



Financial Results Summary for the Six-Month Period Ended September 30, 2020 [Japanese GAAP] (Consolidated)

November 10, 2020

Company Name: Honyaku Center Inc.	Exchange listed on: Tokyo Stock Exchange
Securities Code: 2483	URL http://www.honyakuctr.com
Representative: (Title) President	(Name) Shunichiro Ninomiya
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Scheduled date for submission of quarterly report:	November 13, 2020
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, 2020 (From April 1, 2020 to September 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	%
Six-month period ended September 30, 2020	4,519	-20.0	-10	-	-8	-	-49	-
Six-month period ended September 30, 2019	5,653	-1.1	344	4.4	350	5.7	221	-6.5

(Note) Comprehensive income: Six-month period ended September 30, 2020 -5 million yen
Six-month period ended September 30, 2019 217 million yen [-7.0%]

	Net income per share	Net income per share – diluted
	yen	yen
Six-month period ended September 30, 2020	-14.97	-
Six-month period ended September 30, 2019	66.62	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six-month period ended September 30, 2020	5,840	4,359	74.6
Fiscal year ended March 2020	6,222	4,545	73.0

(Note) Shareholders' equity: Six-month period ended September 30, 2020 4,549 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	-	0.00			
Fiscal year ending March 2021 (forecast)			-	20.00	20.00

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

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)

Full 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
	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 : 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) : 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)	Q2 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	Q2 of fiscal year ending March 2021	41,922 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)	Q2 of fiscal year ending March 2021	3,324,211 shares	Q2 of fiscal year ended March 2020	3,319,915 shares

* Quarterly financial results are not subject to quarterly reviews by a Certified Public Accountant or audit firm.

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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 Japanese economy deteriorated sharply due to slowing and reduced economic activities associated with the novel coronavirus disease (COVID-19) pandemic. After the state of emergency was lifted, some economic activities in Japan showed signs of picking up; however, the economy, including concerns over the outlook of COVID-19 within and outside Japan, remained uncertain.

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 have been facing tough times due in part to being 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 will strive 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. Although the situation still requires caution, the impact caused by the decrease in economic activities due the spread of COVID-19 is bottoming out for the Translation Business and Interpretation Business, the core business of the Group.

For the financial results for the six-month period under review, the Group recorded net sales of 4,519 million yen, down 20.0% on a year-on-year basis; operating loss of 10 million yen (operating income of 344 million yen for the same period of the previous year); ordinary loss of 8 million yen (ordinary income of 350 million yen for the same period of the previous year); and net loss attributable to the parent company's shareholders of 49 million yen (net income attributable to the parent company's shareholders of 221 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 international business activities of customers, though some economic activities in Japan showed signs of picking up. In the Patent field, net sales decreased by 12.3% on a year-on-year basis to 1,019 million yen due to weak orders from intellectual property departments of corporations and patent firms. In the Medical field, net sales increased by 2.0% on a year-on-year basis, to 1,341 million yen due to steady business transactions with Japanese pharmaceutical companies in addition to stable orders from foreign pharmaceutical companies. In the Industrial & Localization field, net sales decreased by 23.0% on a year-on-year basis, to 876 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 28.1% on a year-on-year basis, to 247 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 3,485 million yen, down 12.0% 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 625 million yen, up 3.4% on a year-on-year basis, because business transactions with existing customers remained strong, although new customer acquisition was limited due to the spread of COVID-19.

3) Interpretation Business

In the Interpretation Business, net sales decreased by 64.5% on a year-on-year basis to 197 million yen due to decreased orders for interpretation at face-to-face meetings as measures to prevent the spread of COVID-19 continued to be in place. With the widespread adoption of online meeting systems, the Group is offering online interpretation services, which will be expanded and improved.

4) Convention Business

In the Convention Business, net sales decreased by 83.4% on a year-on-year basis to 54 million yen due to the cancellation and postponement of various medical societies and company events in Japan as well as large international conferences such as The 6th World Assembly for Women (WAW!) and The 2nd international symposium on "Influenza and Other Infections" that had been scheduled.

5) Language Education Business

In the Language Education Business, net sales amounted to 35 million yen, down 60.9% on a year-on-year basis, due mainly to 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, net sales rose by 6.9% on a year-on-year basis to 120 million yen due partly to steady sales of FIPAS Inc., which provides support for foreign patent applications, including the preparation of patent specifications and the application process.

