Nov 21, 2017

Non-consolidated Financial and Operating Results (Excerpt) for the Year Ended September 30, 2017 [J-GAAP basis]

Listed Company Name:	SHl-JAPAN Ltd.	Registered on Tokyo Stock Exchange
Securities Code:	4327	URL: http://www.shl.co.jp/
Representative:	Manabu Nara, Managing Director	
Contact:	Naohiro Nakamura, Executive Director	Tel: +81-3-5385-8781
Date to the ordinary general meeting of shareholders:		Dec 23, 2017
Date to start distributing dividends:		Dec 25, 2017
Date to submit the Securities Report		Dec 27, 2017
Supplementary documents for this summary of financial statements		Yes
Results briefing for financial results:		Yes (for analysts and institutional investors)

The original disclosure in Japanese was released on October 27, 2017 at 15:15 (GMT+9)

1. Non-consolidated Financial Results for the Year Ended September 30, 2017 (October 1, 2016 to September 30, 2017)

(1) Non-consolidated Business Results

(The percentages indicate the rate of increase or decrease compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2017	2,575	6.4	1,105	8.6	1,104	8.1	758	13.7
Fiscal 2016	2,420	6.2	1,018	9.9	1,020	8.7	667	13.4

	Net income per share	Fully diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2017	125.27	124.67	19.8	24.6	42.9
Fiscal 2016	110.00	109.47	18.6	24.3	42.1

(Note) Comprehensive income: Fiscal 2017: — millon Fiscal 2016 — millon

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, net income per share has been calculated under the assumption that the stock split was conducted at the beginning of the year ended September 30, 2016.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Sep 30, 2017	4,591	3,894	84.7	654.37
Sep 30, 2016	4,398	3,789	86.1	622.35

(Reference) Equity capital: Sep 30, 2017: ¥3,890 millon Sep 30, 20156 ¥3,785million

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, net assets per share have been calculated under the assumption that the stock split was conducted at the beginning of the year ended September 30, 2016.

(3) Non-Consolidated Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2017	890	△131	△644	2,813
Fiscal 2016	846	△47	△278	2,697

2. Dividends

	Dividend per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets
	Q1 End	Q2 End	Q3 End	Year-End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal 2016	—	49.00	—	61.00	110.00	334	50.0	9.3
Fiscal 2017	—	55.00	—	72.00	127.00	381	50.7	9.9
Fiscal 2018 (forecast)	—	32.00	—	32.00	64.00		49.3	

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, the actual amount of dividend distributed is recorded for the years ended September 30, 2016 and 2017.

3. Non-Consolidated Forecast for the Year Ending September 30, 2018 (October 1, 2017 to September 30, 2018)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Fiscal 2018	2,692	4.5	1,117	1.1	1,116	1.1	771	1.7	129.73

The Company conducted a two-for-one stock split of common shares on October 1, 2017. Therefore, net income per share has been calculated based on the number of shares (5,945,514 shares) after subtracting the number of treasury shares (150,844 shares) from the total number of shares outstanding (6,096,358 shares), reflecting the stock split.

*Note

(1) Application of particular accounts procedures to the preparation of quarterly non-consolidated financial statements

(2) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies caused by revision of accounting standards:	None
(ii) Changes in accounting policies other than(i) :	None
(iii) Changes in accounting estimates:	None
(iv) Restatement:	None

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding (including treasury shares)	As of Sep 30, 2017	6,096,358	As of Sep 30, 2016	6,081,958
(ii) Number of treasury shares	As of Sep 30, 2017	150,844	As of Sep 30, 2016	66
(iii) Average Number of shares outstanding	Fiscal 2017	6,056,188	Fiscal 2016	6,066,455

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, the numbers of shares have been calculated under the assumption that the stock split was conducted at the beginning of the year ended September 30, 2016.

* Implementation status of quarterly review procedures

This financial results summary is not subject to annual review procedures.

* 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 guarantee 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 performance forecasts for the first half.

Overview of operating results, etc.

(1) Overview of operating results

For the year ended September 30, 2017 (October 1, 2016 through September 30, 2017), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥154 million, or 6.4% year over year, to ¥2,575 million. By business segment, “Product sales” increased 10.4% to ¥1,488 million, “Consultancy sales” decreased 0.3% to ¥1,012 million and “Training sales” increased 30.4% to ¥74 million.

