

Consolidated Financial Results
for the Nine Months Ended September 30, 2021
[Japanese GAAP]



November 11, 2021

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2124
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 Scheduled date of filing quarterly securities report: November 11, 2021
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Not available
 Scheduling of quarterly financial results briefing: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2021 (January 1, 2021 to September 30, 2021)

(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, 2021	18,568	9.3	5,077	15.3	5,074	14.1	3,384	148.9
September 30, 2020	16,986	(10.1)	4,401	(13.7)	4,446	(13.0)	1,359	(62.6)

(Note) Comprehensive income: Nine months ended September 30, 2021: ¥3,439 million [184.9%]
 Nine months ended September 30, 2020: ¥1,207 million [(66.0)%]

	Earnings Per Share	Diluted Earnings Per Share
Nine months ended	yen	yen
September 30, 2021	83.67	83.66
September 30, 2020	33.15	33.14

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	million yen	million yen	%
September 30, 2021	16,430	12,814	78.0
December 31, 2020	18,623	14,326	76.4

(Reference) Equity: As of September 30, 2021: ¥12,814 million
 As of December 31, 2020: ¥14,221 million

2. Dividends

	Annual Dividends				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2020	-	0.00	-	80.00	80.00
Fiscal year ending December 31, 2021	-	0.00	-		
Fiscal year ending December 31, 2021 (Forecast)				73.00	73.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% 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	24,000	11.0	5,750	11.9	5,750	10.7	3,750	104.5	92.75

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

*Notes:

(1) Changes in significant subsidiaries during the nine months ended September 30, 2021 (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: None

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, 2021: 41,389,300 shares

As of December 31, 2020: 41,292,000 shares

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

As of September 30, 2021: 1,024,658 shares

As of December 31, 2020: 280,185 shares

3) Average number of shares during the period:

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

Nine months ended September 30, 2020: 41,019,806 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended September 30, 2021, as COVID-19 began to spread again mainly in the Tokyo metropolitan and Kansai areas in July, the state of the Japanese economy was such that the Monthly Economic Report and the Bank of Japan's Tankan Survey released in September contained language that was more indicative of a slowdown in the recovery of business sentiment. Nevertheless, the jobs-to-applicants ratio continued to trend upward, with the result that the Domestic Recruitment Business, the Group's core operations, remained solid during the period under review and propelled significant growth of the Group's overall earnings.

In the Domestic Recruitment Business, demand for workers had remained strong since the beginning of the period with the exception of certain industries. During the nine months ended September 30, 2021, we were more productive with regard to the conclusion of contracts compared with the corresponding period of fiscal 2019, when there were no effects of COVID-19.

Since the beginning of the current fiscal year, we have been making efforts to improve the quality of our services and strengthen hiring as we sought to hasten recovery in earnings. We focused on remote interviews with job seekers using a web-based tool and achieved results in both quality and quantity. At the same time, we thoroughly strengthened our account-management efforts with regard to large-scale employers and significantly increased the number of cases in which multiple contracts were concluded with these target companies. These companywide initiatives that we vigorously pursued contributed to an earnings increase amid the pandemic.

On the other hand, we could not achieve adequate results during the fiscal first half with respect to the hiring of our own staff that we pursued on the back of a market recovery and our solid earnings. Thus, we identified the causes, strengthened the hiring department, and drastically reformed our hiring system. As a result, the number of new hires in July and thereafter significantly exceeded the monthly average for the fiscal first half. We are currently seeking to achieve the hiring target established for the end of the current fiscal year as our most important challenge during the fiscal second half.

In parallel with the initiative to expand staff, we are strengthening advertising and publicity efforts to recruit job seekers. We will significantly increase investments during the fiscal second half. In the fourth quarter of the current fiscal year, we plan to release video content to further enhance our name recognition using online media.

Regarding the Overseas Business, we have strengthened hiring in key locations, such as Singapore and Hong Kong, through an initiative encompassing a management overhaul. As a result, we improved productivity and increased the unit price of contracts, thereby gradually establishing a system for achieving medium- to long-term growth. However, the impact of the resurgence of COVID-19 cases became a serious concern in the second quarter of the current fiscal year and thereafter. For this reason, securing profit on a full-year basis is the most important task we currently pursue with respect to business operations.

As for the Domestic Job Offer Advertising Business, there are some signs of recovery. For instance, the number of job postings in the entire industry, which had remained low because of COVID-19, increased in May from the same month last year. While we continue to face difficult situations with regard to earnings, we will squarely focus on market needs, establish a system to respond to such needs, and strengthen our sales activities.

