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Company Name: SHL-JAPAN Ltd. (code #: 4327)

Representative director: Yuzo Shimizu

Location of Headquarters: 5-38-16 Chuo Nakano-Ku Tokyo

Contact: Naohiro Nakamura, Director,

Office Management Team Leader

Tel: 03-5385-8781

Abstract of flash report

3. Operating results and financial condition

(a) Overview of results for the current period

In the year ended 30 September 2003, low individual consumer demand, the influence on seasonal goods from the cool summer and the stronger Japanese yen caused the Japanese economy to remain in an unstable condition and the unemployment rate also moved to a higher level.

Under such economic conditions, many companies are hesitating to expand employment significantly. This trend is particularly apparent in the IT industry, trading companies and the wholesale industry, which normally employ a large number of graduates.

However, we have aggressively developed new products and actively marketed them to acquire new, large customers with our strengths in information technology and energy derived from our younger employees.

As a result, turnover increased to JPY 1,291 million for the year ended 30 September 2003, (10.1% increase from the prior year). Turnover from Products was JPY 476 million (6.1% decrease from the prior year), turnover from Consultancy was JPY 785 million (21.3% increase from the same period in the prior year), and turnover from Training was JPY 28 million (61.6% increase from the prior year).

The decrease in turnover from Products was mainly caused by a decrease in sales of old style written examinations due to decrease in adoption by middle to small size customers. The increase in turnover from Consultancy was due to the continuous progress in market development to large customers who wish to adopt Internet based services and customer specification (customization) for aptitude testing. The turnover from Training was derived from the introduction of a new service “Competency Measurement Center”, used for the assessment of company management, and “e-learning interview training”.

Operating profit for the year ended 30 September 2003 increased to JPY 469 million (21.8% increase from the prior year). Gross margin increased JPY 127 million compared with last year due to the increase in sales of JPY 118 million and a JPY 9 million reduction in cost of sales. Operating profit increased JPY 84 million compared with last year because of a JPY 43 million increase in selling and general administrative expenses, compared with last year. This mainly resulted from an increase in personnel expenses of JPY 19 million to strengthen the sales and management departments, an increase in sales commission to sales consignee of JPY 10 million

and an increase in research and development expenses for next generation products of JPY 4 million.

Ordinary profit for the year ended 30 September 2003 is JPY 468 million, which is a JPY 117 million (33.7%) increase in profits compared with last year. This is mainly because operating profit increased JPY 84 million compared with last year and expenses of JPY 33 million for listing were accounted for as other expenses in last year.

In summary, sales increased 10.1 percent over last year to JPY 1,291 million, operating income increased 21.8 percent to JPY 469 million, ordinary income increased 33.7 percent to JPY 468 million, and net income increased 31.7 percent to JPY 266 million.

(Note) Reference to Products, Training, and Consultancy used above indicate the service forms to be provided. The Company provides integrated personnel assessment services. It is not possible to distinguish and present operating expenses by service form because at the production stage the products are not allocated to a specific service. Therefore only turnover by service form is presented

(c) Prospects for the next year (from 1 October 2003 to 30 September 2004)

For the next year, we are expecting macro-economic and employment conditions to continue to be difficult. Therefore, we anticipate a continuing severe environment for the human resources industry.

We will work actively to develop results by expanding the market in Kansai area through building on the establishment of the Osaka office 3 years ago, expanding our internet product business in the recruitment market, reinforcing sales cooperation with other human resource service companies (agencies), and developing employee assessment services with our products to evaluate a client's organization, employees and management levels.

For next year, we expect that sales will increase 10.1 percent over the current year to JPY 1,421 million, ordinary income will increase 9.6 percent to JPY 513 million and net income will increase 8.8 percent to JPY 289 million.

In addition, we expect that the total cash dividend for next year will be JPY 13,000 per share with a year-end dividend of JPY 6,500 per share and interim dividend of JPY 6,500 per share.

Note: The above projections are based on our assumptions and beliefs in accordance with data currently available. Therefore, actual results may differ substantially from the projections depending on a number of factors.