



Financial Results for the Three-Month Period Ended June 30, 2024 [Japan GAAP] (Consolidated)

August 9, 2024

Company Name: Honyaku Center Inc. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 2483 URL <https://www.honyakuctr.com>
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 Scheduled commencement date of dividends payment: -
 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 Three-Month Period Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (cumulative) (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders	
	million yen	%	million yen	%	million yen	%	million yen	%
Three-month period ended June 30, 2024	2,715	5.3	173	4.0	175	(1.8)	112	(4.0)
Three-month period ended June 30, 2023	2,578	3.9	167	1.0	178	5.7	117	8.5

(Note)

Comprehensive income Three-month period ended June 30, 2024 120 million yen (2.1%) Three-month period ended June 30, 2023 118 million yen (1.9%)

	Net income per share	Net income per share – diluted
	Yen	Yen
Three-month period ended June 30, 2024	33.69	-
Three-month period ended June 30, 2023	35.18	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Three-month period ended June 30, 2024	7,988	6,154	77.0
Fiscal year ended March 31, 2024	8,326	6,250	75.0

(Reference)

Shareholders' equity Three-month period ended June 30, 2024 6,154 million yen Fiscal year ended March 31, 2024 6,250 million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	65.00	65.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (forecast)		0.00	-	75.00	75.00

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

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

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

*Notes

(1) Significant changes in the scope of consolidation during the period under review: None

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

Excluded: - company (companies) (company name)

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

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

1) Change in accounting policies in accordance with revision of accounting standards: Yes

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

3) Change in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares issued (common shares)

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

Three-month period ended June 30, 2024	3,369,000shares	Fiscal year ended March 31, 2024	3,369,000shares
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2) Number of treasury shares at the end of the period

Three-month period ended June 30, 2024	25,522shares	Fiscal year ended March 31, 2024	25,522shares
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3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)

Three-month period ended June 30, 2024	3,343,478shares	Three-month period ended June 30, 2023	3,336,778shares
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* Review of the attached quarterly consolidated financial statements by a Certified Public Accountant or audit firm: None

* Explanation of appropriate use of the financial forecast and other special remarks

The forward-looking statements, such as the financial forecast, provided in this material are based on information currently available to Honyaku Center Inc. ("Company") and certain assumptions that the Company believes are reasonable, and are not intended as a guarantee that the Company will achieve the same. In addition, actual results, including financial performance, may significantly differ due to various factors. For assumptions for operating results forecasts and points to consider in utilizing them, please see "1. Overview of Operating Results, etc., (3) Explanation of future forecast information such as consolidated financial results forecasts" on Page 3 of the attachments.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the three-month period ended June 30, 2024

Concerning the financial results for the three-month period under review, there were signs of a moderate recovery in the Japanese economy, including improved corporate earnings and capital investment, as economic activities normalized. However, there were concerns such as soaring raw materials prices and energy prices, accelerated depreciation of the yen, continued global monetary tightening and increasing geopolitical risks, and thus the outlook of the Japanese economy remains uncertain.

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, for the operating results for the three-month period under review, the Honyaku Center Group (Group) posted net sales of 2,715 million yen, up 5.3% on a year-on-year basis, as the Translation Business, which is the core business, performed well, while the Interpretation Business saw continued growth. In terms of profit, the Group posted operating income of 173 million yen, up 4.0% on a year-on-year basis; ordinary income of 175 million yen, down 1.8% on a year-on-year basis due to a decline in the share of profit of entities accounted for using the equity method; and net income attributable to the parent company's shareholders of 112 million yen, down 4.0% on a year-on-year basis.

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

The "Convention Business," which used to be disclosed as one of the reporting segments, was removed from the reporting segment and has been included in "Other" from the beginning of the first quarter under review because its quantitative importance has decreased. The disclosed segment information for the three-month period in the previous fiscal year was prepared according to the classification of reporting segments of the three-month period under review.

1) Translation Business

In the Patent field, net sales increased by 4.2% on a year-on-year basis to 749 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, despite efforts to build lasting relationships with client companies and expand the client base to capture demand, net sales declined 3.2% on a year-on-year basis to 598 million yen as a result of sluggish orders from foreign pharmaceutical companies and decreased orders from contract research organizations (CRO), while orders from Japanese pharmaceutical companies remained strong. The Industrial & Localization field saw strong demand from the manufacturing industry, including the automobile and machinery fields, and positive contributions from the winning of large projects from energy companies. As a result, net sales increased 8.5% on a year-on-year basis to 500 million yen. In the Finance & Legal field, net sales increased by 9.5% on a year-on-year basis to 197 million yen due to an increase in orders from administration departments of corporations in addition to strong orders for IR documents given the growing momentum for the disclosure of English documents by listed companies.

