

Consolidated Financial Results
for the Three Months Ended March 31, 2023
[Japanese GAAP]



May 15, 2023

Company name: JAC Recruitment Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2124
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 Scheduled date of filing quarterly securities report: May 15, 2023
 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, 2023 (January 1, 2023 to March 31, 2023)

(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, 2023 | 8,746 | 17.1 | 2,156 | (6.7) | 2,170 | (6.4) | 1,485 | (9.3) |
| March 31, 2022 | 7,471 | 25.7 | 2,311 | 28.5 | 2,319 | 28.9 | 1,638 | 36.6 |

(Note) Comprehensive income: Three months ended March 31, 2023: ¥1,524 million [(10.9)%]
 Three months ended March 31, 2022: ¥1,709 million [33.7%]

| | Earnings Per Share | Diluted Earnings Per Share |
|--------------------|--------------------|----------------------------|
| Three months ended | yen | yen |
| March 31, 2023 | 37.02 | — |
| March 31, 2022 | 40.58 | — |

(Note) Diluted earnings per share 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, 2023 | 17,253 | 12,630 | 73.2 |
| December 31, 2022 | 22,084 | 15,585 | 70.6 |

(Reference) Equity: As of March 31, 2023: ¥12,630 million
 As of December 31, 2022: ¥15,585 million

2. Dividends

| | Annual Dividends | | | | |
|---|------------------|-----------------|-----------------|----------|-------|
| | 1st Quarter-end | 2nd Quarter-end | 3rd Quarter-end | Year-end | Total |
| Fiscal year ended December 31, 2022 | yen | yen | yen | yen | yen |
| Fiscal year ending December 31, 2022 | — | 0.00 | — | 80.00 | 80.00 |
| Fiscal year ending December 31, 2023 (Forecast) | — | 0.00 | — | 85.00 | 85.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% 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) | 17,852 | 20.4 | 4,314 | 10.3 | 4,331 | 10.3 | 3,010 | 10.2 | 74.43 |
| Full year | 36,651 | 20.4 | 7,770 | 10.3 | 7,783 | 10.4 | 5,417 | 7.7 | 133.88 |

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

*Notes:

(1) Changes in significant subsidiaries during the three months ended March 31, 2023 (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 March 31, 2023: 41,389,300 shares

As of December 31, 2022: 41,389,300 shares

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

As of March 31, 2023: 1,506,635 shares

As of December 31, 2022: 1,005,871 shares

3) Average number of shares during the period:

Three months ended March 31, 2023: 40,130,714 shares

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended March 31, 2023, while the Japanese Government decided to downgrade the legal status of COVID-19 to “Class 5,” the Bank of Japan’s Tankan Survey released in March indicated that business sentiment among large manufacturing companies fell for the fifth consecutive quarter with increasing uncertainty over the global economic outlook mainly in Europe and the United States due to factors such as the prolonged situation in Russia and Ukraine and global rise in prices and interest rates, and in addition, financial uncertainty arisen in association with the foregoing.

Under these circumstances, in Japan, many companies were focused on hiring for the regrowth of their businesses and securing of diverse human capital, and the jobs-to-applicants ratio remained robust. The moves to refrain from hiring employees were seen mainly among foreign companies and leading IT companies. The Domestic Recruitment Business, the Group’s core operations, was among those affected by these moves, and in the period under review, it recorded slightly lower net sales for the Group overall than what was planned at the beginning of the period.

In the Domestic Recruitment Business which accounts for about 90% of consolidated net sales, business segments related to Japanese companies have maintained the productivity on a par with the same period of the previous fiscal year. Going forward, we intend to boost the productivity of the entire business by working to optimize allocation of persons in charge as well as focal job offers and improve management even further, while paying close attention to moves of foreign companies and leading IT companies. At the same time, we will promote thorough implementation of Group-wide Account Management efforts (management of major client companies in an organized way) and reinforcement of regional offices, and strive to expand business by, for example, strengthening ongoing initiatives related to executive and multi-national-company (MNC) markets and developing new markets in Sendai and Hamamatsu where we opened new offices in April. In addition, we have acquired consultant staffs in accordance with what was planned at the beginning of the period, and secured high service quality through the education provided based on the “JAC Standard” that we have been working on since the previous fiscal year as what all consultants of the Group must achieve. We will continue increasing the number of staff as planned.

Regarding the Overseas Business, business results continued to improve mainly in Europe and Singapore. However, we have seen a prolonged slump in the China region and the Shanghai office ceased operations at the end of February this year. While continuing to consider downsizing or withdrawing from unprofitable sites in a timely manner, we will promote active opening of sites in regions where future business growth can be expected, such as the Los Angeles office in the U.S. which started operation in January this year and the Bangalore office in southern India which we opened in February this year.

As for the Domestic Job Offer Advertising Business, we recorded a small amount of loss due to a decrease in net sales affected by the reduced hiring by foreign companies which are the main customers for this business segment. In the future, we intend to recover earnings by increasing contact points with existing client companies, and strengthening efforts to cultivate new client companies, including Japanese companies, which are expected to have demand for bilingual human resources.

