

Consolidated Financial Results
for the Three Months Ended March 31, 2022
[Japanese GAAP]



May 13, 2022

Company name: JAC Recruitment Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2124

URL: <https://corp.jac-recruitment.jp>

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Scheduled date of filing quarterly securities report: May 13, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: 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 Three Months Ended March 31, 2022 (January 1, 2022 to March 31, 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	%
Three months ended March 31, 2022	7,471	25.7	2,311	28.5	2,319	28.9	1,638	36.6
March 31, 2021	5,942	(7.4)	1,799	(2.8)	1,800	(3.5)	1,199	(6.5)

(Note) Comprehensive income: Three months ended March 31, 2022: ¥1,709 million [33.7%]

Three months ended March 31, 2021: ¥1,278 million [20.6%]

	Earnings Per Share	Diluted Earnings Per Share
	yen	yen
Three months ended March 31, 2022	40.58	–
March 31, 2021	29.59	29.59

(Note) Diluted earnings per share for the three months ended March 31, 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	%
March 31, 2022	15,873	12,085	76.1
December 31, 2021	18,935	13,365	70.6

(Reference) Equity: As of March 31, 2022: ¥12,085 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
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2021	–	0.00	–	73.00	73.00
Fiscal year ending December 31, 2022	–				
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
First half (Cumulative)	14,107	18.0	3,072	(6.9)	3,068	(6.9)	2,056	(6.6)	51.06
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 three months ended March 31, 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 March 31, 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 March 31, 2022: 1,024,743 shares

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

3) Average number of shares during the period:

Three months ended March 31, 2022: 40,364,561 shares

Three months ended March 31, 2021: 40,531,658 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.

Supplementary briefing material on the quarterly financial results will be posted on the Company’s website immediately after the disclosure of these quarterly consolidated financial results.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended March 31, 2022, the state of the Japanese economy was such that number of new COVID-19 cases remained high even after quasi-state of emergency measures were lifted throughout Japan. Overseas, amid an uncertain economic outlook due to economic sanctions against Russia, the Bank of Japan's Tankan Survey released in March indicated that business sentiment among large companies fell for the first time in seven quarters. Nevertheless, under these circumstances, the jobs-to-applicants ratio continued to be robust, with the result that the Domestic Recruitment Business, the Group's core operations, remained solid during the period under review, and sales of the Group overall also grew robustly.

In the Domestic Recruitment Business, demand for workers has remained strong in almost all industries with the exception of certain industries. Following the trend from the second quarter of the previous fiscal year, net sales reached record levels again for the three months ended March 31, 2022. Going forward, while continuing to pay close attention to COVID-19 trends, we will share this year's management policy of "Innovation, Improvement, and Expansion," and work swiftly to develop business that connects to the future. Specifically, in addition to significantly increasing the hiring of consultants by strengthening the department in charge of hiring, we have also begun efforts by setting high-level, rank-based "JAC Standard" that all consultants and managers of the Group must achieve, create guidelines and a handbook, and work together company-wide to achieve these standards. Starting in May, we will broadcast TV commercials aiming to promote human resources acquisition and increase recognition of our business. In this business, VantagePoint K.K., an executive search firm that we bought out in 2020, also saw significant growth in its operating results year on year and achieved the highest net sales and profit since its founding for the three months ended March 31, 2022.

Regarding the Overseas Business, despite regions affected by lockdowns due to the spread of COVID-19 in China and some other parts of Asia, an earnings recovery is underway in more and more regions, including Europe and Singapore. As a result, net sales in the three months ended March 31, 2022 exceeded those of the same period in the previous fiscal year, and the Company returned to profit.

As for the Domestic Job Offer Advertising Business, sales are increasing each month due to sales methods revolving around success-based fees. Although there was a slight deficit in the three months ended March 31, 2022, a profit was recorded for March alone.

Selling, general and administrative expenses have been in line with the initial plan, but advertising expenses are expected to rise due to the aforementioned TV commercials starting in the second fiscal quarter.

