



Financial Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)

May 13, 2024

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

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Scheduled date of Annual Meeting of Shareholders June 26, 2024

Scheduled commencement date of dividends payment:

June 27, 2024

Scheduled filing date of the securities report: June 27, 2024

Preparation of supplementary materials for financial results: None

Convening financial results briefing: Yes

(Amounts rounded down to the nearest millions of yen)

1. Consolidated Results for the Fiscal Year Ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results

(Percentages represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 31, 2024	11,303	3.2	902	(2.8)	938	(2.2)	711	3.5
Fiscal year ended March 31, 2023	10,947	5.9	928	14.4	960	14.1	686	19.8

(Note)

Comprehensive income

Fiscal year ended March

31, 2024

716 million yen (1.3%)

Fiscal year ended March

31, 2023

706 million yen (20.7%)

	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, 2024	212.88	-	11.9	11.8	7.9
Fiscal year ended March 31, 2023	205.94	-	12.7	13.1	8.4

(Reference)

Equity method investment gain (loss)

Fiscal year ended

March 31, 2024

37 million yen

Fiscal year ended

March 31, 2023

45 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	Yen
Fiscal year ended March 31, 2024	8,326	6,250	75.0	1,869.60
As of March 31, 2023	7,486	5,672	75.7	1,700.12

(Reference)

Shareholders' equity

Fiscal year ended

March 31, 2024

6,250 million yen

As of March 31,

2023

5,672 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, 2024	753	(60)	(150)	4,490
Fiscal year ended March 31, 2023	373	(28)	(133)	3,938

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, 2023	-	0.00	-	45.00	45.00	150	21.8	2.7
Fiscal year ended March 31, 2024	-	0.00	-	65.00	65.00	217	30.5	3.6
Fiscal year ending March 31, 2025 (forecast)	-	0.00	-	75.00	75.00		34.8	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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)	5,850	7.7	410	16.8	425	16.6	280	18.1	83.69
Full year	12,100	7.0	1,050	16.3	1,080	15.0	720	1.2	215.07

*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)

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

3) Average number of shares issued during the period

Fiscal year ended March 31, 2024	3,369,000shares	As of March 31, 2023	3,369,000shares
Fiscal year ended March 31, 2024	25,522shares	As of March 31, 2023	32,222shares
Fiscal year ended March 31, 2024	3,340,901shares	Fiscal year ended March 31, 2023	3,334,586shares

* 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 forecasts, provided in this material are based on information currently available to Honyaku Center Inc. (the "Company") and certain assumptions that the Company believes reasonable, and they are not intended as a guarantee that the Company will achieve them. In addition, actual results, including financial performance, may significantly differ due to various factors. For assumptions used in forecasting operating results and points to consider in utilizing such forecasts, please see "1. Overview of Operating Results, etc. 4) Future outlook" on Page 6 of the attachments.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended March 31, 2024

Concerning the financial results for the fiscal year under review, there were signs of improvement in the Japanese economy as economic activities normalized due to the lifting of activity restrictions to deal with the novel coronavirus (COVID-19). However, there were concerns over an economic slowdown due to factors such as soaring prices of raw materials and a rising cost of living brought by the sharp depreciation of the yen and the prolonged conflict between Russia and Ukraine, and thus the outlook for the Japanese economy remains uncertain.

As for the business environment surrounding the Group, demand has grown steadily in the Translation Business as a result of the recovery in business performance of client companies. In the Interpretation Business, in addition to the online interpretation service taking hold, the lifting of restrictions on entry into Japan from overseas and the shift of COVID-19 to a Category V Infectious Disease in Japan acted as a spur that helped to drive a recovery in demand for face-to-face interpretation.