While selling, general and administrative expenses have been in line with what was planned at the beginning of the period, we will review costs as necessary while prioritizing to achieve the previously announced estimated profits. We also work to improve the operational efficiency of the entire Group by promoting the business process reengineering (BPR) for the core information systems, operational processes, etc. based on the results of the analysis of the current situations conducted in 2022.

As a result, for the three months ended March 31, 2023, net sales reached ¥8,746 million (up 17.1% year on year). By segment, the Domestic Recruitment Business, the Domestic Job Offer Advertising Business, and the Overseas Business had net sales of ¥7,756 million (up 15.7% year on year), ¥73 million (down 6.3% year on year), and ¥916 million (up 32.8% year on year), respectively.

In terms of profit, operating income was ¥2,156 million (down 6.7% year on year), ordinary income was ¥2,170 million (down 6.4% year on year), and profit attributable to owners of parent was ¥1,485 million (down 9.3% year on year). By segment, the Domestic Recruitment Business posted ¥2,161 million in profit (down 6.0% year on year). The Domestic Job Offer Advertising Business posted ¥9 million in loss (decreased ¥3 million year on year), and the Overseas Business posted ¥17 million in profit (down 19.6% year on year).

The following is the sales performance by segment for the three months ended March 31, 2023:

| Segment | Net sales (Million yen) | Year-on-year comparison (%) |
|---|-------------------------|-----------------------------|
| Domestic Recruitment Business | 7,756 | 115.7 |
| Domestic Job Offer Advertising Business | 73 | 93.7 |
| Overseas Business | 916 | 132.8 |
| Total | 8,746 | 117.1 |

(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 | 2,749 | 125.1 |
| Consumer goods, services | 1,547 | 107.9 |
| Medical, healthcare | 1,242 | 118.4 |
| IT, telecom | 1,089 | 91.5 |
| Consulting | 754 | 175.4 |
| Financial services | 336 | 96.8 |
| Other | 35 | 68.3 |
| Domestic Recruitment Business Total | 7,756 | 115.7 |
| 2. Domestic Job Offer Advertising Business | | |
| Domestic Job Offer Advertising Business Total | 73 | 93.7 |
| 3. Overseas Business | | |
| Overseas Business Total | 916 | 132.8 |
| Total | 8,746 | 117.1 |

(Note) Intersegment transactions were eliminated.

(2) Explanation of Financial Position

Total assets at the end of the first quarter ended March 31, 2023 decreased by ¥4,831 million from the end of the previous fiscal year to ¥17,253 million. Cash and deposits decreased by ¥4,614 million as a result of dividend payments, and deferred tax assets decreased by ¥461 million, even though accounts receivable - trade increased by ¥347 million.

Liabilities decreased by ¥1,876 million from the end of the previous fiscal year to ¥4,622 million. Accrued expenses decreased by ¥2,056 million and income taxes payable decreased by ¥881 million, although provision for bonuses increased by ¥971 million.

Net assets decreased by ¥2,955 million from the end of the previous fiscal year to ¥12,630 million, and the equity ratio came out to be 73.2%. The Company posted profit attributable to owners of parent of ¥1,485 million, but paid dividends of surplus totaling ¥3,278 million and treasury shares increased by ¥1,200 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, 2023, and the fiscal year ending December 31, 2023, there is no change from the consolidated financial results forecast released on February 13, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of December 31, 2022 | As of March 31, 2023 |
|--|-------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 14,879 | 10,265 |
| Accounts receivable - trade | 2,244 | 2,592 |
| Supplies | 7 | 2 |
| Prepaid expenses | 413 | 505 |
| Other | 283 | 129 |
| Allowance for doubtful accounts | (7) | (13) |
| Total current assets | 17,820 | 13,482 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 421 | 440 |
| Accumulated depreciation | (220) | (229) |
| Buildings, net | 201 | 211 |
| Machinery and equipment | 66 | 66 |
| Accumulated depreciation | (35) | (38) |
| Machinery and equipment, net | 30 | 28 |
| Vehicles | 0 | 0 |
| Accumulated depreciation | (0) | (0) |
| Vehicles, net | - | - |
| Tools, furniture and fixtures | 383 | 397 |
| Accumulated depreciation | (237) | (250) |
| Tools, furniture and fixtures, net | 145 | 147 |
| Leased assets | 4 | 4 |
| Accumulated depreciation | (2) | (2) |
| Leased assets, net | 2 | 1 |
| Construction in progress | 0 | 9 |
| Other | 401 | 397 |
| Accumulated depreciation | (36) | (24) |
| Other, net | 364 | 373 |
| Total property, plant and equipment | 745 | 771 |
| Intangible assets | | |
| Goodwill | 814 | 792 |
| Software | 617 | 592 |
| Software in progress | 100 | 89 |
| Total intangible assets | 1,532 | 1,474 |
| Investments and other assets | | |
| Investment securities | 0 | 0 |
| Investments in capital | 0 | 0 |
| Lease and guarantee deposits | 969 | 972 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 13 | 11 |
| Long-term prepaid expenses | 27 | 25 |
| Deferred tax assets | 988 | 526 |
| Long-term accounts receivable - other | 2 | 0 |
| Allowance for doubtful accounts | (16) | (11) |
| Total investments and other assets | 1,985 | 1,524 |
| Total non-current assets | 4,263 | 3,770 |
| Total assets | 22,084 | 17,253 |

