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Financial Results for the Six-Month Period Ended September 30, 2022 [Japan GAAP] (Consolidated)

November 10, 2022

Company Name: Honyaku Center Inc. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 2483 URL <https://www.honyakuctr.com>
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 Director
 Scheduled date for submission of quarterly report: November 14, 2022
 Scheduled commencement date of dividends payment:
 Preparation of supplementary materials for quarterly report: None
 Convening quarterly results briefing: Yes

(Amounts rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders	
	million yen	%	million yen	%	million yen	%	million yen	%
Six-month period ended September 30, 2022	5,238	5.4	389	20.5	390	17.9	259	17.9
Six-month period ended September 30, 2021	4,968	9.9	322	—	331	—	219	—

(Note) Comprehensive income: Six-month period ended September 30, 2022 280million yen (23.9%) Six-month period ended September 30, 2021 226million yen (-%)

	Net income per share	Net income per share – diluted
	Yen	Yen
Six-month period ended September 30, 2022	77.81	—
Six-month period ended September 30, 2021	66.05	—

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six-month period ended September 30, 2022	7,084	5,247	74.0
Fiscal year ended March 2022	7,172	5,090	70.9

(Reference) Shareholders' equity: Six-month period ended September 30, 2022 5,247million yen Fiscal year ended March 2022 5,090million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
Fiscal year ended March 2022	Yen —	Yen 0.00	Yen —	Yen 40.00	Yen 40.00
Fiscal year ending March 2023	—	0.00			
Fiscal year ending March 2023 (forecast)			—	45.00	45.00

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

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

(Percentages represent changes from the previous year)

Full year	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
	11,100	7.3	960	18.3	960	14.1	650	13.4	194.92

(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 for preparation of the quarterly consolidated financial statements: Yes

(Note) For details, see “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to quarterly consolidated financial statements (Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)” on Page 8 of the attachments

(3) Change in accounting policies or estimates and retrospective restatements

1) Change in accounting policies in accordance with revision of accounting standards: None

2) Change in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

Six-month period ended September 30, 2022	3,369,000shares	Fiscal year ended March 2022	3,369,000shares
2) Number of treasury shares at the end of the period	32,222shares	Fiscal year ended March 2022	37,922shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	3,332,707shares	Six-month period ended September 30, 2021	3,328,221shares

*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

Concerning the financial results for the six-month period under review, there were signs of improvement in the Japanese economy due to the measures to deal with the novel coronavirus (COVID-19) and the effect of various measures to support economic and social activities. However, there were concerns, such as restrictions on the supply of raw materials and energy and rising prices associated with rapid foreign exchange fluctuations as a result of the prolonged Russia-Ukraine situation and the resurgence of COVID-19 in China, and thus the outlook of the Japanese economy remains uncertain.

As for the business environment surrounding the Group, demand has grown steadily in the Translation Business, and that in the Interpretation Business is also on a recovery track as a result of the online interpretation service taking hold. 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 in spite of the gradual relaxation of the restrictions on the global movement of people.

Under these circumstances, the Group, based on the Medium-Term Management Plan, a three-year plan starting in the fiscal year ending March 2023, aimed for sustainable growth in its core Translation Business, and strove to capture the demand for translation and interpretation accompanying corporate global expansion by actively utilizing the latest technologies, such as translation support tools and machine translation.

As a result, for the operating results for the six-month period under review, the Honyaku Center Group (Group) posted net sales of 5,238 million yen, up 5.4% on a year-on-year basis, as the Translation Business, which is the core business, performed well, and the Interpretation Business stayed on a recovery track. In terms of profit, the Group posted operating income of 389 million yen, up 20.5% on a year-on-year basis; ordinary income of 390 million yen, up 17.9% on a year-on-year basis; and net income attributable to the parent company's shareholders of 259 million yen, up 17.9% on a year-on-year basis, due to the increased sales in the Translation Business.

