Year Ended September 30, 2009

Overview of Financial Results and Performance (Excerpt)

Analysis of Operating Results

(1) Operating results for the year ended September 30, 2009

As SHL-JAPAN Ltd. (the "Company") merged its sole consolidated subsidiary as of January 1, 2008, the operating results of the Company for the year ended September 2009 (October 1, 2008, through September 30, 2009) are reported only on a non-consolidated basis. Net sales decreased ¥54 million, or 3.2% year over year; operating income decreased ¥45 million, or 6.6%; ordinary income decreased ¥42 million, or 6.2%; income before income taxes decreased ¥100 million, or 14.1%; and net income declined ¥59 million, or 14.2%, compared with the corresponding consolidated figures for the previous fiscal year (October 1, 2007, through September 30, 2008). Consequently, the Company recorded declines in revenue and profit.

The following describes the operating results for the year ended September 30, 2009, compared with the corresponding figures of the previous fiscal year on a non-consolidated basis.

Net sales for the year under review decreased ¥45 million, or 2.7% year over year, to ¥1,622 million. By business segment, "Product sales" increased 4.8% to ¥583 million, "Consultancy sales" decreased 6.5% to ¥1,013 million and "Training sales" decreased 7.7% to ¥26 million.

"Product sales" expanded ¥26 million year over year due to favorable sales of the mainstay GAB/CAB/SAB employment screening–related products, especially those of Web-based assessment tools (Internet-related services) such as WebGAB and WebCAB. This sales increase reflected customers' support of the features of our product services such as ease of implementation and a cost advantage given the deteriorating employment environment under the stringent economic climate due to the lingering global setback. Conversely, "Consultancy sales" decreased ¥70 million year over year. This was primarily attributable to the stagnant sales of the "*Human Assessment Service**," etc., despite the continued rise in sales of customized versions of the "*Web Aptitude Test,*" a Web assessment tool, and unfavorable sales of "*Tamatebako,*" an Internet-based screening system. The results reflected reduced customer demand for the "*Human Assessment Service,*" which is often used for the assessment of existing employees (as an internal service), and for "*Tamatebako,*" which is used at the initial screening stage of new graduates, in view of increasing requests for further cost reduction in the aforementioned difficult economic environment. "Training sales" decreased ¥2 million year over year.

Operating income for the year under review totaled ¥648 million, down 6.0% year over year. Although the cost of goods sold decreased ¥25 million, or 10.2%, to ¥226 million, due to a decline in revenue, selling, general and administrative expenses increased ¥21 million, or 2.9%, to ¥748 million, thereby reducing operating income by ¥41 million. A leading contributor to the rise in selling, general and administrative expenses was a year-over-year increase of ¥39 million in expenses, including internal control system improvement expenses, R&D expenses for new services and rent paid in association with the integration or abolition of sales bases despite a decline of ¥18 million in sales promotion expenses.

Ordinary income for the year under review decreased 5.9% year over year to ¥650 million. Ordinary income decreased ¥40 million, reflecting a year-over-year increase of ¥2 million in non-operating expenses and a decline in operating income, which were partly offset by a year-over-year increase of ¥3 million in non-operating income. The rise in non-operating income was primarily attributable to the recording of a ¥7 million return premium for the cancellation of certain life insurance contracts, whereas the rise in non-operating expenses was mainly due to an ¥8 million loss on investment in capital of a limited liability investment partnership for venture enterprises.

Income before income taxes for the year under review decreased 20.0% year over year to ¥607 million. Income before income taxes for the previous fiscal year reflected the recording of ¥102 million in insurance income due to the death of the former President and a ¥54 million gain on extinguishment of tie-in shares, which was derived from the merger of a consolidated subsidiary, under extraordinary gains, as well as the recording of ¥12 million in company funeral-related expenses and ¥71 million in directors' retirement benefits under extraordinary losses. Meanwhile, income before income taxes for the year under review decreased ¥152 million year over year due to a decline in ordinary income and the recording of a ¥42 million loss from the integration or abolition of sales bases (recorded as a "loss on retirement of noncurrent assets" and "office transfer expenses") under extraordinary losses.

After taking into account the above factors and income taxes—current and income taxes—deferred, net income for the year under review decreased ¥113 million, or 24.0% year over year, to ¥360 million.

(2) Projected Performance for the year ending September 30, 2010

In the lingering difficult economic environment resulting from the worldwide economic setback, domestic employment conditions have deteriorated as the market for screening new graduates has reversed from an excessive seller's market to a so-called "employment ice age." Consequently, we recognize that our corporate customers will be obliged to selectively reduce the number of new graduates in an increasingly severe business climate and the environment surrounding the Company will remain tough in the next fiscal year (October 1, 2009, through September 30, 2010).

Nevertheless, the current stringent situation in which corporate customers are reducing the number of new graduates means relatively larger populations for screening. In other words, the corporate need for “more adequate human resources,” that is, “competent employees who can demonstrate good results soon after joining the company and show an aptitude for the intended job assignments,” has intensified, thereby requiring more appropriate screening tools.

As described above, we believe the basic need for tools for screening new graduates is still solid and the Company therefore intends to focus on this market for some time to come. At the same time, we intend to increase our operating performance through aggressive sales promotion along with efforts to enhance merchantability and reinforce sales organizations in view of the forthcoming economic recovery.

As a consequence, net sales of ¥1,700 million (up 4.8% year over year), operating income of ¥695 million (up 7.2%), ordinary income of ¥690 million (up 6.1%) and net income of ¥409 million (up 13.5%) are projected for the year ending September 30, 2010.