



Financial Results for the Fiscal Year Ended March 31, 2023 [Japan GAAP] (Consolidated)

May 11, 2023

Company Name: Honyaku Center Inc. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 2483 URL: <https://www.honyakuctr.com>
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 Scheduled date of Annual Meeting of Shareholders: June 28, 2023 Scheduled commencement date of dividends payment: June 29, 2023
 Scheduled filing date of the securities report: June 29, 2023
 Preparation of supplementary materials for financial results: None
 Convening financial results briefing: None

(Amounts rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	10,947	5.9	928	14.4	960	14.1	686	19.8
Fiscal year ended March 31, 2022	10,337	4.3	811	94.0	841	80.8	573	387.0

(Note)

Comprehensive income: Fiscal year ended March 31, 2023 706 million yen (20.7%) Fiscal year ended March 31, 2022 585 million yen (414.1%)

	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, 2023	205.94	-	12.7	13.1	8.4
Fiscal year ended March 31, 2022	172.14	-	11.9	12.4	7.8

(Reference)

Equity method investment gain (loss): Fiscal year ended March 31, 2023 45 million yen Fiscal year ended March 31, 2022 37 million yen

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	Yen
As of March 31, 2023	7,486	5,672	75.7	1,700.12
As of March 31, 2022	7,172	5,090	70.9	1,528.32

(Reference) Shareholders' equity: As of March 31, 2023 5,672 million yen As of March 31, 2022 5,090 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended March 31, 2023	373	-28	-133	3,938
Fiscal year ended March 31, 2022	830	-54	-66	3,710

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, 2022	-	0.00	-	40.00	40.00	133	23.2	2.7
Fiscal year ended March 31, 2023	-	0.00	-	45.00	45.00	150	21.8	2.7
Fiscal year ending March 31, 2024 (forecast)	-	0.00	-	50.00	50.00		23.8	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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)	5,500	4.9	410	5.3	420	7.4	280	7.9	83.87
Full year	11,550	5.5	1,000	7.6	1,020	6.1	700	1.9	209.56

*Notes

(1) Changes in major subsidiaries during the fiscal year under review (Change in specific subsidiaries resulting in 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: None

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

3) Change in accounting estimates: None

4) Retrospective restatements: None

(3) Number of shares issued (common shares)

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

As of March 31, 2023	3,369,000shares	As of March 31, 2022	3,369,000shares
As of March 31, 2023	32,222shares	As of March 31, 2022	37,922shares
Fiscal year ended March 31, 2023	3,334,586shares	Fiscal year ended March 31, 2022	3,329,540shares

2) Number of treasury shares at the end of the period

3) Average number of shares issued during the period

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	7,810	9.0	945	24.4	967	23.9	701	33.1
Fiscal year ended March 31, 2022	7,160	5.2	759	57.6	780	55.3	526	56.5

	Net income per share	Net income per share – diluted
	Yen	Yen
Fiscal year ended March 31, 2023	210.32	-
Fiscal year ended March 31, 2022	158.24	-

<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 2023” on page 4 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, 2023	6,812	5,414	79.4	1,622.66
As of March 31, 2022	6,442	4,837	75.0	1,452.36

(Reference)

Shareholders' equity: As of March 31, 2023 5,414 million yen As of March 31, 2022 4,837 million 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 6.

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1. Overview of Operating Results, etc.

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

Concerning the financial results for the fiscal year 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, concerns over accelerated inflation and an economic slowdown are growing due to factors such as soaring energy and raw material prices as a result of the prolonged Russia-Ukraine situation and rapid foreign exchange fluctuations due to global monetary tightening, 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 owing to a recovery in the performance of customer companies. The Interpretation Business and the Convention Business saw a recovery in opportunities for face-to-face interpretation and opportunities to hold international conferences (academic and research societies), seminars, symposiums, as well as various exhibitions at venues due to the gradual relaxation of the restrictions on the global movement of people, in addition to the wider use of online services.

