

Consolidated Financial Results
for the Six Months Ended June 30, 2023
[Japanese GAAP]



August 10, 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: August 10, 2023
 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 Six Months Ended June 30, 2023 (January 1, 2023 to June 30, 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	%
Six months ended								
June 30, 2023	17,249	16.3	4,163	6.4	4,165	6.1	3,020	10.6
June 30, 2022	14,825	24.0	3,911	18.6	3,925	19.0	2,731	24.0

(Note) Comprehensive income: Six months ended June 30, 2023: ¥3,155 million [8.5%]
 Six months ended June 30, 2022: ¥2,907 million [28.5%]

	Earnings Per Share	Diluted Earnings Per Share
	yen	yen
Six months ended		
June 30, 2023	75.49	—
June 30, 2022	67.66	—

(Note) Diluted earnings per share are not presented as there were no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	million yen	million yen	%
As of			
June 30, 2023	20,244	14,260	70.4
December 31, 2022	22,084	15,585	70.6

(Reference) Equity: As of June 30, 2023: ¥14,260 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
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2022	—	0.00	—	80.00	80.00
Fiscal year ending December 31, 2023	—	0.00			
Fiscal year ending December 31, 2023 (Forecast)			—	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
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 six months ended June 30, 2023 (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: None
 - 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, 2023: 41,389,300 shares
As of December 31, 2022: 41,289,300 shares
 - 2) Total number of treasury shares at the end of the period:
As of June 30, 2023: 1,506,836 shares
As of December 31, 2022: 1,005,871 shares
 - 3) Average number of shares during the period:
Six months ended June 30, 2023: 40,005,964 shares
Six months ended June 30, 2022: 40,370,360 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 4 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, 2023, corporate activities in Japan were steadily normalized after the Japanese Government downgraded the legal status of COVID-19 to “Class 5” from “Class 2” in May. The Bank of Japan’s Tankan Survey released in June indicated that business sentiment among large manufacturing companies improved for the first time in seven quarters. Meanwhile, the overseas economic outlook mainly in Europe and the United States remained uncertain, and the business sentiment fell among the sectors such as production machinery, which was particularly affected by the uncertainty.

Even under these circumstances, in Japan, companies with a focus on the regrowth of their businesses actively hired employees for securing diverse human capital based on their human capital management, and the jobs-to-applicants ratio remained robust. U.S.-based IT and consulting companies and some leading Japanese IT companies continued to refrain from hiring employees since last autumn. The Domestic Recruitment Business, the Group’s core operations, was among those affected by this trend, 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, despite continued double-digit growth of 16.3% year on year.

In the Domestic Recruitment Business in the first half of the fiscal year ending December 31, 2023, the number of the core clients, for which we made over 20 successful placements were robust with a growth of 60% year on year, owing to Account Management efforts (management of major client companies in an organized way), which we have been implementing as part of our priority measures. Furthermore, in the business related to executive and local markets, segments that we are reinforcing, we made solid progress with a 20% year-on-year growth in the contract amount. In the fiscal second half, we will further promote these priority measures and achieve solid business performance in strong segments. We also intend to boost the productivity of the entire business by working to optimize focal job offers as well as allocation of consultants in charge and improve organizational management even further, while paying close attention to changes in hiring needs at U.S.-based IT and consulting companies and some leading Japanese IT companies. To improve 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 formulated “Mission & Duty” that defines the roles of managers and are actively introducing it in Japanese and English across the entire Group. We plan to launch the training sessions for managers based on the program in September. Through this initiative, we are working to strengthen our organizational capabilities, further improve the productivity and reduce the turnover rate. We have acquired consultant staffs in line with what was planned at the beginning of the period and will continue increasing the number of consultants as planned.

Regarding the Overseas Business, we have seen a continued slump in Hong Kong (the Hong Kong Special Administrative Region), but we achieved a solid growth at the offices in Europe, India and Los Angeles in the U.S., a city where we opened an office this year. As a result, net sales recovered to the level in 2019, when COVID-19 was yet to spread. We will shift to a highly profitable earnings structure by reviewing the cost structure including personnel expenses.

