



Financial Results for the Fiscal Year Ended March 31, 2021 [Japan GAAP] (Consolidated)

May 13, 2021

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 28, 2021
Scheduled filing date of the securities report:			June 29, 2021
Scheduled commencement date of dividends payment:			June 29, 2021
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 Ending March 2021 (from April 1, 2020 to March 31, 2021)

(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 2021	9,910	-14.1	418	-48.5	465	-43.4	117	-61.4
Fiscal year ended March 2020	11,550	-3.8	813	-9.6	822	-9.1	304	-51.6

(Note) Comprehensive income: Fiscal year ended March 2021 113 million yen [-62.2%]
Fiscal year ended March 2020 301 million yen [-52.3%]

	Net income per share	Net income per share – diluted	Net income to shareholders equity	Ordinary income to assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal year ended March 2021	35.39	-	2.5	7.4	4.2
Fiscal year ended March 2020	91.82	-	6.8	12.9	7.0

(Reference) Equity method investment gain (loss): Fiscal year ended March 2021 1 million yen
Fiscal year ended March 2020 8 million yen

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal year ended March 2021	6,295	4,524	71.8	1,359.99
Fiscal year ended March 2020	6,222	4,545	73.0	1,367.97

(Note) Shareholders' equity: Fiscal year ended March 2021 4,524 million yen
Fiscal year ended March 2020 4,545 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
	million yen	million yen	million yen	million yen
Fiscal year ended March 2021	439	19	-141	2,989
Fiscal year ended March 2020	627	-183	-116	2,678

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 2020	yen -	yen 0.00	yen -	yen 42.00	yen 42.00	million yen 139	% 45.7	% 3.0
Fiscal year ended March 2021	-	0.00	-	20.00	20.00	66	56.5	1.4
Fiscal year ending March 2022 (forecast)	-	0.00	-	35.00	35.00		25.8	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 2022 (from April 1, 2021 to March 31, 2022)

(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)	4,800	6.2	200	-	200	-	120	-	36.05
Full year	10,200	2.9	650	55.4	650	39.7	450	282.3	135.15

* 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) : Yes
 Newly consolidated: – company (companies) (company name)
 Excluded: 1 (Name) ISS Institute, Inc.

- (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)
 - 2) Number of treasury shares at the end of the period
 - 3) Average number of shares issued during the period

Fiscal year ended March 2021	3,369,000 shares	Fiscal year ended March 2020	3,369,000 shares
Fiscal year ended March 2021	41,922 shares	Fiscal year ended March 2020	45,922 shares
Fiscal year ended March 2021	3,325,540 shares	Fiscal year ended March 2020	3,321,375 shares

* Financial Results are not subject to audit procedures 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. Overview of Operating Results, etc. (4) Future outlook" on Page 4.

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. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended March 2021

During the fiscal year under review, the Japanese economy declined significantly due to the global spread of the novel coronavirus disease (COVID-19) during the first half of the year but showed a sign of partial recovery in the second half. However, as the pace of recovery of the Japanese economy slowed affected by the re-declaration of a state of emergency in January due to the resurgence of COVID-19, 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, 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 with the fiscal year under review as its final year (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.

For the financial results for the fiscal year under review, the Group recorded net sales of 9,910 million yen, down 14.1% on a year-on-year basis; operating income of 418 million yen, down 48.5% on a year-on-year basis; ordinary income of 465 million yen, down 43.4% on a year-on-year basis; and net income attributable to the parent company's shareholders of 117 million yen, down 61.4% on a year-on-year basis.

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

The Company has changed the classification of reporting segments from the fiscal year under review, and the following comparison with the previous fiscal year is based on the data reclassified to the changed segments.

i) Translation Business

In the Patent field, net sales decreased by 7.0% on a year-on-year basis to 2,100 million yen due to weak orders from intellectual property departments of patent firms. In the Medical field, net sales increased by 4.5% on a year-on-year basis, to 2,875 million yen because orders from foreign pharmaceutical companies remained strong and business transactions with Japanese pharmaceutical companies were steady. Although the Industrial & Localization field saw a rebound in demand from IT and information communications companies, net sales decreased by 17.5% on a year-on-year basis, to 2,038 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 20.0% on a year-on-year basis, to 505 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 7,520 million yen, down 7.3% on a year-on-year basis.

ii) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with strong language skills, net sales amounted to 1,228 million yen, up 2.3% 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.

