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Financial Results for the Fiscal Year Ended March 31, 2022 [Japan GAAP] (Consolidated)

May 12, 2022

Company Name: Honyaku Center Inc.

Exchange listed on: Tokyo Stock Exchange

Securities Code: 2483 URL <https://www.honyakuctr.com>

Representative: (Title) President (Name) Shunichiro Ninomiya

Contact: (Title) Administrative and Accounts Director (Name) Masashi Uotani TEL 06-6282-5013

Scheduled date of Annual Meeting of Shareholders: June 28, 2022
Scheduled commencement date of dividends payment: June 29, 2022

Scheduled filing date of the securities report: June 29, 2022

Preparation of supplementary materials for financial results: Yes

(Amounts rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results

(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	%
Fiscal year ended March 31, 2022	10,337	4.3	811	94.0	841	80.8	573	387.0
Fiscal year ended March, 31 2021	9,910	-14.1	418	-48.5	465	-43.4	117	-61.4

(Note)

Comprehensive income Fiscal year ended March 31, 2022 585 million yen (414.1%) Fiscal year ended March, 31 2021 113 million yen (-62.2%)

	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 31, 2022	172.14	—	11.9	12.4	7.8
Fiscal year ended March, 31 2021	35.39	—	2.5	7.4	4.2

(Reference)

Equity method investment gain (loss): Fiscal year ended March 31, 2022 37million yen Fiscal year ended March, 31 2021 1million yen

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter. Accordingly, the figures for the fiscal year ended March 31, 2022 are those after the application of this Accounting Standard.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	Yen
As of March 31, 2022	7,172	5,090	70.9	1,528.32
As of March 31, 2021	6,295	4,524	71.8	1,359.99

(Reference)

Shareholders' equity As of March 31, 2022 5,090million yen As of March 31, 2021 4,524million yen

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter. Accordingly, the figures for the fiscal year ended March 31, 2022 are those after the application of this Accounting Standard.

(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 31, 2022	830	-54	-66	3,710
Fiscal year ended March 31, 2021	439	19	-141	2,989

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			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
Fiscal year ended March 31, 2021	—	0.00	—	20.00	20.00	66	56.5	1.4
Fiscal year ended March 31, 2022	—	0.00	—	40.00	40.00	133	23.2	2.7
Fiscal year ending March 2023 (forecast)	—	0.00	—	45.00	45.00		24.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 2023 (from April 1, 2022 to March 31, 2023)

(Percentages represent changes from the previous year for full year, and on a 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)	5,350	7.6	340	5.3	345	4.1	230	4.6	69.02
Full year	11,100	7.3	910	12.1	920	9.3	620	8.1	185.98

*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): None

Newly consolidated: - company (companies) (company name), Excluded: - company (companies) (company name)

(2) 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

(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

As of March 31, 2022	3,369,000 shares	As of March 31, 2021	3,369,000 shares
As of March 31, 2022	37,922 shares	As of March 31, 2021	41,922 shares
Fiscal year ended March 31, 2022	3,329,540 shares	Fiscal year ended March 31, 2021	3,325,540 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended March 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated Operating Results

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 31, 2022	7,160	5.2	759	57.6	780	55.3	526	56.5
Fiscal year ended March 31, 2021	6,803	-4.9	481	-30.1	502	-29.8	336	26.3

	Net income per share		Net income per share – diluted	
	Yen		Yen	
Fiscal year ended March 31, 2022	158.24		—	
Fiscal year ended March 31, 2021	101.23		—	

<Reasons for the discrepancies between the figures above and those for the non-consolidated results for the previous fiscal year>

Due to reasons similar to those stated in “1. Overview of Operating Results, etc. (1) Overview of operating results for the fiscal year ended March 2022” on page 2 of the attached document, there are discrepancies between the figures above and those for the non-consolidated results for the previous fiscal year

(2) Non-consolidated Financial Position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
	million yen		million yen		%		Yen	
As of March 31, 2022	6,442		4,837		75.0		1,452.36	
As of March 31, 2021	5,623		4,329		77.0		1,301.42	

(Reference)

Shareholders' equity As of March 31, 2022 4,837million yen As of March 31, 2021 4,329million yen

*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

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.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended March 2022

During the fiscal year under review, the Japanese economy continued to face difficult circumstances as economic activities were restricted by the intermittent declaration of a state of emergency and certain corporate earnings and consumer spending faltered, associated with the prolonged effect of the novel coronavirus (COVID-19) pandemic. Although various measures related to COVID-19 were gradually eased in line with the progress of COVID-19 vaccination efforts, the economic outlook remained uncertain mainly due to the deterioration of the situation in Ukraine in February of this year in addition to the resurgence of COVID-19 infections due to the new variants.

