May 17, 2017

Non-Consolidated Financial Results (Excerpt) for the Second Quarter of Fiscal 2017 [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	
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Date to submit the Quarterly Securities Report:		May 15, 2017
Date to start distributing dividends:		Jun 1, 2017
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 Apr 28, 2017 at 15:15 (GMT+9)

1. Non-Consolidated Financial Results for the Second Quarter of Fiscal 2017 (October 1, 2016 to Mar 31, 2017)

(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	%
First six months of Fiscal 2017	1,175	14.6	546	30.6	546	30.1	377	35.5
First six months of Fiscal 2016	1,025	22.2	418	55.7	419	48.8	278	55.9

	Net income per share	Fully diluted net income per share
	Yen	Yen
First six months of Fiscal 2017	123.90	123.35
First six months of Fiscal 2016	91.89	91.40

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Mar 31, 2017	4,538	3,977	87.5
Sep 30, 2016	4,398	3,789	86.1

(Reference) Equity capital: Mar 31, 2017: ¥3,973 million Sep 30, 2016: ¥3,785 million

2. Dividends

	Dividend per share				
	End of First quarter	End of Second quarter	End of Third quarter	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	—	49.00	—	61.00	110.00
Fiscal 2017	—	55.00			
Fiscal 2017 (forecast)			—	55.00	110.00

(Note) Revisions to recent dividends forecast: None

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	230.61

(Note) Revisions to recent business forecast: None

Net income per share has been revised based on the average number of shares outstanding during the first six months (3,043,566 shares) because it is difficult to calculate the average number of shares outstanding on a full-year basis as the Company is currently in a period of acquiring treasury shares.

(1) Application of particular accounts procedures to the preparation of quarterly non-consolidated financial statements: Yes

(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 Mar 31, 2017	3,046,979	As of Sep 30, 2016	3,040,979
(ii) Number of treasury shares	As of Mar 31, 2016	97	As of Sep 30, 2016	33
(iii) Average Number of shares outstanding	First six months of Fiscal 2017	3,043,566	First six months of Fiscal 2016	3,028,535

* Implementation status of quarterly review procedures

This financial results summary is not subject to quarterly review procedures.

* 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.

Qualitative information regarding the quarterly settlement of accounts

(1) Explanation of operating results

During the first six months of the year ending September 30, 2017 (October 1, 2016, through March 31, 2017), net sales of SHL-JAPAN Ltd. (the "Company") increased ¥149 million, or 14.6% year over year, to ¥1,175 million. By business segment, "Product sales" increased 18.2% to ¥566 million, "Consultancy sales" increased 8.6% to ¥571 million and "Training sales" increased 83.7% to ¥37 million.

The self-imposed regulations regarding the employment of new graduates* were left unchanged from those for previous fiscal year, and the positive sentiment of corporations, for which the media reported an increase for the sixth consecutive year in the job offers-to-seekers ratio of new graduates who are expected to graduate in March 2018, continued, reflecting their favorable operating performance. The Company believes that its marketing activities in line with customers' needs were effective under these circumstances, contributing to year-over-year increases in net sales in all the business segments.

Operating income for the six-month period under review increased 30.6% year over year to ¥546 million. Although the cost of goods sold increased ¥10 million, or 8.6% year over year, to ¥138 million, and selling, general and administrative expenses increased ¥10 million, or 2.3% year over year, to ¥490 million, operating income increased ¥127 million year over year due to the increase in net sales. The increase in the cost of goods sold was primarily attributable to increases in subcontracting costs resulting from the increase of orders, as well as in production costs and amortization of product master. The primary factors for the increase in selling, general and administrative expenses were the increases in taxes and dues, labor expenses such as salaries and executive compensation, and rents paid, despite a decrease in sales promotion-related expenses.

Ordinary income for the six-month period under review increased 30.1% year over year to ¥546 million. Ordinary income increased ¥126 million year over year, reflecting a small amount in non-operating expenses similar to that for the same period a year earlier and the increase in operating income despite a ¥1 million decrease in non-operating income year over year.

Income before income taxes for the six-month period under review increased ¥129 million, or 30.9% year over year, to ¥550 million, due to the reporting of a ¥3 million gain on sales of investment securities as extraordinary gains.

Net income for the six-month period under review increased ¥98 million, or 35.5% year over year, to ¥377 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 the 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 for new graduates who will enter corporations in fiscal 2017 onwards shall commence on and after March 1 of the year just preceding the year of graduation or post-graduate completion, and screening activity on and after June 1 of the year of graduation or completion.

(2) Explanation about future prospects such as business forecasts

Despite several concerns such as the impact of geopolitical risk, the Company believes that corporations remain firmly motivated to hire more employees and the market environment for recruiting and screening new graduates will remain strong in the second half of the year ending September 30, 2017. We intend to continue enhancing our operating performance by speedily providing optimum services based on our precise analysis and understanding of corporate customers' needs while taking into account the possibility of early completion of corporations' activities for recruiting and screening new graduates during the current fiscal year.

The financial results for the year ending September 30, 2017 will be subject to the impact of the change in royalty fee due to the conclusion of a new license agreement. The annual royalty fee for the previous fiscal year (year ended September 30, 2016) was ¥52 million. As for the impact on the financial results for the year ending September 30, 2017, the amount of impact is expected to be ¥30 million due to the change in royalty fee (from 2.5% to 5.0%) for sales of the products covered by licensing for the six-month period from April through September 2017.

In light of the above and based on our analysis of the business results, financial position and other managerial administrative material for the six-month period under review, followed by our careful consideration of business forecasts, the Company is not, at this time, revising its business forecast for the year ending September 30, 2017, which was released on October 28, 2016.