

Summary

Consolidated Financial Results for the Six Months Ended September 30, 2023 <JGAAP>

November 6, 2023

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
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 Scheduled date to commence dividend payments: December 4, 2023
 Scheduled date to submit the annual securities report of the 2nd quarter: November 10, 2023
 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 2024

(From April 1, 2023 to September 30, 2023)

(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)	%
FY2023 (Apr.1,2023-Sep.30,2023)	10,125	-5.9	252	-73.1	226	-75.5	173	-71.7
FY2022 (Apr.1,2022-Sep.30,2022)	10,762	-3.5	941	-15.2	925	-19.9	614	-20.7

(Notes) Comprehensive income: FY2023(2023/9) 164 million yen (-73.4%) FY2022(2022/9) 617 million yen (-22.7%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
FY2023 (Apr.1,2023-Sep.30,2023)	9.59	—
FY2022 (Apr.1,2022-Sep.30,2022)	33.22	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Yen in millions)	(Yen in millions)	%
FY2023 (As of Sep.30,2023)	21,372	6,312	29.5
FY2022 (As of Mar.31,2023)	20,795	6,203	29.8

(Notes) Equity FY2023(2023/9) 6,303 million yen FY2022(2023/3) 6,194 million yen

2. Dividends

	Annual dividends per share				
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total
FY2022 (Apr.1,2022-Mar.31,2023)	(Yen) —	(Yen) 3.00	(Yen) —	(Yen) 3.00	(Yen) 6.00
FY2023 (Apr.1,2023-Mar.31,2024)	—	3.00			
FY2023(Forecast)			—	3.00	6.00

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

3. Consolidated forecasts for March 2024 term (From April 1, 2023 to March 31, 2024)

(% 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	19,620	-0.5	380	19.1	330	1.7	210	-2.2	11.58

(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: None

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

(3)-3 Changes in accounting estimates: Yes

(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

FY2023 2 nd quarter	18,504,000 shares	FY2022	18,504,000 shares
FY2023 2 nd quarter	370,168 shares	FY2022	370,168 shares
FY2023 2 nd quarter	18,133,832 shares	FY2022 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)

	FY2022 (as of March 31, 2023)	FY2023 (as of September 30, 2023)
Assets		
Current assets		
Cash and deposits	6,103,857	6,309,711
Notes and accounts receivable - trade	3,835,409	4,638,289
Securities	200,000	—
Merchandise and finished goods	467,535	433,930
Work in process	38,993	11,686
Raw materials and supplies	372,397	319,289
Accounts receivable – other	7,210	14,156
Prepaid expenses	293,230	281,713
Other	288,280	257,898
Allowance for doubtful accounts	-2,672	-2,519
Total current assets	11,604,241	12,264,158
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other, net	2,228,862	2,201,186
Total property, plant and equipment	4,973,022	4,945,346
Intangible assets	231,137	234,223
Investments and other assets		
Investment securities	579,264	538,465
Investments in capital of subsidiaries and associates	0	—
Deferred tax assets	424,711	431,417
Long-term time deposits	100,000	100,000
Guarantee deposits	2,133,262	2,114,901
Insurance funds	626,382	634,601
Other	148,981	135,517
Allowance for doubtful accounts	-25,782	-25,781
Total Investments and other assets	3,986,819	3,929,120
Total non-current assets	9,190,978	9,108,690
Total assets	20,795,219	21,372,848

(Yen in thousands)

	FY2022 (as of March 31, 2023)	FY2023 (as of September 30, 2023)
Liabilities		
Current Liabilities		
Notes and accounts payable – trade	495,021	433,371
Short-term loans payable	1,400,000	1,500,000
Current portion of long-term loans payable	828,645	960,224
Accounts payable - other	465,199	432,608
Accrued expenses	565,561	508,310
Income taxes payable	40,962	103,597
Provision for loss on abandonment of sales return	333,995	327,687
Provision for bonuses	202,241	201,132
Advances received	5,483,604	5,430,091
Asset retirement obligations	67,381	77,898
Other	863,655	803,934
Total current liabilities	10,746,269	10,778,857
Non-current liabilities		
Long-term loans payable	3,069,926	3,489,810
Long-term accounts payable - directors' retirement benefits	25,077	25,077
Asset retirement obligations	658,138	643,371
Provision for repairs	37,300	37,300
Other	55,183	85,864
Total non-current liabilities	3,845,626	4,281,423
Total liabilities	14,591,895	15,060,281
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	4,515,132	4,634,724
Treasury shares	-75,155	-75,155
Total shareholders' equity	6,170,725	6,290,316
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-17,487	-36,843
Foreign currency translation adjustment	40,918	50,084
Total accumulated other comprehensive income	23,431	13,241
Non-controlling interests	9,167	9,009
Total net assets	6,203,324	6,312,567
Total liabilities and net assets	20,795,219	21,372,848