As for the business environment surrounding the Group, the business activities of corporate customers have returned to normal due to the expansion of remote work, and demand has grown steadily in the Translation Business. In the Interpretation Business, while the voluntary restraint and restrictions on holding face-to-face meetings and negotiations have been prolonged, the use of online interpretation services gradually increased, with demand on a recovery trend. Meanwhile, the Convention Business continued to be in a difficult situation due to the repeated re-examination of plans for international conferences (academic and research societies), seminars and symposiums, as well as various exhibitions as a result of the continued restrictions on the global movement of people.

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 actively utilizing the latest technologies, such as translation support tools and machine translation. In the Interpretation and Convention Business, the Group has supported the creation of opportunities for global communication between companies to meet their demands by actively proposing online interpretation and online meeting support services that digitalize the existing face-to-face services.

As a result, for the operating results for the fiscal year under review, the Group recorded net sales of 10,337 million yen, up 4.3% on a year-on-year basis, due to the steady growth of its core Translation Business and better results for the Interpretation Business and Language Education Business compared with the previous fiscal year; operating income of 811 million yen, up 94.0%; ordinary income of 841 million yen, up 80.8%; and net income attributable to the parent company's shareholders of 573 million yen, up 387.0% due to higher net sales in the Translation Business and an improved gross profit ratio as a result of an increase in productivity.

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

The "Language Education Business," which used to be disclosed as one of the reporting segments, was removed from the reporting segment and has been included in "Other" from the beginning of the fiscal year under review because its quantitative importance has decreased.

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

1) Translation Business

In the Translation Business, demand remained on a recovery track and generally remained strong throughout the fiscal year under review.

In the Patent field, net sales increased by 10.2% on a year-on-year basis to 2,316 million yen due to strong sales to patent firms, the Group's main customer. In the Medical field, net sales increased by 1.0% on a year-on-year basis, to 2,904 million yen, because orders from foreign pharmaceutical companies remained strong and business transactions with Japanese pharmaceutical companies remained steady. In the Industrial & Localization field, net sales decreased by 0.5% on a year-on-year basis to 2,028 million yen due to the effect of adopting the Accounting Standard for Revenue Recognition, despite a gradual recovery in demand mainly from manufacturers such as automobiles and machinery. In the Finance & Legal field, net sales increased by 14.7% on a year-on-year basis to 580 million yen due to large orders from insurance companies and increased orders for IR-related documents in addition to steady orders from administrative departments of corporations.

As a result, net sales of the Translation Business were 7,828 million yen, up 4.1% 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 1,212 million yen, down 1.3% on a year-on-year basis, due to the completion of fixed-term projects, although the Business itself grew steadily supported by robust demand for staff with strong language skills.

3) Interpretation Business

In the Interpretation Business, net sales increased by 37.0% on a year-on-year basis to 655 million yen by actively meeting the demand for interpretation associated with the widespread use of online meetings, although corporate customers' voluntary restraint on holding face-to-face meetings and negotiations has been prolonged.

4) Convention Business

In the Convention Business, projects were gradually moving forward, such as the holding of the “19th International Symposium on Epstein-Barr Virus and associated diseases” and “the 2nd Culture City of East Asia Summit in Kitakyushu” that had been postponed. However, net sales decreased by 26.1% on a year-on-year basis to 220 million yen because restrictions on large-scale international conferences and events were prolonged, and, furthermore, some projects were held in smaller scales due to the digitalization of services.

5) Other

In the Other segment, net sales of the Language Education Business amounted to 420 million yen, up 9.1% on a year-on-year basis, due to the online courses of the interpreter and translator school ISS Institute, Inc. taking root during the fiscal year under review, although the number of students declined due to the switch to online courses from in-person courses in the previous fiscal year.

Foreign Intellectual Property Application Service Inc. changed its trade name to FIPAS Inc. as of October 1, 2021.

