



Financial Results for the Six-Month Period Ended September 30, 2024 (Interim) [Japan GAAP] (Consolidated)

November 8, 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 date for submission of semiannual report: November 13, 2024 Scheduled commencement date of dividends payment: -
 Preparation of supplementary materials for financial results: None
 Convening financial results briefing: Yes

(Amounts rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2024 (Interim) (From April 1, 2024 to September 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	%
Six-month period ended September 30, 2024	5,467	0.6	352	0.4	355	(2.4)	232	(2.0)
Six-month period ended September 30, 2023	5,429	3.6	350	(9.8)	364	(6.7)	236	(8.6)

(Note) Six-month period ended September 30, 2024 Comprehensive income 248million yen (0.1%) Six-month period ended September 30, 2023 247million yen (-11.8%)

	Net income per share	Net income per share – diluted
	Yen	Yen
Six-month period ended September 30, 2024	69.41	-
Six-month period ended September 30, 2023	70.97	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six-month period ended September 30, 2024	8,117	6,295	77.5
Fiscal year ended March 31, 2024	8,326	6,250	75.0

(Reference) Six-month period ended September 30, 2024 Shareholders' equity 6,295million yen Fiscal year ended March 31, 2024 6,250million yen

2. Dividends

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

	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
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 interim consolidated financial statements: Yes

(Note) For details, see "2. Interim Consolidated Financial Statements and Key Notes (4) Notes to interim consolidated financial statements (Notes to special accounting procedures used for preparation of the interim consolidated financial statements)" on Page 10 of the attachments.

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

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

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

3) Average number of shares issued during the period (Interim)

Six-month period ended September 30, 2024	3,369,000shares	Fiscal year ended March 31, 2024	3,369,000shares
Six-month period ended September 30, 2024	18,822shares	Fiscal year ended March 31, 2024	25,522shares
Six-month period ended September 30, 2024	3,345,392shares	Six-month period ended September 30, 2023	3,338,692shares

* Interim financial results are not subject to reviews by a Certified Public Accountant or audit firm.

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

The forward-looking statements, such as the financial forecast, provided in this material are based on information currently available to Honyaku Center Inc. ("Company") and certain assumptions that the Company believes are reasonable, and are not intended as a guarantee that the Company will achieve the same. In addition, actual results, including financial performance, may significantly differ due to various factors. For assumptions for operating results forecasts and points to consider in utilizing them, please see "1. Overview of Operating Results, etc., (3) Explanation of future forecast information such as consolidated financial results forecasts" on Page 5 of the attachments.

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1. Overview of Operating Results, etc.

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

Concerning the financial results for the six-month period under review, there were signs of a moderate recovery in the Japanese economy, including an improved employment and income environment and companies' increased appetite for capital investment, as economic activities normalized. However, there were concerns such as soaring raw material and energy prices caused by prolonged volatility around the globe, the impact of exchange rate fluctuations, and continued global monetary tightening, 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 six-month period under review, the Honyaku Center Group (Group) posted net sales of 5,467 million yen, up 0.6% on a year-on-year basis, as the performance of the Translation Business, which is the core business, remained at the same level on a year-on-year basis, while the Interpretation Business saw continued growth. In terms of profit, the Group posted operating income of 352 million yen, up 0.4% on a year-on-year basis; ordinary income of 355 million yen, down 2.4% on a year-on-year basis mainly 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 232 million yen, down 2.0% 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 six-month period under review because its quantitative importance has decreased. The disclosed segment information for the six-month period in the previous fiscal year was prepared according to the classification of reporting segments of the six-month period under review.

1) Translation Business

In the Patent field, net sales increased by 2.6% on a year-on-year basis to 1,486 million yen due to strong orders from patent firms despite a decrease in orders from the intellectual property departments of some major corporate clients. In the Medical field, despite efforts to build lasting relationships with client companies and expand the client base to capture demand, net sales declined 0.8% on a year-on-year basis to 1,222 million yen as a result of sluggish orders from foreign pharmaceutical companies, while orders from Japanese pharmaceutical companies and contract research organizations (CRO) increased year on year. The Industrial & Localization field saw strong demand from the manufacturing industry including increased orders from clients in the automobile and electrical machinery fields and the winning of large projects from energy companies. However, net sales decreased 1.6% on a year-on-year basis to 1,070 million yen due to sluggish orders from the non-manufacturing industry. In the Finance & Legal field, net sales increased by 5.1% on a year-on-year basis to 333 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 4,113 million yen, up 0.6% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, net sales amounted to 583 million yen, down 1.9% on a year-on-year basis, mainly 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 15.9% on a year-on-year basis to 596 million yen, reaching a record high in the six-month period under review, 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 173 million yen, down 25.7% on a year-on-year basis, as a result of decreased sales due to the downsizing of the Convention Business and weak performance of FIPAS Inc., which provides support for foreign patent applications, including the preparation of patent specifications and the application process, although enrollment in the interpreter and translator school ISS Institute, Inc. remained solid.