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

1) Translation Business

In the Patent field, net sales increased by 18.2% on a year-on-year basis to 1,329 million yen due to strong orders from patent firms, one of the major customers of the Group, and intellectual property departments of corporations in addition to contributions from sales to information and telecommunication companies. In the Medical field, net sales declined by 6.7% on a year-on-year basis to 1,350 million yen as a result of decreased orders from Contract Research Organizations (CRO) and a reactionary decline in projects related to COVID-19, which were won in the previous term, as well as a temporary decline in translation demand due to clients' trial schedules. The Industrial & Localization field saw strong demand from the manufacturing industry and won large projects from information and telecommunication companies, and net sales increased by 15.0% on a year-on-year basis, to 1,002 million yen. In the Finance & Legal field, net sales increased by 5.9% on a year-on-year basis to 300 million yen as orders for IR-related documents have increased as a result of the reorganization of the TSE's market structure.

As a result, net sales of the Translation Business were 3,983 million yen, up 6.8% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with strong language skills, net sales amounted to 556 million yen, down 8.7% on a year-on-year basis, because the number of staff under regular employment fell below the same period of the previous year due to an increase in those whose dispatch period expired, in spite of strong new orders.

3) Interpretation Business

In the Interpretation Business, net sales increased by 29.6% on a year-on-year basis to 421 million yen due to the Group's winning of large conference projects from several financial institutions, in addition to strong orders from pharmaceutical companies and precision/telecommunications equipment manufacturers, one of the major customers of the Group, and stable orders from foreign consulting firms.

4) Convention Business

In the Convention Business, despite recording sales from large conference projects held in the first quarter, net sales decreased by 9.2% on a year-on-year basis to 86 million yen because restrictions on large-scale international conferences and events were prolonged and some projects continued to be held in smaller scales due to the digitalization of services.

5) Other

In the Other segment, net sales amounted to 189 million yen, down 9.5% on a year-on-year basis, due to low enrollment in the interpreter and translator school ISS Institute, Inc., in the Language Education Business, in addition to the sluggish sales of FIPAS Inc., which provides support for foreign patent applications, including the preparation of patent specifications and the application process.

(2) Explanation of financial position

(Assets)

Current assets as of the end of the second quarter under review were 6,186 million yen, down 125 million yen compared with the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts receivable - trade as a result of the collection of fees in the Translation Business. Non-current assets increased by 36 million yen from the end of the previous fiscal year to 898 million yen. This was mainly due to an increase in guarantee deposits.

As a result, total assets were 7,084 million yen, down 88 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the second quarter under review were 1,637 million yen, down 253 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in accounts payable - other and income taxes payable. Non-current liabilities were 199 million yen, up 9 million yen from the end of the previous fiscal year. This was mainly due to an increase in retirement benefit liability.

As a result, total liabilities were 1,837 million yen, down 244 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the second quarter under review were 5,247 million yen, up 156 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 and the payment of dividends of surplus.

(Cash flows)

Cash and cash equivalents as of the end of the second quarter under review were 3,693 million yen, down 16 million yen compared to the end of the previous fiscal year.

Cash flows and factors for changes thereof in the six-month period under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 118 million yen (426 million yen of proceeds in the same period of the previous year).

This was mainly due to 390 million yen of net income before income taxes and 164 million yen provided by a decrease in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was 20 million yen (40 million yen of payments in the same period of the previous year).

This was mainly due to the payment of 11 million yen for guarantee deposits and the payment of 5 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 133 million yen (66 million yen of payments in the same period of the previous year) due to the payment of dividends.

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

For the financial results forecasts for the fiscal year ending March 2023, see the "Announcement of Revision of Consolidated Financial Forecast" announced today (November 10, 2022).