Under these circumstances, the Group, based on the Medium-Term Management Plan, a three-year plan that started in the fiscal year ended 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, looking at the operating results for the fiscal year under review, the Honyaku Center Group (“the Group”) posted net sales of 11,303 million yen, up 3.2% on a year-on-year basis, as the Temporary Staffing Business, the Interpretation Business and the Convention Business saw growth, while sales remained almost flat in the Translation Business, which is the core business, due to a decline in sales in the Medical field. In terms of profit, the Group posted operating income of 902 million yen, down 2.8% on a year-on-year basis, and ordinary income of 938 million yen, down 2.2% on a year-on-year basis, due to increased selling, general and administrative expenses, mainly personnel expenses, and a decline in sales in the Medical field of the Translation Business. Net income attributable to the parent company’s shareholders increased 3.5% on a year-on-year basis to 711 million yen due to a gain on bargain purchase resulting from the acquisition of shares in Fukuyama Industrial Translation Center, Ltd. which became a group company in the fourth quarter of the fiscal year under review.

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

i) Translation Business

In the Patent field, net sales increased 7.1% on a year-on-year basis to 2,902 million yen due to strong orders from patent firms, one of the major customers of the Group, and intellectual property departments of corporations, continuing from the previous fiscal year. In the Medical field, net sales declined 6.8% on a year-on-year basis to 2,605 million yen as a result of almost unchanged orders on a year-on-year basis from Japanese pharmaceutical companies in addition to lower orders from foreign pharmaceutical companies, foreign contract research organizations (CRO), and medical equipment-related companies despite the efforts to strengthen relationships with client companies to increase orders for documents related to new drug development. In the Industrial & Localization field, net sales decreased 0.3% on a year-on-year basis to 2,368 million yen due to a reactionary decline after winning large projects in the previous fiscal year, despite growing orders from the manufacturing industry, such as automobile, machinery, and electric equipment manufacturers. In the Finance & Legal field, net sales increased 1.1% on a year-on-year basis to 582 million yen due to an increase in orders from administration departments of corporations in addition to continued orders for IR documents given the demand for disclosure of English documents by listed companies.

As a result, net sales of the Translation Business remained nearly unchanged on a year-on-year basis at 8,458 million yen.

ii) Temporary Staffing Business

In the Temporary Staffing Business, net sales amounted to 1,174 million yen, up 4.9% on a year-on-year basis, because the number of staff under regular employment exceeded the previous year due to steady demand for staff with strong language skills.

iii) Interpretation Business

In the Interpretation Business, net sales grew 28.2% on a year-on-year basis to 1,095 million yen, reaching a record high, due to the Group’s winning of large one-off projects from precision equipment manufacturers, in addition to continued orders from financial institutions, pharmaceutical companies, precision/telecommunications equipment manufacturers, and foreign consulting firms, which are major customers of the Group.

iv) Convention Business

In the Convention Business, net sales increased 53.3% on a year-on-year basis to 233 million yen due to winning orders for the management of several international academic conferences.

v) Other

In the Other segment, net sales amounted to 342 million yen, down 6.3% on a year-on-year basis, as a result of factors such as low enrollment in the interpreter and translator school ISS Institute, Inc., although net sales of FIPAS Inc., which provides support for foreign patent applications, including the preparation of patent specifications and the application process, increased.

(2) Overview of financial position as of March 31, 2024

(Assets)

Current assets as of the end of the fiscal year under review were 7,289 million yen, up 678 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in cash and deposits and accounts receivable – trade. Non-current assets increased 161 million yen from the end of the previous fiscal year to 1,036 million yen. This was mainly due to an increase in land, goodwill, and long-term deferred tax assets.

As a result, total assets were 8,326 million yen, up 839 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 1,853 million yen, up 235 million yen compared to the end of the previous fiscal year.

This was mainly due to an increase in accounts payable – trade and income taxes payable. Non-current liabilities posted 221 million yen, up 26 million yen from the end of the previous fiscal year.

As a result, total liabilities were 2,075 million yen, up 261 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 amounted to 6,250 million yen, up 578 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.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents as of the end of the fiscal year under review were 4,490 million yen, up 551 million yen compared to the end of the previous fiscal year.

