SHL JAPAN Ltd.

Non-Consolidated Financial and Operating Results (Excerpt) for the Year Ended September 30, 2010 (in accordance with the GAAP of Japan)

Oct 29, 2010

Listed Company Name:	SHL-JAPAN Ltd.	Registered on Osaka Securities Exchange
Securities Code	4327	
URL:	http://www.shl.co.jp/	
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Date to hold the Ordinary General Meeting of Shareholders to approve results: Dec 18, 2010

Date to start distributing dividends: Dec 20, 2010

Date to submit the Securities Report: Dec 27, 2010

Analysis of Operating Results

(Operating results for the year ended September 30, 2010)

During the year ended September 30, 2010 (October 1, 2009, through September 30, 2010), net sales of SHL-JAPAN Ltd. (the "Company") increased ¥101 million, or 6.2% year over year, to ¥1,724 million. By business segment, "Product sales" advanced 11.7% to ¥651 million, "Consultancy sales" improved 2.7% to ¥1,040 million and "Training sales" increased 19.2% to ¥31 million.

"Product sales" for the year under review increased ¥68 million year over year. This increase was primarily attributable to favorable sales of the "*GAB*," which is used for the screening of new graduates who want to be recruited on the main career track. "Consultancy sales" increased ¥27 million year over year. This was primarily attributable to increased sales of customized versions of the "*Web Aptitude Test*," a Web assessment tool, and the "*Marksheet Test.*" "Training sales" increased ¥5 million year over year mainly due to an increase in the number of in-house seminars. The Company is confident that the increases in revenue in all business segments for the year were strongly supported by the increase in the number of clients in line with the intensified recruiting activity among a broad range of companies and the students' active job-hunting process given a lingering harsh domestic employment situation although the domestic and global economies showed signs of bottoming.

Operating income for the year under review totaled ¥726 million, up 12.2% year over year. Although selling, general and administrative expenses increased ¥39 million, or 5.3%, to ¥787 million, operating income for the year advanced ¥78 million year over year due to a decrease of ¥17 million, or 7.6%, in cost of goods sold to ¥209 million, as well as the increase in net sales. A leading contributor to the decrease in cost of goods sold was a year-over-year decline in product master write-off costs and an increase in the number of products and product masters at the fiscal year-end despite an increase in the cost of products manufactured. Major contributors to the increase in selling, general and administrative expenses were year-over-year increases of ¥23 million in personnel expenses, ¥15 million in sales promotion expenses and ¥9 million in office-related expenses despite a year-over-year decline in compensations.

Ordinary income for the year under review increased 11.3% year over year to ¥724 million. Ordinary income increased ¥73 million, reflecting a year-over-year decrease of ¥4 million in non-operating expenses to ¥4 million, as well as a rise in operating income despite a year-over-year decrease of ¥9 million in non-operating income to ¥1 million. The decline in non-operating income was primarily attributable to the recording of a ¥7 million return premium for the cancellation of certain life insurance contracts in the previous fiscal year, whereas the decline in non-operating expenses was mainly due to a year-over-year decrease of ¥3 million in the loss on investment in capital of a limited liability investment partnership for venture enterprises.

Income before income taxes for the year under review totaled ¥716 million, up 17.8% year over year. Income before income taxes increased ¥108 million year over year due to the rise in ordinary income and a year-over-year decrease of ¥34 million in extraordinary losses to ¥8 million. The decline in extraordinary losses reflected the recording of an ¥8 million impairment loss compared with a ¥42 million loss from the integration or abolition of sales bases in the previous fiscal year.

After taking into account the above factors and income taxes—current and income taxes—deferred, net income for the year under review increased ¥64 million, or 17.9% year over year, to ¥424 million.

(Projected performance for the year ending September 30, 2011)

Although the worldwide economic setback after the Lehman Shock has been bottoming, Japan’s domestic economic recovery has entered a temporary stagnant period, affected by negative factors such as rapid exchange rate fluctuations, resulting in future uncertainty. As such, our corporate customers’ reluctance to employ new graduates is expected to continue. We recognize that the business environment surrounding the Company will be far from reassuring in the next fiscal year (October 1, 2010, through September 30, 2011).

Nevertheless, our customer base has continued to increase in the past several years reaching almost 3,000 by the end of the year ended September 2010. Based on the basic recognition that there is still a niche market to be exploited, we intend to increase our operating performance through aggressive sales promotion along with efforts to enhance merchantability and reinforce sales organizations.

Taking into account the aforementioned factors, net sales of ¥1,790 million (up 3.8% year over year), operating income of ¥731 million (up 0.7%), ordinary income of ¥729 million (up 0.7%) and net income of ¥432 million (up 1.8%) are projected for the year ending September 30, 2011.

(Basic policy regarding profit distribution and dividends for the year ended September 30, 2010, and the year ending September 30, 2011)

The Company considers the return of profits to shareholders to be one of its mainstay management tasks. Consequently, the Company intends to maintain a policy of ensuring a stable and aggressive profit distribution to shareholders with a benchmark payout ratio of 50% while maintaining an internal reserve for future reinforcement of its business structure.

Based on the above basic policy, the Company plans to distribute an annual dividend for the year ended September 30, 2010, of ¥6,800 per share, consisting of ¥3,400 per share year-end and interim dividends. Meanwhile, we intend to apply the internal reserve to IT investment for the enhanced security of our information systems and research and development of new assessment tools in the pursuit of a reinforced business structure.

At this time, the Company intends to maintain the annual dividend at ¥6,800 per share for the year ending September 30, 2011.

*Explanations and other special notes concerning the appropriate use of business performance forecasts

1. All business forecasts in this document are based on determinations and assumptions made by, and information currently available to, management of the Company at this time, and, by their nature, they involve inherent risks and uncertainties. Actual results could therefore differ materially from such business forecasts depending on a variety of factors.

2. As the Company’s services are often used for the screening of new graduates to be employed by corporate customers, our sales inevitably involve seasonal fluctuations. In recent years, as sales of our employment screening tools to help Japanese corporations employ new graduates tended to be concentrated in the February-April period, during which screening for employment is basically conducted by corporate customers, we have not presented performance forecasts for the interim term.