

Consolidated Financial Results
for the Six Months Ended June 30, 2022
[Japanese GAAP]



August 10, 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 and CEO
 Inquiries: Hiroo Hattori, Deputy Managing Director; Administration Division General Manager
 Phone: +81-3-5259-6926
 Scheduled date of filing quarterly securities report: August 10, 2022
 Scheduled date of commencing dividend payments: -

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2022 (January 1, 2022 to June 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	%
Six months ended								
June 30, 2022	14,825	24.0	3,911	18.6	3,925	19.0	2,731	24.0
June 30, 2021	11,951	(0.7)	3,298	(1.4)	3,297	(1.8)	2,201	251.1

(Note) Comprehensive income: Six months ended June 30, 2022: ¥2,907 million [28.5%]
 Six months ended June 30, 2021: ¥2,262 million [354.6%]

	Earnings Per Share	Diluted Earnings Per Share
Six months ended	yen	yen
June 30, 2022	67.66	-
June 30, 2021	54.38	54.37

(Note) Diluted earnings per share for the six months ended June 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	%
June 30, 2022	19,018	13,312	70.0
December 31, 2021	18,935	13,365	70.6

(Reference) Equity: As of June 30, 2022: ¥13,312 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	-	75.00	75.00

(Note) Revision to the forecast for dividends announced most recently: None

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	28,556	14.9	6,199	6.5	6,185	6.4	4,138	6.6	102.76

(Note) Revision to the financial results forecast announced most recently: None

*Notes:

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

New: –

Excluded: –

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

(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

(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 June 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 June 30, 2022: 1,009,743 shares

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

3) Average number of shares during the period:

Six months ended June 30, 2022: 40,370,360 shares

Six months ended June 30, 2021: 40,496,106 shares

(Note) In calculating the total number of treasury shares at the end of the period and the average number of shares during the period, the number of treasury shares deducted includes the Company's shares held in the Employee Stock Ownership Plan (ESOP) Trust Account.

*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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended June 30, 2022, while COVID-19 was not yet contained, the Bank of Japan's Tankan Survey released in June indicated that business sentiment among large companies fell for the second consecutive quarter with increasing uncertainty over the economic outlook due to prolonged economic sanctions against Russia and increases in the prices of raw materials caused by the yen's depreciation.

Nevertheless, under these circumstances, as many companies were vigorously engaged in efforts toward the regrowth of their businesses, the jobs-to-applicants ratio remained robust, with the result that the Domestic Recruitment Business continued to be solid during the period under review, and sales of the Group overall also grew.

In the Domestic Recruitment Business, demand for workers was strong overall, and net sales reached record levels again for the six months ended June 30, 2022. During the fiscal second half, while continuing to keep in mind as before that the Business could be considerably affected by the seventh wave of Covid-19, we will promote the proactive strengthening of businesses in any robust market, and will swiftly work on and pursue without delay this year's management policy of "Innovation, Improvement, and Expansion," which is aiming at the business development under the midterm plan. Specifically, as the result of our engagement with the increased number of team staff in charge of hiring, we achieved the significant increase of hiring of consultants as initially planned. 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 plan to introduce and implement its training program targeted at all levels step by step starting in the fiscal second half. Furthermore, as for the broadcasting of TV commercials started in May aiming to promote acquiring the target human resources and increase the recognition of our brand, we plan to continue the TV commercials in the fiscal second half as its effectiveness has been confirmed with the increase by some 50% in the number of visits (sessions) to our Web site after the broadcasting in the broadcast area compared to before the broadcasting and the increase by about 20% year on year in the number of new registration by the target human resources. In addition, we will continue to distribute video advertisements such as ones on YouTube.

Regarding the Overseas Business, despite China and Hong Kong still being affected by COVID-19, an earnings recovery is underway in the regions including Europe, Singapore and Malaysia, and the Company posted profit for the six months ended June 30, 2022 following the first three months ended March 31, 2022.

