



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

November 7, 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: November 13, 2019
 Scheduled commencement date of dividends payment: -
 Preparation of supplementary materials for quarterly report: None
 Convening quarterly results briefing: Yes

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

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2019 (From April 1, 2019 to September 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	%
Six-month period ended September 30, 2019	5,653	-1.1	344	4.4	350	5.7	221	-6.5
Six-month period ended September 30, 2018	5,718	16.6	329	16.8	331	16.6	236	16.2

(Note) Comprehensive income: Six-month period ended September 30, 2019 217 million yen (-7.0%)
 Six-month period ended September 30, 2018 234 million yen (17.9%)

	Net income per share	Net income per share – diluted
	yen	yen
Six-month period ended September 30, 2019	66.62	-
Six-month period ended September 30, 2018	70.29	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six-month period ended September 30, 2019	6,151	4,462	72.5
Fiscal year ended March 2019	6,486	4,350	67.0

(Note) Shareholders' equity: Six-month period ended September 30, 2019 4,462 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
	yen	yen	yen	yen	yen
Fiscal year ended March 2019	-	0.00	-	35.00	35.00
Fiscal year ending March 2020	-	0.00			
Fiscal year ending March 2020 (forecast)			-	42.00	42.00

(Note) Revision of the consolidated results 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.)

	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	12,600	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 : Yes
 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 8 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 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	Q2 of fiscal year ending March 2020	45,922 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)	Q2 of fiscal year ending March 2020	3,319,915 shares	Q2 of fiscal year ended March 2019	3,368,754 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.

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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 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.

For the six-month period under review, net sales amounted to 5,653 million yen, down 1.1% on a year-on-year basis, due to decreased revenues of the Translation Business, the core business of the Group, although net sales of the Interpretation Business and the Convention Business increased. In terms of income, as a result of the improved gross margin of the Translation Business and a recovery in income of the Convention Business, operating income was 344 million yen, up 4.4% on a year-on-year basis, and ordinary income increased by 5.7% on a year-on-year basis to 350 million yen. Net income attributable to the parent company's shareholders was 221 million yen, down 6.5% on a year-on-year basis, due to the extraordinary income recorded during the first quarter of the previous fiscal year.

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

1) Translation Business

In the Patent field, net sales increased by 12.5% on a year-on-year basis to 1,163 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 4.4% on a year-on-year basis to 1,314 million yen due to the inability to offset a downturn after large projects were recorded in the same period of the previous year, though recent orders from main customers, including pharmaceutical companies, remained strong. In the Industrial & Localization field, net sales declined by 10.3% on a year-on-year basis to 1,138 million yen due to the sluggish orders from automobile-related companies, one of the main customers of the Group. In the Finance & Legal field, net sales decreased by 11.2% on a year-on-year basis to 344 million yen mainly due to the sluggish orders from administrative departments of corporations.

As a result, net sales of the Translation Business were 3,961 million yen, down 2.6% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, in which the Group company dispatches staff with high language skills, net sales amounted to 604 million yen, down 0.2% on a year-on-year basis, due to the effect of the reduction in the number of work days year on year, 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 16.2% on a year-on-year basis to 556 million yen due to an increase in orders from pharmaceutical companies in addition to the expansion of the customer base.

4) Convention Business

In the Convention Business, net sales rose by 43.0% on a year-on-year basis to 327 million yen due to winning orders for and organizing leading IT companies' events in addition to international meeting projects such as the 29th International Cartographic Conference (ICC2019) and 17th General Assembly of the International Cartographic Association, and PetroPhase 2019 as well as medical society projects including the 33rd Annual Meeting of the Japanese Association for the Surgery of Trauma and the 107th Congress of Japan Society of Aesthetic Surgery.

5) Other

In other segments, net sales fell by 39.2% on a year-on-year basis to 203 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 second quarter under review were 4,820 million yen, down 400 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 65 million yen from the end of the previous fiscal year to 1,330 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 6,151 million yen, down 334 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 1,521 million yen, down 453 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 167 million yen. This is due to an increase in net defined benefit liability.

As a result, total liabilities amounted to 1,688 million yen, down 447 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 4,462 million yen, up 112 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 2,361 million yen, up 9 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 222 million yen (309 million yen of proceeds in the same period of the previous year).

This is mainly due to proceeds of 348 million yen due to recording of net income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was 93 million yen (180 million yen of payments in the same period of the previous year).

This is mainly due to payment of 88 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 116 million yen (104 million yen of payments in the same period of the previous year).

This is mainly due to payment of dividends of 116 million yen.

(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 on May 10, 2019 in the Financial Results for the Fiscal Year Ended March 31, 2019.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2019)	Second quarter under review (September 30, 2019)
Assets		
Current assets		
Cash and deposits	2,579,080	2,594,377
Notes and accounts receivable - trade, net	2,336,707	1,860,200
Work in process	135,910	133,754
Other	169,142	232,459
Total current assets	5,220,840	4,820,791
Non-current assets		
Property, plant and equipment	80,362	75,087
Intangible assets		
Goodwill	240,879	227,114
Other	306,017	388,125
Total intangible assets	546,896	615,240
Investments and other assets	638,338	640,345
Total non-current assets	1,265,597	1,330,672
Total Assets	6,486,438	6,151,464
Liabilities		
Current liabilities		
Accounts payable - trade	915,736	679,988
Income taxes payable	238,023	152,935
Provision for bonuses	258,281	246,817
Other	562,886	442,121
Total current liabilities	1,974,927	1,521,863
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	23,800	21,400
Retirement benefit liability	137,263	145,710
Total non-current liabilities	161,063	167,110
Total Liabilities	2,135,991	1,688,973
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,389,269	3,493,817
Treasury shares	-123,875	-112,955
Total shareholders' equity	4,332,660	4,448,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-237	-
Foreign currency translation adjustment	22,002	18,100
Accumulated remeasurements of defined benefit plans	-3,979	-3,737
Total accumulated other comprehensive income	17,785	14,363
Total Net Assets	4,350,446	4,462,491
Total liabilities and net assets	6,486,438	6,151,464