(2) Quartely consolidated statement of income and quartely consolidated statement of comprehensive income

Quarterly consolidated statement of income

(Yen in thousands)

	FY2022 (Apr. 1, 2022-Sep. 30, 2022)	FY2023 (Apr. 1, 2023-Sep. 30, 2023)
Net sales	10,762,691	10,125,749
Cost of sales	6,119,428	6,130,835
Gross profit	4,643,263	3,994,914
Selling, general and administrative expenses	3,701,446	3,741,977
Operating profit	941,817	252,937
Non-operating income		
Interest income	4,368	3,530
Gain on sale of investment securities	—	3,499
Gain on investments in investment securities	2,372	—
Other	7,018	4,865
Total non-operating income	13,759	11,895
Non-operating expenses		
Interest expenses	17,088	16,235
Commission expenses	2,551	3,551
Share of loss of entities accounted for using equity method	7,049	4,834
Foreign exchange losses	3,826	6,617
Other	1	6,820
Total non-operating expenses	30,517	38,058
Ordinary profit	925,059	226,773
Extraordinary income		
Gain on liquidation of investment securities	—	13,224
Total extraordinary income	—	13,224
Extraordinary losses		
Loss on sales and retirement of non-current assets	2,299	—
Loss on valuation of investment securities	—	6,499
Total extraordinary losses	2,299	6,499
Profit before income taxes	922,759	233,498
Income taxes – current	275,328	56,970
Income taxes – deferred	32,088	1,836
Total income taxes	307,417	58,806
Profit	615,341	174,691
Profit attributable to non-controlling interests	644	698
Profit attributable to owners of parent	614,697	173,992

Quarterly consolidated statement of comprehensive income

	(Yen in thousands)	
	FY2022 (Apr. 1, 2022-Sep. 30, 2022)	FY2023 (Apr. 1, 2023-Sep. 30, 2023)
Profit	615,341	174,691
Other comprehensive income		
Valuation difference on available-for-sale securities	-7,101	-19,356
Foreign currency translation adjustment	9,534	9,166
Total other comprehensive income	2,433	-10,189
Comprehensive income	617,774	164,501
(Breakdown)		
Comprehensive income attributable to owners of parent	617,130	163,802
Comprehensive income attributable to non-controlling interests	644	698

(3) Quarterly consolidated statement of cash flows

(Yen in thousands)

	FY2022 (Apr. 1, 2022-Sep. 30, 2022)	FY2023 (Apr. 1, 2023-Sep. 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	922,759	233,498
Depreciation	215,631	190,390
Increase (decrease) in allowance for doubtful accounts	-984	-154
Increase (decrease) in provision for bonuses	-4,114	-1,109
Increase (decrease) in provision for loss on abandonment of sales return	-38,093	-6,308
Interest and dividend income	-4,404	-3,647
Interest expenses	17,088	16,235
Commission expenses	2,551	2,551
Loss (gain) on sale of investment securities	—	-3,499
Loss (gain) on investments in investment securities	-2,372	692
Loss (gain) on liquidation of investment securities	—	-13,224
Share of loss (profit) of entities accounted for using equity method	7,049	4,834
Decrease (increase) in notes and accounts receivable - trade	-504,691	-802,554
Decrease (increase) in inventories	93,895	114,019
Increase (decrease) in notes and accounts payable - trade	-74,871	-61,787
Loss (gain) on valuation of investment securities	—	6,499
Increase (decrease) in advances received	-274,426	-53,513
Other, net	-82,476	-106,354
Sub-total	272,539	-483,434
Interest and dividend income received	6,539	6,186
Interest expenses paid	-17,203	-16,190
Income tax refund	106	28,993
Income taxes paid	-208,826	-38,056
Proceeds from compensation for forced relocation	306,496	—
Proceeds from subsidy income	3,126	132
Net cash provided by (used in) operating activities	362,779	-502,368
Cash flows from investing activities		
Proceeds from sale of securities	—	200,000
Purchase of property, plant and equipment	-269,565	-29,142
Payments for restoration	-123,629	-24,470
Purchase of intangible assets	-41,978	-57,126
Proceeds from sales and redemption of investment securities	174,363	3,500
Proceeds from liquidation of investment securities	—	13,224
Decrease (increase) in time deposits	-100,000	—
Payments for guarantee deposits	-1,636	-22,763
Proceeds from collection of guarantee deposits	827,872	41,203
Net cash provided by (used in) investing activities	465,426	124,425

