

Summary

Consolidated Financial Results for the Six Months Ended September 30, 2021 <JGAAP>

November 5, 2021

Company name: TAC Co., Ltd.
 Listing: Tokyo Stock Exchange
 Company code number: 4319
 URL: <https://www.tac-school.co.jp>
 Representative: Toshio Tada, Representative Director
 Contact: Shoji Nonaka, Manager of IR department Tel: +81-3-5276-8913
 Scheduled date to commence dividend payments: December 3, 2021
 Scheduled date to submit the annual securities report of the 2nd quarter: November 12, 2021
 Supplemental information for financial statements: Yes
 Results briefing session: Yes (for investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated 2nd quarter results for the fiscal year ending March 2022

(From April 1, 2021 to September 30, 2021)

(1) Consolidated financial results

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%
FY2021 (Apr.1,2021-Sep.30,2021)	11,156	10.0	1,111	22.4	1,154	8.7	775	5.7
FY2020 (Apr.1,2020-Sep.30,2020)	10,144	-8.0	907	-21.6	1,062	-15.3	733	-4.9

(Notes) Comprehensive income: FY2021(2021/9) 798 million yen (6.0%) FY2020(2020/9) 753 million yen (-4.2%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
FY2021 (Apr.1,2021-Sep.30,2021)	41.91	—
FY2020 (Apr.1,2020-Sep.30,2020)	39.64	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Yen in millions)	(Yen in millions)	%
FY2021 (As of Sep.30,2021)	22,228	6,558	29.5
FY2020 (As of Mar.31,2021)	20,417	5,815	28.4

(Notes) Equity FY2021(2021/9) 6,550 million yen FY2020(2021/3) 5,808 million yen

2. Dividends

	Annual dividends per share				
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total
FY2020 (Apr.1,2020-Mar.31,2021)	(Yen) —	(Yen) 2.00	(Yen) —	(Yen) 3.00	(Yen) 5.00
FY2021 (Apr.1,2021-Mar.31,2022)	—	3.00			
FY2021(Forecast)			—	3.00	6.00

(Note) Revision of dividend forecasts in the current quarter: None

3. Consolidated forecasts for March 2022 term (From April 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen)
Full year	20,500	3.8	600	48.3	578	-10.6	380	-6.3	20.54

(Note) Revision of consolidated financial results forecasts: None

*** Notes**

(1) Significant changes in scope of consolidation (Changes in consolidated subsidiaries): None

(2) Application of the simplified accounting method and/or the special accounting method for quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(3)-1 Changes in accounting policies due to the revision of accounting standards: Yes

(3)-2 Changes in accounting policies other than (3)-1: None

(3)-3 Changes in accounting estimates: None

(3)-4 Restatements: None

(4)Number of shares issued (common stocks)

(4)-1 Number of shares issued at the end of the period (including treasury shares)

(4)-2 Number of treasury shares at the end of the period

(4)-3 Average number of shares during the period

FY2021 2 nd quarter	18,504,000 shares	FY2020	18,504,000 shares
FY2021 2 nd quarter	68 shares	FY2020	68 shares
FY2021 2 nd quarter	18,503,932 shares	FY2020 2 nd quarter	18,503,932 shares

* This "Consolidated Financial Results" are outside the scope of the audit.

* Explanation of proper use of financial forecasts and other special notes:

The above forecasts are based on the information available at this time and on assumptions deemed to be reasonable.

Therefore, the actual financial results may differ significantly from the forecasts due to various factors.

Quarterly consolidated financial statements and notes**(1) Quarterly consolidated balance sheet**

(Yen in thousands)

	FY2020 (as of March 31, 2021)	FY2021 (as of September 30, 2021)
Assets		
Current assets		
Cash and deposits	5,149,331	6,237,996
Notes and accounts receivable - trade	3,792,077	4,350,493
Securities	200,011	200,012
Merchandise and finished goods	541,892	417,762
Work in process	1,898	4,201
Raw materials and supplies	350,485	343,949
Accounts receivable – other	74,734	6,645
Prepaid expenses	380,859	361,348
Other	17,469	210,003
Allowance for doubtful accounts	-6,793	-6,977
Total current assets	10,501,967	12,125,435
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other	2,015,968	2,343,265
Total property, plant and equipment	4,760,127	5,087,424
Intangible assets	233,301	199,467
Investments and other assets		
Investment securities	965,555	958,894
Investments in capital of subsidiaries and associates	6,385	6,385
Deferred tax assets	370,032	349,275
Guarantee deposits	2,790,446	2,725,466
Insurance funds	617,056	625,260
Other	205,241	183,595
Allowance for doubtful accounts	-32,272	-32,259
Total Investments and other assets	4,922,446	4,816,617
Total non-current assets	9,915,875	10,103,509
Total assets	20,417,842	22,228,945

