



## Financial Results Summary for the Three-Month Period Ended June 30, 2020 [Japanese GAAP] (Consolidated)

August 11, 2020

Company Name:	Honyaku Center Inc.	Exchange listed on:	Tokyo Stock Exchange
Securities Code:	2483	URL	<a href="http://www.honyakuctr.com">http://www.honyakuctr.com</a>
Representative:	(Title) President	(Name)	Shunichiro Ninomiya
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Scheduled date for submission of quarterly report: August 14, 2020

Scheduled commencement date of dividends payment: -

Preparation of supplementary materials for quarterly report : None

Convening quarterly results briefing : Yes

August 14, 2020

-

None

Yes

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

### 1. Consolidated Financial Results for the Three-Month Period Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

#### (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, 2020	2,185	-20.1	45	-	45	-	55	-
Three-month period ended June 30, 2019	2,735	-5.2	88	-48.0	91	-47.3	56	-58.4

(Note) Comprehensive income:	Three-month period ended June 30, 2020	-55 million yen	[-%]
	Three-month period ended June 30, 2019	56 million yen	[-55.8%]

	Net income per share	Net income per share – diluted
	yen	yen
Three-month period ended June 30, 2020	-16.56	-
Three-month period ended June 30, 2019	16.88	-

#### (2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Three-month period ended June 30, 2020	5,758	4,350	75.5
Fiscal year ended March 2020	6,222	4,545	73.0

(Note) Shareholders' equity:	Three-month period ended June 30, 2020	4,350 million yen	
	Fiscal year ended March 2020	4,545 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 2020	-	0.00	-	42.00	42.00
Fiscal year ending March 2021	-				
Fiscal year ending March 2021 (forecast)		0.00	-	20.00	20.00

(Note) Revision of the consolidated results forecast released most recently : Yes

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

(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
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Q2 (cumulative)	4,380	-22.5	-40	-	-40	-	-70	-	-21.05
Full year	9,300	-19.4	170	-79.1	150	-81.7	30	-90.1	9.02

(Note) Revision of the consolidated results forecast released most recently : Yes

\* Notes

- (1) Changes in major subsidiaries during the period under review (Change in specific subsidiaries that will accompany a change in scope of consolidation) : Yes  
 Newly consolidated: – company (companies) (company name)  
 Excluded: 1 company (companies) (company name) ISS Institute, Inc.
- (2) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements : Yes
- (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 2021	3,369,000 shares	Fiscal year ended March 2020	3,369,000 shares
2) Number of treasury shares at the end of the period	Q1 of fiscal year ending March 2021	45,922 shares	Fiscal year ended March 2020	45,922 shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	Q1 of fiscal year ending March 2021	3,323,078 shares	Q1 of fiscal year ended March 2020	3,318,650 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.

As of April 1, 2020, the Company executed an absorption-type merger between its subsidiaries: ISS, Inc. as merging company and ISS Institute, Inc. as merged company.

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## 1. Qualitative Information on Quarterly Financial Results under Review

### (1) Explanation of operating results

Concerning the financial results for the three-month period under review, the Japanese economy remained in an extremely challenging situation due to uncertainties over the future outlook as well as economic activities being significantly restricted due to the novel coronavirus disease (COVID-19) pandemic.

The business environment of the Group remained very severe; the Translation Business was affected by sluggish business activities due to the expansion of remote work implemented by customer companies as well as weakening business confidence mainly in the manufacturing industry, and the Interpretation Business and the Convention Business were affected by people voluntarily refraining from holding face-to-face meetings and business consultations, as well as the cancellation and postponement of international conferences (academic and research societies), seminars and symposiums, and various exhibitions.

Under these circumstances, the Group continued to make progress on the key initiatives set out in its Fourth Medium-Term Management Plan (from the fiscal year ended March 2019 to the fiscal year ending March 2021), 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 tools and machine translation. In addition, the Group strove to create opportunities to win orders by offering services that were not part of the conventional forms of interpretation services, such as on-line sales activities and telephone conferences and video conferences that allow for non-face-to-face interpretation services.

Furthermore, based on the Japanese government's views on the prevention of the spread of COVID-19, the Group, putting the safety of customers, business partners and the Group's employees and their families first, promoted measures such as practicing infection control measures daily, prohibiting non-essential business trips and promoting remote work and off-peak commuting during the three-month period under review.

However, concerning the financial results for the three-month period under review, net sales decreased by 20.1% on a year-on-year basis to 2,185 million yen due to decreased net sales of the Translation Business, the core business of the Group, in addition to large decreases in net sales of the Interpretation Business and the Convention Business due to the impact of the spread of COVID-19. The Group recorded operating loss of 45 million yen (operating income of 88 million yen for the same period of the previous year), ordinary loss of 45 million yen (ordinary income of 91 million yen for the same period of the previous year), and net loss attributable to the parent company's shareholders of 55 million yen (net income attributable to the parent company's shareholders of 56 million yen for the same period of the previous year).

