Nov 16, 2015

# Non-consolidated Financial and Operating Results (Excerpt) for the Year Ended September 30, 2015 [J-GAAP basis]

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|---|---|---|---|
| Listed Company Name: | SHl-JAPAN Ltd. | Registered on Tokyo Stock Exchange | |
| Securities Code: | 4327 | URL: | http://www.shl.co.jp/ |
| Representative: | Manabu Nara, Managing Director | | |
| Contact: | Naohiro Nakamura, Executive Director | Tel: +81-3-5385-8781 | |
| Date to the ordinary general meeting of shareholders: | | Dec 19, 2015 | |
| Date to start distributing dividends: | | Dec 21, 2015 | |
| Date to submit the Securities Report | | Dec 22, 2015 | |
| Supplementary documents for this summary of financial statements | | Yes | |
| Results briefing for financial results: | | Yes (for analysts and institutional investors) | |

The original disclosure in Japanese was released on October 29, 2015 at 15:15 (GMT+9)

1. Non-consolidated Financial Results for the Year Ended September 30, 2015 (October 1, 2014 to September 30, 2015)

(1) Non-consolidated Business Results

(The percentages indicate the rate of increase or decrease compared with the same period of the previous fiscal year.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| Fiscal 2015 | 2,279 | 9.8 | 926 | 4.1 | 939 | 5.0 | 588 | 5.9 |
| Fiscal 2014 | 2,076 | 5.5 | 889 | 3.6 | 894 | 3.6 | 555 | 0.5 |

| | Net income per share | Fully diluted net income per share | Return on shareholders' equity | Ordinary income to total assets | Operating income to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal 2015 | 195.88 | 194.38 | 18.2 | 24.7 | 40.6 |
| Fiscal 2014 | 179.75 | 177.99 | 18.1 | 25.1 | 42.8 |

(Note) Comprehensive income: Fiscal 2015: — millon Fiscal 2014 — millon

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of Yen | Millions of Yen | % | Yen |
| Sep 30, 2015 | 4,005 | 3,386 | 84.4 | 1,117.74 |
| Sep 30, 2014 | 3,589 | 3,116 | 86.5 | 1,027.89 |

(Reference) Equity capital: Sep 30, 2015: ¥3,379 millon Sep 30, 2014: ¥3,104 million

(3) Non-Consolidated Consolidated Cash Flows

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Millions of Yen | Millions of Yen | % | Yen |
| Fiscal 2015 | 641 | △117 | △314 | 2,177 |
| Fiscal 2014 | 565 | △658 | △497 | 1,967 |

2. Dividends

| | Dividend per share | | | | | Total dividends paid (annual) | Payout ratio (consolidated) | Dividends to net assets |
|---|---|---|---|---|---|---|---|---|
| | Q1 End | Q2 End | Q3 End | Year-End | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of Yen | % | % |
| Fiscal 2014 | — | 45.00 | — | 47.00 | 92.00 | 281 | 51.2 | 9.2 |
| Fiscal 2015 | — | 46.00 | — | 52.00 | 98.00 | 295 | 50.0 | 9.1 |
| Fiscal 2016 (forecast) | — | 49.00 | — | 49.00 | 98.00 | | 46.3 | |

3. Non-Consolidated Forecast for the Year Ending September 30, 2016 (October 1, 2015 to September 30, 2016

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Yen |
| Fiscal 2016 | 2,368 | 3.9 | 962 | 3.9 | 962 | 2.5 | 639 | 8.7 | 211.66 |

*Note

(1) Application of particular accounts procedures to the preparation of quarterly non-consolidated financial statements: None

(2) Changes in accounting policies and changes or restatement of accounting estimates

| | |
|---|---|
| (i) Changes in accounting policies caused by revision of accounting standards: | None |
| (ii) Changes in accounting policies other than( ⅰ ) : | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatement: | None |

(1) Number of shares outstanding (common stock)

| | | | | |
|---|---|---|---|---|
| (i) Number of shares outstanding (including treasury shares) | As of Sep 30, 2015 | 3,023,079 | As of Sep 30, 2014 | 3,101,800 |
| (ii) Number of treasury shares | As of Sep 30, 2015 | — | As of Sep 30, 2014 | 81,921 |
| (iii) Average Number of shares outstanding | Fiscal 2015 | 3,005,051 | Fiscal 2014 | 3,090,915 |

* Implementation status of quarterly review procedures

This financial results summary is not subject to review procedures under the Financial Instruments and Exchange Act, and the financial statement review procedures based on the Act were in progress at the time of the disclosure of these financial results.

