

Summary

Consolidated Financial Results
for the Three Months Ended June 30, 2021 <JGAAP>

August 6, 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

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Scheduled date to commence dividend payments: -

Scheduled date to submit the annual securities report of the 1st quarter: August 12, 2021

Supplemental information for financial statements: Yes

Results briefing session: No

(Amounts rounded down to the nearest million yen)

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

(From April 1, 2021 to June 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	
FY2021 (Apr.1,2021-Jun.30,2021)	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%
5,736	12.4	622	21.4	628	22.5	432	23.6	

FY2020 (Apr.1,2020-Jun.30,2020)	5,105	-8.0	512	-7.0	513	-21.0	350	3.3
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(Notes) Comprehensive income : FY 2021 (2021/6) 454 million yen (25.0%) FY 2020 (2020/6) 363 million yen (7.3%)

	Profit per share	Fully diluted profit per share
(Yen)	(Yen)	(Yen)
FY2021 (Apr.1,2021-Jun.30,2021)	23.38	—
FY2020 (Apr.1,2020-Jun.30,2020)	18.92	—

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio
(Yen in millions)	(Yen in millions)	(Yen in millions)	%
FY2021 (As of Jun. 30, 2021)	19,839	6,213	31.3
FY2020 (As of Mar. 31, 2021)	20,417	5,815	28.4

(Notes) Equity FY2021 (2021/6) 6,206 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)	(Yen)	(Yen)	(Yen)
—	—	2.00	—	3.00	5.00
FY2021 (Apr.1,2021-Mar.31,2022)	—	—	—	—	—
FY2021 (Forecast)	—	3.00	—	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
Half year	10,940	7.8	1,000	10.2	989	-6.9	659	-10.2	35.61
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)	FY2021 1 st quarter	18,504,000 shares	FY2020	18,504,000 shares
(4)-2 Number of treasury shares at the end of the period	FY2021 1 st quarter	68 shares	FY2020	68 shares
(4)-3 Average number of shares during the period	FY2021 1 st quarter	18,503,932 shares	FY2020 1 st 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) Consolidated balance sheet**

	FY2020 (as of March 31, 2021)	(Yen in thousands) FY2021 (as of June 30, 2021)
Assets		
Current assets		
Cash and deposits	5,149,331	4,577,829
Notes and accounts receivable – trade	3,792,077	3,785,282
Securities	200,011	200,012
Merchandise and finished goods	541,892	513,509
Work in process	1,898	4,776
Raw materials and supplies	350,485	367,388
Accounts receivable – other	74,734	10,539
Prepaid expenses	380,859	349,759
Other	17,469	265,897
Allowance for doubtful accounts	-6,793	-6,525
Total current assets	10,501,967	10,068,469
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other	2,015,968	1,984,566
Total property, plant and equipment	4,760,127	4,728,725
Intangible assets	233,301	216,526
Investments and other assets		
Investment securities	965,555	991,255
Investments in capital of subsidiaries and associates	6,385	6,385
Deferred tax assets	370,032	313,166
Guarantee deposits	2,790,446	2,726,224
Insurance funds	617,056	621,158
Other	205,241	199,397
Allowance for doubtful accounts	-32,272	-32,272
Total Investments and other assets	4,922,446	4,825,315
Total non-current assets	9,915,875	9,770,567
Total assets	20,417,842	19,839,037

	(Yen in thousands)	
	FY2020 (as of March 31, 2021)	FY2021 (as of June 30, 2021)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	633,888	563,282
Short-term loans payable	1,190,000	1,190,000
Current portion of long-term loans payable	720,558	631,440
Accounts payable - other	621,818	449,736
Accrued expenses	486,614	457,092
Income taxes payable	133,345	171,520
Provision for sales returns	458,892	—
Provision for loss on abandonment of sales return	269,052	271,917
Provision for bonuses	198,633	69,031
Advances received	6,294,969	5,666,121
Asset retirement obligations	106,489	239,793
Other	184,695	905,667
Total current liabilities	11,298,957	10,615,604
Non-current liabilities		
Long-term loans payable	2,535,505	2,380,865
Long-term accounts payable - directors' retirement benefits	25,077	25,077
Asset retirement obligations	679,168	546,142
Provision for repairs	37,300	37,300
Other	26,193	20,213
Total non-current liabilities	3,303,244	3,009,598
Total liabilities	14,602,201	13,625,202
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	4,077,451	4,454,523
Treasury shares	-25	-25
Total shareholders' equity	5,808,173	6,185,246
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-19,388	-252
Foreign currency translation adjustment	19,288	21,528
Total accumulated other comprehensive income	-100	21,276
Non-controlling interests	7,567	7,312
Total net assets	5,815,641	6,213,834
Total liabilities and net assets	20,417,842	19,839,037