Cash flows and factors for changes thereof in the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 753 million yen (373 million yen of proceeds in the previous year).

This was mainly due to 1,005 million yen of net income before income taxes and an increase of 65 million yen in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was 60 million yen (28 million yen of payments in the previous year).

This was mainly due to 117 million yen of payments for acquisition of businesses.

(Cash flows from financing activities)

Net cash used in financing activities was 150 million yen (133 million yen of payments in the previous year).

This was mainly due to 150 million yen of dividends paid.

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Shareholders' equity ratio (%)	73.0	71.8	70.9	75.7	75.0
Shareholders' equity ratio on a market value basis (%)	65.0	78.1	68.7	72.2	82.8
Ratio of cash flows to interest-bearing debt (year)	-	-	-	-	-
Interest coverage ratio (times)	-	-	-	-	-

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market value basis: Market capitalization/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 Japanese economy is expected to continue on a gradual recovery path, the economic outlook requires close monitoring due to rising prices, heightened geopolitical risks, and fluctuations in financial and capital markets, and the outlook is expected to remain uncertain for the foreseeable future. In addition, the business environment surrounding the Group is changing dramatically with changes in work styles and advances in digital technology, and competition to bring in customers is expected to become even more intense.

Under these circumstances, the Group will continue to push forward with measures in each of the businesses to accurately grasp changes in the external environment, and demand, and to become a company offering high added value that can respond to increasingly diverse and sophisticated customer needs.

The Group's initiatives by segment are as follows.

In the Translation Business, under the basic policy and priority measures of the Medium-Term Management Plan announced in May 2022, in addition to deepening the expertise required by various industries, the Group will pursue new document-specific expertise to further expand the customer share. Furthermore, we at the Group will strive to create a system that enables us to develop and provide new services that accurately grasp the needs of client companies and market changes associated with the advancement of digital technology, and aim to build long-term, stable relationships with client companies.

In the Temporary Staffing Business, the Group will focus on training personnel with advanced language skills in cooperation with the Group's interpreter and translator school ISS Institute, Inc. in order to secure and expand interpreters and translators and help grow the customer base.

In the Interpretation Business, in addition to the online interpretation service taking hold, demand for face-to-face interpretation is also on the rise. The Group will strive to further improve business performance by providing services that meet the needs of client companies and deepening the relationships with them.

As a result, the Group expects net sales of 12,100 million yen, up 7.0% on a year-on-year basis; operating income of 1,050 million yen, up 16.3% on a year-on-year basis; ordinary income of 1,080 million yen, up 15.0% on a year-on-year basis; and net income attributable to the parent company's shareholders of 720 million yen, up 1.2% on a year-on-year basis.

The above financial results forecasts were developed based on information available as of the date of announcement of this material, and actual results, including financial performance, may significantly differ from the forecasts due to various factors.

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, 2023	Fiscal year under review As of March 31, 2024
Assets		
Current assets		
Cash and deposits	4,133,859	4,691,074
Notes and accounts receivable – trade	2,173,198	2,293,282
Work in process	150,234	154,713
Other	154,701	151,278
Allowance for doubtful accounts	(867)	(733)
Total current assets	6,611,126	7,289,616
Non-current assets		
Property, plant and equipment		
Buildings and structures	131,120	123,682
Accumulated depreciation	(101,416)	(98,274)
Buildings and structures, net	29,704	25,407
Tools, furniture and fixtures	84,631	96,509
Accumulated depreciation	(77,679)	(87,917)
Tools, furniture and fixtures, net	6,951	8,591
Land	-	25,413
Other	-	1,080
Accumulated depreciation	-	(1,080)
Other, net	-	0
Total property, plant and equipment	36,656	59,412
Intangible assets		
Goodwill	-	69,366
Other	46,555	30,274
Total intangible assets	46,555	99,640
Investments and other assets		
Investment securities	286,742	326,456
Retirement benefit assets	66,668	74,416
Deferred tax assets	196,592	250,498
Other	243,461	228,540
Allowance for doubtful accounts	(988)	(2,160)
Total investments and other assets	792,476	877,752
Total non-current assets	875,688	1,036,806
Total Assets	7,486,815	8,326,422