(2) Overview of financial position as of March 31, 2022

(Assets)

Current assets as of the end of the fiscal year under review were 6,311 million yen, up 795 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in cash and deposits. Non-current assets increased by 81 million yen from the end of the previous fiscal year to 861 million yen. This was mainly due to increases in deferred tax assets and investment securities.

As a result, total assets were 7,172 million yen, up 877 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 1,891 million yen, up 296 million yen compared to the end of the previous fiscal year.

This was mainly due to increases in accounts payable - trade and income taxes payable. Non-current liabilities were 190 million yen, up 14 million yen from the end of the previous fiscal year.

As a result, total liabilities were 2,081 million yen, up 311 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 5,090 million yen, up 566 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) Overview of cash flows for the fiscal year ended March 2022

Cash and cash equivalents as of the end of the fiscal year under review were 3,710 million yen, up 720 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 830 million yen, compared to 439 million yen in the previous fiscal year.

Major components were the recording of net income before income taxes of 838 million yen and depreciation of 38 million yen.

Cash flows from investing activities

Net cash used in investing activities was 54 million yen, compared to 19 million yen of proceeds in the previous fiscal year.

This was mainly due to payments of guarantee deposits of 27 million yen.

Cash flows from financing activities

Net cash used in financing activities was 66 million yen, compared to 141 million yen in the previous fiscal year.

This was mainly due to payment of dividends of 66 million yen.

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Shareholders' equity ratio (%)	68.6	67.0	73.0	71.8	70.9
Shareholders' equity ratio on a market value basis (%)	118.3	137.5	65.0	78.1	68.7
Ratio of cash flows to interest-bearing debt (year)	0.0	—	—	—	—
Interest coverage ratio	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, amid the normalization of economic activities while measures are taken to prevent the spread of COVID-19. However, close attention needs to be paid to risk factors for economic downturns, such as escalating costs of raw materials and volatile financial and capital markets due to Ukraine situation, as well as supply chain disruptions due to the spread of COVID-19 variants, and the economic uncertainty is expected to continue for a while.

Under such circumstances, the Group aims to be a company that offers high added value and responds to increasingly diversified and sophisticated customer needs by accurately capturing changes in the external environment and satisfying demand.

The Group's initiatives by segment are as follows.

Under the basic policy and priority measures of the new Medium-Term Management Plan released in May 2022, the Translation Business will endeavor to further increase its customer share through pursuing expertise required for different types of documents in addition to securing expertise required by different industries. 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 takes root at many companies due to the spread of COVID-19.

In the Interpretation Business and the Convention Business, the Group will continue to restore profitability, which fell due to the pandemic, mainly through providing services that leverage digital technologies such as online interpretation and online conference organization support, and promote business strategies that respond to changes in the external environment.

Accordingly, the Company expects net sales of 11,100 million yen, up 7.3% on a year-on-year basis; operating income of 910 million yen, up 12.1% on a year-on-year basis; ordinary income of 920 million yen, up 9.3% on a year-on-year basis; and net income attributable to the parent company's shareholders of 620 million yen, up 8.1% 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 the 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 As of March 31, 2021	Fiscal year under review As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,172,634	3,899,282
Notes and accounts receivable - trade	2,004,212	2,110,832
Work in process	112,789	135,705
Other	225,900	165,660
Allowance for doubtful accounts	-247	-207
Total current assets	5,515,289	6,311,274
Non-current assets		
Property, plant and equipment		
Buildings	128,277	128,698
Accumulated depreciation	-90,932	-96,396
Buildings, net	37,344	32,302
Tools, furniture and fixtures	106,393	82,428
Accumulated depreciation	-88,949	-74,105
Tools, furniture and fixtures, net	17,444	8,322
Total property, plant and equipment	54,789	40,625
Intangible assets	78,473	66,484
Investments and other assets		
Investment securities	203,254	241,106
Retirement benefit asset	68,834	67,938
Deferred tax assets	177,126	225,453
Other	201,212	220,249
Allowance for doubtful accounts	-3,467	-448
Total investments and other assets	646,960	754,298
Total non-current assets	780,222	861,408
Total Assets	6,295,512	7,172,683

(Unit: Thousand yen)

