

Non-Consolidated Financial Results (Excerpt) for the Third Quarter of Fiscal 2018 [J-GAAP basis]

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:		Aug 9, 2018
Date to start distributing dividends:		—
Supplementary documents for this summary of financial statements:		None
Results briefing for financial results:		None

The original disclosure in Japanese was released on July 27, 2018 at 15:15 (GMT+9)

1. Non-Consolidated Financial Results for the Third Quarter of Fiscal 2018 (October 1, 2017 to June 30, 2018)

(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	%
First nine months of Fiscal 2018	2,273	3.1	1,068	△2.1	1,068	△2.1	732	△2.5
First nine months of Fiscal 2017	2,205	9.2	1,091	11.5	1,091	11.1	750	15.5

	Net income per share	Fully diluted net income per share
	Yen	Yen
First nine months of Fiscal 2018	123.09	122.45
First nine months of Fiscal 2017	123.50	122.93

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, net income per share and fully diluted 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, 2017.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
June 30, 2018	4,933	4,221	85.5
September 30, 2017	4,591	3,894	84.7

(Reference) Equity capital: June 30, 2018: ¥4,218 million September 30, 2017: ¥3.890 million

2. Dividends

	Dividend per share				
	Q1 End	Q2 End	Q3 End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	—	55.00	—	72.00	127.0
Fiscal 2018	—	32.00	—		
Fiscal 2018 (forecast)				32.00	64.00

(Note) Revisions to recent dividends forecast: None

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 year ended September 30, 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	129.68	

(Note) Revisions to recent business forecast: None

Net income per share has been adjusted based on the average number of shares outstanding (5,947,599 shares) for the year ending September 30, 2018, which was calculated taking into account the number of shares issued during the third quarter of the year ending September 30, 2018 through the exercise of share subscription rights as a stock option, and the number of treasury shares held.

*Note

- (1) Application of particular accounts procedures to the preparation of quarterly non-consolidated financial statements: Yes
- (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 June 30, 2018	6,099,558	As of September 30, 2017	6,096,358
(ii) Number of treasury shares	As of June 30, 2018	150,844	As of Sep 30, 2017	150,844
(iii) Average Number of shares outstanding	First nine months of Fiscal 2018	5,947,224	First nine months of Fiscal 2017	6,076,494

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, calculations were made under the assumption that the stock split was conducted at the beginning of the year ended September 30, 2017.

* Implementation status of quarterly review procedures

This financial results summary is not subject to quarterly 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.

Qualitative information regarding the quarterly settlement of accounts

(1) Explanation of operating results

During the first nine months of the year ending September 30, 2018 (October 1, 2017, through June 30, 2018), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥67 million, or 3.1% year over year, to ¥2,273 million. By business segment, “Product sales” increased 8.0% to ¥1,387 million, “Consultancy sales” decreased 5.9% to ¥800 million and “Training sales” increased 20.9% to ¥85 million.

The increase in income was primarily due to the factor that the job market was significantly more favorable for students than in the previous year as reported by the media, including the higher ratio of job openings to students who are expected to graduate next spring and the higher rate of early unofficial job offers given by companies to those prospective graduates. The Company believes that its marketing activities in line with customers’ needs were effective under these circumstances. Nevertheless, net sales growth rate of 3.1% for the nine-month period under review was lower than that of 9.2% for the same period of the previous fiscal year. This is due to sales from large-scale employee assessment services recognized in the same period of the previous fiscal year.

Operating income for the nine-month period under review decreased 2.1% year over year to ¥1,068 million. While ensuring an increase in income, the cost of goods sold increased ¥14 million, or 4.5% year over year, to ¥348 million and selling, general and administrative expenses increased ¥75 million, or 9.6% year over year, to ¥855 million. As a result, operating income decreased ¥22 million year over year. The increase in the cost of goods sold was primarily attributable to an increase in subcontracting costs resulting from an increase of orders. The primary factors for the increase in selling, general and administrative expenses were increases in royalties, labor expenses such as salaries and executive compensation, and an increase in job offering expenses.

Ordinary income for the nine-month period under review decreased 2.1% year over year to ¥1,068 million. Ordinary income decreased ¥22 million year over year due to the decrease in operating income because both non-operating income and non-operating expenses were small as in the same period of the previous fiscal year.

Income before income taxes for the nine-month period under review decreased 2.4% year over year to ¥1,068 million. Income before income taxes decreased ¥26 million year over year because extraordinary gains decreased ¥3 million year over year in addition to the decrease in ordinary income. The decrease in extraordinary gains was due to the reporting of ¥3 million of gain on sales of investment securities as extraordinary gains for the same period of the previous fiscal year.

Net income for the nine-month period under review decreased ¥18 million, or 2.5% year over year, to ¥732 million, primarily due to the decrease in income before income taxes.

<Reference 1: Sales by business segment>

	First nine months of Fiscal 2017		First nine months of Fiscal 2018		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	1,284	58.2	1,387	61.0	8.0
Consultancy	850	38.6	800	35.2	△5.9
Training	70	3.2	85	3.8	20.9
Total	2,205	100.0	2,273	100.0	3.1

<Reference 2: Sales by quarterly basis>

	First Quarter	Second Quarter	Third Quarter	Year-End	Annual
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal 2016	280	744	995	399	2,420
Fiscal 2017	278	896	1,030	369	2,575
Fiscal 2018	299	987	986	—	—

*Note: 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. Moreover, the rate of fluctuation may at times increase due to changes in the recruiting and screening periods and other reasons. In recent years, sales have tended to concentrate in the second and third quarters of the fiscal year.

(2) Explanation about future prospects such as business forecasts

The operating results for the nine-month period under review showed an increase in income and a decrease in profits compared with the same period of the previous fiscal year. However, drops in operating income, ordinary income, and net income were small. During the fourth quarter (July 1 through September 30, 2018), we intend to enhance our operating performance by speedily providing corporate customers who have not met their recruiting targets or have internship programs with optimum services based on our precise analysis and understanding of their needs.

In light of the above, and based on our analysis and study of the business results, financial position and other business management materials for the nine-month period under review, no changes have been made to the business forecast for the year ending September 30, 2018, which was released on October 27, 2017.