

May 15, 2020

Non-Consolidated Financial Results (Excerpt) for the Second Quarter of Fiscal 2020 [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:	May 15, 2020
Date to start distributing dividends:	Jun 1, 2020
Supplementary documents for this summary of financial statements:	Yes
Results briefing for financial results:	No

The original disclosure in Japanese was released on April 28, 2020 at 15:15 (GMT+9)

1. Non-Consolidated Financial Results for the Second Quarter of Fiscal 2020 (October 1, 2019 to March 31, 2020)

(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 six months of Fiscal 2020	1,639	6.7	859	12.8	859	12.7	586	11.3
First six months of Fiscal 2019	1,536	19.4	762	28.7	762	28.9	526	29.9

	Net income per share	Fully diluted net income per share
	Yen	Yen
First six months of Fiscal 2020	97.91	—
First six months of Fiscal 2019	88.47	88.16

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Mar 31, 2020	6,031	5,129	85.0
Sep 30, 2019	5,539	4,761	85.9

(Reference) Equity capital: March 31, 2020: ¥5,129 million September 30, 2019: ¥4,761 million

2. Dividends

	Dividend per share				
	Q1 End	Q2 End	Q3 End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	34.00	—	37.00	71.00
Fiscal 2020	—	36.00	—	—	—
Fiscal 2020 (forecast)	—	—	—	36.00	72.00

(Note) Revisions to recent dividends forecast: None

3. Non-Consolidated Forecast for the Year Ending September 30, 2020 (October 1, 2019 to September 30, 2020)

	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	3,022	3.7	1,269	3.2	1,267	3.0	861	2.5	143.89

(Note) Revisions to recent business forecast: None

The Company projects that the declaration of a state of emergency in response to the growing spread of the new coronavirus will have an impact on its financial results for the year ending September 30, 2020. However, at the present time it is difficult to calculate the amount of such impact, and therefore the results forecast announced on October 30, 2019 will remain unchanged.

*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 Mar 31, 2020	6,141,158	As of Sep 30, 2019	6,141,158
(ii) Number of treasury shares	As of Mar 31, 2020	150,972	As of Sep 30, 2019	150,972
(iii) Average Number of shares outstanding	First six months of Fiscal 2020	5,990,186	First six months of Fiscal 2019	5,954,379

* 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 six months of the year ending September 30, 2020 (October 1, 2019, through March 31, 2020), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥103 million, or 6.7%, year over year to ¥1,639 million. By business segment, “Product sales” increased 13.4% to ¥994 million, “Consultancy sales” declined 3.0% to ¥600 million, and “Training sales” increased 10.6% to ¥44 million.

“Product sales” increased ¥117 million compared with the same period of the previous fiscal year. This was primarily attributable to the favorable sales of “GAB,” Web test of general abilities. However, “Consultancy sales” decreased ¥18 million compared with the same period of the previous fiscal year. This was primarily due to sluggish orders for analysis projects. “Training sales” increased ¥4 million compared with the same period of the previous fiscal year, primarily owing to a rise in orders received for in-house seminars.

As background to the increase in net sales, as evidenced by media reports which stated that as of April 1 there was a record rate of early unofficial job offers made to new graduates who are set to graduate next spring, corporate screening activities initially began earlier compared with last year due to the substantial termination of self-imposed controls pertaining to employment PR activities and screening activities as well as the Tokyo 2020 Olympics and Paralympics Games, which were scheduled to be held this summer. The declaration of a state of emergency in response to the spread of the novel coronavirus, however, led to conditions where companies were unavoidably forced to postpone their screening plans. While net sales did rise, the rate of increase was limited because of such complex factors.

Operating income for the six-month period under review increased 12.8% year over year to ¥859 million. Although selling, general and administrative expenses increased ¥31 million, or 5.4%, year over year to ¥612 million, operating income increased ¥97 million year over year thanks to the year-over-year decrease in the cost of goods sold by ¥25 million, or 13.4%, to ¥167 million as well as the increase in net sales. The primary factor for the increase in selling, general and administrative expenses was an increase in royalties. The decrease in cost of goods sold was mainly attributable to a decrease in manufacturing expenses and product master amortization.

Ordinary income for the six-month period under review increased ¥96 million, or 12.7%, year over year to ¥859 million 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 six-month period under review was equal to ordinary income, because no extraordinary gains or extraordinary losses were recorded, and increased ¥96 million, or 12.7%, year over year to ¥859 million.

After taking into account the above factors and income taxes—current and income taxes—deferred, net income for the six-month period under review increased ¥59 million, or 11.3%, year over year to ¥586 million.

<Reference 1: Sales by business segment>

	First six months of Fiscal 2019		First six months of Fiscal 2020		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	876	57.1	994	60.7	13.4
Consultancy	618	40.3	600	36.6	△3.0
Training	40	2.6	44	2.7	10.6
Total	1,536	100.0	1,639	100.0	6.7

<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 2018	299	987	986	431	2,704
Fiscal 2019	345	1,190	938	439	2,914
Fiscal 2020	405	1,233	—	—	—

*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

In the year ending September 30, 2020, screening plans of a number of companies seeking to hire new graduates who are set to graduate next spring are being postponed due to the impact of the declaration of a state of emergency in response to the growing spread of the new coronavirus. While the Company believes that corporate screening activities and students' job seeking activities will be resumed with the normalization of the situation, the impact may be prolonged, and future prospects for corporate screening activities are unclear.

In light of the above, the Company projects that the declaration of a state of emergency in response to the spread of the new coronavirus will have an impact on its financial results for the year ending September 30, 2020. However, at the present time it is difficult to calculate the amount of such impact, and therefore the results forecast announced on October 30, 2019 will remain unchanged.