

Non-consolidated Financial and Operating Results (Excerpt) for the Year Ended September 30, 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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Contact: Naohiro Nakamura, Executive Director	Dec 19, 2020
Date to the ordinary general meeting of shareholders:	Dec 21, 2020
Date to start distributing dividends:	Dec 22, 2020
Date to submit the Securities Report	Yes
Supplementary documents for this summary of financial statements	Yes (for analysts and institutional investors)
Results briefing for financial results:	
The original disclosure in Japanese was released on October 30, 2020 at 15:15 (GMT+9)	

1. Non-consolidated Financial Results for the Year Ended September 30, 2020 (October 1, 2019 to September 30, 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	%
Fiscal 2020		2,964	1.7		1,391	13.2		1,392	13.2		960	14.2
Fiscal 2019		2,914	7.8		1,229	5.9		1,230	6.0		840	5.8

	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 2020	160.38	—	19.1	23.8	46.9
Fiscal 2019	140.86	140.60	18.6	23.5	42.2

(Note) Comprehensive income: Fiscal 2020: — million Fiscal 2019 — million

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio	Net assets per share
	Millions of	Yen	Millions of	Yen	%	Yen
Sep 30, 2020		6,143		5,288	86.1	882.79
Sep 30, 2019		5,539		4,761	85.9	794.85

(Reference) Equity capital: September 30, 2020: ¥5,288 million September 30, 2019: ¥4,761million

(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 2020		1,042		△537	△437	3,798
Fiscal 2019		1,020		△25	△380	3,731

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			
Fiscal 2019	Yen —	Yen 34.00	Yen —	Yen 37.00	Yen 71.00	Millions of Yen 424	% 50.4	% 9.4
Fiscal 2020	Yen —	Yen 36.00	Yen —	Yen 60.00	Yen 96.00	575	59.9	11.4
Fiscal 2021 (forecast)	Yen —	Yen 38.00	Yen —	Yen 38.00	Yen 76.00		47.3	

The year-end dividend for the fiscal year ending September 2020 includes a special dividend of ¥20.00.

3. Non-Consolidated Forecast for the Year Ending September 30, 2021 (October 1, 2020 to September 30, 2021)

	Net sales		Operating income			Ordinary income		Net income			Net income per share		
	Millions of	Yen	%	Millions of	Yen	%	Millions of	Yen	%	Yen			
Fiscal 2021		3,100	4.6		1,394	0.2		1,393	0.1		961	0.1	160.52

Net income per share has been calculated based on the number of shares (6,141,158 shares) after subtracting the number of treasury shares (151,006 shares) from the total number of shares outstanding (5,990,152 shares), reflecting the stock split.

*Note

- (1) Changes in accounting policies and changes or restatement of accounting estimates
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|--|------|
| (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, 2020	6,141,158	As of September 30, 2019	6,141,158
(ii) Number of treasury shares	As of September 30, 2020	151,006	As of September 30, 2019	150,972
(iii) Average Number of shares outstanding	Fiscal 2020	5,990,175	Fiscal 2019	5,970,237

* 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, 2020 (October 1, 2019, through September 30, 2020), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥50 million, or 1.7%, year over year to ¥2,964 million. By business segment, “Product sales” increased 5.2% to ¥1,925 million, “Consultancy sales” declined 3.3% to ¥962 million, and “Training sales” declined 14.3% to ¥76 million.

“Product sales” increased ¥95 million compared with the same period of the previous fiscal year. This was primarily attributable to the favorable sales of online assessment tools including “WebGAB,” Web test of general abilities, and “WebCAB,” Web test of computer aptitude, despite sluggish orders for hall tests and multiple choice tests. However, “Consultancy sales” decreased ¥32 million compared with the same period of the previous fiscal year. Although sales of TAMATEBAKO Web test and customized versions of Web tests were favorable, they were insufficient to compensate for the decrease in orders for analysis assessment projects and analysis projects. “Training sales” decreased ¥12 million compared with the same period of the previous fiscal year, due to the decrease in orders received for in-house seminars and open training courses.