iii) Interpretation Business

In the Interpretation Business, net sales decreased by 53.2% on a year-on-year basis to 477 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 steadily accumulating a track record of online interpretation services, which will be expanded and improved.

iv) Language Education Business

In the Language Education Business, net sales amounted to 104 million yen, down 39.1% on a year-on-year basis, due mainly to the cancellation and postponement of courses of the interpreter and translator training school ISS Institute, Inc., which was affected by the spread of COVID-19.

v) Convention Business

In the Convention Business, net sales decreased by 61.8% on a year-on-year basis to 298 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).

vi) Other

In other segments, net sales rose by 7.3% on a year-on-year basis to 280 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) Overview of financial position for the fiscal year ended March 2021

(Assets)

Current assets as of the end of the fiscal year under review were 5,515 million yen, up 301 million yen, compared to the end of the previous fiscal year. This is mainly due to an increase in cash and deposits. Non-current liabilities were 780 million yen, down 228 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 6,295 million yen, up 72 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the fiscal year under review were 1,595 million yen, up 92 million yen, compared to the end of the previous fiscal year.

This was mainly due to an increase in income taxes payable. Non-current liabilities were 175 million yen, up 1 million yen from the end of the previous fiscal year.

As a result, total liabilities were 1,770 million yen, up 93 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the fiscal year under review were 4,524 million yen, down 21 million yen, compared to the end of the previous fiscal year.

This was mainly due to dividends of surplus.

(3) Overview of cash flows for the fiscal year ended March 2021

Cash and cash equivalents as of the end of the fiscal year under review were 2,989 million yen, up 311 million yen, compared to 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 439 million yen, compared to 627 million yen in the previous fiscal year.

Major components were the recording of net income before income taxes of 271 million yen and the recording of impairment loss of 192 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 19 million yen (183 million yen of proceeds in the previous fiscal year).

This was mainly due to proceeds of 80 million yen due to cancellation of time deposits.

Cash flows from financing activities

Net cash used in financing activities was 141 million yen, compared to 116 million yen in the previous fiscal year.

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

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

	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021
Shareholders' equity ratio (%)	68.0	68.6	67.0	73.0	71.8
Shareholders' equity ratio on a market value basis (%)	119.6	118.3	137.5	65.0	78.1
Ratio of cash flows to interest-bearing debt (year)	0.0	0.0	—	—	—
Interest coverage ratio	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, the economy is expected to recover gradually, with the level of economic activities being increased in a step-by-step manner while taking measures to prevent the spread of COVID-19. However, it is difficult at this time to predict when the pandemic will recede due to uncertainties such as the speed of vaccination and its effect on variant strains, and therefore, the business environment surrounding the Group is expected to be extremely challenging.

Under these circumstances, the Group will promote active utilization of advanced technology such as machine translation and translation support tools in its core business of the Translation Business, while accurately understanding changes in the external environment as well as demand.

The Group's initiatives by segment are as follows.

In the Translation Business, the Group will aggressively utilize translation support tools and machine translation, in order to maintain consistent quality and enhance production efficiency, while securing the level of expertise required for respective sectors. In addition, the Group will facilitate the establishment of a framework to develop and offer new services that accurately capture market changes due to the use of machine translation and changes in customer needs caused by the pandemic, and will work to develop a long-term stable relationship with customers.

In the Temporary Staffing Business, the Group will give top priority to securing interpreters and translators, in order to improve performance in relation to pharmaceutical companies, information and telecommunications companies and financial companies, while paying close attention to changes in customer demand as remote work is being introduced at many companies due to the spread of COVID-19.

In the Interpretation and Convention Business, the Group will restore profitability, which fell due to the pandemic, and promote business strategies that respond to changes in the external environment by developing a base to provide Internet-based services such as online interpretation and online conference organization support and by winning orders for conference administration operations.

In the Language Education Business, the Group will provide enhanced courses that meet the needs of students by promoting online course offerings at the interpreter and translator training school, ISS Institute, Inc.

In other businesses, the Group will promote services which leverage the features of FIPAS Inc.

Accordingly, the Company expects net sales of 10,200 million yen, up 2.9% on a year-on-year basis; operating income of 650 million yen, up 55.4% on a year-on-year basis; ordinary income of 660 million yen, up 41.8% on a year-on-year basis; and net income attributable to the parent company's shareholders of 450 million yen, up 282.3% on a year-on-year basis.

The Company reported the above-mentioned financial forecasts based on information available as of the date of announcement of this release, and they may differ from actual results due to various uncertainties and future business conditions.

