



Financial Results for the Three-Month Period Ended June 30, 2021 [Japan GAAP] (Consolidated)

August 11, 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 for submission of quarterly report: August 13, 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 Three-Month Period Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

(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, 2021	2,465	12.7	178	—	174	—	111	—
Three-month period ended June 30, 2020	2,185	-20.1	-45	—	-45	—	-55	—

(Note) Comprehensive income: Three-month period ended June 30, 2021 118 million yen [— %]
 Three-month period ended June 30, 2020 -55 million yen [— %]

	Net income per share	Net income per share – diluted
	yen	yen
Three-month period ended June 30, 2021	33.64	—
Three-month period ended June 30, 2020	-16.56	—

(Note) We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter under review, and such standards have been applied to figures for the first quarter of the fiscal year ending March 2022.

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Three-month period ended June 30, 2021	6,287	4,619	73.4
Fiscal year ended March 2021	6,295	4,524	71.8

(Note) Shareholders' equity: Three-month period ended June 30, 2021 4,619 million yen
 Fiscal year ended March 2021 4,524 million yen

(Note) We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter under review, and such standards have been applied to figures for the first quarter of the fiscal year ending March 2022.

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
Fiscal year ended March 2021	yen	yen	yen	yen	yen
Fiscal year ending March 2022		0.00		20.00	20.00
Fiscal year ending March 2023 (forecast)		0.00		35.00	35.00

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

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)	4,950	9.5	300	—	300	—	200	—	60.09
Full year	10,350	4.4	750	79.3	750	61.2	500	324.8	150.17

(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) : None
 Newly consolidated: — company (companies) (company name)
 Excluded: — company (companies) (company name)
- (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: : Yes
 - 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 2022	3,369,000 shares	Fiscal year ended March 2021	3,369,000 shares
2) Number of treasury shares at the end of the period	Q1 of fiscal year ending March 2022	41,922 shares	Fiscal year ended March 2021	41,922 shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	Q1 of fiscal year ending March 2022	3,327,078 shares	Q1 of fiscal year ended March 2021	3,323,078 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

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 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.

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1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of operating results

We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter under review. Accordingly, such standards have been applied to major management indicators for the three-month period under review.

For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to quarterly consolidated financial statements (Change in accounting policies).”

Concerning the financial results for the three-month period under review, while the impact of the spread of the novel coronavirus (COVID-19) continues, there were signs of improvement in the economy as a result of the recovery of the Chinese economy as well as the resumption of economic activities thanks to widespread vaccination in Europe and the U.S. As the third state of emergency was declared in April due to the resurgence of COVID-19, there were concerns over the slowdown of economic recovery and the outlook of the Japanese economy remains uncertain.

In terms of the business environment of the Group, the business activities of customer companies were normalized as remote work has taken hold, and demand was on a recovery track although business confidence remained low for the Translation Business, especially in the service industry. Meanwhile, the Interpretation Business and the Convention Business have been facing difficult times due to the impact from people voluntarily refraining from holding face-to-face meetings and business talks as well as the repeated revision of plans for international conferences (academic and research societies), seminars and symposiums, and various exhibitions as a result of the continued restrictions on people’s movement on a global level.

Under these circumstances, the Group aimed for sustainable growth in its core Translation Business, and strove to capture the demand for translation accompanying corporate global expansion by utilizing the latest technologies, such as translation support tools and machine translation. In the Interpretation Business and the Convention Business, the Group supported the creation of opportunities for corporate global communication and worked to capture demand by actively proposing online interpretation and online conference support service that digitalize the existing face-to-face services.

As a result, concerning the operating results for the three-month period under review, net sales increased by 12.7% on a year-on-year basis to 2,465 million yen as the Translation Business, which is the core business, performed well and the Interpretation Business, the Language Education Business, and the Convention Business recorded results that exceeded the same period of the previous year. In terms of profit, the Group posted operating income of 178 million yen (operating loss of 45 million yen for the same period of the previous year); ordinary income of 174 million yen (ordinary loss of 45 million yen for the same period of the previous year); and net income attributable to the parent company’s shareholders of 111 million yen (net loss attributable to the parent company’s shareholders of 55 million yen for the same period of the previous year) due to the contribution from the increased sales and the improvement of productivity in the Translation Business.

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

1) Translation Business

In the Translation Business, demand is returning to the previous level, and each field grew steadily although customer companies in certain segments are still affected by the spread of COVID-19.

In the Patent field, net sales increased by 12.4% on a year-on-year basis to 556 million yen due to strong sales to intellectual property departments of patent firms, one of the major customers of the Group. In the Medical field, which maintained a sales increase in the previous fiscal year, net sales increased by 8.5% on a year-on-year basis, to 715 million yen as orders from foreign pharmaceutical companies remained strong and business transactions with Japanese pharmaceutical companies increased. The Industrial & Localization field saw a gradual rebound in demand from the manufacturing industry, such as automobile and machinery, and net sales increased by 5.1% on a year-on-year basis, to 452 million yen. In the Finance & Legal field, net sales decreased by 9.8% on a year-on-year basis, to 133 million yen due to sluggish orders received from administrative departments in the service industry and a reactionary decline in one-time projects the Group won from insurance companies in the previous year.