(Unit: Thousand yen)

	Previous fiscal year As of March 31, 2023	Fiscal year under review As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	772,164	841,584
Income taxes payable	113,490	213,290
Refund liability	3,243	3,097
Provision for bonuses	292,532	287,010
Provision for bonuses for directors (and other officers)	23,100	24,950
Other	413,883	483,629
Total current liabilities	1,618,413	1,853,562
Non-current liabilities		
Provision for directors' retirement benefits	3,200	11,408
Retirement benefit liability	192,277	210,477
Total non-current liabilities	195,477	221,885
Total Liabilities	1,813,891	2,075,448
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	4,642,907	5,199,430
Treasury shares	(79,267)	(62,785)
Total shareholders' equity	5,630,906	6,203,911
Accumulated other comprehensive income		
Foreign currency translation adjustment	44,195	52,319
Accumulated remeasurements of defined benefit plans	(2,178)	(5,256)
Total accumulated other comprehensive income	42,017	47,062
Total Net Assets	5,672,923	6,250,974
Total liabilities and net assets	7,486,815	8,326,422

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

(Unit: Thousand yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Fiscal year under review (from April 1, 2023 to March 31, 2024)
Net sales	10,947,849	11,303,974
Cost of sales	5,860,167	5,990,729
Gross profit	5,087,682	5,313,245
Selling, general and administrative expenses	4,159,021	4,410,979
Operating income	928,661	902,265
Non-operating income		
Share of profit of entities accounted for using equity method	45,636	37,529
Other	4,151	3,174
Total non-operating income	49,787	40,703
Non-operating expenses		
Foreign exchange losses	17,334	4,220
Miscellaneous losses	358	72
Total non-operating expenses	17,693	4,293
Ordinary income	960,756	938,676
Extraordinary income		
Gain on bargain purchase	-	69,024
Total extraordinary income	-	69,024
Extraordinary losses		
Loss on retirement of non-current assets	0	2,070
Total extraordinary losses	0	2,070
Net income before income taxes	960,756	1,005,630
Income taxes - current	245,548	311,215
Income taxes - deferred	28,467	(16,812)
Total income taxes	274,016	294,402
Net income	686,739	711,227
Net income attributable to the parent company's shareholders	686,739	711,227

(Consolidated statement of comprehensive income)

(Unit: Thousand yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Fiscal year under review (from April 1, 2023 to March 31, 2024)
Net income	686,739	711,227
Other comprehensive income		
Foreign currency translation adjustment	18,416	8,123
Remeasurements of defined benefit plans	1,569	(3,078)
Total other comprehensive income	19,986	5,045
Comprehensive income	706,725	716,272
(Components)		
Comprehensive income attributable to the parent company's shareholders	706,725	716,272
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

Previous fiscal year (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

Fiscal year under review (from April 1, 2023 to March 31, 2024)

(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	4,642,907	(79,267)	5,630,906
Changes in items during period					
Dividends of surplus			(150,155)		(150,155)
Net income attributable to the parent company's shareholders			711,227		711,227
Restricted share-based remuneration			(4,549)	16,482	11,932
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	556,522	16,482	573,004
Balance at end of current period	588,443	478,823	5,199,430	(62,785)	6,203,911

	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	44,195	(2,178)	42,017	5,672,923
Changes in items during period				
Dividends of surplus				(150,155)
Net income attributable to the parent company's shareholders				711,227
Restricted share-based remuneration				11,932
Net changes in items other than shareholders' equity	8,123	(3,078)	5,045	5,045
Total changes in items during period	8,123	(3,078)	5,045	578,050
Balance at end of current period	52,319	(5,256)	47,062	6,250,974