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year As of March 31, 2022	Second quarter under review As of September 30, 2022
Assets		
Current assets		
Cash and deposits	3,899,282	3,885,414
Notes and accounts receivable - trade, net	2,110,625	1,948,421
Work in process	135,705	180,886
Other	165,660	171,538
Total current assets	6,311,274	6,186,261
Non-current assets		
Property, plant and equipment	40,625	36,527
Intangible assets	66,484	58,794
Investments and other assets	754,298	802,898
Total non-current assets	861,408	898,219
Total Assets	7,172,683	7,084,481
Liabilities		
Current liabilities		
Accounts payable - trade	812,213	795,795
Income taxes payable	252,171	161,864
Refund liability	5,772	6,860
Provision for bonuses	287,477	297,435
Other	533,801	375,597
Total current liabilities	1,891,437	1,637,553
Non-current liabilities		
Provision for directors' retirement benefits	3,200	3,200
Retirement benefit liability	187,063	196,564
Total non-current liabilities	190,263	199,764
Total Liabilities	2,081,701	1,837,318
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	4,094,968	4,215,511
Treasury shares	-93,283	-79,267
Total shareholders' equity	5,068,951	5,203,510
Accumulated other comprehensive income		
Foreign currency translation adjustment	25,778	46,885
Accumulated remeasurements of defined benefit plans	-3,747	-3,232
Total accumulated other comprehensive income	22,031	43,653
Total Net Assets	5,090,982	5,247,163
Total liabilities and net assets	7,172,683	7,084,481

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

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2021 to September 30, 2021)	Six-month period under review (From April 1, 2022 to September 30, 2022)
Net sales	4,968,443	5,238,786
Cost of sales	2,613,736	2,763,826
Gross profit	2,354,707	2,474,959
Selling, general and administrative expenses	2,032,083	2,085,891
Operating income	322,624	389,068
Non-operating income		
Interest income	14	18
Share of profit of entities accounted for using equity method	15,283	15,400
Subsidy income	440	—
Other	611	576
Total non-operating income	16,349	15,994
Non-operating expenses		
Commission expenses	386	—
Foreign exchange losses	7,305	14,288
Other	0	0
Total non-operating expenses	7,692	14,288
Ordinary income	331,281	390,774
Extraordinary losses		
Loss on retirement of non-current assets	—	12
Total extraordinary losses	—	12
Net income before income taxes	331,281	390,762
Income taxes	111,422	131,418
Net income	219,858	259,343
Net income attributable to the parent company's shareholders	219,858	259,343

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

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2021 to September 30, 2021)	Six-month period under review (From April 1, 2022 to September 30, 2022)
Net income	219,858	259,343
Other comprehensive income		
Foreign currency translation adjustment	7,702	21,107
Remeasurements of defined benefit plans	-875	515
Total other comprehensive income	6,827	21,622
Comprehensive income	226,685	280,965
(Components)		
Comprehensive income attributable to the parent company's shareholders	226,685	280,965
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statement of cash flows

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (From April 1, 2021 to September 30, 2021)	Six-month period under review (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Net income before income taxes	331,281	390,762
Depreciation	18,619	16,513
Share-based remuneration expenses	2,565	3,409
Increase (decrease) in allowance for doubtful accounts	-2,123	735
Increase (decrease) in provision for bonuses	-2,587	9,957
Increase (decrease) in provision for directors' bonuses	8,000	-10,000
Increase (decrease) in net defined benefit liability	11,878	9,945
Decrease (increase) in net defined benefit asset	-72	-1,437
Interest and dividend income	-14	-18
Share of loss (profit) of entities accounted for using equity method	-15,283	-15,400
Loss on retirement of non-current assets	—	12
Decrease (increase) in trade receivables	296,855	164,434
Subsidy income	-440	—
Decrease (increase) in inventories	-32,471	-45,118
Increase (decrease) in notes and accounts payable – trade	-85,504	-17,024
Other	1,688	-164,263
Subtotal	532,391	342,508
Interest and dividends received	14	18
Proceeds from subsidy income	440	—
Income taxes paid	-105,899	-224,176
Net cash provided by (used in) operating activities	426,946	118,349
Cash flows from investing activities		
Purchase of property, plant and equipment	-210	-796
Purchase of intangible assets	-9,908	-5,202
Payments into time deposits	-3,000	-3,000
Payments for guarantee deposits	-27,803	-11,972
Proceeds from collection of guarantee deposits	728	206
Net cash provided by (used in) investing activities	-40,193	-20,765
Cash flows from financing activities		
Dividends paid	-66,541	-133,243
Net cash provided by (used in) financing activities	-66,541	-133,243
Effect of exchange rate change on cash and cash equivalents	7,199	18,790
Net increase (decrease) in cash and cash equivalents	327,410	-16,868
Cash and cash equivalents at beginning of period	2,989,761	3,710,407
Cash and cash equivalents at end of period	3,317,171	3,693,539

(4) Notes to quarterly consolidated financial statements

(Notes to assumptions for going concerns)

Not applicable.

