



Financial Results Summary for the Nine-Month Period Ended December 31, 2020 [Japanese GAAP] (Consolidated)

February 9, 2021

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:	February 12, 2021
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, 2020 (From April 1, 2020 to December 31, 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	%
Nine-month period ended December 31, 2020	7,092	-17.4	124	-75.9	161	-69.2	-115	-
Nine-month period ended December 31, 2019	8,595	-0.9	519	-5.7	527	-4.6	331	-19.6

(Note) Comprehensive income:	Nine-month period ended December 31, 2020	-118 million yen	[-%]
	Nine-month period ended December 31, 2019	328 million yen	[-20.6%]

	Net income per share	Net income per share – diluted
	yen	yen
Nine-month period ended December 31, 2020	-34.63	-
Nine-month period ended December 31, 2019	99.90	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Nine-month period ended December 31, 2020	5,848	4,292	73.3
Fiscal year ended March 2020	6,222	4,545	73.0

(Note) Shareholders' equity:	Nine-month period ended December 31, 2020	4,292 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 dividend 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
	9,600	-16.8	300	-63.1	340	-58.6	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

(3) 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 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	Q3 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)	Q3 of fiscal year ending March 2021	3,325,078 shares	Q3 of fiscal year ended March 2020	3,320,864 shares

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

* Explanation of appropriate use of the financial forecast and other special remarks

(Cautionary statement on forward-looking statements)

The forward-looking statements, such as the financial forecast, provided in this material are based on information currently available to Honyaku Center Inc. (“Company”) and certain assumptions that the Company believes are reasonable, and are not intended as a guarantee that the Company will achieve the same. In addition, actual results, including financial performance, may significantly differ due to various factors. For notes on the assumptions used for the financial forecast and instructions on how to use the financial forecast, please see “1. Qualitative Information (3) Explanation of future forecast information such as consolidated financial results forecasts” on Page 3.

As of April 1, 2020, a merger took place between two of the subsidiaries of the Company, with ISS Inc. as the surviving company and ISS Institute Inc. as the merged company.

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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 deteriorated sharply due to slowing and reduced economic activities associated with the novel coronavirus disease (COVID-19) pandemic during the first quarter of the current fiscal year. From the second quarter onward, the spread of COVID-19 showed signs of easing, and parts of the Japanese economy appeared to recover owing to the government's financial support. After the year-end, however, the further spread of COVID-19 became a concern, and the outlook 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 web 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 to 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 nine-month period under review, the Group recorded net sales of 7,092 million yen, down 17.4% on a year-on-year basis; operating income of 124 million yen, down 75.9%; ordinary income of 161 million yen, down 69.2%; and net loss attributable to the parent company's shareholders of 115 million yen (net income attributable to the parent company's shareholders of 331 million yen for the same period of the previous year) due to the impairment loss on goodwill recorded under extraordinary losses.

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

1) Translation Business

In the Patent field, net sales decreased by 8.1% on a year-on-year basis to 1,562 million yen due to weak orders from intellectual property departments of patent firms. In the Medical field, net sales increased by 2.4% on a year-on-year basis, to 2,076 million yen because orders from foreign pharmaceutical companies remained strong and business transactions with Japanese pharmaceutical companies expanded. Although the Industrial & Localization field saw active business transactions with IT and information communications companies, net sales decreased by 21.1% on a year-on-year basis, to 1,338 million yen due to sluggish orders received from automobile-related companies, one of the major customers of the Group. In the Finance & Legal field, net sales decreased by 23.6% on a year-on-year basis, to 364 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 5,342 million yen, down 9.5% 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 922 million yen, up 1.1% 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 59.7% on a year-on-year basis to 341 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 will continue to offer online interpretation services, which will be expanded and improved.

4) Convention Business

In the Convention Business, net sales decreased by 64.6% on a year-on-year basis to 221 million yen due to the cancellation and postponement of large international conferences, although the Company won orders for and organized medical society events, including the 50th Memorial Annual Meeting of the Japanese Society of Clinical Neurophysiology (JSCN).

5) Language Education Business

In the Language Education Business, net sales amounted to 71 million yen, down 46.8% 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 12.3% on a year-on-year basis to 193 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 third quarter under review were 5,026 million yen, down 187 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 liabilities were 822 million yen, down 187 million yen from the end of the previous fiscal year. This came from a decrease in intangible assets due to the recording of impairment loss on goodwill.