* Explanations and other special notes concerning the appropriate use of financial results forecasts

1. The forward-looking statements regarding financial results forecasts, etc., appearing in this financial results summary have been prepared based on information currently available to the Company and certain assumptions that the Company believes to be reasonable. The Company makes no guarantee as to their realization. Actual financial results may differ substantially from the forecasts due to various factors.
2. As the Company’s services are often used for the screening of new graduates to be employed by corporate customers, our sales inevitably involve seasonal fluctuations. Accordingly, the Company’s performance management is conducted on an annual basis without presenting performance forecasts for the first half.
3. The Company has scheduled a results briefing for security analysts and institutional investors on November 6, 2015. Please refer to the IR Information for details of the materials that will be distributed at the session. The materials will be posted on the Company’s Web site immediately after this meeting
   http://www.shl.ne.jp/ir/for_analyst.asp

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating results for the year ended September 30, 2015)

For the year ended September 30, 2015 (October 1, 2014, through September 30, 2015), net sales of SHL-JAPAN Ltd. (the "Company") increased ¥203 million, or 9.8% year over year, to ¥2,279 million. By business segment, "Product sales" increased 15.2% to ¥1,231 million, "Consultancy sales" increased 2.6% to ¥992 million and "Training sales" increased 40.3% to ¥55 million.

Product sales for the year under review increased ¥162 million year over year. This increase was primarily attributable to increased sales of our products such as the "*GAB,*" which is used for the screening of new graduates recruited for the main career track. Consultancy sales increased ¥25 million year over year. This increase was primarily attributable to favorable sales of customized versions of the "*Web Test,*" a Web assessment tool, and the "*Marksheet Test*," as well as various valuation agency services, or human assessment services, although sales of "*Tamatebako,*" an Internet-based screening system, were unsatisfactory. Training sales increased ¥15 million year over year due to increased orders for in-house seminars.

During the year ended September 30, 2015, the employment environment was steady supported by a moderate recovery trend resulting from a set of economic policies and other factors. Amid this environment, the media projected an increase for the fifth consecutive year in the informal job offer rate of new graduates to be employed by leading corporations, and corporations conducted aggressive screening of students who are expected to graduate from universities, etc., in 2016 and of experienced workers. Under these circumstances, the schedules concerning recruitment-related PR activity and screening for new graduates were delayed compared with previous years, and the period for recruiting and screening at corporations was substantially shortened in light of the self-imposed regulations regarding the employment of new graduates* that were introduced by industry groups effective from the year under review. Accordingly, the Company achieved increase in revenue in all the business segments for the year under review due to overall support of our services, particularly those products which are relatively easy to implement, by corporate customers.

Operating income for the year under review increased 4.1% year over year to ¥926 million. The cost of goods sold increased ¥83 million, or 27.7% year over year, to ¥384 million, and selling, general and administrative expenses increased ¥82 million, or 9.4%, to ¥968 million. However, operating income for the year increased ¥36 million year over year due to the increase in revenue. The increase in the cost of goods sold was primarily attributable to the increases in both labor expenses and other expenses centering on subcontracting costs associated with the operation of hall tests, resulting from the increase of orders. The primary factors for the increase in selling, general and administrative expenses were the increases in labor expenses largely due to the expansion centered on sales personnel and special bonuses, in rent due to increased floor space and in sales promotion-related expenses.

Ordinary income for the year under review increased 5.0% year over year to ¥939 million. Ordinary income increased ¥45 million year over year as non-operating income increased ¥8 million year over year to ¥14 million and operating income increased, whereas non-operating expenses were mostly unchanged from the previous year. The primary factors for the increase in non-operating income were a year-over-year increase of ¥6 million in gains on investments in a limited liability partnership for venture businesses and the recording of ¥1 million as dividend income.

