



Financial Results for the Fiscal Year Ended March 31, 2020 [Japan GAAP] (Consolidated)

May 18, 2020

Company Name: Honyaku Center Inc. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 2483 URL: <http://www.honyakuctr.com/>
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 Scheduled date of Annual Meeting of Shareholders: June 25, 2020
 Scheduled filing date of the securities report: June 26, 2020
 Scheduled commencement date of dividends payment: June 26, 2020
 Preparation of supplementary materials for financial results: : None
 Convening financial results briefing: : Yes
 (Amounts rounded down to the nearest millions of yen.)

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

(1) Consolidated Operating Results

(Percentages represent 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 2020	11,550	-3.8	813	-9.6	822	-9.1	304	-51.6
Fiscal year ended March 2019	12,008	13.0	900	12.2	905	11.4	630	11.2

(Note) Comprehensive income: Fiscal year ended March 2020 301 million yen (-52.3%)
 Fiscal year ended March 2019 632 million yen (14.0%)

	Net income per share	Net income per share – diluted	Net income to shareholders equity	Ordinary income to assets	Operating income to net sales
Fiscal year ended March 2020	yen 91.82	yen -	% 6.8	% 12.9	% 7.0
Fiscal year ended March 2019	187.39	-	15.2	14.8	7.4

(Reference) Equity method investment gain (loss): Fiscal year ended March 2020 8 million yen
 Fiscal year ended March 2019 0 million yen

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal year ended March 2020	million yen 6,222	million yen 4,545	% 73.0	yen 1,367.97
Fiscal year ended March 2019	6,486	4,350	67.0	1,310.90

(Note) Shareholders' equity: Fiscal year ended March 2020 4,545 million yen
 Fiscal year ended March 2019 4,350 million yen

(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
Fiscal year ended March 2020	million yen 627	million yen -183	million yen -116	million yen 2,678
Fiscal year ended March 2019	441	-230	-231	2,352

2. Dividends

	Annual dividends					Total dividends (Total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	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	million yen 116	% 18.6	% 2.8
Fiscal year ended March 2020	-	0.00	-	42.00	42.00	139	45.7	3.0
Fiscal year ending March 2021 (forecast)	-	-	-	-	-		-	

(Note) The dividend forecast for the fiscal year ending March 2021 is undecided as it is difficult at this time to estimate business results for the fiscal year.

3. Forecast of Consolidated Results for the Fiscal Year Ending March 2021 (from April 1, 2020 to March 31, 2021)

The forecast of consolidated results for the fiscal year ending March 2021 is undecided at this time as it is difficult to reasonably estimate the impact of the spread of the new coronavirus. It will be disclosed as soon as such estimate becomes possible.

* 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 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	Fiscal year ended March 2020	45,922 shares	Fiscal year ended March 2019	50,350 shares
3) Average number of shares issued during the period	Fiscal year ended March 2020	3,321,375 shares	Fiscal year ended March 2019	3,363,252 shares

(Reference) Summary of Non-Consolidated Financial Results

Forecast of Non-Consolidated Results for the Fiscal Year Ended March 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-Consolidated Business Results

(Percentages represent comparison changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 2020	7,153	-2.1	689	-4.1	715	-4.1	266	-49.2
Fiscal year ended March 2019	7,312	2.2	719	11.8	746	11.9	525	11.1

	Net income per share	Net income per share – diluted
	yen	yen
Fiscal year ended March 2020	80.28	-
Fiscal year ended March 2019	156.22	-

Reasons for differences between the non-consolidated financial business results for the fiscal year ended March 2020 and the actual results for the previous fiscal year

An impairment loss on non-current assets in the amount of 319 million yen was recorded in the fiscal year under review. This resulted in differences between the actual results for the fiscal year under review and the actual results for the previous fiscal year.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal year ended March 2020	5,253	4,128	78.5	1,242.26
Fiscal year ended March 2019	5,291	3,967	74.9	1,195.43

(Note) Shareholders' equity: Fiscal year ended March 2020 4,128 million yen
Fiscal year ended March 2019 3,967 million yen

* Financial results are not subject to audit procedures by a certified public accountant or audit firm.

