



Financial Results Summary for the Nine-Month Period Ended December 31, 2019 [Japanese GAAP] (Consolidated)

February 10, 2020

| | |
|--|---|
| Company Name: Honyaku Center Inc. | Exchange listed on: Tokyo Stock Exchange |
| Securities Code: 2483 | URL URL https://www.honyakuctr.com/ |
| Representative: (Title) President | (Name) Shunichiro Ninomiya |
| Contact: (Title) Administrative and Accounts Director | (Name) Masashi Uotani |
| | (TEL) 06-6282-5013 |
| Scheduled date for submission of quarterly report: | February 13, 2020 |
| 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, 2019 (From April 1, 2019 to December 31, 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 | % |
| Nine-month period ended December 31, 2019 | 8,595 | -0.9 | 519 | -5.7 | 527 | -4.6 | 331 | -19.6 |
| Nine-month period ended December 31, 2018 | 8,680 | 13.5 | 551 | 6.8 | 552 | 5.9 | 412 | 13.3 |

(Note) Comprehensive income: Nine-month period ended December 31, 2019 328 million yen (-20.6%)
 Nine-month period ended December 31, 2018 414 million yen (14.9%)

| | Net income per share | Net income per share – diluted |
|---|----------------------|--------------------------------|
| | yen | yen |
| Nine-month period ended December 31, 2019 | 99.90 | – |
| Nine-month period ended December 31, 2018 | 122.57 | – |

(2) Consolidated Financial Positions

| | Total assets | Net assets | Shareholders' equity ratio |
|---|--------------|-------------|----------------------------|
| | million yen | million yen | % |
| Nine-month period ended December 31, 2019 | 6,143 | 4,573 | 74.4 |
| Fiscal year ended March 2019 | 6,486 | 4,350 | 67.0 |

(Note) Shareholders' equity: Nine-month period ended December 31, 2019 4,573 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 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.)

| | 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, (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 2020 | 3,369,000 shares | Fiscal year ended March 2019 | 3,369,000 shares |
| Q3 of fiscal year ending March 2020 | 45,922 shares | Fiscal year ended March 2019 | 50,350 shares |
| Q3 of fiscal year ending March 2020 | 3,320,864 shares | Q3 of fiscal year ended March 2019 | 3,368,740 shares |

- 2) Number of treasury shares at the end of the period

- 3) Average number of shares issued during the period (cumulative from the beginning of the 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.

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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 due to an increase in capital investment backed by improved corporate earnings, while the future outlook remained uncertain because parts of exports and production appeared to be stuttering due to a growing sense of vigilance against the global economic slowdown resulting from trade frictions caused by U.S. trade policies, sluggish growth of the Chinese economy, the Brexit outlook, and other factors.

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 nine-month period under review, net sales amounted to 8,595 million yen, down 0.9% on a year-on-year basis, due to decreased net sales of the Translation Business, the core business of the Group, although net sales of the Interpretation Business and the Convention Business increased. As a result of the improved gross margin of the Translation Business and a recovery in income of the Convention Business, gross profit rose by 0.5% on a year-on-year basis; however, operating income and ordinary income decreased by 5.7% on a year-on-year basis to 519 million yen and 4.6% on a year-on-year basis to 527 million yen, respectively, due to selling, general and administrative expenses increasing by 1.6% on a year-on-year basis. Net income attributable to the parent company's shareholders was 331 million yen, down 19.6% on a year-on-year basis.

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

1) Translation Business

In the Patent field, net sales increased by 7.9% on a year-on-year basis to 1,701 million yen due to steady transactions with the intellectual property departments of companies in addition to solid orders from patent firms against the backdrop of the increasing number of foreign patent application filings. In the Medical field, although recent orders remained strong, net sales fell by 5.5% on a year-on-year basis to 2,027 million yen because pharmaceutical companies, one of the main customers of the Group, had a small number of audits during the fiscal quarters under review. The Group has been making progress in the joint development of AI translation to expand and improve services for pharmaceutical companies. In the Industrial & Localization field, net sales declined by 11.5% on a year-on-year basis to 1,696 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 18.2% on a year-on-year basis to 477 million yen mainly due to the sluggish orders from administrative departments of corporations.

As a result, net sales of the Translation Business were 5,903 million yen, down 5.1% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with professional language skills, net sales amounted to 912 million yen, up 0.8% on a year-on-year basis, thanks to steady demand from IT service-related companies, finance-related companies, and pharmaceutical-related companies.

3) Interpretation Business

In the Interpretation Business, net sales increased by 10.2% on a year-on-year basis to 848 million yen due to steady orders from finance- and IR-related companies in addition to the expansion of the customer base.

4) Convention Business

In the Convention Business, net sales rose by 88.8% on a year-on-year basis to 625 million yen due to winning orders for and organizing leading IT companies' events in addition to international meeting projects such as the "12th World Congress on Railway Research (WCRR 2019)" as well as medical society projects including the "33rd Annual Meeting of the Japanese Association for the Surgery of Trauma."

5) Other

In other segments, net sales fell by 31.6% on a year-on-year basis to 306 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 third quarter under review were 4,786 million yen, down 434 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 91 million yen from the end of the previous fiscal year to 1,356 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 6,143 million yen, down 342 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 1,399 million yen, down 575 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 9 million yen from the end of the previous fiscal year to 170 million yen. This is due to an increase in net defined benefit liability.