As for the Domestic Job Offer Advertising Business, the recovery of the market and the impact of the Company's transformation of sales methods contributed to stable achievements of monthly sales estimates. As a result, the Company returned to profit for the 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 six months ended June 30, 2022, net sales reached ¥14,825 million (up 24.0% year on year). By segment, the Domestic Recruitment Business, the Domestic Job Offer Advertising Business, and the Overseas Business had net sales of ¥13,138 million (up 22.3% year on year), ¥172 million (up 55.5% year on year), and ¥1,514 million (up 37.7% year on year), respectively.

In terms of profit, operating income was ¥3,911 million (up 18.6% year on year), ordinary income was ¥3,925 million (up 19.0% year on year), and profit attributable to owners of parent was ¥2,731 million (up 24.0% year on year). By segment, the Domestic Recruitment Business posted ¥3,857 million in profit (up 15.1% year on year). The Domestic Job Offer Advertising Business posted ¥12 million in profit (compared with a loss of ¥44 million a year earlier) while the Overseas Business posted ¥28 million in profit (compared with a loss of ¥19 million a year earlier).

The following is the sales performance by segment for the six months ended June 30, 2022:

Segment	Net sales (Million yen)	Year-on-year comparison (%)
Domestic Recruitment Business	13,138	122.3
Domestic Job Offer Advertising Business	172	155.5
Overseas Business	1,514	137.7
Total	14,825	124.0

(Notes) Intersegment transactions have been 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	4,365	130.2
Consumer goods, services	2,702	113.9
IT, telecom	2,260	130.6
Medical, healthcare	2,090	96.3
Financial services	1,598	153.6
Other	120	168.2
Domestic Recruitment Business Total	13,138	122.3
2. Domestic Job Offer Advertising Business		
Domestic Job Offer Advertising Business Total	172	155.5
3. Overseas Business		
Overseas Business Total	1,514	137.7
Total	14,825	124.0

(Notes) Intersegment transactions have been eliminated.

(2) Explanation of Financial Position

Total assets at the end of the six months ended June 30, 2022 increased by ¥83 million from the end of the previous fiscal year to ¥19,018 million. Accounts receivable - trade increased by ¥260 million, and “other, net” in property, plant and equipment increased by ¥258 million as a result of an increase in right-of-use asset, although cash and deposits decreased by ¥636 million as a result of dividend payments.

Liabilities increased by ¥137 million from the end of the previous fiscal year to ¥5,706 million. “Other” in non-current liabilities increased by ¥233 million as a result of an increase in right-of-use asset, although accounts payable - other decreased by ¥186 million, and accrued expenses decreased by ¥114 million.

Net assets decreased by ¥53 million from the end of the previous fiscal year to ¥13,312 million, and the equity ratio came out to be 70.0%. The Company posted profit attributable to owners of parent of ¥2,731 million, but paid dividends of surplus totaling ¥2,990 million.

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

Regarding the consolidated financial results forecast for the fiscal year ending December 31, 2022, there is no change from the consolidated financial results forecast released on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	12,932	12,295
Accounts receivable - trade	1,800	2,060
Electronically recorded monetary claims - operating	5	-
Supplies	7	2
Prepaid expenses	282	443
Other	227	133
Allowance for doubtful accounts	(14)	(5)
Total current assets	15,242	14,930
Non-current assets		
Property, plant and equipment		
Buildings	392	408
Accumulated depreciation	(243)	(217)
Buildings, net	149	190
Machinery and equipment	45	45
Accumulated depreciation	(29)	(32)
Machinery and equipment, net	15	12
Vehicles	0	0
Accumulated depreciation	(0)	(0)
Vehicles, net	-	-
Tools, furniture and fixtures	431	413
Accumulated depreciation	(353)	(280)
Tools, furniture and fixtures, net	78	133
Leased assets	4	4
Accumulated depreciation	(1)	(1)
Leased assets, net	2	2
Construction in progress	16	12
Other	439	481
Accumulated depreciation	(282)	(67)
Other, net	156	414
Total property, plant and equipment	418	767
Intangible assets		
Goodwill	887	872
Software	638	609
Software in progress	91	105
Total intangible assets	1,617	1,588
Investments and other assets		
Investment securities	0	0
Investments in capital	0	0
Lease and guarantee deposits	811	850
Claims provable in bankruptcy, claims provable in rehabilitation and other	13	13
Long-term prepaid expenses	9	31
Deferred tax assets	836	851
Long-term accounts receivable - other	1	1
Allowance for doubtful accounts	(15)	(16)
Total investments and other assets	1,657	1,733
Total non-current assets	3,693	4,088
Total assets	18,935	19,018