* Explanation of appropriate use of operating results forecasts and other special notes

The financial briefing scheduled to be held on May 27, 2020 will be postponed to a later date in consideration of the spread of the new coronavirus. It will be held after the forecast of the full-year results is disclosed although the specific date of the briefing is not yet decided.

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I. Overview of Operating Results, etc.

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

The Japanese economy during the fiscal year under review saw a downward trend in business confidence at the manufacturing industry. This was due to concerns over a slowdown in the global economy stemming mainly from trade frictions associated with U.S. trade policies and slower economic growth in China. In addition, since the beginning of the fourth quarter of the fiscal year under review, the economic outlook has been extremely uncertain due to the impact on economic activities of the global pandemic of the new coronavirus.

Under these circumstances, the Group has made efforts in accordance with its Fourth Medium-Term Management Plan, a three-year management plan starting from the fiscal year ended March 2019. The Group has endeavored to achieve sustainable growth in its core Translation Business, and to capture demand for translation and interpretation which arose from corporate global expansion, by utilizing advanced technology, such as translation support tools and machine translation.

For the fiscal year under review, however, the Group posted net sales of 11,550 million yen, down 3.8% on a year-on-year basis. This was due to a decrease in net sales at the Translation Business, the core business of the Group, although net sales at the Convention Business increased. Despite an improvement in gross profit ratio at the Translation Business, gross profit decreased due to a decrease in net sales. As a result, operating income decreased 9.6% on a year-on-year basis to 813 million yen and ordinary income fell 9.1% on a year-on-year basis to 822 million yen. Net income attributable to the parent company's shareholders decreased 51.6% on a year-on-year basis to 304 million yen. This was partly due to the recording of an impairment loss on non-current assets associated with in-house system development.

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

i) Translation Business

In the Patent field, net sales increased 5.5% on a year-on-year basis to 2,258 million yen. This was due to strong transactions with the intellectual property departments of companies in addition to large orders from patent firms, against the backdrop of an increasing number of foreign patent application filings.

In the Medical field, net sales decreased 5.1% on a year-on-year basis to 2,749 million yen. This was due to a smaller number of inspections conducted during the fiscal year under review, although the Group continued efforts to expand services including joint development of AI translation for pharmaceutical companies, which are major customers of the Group.

In the Industrial & Localization field, net sales decreased 9.2% on a year-on-year basis to 2,472 million yen. This was due to sluggish orders received mainly from electrical equipment and electronic components manufacturers as well as automobile-related companies, which are major customers of the Group.

In the Finance & Legal field, net sales decreased 15.0% on a year-on-year basis to 632 million yen. This was mainly due to sluggish orders received from administrative departments of corporations.

As a result, net sales at the Translation Business were 8,112 million yen, down 4.6% 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 were 1,200 million yen, up 0.6% on a year-on-year basis. This was thanks to steady demand from finance companies, IT service companies, and pharmaceutical companies.

iii) Interpretation Business

In the Interpretation Business, orders mainly from financial- and IR-related companies remained strong before the spread of the new coronavirus led to a surge in cancellations in the fourth quarter of the fiscal year under review. As a result, net sales were 1,022 million yen, down 1.6% on a year-on-year basis.

iv) Convention Business

In the Convention Business, net sales increased 15.5% on a year-on-year basis to 782 million yen. This was because we won orders for and organized international meeting projects such as the "12th World Congress on Railway Research (WCRR 2019)" as well as medical society projects and corporate events. However, some meetings were canceled or postponed as a result of the spread of the new coronavirus.

v) Other

In other segments, net sales decreased 26.9% on a year-on-year basis to 433 million yen. This was partly due to the effect of the sale of the IT business of Media Research, Inc. in the previous fiscal year.

(2) Overview of financial position for the fiscal year ended March 2020

(Assets)

Current assets as of the end of the fiscal year under review were 5,213 million yen, down 7 million yen compared with the end of the previous fiscal year, showing no significant change. Major components were a decrease in notes and accounts receivable - trade and an increase in cash and deposits. Non-current assets were 1,009 million yen, down 256 million yen, compared with the end of the previous fiscal year. This was mainly due to a decrease in intangible assets that resulted from an impairment loss recorded on in-house system development costs.