As a result, for the nine months ended September 30, 2021, net sales reached ¥18,568 million (up 9.3% year on year). By segment, the Domestic Recruitment Business, the Domestic Job Offer Advertising Business, and the Overseas Business had net sales of ¥16,681 million (up 9.2% year on year), ¥171 million (down 5.0% year on year), and ¥1,715 million (up 12.1% year on year), respectively.

In terms of profit, operating income was ¥5,077 million (up 15.3% year on year), ordinary income was ¥5,074 million (up 14.1% year on year), and profit attributable to owners of parent was ¥3,384 million (up 148.9% year on year). By segment, the Domestic Recruitment Business posted ¥5,124 million in profit (up 10.5% year on year). The Domestic Job Offer Advertising Business posted ¥63 million in loss (compared with a loss of ¥37 million a year earlier) while the Overseas Business posted ¥22 million in loss (compared with a loss of ¥1,742 million a year earlier).

The following is the sales performance by segment for the nine months ended September 30, 2021:

Segment	Net sales (Million yen)	Year-on-year comparison (%)
Domestic Recruitment Business	16,681	109.2
Domestic Job Offer Advertising Business	171	95.0
Overseas Business	1,715	112.1
Total	18,568	109.3

- (Notes) 1. Intersegment transactions have been eliminated.
2. The above figures do not include the consumption tax, etc.

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	5,286	103.3
Consumer goods, services	3,562	106.0
Medical, healthcare	3,179	115.0
IT, telecom	2,781	117.4
Financial services	1,752	112.1
Other	118	120.1
Domestic Recruitment Business Total	16,681	109.2
2. Domestic Job Offer Advertising Business		
Domestic Job Offer Advertising Business Total	171	95.0
3. Overseas Business		
Overseas Business Total	1,715	112.1
Total	18,568	109.3

- (Notes) 1. Intersegment transactions have been eliminated.
2. The above figures do not include the consumption tax, etc.

(2) Explanation of Financial Position

Total assets at the end of the third quarter ended September 30, 2021 decreased by ¥2,193 million from the end of the previous fiscal year to ¥16,430 million. Cash and deposits decreased by ¥3,143 million as a result of dividend payments, the purchase of treasury shares, etc., and deferred tax assets decreased by ¥221 million, even though accounts receivable - trade increased by ¥1,167 million.

Liabilities decreased by ¥681 million from the end of the previous fiscal year to ¥3,616 million. Accrued expenses decreased by ¥812 million and income taxes payable declined by ¥490 million, although provision for bonuses increased by ¥719 million.

Net assets decreased by ¥1,512 million from the end of the previous fiscal year to ¥12,814 million, and the equity ratio came out to be 78.0%. The Company posted profit attributable to owners of parent of ¥3,384 million, but paid dividends of surplus totaling ¥3,303 million and increased treasury shares by ¥1,541 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, 2021, 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, 2021 in the Consolidated Financial Results for the Six Months Ended June 30, 2021 [Japanese GAAP] released on August 10, 2021. Net sales exceeded this initial projection thanks to the strong performance of 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, particularly personnel expenses, also exceeded the forecast, and this 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 by comprehensively considering various factors, such as the expected improvement from the previous financial results forecast and the dividend payout ratio. (Please refer to "Notice Regarding the Revisions to the Financial Results Forecast and Dividend Forecast" released on November 11, 2021.)

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

(Million yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	13,584	10,440
Accounts receivable - trade	1,140	2,308
Supplies	1	2
Prepaid expenses	263	328
Other	99	99
Allowance for doubtful accounts	(9)	(10)
Total current assets	15,079	13,167
Non-current assets		
Property, plant and equipment		
Buildings	381	389
Accumulated depreciation	(220)	(236)
Buildings, net	160	153
Machinery and equipment	36	45
Accumulated depreciation	(22)	(27)
Machinery and equipment, net	13	17
Vehicles	0	0
Accumulated depreciation	(0)	(0)
Vehicles, net	-	-
Tools, furniture and fixtures	424	429
Accumulated depreciation	(333)	(347)
Tools, furniture and fixtures, net	91	81
Leased assets	10	4
Accumulated depreciation	(6)	(0)
Leased assets, net	3	3
Construction in progress	9	11
Other	370	414
Accumulated depreciation	(237)	(279)
Other, net	133	134
Total property, plant and equipment	412	402
Intangible assets		
Goodwill	990	904
Software	677	638
Software in progress	74	82
Total intangible assets	1,741	1,625
Investments and other assets		
Investment securities	0	0
Investments in capital	0	0
Lease and guarantee deposits	718	784
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	13
Long-term prepaid expenses	2	3
Deferred tax assets	669	447
Long-term accounts receivable - other	12	1
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	1,390	1,235
Total non-current assets	3,544	3,263
Total assets	18,623	16,430

(Million yen)