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

(Assets)

Current assets as of the end of the six-month period under review were 7,010 million yen, down 278 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 70 million yen from the end of the previous fiscal year to 1,106 million yen. This was mainly due to an increase in guarantee deposits.

As a result, total assets were 8,117 million yen, down 208 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the six-month period under review were 1,590 million yen, down 263 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in accounts payable – trade and income taxes payable. Non-current liabilities were 232 million yen, up 10 million yen from the end of the previous fiscal year. This was mainly due to an increase in retirement benefit liability.

As a result, total liabilities were 1,822 million yen, down 253 million yen compared to the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the six-month period under review were 6,295 million yen, up 44 million yen compared to the end of the previous fiscal year. This was mainly due to recording net income attributable to the parent company's shareholders and the payment of dividends of surplus.

(Cash flows)

Cash and cash equivalents as of the end of the six-month period under review were 4,587 million yen, up 97 million yen compared to the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 369 million yen (426 million yen of proceeds in the same period of the previous year).

This was mainly due to 354 million yen of net income before income taxes and 92 million yen of payments for a decrease in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was 68 million yen (109 million yen of payments in the same period of the previous year).

This was mainly due to 87 million yen of payments of guarantee deposits.

(Cash flows from financing activities)

Net cash used in financing activities was 217 million yen (150 million yen of payments in the same period of the previous year) due to the payment of dividends.

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

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

2. Interim Consolidated Financial Statements and Key Notes

(1) Interim consolidated balance sheet

(Unit: Thousand yen)

	Previous fiscal year As of March 31, 2024	Six-month period under review As of September 30, 2024
Assets		
Current assets		
Cash and deposits	4,691,074	4,791,737
Notes and accounts receivable - trade, net	2,292,548	1,804,772
Work in process	154,713	188,703
Other	151,278	225,638
Total current assets	7,289,616	7,010,850
Non-current assets		
Property, plant and equipment	59,412	57,468
Intangible assets		
Goodwill	69,366	61,206
Other	30,274	28,502
Total intangible assets	99,640	89,708
Investments and other assets	877,752	959,803
Total non-current assets	1,036,806	1,106,980
Total Assets	8,326,422	8,117,831
Liabilities		
Current liabilities		
Accounts payable – trade	841,584	749,954
Income taxes payable	213,290	151,809
Refund liability	3,097	1,808
Provision for bonuses	287,010	273,160
Other	508,579	413,325
Total current liabilities	1,853,562	1,590,057
Non-current liabilities		
Provision for directors' retirement benefits	11,408	11,408
Retirement benefit liability	210,477	220,824
Total non-current liabilities	221,885	232,232
Total Liabilities	2,075,448	1,822,289
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	5,199,430	5,211,711
Treasury shares	(62,785)	(46,303)
Total shareholders' equity	6,203,911	6,232,674
Accumulated other comprehensive income		
Foreign currency translation adjustment	52,319	67,770
Accumulated remeasurements of defined benefit plans	(5,256)	(4,903)
Total accumulated other comprehensive income	47,062	62,866
Total Net Assets	6,250,974	6,295,541
Total liabilities and net assets	8,326,422	8,117,831

(2) Interim consolidated statement of income and interim consolidated statement of comprehensive income

(Interim consolidated statement of income)

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (from April 1, 2023 to September 30, 2023)	Six-month period under review (from April 1, 2024 to September 30, 2024)
Net sales	5,429,955	5,467,866
Cost of sales	2,874,383	2,886,389
Gross profit	2,555,572	2,581,477
Selling, general and administrative expenses	2,204,764	2,229,010
Operating income	350,807	352,466
Non-operating income		
Share of profit of entities accounted for using equity method	17,675	10,084
Other	1,267	1,102
Total non-operating income	18,942	11,186
Non-operating expenses		
Foreign exchange losses	5,364	8,304
Other	0	1
Total non-operating expenses	5,364	8,306
Ordinary income	364,385	355,347
Extraordinary losses		
Loss on retirement of non-current assets	2,040	491
Total extraordinary losses	2,040	491
Net income before income taxes	362,345	354,855
Income taxes	125,368	122,622
Net income	236,977	232,233
Net income attributable to the parent company's shareholders	236,977	232,233

(Interim consolidated statement of comprehensive income)

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (from April 1, 2023 to September 30, 2023)	Six-month period under review (from April 1, 2024 to September 30, 2024)
Net income	236,977	232,233
Other comprehensive income		
Foreign currency translation adjustment	10,463	15,450
Remeasurements of defined benefit plans	271	353
Total other comprehensive income	10,735	15,803
Comprehensive income	247,712	248,037
(Components)		
Comprehensive income attributable to the parent company's shareholders	247,712	248,037
Comprehensive income attributable to non-controlling interests	-	-

(3) Interim consolidated statement of cash flows

(Unit: Thousand yen)