As a result, for the three months ended March 31, 2022, net sales reached ¥7,471 million (up 25.7% year on year). By segment, the Domestic Recruitment Business, the Domestic Job Offer Advertising Business, and the Overseas Business had net sales of ¥6,703 million (up 24.4% year on year), ¥78 million (up 54.7% year on year), and ¥690 million (up 36.6% year on year), respectively.

In terms of profit, operating income was ¥2,311 million (up 28.5% year on year), ordinary income was ¥2,319 million (up 28.9% year on year), and profit attributable to owners of parent was ¥1,638 million (up 36.6% year on year). By segment, the Domestic Recruitment Business posted ¥2,300 million in profit (up 23.5% year on year). The Domestic Job Offer Advertising Business posted ¥3 million in loss (compared with a loss of ¥18 million a year earlier) while the Overseas Business posted ¥22 million in profit (compared with a loss of ¥43 million a year earlier).

The following is the sales performance by segment for the three months ended March 31, 2022:

Segment	Net sales (Million yen)	Year-on-year comparison (%)
Domestic Recruitment Business	6,703	124.4
Domestic Job Offer Advertising Business	78	154.7
Overseas Business	690	136.6
Total	7,471	125.7

(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	2,197	128.7
Consumer goods, services	1,434	125.0
IT, telecom	1,190	131.8
Medical, healthcare	1,049	99.3
Financial services	778	143.6
Other	52	179.8
Domestic Recruitment Business Total	6,703	124.4
2. Domestic Job Offer Advertising Business		
Domestic Job Offer Advertising Business Total	78	154.7
3. Overseas Business		
Overseas Business Total	690	136.6
Total	7,471	125.7

(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 three months ended March 31, 2022 decreased by ¥3,062 million from the end of the previous fiscal year to ¥15,873 million. Cash and deposits decreased by ¥3,121 million as a result of dividend payments, and deferred tax assets decreased by ¥366 million, even though accounts receivable - trade increased by ¥378 million.

Liabilities decreased by ¥1,781 million from the end of the previous fiscal year to ¥3,787 million. Accrued expenses decreased by ¥1,871 million, and income taxes payable decreased by ¥935 million, although provision for bonuses increased by ¥804 million.

Net assets decreased by ¥1,280 million from the end of the previous fiscal year to ¥12,085 million, and the equity ratio came out to be 76.1%. The Company posted profit attributable to owners of parent of ¥1,638 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 six months ending June 30, 2022, and the fiscal year ending December 31, 2022, there is no change from the consolidated financial results forecast released on February 15, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	12,932	9,810
Accounts receivable - trade	1,800	2,179
Electronically recorded monetary claims - operating	5	-
Supplies	7	0
Prepaid expenses	282	425
Other	227	136
Allowance for doubtful accounts	(14)	(7)
Total current assets	15,242	12,546
Non-current assets		
Property, plant and equipment		
Buildings	392	423
Accumulated depreciation	(243)	(252)
Buildings, net	149	171
Machinery and equipment	45	45
Accumulated depreciation	(29)	(30)
Machinery and equipment, net	15	14
Vehicles	0	0
Accumulated depreciation	(0)	(0)
Vehicles, net	-	-
Tools, furniture and fixtures	431	463
Accumulated depreciation	(353)	(365)
Tools, furniture and fixtures, net	78	98
Leased assets	4	4
Accumulated depreciation	(1)	(1)
Leased assets, net	2	2
Construction in progress	16	12
Other	439	473
Accumulated depreciation	(282)	(329)
Other, net	156	143
Total property, plant and equipment	418	443
Intangible assets		
Goodwill	887	875
Software	638	643
Software in progress	91	55
Total intangible assets	1,617	1,574
Investments and other assets		
Investment securities	0	0
Investments in capital	0	0
Lease and guarantee deposits	811	830
Claims provable in bankruptcy, claims provable in rehabilitation and other	13	13
Long-term prepaid expenses	9	8
Deferred tax assets	836	469
Long-term accounts receivable - other	1	1
Allowance for doubtful accounts	(15)	(16)
Total investments and other assets	1,657	1,309
Total non-current assets	3,693	3,326
Total assets	18,935	15,873