As a result, total assets were 6,222 million yen, down 263 million yen compared with the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the fiscal year under review were 1,503 million yen, down 471 million yen compared with the end of the previous fiscal year. This was mainly due to a decrease in accounts payable – trade and income taxes payable. Non-current liabilities were 173 million yen, up 12 million yen from the end of the previous fiscal year. This is mainly due to an increase in net defined benefit liability.

As a result, total liabilities were 1,676 million yen, down 459 million yen compared with the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the fiscal year under review were 4,545 million yen, up 195 million yen compared with the end of the previous fiscal year.

This was 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 2020

Cash and cash equivalents as of the end of the fiscal year under review were 2,678 million yen, up 325 million yen compared with 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 627 million yen (441 million yen of proceeds in the preceding year).

This is mainly due to proceeds of 498 million yen resulting from the recording of net income before income taxes, and proceeds of 389 million yen due to a decrease in notes and accounts receivable - trade.

(Cash flows from investing activities)

Net cash used in investing activities was 183 million yen, compared with 230 million yen in the previous fiscal year.

This was mainly due to payment of 164 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 116 million yen, compared with 231 million yen in the previous fiscal year.

This was mainly due to a payment of dividends of 116 million yen.

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

	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020
Shareholders' equity ratio (%)	67.1	68.0	68.6	67.0	73.0
Shareholders' equity ratio on a market value basis (%)	129.6	119.6	118.3	137.5	65.0
Ratio of cash flows to interest-bearing debt (year)	0.2	0.0	0.0	-	-
Interest coverage ratio	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 financial figures on a consolidated basis.

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

In Japan, business confidence is expected to worsen due to the impact on economic activities of the spread of the new coronavirus. There is also concern that the global economy will slow down significantly due to the impact that the global pandemic of the new coronavirus infection will have on economic activities, as well as due to the prolonged trade conflict. In addition, it is difficult at this time to predict the impact of the spread of the infectious disease and the timing of its containment. Therefore, the business environment surrounding the Group is expected to be extremely difficult.

Under these circumstances, the Group will strive to actively utilize advanced technology such as machine translation and translation support tools in its core business of the Translation Business, while giving top priority to proactively securing customer needs in the fiscal year ending March 2021.

The Group's measures by segment are as follows.

In the Translation Business, the Group will aggressively utilize machine translation and translation support tools, in order to enhance productivity of translation services and streamline internal business processes. In addition, the Group will continue to pursue a strategy of specialization in the four major divisions of Patent, Medical, Industrial & Localization, and Finance & Legal, in order to enhance their respective expertise and expand the respective market shares.

In the Temporary Staffing Business, the Group will continue to give top priority to securing interpreters and translators. The aim is to improve performance in the areas of pharmaceutical companies, information and telecommunications companies and financial companies.

In the Interpretation Business, the Group will strive to secure customer needs by proposing services that were not part of the conventional forms of interpretation services, such as telephone conferences and video conferences that allow non-face-to-face interpretation services.

In the Convention Business, the Group will respond to projects for which orders have already been received from customers, in line with their respective intentions. At the Group, we will strive to maintain and reinforce relationships with customers so that we can win orders after the new coronavirus is contained.

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 at the interpreter and translator training school, ISS Institute, Inc.

The Group's business consists of transactions with customers in a wide range of industries and sectors. Hence, it is very difficult to identify customers' business trends which have been affected by the spread of the new coronavirus, from a short-term perspective. In addition, voluntary restraint on face-to-face meetings and business consultations, and cancellation and postponement of international conferences (societies and research societies), seminars and symposiums, and various exhibitions may affect the performance of the Interpretation Business and the Convention Business of the Group.

For these reasons, the forecast of consolidated results for the fiscal year ending March 2021 is undecided at this time as it is difficult to reasonably estimate the impact of the spread of the new coronavirus. It will be disclosed as soon as such estimate becomes possible.