Under these circumstances, the Group, based on the Medium-Term Management Plan, a three-year plan starting in the fiscal year ended March 31, 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 fiscal year under review, the Group posted net sales of 10,947 million yen, up 5.9% 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 928 million yen, up 14.4% on a year-on-year basis; ordinary income of 960 million yen, up 14.1% on a year-on-year basis; and net income attributable to the parent company's shareholders of 686 million yen, up 19.8% 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.

i) Translation Business

In the Patent field, net sales increased by 16.9% on a year-on-year basis to 2,708 million yen due to strong orders from patent firms, one of the major customers of the Group, and intellectual property departments of corporations. In the Medical field, net sales declined by 3.7% on a year-on-year basis to 2,796 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 fiscal year, as well as sluggish 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 17.2% on a year-on-year basis, to 2,376 million yen. In the Finance & Legal field, net sales declined by 0.7% on a year-on-year basis to 575 million yen due to a reactionary decline in large projects from insurance companies won in the previous fiscal year while orders for IR-related documents increased as a result of the reorganization of the TSE's market structure.

As a result, net sales of the Translation Business were 8,457 million yen, up 8.0% on a year-on-year basis.

ii) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with strong language skills, net sales amounted to 1,119 million yen, down 7.6% 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.

iii) Interpretation Business

In the Interpretation Business, net sales increased by 30.3% on a year-on-year basis to 854 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.

iv) Convention Business

In the Convention Business, net sales decreased by 31.0% on a year-on-year basis to 152 million yen because some projects continued to be held in smaller scales due to the digitalization of services, and the number of projects for managing international conferences and academic conferences declined due to fiercer competition.

v) Other

In the Other segment, net sales amounted to 365 million yen, down 13.1% 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) Overview of financial position as of March 31, 2022

(Assets)

Current assets as of the end of the fiscal year under review were 6,611 million yen, up 299 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 14 million yen from the end of the previous fiscal year to 875 million yen. This was mainly due to an increase in guarantee deposits and investment securities.

As a result, total assets were 7,486 million yen, up 314 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 1,618 million yen, down 273 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 195 million yen, up 5 million yen from the end of the previous fiscal year.

As a result, total liabilities were 1,813 million yen, down 267 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 5,672 million yen, up 581 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 2023

Cash and cash equivalents as of the end of the fiscal year under review were 3,938 million yen, up 228 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 373 million yen, compared to 830 million yen in the previous fiscal year.

Major components were the recording of net income before income taxes of 960 million yen and depreciation of 33 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 28 million yen, compared to 54 million yen in the previous fiscal year.

This was mainly due to payments of guarantee deposits of 12 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 133 million yen, compared to 66 million yen in the previous fiscal year.

This was mainly due to payment of dividends of 133 million yen.

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Shareholders' equity ratio (%)	67.0	73.0	71.8	70.9	75.7
Shareholders' equity ratio on a market value basis (%)	137.5	65.0	78.1	68.7	72.2
Ratio of cash flows to interest-bearing debt (year)	-	-	-	-	-
Interest coverage ratio	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

While the economy in Japan is expected to stay on a track to gradual recovery, close attention needs to be paid to risk factors for economic downturns, such as escalating costs of raw materials, restrictions on supply, and volatile financial and capital markets, and the economic uncertainty is expected to continue for the time being.

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 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 and the needs of customer companies associated with the spread of machine translation, and will work to develop a long-term stable relationship with customer companies.

In the Temporary Staffing Business, the Group will place the highest priority on securing interpreters and translators, while aiming to increase orders from existing customer companies and win orders from new customer companies.

In the Interpretation Business, as the Group expects demand for face-to-face interpretation to increase with the end of the border control measures, as well as a certain degree of demand for online interpretation services, the Group will strive to further improve our financial performance by providing services that are closely aligned with the needs of customer companies.

In the Convention Business, the Group will strive to regain profitability by capturing demand, which is on a recovery trend.