During the year under review, the self-imposed regulations regarding the employment of new graduates* were left unchanged from those for the previous fiscal year. However, as a result of slightly overhiring new graduates and experienced personnel due to corporations achieving favorable operating performances and strongly sensing a shortage of labor, corporations are notably apt to secure students at an early date, given the tight labor market that favors students. The situation is exemplified by increases in the job offers-to-seekers ratio and a record-high early unofficial job offer rate for new graduates who are expected to graduate in March 2018 as is reported, leading to a relatively early end to the employment activities for new graduates. Under such an environment, a trend of shortening a hiring screening period for new graduates continued, and product services which are comparatively easier to be introduced and utilized were appreciated by corporate customers. The Company believes this, with orders received for large-scale employee assessment services contributed to the year-over-year increase in net sales.

Operating income for the year under review increased 8.6% year over year to ¥1,105 million. Although the cost of goods sold increased ¥26 million, or 7.1% year over year, to ¥404 million, and selling, general and administrative expenses increased ¥40 million, or 3.9% year over year, to ¥1,064 million, operating income increased ¥87 million year over year due to the increase in net sales. The increase in the cost of goods sold was primarily attributable to an increase in subcontracting costs for provision of hall tests resulting from the increase of orders received, despite decreases in labor costs and manufacturing expenses. The primary factors for the increase in selling, general and administrative expenses were increases in royalty and taxes and dues, despite a decrease in sales promotion-related expenses.

Ordinary income for the year under review increased 8.1% year over year to ¥1,104 million. Ordinary income increased ¥83 million year over year, reflecting the increase in operating income, while non-operating income decreased ¥2 million year over year to ¥1 million, and non-operating expenses increased ¥2 million year over year to ¥2 million. The decrease in non-operating income is primarily attributable to a ¥1 million decrease year over year in dividend income, and the increase in non-operating expenses is mainly due to commission for purchase of treasury shares of ¥1 million.

Income before income taxes for the year under review increased ¥86 million, or 8.5% year over year, to ¥1,107 million, due to the reporting of a ¥3 million gain on sales of investment securities as extraordinary gains, in addition to an increase in ordinary income.

Net income for the year under review increased ¥91 million, or 13.7% year over year, to ¥758 million, mainly due to the increase in income before income taxes and the reduction in the corporate tax rate.

* The industry has self-imposed controls regarding the employment of new graduates, under which industry groups agreed not to start employment PR activity and the 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 for new graduates who will enter corporations in fiscal 2017 onwards shall commence on and after March 1 of the year just preceding the year of graduation or post-graduate completion, and screening activity on and after June 1 of the year of graduation or completion.

(2) Projected performance

(Projected performance for the year ending September 30, 2018)

While effects of geopolitical risks will remain in the coming fiscal year, it is expected that corporations stay firmly motivated to hire more employees and the screening market environment for new graduates continues to grow steadily. The industry's self-imposed controls regarding the employment of new graduates expected to graduate in 2018 have been newly revised and the recruitment of new graduates expected to graduate in 2019 will also be subject to the revised rules. However, we intend to continue enhancing our operating performance by speedily providing optimum services based on our precise analysis and understanding of corporate customers' needs by taking into account the possibility of another change in the schedules of recruitment PR activity and the screening process for new graduates, which might take place in the future.

In light of the above, net sales of ¥2,692 million (up 4.5% year over year), operating income of ¥1,117 million (up 1.1% year over year), ordinary income of ¥1,116 million (up 1.1% year over year) and net income of ¥771 million (up 1.7% year over year) are projected for the year ending September 30, 2018.

(Basic policy regarding profit distribution and dividends for the year ended September 30, 2017, and the year ending September 30, 2018)

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. As for acquisition of treasury shares, the Company's policy is to execute it in a responsive and flexible manner mainly to improve capital efficiency. 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 ¥127 for the year ended September 2017, consisting of ¥72 per share for the year-end dividend and ¥55 per share for the interim dividend. This is a dividend increase of ¥17 (up 15.5%) annually compared with a ¥110 annual dividend per share for the previous year.

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

With regards to the dividend for the next year, the Company intends to distribute an annual dividend of ¥64, which is equal to an annual dividend of ¥128 when taking into consideration the two-for-one stock split of common shares conducted on October 1, 2017. This is a dividend increase of ¥1 annually compared with a ¥127 annual dividend per share for the year under review.