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Nov 22, 2022

Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2022 (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 17, 2022
 Scheduled date to commence dividend payments: Dec 19, 2022
 Scheduled date to file annual securities report: Dec 20, 2022
 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 31, 2022 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, 2022 (from October 1, 2021 to September 30, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep 30, 2022	3,463	—	1,555	—	1,556	—	1,066	—
Sep 30, 2021	3,300	11.3	1,475	6.0	1,474	5.9	1,010	5.2

Fiscal year ended	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	%	%	%
Sep 30, 2022	178.06	—	18.5	22.8	44.9
Sep 30, 2021	168.69	—	18.4	23.1	44.7

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended Sep 30, 2022: — million
 For the fiscal year ended Sep 30, 2021: — million

As the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., have been applied since the beginning of the fiscal year ended September 30, 2022, the figures provided for the fiscal year ended September 30, 2022, are figures 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. As a result of the application of said accounting standards and other standards, net sales, operating profit, and ordinary profit provided for the fiscal year under review decreased by ¥4 million each compared with the figures calculated using a method to which these accounting standards are not applied.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Sep 30, 2022	7,028	5,808	82.7	969.75
Sep 30, 2021	6,623	5,704	86.1	952.29

Reference: Equity

As of Sep 30, 2022: ¥5,808 million

As of Sep 30, 2021: ¥5,704 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, 2022	1,071	△51	△629	4,661
Sep 30, 2021	1,087	△29	△586	4,270

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Sep 30, 2021	—	38.00	—	62.00	100.00	599	59.3	10.9
Fiscal year ended Sep 30, 2022	—	43.00	—	62.00	105.00	628	59.0	10.9
Fiscal year ending Sep 30, 2023 (Forecast)	—	45.00	—	45.00	90.00		48.7	

The year-end dividends for the fiscal year ended September 2021 and the fiscal year ended September 2022 both include a special dividend of ¥15.00.

3. Non-Consolidated Forecast for the Year Ending September 30, 2023 (October 1, 2022 to September 30, 2023)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Sep 30, 2023	3,602	4.0	1,603	3.0	1,602	3.0	1,106	3.8	184.78

The figures for basic earnings per share are calculated based on the number of shares (5,989,996 shares) as obtained by subtracting the number of treasury shares (151,162 shares) from the total number of shares outstanding as of the end of the fiscal year ended September 2022 (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: Yes
- (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, 2022	6,141,158 shares
As of Sep 30, 2021	6,141,158 shares

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

As of Sep 30, 2022	151,162 shares
As of Sep 30, 2021	151,029 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended Sep 30, 2022	5,990,068 shares
Fiscal year ended Sep 30, 2021	5,990,141 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.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”), etc., since the beginning of the first quarter of the year ending September 30, 2022. As this will affect net sales, etc., the year-on-year yen and percentage changes in the qualitative information for the first nine months of the fiscal year ending September 30, 2022 (October 1, 2021, through September 30, 2022) are not provided.

(1) Overview of operating results

For the year ended September 30, 2022, net sales of SHL-JAPAN Ltd. (the “Company”) were ¥3,463 million. By business segment, “Product sales” were ¥2,370 million, “Consultancy sales” were ¥996 million, and “Training sales” were ¥97 million.

Sales of the Web test of general abilities “C-GAB plus” and the employee assessment tool “MANGEKYO” for “Product sales” showed strong growth. For “Consultancy sales,” the sales of customized versions of Web tests and multiple choice tests as well as the testing system “TAMATEBAKO” using the internet were stagnant, while sales of the agency service for assessment and various analysis projects were brisk, as were sales of in-house seminars, etc. for “Training sales.”

During the year under review, despite the continued spread of the novel coronavirus, the rate of new graduates who are set to graduate next spring and have already received job offers rose for the first time in four years. On the other hand, the rate of new graduates receiving job offers to the number of hires companies originally planned, on an unofficial job offer basis, reportedly plunged to a 10-year low. The recruitment and screening activities of companies seeking to hire new graduates who are set to graduate next spring took place even earlier than before, particularly among firms that are offering internships, suggesting that companies are in an increasingly fierce competition for talents. Against such backdrop, the overall demand for our assessment services continued to increase on the back of more proactive recruitment and screening activities for ready-to-go career roles by companies that have the objective of alleviating chronic labor shortages and reinforcing human resources for digital transformation (DX), as well as more proactive student screening activities related to internship programs, which are becoming firmly established in the corporate world, in addition to the upward trend in orders received for our employee assessment tools aimed at revitalizing existing employees. 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 was ¥1,555 million. The cost of goods sold was ¥462 million, while selling, general and administrative expenses were ¥1,445 million. As a result, the operating profit margin was 44.9%.

Ordinary profit for the year under review was ¥1,556 million. This is almost equal to operating profit because both non-operating profit and non-operating expenses amounted to ¥1 million.

Profit before income taxes for the year under review was ¥1,556 million, which is equal to ordinary profit because no extraordinary gains or extraordinary losses were recorded as in the same period of the previous fiscal year.

As a result of deducting income taxes from the above figure, profit for the year under review was ¥1,066 million.

<Reference 1: Sales by business segment>

	Fiscal 2022	
	Millions of Yen	Component ratio
Product	2,370	68.4
Consultancy	996	28.8
Training	97	2.8
Total	3,463	100.0

<Reference 2: Sales by quarterly basis>

	First Quarter	Second Quarter	Third Quarter	Year-End	Annual
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal 2022	597	1,120	1,063	681	3,463
Fiscal 2021	472	1,375	969	482	3,300
Fiscal 2020	405	1,233	845	479	2,964

*Note 1: For the fiscal years ended September 2020 and 2021, performance figures to which the Revenue Recognition Standard, etc. have not been applied are provided.

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. 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, 2023)

In the next fiscal year, as we enter a period known as “living with COVID-19” and despite the growing prospect of recession fueled by a worldwide rise in prices and interest rates and the yen’s rapid slide, the motivation of companies to hire new employees is expected to remain strong with an eye to life after COVID-19, thanks to stronger uptake of vaccinations and advancements in the development and approval of drugs for treating the disease. In this environment, the Company intends to further continue to implement thorough measures to prevent the spread of novel coronavirus to ensure the health and safety of its 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 ¥3,602 million (up 4.0% year over year), operating profit of ¥1,603 million (up 3.0% year over year), ordinary profit of ¥1,602 million (up 3.0% year over year) and profit of ¥1,106 million (up 3.8% year over year) for the financial results forecast for the year ending September 30, 2023. Although the Company has at present not completed the renewal of its license agreement with SHL Group Limited (United Kingdom), which is due to expire on March 31, 2023, the current royalty rate of 9.0% was used in preparing the financial results forecasts for the year ending September 30, 2023.

(Basic policy regarding profit distribution and dividends for the year ended September 30, 2022, and the year ending September 30, 2023)

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 (¥3,463 million) are ¥53 million higher than the forecast (¥3,410 million), and operating profit, ordinary profit, and profit exceeded the forecast by ¥60 million, ¥61 million, and ¥35 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 ¥105 for the year ended September 2022, 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 ¥43 per share for the interim dividend. This constitutes an increase of ¥5 per share, or 5.0% year over year, over the annual dividend per share of ¥100 for the year ended September 2021.

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 maintain the amount of annual (ordinary) dividend per share and distribute an annual dividend per share of ¥90.