

Non-Consolidated Financial Results (Excerpt) for the First Quarter of Fiscal 2018 [J-GAAP basis]

Listed Company Name:	SHI-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:		Feb 14, 2018
Date to start distributing dividends:		—
Supplementary documents for this summary of financial statements		None
Results briefing for financial results:		None

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1. Non-Consolidated Financial Results for the First Quarter of Fiscal 2018 (October 1, 2017 to Dec 31, 2017)

(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 three months of Fiscal 2018		299	7.2	△22		—	△22		—	△15		—
First three months of Fiscal 2017		278	△0.7	△12		—	△12		—	△5		—

	Net income per share	Fully diluted net income per share
	Yen	Yen
First three months of Fiscal 2018	△2.62	—
First three months of Fiscal 2017	△0.97	—

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, net income per share has been calculated under the assumption that the stock split was conducted at the beginning of the year ended September 30, 2017. Fully diluted net income per share has not been recorded, because, although there are dilutive shares, the Company posted a quarterly net loss per share.

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio
	Millions of	Yen	Millions of	Yen	%
Dec 31, 2017		4,094		3,665	89.4
Sep 30, 2017		4,591		3,894	84.7

(Reference) Equity capital: Dec 31, 2017: ¥3,661 million Sep 30, 2017: ¥3.890million

2. Dividends

	Dividend per share				
	Q1 End	Q2 End	Q3 End	Year-End	Annual
Fiscal 2017	Yen —	Yen 55.00	Yen —	Yen 72.00	Yen 127.0
Fiscal 2018	—				
Fiscal 2018 (forecast)		32.00	—	32.00	64.00

(Note) Revisions to recent dividends forecast: None

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, the actual amount of dividend distributed is recorded for the year ended September 30, 2017.

3. Non-Consolidated Forecast for the Year Ending September 30, 2018 (October 1, 2017 to September 30, 2018)

	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 2018		2,692	4.5		1,117	1.1		1,116	1.1		771	1.7	129.69

(Note) Revisions to recent business forecast: None

Net income per share has been adjusted based on the average number of shares outstanding (5,947,185 shares) for the year ending September 30, 2018, which was calculated taking into account the number of shares issued during the first quarter of the year ending September 30, 2018 through the exercise of share subscription rights as a stock option, and 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 Dec 31, 2017	6,098,358	As of Sep 30, 2017	6,096,358
(ii) Number of treasury shares	As of Dec 31, 2017	150,844	As of Sep 30, 2017	150,844
(iii) Average Number of shares outstanding	First three months of Fiscal 2018	5,946,210	First three months of Fiscal 2017	6,083,870

The Company conducted a two-for-one stock split of common shares on October 1, 2017. However, calculations were made under the assumption that the stock split was conducted at the beginning of the year ended September 30, 2017.

* 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 three months of the year ending September 30, 2018 (October 1, 2017, through December 31, 2017), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥20 million, or 7.2%, year over year to ¥299 million. By business segment, “Product sales” increased 16.0% to ¥181 million, “Consultancy sales” decreased 4.7% to ¥107 million and “Training sales” increased 3.6% to ¥10 million.

“Product sales” increased ¥25 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. On the other hand, “Consultancy sales” decreased ¥5 million compared with the same period of the previous fiscal year. This was primarily due to the weak sales of customized versions of the “Web Test” and various valuation services. “Training sales” recorded a slight increase.

Operating loss for the three-month period under review totaled ¥22 million (compared with operating loss of ¥12 million for the same period of the previous fiscal year). The factors for the widening loss were that, while there was an increase in revenue, the cost of goods sold increased ¥9 million, or 16.0%, year over year to ¥67 million and selling, general and administrative expenses increased ¥21 million, or 9.0%, year over year to ¥254 million. The increase in the cost of goods sold was primarily attributable to an increase in shipment of test booklets, etc. resulting from the rush of demand in anticipation of a price hike. The primary factors for the increase in selling, general and administrative expenses were increases in labor costs and royalties.

Ordinary loss for the three-month period under review totaled ¥22 million (compared with ordinary loss of ¥12 million for the same period of the previous fiscal year). This figure was almost equal to operating loss because both non-operating income and non-operating expenses were small as in the same period of the previous fiscal year.

Loss before income taxes for the three-month period under review totaled ¥22 million (compared with loss before income taxes of ¥8 million for the same period of the previous fiscal year). This was primarily due to the reporting of ¥3 million of gain on sales of investment securities as extraordinary gains for the same period of the previous fiscal year.

After taking into account the above factors and income taxes—current and income taxes—deferred, net loss for the three-month period under review totaled ¥15 million (compared with net loss of ¥5 million for the same period of the previous fiscal year).

<Reference 1: Sales by business segment>

	First three months of Fiscal 2017		First three months of Fiscal 2018		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	156	56.1	181	60.7	16.0
Consultancy	112	40.3	107	35.8	△4.7
Training	10	3.6	10	3.5	3.6
Total	278	100.0	299	100.0	7.2

<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 2016	280	744	995	399	2,420
Fiscal 2017	278	896	1,030	369	2,575
Fiscal 2018	299	—	—	—	—

*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 under review, the Company believes that the screening market environment for new graduates will continue to grow steadily as in the previous fiscal year, because the industry's self-imposed controls on the screening of new graduates* are still in place from the previous fiscal year and corporations remain highly motivated to hire more employees.

However, we intend to continue enhancing our operating performance by speedily providing optimum services based on our precise analysis and understanding of corporate customers' needs.

In light of the above, and based on our analysis and study of the business results, financial position and other business management materials for the three-month period under review, no changes have been made to the business forecast for the year ending September 30, 2018, which was released on October 27, 2017.

* The industry has self-imposed controls regarding the employment of new graduates, under which industry groups agreed not to start employment PR activity and the screening process for new graduates prior to a fixed date in light of the academic schedules for students. The Keidanren (Japan Business Federation) stipulated in its "Guidelines for Recruiting and Employing New Graduates" that corporations' PR activity for new graduates who will enter corporations in fiscal 2017 onwards shall commence on and after March 1 of the year just preceding the year of graduation or post-graduate completion, and screening activity on and after June 1 of the year of graduation or completion.