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 actions 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, 2019)	Fiscal year under review (March 31, 2020)
Assets		
Current assets		
Cash and deposits	2,579,080	2,917,509
Notes and accounts receivable - trade	2,336,911	1,944,444
Work in process	135,910	133,914
Other	169,142	217,940
Allowance for doubtful accounts	-204	-194
Total current assets	5,220,840	5,213,613
Non-current assets		
Property, plant and equipment		
Buildings	132,423	127,213
Accumulated depreciation	-81,214	-84,905
Buildings, net	51,209	42,307
Tools, furniture and fixtures	103,459	105,373
Accumulated depreciation	-74,306	-80,679
Tools, furniture and fixtures, net	29,153	24,693
Other	4,455	4,455
Accumulated depreciation	-4,455	-4,455
Other, net	0	0
Total property, plant and equipment	80,362	67,001
Intangible assets		
Goodwill	240,879	213,350
Other	306,017	98,258
Total intangible assets	546,896	311,608
Investments and other assets		
Investment securities	195,182	201,971
Retirement benefit asset	66,929	65,152
Deferred tax assets	156,590	155,064
Other	220,493	210,924
Allowance for doubtful accounts	-858	-2,585
Total investments and other assets	638,338	630,527
Total non-current assets	1,265,597	1,009,137
Total Assets	6,486,438	6,222,750

(Unit: Thousand yen)

	Previous fiscal year (March 31, 2019)	Fiscal year under review (March 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	915,736	728,844
Income taxes payable	238,023	58,226
Provision for bonuses	258,281	272,625
Provision for bonuses for directors (and other officers)	41,000	8,000
Other	521,886	435,626
Total current liabilities	1,974,927	1,503,322
Non-current liabilities		
Provision for directors' retirement benefits	23,800	21,400
Retirement benefit liability	137,263	152,153
Total non-current liabilities	161,063	173,553
Total Liabilities	2,135,991	1,676,876
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,389,269	3,577,615
Treasury shares	-123,875	-112,955
Total shareholders' equity	4,332,660	4,531,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-237	-
Foreign currency translation adjustment	22,002	20,165
Accumulated remeasurements of defined benefit plans	-3,979	-6,217
Total accumulated other comprehensive income	17,785	13,947
Total Net Assets	4,350,446	4,545,874
Total liabilities and net assets	6,486,438	6,222,750

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

Consolidated statement of income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Fiscal year under review (From April 1, 2019 to March 31, 2020)
Net sales	12,008,756	11,550,579
Cost of sales	6,999,482	6,625,254
Gross profit	5,009,274	4,925,324
Selling, general and administrative expenses	4,108,858	4,111,819
Operating income	900,415	813,505
Non-operating income		
Interest income	65	64
Foreign exchange gains	1,819	-
Share of profit of entities accounted for using equity method	525	8,464
Reversal of allowance for doubtful accounts	326	-
Other	2,897	1,584
Total non-operating income	5,635	10,112
Non-operating expenses		
Interest expenses	10	-
Commission expenses	959	-
Foreign exchange losses	-	498
Miscellaneous loss	-	934
Total non-operating expenses	969	1,432
Ordinary income	905,081	822,186
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	1,003	2,369
Impairment loss	20,969	321,176
Loss on sales of investment securities	-	484
Total extraordinary losses	21,972	324,029
Net income before income taxes	954,497	498,156
Income taxes - current	335,394	190,822
Income taxes - deferred	-11,136	2,335
Total income taxes	324,257	193,158
Net income	630,239	304,997
Net income attributable to the parent company's shareholders	630,239	304,997

Consolidated statement of comprehensive income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Fiscal year under review (From April 1, 2019 to March 31, 2020)
Net income	630,239	304,997
Other comprehensive income		
Valuation difference on available-for-sale securities	-49	237
Foreign currency translation adjustment	-2,320	-1,836
Remeasurements of defined benefit plans	4,514	-2,238
Total other comprehensive income	2,144	-3,838
Comprehensive income	632,384	301,159
(Components)		
Comprehensive income attributable to owners of parent	632,384	301,159
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

Previous fiscal year (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 in 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 in items other than shareholders' equity					
Total changes in 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 rereasurements 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 in 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 in items other than shareholders' equity	-49	-2,320	4,514	2,144	2,144
Total changes in 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

Fiscal year under review (From April 1, 2019 to March 31, 2020)

(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	3,389,269	-123,875	4,332,660
Changes in items during period					
Dividends of surplus			-116,152		-116,152
Net income attributable to the parent company's shareholders			304,997		304,997
Purchase of treasury shares				-150	-150
Restricted share-based remuneration			-499	11,070	10,570
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	188,345	10,919	199,265
Balance at end of current period	588,443	478,823	3,577,615	-112,955	4,531,926

