



Non-consolidated Financial and Operating Results (Excerpt) for the Year Ended September 30, 2014
(J-GAAP basis)

Nov 7, 2014

Listed Company Name: SHL-JAPAN Ltd. Registered on Tokyo Securities Exchange
Securities Code: 4327 URL:<http://www.shl.co.jp/>
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Scheduled date for the ordinary general meeting of shareholders: Dec 20,2014
Scheduled date for commencement of dividend payment: Dec 22,2014
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The original disclosure in Japanese was released on October 25, 2014 at 15:45 (GMT+9)

(1) Analysis of Operating Results

For the year ended September 30, 2014 (October 1, 2013, through September 30, 2014), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥108 million, or 5.5% year over year, to ¥2,076 million. By business segment, “Product sales” increased 11.0% to ¥1,069 million, “Consultancy sales” decreased 0.3% to ¥967 million and “Training sales” increased 18.5% to ¥39 million.

Product sales for the year under review increased ¥105 million year over year. This increase was primarily attributable to continuously increased sales of the “GAB” and the “OPQ,” which are used for the screening of new graduates recruited for the main career track and for which the effect of launching a new hall test service was considerable. Meanwhile, Consultancy sales decreased ¥3 million year over year. This decrease was primarily attributable to unsatisfactory sales of customized versions of the “Web Test,” a Web assessment tool, and the “Marksheet Test,” which were affected by the shortened period for recruiting and screening, although sales of “Tamatebako,” an Internet-based screening system, and various valuation agency services, or human assessment services, were favorable. Training sales increased ¥6 million year over year due to increased orders for in-house seminars.

During the year ended September 30, 2014, the positive posture of corporations toward employment was conspicuous. The media has reported an increase in the informal job offer rate for new graduates this year, as well as a rise in the ratio of job offers to applicants and a projected increase in the informal job offer rate due to a considerable increase in the anticipated number of new graduates to be employed next year, against a backdrop of the improvement of economic trends and other positive signs. The Company is confident that the increase in revenue for the year under review was attributable to our aggressive marketing activities that fit well with customers’ needs despite negative effects caused by the advanced and shortened period for recruiting and screening mainly at large-scale corporations in light of the aggressive employment activities of corporations to hire new graduates following a rising sense of a crunch in the labor market under these circumstances.

Operating income for the year under review increased 3.6% year over year to ¥889 million. The cost of goods sold rose ¥62 million, or 25.9% year over year, to ¥301 million, and selling, general and administrative expenses increased ¥15 million, or 1.8% year over year, to ¥885 million. However, operating income increased ¥31 million year over year due to the increase in revenue. The increase in the cost of goods sold was primarily attributable to increases in subcontract cost and the amortization cost for product masters of newly developed software associated with the provision of new services. The increase in selling, general and administrative expenses was mainly attributable to the year-over-year increases in labor costs largely due to the expansion centered on sales personnel and in rent due to increased sales floor space despite decreases in several account items such as research and development expenses.

Ordinary income for the year under review increased 3.6% year over year to ¥894 million. As both non-operating income and non-operating expenses for the year under review were almost equal to the previous fiscal year, respectively, ordinary income for the year under review increased ¥31 million year over year, which was the same increase as operating income.

Income before income taxes for the year under review totaled ¥907 million (up 0.2% year over year). Income before income taxes increased ¥1 million year over year, reflecting a year-over-year decrease of ¥37 million in extraordinary gains and a year-over-year decrease of ¥8 million in extraordinary losses, in addition to the increase in ordinary income. 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 ¥12 million in the gain on sales of investment securities. 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 year under review increased ¥2 million, or 0.5% year over year, to ¥555 million.

(2) Projected performance for the year ending September 30, 2015

Despite several concerns such as sharp yen depreciation and global political instability, aggressive employment activities to hire new graduates and experienced staff are expected to be reinforced in the coming fiscal year due to gradual recovery from the implementation of various economic policies, an employment environment that is expected to remain firm and the rising sense of a crunch in the labor market.

Meanwhile, we predict that recruitment-related PR activity and the period for screening of corporations will be postponed and the Company's quarter in which sales of screening tools have been concentrated will shift from the second quarter to the third or fourth quarter due to the industry's self-imposed controls regarding the employment of new graduates*, which will be implemented from the next fiscal year. In addition, we recognize that the trend of concentrating sales in a certain period could be strengthened due to the shortened period for recruiting and screening.

Regardless of such an unusual business environment, we intend to continue enhancing our operating performance by speedily providing optimum services based on our precise analysis of corporate needs.

In light of the above, net sales of ¥2,181 million (up 5.1% year over year), operating income of ¥895

million (up 0.7%), ordinary income of ¥895 million (up 0.1%) and net income of ¥575 million (up 3.5%) are projected for the year ending September 30, 2015.

(Note)

* The industry has self-imposed controls regarding the employment of new graduates, under which industry groups agreed not to start the employment PR activity and screening process for new graduates prior to a fixed date in light of the academic schedules for students. The Keidanren (Japan Business Federation) stipulated in its “Guidelines for Recruiting and Employing New Graduates” that corporations’ PR activity shall be allowed to start on and after March 1 and the screening activity on and after August 1, respectively, of the year just preceding the year of graduation or post-graduate completion for new graduates who will enter the corporations on and after fiscal 2016.

(3) Basic policy regarding profit distribution and dividends for the year ended September 30, 2014, and the year ending September 30, 2015

The Company considers the return of profits to shareholders to be one of its mainstay management tasks. Consequently, the Company intends to maintain a basic policy of ensuring stable and proactive profit distribution to shareholders with a benchmark payout ratio of 50% while maintaining an internal reserve for the future reinforcement of its business structure. The Company’s dividends from surplus are distributed twice per annum as an interim dividend and a year-end dividend. The internal decision is made by the Board of Directors for the interim dividend and by a general meeting of shareholders for the year-end dividend.

In line with the above basic policies, the Company plans to distribute an annual dividend per share of ¥92 for the year ended September 30, 2014, consisting of ¥47 per share for the year-end dividend and ¥45 per share for the interim dividend. This is a dividend increase of ¥2 (up 2.2%) annually compared with a ¥90 ordinary dividend per share for the previous fiscal year.

The Company intends to reinforce its management foundation by allotting the internal reserve to IT investments to ensure higher safety of its information systems and R&D projects of new assessment tools.

The Company intends to maintain the annual dividend per share for the year under review.

* Presentation of the status of auditing procedures implemented

This financial summary (Financial and Operating Results) is not subject to the auditing procedures under the Financial Instruments and Exchange Act. The auditing procedures for financial statements under the Financial Instruments and Exchange Act have not been completed at the time of the announcement of this financial summary.

* Explanations and other special notes concerning the appropriate use of financial results forecasts

1. 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.
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. Accordingly, the Company's performance management is conducted on an annual basis without presenting cumulative performance forecasts for the first two quarters.
3. The Company has scheduled a results briefing for security analysts and institutional investors on October 30, 2014.
Please refer to the IR Information for details of the materials that will be distributed at the session. The materials will also be posted on the Company's Web site immediately after this meeting.
<http://www.shl.ne.jp/ir/index.asp>