Nov 18, 2016

Non-consolidated Financial and Operating Results (Excerpt) for the Year Ended September 30, 2016 [J-GAAP basis]

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 17, 2016	
Date to start distributing dividends:		Dec 29, 2016	
Date to submit the Securities Report		Dec 21, 2016	
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 28, 2016 at 15:15 (GMT+9)

1. Non-consolidated Financial Results for the Year Ended September 30, 2016 (October 1, 2015 to September 30, 2016)

(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 2016	2,420	6.2	1,018	9.9	1,020	8.7	667	13.4
Fiscal 2015	2,279	9.8	926	4.1	939	5.0	588	5.9

	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 2016	220.00	218.94	18.6	24.3	42.1
Fiscal 2015	195.88	194.38	18.2	24.7	40.6

(Note) Comprehensive income: Fiscal 2016: — millon Fiscal 2015 — 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, 2016	4,398	3,789	86.1	1,244.70
Sep 30, 2015	4,005	3,386	84.4	1,117.74

(Reference) Equity capital: Sep 30, 2016: ¥3,385 millon Sep 30, 2015: ¥3,379 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 2016	846	△47	△278	2,697
Fiscal 2015	641	△117	△314	2,177

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 2015	—	46.00	—	52.00	98.00	295	50.0	9.1
Fiscal 2016	—	49.00	—	61.00	110.00	334	50.0	9.3
Fiscal 2017 (forecast)	—	55.00	—	55.00	110.00		47.7	

3. Non-Consolidated Forecast for the Year Ending September 30, 2017 (October 1, 2016 to September 30, 2017)

	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 2017	2,520	4.1	1,034	1.6	1,032	1.1	701	5.2	230.81

*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, 2016	3,040,979	As of Sep 30, 2015	3,023,079
(ii) Number of treasury shares	As of Sep 30, 2016	33	As of Sep 30, 2015	—
(iii) Average Number of shares outstanding	Fiscal 2016	3,033,228	Fiscal 2015	3,005,051

* 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 2, 2016. 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, 2016)

For the year ended September 30, 2016 (October 1, 2015, through September 30, 2016), net sales of SHL-JAPAN Ltd. (the "Company") increased ¥141 million, or 6.2%, year over year to ¥2,420 million. By business segment, "Product sales" increased 9.5% to ¥1,348 million, "Consultancy sales" increased 2.3% to ¥1,014 million and "Training sales" increased 3.9% to ¥57 million.

Product sales for the year under review increased ¥116 million year over year. This increase was primarily attributable to increased sales of our products such as "*GAB*," which is used for the screening of new graduates recruited for the main career track. Consultancy sales increased ¥22 million year over year. This increase was primarily attributable to favorable sales of customized versions of the "*Web Test*" and various valuation agency services, or human assessment services, although sales of "*Tamatebako*," an Internet-based screening system, were unsatisfactory. Training sales increased ¥2 million year over year due to increased orders for in-house seminars.

During the year ended September 30, 2016, the employment environment remained steady as seen in the media reporting on a rise in the informal job offer rate for students who are expected to graduate in 2017, and corporations conducted aggressive screening of prospective graduates and of workers with experience. Under these circumstances, the period for recruiting and screening new graduates at corporations was further shortened in light of the self-imposed regulations regarding the employment of new graduates* that were changed during the year under review. Accordingly, the Company achieved an increase in revenue in all the business segments for the year under review backed by a range of our widely supported services, particularly those products which are relatively easy to be implemented by corporate customers.

Operating income for the year under review increased 9.9% year over year to ¥1,018 million. While the cost of goods sold decreased ¥6 million, or 1.7%, year over year to ¥378 million, selling, general and administrative expenses increased ¥55 million, or 5.8%, year over year to ¥1,024 million. As a consequence, operating income for the year increased ¥92 million year over year due to the increase in revenue. The decrease in the cost of goods sold was primarily attributable to the decrease in production costs and amortization of product master, which offset the increase in 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, taxes and dues, and sales promotion-related expenses.

Ordinary income for the year under review increased 8.7% year over year to ¥1,020 million. Ordinary income increased ¥81 million year over year due to the increase in operating income, whereas the amount of non-operating expenses was small, similar to that of the same period a year earlier, and non-operating income decreased ¥11 million year over year to ¥3 million. The primary factor for the decrease in non-operating income was the reporting of ¥12 million in gains on investments in a limited partnership for the same period of the previous fiscal year.

Income before income taxes for the year under review increased ¥80 million, or 8.6%, year over year to ¥1,020 million, which was almost equal to ordinary income because both extraordinary gains and extraordinary losses were small.

Net income for the year under review increased ¥78 million, or 13.4%, year over year to ¥667 million, mainly due to the increase in income before income taxes and the reduction in the corporate tax rate.

(Projected performance for the year ending September 30, 2017)

While there are several concerns such as the decelerating trend in economic growth on a global scale including emerging countries, it is expected that corporations remain firmly motivated to hire more employees and the screening market environment for new graduates continues to grow steadily. The industry's self-imposed controls regarding the employment of new graduates expected to graduate in 2017 have been newly revised and the recruitment of new graduates expected to graduate in 2018 will also be subject to the revised rules. However, a review of such self-imposed controls has been under consideration from various aspects for new graduates who are expected to graduate in 2019 and thereafter. 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 of recruitment PR activity and the screening process for new graduates, which might take place in the fiscal year after next.

In light of the above, net sales of ¥2,520 million (up 4.1% year over year), operating income of ¥1,034 million (up 1.6%), ordinary income of ¥1,032 million (up 1.1%) and net income of ¥701 million (up 5.2%) are projected for the year ending September 30, 2017.

(2) Basic Policy Regarding Profit Distribution and Dividends for the Year Ended September 30, 2016, and the Year Ending September 30, 2017

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 ¥110 for the year ended September 2016, consisting of ¥61 per share for the year-end dividend and ¥49 per share for the interim dividend. This is a dividend increase of ¥12 (up 12.2%) annually compared with a ¥98 annual dividend per share for the previous year.

The Company intends to reinforce its management foundation by allocating the internal reserve 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.