	(Yen in thousands)	
	FY2020 (as of March 31, 2021)	FY2021 (as of September 30, 2021)
Liabilities		
Current Liabilities		
Notes and accounts payable – trade	633,888	414,442
Short-term loans payable	1,190,000	1,300,000
Current portion of long-term loans payable	720,558	827,588
Accounts payable - other	621,818	789,934
Accrued expenses	486,614	432,747
Income taxes payable	133,345	418,719
Provision for sales returns	458,892	—
Provision for loss on abandonment of sales return	269,052	272,845
Provision for bonuses	198,633	189,998
Advances received	6,294,969	6,213,433
Asset retirement obligations	106,489	231,822
Other	184,695	699,413
Total current liabilities	11,298,957	11,790,945
Non-current liabilities		
Long-term loans payable	2,535,505	3,209,183
Long-term accounts payable - directors' retirement benefits	25,077	25,077
Asset retirement obligations	679,168	593,863
Provision for repairs	37,300	37,300
Other	26,193	14,238
Total non-current liabilities	3,303,244	3,879,662
Total liabilities	14,602,201	15,670,608
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	4,077,451	4,797,485
Treasury shares	-25	-25
Total shareholders' equity	5,808,173	6,528,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-19,388	-516
Foreign currency translation adjustment	19,288	22,993
Total accumulated other comprehensive income	-100	22,476
Non-controlling interests	7,567	7,651
Total net assets	5,815,641	6,558,336
Total liabilities and net assets	20,417,842	22,228,945

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income**

(Yen in thousands)

	FY2020 (Apr. 1, 2020-Sep. 30, 2020)	FY2021 (Apr. 1, 2021-Sep. 30, 2021)
Net sales	10,144,676	11,156,079
Cost of sales	5,834,383	6,397,797
Gross profit	4,310,293	4,758,282
Reversal of provision for sales returns	499,824	—
Provision for sales returns	340,609	—
Gross profit – net	4,469,507	4,758,282
Selling, general and administrative expenses	3,561,878	3,647,062
Operating profit	907,628	1,111,219
Non-operating income		
Interest income	4,917	8,064
Subsidy income	149,490	—
Gain on investments in investment securities	5,681	50,977
Share of profit of entities accounted for using equity method	1,349	—
Other	21,493	6,296
Total non-operating income	182,933	65,338
Non-operating expenses		
Interest expenses	19,615	17,780
Commission expenses	3,092	2,051
Share of loss of entities accounted for using equity method	—	1,268
Foreign exchange losses	237	587
Other	5,499	0
Total non-operating expenses	28,443	21,687
Ordinary profit	1,062,118	1,154,870
Extraordinary income		
Gain on sales of non-current assets	376	—
Total extraordinary income	376	—
Extraordinary losses		
Loss on sales and retirement of non-current assets	7,689	1,840
Total extraordinary losses	7,689	1,840
Profit before income taxes	1,054,805	1,153,029
Income taxes – current	243,120	364,331
Income taxes – deferred	77,547	12,428
Total income taxes	320,668	376,759
Profit	734,136	776,270
Profit attributable to non-controlling interests	602	723
Profit attributable to owners of parent	733,533	775,546

Consolidated statement of comprehensive income

	(Yen in thousands)	
	FY2020 (Apr. 1, 2020-Sep. 30, 2020)	FY2021 (Apr. 1, 2021-Sep. 30, 2021)
Profit	734,136	776,270
Other comprehensive income		
Valuation difference on available-for-sale securities	17,440	18,871
Foreign currency translation adjustment	1,959	3,705
Total other comprehensive income	19,399	22,577
Comprehensive income	753,536	798,847
(Breakdown)		
Comprehensive income attributable to owners of parent	752,933	798,123
Comprehensive income attributable to non-controlling interests	602	723