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

#### 1) Translation Business

The Translation Business, excluding the Medical field, remained sluggish owing to slowing business activities due to the expansion of remote work implemented by customer companies as well as weakening business confidence mainly in the manufacturing industry, which led to a decrease in orders received. In the Patent field, net sales decreased by 15.0% on a year-on-year basis to 494 million yen due to weak orders from intellectual property departments of corporations and patent firms that were affected by restricted corporate activities. In the Medical field, net sales increased by 10.7% on a year-on-year basis, to 659 million yen due to steady orders from foreign pharmaceutical companies and increased business transactions with Japanese pharmaceutical companies. In the Industrial & Localization field, net sales decreased by 17.0% on a year-on-year basis, to 430 million yen due to sluggish orders received mainly from automobile-related companies and electrical equipment-related companies, which are major customers of the Group. In the Finance & Legal field, net sales decreased by 22.4% on a year-on-year basis, to 148 million yen due to sluggish orders received from financial institutions and administrative departments of corporations.

As a result, net sales of the Translation Business were 1,732 million yen, down 8.2% on a year-on-year basis.

#### 2) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with strong language skills, net sales amounted to 315 million yen, up 5.3% on a year-on-year basis, because staffing contracts with the majority of existing customers were kept intact, although the business trends of customers affected by the spread of COVID-19 were a concern.

### 3) Interpretation Business

The government-led measures against the spread of COVID-19, including restrictions on the admission of foreigners to Japan and overseas travel, and a voluntary stay-at-home request in Japan, led to the expansion of customers voluntarily refraining from holding face-to-face meetings and business consultations and a significant decrease in the orders of the Interpretation Business. As a result, net sales were 69 million yen, down 75.5% on a year-on-year basis.

### 4) Convention Business

In the Convention Business, net sales decreased by 96.5% on a year-on-year basis to 5 million yen due to a significant decrease in orders because of a spate of cancellations and postponements of research societies, medical societies, seminars, symposiums and various exhibitions in addition to the postponement of international conferences such as “The 6th World Assembly for Women (WAW!)” and “The 31st Annual Scientific Meeting of the Japanese Society of Echocardiography.”

### 5) Language Education Business

In the Language Education Business, net sales amounted to 12 million yen, down 76.4% on a year-on-year basis, due mainly to the effect of the cancellation and postponement of courses of the interpreter and translator school ISS Institute, Inc., which was affected by the spread of COVID-19.

### 6) Other

In other segments including FIPAS Inc., net sales fell by 6.7% on a year-on-year basis to 50 million yen.

## (2) Explanation of financial position

### (Assets)

Current assets as of the end of the first quarter under review were 4,743 million yen, down 469 million yen compared with the end of the previous fiscal year. This was mainly due to decreases in notes receivable - trade and accounts receivable - trade. Non-current assets increased by 5 million yen from the end of the previous fiscal year to 1,014 million yen.

As a result, total assets were 5,758 million yen, down 463 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 1,248 million yen, down 254 million yen compared to the end of the previous fiscal year. This was mainly due to decreases in accounts payable - trade and provision for bonuses. Non-current liabilities were 159 million yen, down 14 million yen from the end of the previous fiscal year.

As a result, total liabilities were 1,408 million yen, down 268 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 4,350 million yen, down 195 million yen compared to the end of the previous fiscal year. This was due to recording net loss attributable to the parent company's shareholders and dividends of surplus.

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

The consolidated financial forecast for the fiscal year ending March 2021 was undecided as it was difficult to reasonably estimate the impact of the spread of COVID-19. However, the Company will announce the financial forecast that was estimated based on judgments made on the basis of information available at the time of estimation.

For details, please refer to the “Announcement of Consolidated Financial Forecast and Dividend Forecast for the Fiscal Year Ending March 2021” released Today (August 11, 2020).

