

Consolidated Financial Results
for the Nine Months Ended September 30, 2022
[Japanese GAAP]



November 11, 2022

Company name: JAC Recruitment Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2124
 URL: <https://corp.jac-recruitment.jp>
 Representative: Hiromi Tazaki, Co-Founder, Chairman, CEO and Managing Director
 Inquiries: Hiroo Hattori, Deputy Managing Director; Administration Division General Manager
 Phone: +81-3-5259-6926
 Scheduled date of filing quarterly securities report: November 11, 2022
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Available

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2022 (January 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2022	22,918	23.4	6,000	18.2	6,013	18.5	4,276	26.3
September 30, 2021	18,568	9.3	5,077	15.3	5,074	14.1	3,384	148.9

(Note) Comprehensive income: Nine months ended September 30, 2022: ¥4,488 million [30.5%]
 Nine months ended September 30, 2021: ¥3,439 million [184.9%]

	Earnings Per Share	Diluted Earnings Per Share
Nine months ended	yen	yen
September 30, 2022	105.92	-
September 30, 2021	83.67	83.66

(Note) Diluted earnings per share for the nine months ended September 30, 2022 are not presented as there were no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	million yen	million yen	%
September 30, 2022	19,328	14,893	77.1
December 31, 2021	18,935	13,365	70.6

(Reference) Equity: As of September 30, 2022: ¥14,893 million
 As of December 31, 2021: ¥13,365 million

2. Dividends

	Annual Dividends				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Total
Fiscal year ended December 31, 2021	yen	yen	yen	yen	yen
Fiscal year ending December 31, 2021	-	0.00	-	73.00	73.00
Fiscal year ending December 31, 2022 (Forecast)	-	0.00	-	80.00	80.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	30,430	22.4	7,030	20.7	7,040	21.1	4,870	25.5	120.62

(Note) Revision to the financial results forecast announced most recently: Yes

*Notes:

(1) Changes in significant subsidiaries during the nine months ended September 30, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): None

New: –

Excluded: –

Notes on changes in significant subsidiaries during the period

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

Notes on accounting policies adopted specially for the preparation of quarterly consolidated financial statements

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Notes on changes in accounting policies

(4) Total number of issued shares (common shares)

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

As of September 30, 2022: 41,389,300 shares

As of December 31, 2021: 41,389,300 shares

2) Total number of treasury shares at the end of the period:

As of September 30, 2022: 1,009,743 shares

As of December 31, 2021: 1,024,738 shares

3) Average number of shares during the period:

Nine months ended September 30, 2022: 40,373,459 shares

Nine months ended September 30, 2021: 40,451,808 shares

Notes on the total number of issued shares

*These quarterly financial results are outside the scope of quarterly review by a certified public accountant or an audit firm.

*Disclaimer Regarding the Use of the Financial Results Forecast and Other Special Notes

The financial results forecast and other forward-looking statements in this document are based on information currently available and certain assumptions the Company deems to be reasonable. Actual results may differ significantly from these forecasts due to a variety of factors. For the assumptions used for the financial results forecasts and the notes regarding the use thereof, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachment.

We will post supplementary briefing materials for quarterly financial results on our website immediately after disclosing this consolidated financial results.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information ..	3
2. Quarterly Consolidated Financial Statements and Principal Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes on going concern assumption)	9
(Notes in case of significant changes in shareholders' equity)	9
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	9
(Changes in accounting policies)	9
(Segment information, etc.)	10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended September 30, 2022, while the impact of COVID-19 gradually softened, the Bank of Japan's Tankan Survey released in September indicated that business sentiment among large companies fell for the third consecutive quarter with increasing uncertainty over the economic outlook due to factors such as the prolonged situation in Russia and Ukraine, global rise in prices followed by a global credit crunch, and the rapid depreciation of the yen.

Nevertheless, under these circumstances, as many companies were hiring more people for the regrowth of their businesses, especially in Japan, the jobs-to-applicants ratio remained robust. Due to this trend, the Domestic Recruitment Business, the Group's core operations, continued to be solid, resulting in sales growth for the Group overall during the period under review.

In the Domestic Recruitment Business, with favorable market conditions and a steady increase in the number of our consultants, net sales reached record levels again for the nine months ended September 30, 2022. In the coming fourth quarter of the current fiscal year, we will continue to promote the proactive strengthening of businesses in the robust market.