(3) Consolidated statement of cash flows

	(Yen in thousands)	
	FY2020	FY2021
	(Apr. 1, 2020-Sep. 30, 2020)	(Apr. 1, 2021-Sep. 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	1,054,805	1,153,029
Depreciation	153,656	163,287
Increase (decrease) in allowance for doubtful accounts	-379	170
Increase (decrease) in provision for bonuses	-4,231	-8,634
Increase (decrease) in provision for sales returns	-159,214	-458,892
Increase (decrease) in provision for loss on abandonment of sales return	-77,067	3,792
Interest and dividend income	-4,953	-8,100
Subsidy income	-149,490	—
Interest expenses	19,615	17,780
Commission expenses	3,092	2,051
Loss(gain) on investments in investment securities	-5,681	-50,977
Share of loss (profit) of entities accounted for using equity method	-1,349	1,268
Decrease (increase) in notes and accounts receivable - trade	-220,300	-558,245
Decrease (increase) in inventories	109,820	128,362
Increase (decrease) in notes and accounts payable - trade	-89,097	-219,554
Increase (decrease) in advances received	-124,670	-81,536
Other, net	154,721	169,413
Sub-total	659,273	253,214
Interest and dividend income received	16,308	10,930
Interest expenses paid	-19,675	-17,710
Income tax refund	73,717	2,957
Income taxes paid	-32,459	-93,396
Proceeds from compensation for forced relocation	—	66,600
Proceeds from subsidy income	149,490	—
Net cash provided by operating activities	846,655	222,595
Cash flows from investing activities		
Purchase of property, plant and equipment	-65,916	-96,900
Payments for restoration	-48,029	-14,000
Purchase of intangible assets	-12,463	-14,898
Purchase of investment securities	—	-475
Proceeds from sales and redemption of investment securities	303,228	83,172
Collection of loans receivable	5,954	20,983
Payments for guarantee deposits	-101,316	-3,784
Proceeds from collection of guarantee deposits	29,411	67,580
Other, net	1,244	—
Net cash provided by (used in) investing activities	112,113	41,677

(Yen in thousands)

	FY2020 (Apr. 1, 2020-Sep. 30, 2020)	FY2021 (Apr. 1, 2021-Sep. 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	800,000	110,000
Proceeds from long-term loans payable	—	1,200,000
Repayments of long-term loans payable	-636,472	-419,292
Cash dividends paid	-55,077	-55,273
Dividends paid to non-controlling interests	-819	-640
Repayments of lease obligations	-11,253	-11,253
Other, net	-2,092	-2,051
Net cash provided by (used in) financing activities	94,286	821,489
Effect of exchange rate change on cash and cash equivalents	1,576	2,901
Net increase (decrease) in cash and cash equivalents	1,054,631	1,088,664
Cash and cash equivalents at the beginning of the period	4,257,025	5,118,959
Cash and cash equivalents at the end of the period	5,311,656	6,207,623

(4) Note for consolidated financial statements

(Going-Concern Assumption)

None

(Notes on significant changes in the amount of shareholders' equity)

None

(Changes in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") and other standards with effect from the beginning of the current first quarter, and recognizes revenue when the control of the promised goods or services is transferred to the customer at the amount that we expect to receive in exchange for such goods or services.

For sales with a right of return, we previously recorded provision for sales returns based on the amount equivalent to gross profit. However, in accordance with the provisions on variable consideration, for goods or products that are expected to be returned, we have changed the method from recognizing revenue at the time of sale to recognizing refund liabilities in the amount equivalent to the consideration received or receivable for such goods or products.

We apply the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy to the periods prior to the beginning of the current first quarter is added to or subtracted from the retained earnings at the beginning of the current first quarter, in order to apply the new accounting policy with effect from the opening balance of retained earnings.

As a result of this, net sales, cost of sales and gross profit for the current second quarter increased by ¥200,713 thousands, ¥84,780 thousands and ¥115,933 thousands, respectively. We have been applying the accounting treatment of deducting the amount equivalent to gross profit on net sales that are expected to be returned as provision for sales returns. As a result, there is no impact on gross profit - net, operating profit, ordinary profit and profit before income taxes, and for the same reason, there is no cumulative effect on retained earnings at the beginning of the period that requires adjustment.

Due to application of the Accounting Standard for Revenue Recognition, etc., effective from the current first quarter, we have newly recognized "return assets" and "refund liabilities", which are included in "other" under "current assets" and "other" under "current liabilities", respectively, in the consolidated balance sheets. Further, in the consolidated balance sheet for the previous consolidated fiscal year, "provision for sales returns" is presented under "current liabilities". In accordance with the transitional treatment stipulated in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the amounts reported in the previous consolidated fiscal year are not reclassified using the new presentation method. And in accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12, March 31, 2020)", we do not list information showing a breakdown of revenue earned from contracts with customers for the previous consolidated second quarter.

