



SHL-JAPAN Ltd.

**Year Ending September 2014**

**Non-consolidated Financial and Operating Results (Excerpt) for the First Quarter Ended**

**December 31, 2013 (J-GAAP basis)**

**February 7, 2014**

Listed Company Name: SHL-JAPAN Ltd. Registered on Tokyo Stock Exchange

Securities Code 4327

URL: <http://www.shl.co.jp/>

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Date to submit the Quarterly Securities Report: February 14, 2014

Date to start distributing dividends: -

The original disclosure in Japanese was released on January 30, 2014 at 15:15 (GMT+9)

Qualitative information regarding the quarterly settlement of accounts

(1) Explanation of Operating Results

During the first quarter of the year ending September 30, 2014 (October 1, 2013, through December 31, 2013), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥31 million, or 11.0%, year over year to ¥313 million. By business segment, “Product sales” increased 11.8% to ¥138 million and “Consultancy sales” increased 10.8% to ¥171 million, whereas “Training sales” decreased 8.4% to ¥3 million. A major contributor to the year-over-year increase in net sales for the first quarter was favorable sales of our products and consulting services overall.

The Company is confident that the increase in revenue for the first quarter was mainly attributable to our aggressive marketing activities that fit well with customers’ needs in view of the positive posture of corporations toward employment. The media has reported an increase for three consecutive years in the informal job offer rate for expected university graduates and anticipates an annual increase in the number of new graduates to be employed next year, against a backdrop of general expectations of economic recovery.

Operating income for the quarter under review increased 29.3% year over year to ¥48 million. The cost of goods sold rose ¥11 million, or 25.9%, year over year to ¥55 million, and selling, general and administrative expenses increased ¥8 million, or 4.4%, year over year to ¥209 million. However, operating income increased ¥10 million year over year due to the increase in revenue. The increase in the cost of goods sold was primarily attributable to an increase in the amortization cost for product masters of newly developed software that was completed during the previous fiscal year and an increase in subcontract cost associated with the increase in revenue. The increase in selling, general and administrative expenses was mainly attributable to the

year-over-year increase of ¥11 million in labor costs largely due to the expansion of sales personnel despite decreases in several account items such as research and development expenses and sales promotion-related expenses.

Ordinary income for the quarter under review increased ¥10 million, or 28.9%, year over year to ¥48 million. This figure was almost the same as operating income because both non-operating income and non-operating expenses were small.

Income before income taxes for the quarter under review totaled ¥49 million (down 39.6% year over year). Income before income taxes decreased ¥32 million year over year, reflecting year-over-year decreases of ¥50 million in extraordinary gains and ¥7 million in extraordinary losses. The decrease in extraordinary gains was primarily due to the recording of ¥52 million in insurance income arising from the passing of a Director despite the recording of ¥1 million for the same period a year earlier as reversal of allowance for doubtful accounts for golf club memberships. The decrease in extraordinary losses was primarily due to the recording of ¥7 million in directors' retirement benefits for the same period a year earlier.

After taking into account the above factors and income taxes—current and income taxes—deferred, net income for the quarter under review decreased ¥18 million, or 38.1%, year over year to ¥30 million.

## (2) Explanation about future prospects such as business forecasts

Given the forward-looking posture of corporations toward employment, the domestic market for screening and employment is anticipated to be increasingly buoyant in the second and subsequent quarters.

We intend to continue increasing our operating performance through enhanced efforts to strengthen our business quality for the purpose of speedily providing optimum services based on our precise analysis of corporate needs.

Under the recognition described above and based on our analysis of the operating results, financial position and other managerial administrative data for the first quarter ended December 31, 2013, followed by our careful consideration of business forecasts, the Company is not at this time revising its financial forecast for the year ending September 30, 2014, which was released on October 25, 2013.

\* Implementation status of quarterly review procedures

This financial results summary is not subject to quarterly review procedures under the Financial Instruments and Exchange Act, and the quarterly financial statement review procedures based on the Act were in progress at the time of the disclosure of these financial results.

\* The forward looking statements regarding financial results forecasts, etc. appearing in this financial results summary have been prepared based on information currently available to the Company and certain assumptions that the Company believes to be reasonable. The Company makes no guarantees as to their realization. Actual financial results may differ substantially from the forecasts due to various factors.

\* 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, our sales have tended to be concentrated in the second quarter, during which screening for employment of new graduates is often conducted by many corporate customers. However, the actual timing for the screening and employment of new graduates varies depending on the year. Accordingly, we have not presented cumulative performance forecasts for the first two quarters.