	Six-month period in the previous fiscal year (from April 1, 2023 to September 30, 2023)	Six-month period under review (from April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Net income before income taxes	362,345	354,855
Depreciation	12,654	10,200
Share-based remuneration expenses	4,808	6,287
Amortization of goodwill	5,867	8,160
Increase (decrease) in allowance for doubtful accounts	848	(820)
Increase (decrease) in provision for bonuses	(13,745)	(13,850)
Increase (decrease) in provision for directors' bonuses	(8,100)	(10,950)
Increase (decrease) in net defined benefit liability	8,195	10,773
Decrease (increase) in net defined benefit asset	(679)	(3,381)
Interest and dividend income	(19)	(355)
Share of loss (profit) of entities accounted for using equity method	(17,675)	(10,084)
Loss on retirement of non-current assets	2,040	(1,510)
Decrease (increase) in trade receivables	233,490	491,688
Decrease (increase) in inventories	(116,431)	(34,393)
Increase (decrease) in trade payables	37,749	(92,025)
Other	1,540	(155,806)
Subtotal	512,887	558,788
Interest and dividends received	19	355
Income taxes paid	(86,821)	(189,558)
Net cash provided by (used in) operating activities	426,085	369,585
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,284)	(2,938)
Proceeds from sale of property, plant and equipment	-	2,002
Purchase of intangible assets	(1,200)	(2,940)
Payments for acquisition of businesses	(117,345)	-
Payments into time deposits	(3,000)	(3,000)
Payments for guarantee deposits	(11,282)	(87,086)
Proceeds from collection of guarantee deposits	25,733	25,835
Net cash provided by (used in) investing activities	(109,380)	(68,128)
Cash flows from financing activities		
Dividends paid	(150,155)	(217,326)
Net cash provided by (used in) financing activities	(150,155)	(217,326)
Effect of exchange rate change on cash and cash equivalents	9,441	13,531
Net increase (decrease) in cash and cash equivalents	175,990	97,662
Cash and cash equivalents at beginning of period	3,938,982	4,490,194
Cash and cash equivalents at end of interim period	4,114,973	4,587,856

(4) Notes to interim 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 six-month period 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 interim consolidated financial statements.

In addition, the Company has adopted the 2022 Revised Guidance from the beginning of the six-month period 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 the sale of investments in subsidiaries among consolidated companies. This change in accounting policies has been applied retrospectively, and the interim consolidated financial statements and consolidated financial statements for the six-month period in 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 interim consolidated financial statements for the six-month period in 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 used for preparation of the interim 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 six-month period under review and calculated them by multiplying this estimated effective tax rate by net income before income taxes.

(Notes to segment information)

Segment information

I. Six-month period in the previous fiscal year (From April 1, 2023 to September 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	1,447,395	-	-	1,447,395	-	1,447,395
Medical	1,232,928	-	-	1,232,928	-	1,232,928
Industrial & Localization	1,088,197	-	-	1,088,197	-	1,088,197
Finance & Legal	317,509	-	-	317,509	-	317,509
Temporary Staffing	-	595,650	-	595,650	-	595,650
Interpretation	-	-	514,811	514,811	-	514,811
Other	-	-	-	-	233,464	233,464
Revenue from customer contracts	4,086,030	595,650	514,811	5,196,491	233,464	5,429,955
Other revenue	-	-	-	-	-	-
Sales to external customers	4,086,030	595,650	514,811	5,196,491	233,464	5,429,955
Intersegment sales or transfer	16,877	3,304	351	20,533	1,448	21,981
Total	4,102,907	598,954	515,162	5,217,025	234,912	5,451,937
Segment income (loss)	393,206	26,183	33,561	452,951	(104,016)	348,934

(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 interim consolidated statement of income and major components thereof (matters concerning difference adjustment)

(Unit: Thousand yen)

Income	Amount of payment
Reporting segment total	452,951
"Other" income	(104,016)
Elimination of intersegment transactions	1,873
Operating income in interim consolidated statement of income	350,807

II. Six-month period under review (from April 1, 2024 to September 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	1,486,285	-	-	1,486,285	-	1,486,285
Medical	1,222,951	-	-	1,222,951	-	1,222,951
Industrial & Localization	1,070,621	-	-	1,070,621	-	1,070,621
Finance & Legal	333,709	-	-	333,709	-	333,709
Temporary Staffing	-	583,885	-	583,885	-	583,885
Interpretation	-	-	596,977	596,977	-	596,977
Other	-	-	-	-	173,436	173,436
Revenue from customer contracts	4,113,567	583,885	596,977	5,294,430	173,436	5,467,866
Other revenue	-	-	-	-	-	-
Sales to external customers	4,113,567	583,885	596,977	5,294,430	173,436	5,467,866
Intersegment sales or transfer	14,480	2,900	212	17,594	283	17,877
Total	4,128,048	586,785	597,189	5,312,024	173,720	5,485,744
Segment income (loss)	316,670	12,861	40,157	369,689	(19,501)	350,187

(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 interim consolidated statement of income and major components thereof (matters concerning difference adjustment)

(Unit: Thousand yen)

Income	Amount of payment
Reporting segment total	369,689
"Other" income	(19,501)
Elimination of intersegment transactions	2,279
Operating income in interim consolidated statement of income	352,466

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 six-month period under review because its quantitative importance has decreased.

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