As for the Domestic Job Offer Advertising Business, both net sales and profit decreased year on year due to the prolonged reduction in hiring by some foreign companies which are the main customers for this business segment. In the future, we aim to recover earnings by increasing contact points with existing client companies and focusing our sales efforts on companies highly motivated to hire bilingual human resources, including Japanese companies.

While selling, general and administrative expenses have been in line with what was planned at the beginning of the period, since we are seeking cost reduction as well as 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 six months ended June 30, 2023, net sales reached ¥17,249 million (up 16.3% year on year). By segment, the Domestic Recruitment Business, the Domestic Job Offer Advertising Business, and the Overseas Business had net sales of ¥15,230 million (up 15.9% year on year), ¥154 million (down 10.3% year on year), and ¥1,863 million (up 23.0% year on year), respectively.

In terms of profit, operating income was ¥4,163 million (up 6.4% year on year), ordinary income was ¥4,165 million (up 6.1% year on year), and profit attributable to owners of parent was ¥3,020 million (up 10.6% year on year). By segment, the Domestic Recruitment Business posted ¥4,096 million in profit (up 6.2% year on year). The Domestic Job Offer Advertising Business posted ¥8 million in profit (down 31.6% year on year), and the Overseas Business posted ¥60 million in profit (up 114.3% year on year).

The following is the sales performance by segment for the six months ended June 30, 2023:

Segment	Net sales (Million yen)	Year-on-year comparison (%)
Domestic Recruitment Business	15,230	115.9
Domestic Job Offer Advertising Business	154	89.7
Overseas Business	1,863	123.0
Total	17,249	116.3

(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	5,346	122.5
Consumer goods, services	3,165	117.1
Medical, healthcare	2,340	111.9
IT, telecom	2,174	96.2
Consulting	1,373	145.3
Financial services	766	117.4
Other	63	52.6
Domestic Recruitment Business Total	15,230	115.9
2. Domestic Job Offer Advertising Business		
Domestic Job Offer Advertising Business Total	154	89.7
3. Overseas Business		
Overseas Business Total	1,863	123.0
Total	17,249	116.3

(Note) Intersegment transactions were eliminated.

(2) Explanation of Financial Position

Total assets at the end of the second quarter ended June 30, 2023 decreased by ¥1,839 million from the end of the previous fiscal year to ¥20,244 million. Cash and deposits decreased by ¥1,807 million as a result of dividend payments and purchase of treasury shares, and “other” in current assets decreased by ¥159 million due to a decrease in advances paid, even though prepaid expenses increased by ¥183 million.

Liabilities decreased by ¥515 million from the end of the previous fiscal year to ¥5,983 million. Accounts payable - other decreased by ¥161 million, accrued expenses decreased by ¥131 million, and accrued consumption taxes decreased by ¥130 million.

Net assets decreased by ¥1,324 million from the end of the previous fiscal year to ¥14,260 million, and the equity ratio came out to be 70.4%. The Company posted profit attributable to owners of parent of ¥3,020 million, but paid dividends of surplus totaling ¥3,278 million, and treasury shares increased by ¥1,201 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, 2023, there is no change from the consolidated financial results forecast released on May 15, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	14,879	13,071
Accounts receivable - trade	2,244	2,254
Supplies	7	2
Prepaid expenses	413	596
Other	283	123
Allowance for doubtful accounts	(7)	(24)
Total current assets	17,820	16,024
Non-current assets		
Property, plant and equipment		
Buildings	421	474
Accumulated depreciation	(220)	(228)
Buildings, net	201	245
Machinery and equipment	66	66
Accumulated depreciation	(35)	(40)
Machinery and equipment, net	30	25
Vehicles	0	0
Accumulated depreciation	(0)	(0)
Vehicles, net	-	-
Tools, furniture and fixtures	383	415
Accumulated depreciation	(237)	(260)
Tools, furniture and fixtures, net	145	155
Leased assets	4	4
Accumulated depreciation	(2)	(2)
Leased assets, net	2	1
Construction in progress	0	1
Other	401	439
Accumulated depreciation	(36)	(56)
Other, net	364	383
Total property, plant and equipment	745	813
Intangible assets		
Goodwill	814	781
Software	617	606
Software in progress	100	131
Total intangible assets	1,532	1,518
Investments and other assets		
Investment securities	0	0
Investments in capital	0	0
Lease and guarantee deposits	969	935
Claims provable in bankruptcy, claims provable in rehabilitation and other	13	10
Long-term prepaid expenses	27	24
Deferred tax assets	988	927
Long-term accounts receivable - other	2	0
Allowance for doubtful accounts	(16)	(11)
Total investments and other assets	1,985	1,887
Total non-current assets	4,263	4,220
Total assets	22,084	20,244