During the year under review, screening activities by companies, seeking to hire new graduates who are set to graduate next spring, 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 suspend their screening activities for new graduates. For the same reason, we had no choice but to cancel or postpone providing our services including employee assessment services. Since the state of emergency was lifted, corporate screening activities have gradually resumed, but customers avoided using services with a high risk of creating a “Three Cs” (Closed spaces, Crowded places, and Close-contact settings) environment, such as hall tests, multiple choice tests, analysis assessment services, and seminars. Under these circumstances, the Company believes that it was able to achieve an increase, although only slightly, in net sales, by successfully shifting customers’ needs to the online assessment services with a low risk of “Three Cs,” including online tests.

Operating income for the year under review increased 13.2% year over year to ¥1,391 million. Operating income increased ¥162 million year over year thanks to the year-over-year decreases in the cost of goods sold by ¥97 million, or 21.9%, to ¥346 million and in selling, general and administrative expenses by ¥14 million, or 1.2%, year over year, to ¥1,226 million, as well as the increase in net sales. The decrease in cost of goods sold was mainly attributable to a decrease in costs for hall tests resulting from the adoption of online tests by corporate customers who avoided hall tests with a high risk of “Three Cs” as a countermeasure against the novel coronavirus. The primary factor for the decrease in selling, general and administrative expenses was a decrease in labor expenses following the payment of interim bonuses in the previous fiscal year, although royalties increased.

Ordinary income for the year under review increased 13.2%, year over year to ¥1,392 million. Ordinary income increased ¥162 million due to the increase in operating income as non-operating income and non-operating expenses remaining essentially unchanged from the previous fiscal year.

Income before income taxes for the year under review was equal to ordinary income, because no extraordinary gains or extraordinary losses were recorded, and increased ¥161 million, or 13.2%, year over year to ¥1,392 million.

Net income for the year under review increased 14.2%, year over year to ¥960 million. Net income increased ¥119 million on account of increased income before income taxes.

<Reference 1: Sales by business segment>

	Fiscal 2019		Fiscal 2020		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	1,829	62.8	1,925	64.9	5.2
Consultancy	995	34.1	962	32.5	△3.3
Training	89	3.1	76	2.6	△14.3
Total	2,914	100.0	2,964	100.0	1.7

<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	845	479	2,964

*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. 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, 2021)

In the next fiscal year, concerns about the spread of the novel coronavirus are not likely to be completely dispelled. However, based on the efforts of the public and private sectors, economic trends are forecast to gradually improve from the worst period, and as a result, the motivation to hire new employees is expected to recover at many companies. In this environment, the Company intends to continue enhancing its operating performance by swiftly providing optimum services based on a precise analysis and understanding of corporate customers' needs in various services, focusing on the screening for hiring new graduates.

In light of the above, the Company projects net sales of ¥3,100 million (up 4.6% year over year), operating income of ¥1,394 million (up 0.2% year over year), ordinary income of ¥1,393 million (up 0.1% year over year) and net income of ¥961 million (up 0.1% year over year) for the year ending September 30, 2021.

(Basic policy regarding profit distribution and dividends for the year ended September 30, 2020, and the year ending September 30, 2021)

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 addition, while economic activities are stagnant around the world due to the impact of the states of emergency caused by the spread of the novel coronavirus, net sales (¥2,964 million) for the year under review are 57 million yen lower than the initial forecast (¥3,022 million yen). However, operating income, ordinary income, and net income exceeded the initial forecasts by ¥122 million, ¥125 million, and ¥98 million, respectively. The Company believes that this achievement is thanks to our ability to reduce costs related to halls as a result of the decision to switch to the use of the online assessment tools as a countermeasure against the novel coronavirus infection by customers who were planning to use hall tests, etc.

In consideration of the above basic policies and the special characteristics of the year under review, the Company plans to distribute an annual dividend per share of ¥96 for the year ended September 2020, consisting of ¥60 per share for the year-end dividend, which is the sum of an ordinary dividend of ¥40 and a special dividend of ¥20, and ¥36 per share for the interim dividend.

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 for new assessment tools.

With regard to the dividend of the next year, the Company intends to distribute an annual dividend of ¥76 per share by maintaining the annual (ordinary) dividend for the fiscal year under review.