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, 2020	Fiscal year under review March 31, 2021
Assets		
Current assets		
Cash and deposits	2,917,509	3,172,634
Notes and accounts receivable - trade	1,944,444	2,004,212
Work in process	133,914	112,789
Other	217,940	225,900
Allowance for doubtful accounts	-194	-247
Total current assets	5,213,613	5,515,289
Non-current assets		
Property, plant and equipment		
Buildings	127,213	128,277
Accumulated depreciation	-84,905	-90,932
Buildings, net	42,307	37,344
Tools, furniture and fixtures	105,373	106,393
Accumulated depreciation	-80,679	-88,949
Tools, furniture and fixtures, net	24,693	17,444
Other	4,455	-
Accumulated depreciation	-4,455	-
Other, net	0	-
Total property, plant and equipment	67,001	54,789
Intangible assets		
Goodwill	213,350	-
Other	98,258	78,473
Total intangible assets	311,608	78,473
Investments and other assets		
Investment securities	201,971	203,254
Retirement benefit asset	65,152	68,834
Deferred tax assets	155,064	177,126
Other	210,924	201,212
Allowance for doubtful accounts	-2,585	-3,467
Total investments and other assets	630,527	646,960
Total non-current assets	1,009,137	780,222
Total Assets	6,222,750	6,295,512

(Unit: Thousand yen)

	Previous fiscal year March 31, 2020	Fiscal year under review March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	728,844	720,311
Income taxes payable	58,226	151,476
Provision for bonuses	272,625	272,384
Provision for bonuses for directors (and other officers)	8,000	2,000
Other	435,626	449,158
Total current liabilities	1,503,322	1,595,330
Non-current liabilities		
Provision for directors' retirement benefits	21,400	3,200
Retirement benefit liability	152,153	172,167
Total non-current liabilities	173,553	175,367
Total Liabilities	1,676,876	1,770,698
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,577,615	3,550,599
Treasury shares	-112,955	-103,119
Total shareholders' equity	4,531,926	4,514,745
Accumulated other comprehensive income		
Foreign currency translation adjustment	20,165	13,452
Accumulated remeasurements of defined benefit plans	-6,217	-3,384
Total accumulated other comprehensive income	13,947	10,068
Total Net Assets	4,545,874	4,524,814
Total liabilities and net assets	6,222,750	6,295,512

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

Consolidated statement of income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Fiscal year under review (From April 1, 2020 to March 31, 2021)
Net sales	11,550,579	9,910,877
Cost of sales	6,625,254	5,536,927
Gross profit	4,925,324	4,373,950
Selling, general and administrative expenses	4,111,819	3,955,790
Operating income	813,505	418,159
Non-operating income		
Interest income	64	54
Foreign exchange gains	-	5,943
Share of profit of entities accounted for using equity method	8,464	1,282
Subsidy income	-	40,622
Other	1,584	1,648
Total non-operating income	10,112	49,552
Non-operating expenses		
Commission expenses	-	2,018
Foreign exchange losses	498	-
Miscellaneous loss	934	553
Total non-operating expenses	1,432	2,571
Ordinary income	822,186	465,140
Extraordinary losses		
Loss on retirement of non-current assets	2,369	655
Impairment loss	321,176	192,703
Loss on sales of investment securities	484	-
Total extraordinary losses	324,029	193,358
Net income before income taxes	498,156	271,781
Income taxes - current	190,822	177,398
Income taxes - deferred	2,335	-23,310
Total income taxes	193,158	154,088
Profit	304,997	117,693
Net income attributable to the parent company's shareholders	304,997	117,693

Consolidated statement of comprehensive income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Fiscal year under review (From April 1, 2020 to March 31, 2021)
Profit	304,997	117,693
Other comprehensive income		
Valuation difference on available-for-sale securities	237	-
Foreign currency translation adjustment	-1,836	-6,712
Remeasurements of defined benefit plans	-2,238	2,833
Total other comprehensive income	-3,838	-3,879
Comprehensive income	301,159	113,813
(Components)		
Comprehensive income attributable to owners of parent	301,159	113,813
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity
 Previous fiscal year (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

Fiscal year under review (From April 1, 2020 to March 31, 2021)

(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	3,577,615	-112,955	4,531,926
Changes in items during period					
Dividends of surplus			-139,569		-139,569
Net income attributable to the parent company's shareholders			117,693		117,693
Restricted share-based remuneration			-5,140	9,836	4,696
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	-27,016	9,836	-17,180
Balance at end of current period	588,443	478,823	3,550,599	-103,119	4,514,745

