

Summary**Consolidated Financial Results
for the Nine Months Ended December 31, 2021 <JGAAP>**

February 7, 2022

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 3rd quarter: February 10, 2022

Supplemental information for financial statements: Yes

Results briefing session: No

(Amounts rounded down to the nearest million yen)

1. Consolidated 3rd quarter results for the fiscal year ending March 2022

(From April 1, 2021 to December 31, 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 - Dec.31, 2021)	15,599	6.2	666	22.9	709	1.2	456	-4.5
FY2020 (Apr.1, 2020 - Dec.31, 2020)	14,694	-4.9	541	3.6	701	13.0	477	64.6

(Notes) Comprehensive income: FY2021(2021/12) 487 million yen (-1.3%) FY2020(2020/12) 493 million yen (65.1%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
FY2021 (Apr.1, 2021 - Dec.31, 2021)	24.65	—
FY2020 (Apr.1, 2020 - Dec.31, 2020)	25.80	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Yen in millions)	(Yen in millions)	%
FY2021 (As of Dec. 31, 2021)	21,441	6,191	28.8
FY2020 (As of Mar. 31, 2021)	20,417	5,815	28.4

(Notes) Equity FY2021(2021/12) 6,183 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)	2.00 (Yen)	— (Yen)	3.00 (Yen)	5.00 (Yen)
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)
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 3 rd quarter	18,504,000 shares	FY2020	18,504,000 shares
(4)-2 Number of treasury shares at the end of the period	FY2021 3 rd quarter	68 shares	FY2020	68 shares
(4)-3 Average number of shares during the period	FY2021 3 rd quarter	18,503,932 shares	FY2020 3 rd 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 December 31, 2021)
Assets		
Current assets		
Cash and deposits	5,149,331	6,100,224
Notes and accounts receivable - trade	3,792,077	3,755,432
Securities	200,011	200,012
Merchandise and finished goods	541,892	538,777
Work in process	1,898	1,058
Raw materials and supplies	350,485	304,665
Accounts receivable – other	74,734	9,997
Prepaid expenses	380,859	346,747
Other	17,469	230,447
Allowance for doubtful accounts	-6,793	-6,489
Total current assets	10,501,967	11,480,872
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other	2,015,968	2,264,322
Total property, plant and equipment	4,760,127	5,008,482
Intangible assets	233,301	208,188
Investments and other assets		
Investment securities	965,555	965,132
Investments in capital of subsidiaries and associates	6,385	6,385
Deferred tax assets	370,032	289,962
Guarantee deposits	2,790,446	2,707,130
Insurance funds	617,056	629,362
Other	205,241	171,590
Allowance for doubtful accounts	-32,272	-25,779
Total Investments and other assets	4,922,446	4,743,783
Total non-current assets	9,915,875	9,960,454
Total assets	20,417,842	21,441,326

	(Yen in thousands)	
	FY2020 (as of March 31, 2021)	FY2021 (as of December 31, 2021)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	633,888	557,383
Short-term loans payable	1,190,000	1,300,000
Current portion of long-term loans payable	720,558	835,790
Accounts payable - other	621,818	441,108
Accrued expenses	486,614	452,041
Income taxes payable	133,345	140,958
Provision for sales returns	458,892	–
Provision for loss on abandonment of sales return	269,052	264,910
Provision for bonuses	198,633	69,490
Advances received	6,294,969	6,266,443
Asset retirement obligations	106,489	203,130
Other	184,695	838,380
Total current liabilities	11,298,957	11,369,638
Non-current liabilities		
Long-term loans payable	2,535,505	3,186,177
Long-term accounts payable - directors' retirement benefits	25,077	25,077
Asset retirement obligations	679,168	622,837
Provision for repairs	37,300	37,300
Other	26,193	9,279
Total non-current liabilities	3,303,244	3,880,671
Total liabilities	14,602,201	15,250,309
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	4,077,451	4,422,547
Treasury shares	-25	-25
Total shareholders' equity	5,808,173	6,153,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-19,388	257
Foreign currency translation adjustment	19,288	29,504
Total accumulated other comprehensive income	-100	29,762
Non-controlling interests	7,567	7,984
Total net assets	5,815,641	6,191,017
Total liabilities and net assets	20,417,842	21,441,326