Specifically, as a result of our enhanced efforts in recruitment with the increased number of team staff in charge of hiring, we have successfully hired more than 20 consultants every month since this past July. At the same time, we have set and formulated high-level, rank-based "JAC Standard" that all consultants and managers of the Group must achieve, and introduced and implemented its training program step by step. Through this initiative, we aim more than ever to fully equip consultants for the job quickly, and improve the retention rate. Furthermore, we have continued to broadcast TV commercials that started in May, aiming to promote acquiring the target human resources and increase the recognition of our brand. As a result, its effectiveness has been confirmed with increases in the number of visits to our Web site and new registrations, as well as, albeit gradually, in the recognition of the Company's name. Following these results, we started to run advertisements in trains and taxis in the Kanto area in October, in addition to the TV commercials. Moreover, since September, we have been participating in the IDEACTIVE JAPAN PROJECT, a business idea competition and hackathon event sponsored by Microsoft Japan Co., Ltd. and other companies, as a Global Human Resource Development Partner. This participation aims to increase the recognition of the Company among human resources in the digital tech field, who are now in high demand.

Regarding the Overseas Business, despite China being still affected by the prolonged "zero-COVID policy," an earnings recovery is underway in the regions including Europe, Singapore, and Malaysia. The Company maintained a steady profit for the nine months ended September 30, 2022, following the first six months ended June 30, 2022.

As for the Domestic Job Offer Advertising Business, the recovery of the market and the Company's shifting from the pre-billing to contingency-based payment model contributed to the improved profitability. As a result, the Company maintained a profit for the nine months ended September 30, 2022, following the first six months ended June 30, 2022.

While selling, general and administrative expenses have been in line with the initial plan, since April, they have increased due to an increase in provision for bonuses reflecting strong business results, in addition to the increased hiring of consultants, investment in hiring and education, and the broadcasting of the TV commercials.

As a result, for the nine months ended September 30, 2022, net sales reached ¥22,918 million (up 23.4% year on year). By segment, the Domestic Recruitment Business, the Domestic Job Offer Advertising Business, and the Overseas Business had net sales of ¥20,176 million (up 21.0% year on year), ¥269 million (up 57.6% year on year), and ¥2,472 million (up 44.1% year on year), respectively.

In terms of profit, operating income was ¥6,000 million (up 18.2% year on year), ordinary income was ¥6,013 million (up 18.5% year on year), and profit attributable to owners of parent was ¥4,276 million (up 26.3% year on year). By segment, the Domestic Recruitment Business posted ¥5,844 million in profit (up 14.0% year on year). The Domestic Job Offer Advertising Business posted ¥31 million in profit (compared with a loss of ¥63 million a year earlier), and the Overseas Business posted ¥108 million in profit (compared with a loss of ¥22 million a year earlier).

The following is the sales performance by segment for the nine months ended September 30, 2022:

Segment	Net sales (Million yen)	Year-on-year comparison (%)
Domestic Recruitment Business	20,176	121.0
Domestic Job Offer Advertising Business	269	157.6
Overseas Business	2,472	144.1
Total	22,918	123.4

(Note) Intersegment transactions were eliminated.

The following is the sales performance by segment and industry

Segment/industry	Net sales (Million yen)	Year-on-year comparison (%)
1. Domestic Recruitment Business		
Electrical, machinery, chemical	6,897	130.5
Consumer goods, services	3,992	112.1
IT, telecom	3,452	124.1
Medical, healthcare	3,193	100.4
Financial services	2,462	140.5
Other	179	150.7
Domestic Recruitment Business Total	20,176	121.0
2. Domestic Job Offer Advertising Business		
Domestic Job Offer Advertising Business Total	269	157.6
3. Overseas Business		
Overseas Business Total	2,472	144.1
Total	22,918	123.4

(Note) Intersegment transactions were eliminated.

(2) Explanation of Financial Position

Total assets at the end of the third quarter ended September 30, 2022 increased by ¥392 million from the end of the previous fiscal year to ¥19,328 million. Accounts receivable - trade increased by ¥989 million, although cash and deposits decreased by ¥745 million as a result of dividend payments, and deferred tax assets decreased by ¥297 million.

Liabilities decreased by ¥1,134 million from the end of the previous fiscal year to ¥4,435 million. Accrued expenses decreased by ¥1,685 million and income taxes payable decreased by ¥854 million, although provision for bonuses increased by ¥875 million.