(Million yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Lease obligations	0	0
Accounts payable - other	628	410
Accrued expenses	2,575	703
Income taxes payable	1,319	384
Accrued consumption taxes	492	560
Deposits received	169	505
Unearned revenue	51	56
Provision for bonuses	–	804
Provision for bonuses for directors (and other officers)	–	1
Provision for stocks payment	–	44
Provision for contract cancellation	51	–
Refund liabilities	–	65
Other	134	79
Total current liabilities	5,424	3,617
Non-current liabilities		
Lease obligations	2	2
Other	142	167
Total non-current liabilities	145	170
Total liabilities	5,569	3,787
Net assets		
Shareholders' equity		
Capital stock	672	672
Capital surplus	1,515	1,515
Retained earnings	12,982	11,630
Treasury shares	(1,829)	(1,829)
Total shareholders' equity	13,340	11,988
Accumulated other comprehensive income		
Foreign currency translation adjustment	25	97
Total accumulated other comprehensive income	25	97
Total net assets	13,365	12,085
Total liabilities and net assets	18,935	15,873

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Net sales	5,942	7,471
Cost of sales	429	595
Gross profit	5,513	6,876
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	152	177
Salaries and allowances	1,577	1,810
Legal welfare expenses	286	329
Retirement benefit expenses	72	95
Provision for bonuses	598	804
Provision for bonuses for directors (and other officers)	28	1
Provision for share awards	–	44
Provision of allowance for doubtful accounts	4	0
Rent expenses on land and buildings	264	280
Depreciation	102	106
Amortization of goodwill	27	27
Advertising expenses	147	222
Other	452	662
Total selling, general and administrative expenses	3,714	4,564
Operating income	1,799	2,311
Non-operating income		
Interest income	1	1
Reversal of allowance for doubtful accounts	0	7
Other	4	3
Total non-operating income	6	11
Non-operating expenses		
Interest expenses	4	3
Other	0	0
Total non-operating expenses	5	4
Ordinary income	1,800	2,319
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	1,800	2,319
Income taxes - current	309	313
Income taxes - deferred	291	367
Total income taxes	600	681
Profit	1,199	1,638
Profit attributable to owners of parent	1,199	1,638

Quarterly Consolidated Statements of Comprehensive Income
 Three Months Ended March 31

(Million yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Profit	1,199	1,638
Other comprehensive income		
Foreign currency translation adjustment	79	71
Total other comprehensive income	79	71
Comprehensive income	1,278	1,709
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,278	1,709
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 first quarter ended March 31, 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 quarter under review, 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 quarter under review, with the new accounting policies applied from the beginning balance.

The impact resulting from this change on profit (loss) for the three months ended March 31, 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 three months ended March 31, 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 under review, 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 three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

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	5,386	50	505	5,942	—	5,942
Intersegment net sales or transfers	6	3	1	11	(11)	—
Total	5,392	54	506	5,954	(11)	5,942
Segment profit (loss)	1,862	(18)	(43)	1,800	—	1,800

(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 ¥18 million and ¥9 million respectively.

For the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

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	6,603	43	498	7,144	—	7,144
Goods transferred over time	99	35	192	327	—	327
Revenue from contracts with customers	6,703	78	690	7,471	—	7,471
Net sales to outside customers	6,703	78	690	7,471	—	7,471
Intersegment net sales or transfers	8	4	9	21	(21)	—
Total	6,711	82	699	7,493	(21)	7,471
Segment profit (loss)	2,300	(3)	22	2,319	—	2,319

(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 ¥18 million and ¥9 million respectively.