	Previous fiscal year As of March 31, 2021	Fiscal year under review As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	720,311	812,213
Income taxes payable	151,476	252,171
Refund liability	—	5,772
Provision for bonuses	272,384	287,477
Provision for bonuses for directors (and other officers)	2,000	23,000
Other	449,158	510,801
Total current liabilities	1,595,330	1,891,437
Non-current liabilities		
Provision for directors' retirement benefits	3,200	3,200
Retirement benefit liability	172,167	187,063
Total non-current liabilities	175,367	190,263
Total Liabilities	1,770,698	2,081,701
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	3,550,599	4,094,968
Treasury shares	-103,119	-93,283
Total shareholders' equity	4,514,745	5,068,951
Accumulated other comprehensive income		
Foreign currency translation adjustment	13,452	25,778
Accumulated remeasurements of defined benefit plans	-3,384	-3,747
Total accumulated other comprehensive income	10,068	22,031
Total Net Assets	4,524,814	5,090,982
Total liabilities and net assets	6,295,512	7,172,683

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

Consolidated statement of income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net sales	9,910,877	10,337,326
Cost of sales	5,536,927	5,429,412
Gross profit	4,373,950	4,907,914
Selling, general and administrative expenses	3,955,790	4,096,446
Operating income	418,159	811,467
Non-operating income		
Interest income	54	35
Foreign exchange gains	5,943	—
Share of profit of entities accounted for using equity method	1,282	37,852
Subsidy income	40,622	1,040
Other	1,648	1,786
Total non-operating income	49,552	40,714
Non-operating expenses		
Commission expenses	2,018	386
Foreign exchange losses	—	10,457
Miscellaneous losses	553	0
Total non-operating expenses	2,571	10,844
Ordinary income	465,140	841,337
Extraordinary losses		
Loss on retirement of non-current assets	655	2,930
Impairment loss	192,703	—
Total extraordinary losses	193,358	2,930
Net income before income taxes	271,781	838,406
Income taxes - current	177,398	317,467
Income taxes - deferred	-23,310	-52,240
Total income taxes	154,088	265,227
Net income	117,693	573,179
Net income attributable to the parent company's shareholders	117,693	573,179

Consolidated statement of comprehensive income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net income	117,693	573,179
Other comprehensive income		
Foreign currency translation adjustment	-6,712	12,325
Remeasurements of defined benefit plans	2,833	-363
Total other comprehensive income	-3,879	11,962
Comprehensive income	113,813	585,141
(Components)		
Comprehensive income attributable to the parent company's shareholders	113,813	585,141
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

Previous fiscal year (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

Fiscal year under review (From April 1, 2021 to March 31, 2022)

(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	3,550,599	-103,119	4,514,745
Cumulative effects of changes in accounting policies			41,567		41,567
Restated balance	588,443	478,823	3,592,166	-103,119	4,556,313
Changes in items during period					
Dividends of surplus			-66,541		-66,541
Net income attributable to the parent company's shareholders			573,179		573,179
Restricted share-based remuneration			-3,836	9,836	6,000
Net changes in items other than shareholders' equity					
Total changes in items during period	—	—	502,801	9,836	512,637
Balance at end of current period	588,443	478,823	4,094,968	-93,283	5,068,951

	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	13,452	-3,384	10,068	4,524,814
Cumulative effects of changes in accounting policies				41,567
Restated balance	13,452	-3,384	10,068	4,566,381
Changes in items during period				
Dividends of surplus				-66,541
Net income attributable to the parent company's shareholders				573,179
Restricted share-based remuneration				6,000
Net changes in items other than shareholders' equity	12,325	-363	11,962	11,962
Total changes in items during period	12,325	-363	11,962	524,600
Balance at end of current period	25,778	-3,747	22,031	5,090,982