As a result, net sales of the Translation Business were 1,857 million yen, up 7.2% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches interpreters and translators, net sales amounted to 308 million yen, down 2.1% on a year-on-year basis, because the number of dispatched staff fell below the same period of the previous year due to the completion of fixed-term services, although the Business remained solid, supported by strong demand for staff with strong language skills.

3) Interpretation Business

In the Interpretation Business, net sales increased by 119.3% on a year-on-year basis to 152 million yen by actively capturing the demand for online meeting interpretation, although customer companies voluntarily continue to refrain from face-to-face meetings and business talks due to the impact of the spread of COVID-19.

4) Language Education Business

In the Language Education Business, net sales amounted to 42 million yen, up 30 million yen on a year-on-year basis, as courses of the interpreter and translator training school ISS Institute, Inc. were cancelled and postponed in the previous fiscal year, but they were held online this fiscal year.

5) Convention Business

In the Convention Business, net sales increased by 36 million yen on a year-on-year basis to 42 million yen due to the proposal and organization of events online although face-to-face meetings, etc. continue to be cancelled and postponed.

6) Other

In other segments, net sales rose by 20.4% on a year-on-year basis to 60 million yen due to steady orders received by 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 first quarter under review were 5,509 million yen, down 5 million yen compared with the end of the previous fiscal year. Non-current liabilities were 777 million yen, down 2 million yen from the end of the previous fiscal year.

As a result, total assets were 6,287 million yen, down 8 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 1,485 million yen, down 109 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in provision for bonuses. Non-current liabilities were 182 million yen, up 6 million yen from the end of the previous fiscal year.

As a result, total liabilities were 1,667 million yen, down 102 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 4,619 million yen, up 94 million yen compared to the end of the previous fiscal year. This was mainly due to recording net income attributable to the parent company's shareholders.

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

For the financial results forecasts for the fiscal year ending March 2022, please refer to the "Announcement of Revision of Consolidated Financial Forecast" released today (August 11, 2021).

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year March 31, 2021	First quarter under review June 30, 2021
Assets		
Current assets		
Cash and deposits	3,172,634	3,266,077
Notes and accounts receivable - trade, net	2,003,965	1,931,173
Work in process	112,789	153,866
Other	225,900	158,596
Total current assets	5,515,289	5,509,713
Non-current assets		
Property, plant and equipment	54,789	51,764
Intangible assets	78,473	77,282
Investments and other assets	646,960	648,704
Total non-current assets	780,222	777,751
Total Assets	6,295,512	6,287,465
Liabilities		
Current liabilities		
Accounts payable - trade	720,311	801,416
Income taxes payable	151,476	72,598
Refund liability	—	4,497
Provision for bonuses	272,384	135,947
Other	451,158	471,190
Total current liabilities	1,595,330	1,485,650
Non-current liabilities		
Provision for directors' retirement benefits	3,200	3,200
Retirement benefit liability	172,167	178,875
Total non-current liabilities	175,367	182,075
Total Liabilities	1,770,698	1,667,726
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,550,599	3,637,552
Treasury shares	-103,119	-103,119
Total shareholders' equity	4,514,745	4,601,698
Accumulated other comprehensive income		
Foreign currency translation adjustment	13,452	21,287
Accumulated remeasurements of defined benefit plans	-3,384	-3,247
Total accumulated other comprehensive income	10,068	18,039
Total Net Assets	4,524,814	4,619,738
Total liabilities and net assets	6,295,512	6,287,465

(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, 2020 to June 30, 2020)	Three-month period under review (From April 1, 2021 to June 30, 2021)
Net sales	2,185,829	2,465,142
Cost of sales	1,211,915	1,291,227
Gross profit	973,914	1,173,914
Selling, general and administrative expenses	1,019,253	995,021
Operating profit (loss)	-45,338	178,893
Non-operating income		
Foreign exchange gains	861	—
Share of profit of entities accounted for using equity method	—	2,794
Other	47	164
Total non-operating income	908	2,959
Non-operating expenses		
Foreign exchange losses	—	7,334
Share of loss of entities accounted for using equity method	1,061	—
Other	442	386
Total non-operating expenses	1,504	7,720
Ordinary profit (loss)	-45,934	174,131
Net income (loss) before income taxes	-45,934	174,131
Income taxes	9,100	62,204
Net income (loss)	-55,034	111,927
Net income (loss) attributable to the parent company's shareholders	-55,034	111,927

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

(Unit: Thousand yen)

	Three-month period in the previous fiscal year (From April 1, 2020 to June 30, 2020)	Three-month period under review (From April 1, 2021 to June 30, 2021)
Net income (loss)	-55,034	111,927
Other comprehensive income		
Foreign currency translation adjustment	-824	7,834
Remeasurements of defined benefit plans	188	-1,012
Total other comprehensive income	-635	6,821
Comprehensive income	-55,670	118,749
(Components)		
Comprehensive income attributable to the parent company's shareholders	-55,670	118,749
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.