(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, 2018 to September 30, 2018)	Six-month period under review (From April 1, 2019 to September 30, 2019)
Net sales	5,718,347	5,653,689
Cost of sales	3,364,179	3,233,031
Gross profit	2,354,168	2,420,657
Selling, general and administrative expenses	2,024,753	2,076,627
Operating income	329,414	344,029
Non-operating income		
Interest income	24	24
Foreign exchange gains	828	2,050
Share of profit of entities accounted for using equity method	-	3,782
Other	1,885	411
Total non-operating income	2,737	6,269
Non-operating expenses		
Interest expenses	8	-
Share of loss of entities accounted for using equity method	1,046	-
Total non-operating expenses	1,054	-
Ordinary income	331,097	350,299
Extraordinary income		
Compensation for expropriation	28,539	-
Total extraordinary income	28,539	-
Extraordinary losses		
Loss on retirement of non-current assets	682	1,382
Loss on sales of investment securities	-	484
Total extraordinary losses	682	1,866
Net income before income taxes	358,954	348,432
Income taxes	122,153	127,232
Net income	236,800	221,199
Net income attributable to the parent company's shareholders	236,800	221,199

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

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2018 to September 30, 2018)	Six-month period under review (From April 1, 2019 to September 30, 2019)
Net income	236,800	221,199
Other comprehensive income		
Valuation difference on available-for-sale securities	-52	237
Foreign currency translation adjustment	-2,805	-3,901
Remeasurements of defined benefit plans	424	241
Total other comprehensive income	-2,432	-3,422
Comprehensive income	234,368	217,776
(Components)		
Comprehensive income attributable to the parent company's shareholders	234,368	217,776
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, 2018 to September 30, 2018)	Six-month period under review (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Net income before income taxes	358,954	348,432
Depreciation	31,947	27,597
Amortization of goodwill	14,716	13,764
Share-based remuneration expenses	-	1,761
Increase (decrease) in allowance for doubtful accounts	-612	-316
Increase (decrease) in provision for bonuses	27,050	-11,424
Increase (decrease) in provision for directors' bonuses	-17,000	-29,500
Increase (decrease) in provision for directors' retirement benefits	-	-2,400
Increase (decrease) in net defined benefit liability	7,477	8,794
Decrease (increase) in net defined benefit asset	-	-593
Interest and dividend income	-24	-24
Interest expenses	8	-
Share of (gain) loss of entities accounted for using equity method	1,046	-3,782
Loss on retirement of non-current assets	682	1,382
Loss (gain) on sales of investment securities	-	484
Compensation for expropriation	-28,539	-
Decrease (increase) in notes and accounts receivable – trade	135,740	476,620
Decrease (increase) in inventories	-25,891	1,688
Increase (decrease) in notes and accounts payable – trade	-63,589	-235,580
Other	-31,557	-159,330
Subtotal	410,409	437,572
Interest and dividend income received	24	24
Interest expenses paid	-8	-
Proceeds from compensation for expropriation	28,539	-
Income taxes paid	-129,562	-215,281
Cash flows from operating activities	309,403	222,316
Cash flows from investing activities		
Purchase of property, plant and equipment	-24,297	-7,330
Purchase of intangible assets	-140,971	-88,801
Payments for asset retirement obligations	-	-1,809
Proceeds from sales of investment securities	-	1,603
Payments into time deposits	-15,001	-12,002
Proceeds from withdrawal of time deposits	6,000	6,000
Collection of loans receivable	123	125
Payments for guarantee deposits	-13,115	-
Proceeds from collection of guarantee deposits	6,589	8,806
Cash flows from investing activities	-180,674	-93,408
Cash flows from financing activities		
Repayments of finance lease obligations	-6,089	-
Purchase of treasury shares	-251	-150
Cash dividends paid	-97,695	-116,152
Cash flows from financing activities	-104,036	-116,302
Effect of exchange rate change on cash and cash equivalents	-2,004	-3,310
Net increase (decrease) in cash and cash equivalents	22,687	9,294
Cash and cash equivalents at beginning of period	2,374,307	2,352,217
Cash and cash equivalents at the end of the period	2,396,995	2,361,511

(4) Notes to quarterly consolidated financial statements

(Notes to assumptions for 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, 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)	318,301	36,669	12,456	-36,719	330,708	-12,390	318,318

(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	330,708
"Other" income	-12,390
Elimination of intersegment transactions	11,096
Operating income in quarterly consolidated statement of income	329,414

II. Six-month period under review (From April 1, 2019 to September 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	3,961,224	604,697	556,776	327,987	5,450,686	203,002	5,653,689
Intersegment sales or transfer	22,970	1,144	15,862	-	39,977	6,730	46,708
Total	3,984,195	605,842	572,638	327,987	5,490,664	209,733	5,700,397
Segment income (loss)	277,883	36,183	40,417	7,776	362,260	-27,594	334,666

(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	362,260
"Other" income	-27,594
Elimination of intersegment transactions	9,363
Operating income in quarterly consolidated statement of income	344,029

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

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

During the first quarter of the fiscal year 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 of the fiscal year under review due to the business reorganization.

In addition, due to the change, the segment income of the Translation Business decreased by 13,764 thousand yen compared with the segment income calculated by the former method.

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

(Important subsequent events)
Not applicable.