

Overview of Interim-Term Financial Results and Performance (Excerpt)

April 27, 2004

(a) Operating Results

Net sales for the interim term (October 1, 2003, through March 31, 2004) decreased 9.5% year over year to ¥550 million. By service segment, Product sales decreased 2.4% to ¥216 million, consulting sales declined 12.7% to ¥319 million and training sales fell 27.9% to ¥14 million.

Product sales, the Company's standard commercialized product, were ¥216 million for the interim term under review compared with ¥221 million a year earlier. This mainstay product is supplied to approximately 1,000 midsized customers nationwide through agencies that serve as a marketing channel. The effect of the "Ethics Charter on the Employment of New Staff"—a common consent on the freeze on hiring new staff issued by the Japan Federation of Employers' Associations that allows corporations to start screening university graduates only in and after April in view of scholastic curriculums that end in March—was immaterial during the interim period. Consulting sales, primarily the "SOFT" (SHL original filter test) kit to about 200 large-scale corporations, fell ¥46 million to ¥319 million compared with ¥366 million a year earlier. This decline in segmental sales was principally influenced by the aforementioned postponement of the start date for corporations to begin employing new staff, which is an underlying social trend in Japan. The decline in training sales was partly affected by the marketing efforts focused on the product and consulting services during the interim term.

Operating income for the interim term ended March 31, 2004, totaled ¥106 million, down 47.2% year over year. The ¥95 million year-over-year decline in operating income was mainly attributable to a ¥57 million decrease in net sales, an ¥11 million increase in the cost of sales and a ¥26 million jump in selling, general and administrative expenses. The rise in the cost of sales was mainly owing to an increase of ¥6 million in personnel expenses. Major contributors to the increase in selling, general and administrative expenses were higher personnel expenses of ¥12 million to reinforce the sales department, ¥8 million as legal fee and ¥4 million related to consulting services.

Ordinary income for the interim term under review declined 47.8% year over year, or ¥96 million, to ¥105 million. An extraordinary loss of ¥2 million resulted from a loss on the retirement of Product Master.

As a result, net sales for the interim term ended March 31, 2004, decreased 9.5% year over year to ¥550 million, operating income dropped 47.2% to ¥106 million and net income fell 46.1% to ¥63 million.

(b) Full-Year Outlook (October 1, 2003, through September 30, 2004)

Although the date for lifting the ban on employing new staff was postponed to in and after April due to an announcement issued by the Japan Federation of Employers' Associations, the resulting decline in net sales is anticipated to be resolved on a full-year basis.

Net sales of ¥1,421 million (up 10.1% year over year), ordinary income of ¥513 million (up 9.6%) and net income of ¥289 million (up 8.8%) are projected for the year ending September 30, 2005. The leading sales indicators—revenue from full-year pre-sold services, contracts won for new proposals, the number of companies participating in sales promotion events and contracts won with such participants—were all positive as of March 31, 2004. Consequently, management believes the Company is on track to meet the forecast operating results.

Although the Company is currently the target of a civil lawsuit, causing extra-budgetary expenses, management believes that lower expense goals will be met by reducing other expenses.

(c) Intermediate- and Long-Term Management Strategies

(1) Presence in the career counseling market

The Company plans to aggressively pursue a presence in the career counseling market. Support for career counseling of middle-aged people is a priority of the Ministry of Health, Labor and Welfare. Accordingly, the ministry has newly established a subsidy system to promote people's career enhancement and other measures intended to nurture 50,000 career counselors in the next five years. According to market research conducted by the Company, all of our customers have expressed a strong desire to have career counseling for their middle-aged employees. With high-quality, convenient counseling systems at reasonably inexpensive prices, this market has considerable growth potential. The Company's intends to supply career counselor formation systems via an e-learning tool system, grant its own qualification for successful applicants of a training program and offer career counseling opportunities to qualified people.

(2) Presence in the career guidance market

The mobility of human resources is expected to intensify within the company and externally. An objective evaluation of one's *intention*, *ability* and *knowledge* is critical for an individual contemplating a job switch. If quality and convenient Internet-based self-diagnostic tools are supplied at a reasonable price, the career guidance market could become quite profitable. Accordingly, the Company's intermediate- and long-term strategy is to associate personalized, self-enrichment services for individuals with the aforementioned career counseling function.