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Net income before income taxes	271,781	838,406
Depreciation	43,241	38,131
Amortization of goodwill	20,646	—
Share-based remuneration expenses	6,654	5,565
Interest and dividend income	-54	-35
Subsidy income	-40,622	-1,040
Commission expenses	2,018	386
Share of loss (profit) of entities accounted for using equity method	-1,282	-37,852
Loss on retirement of non-current assets	655	2,930
Impairment loss	192,703	—
Increase (decrease) in allowance for doubtful accounts	934	-3,058
Increase (decrease) in provision for bonuses	-241	15,093
Increase (decrease) in provision for bonuses for directors (and other officers)	-6,000	21,000
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-18,200	—
Increase (decrease) in retirement benefit liability	24,095	14,670
Decrease (increase) in retirement benefit asset	-3,682	896
Decrease (increase) in trade receivables	-61,183	16,426
Decrease (increase) in inventories	21,756	-22,334
Increase (decrease) in trade payables	-8,351	-1,721
Other	63,903	121,450
Subtotal	508,775	1,008,916
Interest and dividends received	54	35
Subsidy received	40,622	1,040
Income taxes refund (paid)	-110,055	-179,684
Cash flows from operating activities	439,397	830,308
Cash flows from investing activities		
Purchase of property, plant and equipment	-4,885	-474
Purchase of intangible assets	-30,271	-21,194
Payments for asset retirement obligations	-3,355	—
Payments into time deposits	-23,516	-6,002
Proceeds from withdrawal of time deposits	80,022	—
Payments of guarantee deposits	-1,710	-27,803
Proceeds from refund of guarantee deposits	3,482	1,305
Cash flows from investing activities	19,765	-54,169
Cash flows from financing activities		
Dividends paid	-139,569	-66,541
Commission expenses paid	-1,966	-386
Cash flows from financing activities	-141,535	-66,927
Effect of exchange rate change on cash and cash equivalents	-5,997	11,435
Net increase (decrease) in cash and cash equivalents	311,630	720,646
Cash and cash equivalents at beginning of period	2,678,130	2,989,761
Cash and cash equivalents at end of period	2,989,761	3,710,407

(5) Notes to consolidated financial statements

(Notes to assumptions for going concerns)

Not applicable.

(Significant matters that serve as the basis for the 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.

Foreign Intellectual Property Application Service Inc. changed its trade name to FIPAS Inc. as of October 1, 2021.

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

1) Securities

Available-for-sale securities

Securities other than shares that do not have a 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).

Shares that do not have a market value

Stated at cost based on the moving-average method.

2) Inventories

Work in process

Stated at cost by the specific cost method (amounts on the balance sheet are calculated after the book value is entered based on a decrease in profitability).

(2) Method of depreciation and amortization for significant depreciable assets

1) 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

2) 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

1) 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.

2) 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 amount shall be disbursed.

3) 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.

4) 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 the 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 office on or before the date the system was abolished.

(4) Accounting procedures for retirement benefits

1) 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.

2) 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 each fiscal year of recognition.

3) 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 are amortized by the straight-line method over a period of 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.

(Change in accounting policies)

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

The Company has 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 fiscal year under review, and the Company recognizes 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, the Company now offsets sales to customers that were traditionally recorded in the full amount against the corresponding cost of sales, and recognizes net revenue. In addition, for certain transactions whose revenue was recognized over the period of service provision, the Company now recognizes 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, the Company has 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 was presented as "Notes and accounts receivable - trade" under "Current assets" on the consolidated balance sheet of the previous fiscal year due to the application of the Accounting Standard for Revenue Recognition, the Company has decided to present it as "Refund liability" under "Current liabilities" from the fiscal year under review. In accordance with the handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not performed reclassification for the previous consolidated fiscal year based on the new presentation method. Regarding the Translation Business, the contract liabilities received from certain customers are included as "Advances received" and shown under "Other" under current liabilities.

The Company has 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. The Company added/deducted the cumulative effect of the retroactive application of the new accounting policy to periods before the

beginning of the fiscal year under review to/from the beginning balance of retained earnings for the fiscal year under review, and applied the new accounting policy starting from that beginning balance.

As a result, net sales declined by 264.718 million yen; cost of sales decreased by 261.155 million yen; and operating income, ordinary income, and net income before income taxes decreased by 3.563 million yen, respectively, for the fiscal year under review. In addition, the beginning balance of retained earnings for the current fiscal year increased by 41.567 million yen.

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

The Company has 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 fiscal year under review, and the Company prospectively applies 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 consolidated financial statements.

(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, 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, 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) Convention Business

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

The “Language Education Business,” which used to be disclosed as one of the reporting segments, was removed from the reporting segment and has been included in “Other” from the beginning of the fiscal year under review because its quantitative importance has decreased.