Accordingly, the Company expects net sales of 11,550 million yen, up 5.5% on a year-on-year basis; operating income of 1,000 million yen, up 7.6% on a year-on-year basis; ordinary income of 1,020 million yen, up 6.1% on a year-on-year basis; and net income attributable to the parent company's shareholders of 700 million yen, up 1.9% 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 in Japan and overseas.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year As of March 31, 2022	Fiscal year under review As of March 31, 2023
Assets		
Current assets		
Cash and deposits	3,899,282	4,133,859
Notes and accounts receivable - trade	2,110,832	2,173,198
Work in process	135,705	150,234
Other	165,660	154,701
Allowance for doubtful accounts	-207	-867
Total current assets	6,311,274	6,611,126
Non-current assets		
Property, plant and equipment		
Buildings	128,698	131,120
Accumulated depreciation	-96,396	-101,416
Buildings, net	32,302	29,704
Tools, furniture and fixtures	82,428	84,631
Accumulated depreciation	-74,105	-77,679
Tools, furniture and fixtures, net	8,322	6,951
Total property, plant and equipment	40,625	36,656
Intangible assets	66,484	46,555
Investments and other assets		
Investment securities	241,106	286,742
Retirement benefit asset	67,938	66,668
Deferred tax assets	225,453	196,592
Other	220,249	243,461
Allowance for doubtful accounts	-448	-988
Total investments and other assets	754,298	792,476
Total non-current assets	861,408	875,688
Total assets	7,172,683	7,486,815

(Unit: Thousand yen)

	Previous fiscal year As of March 31, 2022	Fiscal year under review As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	812,213	772,164
Income taxes payable	252,171	113,490
Refund liability	5,772	3,243
Provision for bonuses	287,477	292,532
Provision for bonuses for directors (and other officers)	23,000	23,100
Other	510,801	413,883
Total current liabilities	1,891,437	1,618,413
Non-current liabilities		
Provision for directors' retirement benefits	3,200	3,200
Retirement benefit liability	187,063	192,277
Total non-current liabilities	190,263	195,477
Total liabilities	2,081,701	1,813,891
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	4,094,968	4,642,907
Treasury shares	-93,283	-79,267
Total shareholders' equity	5,068,951	5,630,906
Accumulated other comprehensive income		
Foreign currency translation adjustment	25,778	44,195
Accumulated remeasurements of defined benefit plans	-3,747	-2,178
Total accumulated other comprehensive income	22,031	42,017
Total net assets	5,090,982	5,672,923
Total liabilities and net assets	7,172,683	7,486,815

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

Consolidated statement of income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net sales	10,337,326	10,947,849
Cost of sales	5,429,412	5,860,167
Gross profit	4,907,914	5,087,682
Selling, general and administrative expenses	4,096,446	4,159,021
Operating income	811,467	928,661
Non-operating income		
Share of profit of entities accounted for using equity method	37,852	45,636
Other	2,862	4,151
Total non-operating income	40,714	49,787
Non-operating expenses		
Commission expenses	386	-
Foreign exchange losses	10,457	17,334
Miscellaneous losses	0	358
Total non-operating expenses	10,844	17,693
Ordinary income	841,337	960,756
Extraordinary losses		
Loss on retirement of non-current assets	2,930	0
Total extraordinary losses	2,930	0
Net income before income taxes	838,406	960,756
Income taxes - current	317,467	245,548
Income taxes - deferred	-52,240	28,467
Total income taxes	265,227	274,016
Net income	573,179	686,739
Net income attributable to the parent company's shareholders	573,179	686,739

Consolidated statement of comprehensive income

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net income	573,179	686,739
Other comprehensive income		
Foreign currency translation adjustment	12,325	18,416
Remeasurements of defined benefit plans	-363	1,569
Total other comprehensive income	11,962	19,986
Comprehensive income	585,141	706,725
(Components)		
Comprehensive income attributable to the parent company's shareholders	585,141	706,725
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

Previous fiscal year (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

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(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	4,094,968	-93,283	5,068,951
Changes in items during period					
Dividends of surplus			-133,243		-133,243
Net income attributable to the parent company's shareholders			686,739		686,739
Restricted share-based remuneration			-5,557	14,016	8,458
Net changes in items other than shareholders' equity					-
Total changes in items during period	-	-	547,939	14,016	561,955
Balance at end of current period	588,443	478,823	4,642,907	-79,267	5,630,906

