Year ending September 2005

**Consolidated Financial and Operating Results (Excerpt) for the Third Quarter, Ended June 30, 2005**

[Qualitative Information regarding Operating Results (consolidated)]

The Company established its first consolidated subsidiary on August 3, 2004, therefore there are no consolidated financial statements for the corresponding previous nine-month period. For reference, the discussion herein compares the operating results between the consolidated financial statements for the current nine-month period and the Company's nonconsolidated financial statements for the same period a year earlier.

Net sales for the current nine-month period (October 1, 2004, through June 30, 2005) increased 6.8% year over year to ¥887 million. By service segment, product sales increased 3.7% year over year to ¥427 million and sales from consultancy sales rose 10.4% to ¥439 million, but sales from training sales fell 1.0% to ¥20 million.

Product sales increased ¥15 million compared with a year earlier. This sales rise was primarily attributable to favorable sales of *OPQ* and *IMAGES*, which are aptitude test kits for new employees. Consultancy sales advanced ¥41 million over a year earlier, primarily due to increased sales of *Tamatebako*, an Internet screening system. Training sales remained almost flat year over year.

Operating income for the nine-month period ended June 30, 2005, totaled ¥191 million, up 14.1% year over year. The year-over-year rise totaled ¥23 million, taking into account such factors as a ¥56 million advance in net sales; a rise of ¥4 million, or 2.9%, to ¥162 million in cost of sales; and an increase of ¥28 million, or 5.6%, to ¥532 million in selling, general and administrative expenses. Major contributors to the increase in selling, general and administrative expenses were increases of ¥16 million in personnel expense due to the reinforced sales and administrative departments by shifting personnel from the manufacturing department and ¥10 million in sales promotion expense, as well as ¥3 million in tax and public dues in the form of pro forma standard taxation, which was newly introduced effective from the interim term ended March 31, 2005.

Ordinary income for the nine-month period under review increased ¥21 million, or 13.3% year over year, to ¥185 million. Non-operating income increased ¥1 million, whereas non-operating expenses rose ¥3 million, compared with a year earlier. A major factor for the rise in non-operating expenses was a ¥3 million loss on the devaluation of investment securities (equity capital in a limited partnership for venture enterprises).

An extraordinary loss of ¥6 million principally resulted from a loss on the retirement of obsolete test texts.

After taking into account income taxes—current and income taxes—deferred, net income for the nine-month period ended June 30, 2005, improved 6.3% year over year to ¥99 million.

[Qualitative Information regarding Projected Performance]

Looking ahead, we project the SHL Group will have consolidated net sales of ¥1,508 million (up 20.0% year over year), ordinary income of ¥518 million (up 39.8%) and net income of ¥299 million (up 43.8%) for the year ending September 30, 2005, as per our previous guidance.

The sizable increase in net sales is expected because 1) recruiting for new university graduates and mid-career staff has become more aggressive as corporations rally to expand employment in front of the so-called 2007 problem, or the mass retirement of baby boomer generation workers in 2007; 2) sales activity by major agencies that serve as a marketing channel has been successful; and 3) a sales increase from a sales subsidiary that handles an employee-assessment service (called *"Internal"*) is highly expected.

The Group’s income structure has a feature that the rate of increase in profitability tends to be higher than that in net sales as the ratio of variable expenses is higher than the ratio of fixed expenses. Accordingly, ordinary income and net income are expected to increase 39.8% and 43.8%, respectively, year over year on a consolidated basis, reflecting the projected 20.0% rise in net sales.