As a result, total liabilities amounted to 1,570 million yen, down 565 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 4,573 million yen, up 222 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 is no change in the 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) | Third quarter under review (December 31, 2019) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,579,080 | 2,521,585 |
| Notes and accounts receivable - trade, net | 2,336,707 | 1,878,228 |
| Work in process | 135,910 | 179,379 |
| Other | 169,142 | 207,543 |
| Total current assets | 5,220,840 | 4,786,736 |
| Non-current assets | | |
| Property, plant and equipment | 80,362 | 74,826 |
| Intangible assets | | |
| Goodwill | 240,879 | 220,232 |
| Other | 306,017 | 417,190 |
| Total intangible assets | 546,896 | 637,422 |
| Investments and other assets | 638,338 | 644,578 |
| Total non-current assets | 1,265,597 | 1,356,827 |
| Total Assets | 6,486,438 | 6,143,563 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 915,736 | 650,531 |
| Income taxes payable | 238,023 | 53,106 |
| Provision for bonuses | 258,281 | 154,825 |
| Other | 562,886 | 541,335 |
| Total current liabilities | 1,974,927 | 1,399,798 |
| Non-current liabilities | | |
| Provision for directors' retirement benefits | 23,800 | 21,400 |
| Retirement benefit liability | 137,263 | 149,010 |
| Total non-current liabilities | 161,063 | 170,410 |
| Total Liabilities | 2,135,991 | 1,570,209 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 588,443 | 588,443 |
| Capital surplus | 478,823 | 478,823 |
| Retained earnings | 3,389,269 | 3,604,378 |
| Treasury shares | -123,875 | -112,955 |
| Total shareholders' equity | 4,332,660 | 4,558,689 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -237 | - |
| Foreign currency translation adjustment | 22,002 | 18,281 |
| Accumulated remeasurements of defined benefit plans | -3,979 | -3,616 |
| Total accumulated other comprehensive income | 17,785 | 14,664 |
| Total Net Assets | 4,350,446 | 4,573,354 |
| Total liabilities and net assets | 6,486,438 | 6,143,563 |

(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, 2018 to December 31, 2018) | Nine-month period under review (From April 1, 2019 to December 31, 2019) |
|---|--|---|
| Net sales | 8,680,042 | 8,595,817 |
| Cost of sales | 5,051,225 | 4,948,290 |
| Gross profit | 3,628,816 | 3,647,526 |
| Selling, general and administrative expenses | 3,077,100 | 3,127,719 |
| Operating income | 551,716 | 519,807 |
| Non-operating income | | |
| Interest income | 50 | 50 |
| Share of profit of entities accounted for using equity method | – | 5,935 |
| Foreign exchange gains | – | 1,068 |
| Compensation for damage received | 550 | – |
| Other | 2,106 | 1,078 |
| Total non-operating income | 2,707 | 8,133 |
| Non-operating expenses | | |
| Interest expenses | 9 | – |
| Share of loss of entities accounted for using equity method | 1,283 | – |
| Foreign exchange losses | 413 | – |
| Other | – | 907 |
| Total non-operating expenses | 1,707 | 907 |
| Ordinary income | 552,717 | 527,033 |
| Extraordinary income | | |
| Compensation for expropriation | 28,539 | – |
| Gain on transfer of business | 42,849 | – |
| Total extraordinary income | 71,388 | – |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 682 | 1,755 |
| Loss on sales of investment securities | – | 484 |
| Total extraordinary losses | 682 | 2,239 |
| Net income before income taxes | 623,423 | 524,793 |
| Income taxes | 210,507 | 193,032 |
| Net income | 412,915 | 331,761 |
| Net income attributable to the parent company's shareholders | 412,915 | 331,761 |

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

(Unit: Thousand yen)

| | Nine-month period in the previous fiscal year (From April 1, 2018 to December 31, 2018) | Nine-month period under review (From April 1, 2019 to December 31, 2019) |
|---|--|---|
| Net income | 412,915 | 331,761 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -210 | 237 |
| Foreign currency translation adjustment | 860 | -3,720 |
| Remeasurements of defined benefit plans | 637 | 362 |
| Total other comprehensive income | 1,287 | -3,121 |
| Comprehensive income | 414,202 | 328,639 |
| (Components) | | |
| Comprehensive income attributable to the parent company's shareholders | 414,202 | 328,639 |
| 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, 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) | 528,267 | 53,397 | 32,892 | -61,547 | 553,009 | -19,064 | 533,944 |

(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 | 553,009 |
| "Other" income | -19,064 |
| Elimination of intersegment transactions | 17,771 |
| Operating income in quarterly consolidated statement of income | 551,716 |

II. Nine-month period under review (From April 1, 2019 to December 31, 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 | 5,903,346 | 912,024 | 848,849 | 625,305 | 8,289,525 | 306,291 | 8,595,817 |
| Intersegment sales or transfer | 34,564 | 1,144 | 31,726 | – | 67,435 | 7,879 | 75,314 |
| Total | 5,937,911 | 913,168 | 880,575 | 625,305 | 8,356,960 | 314,171 | 8,671,131 |
| Segment income (loss) | 399,264 | 57,600 | 63,400 | 21,007 | 541,272 | -34,989 | 506,283 |

(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 | 541,272 |
| “Other” income | -34,989 |
| Elimination of intersegment transactions | 13,523 |
| Operating income in quarterly consolidated statement of income | 519,807 |

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 20,646 thousand yen compared with the segment income calculated by the former method.

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