

## 1. Overview of Financial and Operating Results for the Nine Months of Fiscal 2003 (October 1, 2003, to June 30, 2004)

## Financial Results

Net sales for the first nine months of fiscal 2003 (October 31, 2003, through June 30, 2004) decreased 10.6% year over year to ¥830 million. By service segment, Product sales increased 1.9% to ¥411 million, whereas Consultancy sales and Training sales decreased 20.6% and 12.2%, respectively, to ¥397 million and ¥20 million.

Product sales amounted to ¥411 million, up ¥7 million year over year. Segment sales for commercial standard products, mainly aptitude tests, were apparently supported by a gradual trend toward increased employment among Japanese corporations as a result of the overall economic recovery. On the other hand, Consultancy sales, mainly "SOFT" (SHL's original filter test) products that are sold directly to large-scale companies, totaled ¥397 million, down ¥103 million year over year. This considerable sales decline was the direct result of improper marketing initiatives by our competitors, and we have initiated lawsuits against several competitors to claim for damages. The sales decline in the training services segment was due principally to the increased number of free seminars to promote sales.

Operating income for the first nine months of fiscal 2003 was ¥167 million, falling ¥146 million or 46.6% year over year. This decline was due principally to a decrease of ¥98 million in net sales, an increase of ¥14 million in cost of sales and a rise of ¥32 million in selling, general and administrative expenses. Major factors for the increased cost of sales were a rise of ¥17 million in personnel expenses, which were used to reinforce the Sales Department, ¥12 million in attorneys' fees including the cost of litigation and an increase of ¥4 million in remuneration for consulting.

Ordinary income for the first nine months of fiscal 2003 was ¥163 million, declining ¥150 million or 48.0% year over year.

¥4 million rise in nonoperating expenses was mainly attributable to new share issuance cost of ¥3 million.

Extraordinary loss of ¥2 million resulted from a loss on retirement of the Product Master.

As a result, net income of ¥93 million (a decline of 48.6% year over year) was recorded for the nine months of fiscal 2003.

## 2. Forecasts of Operating Results for Fiscal 2003 (from October 1, 2003, to September 30, 2004)

	Net sales	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	%	Yen
Full-term	1,250	350	190	11,291.76

## Operating Results

As the operating results for the first nine months of the fiscal year and the full-term forecasts based on the outlook for the fourth quarter (July 1 through September 30, 2004) are expected to underperform the previously announced projections, we hereby revise our full-term forecasts for operating results for the year ending September 30, 2004.

(Millions of yen)

	Net sales	Ordinary income	Net income
Previously announced forecast (A)	1,421	513	289
Revised forecast (B)	1,250	350	190
Change (B – A)	170	162	99
Percentage change	12.0	31.7	34.3
Results for the year ended September 31, 2003	1,291	468	266

The revised forecasts of operating results for fiscal 2003 are as follows: net sales of ¥1,250 million (down 3.2% from the previous release), ordinary income of ¥350 million (down 25.2%) and net income of ¥190 million (down 28.6%).

In view of the two-for-one stock split conducted by the Company as of May 20, 2004, we intend to allocate a year-end dividend of ¥3,250 per share, which is substantially the same as the interim dividend amount and consistent with the previous release.