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Lease obligations	0	0
Accounts payable - other	590	428
Accrued expenses	2,995	2,863
Income taxes payable	1,207	1,188
Accrued consumption taxes	659	529
Deposits received	242	237
Unearned revenue	93	50
Provision for bonuses	-	23
Provision for stocks payment	170	108
Refund liabilities	74	83
Other	128	193
Total current liabilities	6,161	5,709
Non-current liabilities		
Lease obligations	1	1
Deferred tax liabilities	-	5
Other	335	268
Total non-current liabilities	337	274
Total liabilities	6,498	5,983
Net assets		
Shareholders' equity		
Capital stock	672	672
Capital surplus	1,514	1,514
Retained earnings	15,022	14,764
Treasury shares	(1,793)	(2,994)
Total shareholders' equity	15,415	13,956
Accumulated other comprehensive income		
Foreign currency translation adjustment	169	304
Total accumulated other comprehensive income	169	304
Total net assets	15,585	14,260
Total liabilities and net assets	22,084	20,244

(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, 2022	For the six months ended June 30, 2023
Net sales	14,825	17,249
Cost of sales	1,146	1,340
Gross profit	13,679	15,909
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	362	361
Salaries and allowances	5,501	6,524
Legal welfare expenses	701	838
Retirement benefit expenses	180	228
Provision for bonuses	49	23
Provision for bonuses for directors (and other officers)	13	–
Provision for share awards	88	106
Provision of allowance for doubtful accounts	0	14
Rent expenses on land and buildings	565	641
Depreciation	215	257
Amortization of goodwill	56	58
Advertising expenses	642	886
Other	1,389	1,804
Total selling, general and administrative expenses	9,767	11,745
Operating income	3,911	4,163
Non-operating income		
Interest income	1	4
Gain on cancellation of leases	–	16
Other	20	7
Total non-operating income	22	29
Non-operating expenses		
Interest expenses	8	11
Loss on cancellation of rental contracts	–	13
Other	0	1
Total non-operating expenses	9	26
Ordinary income	3,925	4,165
Extraordinary losses		
Loss on retirement of non-current assets	1	1
Impairment losses	26	–
Total extraordinary losses	28	1
Profit before income taxes	3,897	4,164
Income taxes - current	1,178	1,075
Income taxes - deferred	(12)	68
Total income taxes	1,166	1,144
Profit	2,731	3,020
Profit attributable to owners of parent	2,731	3,020

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit	2,731	3,020
Other comprehensive income		
Foreign currency translation adjustment	176	135
Total other comprehensive income	176	135
Comprehensive income	2,907	3,155
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,907	3,155
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 six months ended June 30, 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 second quarter ended June 30, 2023, and by multiplying the profit before income taxes by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

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	1,525	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 losses on non-current assets and goodwill by reportable segment
(Significant impairment losses on non-current assets)

The Overseas Business reportable segment posted impairment losses of ¥26 million for the six months ended June 30, 2022.

For the six months ended June 30, 2023 (from January 1, 2023 to June 30, 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	14,933	100	1,343	16,377	–	16,377
Goods transferred over time	297	54	520	872	–	872
Revenue from contracts with customers	15,230	154	1,863	17,249	–	17,249
Net sales to outside customers	15,230	154	1,863	17,249	–	17,249
Intersegment net sales or transfers	4	10	7	23	(23)	–
Total	15,235	165	1,871	17,272	(23)	17,249
Segment profit	4,096	8	60	4,164	–	4,164

(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 ¥21 million, respectively.