	Accumulated other comprehensive income			Total Net Assets
	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	20,165	-6,217	13,947	4,545,874
Changes in items during period				
Dividends of surplus				-139,569
Net income attributable to the parent company's shareholders				117,693
Restricted share-based remuneration				4,696
Net changes in items other than shareholders' equity	-6,712	2,833	-3,879	-3,879
Total changes in items during period	-6,712	2,833	-3,879	-21,059
Balance at end of current period	13,452	-3,384	10,068	4,524,814

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Fiscal year under review (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Net income before income taxes	498,156	271,781
Depreciation	56,109	43,241
Amortization of goodwill	27,529	20,646
Share-based remuneration expenses	7,047	6,654
Interest and dividend income	-64	-54
Subsidy income	-	-40,622
Commission expenses	-	2,018
Share of loss (profit) of entities accounted for using equity method	-8,464	-1,282
Loss on retirement of non-current assets	2,369	655
Impairment loss	321,176	192,703
Loss (gain) on sales of investment securities	484	-
Increase (decrease) in allowance for doubtful accounts	1,717	934
Increase (decrease) in provision for bonuses	14,343	-241
Increase (decrease) in provision for bonuses for directors (and other officers)	-33,000	-6,000
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-2,400	-18,200
Increase (decrease) in retirement benefit liability	12,863	24,095
Decrease (increase) in retirement benefit asset	1,777	-3,682
Decrease (increase) in trade receivables	389,994	-61,183
Decrease (increase) in inventories	1,719	21,756
Increase (decrease) in trade payables	-186,784	-8,351
Other	-94,796	63,903
Subtotal	1,009,780	508,775
Interest and dividends received	64	54
Subsidy received	-	40,622
Income taxes paid	-382,708	-110,055
Cash flows from operating activities	627,136	439,397
Cash flows from investing activities		
Purchase of property, plant and equipment	-15,111	-4,885
Purchase of intangible assets	-164,259	-30,271
Payments for asset retirement obligations	-1,809	-3,355
Payments into time deposits	-20,015	-23,516
Proceeds from withdrawal of time deposits	7,500	80,022
Proceeds from sales of investment securities	1,603	-
Payments of guarantee deposits	-666	-1,710
Proceeds from refund of guarantee deposits	8,974	3,482
Other	230	-
Cash flows from investing activities	-183,552	19,765
Cash flows from financing activities		
Purchase of treasury shares	-150	-
Dividends paid	-116,152	-139,569
Commission expenses paid	-	-1,966
Cash flows from financing activities	-116,302	-141,535
Effect of exchange rate change on cash and cash equivalents	-1,367	-5,997
Net increase (decrease) in cash and cash equivalents	325,913	311,630
Cash and cash equivalents at beginning of period	2,352,217	2,678,130
Cash and cash equivalents at end of period	2,678,130	2,989,761

(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: 5

Names of consolidated subsidiaries

HC Language Solutions, Inc.

FIPAS Inc.

ISS, Inc.

Panacea Inc.

Media Research, Inc.

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. Accordingly, ISS Institute Inc. was excluded from the scope of consolidation from the fiscal year under review.

2. Application of the Equity Method

(1) Affiliate accounted for using equity method: 1

Name of entity accounted for using equity method:

Language One 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

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

Amortization is calculated by the straight-line method.

Amortization of software for internal use is calculated based on the estimated service life in the Company (five years).

(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 payment 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 payment of bonuses for directors (and other officers), the Company sets aside an 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 payment of retirement benefits for directors, the Company sets aside an amount necessary at the end of fiscal year under review based on the Company's internal rules.

The Company abolished the system of 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 directors 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 formula method.

ii) Amortization of 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 of such gain and loss 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 by the amount of retirement benefits required for voluntary termination at the end of the fiscal year, in calculating retirement benefit liabilities and retirement benefit expenses.

(5) Amortization of Goodwill and Negative Goodwill

Goodwill and negative 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.

(Additional information)

(Accounting estimates of impact of the spread of COVID-19)

Assuming that COVID-19 will continue to affect consumption trends and corporate activities in the next fiscal year, the Company made accounting estimates for the impairment of fixed assets and collectability of deferred tax assets.

As uncertainty remains as to the impact of COVID-19 on economic activities and when the pandemic will recede, any change in the assumptions may affect the future financial condition and operating results.

(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, the Language Education Business, and the Convention Business.