As a result, net sales of the Translation Business were 2,047 million yen, up 3.3% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, net sales amounted to 289 million yen, down 2.9% on a year-on-year basis, due to a decline in referral fees although the number of staff under regular employment remained almost unchanged on a year-on-year basis due to steady demand for staff with strong language skills.

3) Interpretation Business

In the Interpretation Business, net sales increased by 37.3% on a year-on-year basis to 284 million yen due to continued orders from existing customers, such as financial institutions, pharmaceutical companies, precision/telecommunications equipment manufacturers and foreign consulting firms, in addition to an increase in the number of customers.

4) Other

In the Other segment, net sales amounted to 94 million yen, up 1.3% on a year-on-year basis, as a result of high enrollment in the interpreter and translator school ISS Institute, Inc., although FIPAS Inc., which provides support for foreign patent applications, including the preparation of patent specifications and the application process, saw sluggish performance.

(2) Overview of financial position as of June 30, 2024

(Assets)

Current assets as of the end of the first quarter under review were 6,869 million yen, down 420 million yen compared with the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts receivable - trade as a result of the collection of fees in the Translation Business. Non-current assets increased 82 million yen from the end of the previous fiscal year to 1,119 million yen. This was mainly due to an increase in investments and other assets.

As a result, total assets were 7,988 million yen, down 338 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the first quarter under review were 1,605 million yen, down 248 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in provision for bonuses and income taxes payable. Non-current liabilities were 228 million yen, up 6 million yen from the end of the previous fiscal year.

As a result, total liabilities were 1,833 million yen, down 241 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the first quarter under review were 6,154 million yen, down 96 million yen compared with the end of the previous fiscal year. This was mainly due to dividends of surplus.

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

For the financial results forecasts for the fiscal year ending March 2025, there is no change in the consolidated financial results forecasts for the six-month period as well as for the full year disclosed in "Financial Results for the Fiscal Year Ended March 31, 2024" released on May 13, 2024.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year As of March 31, 2024	First quarter under review As of June 30, 2024
Assets		
Current assets		
Cash and deposits	4,691,074	4,543,780
Notes and accounts receivable - trade, net	* 2,292,548	* 1,898,070
Work in process	154,713	187,240
Other	151,278	240,043
Total current assets	7,289,616	6,869,135
Non-current assets		
Property, plant and equipment	59,412	58,914
Intangible assets		
Goodwill	69,366	65,286
Other	30,274	29,016
Total intangible assets	99,640	94,303
Investments and other assets	* 877,752	* 966,013
Total non-current assets	1,036,806	1,119,231
Total Assets	8,326,422	7,988,366
Liabilities		
Current liabilities		
Accounts payable – trade	841,584	756,087
Income taxes payable	213,290	79,730
Refund liability	3,097	1,307
Provision for bonuses	287,010	147,345
Other	508,579	620,600
Total current liabilities	1,853,562	1,605,070
Non-current liabilities		
Provision for directors' retirement benefits	11,408	11,408
Retirement benefit liability	210,477	217,417
Total non-current liabilities	221,885	228,825
Total Liabilities	2,075,448	1,833,895
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	5,199,430	5,094,768
Treasury shares	(62,785)	(62,785)
Total shareholders' equity	6,203,911	6,099,249
Accumulated other comprehensive income		
Foreign currency translation adjustment	52,319	60,353
Accumulated remeasurements of defined benefit plans	(5,256)	(5,132)
Total accumulated other comprehensive income	47,062	55,220
Total Net Assets	6,250,974	6,154,470
Total liabilities and net assets	8,326,422	7,988,366

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

(Unit: Thousand yen)

	Three-month period in the previous fiscal year (from April 1, 2023 to June 30, 2023)	Three-month period under review (from April 1, 2024 to June 30, 2024)
Net sales	2,578,647	2,715,682
Cost of sales	1,323,711	1,408,657
Gross profit	1,254,936	1,307,024
Selling, general and administrative expenses	1,087,919	1,133,262
Operating income	167,017	173,762
Non-operating income		
Foreign exchange gains	1,234	-
Share of profit of entities accounted for using equity method	9,335	4,078
Other	1,182	364
Total non-operating income	11,753	4,443
Non-operating expenses		
Foreign exchange losses	-	2,727
Other	41	0
Total non-operating expenses	41	2,727
Ordinary income	178,729	175,478
Extraordinary losses		
Loss on retirement of non-current assets	2,040	491
Total extraordinary losses	2,040	491
Net income before income taxes	176,689	174,987
Income taxes	59,296	62,323
Net income	117,392	112,664
Net income attributable to the parent company's shareholders	117,392	112,664

(Quarterly consolidated statement of comprehensive income)

(Three-month period)

(Unit: Thousand yen)

	Three-month period in the previous fiscal year (from April 1, 2023 to June 30, 2023)	Three-month period under review (from April 1, 2024 to June 30, 2024)
Net income	117,392	112,664
Other comprehensive income		
Foreign currency translation adjustment	740	8,033
Remeasurements of defined benefit plans	135	124
Total other comprehensive income	876	8,158
Comprehensive income	118,268	120,822
(Components)		
Comprehensive income attributable to the parent company's shareholders	118,268	120,822
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to quarterly consolidated financial statements

(Notes to changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes")

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") from the beginning of the first quarter under review.