	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	-237	22,002	-3,979	17,785	4,350,446
Changes in items during period					
Dividends of surplus					-116,152
Net income attributable to the parent company's shareholders					304,997
Purchase of treasury shares					-150
Restricted share-based remuneration					10,570
Net changes in items other than shareholders' equity	237	-1,836	-2,238	-3,838	-3,838
Total changes in items during period	237	-1,836	-2,238	-3,838	195,427
Balance at end of current period	-	20,165	-6,217	13,947	4,545,874

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Fiscal year under review (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Net income before income taxes	954,497	498,156
Depreciation	67,739	56,109
Amortization of goodwill	28,481	27,529
Share-based remuneration expenses	-	7,047
Increase (decrease) in allowance for doubtful accounts	-508	1,717
Increase (decrease) in provision for bonuses	20,238	14,343
Increase (decrease) in provision for bonuses for directors (and other officers)	3,000	-33,000
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-	-2,400
Increase (decrease) in retirement benefit liability	84,196	12,863
Decrease (increase) in retirement benefit asset	-66,929	1,777
Interest and dividend income	-65	-64
Interest expenses	10	-
Share of loss (profit) of entities accounted for using equity method	-525	-8,464
Loss on retirement of non-current assets	1,003	2,369
Impairment loss	20,969	321,176
Loss (gain) on sales of investment securities	-	484
Compensation for expropriation	-28,539	-
Loss (gain) on sale of businesses	-42,849	-
Decrease (increase) in trade receivables	-572,632	389,994
Decrease (increase) in inventories	-6,420	1,719
Increase (decrease) in trade payables	162,554	-186,784
Other	35,517	-94,796
Subtotal	659,737	1,009,780
Interest and dividends received	65	64
Interest paid	-10	-
Proceeds from compensation for expropriation	28,539	-
Income taxes paid	-247,003	-382,708
Cash flows from operating activities	441,330	627,136
Cash flows from investing activities		
Purchase of property, plant and equipment	-26,004	-15,111
Purchase of intangible assets	-216,653	-164,259
Payments for asset retirement obligations	-	-1,809
Payments into time deposits	-28,514	-20,015
Proceeds from withdrawal of time deposits	12,000	7,500
Proceeds from sales of investment securities	-	1,603
Proceeds from sale of businesses	42,849	-
Payments of guarantee deposits	-21,286	-666
Proceeds from refund of guarantee deposits	7,068	8,974
Other	144	230
Cash flows from investing activities	-230,396	-183,552
Cash flows from financing activities		
Repayments of finance lease obligations	-10,075	-
Purchase of treasury shares	-123,517	-150
Dividends paid	-97,695	-116,152
Cash flows from financing activities	-231,288	-116,302
Effect of exchange rate change on cash and cash equivalents	-1,735	-1,367
Net increase (decrease) in cash and cash equivalents	-22,090	325,913
Cash and cash equivalents at beginning of period	2,374,307	2,352,217
Cash and cash equivalents at end of period	2,352,217	2,678,130

(5) Notes to consolidated financial statements

(Notes to assumptions for on going concerns)

Not applicable.

(Significant matters as the basis for 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, on the basis of an 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 bonuses for directors (and other officers)

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

The Translation Business is operated mainly by the Company and three consolidated subsidiaries thereof, while the Temporary Staffing Business, Interpretation Business, and Convention Business are operated by one consolidated subsidiary.

(1) Translation Business

The 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

Planning and operations of international and domestic conferences (societies and research societies), seminars, symposiums and various exhibitions

During the fiscal year under review, Media Research, Inc., a consolidated subsidiary of the Company, came to provide only translation services since the IT business (other business) of Media Research, Inc. was transferred to the Company.

As a result of this business reorganization, the goodwill that was previously identified as a company-wide asset has been recognized as that of the Translation Business segment in its entirety, in the fiscal year under review.

In addition, due to this change, the Translation Business saw its segment income decrease by 27,529 thousand yen and segment assets increase by 213,350 thousand yen compared with the amount that would have been posted if the former calculation method had been used.

The segment information for the previous fiscal year was prepared according to the changed calculation method.