Income before income taxes for the year under review increased 3.6% year over year to ¥939 million. Income before income taxes increased ¥32 million year over year, reflecting a year-over-year decrease of ¥14 million in extraordinary gains and a year-over-year decrease of ¥1 million in extraordinary losses, in addition to the increase in ordinary income. The decrease in extraordinary gains was primarily due to the recording of ¥12 million in the gain on sales of investment securities for the same period a year earlier. The decrease in extraordinary losses was due to the recording of ¥1 million in loss on valuation of inventories for the same period a year earlier.

Net income for the year under review increased ¥33 million, or 5.9% year over year, to ¥588 million, mainly due to the increase in income before income taxes and the reduction in the corporate tax rate.

* The industry has self-imposed controls regarding the employment of new graduates, under which industry groups agreed not to start employment PR activity and screening process for new graduates prior to a fixed date in light of the academic schedules for students. The Keidanren (Japan Business Federation) stipulated in its "Guidelines for Recruiting and Employing New Graduates" that corporations' PR activity shall commence on and after March 1 (previously, it had been December 1 of the year prior to graduation or completion), and screening activity on and after August 1 (previously, it had been April 1 of the year of graduation or completion), respectively, of the year just preceding the year of graduation or post-graduate completion for new graduates who will enter corporations on and after fiscal 2016.

(Illustration of new graduates)

| Graduating Year | Junior Students | Senior Students |
|---|---|---|
| Students scheduled to graduate in 2015 | December 1<br>⇒PR Activity | April 1<br>⇒Screening Activity |
| Students scheduled to graduate in 2016 | March 1<br>⇒PR Activity | August 1<br>⇒Screening Activity |

(Projected performance for the year ending September 30, 2016)

Despite several concerns such as a slowdown in economic growth in the emerging countries and global political instability, a gradual recovery undertone from the implementation of various economic policies is expected to continue and the employment environment is expected to remain firm in the coming year ending September 30, 2016. Meanwhile, although the new industry's self-imposed controls regarding the employment of new graduates expected to graduate from universities in 2016 were implemented from the year under review, a review of such self-imposed controls has been under consideration for new graduates who are expected to graduate from universities in 2017. We therefore intend to continue enhancing our operating performance by speedily providing optimum services based on our precise analysis and understanding of corporate customers' needs by taking into account the possibility of another change in the schedules concerning recruitment-related PR activity and the screening by corporations of new graduates.

In light of the above, net sales of ¥2,368 million (up 3.9% year over year), operating income of ¥962 million (up 3.9%), ordinary income of ¥962 million (up 2.5%) and net income of ¥639 million (up 8.7%) are projected for the year ending September 30, 2016.

(2) Basic Policy Regarding Profit Distribution and Dividends for the Year Ended September 30, 2015, and the Year Ending September 30, 2016

The Company considers the return of profits to shareholders to be one of its mainstay management tasks.

Consequently, the Company intends to maintain a basic policy of ensuring stable and proactive profit distribution to shareholders with a benchmark payout ratio of 50% while maintaining an internal reserve for the future reinforcement of its business structure. The Company's dividends from surplus are distributed twice per annum as an interim dividend and a year-end dividend. The internal decision is made by the Board of Directors for the interim dividend and by a general meeting of shareholders for the year-end dividend.

In line with the above basic policies, the Company plans to distribute an annual dividend per share of ¥98 for the year ended September 30, 2015, consisting of ¥52 per share for the year-end dividend and ¥46 per share for the interim dividend. This is a dividend increase of ¥6 (up 6.5%) annually compared with a ¥92 annual dividend per share for the previous year.

The Company intends to reinforce its management foundation by allocating the internal reserves to IT-related investments for ensuring higher safety of its information systems and R&D projects of new assessment tools.

With regards to the dividend for the next year, the Company intends to maintain the same amount of annual dividend per share of the year under review.