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year March 31, 2020	First quarter under review June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	2,917,509	2,963,671
Notes and accounts receivable - trade, net	1,944,249	1,409,763
Work in process	133,914	133,420
Other	217,940	237,011
<b>Total current assets</b>	<b>5,213,613</b>	<b>4,743,867</b>
Non-current assets		
Property, plant and equipment	67,001	63,335
Intangible assets		
Goodwill	213,350	206,467
Other	98,258	101,967
<b>Total intangible assets</b>	<b>311,608</b>	<b>308,435</b>
Investments and other assets	630,527	643,153
<b>Total non-current assets</b>	<b>1,009,137</b>	<b>1,014,924</b>
<b>Total Assets</b>	<b>6,222,750</b>	<b>5,758,791</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	728,844	542,306
Income taxes payable	58,226	31,768
Provision for bonuses	272,625	125,452
Other	443,626	549,393
<b>Total current liabilities</b>	<b>1,503,322</b>	<b>1,248,921</b>
Non-current liabilities		
Provision for directors' retirement benefits	21,400	3,200
Retirement benefit liability	152,153	156,036
<b>Total non-current liabilities</b>	<b>173,553</b>	<b>159,236</b>
<b>Total Liabilities</b>	<b>1,676,876</b>	<b>1,408,157</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,577,615	3,383,011
Treasury shares	-112,955	-112,955
<b>Total shareholders' equity</b>	<b>4,531,926</b>	<b>4,337,321</b>
Accumulated other comprehensive income		
Foreign currency translation adjustment	20,165	19,341
Accumulated remeasurements of defined benefit plans	-6,217	-6,029
<b>Total accumulated other comprehensive income</b>	<b>13,947</b>	<b>13,311</b>
<b>Total Net Assets</b>	<b>4,545,874</b>	<b>4,350,633</b>
<b>Total liabilities and net assets</b>	<b>6,222,750</b>	<b>5,758,791</b>

(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, 2019 to June 30, 2019)	Three-month period under review (From April 1, 2020 to June 30, 2020)
Net sales	2,735,873	2,185,829
Cost of sales	1,587,449	1,211,915
Gross profit	1,148,424	973,914
Selling, general and administrative expenses	1,060,290	1,019,253
Operating profit (loss)	88,133	₹45,338
Non-operating income		
Interest income	8	9
Foreign exchange gains	-	861
Share of profit of entities accounted for using equity method	2,231	-
Reversal of allowance for doubtful accounts	834	-
Other	171	37
Total non-operating income	3,246	908
Non-operating expenses		
Foreign exchange losses	304	-
Share of loss of entities accounted for using equity method	-	1,061
Other	-	442
Total non-operating expenses	304	1,504
Ordinary profit (loss)	91,075	₹45,934
Extraordinary losses		
Loss on retirement of non-current assets	1,382	-
Total extraordinary losses	1,382	-
Net income (loss) before income taxes	89,693	₹45,934
Income taxes	33,670	9,100
Net income (loss)	56,022	₹55,034
Net income (loss) attributable to the parent company's shareholders	56,022	₹55,034

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

(Unit: Thousand yen)

	Three-month period in the previous fiscal year (From April 1, 2019 to June 30, 2019)	Three-month period under review (From April 1, 2020 to June 30, 2020)
Net income (loss)	56,022	_55,034
Other comprehensive income		
Valuation difference on available-for-sale securities	_49	-
Foreign currency translation adjustment	_31	_824
Remeasurements of defined benefit plans	120	188
Total other comprehensive income	39	_635
Comprehensive income	56,061	_55,670
(Components)		
Comprehensive income attributable to the parent company's shareholders	56,061	_55,670
Comprehensive income attributable to non-controlling interests	-	-



(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for ongoing 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.

(Additional information)

(COVID-19 impacts on accounting estimates)

No material change has been made to the additional information regarding the underlying assumptions used for accounting estimates concerning COVID-19 impacts, which was included in the securities report for the previous fiscal year.

(Segment information)

Segment information

I. Three-month period in the previous fiscal year (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	Language Education Business	Convention Business	Total		
Net sales								
Sales to external customers	1,887,772	299,355	285,144	51,785	157,701	2,681,760	54,113	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	51,785	157,701	2,702,951	56,124	2,759,076
Segment income (loss)	54,085	19,498	20,797	208	-2,816	91,771	-8,189	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	91,771
"Other" income	-8,189
Elimination of intersegment transactions	4,550
Operating income in quarterly consolidated statement of income	88,133

II. Three-month period under review (From April 1, 2020 to June 30, 2020)

1. Information on net sales, income or loss by reporting segment

(Unit: Thousand yen)

	Reporting segment						Other (Note)	Total
	Translation Business			Language Education Business	Convention Business	Total		
Net sales								
Sales to external customers	1,732,758	315,340	69,637	12,219	5,438	2,135,393	50,436	2,185,829
Intersegment sales or transfer	15,254	-	1,713	-	-	16,968	295	17,263
Total	1,748,012	315,340	71,350	12,219	5,438	2,152,361	50,731	2,203,092
Segment income (loss)	27,458	27,647	_33,726	_20,045	_37,930	_36,595	_12,863	_49,459

(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	_36,595
"Other" income	_12,863
Elimination of intersegment transactions	4,120
Operating loss in quarterly consolidated statement of income	_45,338

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

The Language Education Business, which had been included in Other, became a separate reporting segment at the beginning of the first quarter under review as its quantitative significance increased.

The segment information for the first quarter of the previous fiscal year was prepared according to the reporting segments applied to the first quarter under review.