

Year Ended September 30, 2005

Overview of Consolidated Financial Results and Performance (Excerpt)

October 31, 2005

(a) Performance

Consolidated net sales for the year ended September 30, 2005, increased 12.3% year over year to ¥1,411 million. By business segment, “Product sales” advanced 7.6% year over year to ¥525 million, “Consultancy sales” rose 16.2% to ¥857 million and “Training sales” declined 7.3% to ¥27 million.

Product sales in the year under review increased ¥37 million from the previous fiscal year. This rise mainly reflected successful sales of “OPQ” and “IMAGES,” which are aptitude tests used for the recruitment screening of new graduates. Consultancy sales increased ¥119 million. This rise was principally due to increased sales of “TAMATEBAKO,” our Internet screening system; “SOFT” (SHL’s original filter test); and internal service products. Training sales remained flat compared with the previous fiscal year.

Consolidated operating income for the year under review expanded 28.4% year over year to ¥483 million. The cost of goods sold increased ¥14 million, or 7.2%, to ¥212 million, and selling, general and administrative expenses rose ¥33 million, or 4.9%, to ¥715 million. However, consolidated operating income increased ¥106 million from the previous fiscal year reflecting a ¥154 million jump in net sales. The rise in selling, general and administrative expenses was attributable to such factors as an increase in personnel expenses (¥18 million) due to the increased number of staff in the sales and administrative departments, an increase in sales promotion related expense (¥16 million) and the recording of the pro forma standard tax, which has been implemented effective from the year under review, in taxes and public charges (¥6 million). Consolidated ordinary income increased 28.5% to ¥476 million, up ¥105 million from the previous fiscal year. Nonoperating income edged up ¥2 million, whereas nonoperating expenses increased ¥3 million. A major factor of this rise in nonoperating expenses was a ¥4 million devaluation loss on investment securities (equity capital in an investment business limited-liability consortium for venture enterprises).

An extraordinary loss of ¥8 million was recorded mainly due to a loss on the retirement of obsolete test brochures.

After taking into account the above factors and income taxes—current and income taxes—deferred, consolidated net income for the year under increased 32.2% year over year to ¥275 million.

(b) Projected Consolidated Performance for the Year Ending September 30, 2006 (October 1, 2005, through September 30, 2006)

As for the projected consolidated performance for the year ending September 30, 2006, a more favorable operating environment is anticipated in the next year because employment and wage conditions have been improving principally due to the continued economic recovery and the so-called 2007 Issue, which is the concern of possible suspended technology/expertise inheritance at corporations because of the anticipated mass retirement of baby boomer employees. Accordingly, we now see many corporations actively recruiting not only newcomers but also mid-career staff. In view of this wind-wing situation, the SHL-JAPAN Group intends to improve its performance by expanding Internet-related services in the employment market, enhancing business alliances with other human resources service operators (placement agencies) and strengthening sales promotion for employee assessment services, which emphasize internal evaluations based on a diagnosis of organization, employees and managerial staff.

As a consequence, net sales of ¥1,700 million (up 20.5% year over year), ordinary income of ¥590 million (up 23.7%) and net income of ¥342 million (up 24.3%) are projected on a consolidated basis for the year ending September 30, 2006.