For the revision regarding the classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment prescribed in the proviso to Paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Guidance"). This change in accounting policies has no effect on the quarterly consolidated financial statements.

In addition, the Company has adopted the 2022 Revised Guidance from the beginning of the first quarter under review for the revision related to the review of the treatment in consolidated financial statements of deferrals for tax purposes of gains or losses on sale of investments in subsidiaries among consolidated companies. This change in accounting policies has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the quarter of the previous year and the previous fiscal year have been prepared on a retrospective basis. This change in accounting policies has no effect on the quarterly consolidated financial statements for the quarter of the previous year and the consolidated financial statements for the previous fiscal year.

(Notes to assumptions for going concern)

Not applicable.

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

Not applicable.

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

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

(Notes to quarterly consolidated balance sheet)

* Allowance for doubtful accounts deducted directly from the amount of assets

	Previous fiscal year As of March 31, 2024	First quarter under review As of June 30, 2024
Current assets	733 thousand yen	631 thousand yen
Investments and other assets	2,160	1,879

(Notes to quarterly consolidated statement of cash flows)

The Company has not prepared a quarterly consolidated statement of cash flows for the three-month period under review. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three-month period under review are as follows.

	Three-month period in the previous fiscal year (from April 1, 2023 to June 30, 2023)	Three-month period under review (from April 1, 2024 to June 30, 2024)
Depreciation	6,329 thousand yen	5,012 thousand yen
Amortization of goodwill	-	4,080 thousand yen

(Notes to segment information)

Segment information

I. Three-month period in the previous fiscal year (From April 1, 2023 to June 30, 2023)

1. Information on net sales, income or loss, and breakdown of revenue by reporting segment

(Unit: Thousand yen)

	Reporting segment				Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Total		
Net sales						
Translation						
Patent	719,076	-	-	719,076	-	719,076
Medical	618,748	-	-	618,748	-	618,748
Industrial & Localization	461,385	-	-	461,385	-	461,385
Finance & Legal	180,674	-	-	180,674	-	180,674
Temporary Staffing	-	298,427	-	298,427	-	298,427
Interpretation	-	-	207,457	207,457	-	207,457
Other	-	-	-	-	92,878	92,878
Revenue from customer contracts	1,979,883	298,427	207,457	2,485,768	92,878	2,578,647
Other revenue	-	-	-	-	-	-
Sales to external customers	1,979,883	298,427	207,457	2,485,768	92,878	2,578,647
Intersegment sales or transfer	10,070	1,640	43,604	55,315	574	55,890
Total	1,989,954	300,067	251,062	2,541,084	93,453	2,634,538
Segment income (loss)	184,822	18,173	17,676	220,671	(54,570)	166,100

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

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

(Unit: Thousand yen)

Income	Amount of payment
Reporting segment total	220,671
"Other" income	(54,570)
Elimination of intersegment transactions	916
Operating income in quarterly consolidated statement of income	167,017

II. Three-month period under review (from April 1, 2024 to June 30, 2024)

1. Information on net sales, income or loss, and breakdown of revenue by reporting segment

(Unit: Thousand yen)

	Reporting segment				Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Total		
Net sales						
Translation						
Patent	749,797	-	-	749,797	-	749,797
Medical	598,387	-	-	598,387	-	598,387
Industrial & Localization	500,977	-	-	500,977	-	500,977
Finance & Legal	197,860	-	-	197,860	-	197,860
Temporary Staffing	-	289,688	-	289,688	-	289,688
Interpretation	-	-	284,846	284,846	-	284,846
Other	-	-	-	-	94,125	94,125
Revenue from customer contracts	2,047,022	289,688	284,846	2,621,557	94,125	2,715,682
Other revenue	-	-	-	-	-	-
Sales to external customers	2,047,022	289,688	284,846	2,621,557	94,125	2,715,682
Intersegment sales or transfer	9,389	1,496	212	11,098	110	11,208
Total	2,056,411	291,184	285,058	2,632,655	94,235	2,726,890
Segment income (loss)	160,695	4,517	14,091	179,305	(6,314)	172,990

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

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

(Unit: Thousand yen)

Income	Amount of payment
Reporting segment total	179,305
"Other" income	(6,314)
Elimination of intersegment transactions	771
Operating income in quarterly consolidated statement of income	173,762

3. Changes in reporting segments

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

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