(Change in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the first quarter under review, and we recognize revenue when the ownership of the promised goods or services has transferred to a customer, in the amount expected to be received in exchange for such goods or service.

Accordingly, for certain transactions of the Translation Business for which the fulfillment of the Company's obligations in a contract with customers is considered to constitute a service provided as an agent who makes arrangements so that another party can provide goods or services, we now offset sales to customers that were traditionally recorded in the full amount against the corresponding cost of sales, and recognize net revenue. In addition, for certain transactions whose revenue was recognized over the period of service provision, we now recognize revenue at the beginning of service provision as a result of reviewing the timing of fulfilling obligations to be performed.

Additionally, in the Convention Business, we have changed the timing of revenue recognition from the first day of an event to the closing day as a result of reviewing the timing of fulfilling obligations to be performed.

Furthermore, although the processing of rebates used to be presented as "Notes and accounts receivable - trade" under "Current assets," due to the application of the Accounting Standard for Revenue Recognition, we have decided to present it as "Refund liability" under "Current liabilities" from the first quarter under review. In accordance with the handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, we have not performed reclassification for the previous consolidated fiscal year based on the new presentation method.

We have applied the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. We added/deducted the cumulative effect of the retroactive application of the new accounting policy to periods before the beginning of the first quarter under review to/from the beginning balance of retained earnings for the first quarter under review, and applied the new accounting policy starting from that beginning balance.

As a result, net sales declined by 44.824 million yen; cost of sales decreased by 57.299 million yen; and operating income, ordinary income, and net income before income taxes increased by 12.474 million yen, respectively, for the three-month period under review. In addition, the beginning balance of retained earnings increased by 41.567 million yen.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

We have applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the first quarter under review, and we prospectively apply the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application of the standards has no impact on the quarterly consolidated financial statements.

(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)

I. Three-month period in the previous fiscal year (From April 1, 2020 to June 30, 2020)

1. Information on net sales, income or loss, and breakdown of revenue 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								
Translation								
Patent	494,616	—	—	—	—	494,616	—	494,616
Medical	659,141	—	—	—	—	659,141	—	659,141
Industrial & Localization	430,778	—	—	—	—	430,778	—	430,778
Finance & Legal	148,222	—	—	—	—	148,222	—	148,222
Temporary Staffing	—	315,340	—	—	—	315,340	—	315,340
Interpretation	—	—	69,637	—	—	69,637	—	69,637
Language Education	—	—	—	12,219	—	12,219	—	12,219
Convention	—	—	—	—	5,438	5,438	—	5,438
Other	—	—	—	—	—	—	50,436	50,436
Revenue from customer contracts	1,732,758	315,340	69,637	12,219	5,438	2,135,393	50,436	2,185,829
Other revenue	—	—	—	—	—	—	—	—
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

II. Three-month period under review (From April 1, 2021 to June 30, 2021)

1. Information on net sales, income or loss, and breakdown of revenue 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								
Translation								
Patent	556,157	—	—	—	—	556,157	—	556,157
Medical	715,422	—	—	—	—	715,422	—	715,422
Industrial & Localization	452,796	—	—	—	—	452,796	—	452,796
Finance & Legal	133,619	—	—	—	—	133,619	—	133,619
Temporary Staffing	—	308,434	—	—	—	308,434	—	308,434
Interpretation	—	—	152,722	—	—	152,722	—	152,722
Language Education	—	—	—	42,957	—	42,957	—	42,957
Convention	—	—	—	—	42,291	42,291	—	42,291
Other	—	—	—	—	—	—	60,739	60,739
Revenue from customer contracts	1,857,996	308,434	152,722	42,957	42,291	2,404,402	60,739	2,465,142
Other revenue	—	—	—	—	—	—	—	—
Sales to external customers	1,857,996	308,434	152,722	42,957	42,291	2,404,402	60,739	2,465,142
Intersegment sales or transfer	12,026	—	6,450	—	—	18,476	156	18,632
Total	1,870,022	308,434	159,173	42,957	42,291	2,422,879	60,895	2,483,775
Segment income (loss)	170,694	25,787	-6,888	4,077	-7,021	186,649	-9,125	177,524

(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	186,649
“Other” income	-9,125
Elimination of intersegment transactions	1,368
Operating income in quarterly consolidated statement of income	178,893