(4) Consolidated statement of cash flows

(Unit: Thousand yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Fiscal year under review (from April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Net income before income taxes	960,756	1,005,630
Depreciation	33,311	25,792
Share-based remuneration expenses	7,639	10,774
Amortization of goodwill	-	12,241
Interest and dividend income	(39)	(43)
Share of loss (profit) of entities accounted for using equity method	(45,636)	(37,529)
Gain on bargain purchase	-	(69,024)
Loss on retirement of non-current assets	0	2,070
Increase (decrease) in allowance for doubtful accounts	1,200	964
Increase (decrease) in provision for bonuses	5,054	(5,782)
Increase (decrease) in provision for bonuses for directors (and other officers)	100	1,850
Increase (decrease) in provision for directors' retirement benefits	-	(25,222)
Increase (decrease) in net defined benefit liability	7,177	12,884
Decrease (increase) in net defined benefit asset	1,269	9,122
Decrease (increase) in trade receivables	(61,531)	(108,772)
Decrease (increase) in inventories	(14,479)	(3,340)
Increase (decrease) in trade payables	(40,421)	65,244
Other	(90,328)	62,937
Subtotal	764,072	959,795
Interest and dividends received	39	43
Income taxes refund (paid)	(390,883)	(205,875)
Net cash provided by (used in) operating activities	373,228	753,963
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,472)	(3,242)
Proceeds from sale of property, plant and equipment	-	2,002
Purchase of intangible assets	(5,202)	(1,760)
Payments for acquisition of businesses	-	(117,345)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	52,270
Payments into time deposits	(6,001)	(6,003)
Payments for guarantee deposits	(12,067)	(11,867)
Proceeds from collection of guarantee deposits	239	25,821
Net cash provided by (used in) investing activities	(28,504)	(60,124)
Cash flows from financing activities		
Dividends paid	(133,243)	(150,155)
Net cash provided by (used in) financing activities	(133,243)	(150,155)
Effect of exchange rate change on cash and cash equivalents	17,094	7,527
Net increase (decrease) in cash and cash equivalents	228,575	551,211
Cash and cash equivalents at beginning of period	3,710,407	3,938,982
Cash and cash equivalents at end of period	3,938,982	4,490,194

(5) Notes to consolidated financial statements

(Notes to assumptions for going concern)

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: 6

Names of consolidated subsidiaries

HC Language Solutions, Inc.

FIPAS Inc.

ISS, Inc.

Panacea Co., Ltd.

Media Research, Inc.

Fukuyama Industrial Translation Center, Ltd.

Effective from the fiscal year under review, Fukuyama Industrial Translation Center, Ltd. was included in the scope of consolidation due to the acquisition of its shares, making it a subsidiary of the Group.

2. Application of the Equity Method

(1) Affiliate accounted for using equity method: 1

Name of entity accounted for using equity method:

LanguageOne 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. However, adjustments necessary for consolidation are made for significant transactions that occurred between January 1 and the consolidated balance sheet date.

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 and structures 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 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) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method over 5 years.

(6) 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.

(7) 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.

(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 four 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

The accounting method for the Group's reporting segments is generally the same as that described in "Significant matters that serve as the basis for 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, 2022 to March 31, 2023)

(Unit: Thousand yen)

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

Fiscal year under review (from April 1, 2023 to March 31, 2024)