	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	25,778	-3,747	22,031	5,090,982
Changes in items during period				
Dividends of surplus				-133,243
Net income attributable to the parent company's shareholders				686,739
Restricted share-based remuneration				8,458
Net changes in items other than shareholders' equity	18,416	1,569	19,986	19,986
Total changes in items during period	18,416	1,569	19,986	581,941
Balance at end of current period	44,195	-2,178	42,017	5,672,923

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Net income before income taxes	838,406	960,756
Depreciation	38,131	33,311
Share-based remuneration expenses	5,565	7,639
Interest and dividend income	-35	-39
Commission expenses	386	-
Share of loss (profit) of entities accounted for using equity method	-37,852	-45,636
Loss on retirement of non-current assets	2,930	0
Increase (decrease) in allowance for doubtful accounts	-3,058	1,200
Increase (decrease) in provision for bonuses	15,093	5,054
Increase (decrease) in provision for bonuses for directors (and other officers)	21,000	100
Increase (decrease) in net defined benefit liability	14,670	7,177
Decrease (increase) in net defined benefit asset	896	1,269
Decrease (increase) in trade receivables	16,426	-61,531
Decrease (increase) in inventories	-22,334	-14,479
Increase (decrease) in trade payables	-1,721	-40,421
Other	121,450	-90,328
Subtotal	1,009,956	764,072
Interest and dividends received	35	39
Income taxes refund (paid)	-179,684	-390,883
Net cash provided by (used in) operating activities	830,308	373,228
Cash flows from investing activities		
Purchase of property, plant and equipment	-474	-5,472
Purchase of intangible assets	-21,194	-5,202
Payments into time deposits	-6,002	-6,001
Payments of guarantee deposits	-27,803	-12,067
Proceeds from refund of guarantee deposits	1,305	239
Net cash provided by (used in) investing activities	-54,169	-28,504
Cash flows from financing activities		
Dividends paid	-66,541	-133,243
Commission expenses paid	-386	-
Net cash provided by (used in) financing activities	-66,927	-133,243
Effect of exchange rate change on cash and cash equivalents	11,435	17,094
Net increase (decrease) in cash and cash equivalents	720,646	228,575
Cash and cash equivalents at beginning of period	2,989,761	3,710,407
Cash and cash equivalents at end of period	3,710,407	3,938,982

(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.

2. Application of the Equity Method

(1) Affiliate accounted for using equity method: 1

Name of entity accounted for using equity method:

Language One Corporation

3. Fiscal Years and Other Matters of Consolidated Subsidiaries

The date of financial settlement of the consolidated subsidiary HC Language Solutions, Inc. is December 31.

When preparing the consolidated financial statements, the Company uses financial statements of subsidiaries as of the date of financial settlement. Necessary adjustments for consolidation, however, were made for significant transactions that occurred in the period spanning from January 1 to March 31, the date of consolidated financial settlement.

4. Accounting Policies

(1) Evaluation standards and methods for significant assets

i) Securities

Available-for-sale securities

Securities other than shares that do not have a market value

Stated at market value (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.

ii) 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

i) Property, plant and equipment

Depreciation by the Company and its consolidated subsidiaries is calculated by the declining balance method. However, the straight-line method is applied for facilities attached to buildings and structures acquired on and after April 1, 2016.

Depreciation by overseas consolidated subsidiaries is calculated by the straight-line method.

The useful lives are mainly as follows:

Buildings 8-18 years

Tools, furniture and fixtures 3-15 years

ii) Intangible assets

Amortization is calculated by the straight-line method.

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

(3) Accounting standards for significant allowances and provisions

i) Allowance for doubtful accounts

To prepare for possible losses on accounts receivable, the Company sets aside an amount that is expected to be irrecoverable, after it considers the possibility of recoverability of (a) general accounts receivable, on the basis of an actual default ratio, and (b) specific accounts receivable where recoverability is in doubt, on a case-by-case basis.

ii) Provision for bonuses

To prepare for the payment of bonuses for employees, the Company sets aside an estimated amount for the provision of bonuses for the fiscal year under review in which such amount shall be disbursed.

iii) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses for directors (and other officers), the Company sets aside an estimated amount for the provision of bonuses for the fiscal year under review in which such amount shall be disbursed.