(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 - Dec. 31, 2020)	FY2021 (Apr. 1, 2021 - Dec. 31, 2021)
Net sales	14,694,146	15,599,753
Cost of sales	8,869,999	9,493,148
Gross profit	5,824,147	6,106,604
Reversal of provision for sales returns	499,824	–
Provision for sales returns	369,729	–
Gross profit - net	5,954,241	6,106,604
Selling, general and administrative expenses	5,412,312	5,440,495
Operating profit	541,929	666,109
Non-operating income		
Interest income	7,239	12,081
Subsidy income	149,805	–
Gain on investments in investment securities	11,125	51,676
Share of profit of entities accounted for using equity method	6,370	3,310
Other	29,967	9,118
Total non-operating income	204,508	76,187
Non-operating expenses		
Interest expenses	29,235	26,724
Commission expenses	6,132	5,090
Foreign exchange losses	420	995
Other	9,643	309
Total non-operating expenses	45,430	33,119
Ordinary profit	701,007	709,177
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	16,354	1,840
Total extraordinary losses	16,354	1,840
Profit before income taxes	685,028	707,337
Income taxes – current	85,885	178,759
Income taxes - deferred	120,796	71,400
Total income taxes	206,681	250,159
Profit	478,347	457,177
Profit attributable to non-controlling interests	979	1,057
Profit attributable to owners of parent	477,368	456,120

Quarterly consolidated statement of comprehensive income

(Yen in thousands)

	FY2020 (Apr. 1, 2020 - Dec. 31, 2020)	FY2021 (Apr. 1, 2021 - Dec. 31, 2021)
Profit	478,347	457,177
Other comprehensive income		
Valuation difference on available-for-sale securities	10,715	19,645
Foreign currency translation adjustment	4,195	10,216
Total other comprehensive income	14,910	29,862
Comprehensive income	493,257	487,039
(Breakdown)		
Comprehensive income attributable to owners of parent	492,278	485,982
Comprehensive income attributable to non-controlling interests	979	1,057

(3) Note for quarterly 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 third quarter increased by ¥144,102 thousands, ¥56,695 thousands and ¥87,406 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 third 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. Third quarter of the previous fiscal year (April 1, 2020 - December 31, 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	8,627,142	3,125,328	2,671,725	366,163	14,790,360
(2) Intersegment and transfer	1,459	–	–	37,036	38,495
Total	8,628,601	3,125,328	2,671,725	403,200	14,828,856
Segment profit (loss)	-273,664	800,752	904,566	61,190	1,492,844

(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 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	1,492,844
Corporate expenses	-854,701
Adjustment of tuition advances	-96,213
Operating profit of the quarterly consolidated financial statements	541,929

(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

II, Third quarter of the current fiscal year (April 1, 2021 – December 31, 2021)

(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	24,840	670,563	3,295,970	83,520	4,074,894
Goods or services transferred over time	8,424,454	2,721,456	–	312,640	11,458,552
Revenue from contracts with customers	8,449,295	3,392,019	3,295,970	396,161	15,533,446
External customers	8,449,295	3,392,019	3,295,970	396,161	15,533,446
Intersegment and transfer	1,291	–	47	38,757	40,096
Total	8,450,587	3,392,019	3,296,017	434,918	15,573,543
Segment profit/(loss)	-243,936	846,115	826,470	90,998	1,519,648

(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 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	1,519,648
Corporate expenses	-919,845
Adjustment of tuition advances	66,306
Operating profit of the consolidated financial statements	666,109

(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 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 third quarter increased by ¥144,102 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.)".