	As of December 31, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Lease obligations	0	0
Accounts payable - other	379	474
Accrued expenses	1,496	684
Income taxes payable	1,158	668
Accrued consumption taxes	430	475
Deposits received	154	117
Unearned revenue	39	46
Provision for bonuses	–	719
Provision for bonuses for directors (and other officers)	–	79
Provision for stocks payment	268	–
Provision for contract cancellation	55	80
Other	144	137
Total current liabilities	4,129	3,485
Non-current liabilities		
Lease obligations	3	2
Other	164	127
Total non-current liabilities	167	130
Total liabilities	4,297	3,616
Net assets		
Shareholders' equity		
Capital stock	619	672
Capital surplus	1,569	1,515
Retained earnings	12,403	12,484
Treasury shares	(288)	(1,829)
Total shareholders' equity	14,304	12,843
Accumulated other comprehensive income		
Foreign currency translation adjustment	(83)	(28)
Total accumulated other comprehensive income	(83)	(28)
Subscription rights to shares	105	–
Total net assets	14,326	12,814
Total liabilities and net assets	18,623	16,430

(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, 2020	For the nine months ended September 30, 2021
Net sales	16,986	18,568
Cost of sales	1,175	1,353
Gross profit	15,810	17,214
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	480	495
Salaries and allowances	5,809	6,309
Legal welfare expenses	879	948
Retirement benefit expenses	207	213
Provision for bonuses	521	719
Provision for bonuses for directors (and other officers)	75	79
Provision for share awards	112	–
Provision of allowance for doubtful accounts	8	3
Rent expenses on land and buildings	776	798
Depreciation	324	299
Amortization of goodwill	154	83
Advertising expenses	635	553
Other	1,422	1,633
Total selling, general and administrative expenses	11,408	12,137
Operating income	4,401	5,077
Non-operating income		
Interest income	5	3
Foreign exchange gains	3	–
Subsidy income	36	–
Other	17	11
Total non-operating income	63	14
Non-operating expenses		
Interest expenses	14	13
Foreign exchange losses	–	2
Other	3	1
Total non-operating expenses	18	16
Ordinary income	4,446	5,074
Extraordinary losses		
Loss on retirement of non-current assets	2	3
Impairment loss	1,580	32
Loss on closing of branches	6	–
Total extraordinary losses	1,589	36
Profit before income taxes	2,857	5,038
Income taxes - current	1,290	1,432
Income taxes - deferred	207	221
Total income taxes	1,497	1,654
Profit	1,359	3,384
Profit attributable to owners of parent	1,359	3,384

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended September 30

(Million yen)

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2021
Profit	1,359	3,384
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	—
Foreign currency translation adjustment	(148)	54
Total other comprehensive income	(152)	54
Comprehensive income	1,207	3,439
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,207	3,439
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)

The Company purchased 1,000,000 of treasury shares for ¥1,911 million based on a resolution of the Board of Directors meeting held on February 12, 2021. In addition, based on a resolution of the Board of Directors meeting held on May 14, 2021, the Company disposed of 576,300 treasury shares through a third-party allocation to the Employee Stock Ownership Plan (ESOP) Trust Account. As a result, other capital surplus and treasury shares each declined by ¥107 million.

In addition, capital stock and legal capital surplus increased by ¥52 million each during the nine months ended September 30, 2021 due to the issuance of new shares following the exercise of share acquisition rights.

As a result, as of the end of the third quarter ended September 30, 2021, capital stock was ¥672 million, legal capital surplus was ¥647 million, other capital surplus was ¥868 million, and treasury shares were ¥1,829 million yen.

(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, 2021, and by multiplying the profit before income taxes by the estimated effective tax rate.

(Additional information)

(Accounting estimates associated with the spread of the novel coronavirus [COVID-19])

No major changes have been made regarding assumptions such as how the novel coronavirus (COVID-19) will spread and when it will be contained from the section “(Additional information) (Accounting estimates associated with the spread of the novel coronavirus [COVID-19])” of the annual securities report for the previous fiscal year.

(Segment information, etc.)

[Segment information]

For the nine months ended September 30, 2020 (from January 1, 2020 to September 30, 2020)

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	15,274	180	1,531	16,986	—	16,986
Intersegment net sales or transfers	2	13	8	24	(24)	—
Total	15,277	193	1,539	17,010	(24)	16,986
Segment profit (loss)	4,637	(37)	(1,742)	2,857	—	2,857

(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, the Domestic Job Offer Advertising Business reportable segment, and the Overseas Business reportable segment include amortization of goodwill of ¥55 million, ¥2 million, and ¥96 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 ¥249 million for the nine months ended September 30, 2020.

(Significant changes in the amount of goodwill)

The Overseas Business reportable segment posted an impairment loss of ¥1,330 million for the nine months ended September 30, 2020.

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.