iv) Provision for directors' retirement benefits

To prepare for the payment of retirement benefits for directors, the Company sets aside an amount necessary at the end of 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

i) Period attribution method for the estimated amount of retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated retirement benefit amount to the period up to the end of the fiscal year under review is based on the benefit formula method.

ii) Amortization of actuarial gain/loss

Actuarial gain and loss is amortized by the straight-line method mainly over a period within the average remaining service years for employees (10 years) at the time of recognition of such gain and loss in each fiscal year and allocated proportionately from the fiscal year following each fiscal year of recognition.

iii) Adoption of simplified method for small corporations, etc.

Consolidated subsidiaries adopt the simplified method where retirement benefit obligations are measured by the amount of retirement benefits required for voluntary termination at the end of the fiscal year, in calculating retirement benefit liabilities and retirement benefit expenses.

(5) Accounting standards for significant revenue and expenses

The Company and its consolidated subsidiaries provide deliverables and services for each reporting segment. The details of the performance obligations related to revenue from customer contracts in each reporting segment and the ordinary point in time when such performance obligations are fulfilled (when revenue is recognized) are as follows. Consideration for transactions is received within one year of fulfilling the performance obligations and does not include any material financial elements.

i) Translation Business

In the Translation Business, the Group provides industrial translation services for technical and business documents in the fields of Patent, Medical, Industrial & Localization, Finance & Legal, and other. The Group provides deliverables such as translations at the request of a customer. When deliverables are provided to the customer, the customer gains control over the deliverables, and the right to receive payment is finalized, thereby fulfilling the performance obligations. Thus, the Group recognizes revenue at such time. In addition, in certain contracts with specific customers, acceptance by the customer is a condition for fulfillment of the performance obligations. Therefore, when acceptance by the customer is completed, the customer gains control over the deliverables, and the right to receive payment becomes final. Thus, the Group recognizes revenue at such time. These revenues are measured based on the consideration promised in contracts with customers (the unit price registered in the sales system multiplied by the number of characters and others fixed at the time of delivery); however, when volume discounts are applied, the consideration is measured after deducting rebates. Where the Group conducts transactions on its own behalf, revenue is presented as the total consideration received from the customer, and where the Group conducts transactions as an agent on behalf of a third party, revenue is recognized in the net amount of fees calculated as the total consideration received from the customer less the amount collected on behalf of the third party.

ii) Temporary Staffing Business

In the Temporary Staffing Business, the Group mainly dispatches translators who translate documents and the like that cannot be taken out of customer companies for confidentiality reasons, and dispatches interpreters who engage in interpretation within customer companies. The Group enters into a contract for a certain period of time based on a request from a customer. Temporary employees provide services throughout that period, and the Group identifies performance obligations for the provision of those services. Under the contract, performance obligations are fulfilled when the services of temporary employees are completed. Thus, the Group recognizes revenue at such time.

iii) Interpretation Business

In the Interpretation Business, the Group provides interpretation services mainly for in-house corporate meetings and small- and medium-sized international conferences. The Group arranges for interpreters and provides interpretation services based on a request from a customer. The Group identifies performance obligations for the provision of those services. Under the

contract, performance obligations are fulfilled when the services of interpreters are completed. Thus, the Group recognizes revenue at such time.

iv) Convention Business

In the Convention Business, the Group plans and operates international and domestic conferences (academic and research societies), seminars, symposiums and various exhibitions. The Group enters into a contract each time and provides services to manage international conferences and other events based on a request from a customer. The Group identifies performance obligations for the provision of those services. Under the contract, performance obligations are fulfilled when the management of international conferences and other events is closed. Thus, the Group recognizes revenue at such time.

(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 presentation method)

(Consolidated statement of income and others)

“Interest income” and “Subsidy income,” which were presented under “Non-operating income” in the previous fiscal year, are included in “Other” from the beginning of the fiscal year under review because their importance has decreased. The consolidated statement of income for the previous fiscal year has been reclassified to reflect this change in presentation method.

As a result, “Interest income” of 35 thousand yen and “Subsidy income” of 1,040 thousand yen, which were presented under “Non-operating income” in the consolidated statement of income for the previous fiscal year, have been reclassified as “Other.”

