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Nov 26, 2021

Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2021 (Under Japanese GAAP)

Company name: SHL-JAPAN Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4327
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 Scheduled date of annual general meeting of shareholders: Dec 18, 2021
 Scheduled date to commence dividend payments: Dec 20, 2021
 Scheduled date to file annual securities report: Dec 21, 2021
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts and institutional investors)
 The original disclosure in Japanese was released on October 29, 2021 at 15:15 (GMT+9)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated financial results for the fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
Sep 30, 2021	3,300	11.3	1,475	6.0	1,474	5.9	1,010	5.2
Sep 30, 2020	2,964	1.7	1,391	13.2	1,392	13.2	960	14.2

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended					
Sep 30, 2021	168.69	—	18.4	23.1	44.7
Sep 30, 2020	160.38	—	19.1	23.8	46.9

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended Sep 30, 2021: — million

For the fiscal year ended Sep 30, 2020: — million

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
Sep 30, 2021	6,623	5,704	86.1	952.29
Sep 30, 2020	6,143	5,288	86.1	882.79

Reference: Equity

As of Sep 30, 2021: ¥5,704 million

As of Sep 30, 2020: ¥5,288 million

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sep 30, 2021	1,087	△29	△586	4,270
Sep 30, 2020	1,042	△537	△437	3,798

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended Sep 30, 2020	Yen —	Yen 36.00	Yen —	Yen 60.00	Yen 96.00	Millions of yen 575	% 59.9	% 11.4
Fiscal year ended Sep 30, 2021	—	38.00	—	62.00	100.00	599	59.3	10.9
Fiscal year ending Sep 30, 2022 (Forecast)	—	43.00	—	43.00	86.00		50.0	

The year-end dividend for the fiscal year ended September 2020 includes a special dividend of ¥20.00; and the year-end dividend for the fiscal year ending September 2021 includes a special dividend of ¥15.00.

3. Non-Consolidated Forecast for the Year Ending September 30, 2022 (October 1, 2021 to September 30, 2022)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Fiscal year ended Sep 30, 2022	3,410	—	1,495	—	1,494	—	1,030	—	172.11

As the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. will be applied from the beginning of the fiscal year ending September 2022, the aforementioned financial results forecasts use amounts to which said accounting standards have been applied. The rates of increase or decrease compared with the same period of the previous fiscal year are not provided. Furthermore, the figures for basic earnings per share are calculated based on the number of shares (5,990,129 shares) as obtained by subtracting the number of treasury shares (151,029 shares) from the total number of shares outstanding as of the end of the fiscal year ended September 2021 (6,141,158 shares).

*** Notes**

(1) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(2) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of Sep 30, 2021	6,141,158 shares
As of Sep 30, 2020	6,141,158 shares

(ii) Number of treasury shares at the end of the period

As of Sep 30, 2021	151,029 shares
As of Sep 30, 2020	151,006 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended Sep 30, 2021	5,990,141 shares
Fiscal year ended Sep 30, 2020	5,990,175 shares

* 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, 2021 (October 1, 2020, through September 30, 2021), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥335 million, or 11.3%, year over year to ¥3,300 million. By business segment, “Product sales” increased 15.9% to ¥2,230 million, “Consultancy sales” increased 1.8% to ¥980 million, and “Training sales” increased 17.0% to ¥89 million.

“Product sales” increased ¥305 million compared with the same period of the previous fiscal year. This was primarily attributable to the favorable sales of “C-GAB plus (hall test/online monitored Web test),” Web test of general abilities, and “WebCAB,” Web test of computer aptitude. “Consultancy sales” increased ¥17 million compared with the same period of the previous fiscal year. This was primarily due to unfavorable sales of customized versions of multiple choice tests and analysis assessment projects being supplemented by favorable sales of customized versions of Web tests. “Training sales” increased ¥12 million compared with the same period of the previous fiscal year, primarily owing to a rise in orders received for in-house seminars.