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 net 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 allocating depreciation is determined considering the use of such assets by relevant business segments in a comprehensive manner.

Information on Net sales, Income or Loss, Assets and Other Items by Reporting Segment

Previous fiscal year (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)	783,873	72,768	52,702	-15,052	894,292	-17,321	876,971
Segment assets	5,352,749	133,707	211,289	385,843	6,083,589	277,660	6,361,249
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.

Fiscal year under review (From April 1, 2019 to March 31, 2020)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Sales to external customers	8,112,306	1,200,061	1,022,368	782,299	11,117,036	433,542	11,550,579
Intersegment sales or transfer	51,010	1,144	42,036	-	94,191	9,067	103,259
Total	8,163,317	1,201,206	1,064,404	782,299	11,211,228	442,610	11,653,839
Segment income (loss)	686,338	72,915	60,615	16,004	835,874	-40,665	795,209
Segment assets	5,465,808	148,078	106,368	198,447	5,918,702	262,321	6,181,024
Other items							
Depreciation	43,679	1,374	4,215	3,363	52,631	3,478	56,109
Investment in entities accounted for using equity method	-	-	-	-	-	34,661	34,661
Increase in property, plant and equipment and intangible assets	176,762	-	-	-	176,762	5,535	182,298

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

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	11,567,165	11,211,228
“Other” sales	605,105	442,610
Elimination of intersegment transactions	-163,514	-103,259
Net sales reported in consolidated financial statements	12,008,756	11,550,579

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	894,292	835,874
“Other” income	-17,321	-40,665
Elimination of intersegment transactions	23,444	18,296
Operating income reported in consolidated financial statements	900,415	813,505

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	6,083,589	5,918,702
“Other” assets	277,660	262,321
Elimination of intersegment transactions	-731,506	-643,121
Company-wide assets (Note)	856,694	684,847
Total assets reported in consolidated financial statements	6,486,438	6,222,750

(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	61,444	52,631	6,294	3,478	-	-	67,739	56,109
Increase in property, plant and equipment and intangible assets	192,251	176,762	4,800	5,535	35,679	3,036	232,731	185,334

(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, 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.

Fiscal year under review (From April 1, 2019 to March 31, 2020)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	8,112,306	1,200,061	2,238,211	11,550,579

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, 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

Fiscal year under review (From April 1, 2019 to March 31, 2020)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Other	Company-wide	Total
Impairment loss	319,373	-	-	-	1,802	-	321,176

[Information on amortization of goodwill and unamortized goodwill by reporting segment]

Previous fiscal year (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	28,481	-	-	-	-	-	28,481
Balance at end of current period	240,879	-	-	-	-	-	240,879

Fiscal year under review (From April 1, 2019 to March 31, 2020)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Other	Company-wide	Total
Amortization for period	27,529	-	-	-	-	-	27,529
Balance at end of current period	213,350	-	-	-	-	-	213,350

[Information on gain on negative goodwill by reporting segment]

Previous fiscal year (From April 1, 2018 to March 31, 2019)

Not applicable.

Fiscal year under review (From April 1, 2019 to March 31, 2020)

Not applicable.

(Per-share information)

Previous fiscal year (From April 1, 2018 to March 31, 2019)		Fiscal year under review (From April 1, 2019 to March 31, 2020)	
Net assets per share	1,310.90 yen	Net assets per share	1,367.97 yen
Net income per share	187.39 yen	Net income per share	91.82 yen

(Notes) 1. Net income per share – diluted is not stated as there are no dilutive shares.

2. The basis for calculation of the amount of net income per share is as follows.

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Fiscal year under review (From April 1, 2019 to March 31, 2020)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	630,239	304,997
Amount not attributable to common shareholders (thousand yen)	-	-
Net income attributable to common shares of the parent company's shareholders (thousand yen)	630,239	304,997
Average number of shares issued during the period (shares)	3,363,252	3,321,375

(Important subsequent events)

Not applicable.

4. Other

(1) Transfer of directors

1) Transfer of President

Not applicable.

2) Transfer of other directors

- Retiring directors

Chairman Ikuo Higashi

3) Expected date of retirement

At the conclusion of the Annual Meeting of Shareholders to be held on June 25, 2020