As a result, total assets were 5,848 million yen, down 374 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 1,386 million yen, down 116 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 169 million yen, down 4 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 1,556 million yen, down 120 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 4,292 million yen, down 253 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

For the consolidated financial forecast, please refer to "Announcement of Upward Revision of Earnings Forecast and Recording of Extraordinary Losses" released today, February 9, 2021.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year March 31, 2020	Third quarter under review December 31, 2020
Assets		
Current assets		
Cash and deposits	2,917,509	2,980,784
Notes and accounts receivable - trade, net	1,944,249	1,673,858
Work in process	133,914	137,709
Other	217,940	233,765
Total current assets	5,213,613	5,026,117
Non-current assets		
Property, plant and equipment	67,001	57,913
Intangible assets		
Goodwill	213,350	-
Other	98,258	116,637
Total intangible assets	311,608	116,637
Investments and other assets	630,527	647,556
Total non-current assets	1,009,137	822,107
Total Assets	6,222,750	5,848,225
Liabilities		
Current liabilities		
Accounts payable - trade	728,844	662,856
Income taxes payable	58,226	55,860
Provision for bonuses	272,625	144,293
Other	443,626	523,867
Total current liabilities	1,503,322	1,386,878
Non-current liabilities		
Provision for directors' retirement benefits	21,400	3,200
Retirement benefit liability	152,153	165,951
Total non-current liabilities	173,553	169,151
Total Liabilities	1,676,876	1,556,030
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,577,615	3,317,727
Treasury shares	-112,955	-103,119
Total shareholders' equity	4,531,926	4,281,874
Accumulated other comprehensive income		
Foreign currency translation adjustment	20,165	15,971
Accumulated remeasurements of defined benefit plans	-6,217	-5,651
Total accumulated other comprehensive income	13,947	10,320
Total Net Assets	4,545,874	4,292,194
Total liabilities and net assets	6,222,750	5,848,225

(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, 2019 to December 31, 2019)	Nine-month period under review (From April 1, 2020 December 31, 2020)
Net sales	8,595,817	7,092,111
Cost of sales	4,948,290	3,982,454
Gross profit	3,647,526	3,109,657
Selling, general and administrative expenses	3,127,719	2,984,803
Operating income	519,807	124,853
Non-operating income		
Interest income	50	42
Share of profit of entities accounted for using equity method	5,935	-
Foreign exchange gains	1,068	2,101
Subsidy income	-	35,188
Other	1,078	1,960
Total non-operating income	8,133	39,293
Non-operating expenses		
Share of loss of entities accounted for using equity method	-	471
Commission expenses	-	1,275
Other	907	534
Total non-operating expenses	907	2,281
Ordinary income	527,033	161,865
Extraordinary losses		
Loss on retirement of non-current assets	1,755	655
Impairment loss	-	192,703
Loss on sales of investment securities	484	-
Total extraordinary losses	2,239	193,358
Net income (loss) before income taxes	524,793	-31,493
Income taxes	193,032	83,684
Net income (loss)	331,761	-115,178
Net income (loss) attributable to the parent company's shareholders	331,761	-115,178

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

(Unit: Thousand yen)

	Nine-month period in the previous fiscal year (From April 1, 2019 to December 31, 2019)	Nine-month period under review (From April 1, 2020 December 31, 2020)
Net income (loss)	331,761	-115,178
Other comprehensive income		
Valuation difference on available-for-sale securities	237	-
Foreign currency translation adjustment	-3,720	-4,193
Remeasurements of defined benefit plans	362	566
Total other comprehensive income	-3,121	-3,627
Comprehensive income	328,639	-118,806
(Components)		
Comprehensive income attributable to the parent company's shareholders	328,639	-118,806
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 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, 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	Language Education Business	Convention Business	Total		
Net sales								
Sales to external customers	5,903,346	912,024	848,849	133,824	625,305	8,423,350	172,466	8,595,817
Intersegment sales or transfer	34,564	1,144	31,726	1,322	-	68,757	6,556	75,314
Total	5,937,911	913,168	880,575	135,147	625,305	8,492,108	179,023	8,671,131
Segment income (loss)	399,264	57,600	63,400	-15,599	21,007	525,673	-19,389	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	525,673
"Other" income	-19,389
Elimination of intersegment transactions	13,523
Operating income in quarterly consolidated statement of income	519,807

II. Nine-month period under review (From April 1, 2020 to December 31, 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	Interpretation Business	Language Education Business	Convention Business	Total		
Net sales								
Sales to external customers	5,342,290	922,354	341,353	71,135	221,286	6,898,421	193,689	7,092,111
Intersegment sales or transfer	51,316	-	11,417	956	-	63,690	514	64,205
Total	5,393,606	922,354	352,771	72,091	221,286	6,962,111	194,204	7,156,316
Segment income (loss)	226,630	74,571	-61,894	-37,361	-62,221	139,724	-22,238	117,485

(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	139,724
"Other" income	-22,238
Elimination of intersegment transactions	7,367
Operating income in quarterly consolidated statement of income	124,853

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 third quarter of the previous fiscal year was prepared according to the reporting segments applied to the third quarter under review.

4. Information on impairment loss of non-current assets or goodwill by reporting segment

(Material change in the amount of goodwill)

Impairment loss on goodwill was recorded in the Translation Business segment. Goodwill decreased by 192,703,000 yen for the nine-month period under review due to the said event.

(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.