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Adoption of special accounting procedures for preparation of the quarterly consolidated financial statements)

With respect to tax expenses, the Company reasonably estimated the effective tax rate after applying tax effect accounting to net income before income taxes in the fiscal year including the second quarter under review and calculated them by multiplying this estimated effective tax rate by net income before income taxes.

(Segment information)

Segment information

I. Six-month period in the previous fiscal year (From April 1, 2021 to September 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	Interpretati on Business	Convention Business	Total		
Net sales							
Translation							
Patent	1,124,371	—	—	—	1,124,371	—	1,124,371
Medical	1,448,028	—	—	—	1,448,028	—	1,448,028
Industrial & Localization	871,298	—	—	—	871,298	—	871,298
Finance & Legal	284,017	—	—	—	284,017	—	284,017
Temporary Staffing	—	610,200	—	—	610,200	—	610,200
Interpretation	—	—	325,124	—	325,124	—	325,124
Convention	—	—	—	95,563	95,563	—	95,563
Other	—	—	—	—	—	209,838	209,838
Revenue from customer contracts	3,727,716	610,200	325,124	95,563	4,758,605	209,838	4,968,443
Other revenue	—	—	—	—	—	—	—
Sales to external customers	3,727,716	610,200	325,124	95,563	4,758,605	209,838	4,968,443
Intersegment sales or transfer	26,846	—	13,277	49	40,172	921	41,094
Total	3,754,562	610,200	338,402	95,612	4,798,778	210,759	5,009,538
Segment income (loss)	311,548	46,600	-10,027	-14,016	334,105	-14,035	320,069

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

2. Difference between the total income or loss of the reporting segment and the amounts reported in the quarterly consolidated statement of income and major components thereof (matters concerning difference adjustment)

(Unit: Thousand yen)

Income	Amount of payment
Reporting segment total	334,105
"Other" income	-14,035
Elimination of intersegment transactions	2,554
Operating income in quarterly consolidated statement of income	322,624

II. Six-month period under review (From April 1, 2022 to September 30, 2022)

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	Convention Business	Total		
Net sales							
Translation							
Patent	1,329,960	—	—	—	1,329,960	—	1,329,960
Medical	1,350,702	—	—	—	1,350,702	—	1,350,702
Industrial & Localization	1,002,446	—	—	—	1,002,446	—	1,002,446
Finance & Legal	300,862	—	—	—	300,862	—	300,862
Temporary Staffing	—	556,785	—	—	556,785	—	556,785
Interpretation	—	—	421,623	—	421,623	—	421,623
Convention	—	—	—	86,692	86,692	—	86,692
Other	—	—	—	—	—	189,714	189,714
Revenue from customer contracts	3,983,971	556,785	421,623	86,692	5,049,072	189,714	5,238,786
Other revenue	—	—	—	—	—	—	—
Sales to external customers	3,983,971	556,785	421,623	86,692	5,049,072	189,714	5,238,786
Intersegment sales or transfer	25,482	—	32,274	—	57,757	838	58,595
Total	4,009,454	556,785	453,897	86,692	5,106,829	190,552	5,297,382
Segment income (loss)	404,542	25,470	3,523	-16,299	417,237	-30,463	386,773

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

2. Difference between the total income or loss of the reporting segment and the amounts reported in the quarterly consolidated statement of income and major components thereof (matters concerning difference adjustment)

(Unit: Thousand yen)

Income	Amount of payment
Reporting segment total	417,237
“Other” income	-30,463
Elimination of intersegment transactions	2,294
Operating income in quarterly consolidated statement of income	389,068

3. Changes in reporting segments

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 previous fiscal year because its quantitative importance has decreased.

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