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

(1) Translation Business

Translation Business focused on four major fields 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) Language Education Business

Language education to train interpreters and translators

(5) Convention Business

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

The “Language Education Business,” which used to be included in “Other”, is now disclosed as a reporting segment from the fiscal year under review given its increasing quantitative importance.

The segment information for the previous fiscal year disclosed was prepared according to the classification of reporting segments of the fiscal year under review.

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 compliant with accounting policies adopted 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.

3 Information on Net sales, Income or Loss, Assets and Other Items by Reporting Segment
 Previous fiscal year (From April 1, 2019 to March 31, 2020)

(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	8,112,306	1,200,061	1,022,368	171,839	782,299	11,288,875	261,703	11,550,579
Intersegment sales or transfer	51,010	1,144	42,036	1,446	—	95,637	7,621	103,259
Total	8,163,317	1,201,206	1,064,404	173,285	782,299	11,384,513	269,325	11,653,839
Segment income (loss)	686,338	72,915	60,615	-26,233	16,004	809,641	-14,431	795,209
Segment assets	5,465,808	148,078	106,368	69,849	198,447	5,988,551	192,472	6,181,024
Other items								
Depreciation	43,679	1,374	4,215	428	3,363	53,060	3,049	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.

Fiscal year under review (From April 1, 2020 to March 31, 2021)

(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	7,520,068	1,228,589	477,966	104,571	298,781	9,629,976	280,901	9,910,877
Intersegment sales or transfer	71,088	—	16,577	956	—	88,621	672	89,293
Total	7,591,156	1,228,589	494,543	105,527	298,781	9,718,597	281,573	10,000,171
Segment income (loss)	496,101	105,182	-69,383	-45,023	-57,649	429,227	-19,334	409,893
Segment assets	5,593,574	160,777	88,503	38,567	61,172	5,942,595	216,550	6,159,146
Other items								
Depreciation	30,960	1,678	4,060	258	3,590	40,547	2,694	43,241
Investment in entities accounted for using equity method	—	—	—	—	—	—	35,944	35,944
Increase in property, plant and equipment and intangible assets	36,725	—	—	—	—	36,725	—	36,725

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

4. 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	11,384,513	9,718,597
“Other” sales	269,325	281,573
Elimination of intersegment transactions	-103,259	-89,293
Net sales reported in consolidated financial statements	11,550,579	9,910,877

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	809,641	429,227
“Other” income	-14,431	-19,334
Elimination of intersegment transactions	18,296	8,266
Operating income reported in consolidated financial statements	813,505	418,159

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	5,988,551	5,942,595
“Other” assets	192,472	216,550
Elimination of intersegment transactions	-643,121	-548,284
Company-wide assets (Note)	684,847	684,651
Total assets reported in consolidated financial statements	6,222,750	6,295,512

(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	53,060	40,547	3,049	2,694	—	—	56,109	43,241
Increase in property, plant and equipment and intangible assets	176,762	36,725	5,535	—	3,036	3,109	185,334	39,834

(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, 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.

Fiscal year under review (From April 1, 2020 to March 31, 2021)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	7,520,068	1,228,589	1,162,219	9,910,877

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, 2019 to March 31, 2020)

(Unit: Thousand yen)

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

Fiscal year under review (From April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Language Education Business	Convention Business	Other	Company-wide	Total
Impairment loss	192,703	—	—	—	—	—	—	192,703

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

Previous fiscal year (From April 1, 2019 to March 31, 2020)

(Unit: Thousand yen)

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

Fiscal year under review (From April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Language Education Business	Convention Business	Other	Company-wide	Total
Amortization for period	20,646	—	—	—	—	—	—	20,646
Balance at end of current period	—	—	—	—	—	—	—	—

[Information on gain on negative goodwill by reporting segment]

Not applicable.

(Per-share information)

Previous fiscal year (From April 1, 2019 to March 31, 2020)		Fiscal year under review (From April 1, 2020 to March 31, 2021)	
Net assets per share	1,367.97 yen	Net assets per share	1,359.99 yen
Net income per share	91.82 yen	Net income per share	35.39 yen

(Note) 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, 2019 to March 31, 2020)	Fiscal year under review (From April 1, 2020 to March 31, 2021)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	304,997	117,693
Amount not attributable to common shareholders (thousand yen)	-	-
Net income attributable to owners of parent related to common shares (thousand yen)	304,997	117,693
Average number of common shares (shares)	3,321,375	3,325,540

(Important subsequent events)

Not applicable.