(Consolidated statement of cash flows)

“Subsidy income” and “Subsidies received” under “Cash flows from operating activities,” which were separately presented in the previous fiscal year, are included in “Other” in the fiscal year under review because their monetary importance has decreased. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation method.

As a result, “Subsidy income” of (1,040) thousand yen and “Subsidies received” of 1,040 thousand yen, which were presented under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year, have been reclassified as “Other,” and “Subtotal” of 1,008,916 thousand yen has been changed to 1,009,956 thousand yen.

(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 in-house corporate meetings and small- and medium-sized international conferences

(4) Convention Business

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

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, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretatio n 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.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretatio n Business	Convention Business	Total		
Net sales							
Translation							
Patent	2,708,065	-	-	-	2,708,065	-	2,708,065
Medical	2,796,311	-	-	-	2,796,311	-	2,796,311
Industrial & Localization	2,376,888	-	-	-	2,376,888	-	2,376,888
Finance & Legal	575,784	-	-	-	575,784	-	575,784
Temporary Staffing	-	1,119,267	-	-	1,119,267	-	1,119,267
Interpretation	-	-	854,022	-	854,022	-	854,022
Convention	-	-	-	152,158	152,158	-	152,158
Other	-	-	-	-	-	365,351	365,351
Revenue from customer contracts	8,457,049	1,119,267	854,022	152,158	10,582,497	365,351	10,947,849
Other revenue	-	-	-	-	-	-	-
Sales to external customers	8,457,049	1,119,267	854,022	152,158	10,582,497	365,351	10,947,849
Intersegment sales or transfer	42,947	563	116,020	-	159,531	2,146	161,677
Total	8,499,997	1,119,830	970,042	152,158	10,742,029	367,497	11,109,527
Segment income (loss)	957,154	43,610	28,598	-37,629	991,733	-68,354	923,379
Segment assets	6,701,110	133,745	166,505	21,439	7,022,801	314,831	7,337,633
Other items							
Depreciation	22,283	1,020	4,370	3,490	31,163	2,147	33,311
Investment in entities accounted for using equity method	-	-	-	-	-	119,432	119,432
Increase in property, plant and equipment and intangible assets	11,051	-	-	-	11,051	-	11,051

(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	10,017,703	10,742,029
“Other” sales	422,244	367,497
Elimination of intersegment transactions	-102,622	-161,677
Net sales reported in consolidated financial statements	10,337,326	10,947,849

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	838,119	991,733
“Other” income	-31,537	-68,354
Elimination of intersegment transactions	4,885	5,281
Operating income reported in consolidated financial statements	811,467	928,661

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	6,687,721	7,022,801
“Other” assets	294,492	314,831
Elimination of intersegment transactions	-546,858	-576,807
Company-wide assets (Note)	737,328	725,989
Total assets reported in consolidated financial statements	7,172,683	7,486,815

(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	35,673	31,163	2,457	2,147	-	-	38,131	33,311
Increase in property, plant and equipment and intangible assets	23,234	11,051	-	-	-	-	23,234	11,051

(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, 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.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Information by Product and Service

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Other	Total
Sales to external customers	8,457,049	1,119,267	1,371,532	10,947,849

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.

(Per-share information)

Previous fiscal year (From April 1, 2021 to March 31, 2022)		Fiscal year under review (From April 1, 2022 to March 31, 2023)	
Net assets per share	1,528.32 yen	Net assets per share	1,700.12 yen
Net income per share	172.14 yen	Net income per share	205.94 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, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	573,179	686,739
Amount not attributable to common shareholders (thousand yen)	-	-
Net income attributable to owners of parent related to common shares (thousand yen)	573,179	686,739
Average number of common shares (shares)	3,329,540	3,334,586

(Important subsequent events)

Not applicable.

4. Other

(1) Changes of directors (and other officers)

1) Change of President

Not applicable.

2) Changes of other directors (and other officers)

• Candidate for new director

Nana Nishino, Director (currently General Manager, Production Management Division)

3) Scheduled date of appointment

June 28, 2023