(2) Explanation of financial position

(Assets)

Current assets as of the end of the second quarter under review were 4,820 million yen, down 393 million yen compared with the end of the previous fiscal year. This is because notes receivable - trade and accounts receivable - trade decreased due to a decrease in net sales. Non-current assets increased by 10 million yen from the end of the previous fiscal year to 1,019 million yen. This is because intangible assets and others increased mainly due to the development of an erroneous translation detection tool.

As a result, total assets were 5,840 million yen, down 382 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 1,316 million yen, down 186 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 were 164 million yen, down 9 million yen from the end of the previous fiscal year. This is mainly due to a decrease in the provision for directors' retirement benefits.

As a result, total liabilities were 1,480 million yen, down 195 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 4,359 million yen, down 186 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.

(Cash flows)

Cash and cash equivalents as of the end of the second quarter under review were 2,682 million yen, up 4 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 179 million yen (222 million yen of proceeds in the same period of the previous year).

This is mainly due to 410 million yen provided by a decrease in trade receivables and 152 million yen used due to a decrease in notes and accounts payable - trade.

(Cash flows from investing activities)

Net cash used in investing activities was 32 million yen (93 million yen of payments in the same period of the previous year).

This is mainly due to payment of 36 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 140 million yen (104 million yen of payments in the same period of the previous year).

This is mainly due to payment of dividends of 139 million yen.

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

The full-year consolidated financial forecast for the current fiscal year is unchanged from the one released on August 11, 2020 because the impact of the spread of COVID-19 is expected to be protracted; however, a revised forecast will be released as soon as the Company deems a revision to be necessary.

(Note) The financial forecast above was developed based on the information available as of the date of this announcement, and actual financial results may differ from forecast figures due to various factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year March 31, 2020	Second quarter under review September 30, 2020
Assets		
Current assets		
Cash and deposits	2,917,509	2,927,719
Notes and accounts receivable - trade, net	1,944,249	1,530,798
Work in process	133,914	142,902
Other	217,940	219,185
Total current assets	5,213,613	4,820,605
Non-current assets		
Property, plant and equipment	67,001	60,779
Intangible assets		
Goodwill	213,350	199,585
Other	98,258	116,609
Total intangible assets	311,608	316,195
Investments and other assets	630,527	642,879
Total non-current assets	1,009,137	1,019,854
Total Assets	6,222,750	5,840,459
Liabilities		
Current liabilities		
Accounts payable - trade	728,844	576,761
Income taxes payable	58,226	77,339
Provision for bonuses	272,625	234,026
Other	443,626	428,504
Total current liabilities	1,503,322	1,316,631
Non-current liabilities		
Provision for directors' retirement benefits	21,400	3,200
Retirement benefit liability	152,153	161,073
Total non-current liabilities	173,553	164,273
Total Liabilities	1,676,876	1,480,905
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,577,615	3,383,119
Treasury shares	-112,955	-103,119
Total shareholders' equity	4,531,926	4,347,265
Accumulated other comprehensive income		
Foreign currency translation adjustment	20,165	18,129
Accumulated remeasurements of defined benefit plans	-6,217	-5,840
Total accumulated other comprehensive income	13,947	12,288
Total Net Assets	4,545,874	4,359,554
Total liabilities and net assets	6,222,750	5,840,459

(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, 2019 to September 30, 2019)	Six-month period under review (From April 1, 2020 to September 30, 2020)
Net sales	5,653,689	4,519,081
Cost of sales	3,233,031	2,530,540
Gross profit	2,420,657	1,988,541
Selling, general and administrative expenses	2,076,627	1,998,652
Operating profit (loss)	344,029	-10,110
Non-operating income		
Interest income	24	20
Foreign exchange gains	2,050	546
Share of profit of entities accounted for using equity method	3,782	-
Subsidy income	-	2,191
Other	411	970
Total non-operating income	6,269	3,729
Non-operating expenses		
Share of loss of entities accounted for using equity method	-	867
Commission expenses	-	969
Other	-	226
Total non-operating expenses	-	2,064
Ordinary profit (loss)	350,299	-8,445
Extraordinary losses		
Loss on retirement of non-current assets	1,382	-
Loss on sales of investment securities	484	-
Total extraordinary losses	1,866	-
Net income (loss) before income taxes	348,432	-8,445
Income taxes	127,232	41,341
Net income (loss)	221,199	-49,786
Net income (loss) attributable to the parent company's shareholders	221,199	-49,786