Net assets increased by ¥1,527 million from the end of the previous fiscal year to ¥14,893 million, and the equity ratio came out to be 77.1%. The Company posted profit attributable to owners of parent of ¥4,276 million, but paid dividends of surplus totaling ¥2,990 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Regarding the Group's consolidated financial results for the nine months ended September 30, 2022, net sales exceeded the figure initially projected for the nine-month period. This initial projection had been used in compiling the full-year consolidated financial results forecast for the fiscal year ending December 31, 2022 in the Consolidated Financial Results for the Six Months Ended June 30, 2022 [Japanese GAAP] released on August 10, 2022. Net sales exceeded this initial projection, mainly in the Domestic Recruitment Business, the Group's

core operations. In addition, net sales for October through December are expected to transition steadily considering how the business is progressing and contracts are being concluded at present.

Selling, general and administrative expenses have been increasing since April mainly due to an increase in provision for bonuses reflecting strong business results, in addition to the increased number of consultants, investment in hiring and education, and the broadcasting of the TV commercials, and this increase was complemented by the strong business results. Thus, operating income, ordinary income, and profit reached the level exceeding the forecast, and for this reason we have revised the full-year forecast for the current fiscal year.

We have also revised the year-end dividend forecast for the current fiscal year as above by comprehensively considering various factors, such as the expected improvement from the previous financial results forecast and the dividend payout ratio.

2. Quarterly Consolidated Financial Statements and Principal Notes
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	12,932	12,186
Accounts receivable - trade	1,800	2,790
Electronically recorded monetary claims - operating	5	–
Supplies	7	2
Prepaid expenses	282	420
Other	227	139
Allowance for doubtful accounts	(14)	(12)
Total current assets	15,242	15,528
Non-current assets		
Property, plant and equipment		
Buildings	392	409
Accumulated depreciation	(243)	(222)
Buildings, net	149	187
Machinery and equipment	45	45
Accumulated depreciation	(29)	(33)
Machinery and equipment, net	15	11
Vehicles	0	0
Accumulated depreciation	(0)	(0)
Vehicles, net	–	–
Tools, furniture and fixtures	431	424
Accumulated depreciation	(353)	(294)
Tools, furniture and fixtures, net	78	130
Leased assets	4	4
Accumulated depreciation	(1)	(1)
Leased assets, net	2	2
Construction in progress	16	11
Other	439	420
Accumulated depreciation	(282)	(12)
Other, net	156	408
Total property, plant and equipment	418	751
Intangible assets		
Goodwill	887	853
Software	638	626
Software in progress	91	101
Total intangible assets	1,617	1,580
Investments and other assets		
Investment securities	0	0
Investments in capital	0	0
Lease and guarantee deposits	811	900
Claims provable in bankruptcy, claims provable in rehabilitation and other	13	13
Long-term prepaid expenses	9	29
Deferred tax assets	836	539
Long-term accounts receivable - other	1	1
Allowance for doubtful accounts	(15)	(16)
Total investments and other assets	1,657	1,468
Total non-current assets	3,693	3,800
Total assets	18,935	19,328

(Million yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Lease obligations	0	0
Accounts payable - other	628	563
Accrued expenses	2,575	889
Income taxes payable	1,319	464
Accrued consumption taxes	492	613
Deposits received	169	173
Unearned revenue	51	82
Provision for bonuses	–	875
Provision for bonuses for directors (and other officers)	–	26
Provision for stocks payment	–	130
Provision for contract cancellation	51	–
Refund liabilities	–	90
Other	134	140
Total current liabilities	5,424	4,052
Non-current liabilities		
Lease obligations	2	1
Other	142	380
Total non-current liabilities	145	382
Total liabilities	5,569	4,435
Net assets		
Shareholders' equity		
Capital stock	672	672
Capital surplus	1,515	1,514
Retained earnings	12,982	14,269
Treasury shares	(1,829)	(1,800)
Total shareholders' equity	13,340	14,655
Accumulated other comprehensive income		
Foreign currency translation adjustment	25	237
Total accumulated other comprehensive income	25	237
Total net assets	13,365	14,893
Total liabilities and net assets	18,935	19,328