(Million yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Lease obligations	0	0
Accounts payable - other	628	442
Accrued expenses	2,575	2,460
Income taxes payable	1,319	1,292
Accrued consumption taxes	492	495
Deposits received	169	178
Unearned revenue	51	50
Provision for bonuses	–	49
Provision for bonuses for directors (and other officers)	–	13
Provision for stocks payment	–	88
Provision for contract cancellation	51	–
Refund liabilities	–	84
Other	134	172
Total current liabilities	5,424	5,328
Non-current liabilities		
Lease obligations	2	1
Other	142	375
Total non-current liabilities	145	377
Total liabilities	5,569	5,706
Net assets		
Shareholders' equity		
Capital stock	672	672
Capital surplus	1,515	1,514
Retained earnings	12,982	12,724
Treasury shares	(1,829)	(1,800)
Total shareholders' equity	13,340	13,110
Accumulated other comprehensive income		
Foreign currency translation adjustment	25	201
Total accumulated other comprehensive income	25	201
Total net assets	13,365	13,312
Total liabilities and net assets	18,935	19,018

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Net sales	11,951	14,825
Cost of sales	859	1,146
Gross profit	11,091	13,679
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	327	362
Salaries and allowances	4,561	5,501
Legal welfare expenses	612	701
Retirement benefit expenses	136	180
Provision for bonuses	23	49
Provision for bonuses for directors (and other officers)	49	13
Provision for share awards	–	88
Provision of allowance for doubtful accounts	3	0
Rent expenses on land and buildings	530	565
Depreciation	202	215
Amortization of goodwill	55	56
Advertising expenses	307	642
Other	982	1,389
Total selling, general and administrative expenses	7,793	9,767
Operating income	3,298	3,911
Non-operating income		
Interest income	2	1
Reversal of allowance for doubtful accounts	0	8
Other	6	12
Total non-operating income	9	22
Non-operating expenses		
Interest expenses	9	8
Other	1	0
Total non-operating expenses	10	9
Ordinary income	3,297	3,925
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Impairment losses	8	26
Total extraordinary losses	9	28
Profit before income taxes	3,288	3,897
Income taxes - current	1,096	1,178
Income taxes - deferred	(10)	(12)
Total income taxes	1,086	1,166
Profit	2,201	2,731
Profit attributable to owners of parent	2,201	2,731

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Profit	2,201	2,731
Other comprehensive income		
Foreign currency translation adjustment	60	176
Total other comprehensive income	60	176
Comprehensive income	2,262	2,907
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,262	2,907
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 second quarter ended June 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 six months ended June 30, 2022 and 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 six months ended June 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 six months ended June 30, 2021 (from January 1, 2021 to June 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	10,740	111	1,100	11,951	—	11,951
Intersegment net sales or transfers	13	8	2	24	(24)	—
Total	10,754	119	1,102	11,976	(24)	11,951
Segment profit (loss)	3,351	(44)	(19)	3,288	—	3,288

(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 ¥37 million and ¥18 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 posted an impairment loss of ¥8 million for the six months ended June 30, 2021.

For the six months ended June 30, 2022 (from January 1, 2022 to June 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	12,906	94	1,076	14,077	—	14,077
Goods transferred over time	231	77	438	748	—	748
Revenue from contracts with customers	13,138	172	1,514	14,825	—	14,825
Net sales to outside customers	13,138	172	1,514	14,825	—	14,825
Intersegment net sales or transfers	10	9	10	30	(30)	—
Total	13,149	181	1,526	14,856	(30)	14,825
Segment profit	3,857	12	28	3,897	—	3,897

(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 ¥37 million and ¥19 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 ¥26 million for the six months ended June 30, 2022.