

Aug 20, 2021

Non-Consolidated Financial Results (Excerpt) for the Third Quarter of Fiscal 2021 [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, Director	Tel: +81-3-5385-8781
Date to submit the Quarterly Securities Report:		Aug 6, 2021
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 30, 2021 at 15:15 (GMT+9)

1. Non-Consolidated Financial Results for the Third Quarter of Fiscal 2021 (October 1, 2020 to June 30, 2021)

(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 2021	2,818	13.4	1,435	12.1	1,434	12.1	989	13.3
First nine months of Fiscal 2020	2,485	0.4	1,280	6.5	1,279	6.4	873	5.1

	Net income per share	Fully diluted net income per share
	Yen	Yen
First nine months of Fiscal 2021	165.19	—
First nine months of Fiscal 2020	145.77	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Jun 30, 2021	6,604	5,683	86.1
Sep 30, 2020	6,143	5,288	86.1

(Reference) Equity capital: June 30, 2021: ¥5,683 million September 30, 2020: ¥5,288 million

2. Dividends

	Dividend per share				
	Q1 End	Q2 End	Q3 End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	36.00	—	60.00	96.00
Fiscal 2021	—	38.00	—	—	—
Fiscal 2021 (forecast)	—	—	—	38.00	76.00

(Note) Revisions to recent dividends forecast: None

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	%	Millions of Yen	%	Yen	
Fiscal 2021	3,280	10.6	1,454	4.5	1,453	4.4	997	3.9	166.58	

(Note) Revisions to recent business forecast: Yes

Net income per share has been adjusted based on the average number of shares outstanding (5,990,141 shares) for the year ending September 30, 2021, which was calculated taking into account the number of shares issued during the third quarter of the year ending September 30, 2021 through 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 Jun 30, 2021	6,141,158	As of Sep 30, 2020	6,141,158
(ii) Number of treasury shares	As of Jun 30, 2021	151,029	As of Sep 30, 2020	151,006
(iii) Average Number of shares outstanding	First nine months of Fiscal 2021	5,990,145	First nine months of Fiscal 2020	5,990,183

* 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, 2021 (October 1, 2020, through June 30, 2021), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥333 million, or 13.4%, year over year to ¥2,818 million. By business segment, “Product sales” increased 18.6% to ¥1,917 million, “Consultancy sales” increased 2.6% to ¥821 million, and “Training sales” increased 17.5% to ¥79 million.

“Product sales” increased ¥300 million compared with the same period of the previous fiscal year. This was primarily attributable to the favorable sales of “WebGAB,” Web test of general abilities, “C-GAB plus (hall test/online monitored Web test),” and “WebCAB,” Web test of computer aptitude. “Consultancy sales” increased ¥20 million compared with the same period of the previous fiscal year. This was primarily due to favorable sales of customized versions of Web tests, despite unfavorable sales of customized versions of multiple choice tests and analysis assessment projects. “Training sales” increased ¥11 million compared with the same period of the previous fiscal year, primarily owing to a rise in orders received for in-house seminars.

In the nine-month period under review, amid continued concerns over the spread of the novel coronavirus, the earlier-than-usual recruitment and screening activities of companies seeking to hire new graduates who are set to graduate next spring have settled down after previously increasing, and companies are beginning to shift their screening activities to internship programs, which are becoming firmly established. Under these circumstances, the Company believes that it was able to achieve an increase in net sales by gaining support from its customers for services with low risks of the “Three Cs” (Closed spaces, Crowded places, and Close-contact settings) or services that can avoid those risks, mainly online assessment tools.

Operating income for the nine-month period under review increased 12.1% year over year to ¥1,435 million. Although the cost of goods sold increased ¥77 million, or 28.9%, year over year to ¥347 million and selling, general and administrative expenses increased ¥100 million, or 10.7%, year over year to ¥1,036 million, operating income increased ¥155 million year over year thanks to the increase in net sales. With regard to the cost of goods sold, the increase was mainly attributable to increases in expenses for use of test center halls (subcontracting costs) and labor costs due to an increase in orders for “C-GAB plus,” despite a decrease in cost of question booklets for multiple choice tests and other goods. The primary factors for the increase in selling, general and administrative expenses were increases in royalties, labor expenses mainly due to the increased number of staff in the sales department, and stock agency fees.

Ordinary income for the nine-month period under review increased ¥154 million, or 12.1%, year over year to ¥1,434 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 nine-month period under review was equal to ordinary income, because no extraordinary gains or extraordinary losses were recorded as in the same period of the previous fiscal year, and increased ¥154 million, or 12.1%, year over year to ¥1,434 million.

After taking into account the above factors and income taxes—current and income taxes—deferred, net income for the nine-month period under review increased ¥116 million, or 13.3%, year over year to ¥989 million.

<Reference 1: Sales by business segment>

	First nine months of Fiscal 2020		First nine months of Fiscal 2021		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	1,616	65.1	1,917	68.0	18.6
Consultancy	800	32.2	821	29.2	2.6
Training	67	2.7	79	2.8	17.5
Total	2,485	100.0	2,818	100.0	13.4

<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 2019	345	1,190	938	439	2,914
Fiscal 2020	405	1,233	845	479	2,964
Fiscal 2021	472	1,375	969	—	—

*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) Explanation about future prospects such as business forecasts

During the year under review, vaccinations against the novel coronavirus have begun, producing a certain effect, but with the Tokyo 2020 Olympics and Paralympic Games being held, the spread of the infection remains unresolved. In this environment, there is a strong appetite for hiring by companies and other organizations that have the objective of alleviating chronic labor shortages and for which reinforcing human resources for digital transformation (DX) is essential. The Company believes that the recruitment and screening activities of mainly these companies for ready-to-go career roles and student screening activities related to internship programs, which are becoming firmly established in the corporate world, will be carried out while actively utilizing means to avoid the risk of the Three C's. The Company's policy is to continue to improve performance by accurately analyzing and grasping the needs of companies, and promptly providing our most appropriate assessment services.

Both sales and profits increased in the nine-month period under review compared to the same period of the previous fiscal year, and operating income, ordinary income, and net income exceeded the full-year earnings forecast figures for the fiscal year ending September 30, 2021. On the other hand, for the fourth quarter of the fiscal year under review (July 1, 2021 to September 30, 2021), based on the current status of orders and expected costs and expenses, we are forecasting a decrease in both sales and profit compared to the same period of the previous fiscal year. Taking into account the results for the nine-month period under review and the forecast for the fourth quarter of the fiscal year under review, the Company has revised its full-year financial results forecast for the fiscal year ending September 30, 2021.