(Unit: Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Translation							
Patent	2,902,273	-	-	-	2,902,273	-	2,902,273
Medical	2,605,180	-	-	-	2,605,180	-	2,605,180
Industrial & Localization	2,368,853	-	-	-	2,368,853	-	2,368,853
Finance & Legal	582,622	-	-	-	582,622	-	582,622
Temporary Staffing	-	1,174,286	-	-	1,174,286	-	1,174,286
Interpretation	-	-	1,095,135	-	1,095,135	-	1,095,135
Convention	-	-	-	233,375	233,375	-	233,375
Other	-	-	-	-	-	342,245	342,245
Revenue from customer contracts	8,458,931	1,174,286	1,095,135	233,375	10,961,728	342,245	11,303,974
Other revenue	-	-	-	-	-	-	-
Sales to external customers	8,458,931	1,174,286	1,095,135	233,375	10,961,728	342,245	11,303,974
Intersegment sales or transfer	30,865	6,157	1,027	96	38,146	1,621	39,768
Total	8,489,797	1,180,443	1,096,162	233,471	10,999,875	343,867	11,343,743
Segment income (loss)	911,068	44,026	95,631	(63,519)	987,206	(89,058)	898,147
Segment assets	7,420,407	132,942	164,235	104,119	7,821,705	325,845	8,147,551
Other items							
Depreciation	19,184	2,170	2,030	430	23,814	1,978	25,792
Investment in entities accounted for using equity method	-	-	-	-	-	156,962	156,962
Increase in property, plant and equipment and intangible assets	87,110	-	-	-	87,110	818	87,928

(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	10,742,029	10,999,875
“Other” net sales	367,497	343,867
Elimination of intersegment transactions	(161,677)	(39,768)
Net sales reported in consolidated financial statements	10,947,849	11,303,974

(Unit: Thousand yen)

Income	Previous fiscal year	Fiscal year under review
Reporting segment total	991,733	987,206
“Other” income	(68,354)	(89,058)
Elimination of intersegment transactions	5,281	4,118
Operating income reported in consolidated financial statements	928,661	902,265

(Unit: Thousand yen)

Assets	Previous fiscal year	Fiscal year under review
Reporting segment total	7,022,801	7,821,705
“Other” assets	314,831	325,845
Elimination of intersegment transactions	(576,807)	(522,949)
Company-wide assets (Note)	725,989	732,020
Total assets reported in consolidated financial statements	7,486,815	8,326,422

(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	31,163	23,814	2,147	1,978	-	-	33,311	25,792
Increase in property, plant and equipment and intangible assets	11,051	87,110	-	818	-	-	11,051	87,928

(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, 2022 to March 31, 2023)

1. Information by Product and Service

Information by product and service is omitted because the same information is presented in “Segment information.”

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, 2023 to March 31, 2024)

1. Information by Product and Service

Information by product and service is omitted because the same information is presented in “Segment information.”

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 losses on non-current assets by reporting segment]

Not applicable.

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

Previous fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year under review (from April 1, 2023 to March 31, 2024)

(Unit: Thousand yen)

	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Other	Company-wide	Total
Amortization during period	12,169	72	-	-	-	-	12,241
Balance at end of current period	68,958	408	-	-	-	-	69,366

[Information on gain on bargain purchase by reporting segment]

Previous fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year under review (from April 1, 2023 to March 31, 2024)

In the Translation Business, a gain on bargain purchase was recorded due to the acquisition of shares of Fukuyama Industrial Translation Center, Ltd. in the fiscal year under review, making it a consolidated subsidiary of the Group. The amount of gain on bargain purchase resulting from this event was 69,024 thousand yen. The gain on bargain purchase is not included in the above segment income because it is extraordinary income.

(Per share information)

Previous fiscal year (from April 1, 2022 to March 31, 2023)		Fiscal year under review (from April 1, 2023 to March 31, 2024)	
Net assets per share	1,700.12 yen	Net assets per share	1,869.60 yen
Net income per share	205.94 yen	Net income per share	212.88 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, 2022 to March 31, 2023)	Fiscal year under review (from April 1, 2023 to March 31, 2024)
Net income per share		
Net income attributable to the parent company's shareholders (thousand yen)	686,739	711,227
Amount not attributable to common shareholders (thousand yen)	-	-
Net income attributable to owners of parent related to common shares (thousand yen)	686,739	711,227
Average number of common shares issued during the period (shares)	3,334,586	3,340,901

(Important subsequent events)

Not applicable.