(Yen in thousands)

	FY2022 (Apr. 1, 2022-Sep. 30, 2022)	FY2023 (Apr. 1, 2023-Sep. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	100,000	100,000
Proceeds from long-term loans payable	700,000	1,000,000
Repayments of long-term loans payable	-424,580	-448,537
Cash dividends paid	-55,290	-54,171
Dividends paid to non-controlling interests	-889	-857
Repayments of lease obligations	-11,252	-12,749
Other, net	-2,051	-2,051
Net cash provided by (used in) financing activities	305,936	581,632
Effect of exchange rate change on cash and cash equivalents	5,321	2,163
Net increase (decrease) in cash and cash equivalents	1,139,463	205,853
Cash and cash equivalents at the beginning of the period	5,716,572	6,103,857
Cash and cash equivalents at the end of the period	6,856,035	6,309,711

(4) Notes for quarterly consolidated financial statements

(Going-Concern Assumption)

None

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

None

(Changes in accounting estimates)

(Change in estimates of asset retirement obligation)

Based on the new information of recent restorations, we changed the estimates of our asset retirement obligation that was recorded as restoration obligations based on the real estate lease contracts of our school buildings for the current consolidated cumulative second quarter. The increase of ¥20,088 thousand due to the change in the estimate is added to the asset retirement obligation balance before the change.

There is no impact on operating profit, ordinary profit and profit before income taxes due to the change in the estimate for the current consolidated cumulative second quarter.

(Segment information)

I, Second quarter of the previous fiscal year (April 1, 2022 – September 30, 2022)

(A) Information about net sales, profit or loss by the reporting segments and the breakdown of revenue

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Net sales					
Goods or services transferred at a point in time	15,283	456,442	2,130,279	77,375	2,679,379
Goods or services transferred over time	5,615,763	1,911,340	—	213,435	7,740,539
Revenue from contracts with customers	5,631,047	2,367,782	2,130,279	290,810	10,419,919
External customers	5,631,047	2,367,782	2,130,279	290,810	10,419,919
Intersegment and transfer	1,064	—	14	25,022	26,101
Total	5,632,111	2,367,782	2,130,293	315,833	10,446,020
Segment profit(loss)	-22,585	618,437	587,768	82,596	1,266,217

(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	1,266,217
Corporate expenses	-667,173
Adjustment of tuition advances	342,772
Operating profit of the consolidated financial statements	941,817

(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 consolidated 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, 2023 – September 30, 2023)

(A) Information about net sales, profit or loss by the reporting segments and the breakdown of revenue

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Net sales					
Goods or services transferred at a point in time	18,817	434,941	1,867,238	81,601	2,402,599
Goods or services transferred over time	5,384,008	1,983,222	—	220,056	7,587,286
Revenue from contracts with customers	5,402,825	2,418,163	1,867,238	301,658	9,989,885
External customers	5,402,825	2,418,163	1,867,238	301,658	9,989,885
Intersegment and transfer	1,221	—	77	17,727	19,027
Total	5,404,047	2,418,163	1,867,315	319,385	10,008,913
Segment profit(loss)	-229,314	621,377	311,521	84,402	787,987

(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	787,987
Corporate expenses	-670,914
Adjustment of tuition advances	135,863
Operating profit of the consolidated financial statements	252,937

(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 consolidated income statement).

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

(C) 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)".