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

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2019 to September 30, 2019)	Six-month period under review (From April 1, 2020 to September 30, 2020)
Net income (loss)	221,199	-49,786
Other comprehensive income		
Valuation difference on available-for-sale securities	237	-
Foreign currency translation adjustment	-3,901	-2,036
Remeasurements of defined benefit plans	241	377
Total other comprehensive income	-3,422	-1,658
Comprehensive income	217,776	-51,445
(Components)		
Comprehensive income attributable to the parent company's shareholders	217,776	-51,445
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, 2019 to September 30, 2019)	Six-month period under review (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Net income (loss) before income taxes	348,432	-8,445
Depreciation	27,597	20,485
Amortization of goodwill	13,764	13,764
Share-based remuneration expenses	1,761	4,306
Increase (decrease) in allowance for doubtful accounts	-316	1,262
Increase (decrease) in provision for bonuses	-11,424	-38,599
Increase (decrease) in provision for directors' bonuses	-29,500	3,000
Increase (decrease) in provision for directors' retirement benefits	-2,400	-18,200
Increase (decrease) in net defined benefit liability	8,794	9,539
Decrease (increase) in net defined benefit asset	-593	309
Interest and dividend income	-24	-20
Share of loss (profit) of entities accounted for using equity method	-3,782	867
Loss on retirement of non-current assets	1,382	-
Loss (gain) on sales of investment securities	484	-
Decrease (increase) in trade receivables	476,620	410,609
Subsidy income	-	-2,191
Commission expenses	-	969
Decrease (increase) in inventories	1,688	-7,720
Increase (decrease) in notes and accounts payable – trade	-235,580	-152,019
Other	-159,330	-54,765
Subtotal	437,572	183,153
Interest and dividends received	24	20
Proceeds from subsidy income	-	2,191
Income taxes paid	-215,281	-6,142
Cash flows from operating activities	222,316	179,223
Cash flows from investing activities		
Purchase of property, plant and equipment	-7,330	-1,873
Purchase of intangible assets	-88,801	-26,130
Payments for asset retirement obligations	-1,809	-
Proceeds from sales of investment securities	1,603	-
Payments into time deposits	-12,002	-12,002
Proceeds from withdrawal of time deposits	6,000	6,000
Collection of loans receivable	125	-
Payments for guarantee deposits	-	-1,700
Proceeds from collection of guarantee deposits	8,806	3,094
Cash flows from investing activities	-93,408	-32,612
Cash flows from financing activities		
Purchase of treasury shares	-150	-
Dividends paid	-116,152	-139,569
Commission expenses	-	-1,066
Cash flows from financing activities	-116,302	-140,636
Effect of exchange rate change on cash and cash equivalents	-3,310	-1,767
Net increase (decrease) in cash and cash equivalents	9,294	4,207
Cash and cash equivalents at beginning of period	2,352,217	2,678,130
Cash and cash equivalents at the end of the period	2,361,511	2,682,337

(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.

(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. Six-month period in the previous fiscal year (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	Interpretati on Business	Language Education Business	Conven- tion Business	Total		
Net sales								
Sales to external customers	3,961,224	604,697	556,776	89,958	327,987	5,540,645	113,043	5,653,689
Intersegment sales or transfer	22,970	1,144	15,862	814	-	40,791	5,916	46,708
Total	3,984,195	605,842	572,638	90,772	327,987	5,581,436	118,960	5,700,397
Segment income (loss)	277,883	36,183	40,417	-13,900	7,776	348,360	-13,694	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	348,360
"Other" income	-13,694
Elimination of intersegment transactions	9,363
Operating income in quarterly consolidated statement of income	344,029

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

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

(Unit: Thousand yen)

	Reporting segment						Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpreta- tion Business	Language Education Business	Conven- tion Business	Total		
Net sales								
Sales to external customers	3,485,824	625,690	197,285	35,098	54,318	4,398,217	120,863	4,519,081
Intersegment sales or transfer	32,428	-	6,302	640	-	39,372	417	39,790
Total	3,518,253	625,690	203,587	35,739	54,318	4,437,590	121,281	4,558,872
Segment income (loss)	101,278	47,199	-53,774	-36,137	-57,492	1,072	-15,831	-14,758

(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	1,072
"Other" income	-15,831
Elimination of intersegment transactions	4,648
Operating loss in quarterly consolidated statement of income	-10,110

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 as its quantitative significance increased.

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

(Important subsequent events)

Not applicable.