The disclosed segment information for the previous fiscal year 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 the 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, and Breakdown of Revenue by Reporting Segment
Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Translation							
Patent	2,100,348	—	—	—	2,100,348	—	2,100,348
Medical	2,875,107	—	—	—	2,875,107	—	2,875,107
Industrial & Localization	2,038,885	—	—	—	2,038,885	—	2,038,885
Finance & Legal	505,726	—	—	—	505,726	—	505,726
Temporary Staffing	—	1,228,589	—	—	1,228,589	—	1,228,589
Interpretation	—	—	477,995	—	477,995	—	477,995
Convention	—	—	—	298,751	298,751	—	298,751
Other	—	—	—	—	—	385,472	385,472
Revenue from customer contracts	7,520,068	1,228,589	477,995	298,751	9,525,405	385,472	9,910,877
Other revenue	—	—	—	—	—	—	—
Sales to external customers	7,520,068	1,228,589	477,966	298,781	9,525,405	385,472	9,910,877
Intersegment sales or transfer	71,088	-	16,577	-	87,665	1,628	89,293
Total	7,591,156	1,228,589	494,543	298,781	9,613,070	387,100	10,000,171
Segment income (loss)	496,101	105,182	-69,383	-57,649	474,250	-64,357	409,893
Segment assets	5,593,574	160,777	88,503	61,172	5,904,027	255,118	6,159,146
Other items							
Depreciation	30,960	1,678	4,060	3,590	40,288	2,953	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 the overseas patent application support business.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Translation							
Patent	2,316,267	—	—	—	2,316,267	—	2,316,267
Medical	2,904,069	—	—	—	2,904,069	—	2,904,069
Industrial & Localization	2,028,019	—	—	—	2,028,019	—	2,028,019
Finance & Legal	580,085	—	—	—	580,085	—	580,085
Temporary Staffing	—	1,212,296	—	—	1,212,296	—	1,212,296
Interpretation	—	—	655,136	—	655,136	—	655,136
Convention	—	—	—	220,790	220,790	—	220,790
Other	—	—	—	—	—	420,660	420,660
Revenue from customer contracts	7,828,442	1,212,296	655,136	220,790	9,916,665	420,660	10,337,326
Other revenue	—	—	—	—	—	—	—
Sales to external customers	7,828,442	1,212,296	655,136	220,790	9,916,665	420,660	10,337,326
Intersegment sales or transfer	64,091	—	36,898	49	101,038	1,583	102,622
Total	7,892,533	1,212,296	692,034	220,839	10,017,703	422,244	10,439,948
Segment income (loss)	784,045	86,332	-16,094	-16,164	838,119	-31,537	806,582
Segment assets	6,384,008	144,726	97,714	61,271	6,687,721	294,492	6,982,213
Other items							
Depreciation	26,453	1,234	4,480	3,506	35,673	2,457	38,131
Investment in entities accounted for using equity method	—	—	—	—	—	73,796	73,796
Increase in property, plant and equipment and intangible assets	22,434	800	—	—	23,234	—	23,234

(Note) "Other" represents segments not included in reporting segments and includes the 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	9,613,070	10,017,703
“Other” sales	387,100	422,244
Elimination of intersegment transactions	-89,293	-102,622
Net sales reported in consolidated financial statements	9,910,877	10,337,326

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	474,250	838,119
“Other” income	-64,357	-31,537
Elimination of intersegment transactions	8,266	4,885
Operating income reported in consolidated financial statements	418,159	811,467

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	5,904,027	6,687,721
“Other” assets	255,118	294,492
Elimination of intersegment transactions	-548,284	-546,858
Company-wide assets (Note)	684,651	737,498
Total assets reported in consolidated financial statements	6,295,512	7,172,683

(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	40,288	35,673	2,953	2,457	-	-	43,241	38,131
Increase in property, plant and equipment and intangible assets	36,725	23,234	-	-	3,109	-	39,834	23,234

(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, 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.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	7,828,442	1,212,296	1,296,586	10,337,326

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, 2020 to March 31, 2021)

(Unit: Thousand yen)

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

Fiscal year under review (From April 1, 2021 to March 31, 2022)

Not applicable.

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

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

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

Fiscal year under review (From April 1, 2021 to March 31, 2022)

Not applicable.

[Information on gain on negative goodwill by reporting segment]

Not applicable.

(Per-share information)

Previous fiscal year (From April 1, 2020 to March 31, 2021)		Fiscal year under review (From April 1, 2021 to March 31, 2022)	
Net assets per share	1,359.99 yen	Net assets per share	1,528.32 yen
Net income per share	35.39 yen	Net income per share	172.14 yen

(Notes) 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, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	117,693	573,179
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to owners of parent related to common shares (thousand yen)	117,693	573,179
Average number of common shares (shares)	3,325,540	3,329,540

(Important subsequent events)

Not applicable.