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2022
Net sales	18,568	22,918
Cost of sales	1,353	1,778
Gross profit	17,214	21,140
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	495	551
Salaries and allowances	6,309	7,641
Legal welfare expenses	948	1,091
Retirement benefit expenses	213	278
Provision for bonuses	719	875
Provision for bonuses for directors (and other officers)	79	26
Provision for share awards	–	130
Provision of allowance for doubtful accounts	3	0
Rent expenses on land and buildings	798	852
Depreciation	299	327
Amortization of goodwill	83	85
Advertising expenses	553	1,123
Other	1,633	2,155
Total selling, general and administrative expenses	12,137	15,140
Operating income	5,077	6,000
Non-operating income		
Interest income	3	2
Gain on cancellation of leases	–	6
Other	11	19
Total non-operating income	14	28
Non-operating expenses		
Interest expenses	13	15
Other	3	0
Total non-operating expenses	16	15
Ordinary income	5,074	6,013
Extraordinary losses		
Loss on retirement of non-current assets	3	1
Impairment losses	32	27
Loss on valuation of investment securities	–	0
Total extraordinary losses	36	29
Profit before income taxes	5,038	5,984
Income taxes - current	1,432	1,409
Income taxes - deferred	221	298
Total income taxes	1,654	1,707
Profit	3,384	4,276
Profit attributable to owners of parent	3,384	4,276

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2022
Profit	3,384	4,276
Other comprehensive income		
Foreign currency translation adjustment	54	212
Total other comprehensive income	54	212
Comprehensive income	3,439	4,488
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,439	4,488
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

The Company calculates the tax expenses of some of its subsidiaries in the quarterly consolidated financial statements by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year that includes the third quarter ended September 30, 2022, and by multiplying the profit before income taxes by the estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. (the "Revenue Recognition Standard") from the beginning of the first quarter ended March 31 2022, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer. Due to the application of the Revenue Recognition Standard, recruitment fee revenue amounts expected to be refunded in the future, which the Company previously included in the provision for contract cancellation, are now recognized as refund liabilities. The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the first quarter ended March 31 2022, with the new accounting policies applied from the beginning balance.

The impact resulting from this change on profit (loss) for the nine months ended September 30, 2022 and the beginning balance of retained earnings is immaterial.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

In addition, in accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the disaggregation of revenue from contracts with customers for the nine months ended September 30, 2021 is not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. (the "Fair Value Standard") from the beginning of the first quarter ended March 31 2022, and it has applied the new accounting policy set forth by the Fair Value Standard, etc. prospectively in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

For the nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment			Segment total	Adjustment	Total
	Domestic Recruitment Business	Domestic Job Offer Advertising Business	Overseas Business			
Net sales						
Net sales to outside customers	16,681	171	1,715	18,568	—	18,568
Intersegment net sales or transfers	15	13	3	33	(33)	—
Total	16,696	184	1,719	18,601	(33)	18,568
Segment profit (loss)	5,124	(63)	(22)	5,038	—	5,038

(Notes) 1. Segment profit (loss) is consistent with the profit before income taxes in the quarterly consolidated statements of income.

2. The figures for the Domestic Recruitment Business reportable segment and the Overseas Business reportable segment include amortization of goodwill of ¥55 million and ¥27 million, respectively.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

(Significant impairment loss on non-current assets)

The Domestic Job Offer Advertising Business reportable segment and the Overseas Business reportable segment posted impairment losses of ¥8 million and ¥4 million, respectively, for the nine months ended September 30, 2021.

(Significant changes in the amount of goodwill)

The Overseas Business reportable segment posted an impairment loss of ¥18 million for the nine months ended September 30, 2021.

For the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reportable segment, and information on disaggregation of revenue

(Million yen)

	Reportable segment			Segment total	Adjustment	Total
	Domestic Recruitment Business	Domestic Job Offer Advertising Business	Overseas Business			
Net sales						
Goods transferred at a point in time	19,807	168	1,764	21,739	—	21,739
Goods transferred over time	369	101	707	1,179	—	1,179
Revenue from contracts with customers	20,176	269	2,472	22,918	—	22,918
Net sales to outside customers	20,176	269	2,472	22,918	—	22,918
Intersegment net sales or transfers	17	13	16	46	(46)	—
Total	20,193	282	2,489	22,965	(46)	22,918
Segment profit	5,844	31	108	5,984	—	5,984

(Notes) 1. Segment profit is consistent with the profit before income taxes in the quarterly consolidated statements of income.

2. The figures for the Domestic Recruitment Business reportable segment and the Overseas Business reportable segment include amortization of goodwill of ¥55 million and ¥30 million, respectively.

2. Information on impairment loss on non-current assets and goodwill by reportable segment (Significant impairment loss on non-current assets)

The Overseas Business reportable segment posted an impairment loss of ¥27 million for the nine months ended September 30, 2022.