

Aug 6, 2020

Non-Consolidated Financial Results (Excerpt) for the Third Quarter of Fiscal 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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Date to submit the Quarterly Securities Report:	Aug 6, 2020
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 29, 2020 at 15:15 (GMT+9)

1. Non-Consolidated Financial Results for the Third Quarter of Fiscal 2020 (October 1, 2019 to June 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	%
First nine months of Fiscal 2020	2,485	0.4	1,280	6.5	1,279	6.4	873	5.1
First nine months of Fiscal 2019	2,474	8.9	1,202	12.5	1,202	12.6	830	13.5

	Net income per share	Fully diluted net income per share
	Yen	Yen
First nine months of Fiscal 2020	145.77	—
First nine months of Fiscal 2019	139.28	138.94

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Jun 30, 2020	6,056	5,199	85.9
Sep 30, 2019	5,539	4,761	85.9

(Reference) Equity capital: June 30, 2020: ¥5,199 million September 30, 2019: ¥4,761 million

2. Dividends

	Dividend per share				
	Q1 End	Q2 End	Q3 End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	34.00	—	37.00	71.00
Fiscal 2020	—	36.00	—	—	—
Fiscal 2020 (forecast)	—	—	—	36.00	72.00

(Note) Revisions to recent dividends forecast: None

3. Non-Consolidated Forecast for the Year Ending September 30, 2020 (October 1, 2019 to September 30, 2020)

	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 2020	3,022	3.7	1,269	3.2	1,267	3.0	861	2.5	143.74

(Note) Revisions to recent business forecast: None

Net income per share has been adjusted based on the average number of shares outstanding (5,990,175 shares) for the year ending September 30, 2020, which was calculated taking into account the number of shares issued during the third quarter of the year ending September 30, 2020 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, 2020	6,141,158	As of Sep 30, 2019	6,141,158
(ii) Number of treasury shares	As of Jun 30, 2020	151,006	As of Sep 30, 2019	150,972
(iii) Average Number of shares outstanding	First nine months of Fiscal 2020	5,990,183	First nine months of Fiscal 2019	5,963,509

* 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, 2020 (October 1, 2019, through June 30, 2020), net sales of SHL-JAPAN Ltd. (the “Company”) increased ¥10 million, or 0.4%, year over year to ¥2,485 million. By business segment, “Product sales” increased 3.7% to ¥1,616 million, “Consultancy sales” declined 5.0% to ¥800 million, and “Training sales” declined 7.7% to ¥67 million.

“Product sales” increased ¥58 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, and “CAB,” Web test of computer aptitude. However, “Consultancy sales” decreased ¥41 million compared with the same period of the previous fiscal year. This was primarily due to sluggish orders for some services including customized versions of the tests, analysis assessment projects, and analysis projects. “Training sales” decreased ¥5 million compared with the same period of the previous fiscal year, primarily due to the decrease in orders received for in-house seminars and open training courses.

In the nine-month period 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 postpone providing our services including employee assessment services. After the state of emergency was lifted, corporate screening activities were 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 interviewer training programs. 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 services with a low risk of “Three Cs,” including online assessment tools.

Operating income for the nine-month period under review increased 6.5% year over year to ¥1,280 million. Although selling, general and administrative expenses increased ¥25 million, or 2.8%, year over year, to ¥935 million primarily due to an increase in royalties, operating income increased ¥77 million year over year thanks to the year-over-year decrease in the cost of goods sold by ¥93 million, or 25.7%, to ¥269 million as well as the increase in net sales. The decrease in cost of goods sold was mainly attributable to a decrease in subcontracting costs and printing costs for provision of hall tests resulting from the shift of customers' needs, as well as a decrease in manufacturing expenses and product master amortization resulting from postponement of the provision of services.

Ordinary income for the nine-month period under review increased ¥77 million, or 6.4%, year over year to ¥1,279 million due to a decrease in non-operating income by ¥1 million year over year, despite non-operating expenses remaining essentially unchanged from 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, and increased ¥76 million, or 6.4%, year over year to ¥1,279 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 ¥42 million, or 5.1%, year over year to ¥873 million.

<Reference 1: Sales by business segment>

	First nine months of Fiscal 2019		First nine months of Fiscal 2020		Rate of increase (decrease)
	Millions of Yen	Component ratio	Millions of Yen	Component ratio	
Product	1,558	63.0	1,616	65.1	3.7
Consultancy	842	34.1	800	32.2	△5.0
Training	73	2.9	67	2.7	△7.7
Total	2,474	100.0	2,485	100.0	0.4

<Reference 2: Sales by quarterly basis>

	First Quarter	Second Quarter	Third Quarter	Year-End	Annual
	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	—	—

*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

The operating results for the nine-month period under review slightly exceeded those of the same period of the previous fiscal year. However, with regards to the operating results for the fourth quarter (July 1, 2020, through September 30, 2020), there is growing uncertainty about the company trends for screening and internship related activities for new graduates, which were gradually resumed, due to concerns of another outbreak of the novel coronavirus. In light of this, the business forecast for the year ending September 30, 2020 will remain unchanged.