(2) Consolidated statement of income and Consolidated statement of comprehensive income

Consolidated statement of income

	(Yen in thousands)	
	FY2020 (Apr. 1, 2020-Jun. 30, 2020)	FY2021 (Apr. 1, 2021-Jun. 30, 2021)
Net sales	5,105,059	5,736,298
Cost of sales	2,919,451	3,261,009
Gross profit	2,185,608	2,475,288
Reversal of provision for sales returns	499,824	—
Provision for sales returns	420,004	—
Gross profit - net	2,265,427	2,475,288
Selling, general and administrative expenses	1,752,631	1,852,615
Operating profit	512,796	622,673
Non-operating income		
Interest income	2,745	4,061
Foreign exchange gains	40	—
Gain on investments in investment securities	6,516	11,733
Other	8,411	3,335
Total non-operating income	17,714	19,130
Non-operating expenses		
Interest expenses	9,803	8,869
Commission expenses	3,092	2,051
Share of loss of entities accounted for using equity method	111	1,454
Foreign exchange losses	—	501
Other	4,287	3
Total non-operating expenses	17,293	12,879
Ordinary profit	513,216	628,924
Extraordinary losses		
Loss on sales and retirement of non-current assets	6,314	—
Total extraordinary losses	6,314	—
Profit before income taxes	506,901	628,924
Income taxes – current	51,464	147,534
Income taxes - deferred	105,034	48,420
Total income taxes	156,498	195,955
Profit	350,403	432,969
Profit attributable to non-controlling interests	356	385
Profit attributable to owners of parent	350,046	432,584

Consolidated statement of comprehensive income

	(Yen in thousands)	
	FY2020 (Apr. 1, 2020-Jun. 30, 2020)	FY2021 (Apr. 1, 2021-Jun. 30, 2021)
Profit	350,403	432,969
Other comprehensive income		
Valuation difference on available-for-sale securities	13,740	19,135
Foreign currency translation adjustment	-571	2,240
Total other comprehensive income	13,168	21,376
Comprehensive income	363,571	454,345
(Breakdown)		
Comprehensive income attributable to owners of parent	363,215	453,960
Comprehensive income attributable to non-controlling interests	356	385

(3) Note for Consolidated Financial Statements

(Going-Concern Assumption)

None

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

None

(Changes in accounting estimates)

(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 first quarter increased by ¥72,251 thousands, ¥30,807 thousands and ¥41,444 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. 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 first 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 statement.

(Segment information)

I, First quarter of the previous fiscal year (April 1, 2020 - June 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					
External customers	2,303,060	894,766	829,579	115,038	4,142,444
Intersegment and transfer	282	—	—	7,441	7,723
Total	2,303,342	894,766	829,579	122,479	4,150,167
Segment profit (loss)	-596,734	174,800	245,885	17,999	-158,048

(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	-158,048
Corporate expenses	-291,770
Adjustment of tuition advances	962,615
Operating profit of the consolidated financial statements	512,796

(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 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, First quarter of the current fiscal year (April 1, 2021 - June 30, 2021)

(A) Information about net sales, profit or loss by the reporting segments and 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	7,495	233,937	1,141,163	25,659	1,408,256
Goods or services transferred over time	2,615,460	913,691	—	111,780	3,640,932
Revenue from contracts with customers	2,622,955	1,147,629	1,141,163	137,440	5,049,188
External customers	2,622,955	1,147,629	1,141,163	137,440	5,049,188
Intersegment and transfer	416	—	47	7,478	7,942
Total	2,623,372	1,147,629	1,141,210	144,918	5,057,131
Segment profit(loss)	-315,445	282,165	242,457	39,091	248,269

(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 Trainning 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	248,269
Corporate expenses	-312,705
Adjustment of tuition advances	687,109
Operating profit of the consolidated financial statements	622,673

(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 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 the business segments has been changed accordingly. As a result of this change, sales of the Publishing segment for the current first quarter increased by ¥72,251 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 breaking down revenue from contracts with customers is as presented in "Notes (Segment Information, etc.)".