(Million yen)

| | As of December 31, 2022 | As of March 31, 2023 |
|--|-------------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Lease obligations | 0 | 0 |
| Accounts payable - other | 590 | 469 |
| Accrued expenses | 2,995 | 938 |
| Income taxes payable | 1,207 | 325 |
| Accrued consumption taxes | 659 | 632 |
| Deposits received | 242 | 627 |
| Unearned revenue | 93 | 79 |
| Provision for bonuses | – | 971 |
| Provision for bonuses for directors (and other officers) | – | 7 |
| Provision for stocks payment | 170 | 54 |
| Refund liabilities | 74 | 79 |
| Other | 128 | 163 |
| Total current liabilities | 6,161 | 4,350 |
| Non-current liabilities | | |
| Lease obligations | 1 | 1 |
| Other | 335 | 271 |
| Total non-current liabilities | 337 | 272 |
| Total liabilities | 6,498 | 4,622 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 672 | 672 |
| Capital surplus | 1,514 | 1,514 |
| Retained earnings | 15,022 | 13,229 |
| Treasury shares | (1,793) | (2,994) |
| Total shareholders' equity | 15,415 | 12,422 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | 169 | 207 |
| Total accumulated other comprehensive income | 169 | 207 |
| Total net assets | 15,585 | 12,630 |
| Total liabilities and net assets | 22,084 | 17,253 |

(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, 2022 | For the three months ended March 31, 2023 |
|--|--|--|
| Net sales | 7,471 | 8,746 |
| Cost of sales | 595 | 676 |
| Gross profit | 6,876 | 8,069 |
| Selling, general and administrative expenses | | |
| Remuneration for directors (and other officers) | 177 | 177 |
| Salaries and allowances | 1,810 | 2,251 |
| Legal welfare expenses | 329 | 403 |
| Retirement benefit expenses | 95 | 122 |
| Provision for bonuses | 804 | 971 |
| Provision for bonuses for directors (and other officers) | 1 | 7 |
| Provision for share awards | 44 | 52 |
| Provision of allowance for doubtful accounts | 0 | 6 |
| Rent expenses on land and buildings | 280 | 318 |
| Depreciation | 106 | 124 |
| Amortization of goodwill | 27 | 29 |
| Advertising expenses | 222 | 558 |
| Other | 662 | 890 |
| Total selling, general and administrative expenses | 4,564 | 5,913 |
| Operating income | 2,311 | 2,156 |
| Non-operating income | | |
| Interest income | 1 | 2 |
| Gain on cancellation of leases | – | 16 |
| Other | 10 | 4 |
| Total non-operating income | 11 | 23 |
| Non-operating expenses | | |
| Interest expenses | 3 | 6 |
| Foreign exchange losses | 0 | 4 |
| Other | 0 | 0 |
| Total non-operating expenses | 4 | 10 |
| Ordinary income | 2,319 | 2,170 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | 0 |
| Total extraordinary losses | 0 | 0 |
| Profit before income taxes | 2,319 | 2,169 |
| Income taxes - current | 313 | 221 |
| Income taxes - deferred | 367 | 462 |
| Total income taxes | 681 | 684 |
| Profit | 1,638 | 1,485 |
| Profit attributable to owners of parent | 1,638 | 1,485 |

Quarterly Consolidated Statements of Comprehensive Income
 Three Months Ended March 31

(Million yen)

| | For the three months ended March 31, 2022 | For the three months ended March 31, 2023 |
|--|--|--|
| Profit | 1,638 | 1,485 |
| Other comprehensive income | | |
| Foreign currency translation adjustment | 71 | 38 |
| Total other comprehensive income | 71 | 38 |
| Comprehensive income | 1,709 | 1,524 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,709 | 1,524 |
| 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)

In accordance with the resolution of the Board of Directors meeting held on February 20, 2023, the Company purchased 600,000 treasury shares. As a result, treasury shares increased by ¥1,368 million during the first quarter ended March 31, 2023, standing at ¥2,994 million as of the end of the period.

(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, 2023, and by multiplying the profit before income taxes by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

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.

For the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

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 | 7,610 | 43 | 668 | 8,322 | – | 8,322 |
| Goods transferred over time | 146 | 29 | 247 | 424 | – | 424 |
| Revenue from contracts with customers | 7,756 | 73 | 916 | 8,746 | – | 8,746 |
| Net sales to outside customers | 7,756 | 73 | 916 | 8,746 | – | 8,746 |
| Intersegment net sales or transfers | – | 4 | 5 | 9 | (9) | – |
| Total | 7,756 | 77 | 922 | 8,756 | (9) | 8,746 |
| Segment profit (loss) | 2,161 | (9) | 17 | 2,169 | – | 2,169 |

(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 ¥10 million, respectively.