Nov 15, 2017

Non-consolidated Financial and Operating Results (Excerpt)
for the Year Ended September 30, 2018 [J-GAAP basis]

Listed Company Name:	SHI-JAPAN Ltd.	Registered on Tokyo Stock Exchange
Securities Code:	4327	URL: http://www.shl.co.jp/
Representative:	Manabu Nara, Managing Director	
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Date to the ordinary general meeting of shareholders:		Dec 22, 2018
Date to start distributing dividends:		Dec 25, 2018
Date to submit the Securities Report		Dec 26, 2018
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 30, 2018 at 15:15 (GMT+9)

1. Non-consolidated Financial Results for the Year Ended September 30, 2018 (October 1, 2017 to September 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	%
Fiscal 2018	2,704	5.0	1,161	5.0	1,160	5.1	795	4.8
Fiscal 2017	2,575	6.4	1,105	8.6	1,104	8.1	758	13.7

	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 2018	133.69	133.01	19.5	24.4	42.9
Fiscal 2017	125.27	124.67	19.8	24.6	42.9

(Note) Comprehensive income: Fiscal 2018: — millon Fiscal 2017 — millon

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	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Sep 30, 2018	4,928	4,280	86.8	718.93
Sep 30, 2017	4,591	3,894	84.7	654.37

(Reference) Equity capital: September 30, 2018: ¥4,277 millon September 30, 2017: ¥3,890million

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, 2017.

(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 2018	736	△32	△400	3,116
Fiscal 2017	890	△131	△644	2,813

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 2017	—	55.00	—	72.00	127.00	381	50.7	9.9
Fiscal 2018	—	32.00	—	35.00	67.00	398	50.1	9.8
Fiscal 2019 (forecast)	—	34.00	—	34.00	68.00		50.7	

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, 2017.

3. Non-Consolidated Forecast for the Year Ending September 30, 2019 (October 1, 2018 to September 30, 2019)

	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 2019	2,825	4.5	1,166	0.5	1,164	0.4	798	0.4	134.21

Net income per share has been calculated based on the number of shares (6,100,358 shares) after subtracting the number of treasury shares (150,844 shares) from the total number of shares outstanding (5,949,514 shares), reflecting the stock split.

*Note

(1) 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

(2) Number of shares outstanding (common stock)

(i) Number of shares outstanding (including treasury shares)	As of September 30, 2018	6,100,358	As of September 30, 2017	6,096,358
(ii) Number of treasury shares	As of September 30, 2018	150,844	As of September 30, 2017	150,844
(iii) Average Number of shares outstanding	Fiscal 2018	5,947,646	Fiscal 2017	6,056,188

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, 2017.

* 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, 2018 (October 1, 2017, through September 30, 2018), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥129 million, or 5.0% year over year, to ¥2,704 million. By business segment, “Product sales” increased 9.2% to ¥1,624 million, “Consultancy sales” decreased 2.4% to ¥987 million and “Training sales” increased 22.6% to ¥91 million.

During the year under review, while the number of students graduating next spring who have received early unofficial job offers increased against the backdrop of favorable corporate performances and a growing sense of labor shortages, employment activities by companies seeking to hire new graduates ended at a relatively earlier stage, as it has been reported in the media that the tight labor market favoring students was more notable than previous year as exemplified by many companies failing to achieve planned targets for the number of early unofficial job offers. Under such an environment where shortening the hiring screening period for new graduates continued, product services which are comparatively easier to be introduced and utilized were appreciated by corporate customers. The Company believes this contributed to the year-over-year increase in net sales.

Operating income for the year under review increased 5.0% year over year to ¥1,161 million. Although the cost of goods sold increased ¥17 million, or 4.4% year over year, to ¥422 million, and selling, general and administrative expenses increased ¥56 million, or 5.3% year over year, to ¥1,120 million, operating income increased ¥55 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 in 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 recruiting expenses.

Ordinary income for the year under review increased 5.1% year over year to ¥1,160 million. Ordinary income increased ¥56 million year over year, reflecting the decrease in non-operating expenses by ¥1 million to ¥1 million year over year, in addition to the increase in operating income. The decrease in non-operating expenses is primarily attributable to the reporting of ¥1 million of commission for purchase of treasury shares as non-operating expenses for the previous fiscal year.

Income before income taxes for the year under review increased 4.8% year over year to ¥1,160 million. Income before income taxes increased ¥52 million year over year due to the increase in ordinary income, despite a decrease of ¥3 million year over year in extraordinary gains. 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 previous fiscal year.

Net income for the year under review increased ¥36 million, or 4.8% year over year, to ¥795 million, primarily due to the increase in income before income taxes.

<Reference 1: Sales by business segment>

	Fiscal 2017		Fiscal 2018		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	1,488	57.8	1,624	60.1	9.2
Consultancy	1,012	39.3	987	36.5	△2.4
Training	74	2.9	91	3.4	22.6
Total	2,575	100.0	2.704	100.0	5.0

<Reference 2: Sales by quarterly basis>

	First Quarter	Second Quarter	Third Quarter	Year-End	Annual
	Millions of Yen	Millions of Yen	Millions of Yen n	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	431	2,704

*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) Projected performance

(Projected performance for the year ending September 30, 2019)

While there are concerns over factors including the effect of the global trade friction in the coming fiscal year, it is expected that screening market environment for new graduates remains brisk as corporations stay highly motivated to hire more employees and the employment PR. Furthermore, with regard to employment PR activity and screening process for new graduates expected to graduate in 2020, the current industry's self-imposed controls concludes at the end of the next fiscal year, the final year of implementation. We intend to continue enhancing our operating performance by speedily providing optimum services based on our precise analysis and understanding of corporate customers' needs while taking into account the establishment of certain rules related to the screening process for new graduates.

In light of the above, net sales of ¥2,825 million (up 4.5% year over year), operating income of ¥1,166 million (up 0.5% year over year), ordinary income of ¥1,164 million (up 0.4% year over year) and net income of ¥798 million (up 0.4% year over year) are projected for the year ending September 30, 2019.

(Basic policy regarding profit distribution and dividends for the year ended September 30, 2018, and the year ending September 30, 2019)

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% (more specifically, total dividends of 50% of net income for the year) while maintaining an internal reserve for the future reinforcement of its business structure. As for acquisition of treasury shares, 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 ¥67 for the year ended September 2018, consisting of ¥35 per share for the year-end dividend and ¥32 per share for the interim dividend. Taking into consideration the two-for-one stock split of common shares conducted on October 1, 2017, this is a dividend increase of ¥3.5 (up 5.5% year over year) annually compared with a ¥63.5 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 ¥68. This is a dividend increase of ¥1 annually compared with a ¥67 annual dividend per share for the year under review.