During the year under review, amid the effects of the state of emergency declared in response to the spread of the novel coronavirus, although recruitment and screening activities of companies seeking to hire new graduates who are set to graduate next spring started and ended earlier than ever before, demand for our assessment services has increased on the back of more proactive recruitment and screening activities for ready-to-go career roles 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, and more proactive student screening activities related to internship programs, which are becoming firmly established in the corporate world. 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 profit for the year under review increased 6.0% year over year to ¥1,475 million. Although the cost of goods sold increased ¥80 million, or 23.4%, year over year to ¥426 million and selling, general and administrative expenses increased ¥171 million, or 13.9%, year over year to ¥1,398 million, operating profit increased ¥83 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 subcontracting costs resulting from an increase of orders received for hall tests and online monitored Web tests due to an increase in orders for “C-GAB plus” and labor costs due to payment of year-end bonuses despite a decrease in the 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 labor expenses mainly due to the increased number of staff in the sales department and payment of year-end bonuses, royalties, and stock agency fees.

Ordinary profit for the year under review increased 5.9% year over year to ¥1,474 million. Ordinary profit increased ¥82 million due to the increase in operating profit despite non-operating expenses remaining essentially unchanged from the previous fiscal year and non-operating profit decreasing ¥1 million, or 60.0%.

Profit before income taxes for the year under review was equal to ordinary profit, because no extraordinary gains or extraordinary losses were recorded as in the same period of the previous fiscal year, and increased ¥82 million, or 5.9%, year over year to ¥1,474 million.

After taking into account the above factors and income taxes—current and income taxes—deferred, profit for

the year under review increased ¥49 million, or 5.2%, year over year to ¥1,010 million on account of increased profit before income taxes.

<Reference 1: Sales by business segment>

	Fiscal 2020		Fiscal 2021		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	1,925	64.9	2,230	67.6	15.9
Consultancy	962	32.5	980	29.7	1.8
Training	76	2.6	89	2.7	17.0
Total	2,964	100.0	3,300	100.0	11.3

<Reference 2: Sales by quarterly basis>

	First Quarter		Second Quarter		Third Quarter		Year-End		Annual	
	Millions of Yen	Yen	Millions of Yen	Yen	Millions of Yen	Yen	Millions of Yen	Yen	Millions of Yen	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		482		3,300	

*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, 2022)

In the next fiscal year, as we enter a period known as “living with COVID-19,” concerns over stagflation resulting from a shortfall in supply of component parts such as semiconductors, and of energy, continue to increase, and trends towards an economic recovery appear to be behind schedule. However, there are hopeful signs such as stronger uptake of vaccinations, the testing of the water with regards to the easing of restrictions of activities, and advancements in the development of drugs for treating the disease, and as such the motivation of companies to hire new employees is expected to remain strong with an eye to life after COVID-19. In this environment, the Company intends to continue to implement thorough measures to prevent the spread of the novel coronavirus to ensure the health and safety of our employees and business associates, and to enhance its operating performance by swiftly providing optimum services based on a precise analysis and understanding of corporate customers' needs.

In light of the above, the Company projects net sales of ¥3,410 million, operating profit of ¥1,495 million, ordinary profit of ¥1,494 million and profit of ¥1,030 million for the financial results forecast for the year ending September 30, 2022.

*Note: As the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. will be applied from the beginning of the fiscal year ending September 2022, the financial results forecasts for the upcoming fiscal year use amounts to which said accounting standards have been applied. The rates of increase or decrease compared with the same period of the previous fiscal year are not provided.

(Basic policy regarding profit distribution and dividends for the year ended September 30, 2021, and the year ending September 30, 2022)

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 profit 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.

With regard to the financial results for the year under review, net sales (¥3,300 million) are ¥20 million higher than the revised forecast (¥3,280 million), and operating profit, ordinary profit, and profit exceeded the revised forecasts by ¥21 million, ¥21 million, and ¥12 million, respectively. For context on these results, please refer to "Overview of operating results, etc., (1) Overview of operating results".

In consideration of the above basic policies and the financial results for the year under review, the Company plans to distribute an annual dividend per share of ¥100 for the year ended September 2021, consisting of ¥62 per share for the year-end dividend, which is the sum of an ordinary dividend of ¥47 and a special dividend of ¥15, and ¥38 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 (ordinary) dividend of ¥86. This price represents an increase of ¥1 per share over the annual (ordinary) dividend of ¥85 per share in place for the fiscal year under review.