(Application of Accounting Standard for Fair Value Measurement, etc.)

We have applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019) and others from the beginning of the current first quarter. In accordance with the transitional treatment set forth in Article 19 of "Accounting Standard for Fair Value Measurement" and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), we have applied prospectively a new accounting policy prescribed by Accounting Standard for Fair Value Measurement and others. This has no effect on the quarterly consolidated financial statements.

(Segment information)

I, Second quarter of the previous fiscal year (April 1, 2020 – September 30, 2020)

(A) Information about net sales, profit or loss by the reporting segments

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Net sales					
(1) External customers	5,976,280	2,009,302	1,659,824	254,450	9,899,856
(2) Intersegment and transfer	798	—	—	24,148	24,947
Total	5,977,078	2,009,302	1,659,824	278,598	9,924,803
Segment profit(loss)	37,377	504,643	637,988	59,543	1,239,553

(Note) We attach great importance to sales before adjustment of tuition advances (sales on a cash basis) for business management purposes in a part of the Personal Education segment and the Corporate Training segment. For this reason, sales and operating profit/loss before adjustment of tuition advances (cash basis) are used for reporting segments.

(B) Difference between the total amounts of the reporting segments and the amounts of the Quarterly Consolidated Financial Statements, and the main components of the difference (matters related to adjustment of difference)

(Yen in thousands)

Profit	Amount
Total operating profit of reporting segments	1,239,553
Corporate expenses	-576,744
Adjustment of tuition advances	244,819
Operating profit of the quarterly consolidated financial statements	907,628

(Notes)1. Adjustment of tuition advances is applied to sales before adjustment of tuition advances (sales on a cash basis) to obtain sales on an accrual basis (sales recorded on the income statement).

2. Corporate expenses are mainly general administration expenses that do not belong to any reporting segments.

(C) Information about impairment of fixed assets or goodwill by each reporting segment

None

II, Second quarter of the current fiscal year (April 1, 2021 – September 30, 2021)

(A) Information about net sales, profit or loss by the reporting segments

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Net sales					
Goods or services transferred at a point in time	17,383	484,771	2,306,398	63,193	2,871,746
Goods or services transferred over time	6,092,448	1,821,254	—	211,684	8,125,387
Revenue from contracts with customers	6,109,832	2,306,026	2,306,398	274,877	10,997,134
External customers	6,109,832	2,306,026	2,306,398	274,877	10,997,134
Intersegment and transfer	831	—	47	27,752	28,631
Total	6,110,663	2,306,026	2,306,445	302,629	11,025,766
Segment profit(loss)	235,643	612,998	654,063	73,813	1,576,520

(Notes) We attach great importance to sales before adjustment of tuition advances (sales on a cash basis) for business management purposes in a part of the Personal Education segment and the Corporate Training segment. For this reason, sales and operating profit/loss before adjustment of tuition advances (cash basis) are used for reporting segments.

(B) Difference between the total amounts of the reporting segments and the amounts of the Quarterly Consolidated Financial Statements, and the main components of the difference (matters related to adjustment of difference)

(Yen in thousands)

Profit	Amount
Total operating profit of reporting segments	1,576,520
Corporate expenses	-624,245
Adjustment of tuition advances	158,944
Operating profit of the consolidated financial statements	1,111,219

(Note)1. Adjustment of tuition advances is applied to sales before adjustment of tuition advances (sales on a cash basis) to obtain sales on an accrual basis (sales recorded on the consolidated income statement).

2. Corporate expenses are mainly general administration expenses that do not belong to any reporting segment.

(C) Information regarding change to reportable segments, etc.

As described in "Changes in accounting policies," we have applied the Accounting Standard for Revenue Recognition, etc. starting at the beginning of the current first quarter, and the accounting method for revenue recognition has been changed. Accordingly, the calculation method of income (loss) for business segments has been changed accordingly. As a result of this change, sales of the Publishing segment for the current second quarter increased by ¥200,713 thousands compared to the previous method, but there was no impact on segment profit.

(D) Information about impairment of fixed assets or goodwill by each reporting segment

None

(Revenue recognition)

Information that breaks down revenue from contracts with customers is as presented in "Notes (Segment Information, etc.)".