	1,382
Net income before income taxes	201,376	89,693
Income taxes	66,540	33,670
Net income	134,835	56,022
Net income attributable to the parent company's shareholders	134,835	56,022

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

(Unit: Thousand yen)

	Three-month period in the previous fiscal year (From April 1, 2018 to June 30, 2018)	Three-month period under review (From April 1, 2019 to June 30, 2019)
Net income	134,835	56,022
Other comprehensive income		
Valuation difference on available-for-sale securities	-22	-49
Foreign currency translation adjustment	-8,060	-31
Remeasurements of defined benefit plans	212	120
Total other comprehensive income	-7,870	39
Comprehensive income	126,965	56,061
(Components)		
Comprehensive income attributable to the parent company's shareholders	126,965	56,061
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.

(Segment information)

Segment information

I. Three-month period in the previous fiscal year (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)	153,836	21,146	9,068	-23,529	160,521	1,870	162,392

(Note) "Other" represents segments not included in reporting segments and includes overseas patent 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
Reporting segment total	160,521
"Other" income	1,870
Elimination of intersegment transactions	7,121
Operating income in quarterly consolidated statement of income	169,514

II. Three-month period under review (From April 1, 2019 to June 30, 2019)

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	1,887,772	299,355	285,144	157,701	2,629,974	105,899	2,735,873
Intersegment sales or transfer	10,457	1,144	9,589	-	21,191	2,011	23,202
Total	1,898,230	300,499	294,734	157,701	2,651,165	107,910	2,759,076
Segment income (loss)	54,085	19,498	20,797	-2,816	91,563	-7,981	83,582

(Note) "Other" represents segments not included in reporting segments and includes overseas patent 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
Reporting segment total	91,563
"Other" income	-7,981
Elimination of intersegment transactions	4,550
Operating income in quarterly consolidated statement of income	88,133

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

(Change in the calculation method for segment income or loss)

During the first quarter under review, Media Research, Inc., a consolidated subsidiary of the Company, came to provide services only to the Translation Business because the IT business (other business) of Media Research, Inc. was transferred to the Company.

Concerning the goodwill that had been recorded as company-wide assets, the Company recognized the total amount of the goodwill as goodwill of the Translation Business segment in the first quarter under review due to the business reorganization.

In addition, due to the change, the segment income of the Translation Business decreased by 6,882 thousand yen compared with the segment income calculated by the former method.

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