

Summary

Consolidated Financial Results for the Six Months Ended September 30, 2022 <JGAAP>

November 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
 Contact: Shoji Nonaka, Manager of IR department Tel: +81-3-5276-8913
 Scheduled date to commence dividend payments: December 5, 2022
 Scheduled date to submit the annual securities report of the 2nd quarter: November 11, 2022
 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 2023

(From April 1, 2022 to September 30, 2022)

(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)	%
FY2022 (Apr.1,2022-Sep.30,2022)	10,762	-3.5	941	-15.2	925	-19.9	614	-20.7
FY2021 (Apr.1,2021-Sep.30,2021)	11,156	10.0	1,111	22.4	1,154	8.7	775	5.7

(Notes) Comprehensive income: FY2022(2022/9) 617 million yen (-22.7%) FY2021(2021/9) 798 million yen (6.0%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
FY2022 (Apr.1,2022-Sep.30,2022)	33.22	—
FY2021 (Apr.1,2021-Sep.30,2021)	41.91	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Yen in millions)	(Yen in millions)	%
FY2022 (As of Sep.30,2022)	21,484	6,736	31.3
FY2021 (As of Mar.31,2022)	21,384	6,174	28.8

(Notes) Equity FY2022(2022/9) 6,727 million yen FY2021(2022/3) 6,165 million yen

2. Dividends

	Annual dividends per share				
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total
FY2021 (Apr.1,2021-Mar.31,2022)	(Yen) —	(Yen) 3.00	(Yen) —	(Yen) 3.00	(Yen) 6.00
FY2022 (Apr.1,2022-Mar.31,2023)	—	3.00			
FY2022(Forecast)			—	3.00	6.00

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

3. Consolidated forecasts for March 2023 term (From April 1, 2022 to March 31, 2023)

(% 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	20,450	-0.1	650	57.3	608	37.4	400	-10.1	21.62

(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

FY2022 2 nd quarter	18,504,000 shares	FY2021	18,504,000 shares
FY2022 2 nd quarter	68 shares	FY2021	68 shares
FY2022 2 nd quarter	18,503,932 shares	FY2021 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)

	FY2021 (as of March 31, 2022)	FY2022 (as of September 30, 2022)
Assets		
Current assets		
Cash and deposits	5,716,572	6,856,035
Notes and accounts receivable - trade	3,581,997	4,087,032
Securities	200,000	200,000
Merchandise and finished goods	444,792	336,468
Work in process	6,869	10,899
Raw materials and supplies	344,872	355,270
Accounts receivable – other	781,212	7,018
Prepaid expenses	354,030	274,297
Other	257,101	180,066
Allowance for doubtful accounts	-8,064	-7,080
Total current assets	11,679,384	12,300,008
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other, net	2,369,778	2,317,359
Total property, plant and equipment	5,113,937	5,061,518
Intangible assets	202,075	195,664
Investments and other assets		
Investment securities	582,515	566,727
Investments in capital of subsidiaries and associates	6,385	6,385
Deferred tax assets	372,776	343,821
Long-term time deposits	—	100,000
Guarantee deposits	2,654,130	2,134,706
Insurance funds	633,503	641,723
Other	165,522	159,413
Allowance for doubtful accounts	-25,779	-25,779
Total Investments and other assets	4,389,053	3,926,998
Total non-current assets	9,705,066	9,184,181
Total assets	21,384,451	21,484,189

(Yen in thousands)

	FY2021 (as of March 31, 2022)	FY2022 (as of September 30, 2022)
Liabilities		
Current Liabilities		
Notes and accounts payable – trade	515,084	440,401
Short-term loans payable	1,300,000	1,400,000
Current portion of long-term loans payable	794,792	861,249
Accounts payable - other	734,545	417,648
Accrued expenses	479,790	543,977
Income taxes payable	256,286	323,695
Provision for loss on abandonment of sales return	302,217	264,123
Provision for bonuses	197,151	193,036
Advances received	5,943,700	5,669,274
Asset retirement obligations	99,090	14,483
Other	839,657	636,784
Total current liabilities	11,462,315	10,764,674
Non-current liabilities		
Long-term loans payable	3,001,071	3,210,034
Long-term accounts payable - directors' retirement benefits	25,077	25,077
Asset retirement obligations	677,560	700,759
Provision for repairs	37,300	37,300
Other	6,453	10,298
Total non-current liabilities	3,747,463	3,983,469
Total liabilities	15,209,779	14,748,143
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	4,411,415	4,970,601
Treasury shares	-25	-25
Total shareholders' equity	6,142,138	6,701,323
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-15,822	-22,924
Foreign currency translation adjustment	39,645	49,180
Total accumulated other comprehensive income	23,823	26,256
Non-controlling interests	8,710	8,465
Total net assets	6,174,672	6,736,045
Total liabilities and net assets	21,384,451	21,484,189

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

Quarterly consolidated statement of income

(Yen in thousands)

	FY2021 (Apr. 1, 2021-Sep. 30, 2021)	FY2022 (Apr. 1, 2022-Sep. 30, 2022)
Net sales	11,156,079	10,762,691
Cost of sales	6,397,797	6,119,428
Gross profit	4,758,282	4,643,263
Selling, general and administrative expenses	3,647,062	3,701,446
Operating profit	1,111,219	941,817
Non-operating income		
Interest income	8,064	4,368
Gain on investments in investment securities	50,977	2,372
Other	6,296	7,018
Total non-operating income	65,338	13,759
Non-operating expenses		
Interest expenses	17,780	17,088
Commission expenses	2,051	2,551
Share of loss of entities accounted for using equity method	1,268	7,049
Foreign exchange losses	587	3,826
Other	0	1
Total non-operating expenses	21,687	30,517
Ordinary profit	1,154,870	925,059
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,840	2,299
Total extraordinary losses	1,840	2,299
Profit before income taxes	1,153,029	922,759
Income taxes – current	364,331	275,328
Income taxes – deferred	12,428	32,088
Total income taxes	376,759	307,417
Profit	776,270	615,341
Profit attributable to non-controlling interests	723	644
Profit attributable to owners of parent	775,546	614,697

Quarterly consolidated statement of comprehensive income

	(Yen in thousands)	
	FY2021 (Apr. 1, 2021-Sep. 30, 2021)	FY2022 (Apr. 1, 2022-Sep. 30, 2022)
Profit	776,270	615,341
Other comprehensive income		
Valuation difference on available-for-sale securities	18,871	-7,101
Foreign currency translation adjustment	3,705	9,534
Total other comprehensive income	22,577	2,433
Comprehensive income	798,847	617,774
(Breakdown)		
Comprehensive income attributable to owners of parent	798,123	617,130
Comprehensive income attributable to non-controlling interests	723	644

(3) Quarterly consolidated statement of cash flows

(Yen in thousands)

	FY2021 (Apr. 1, 2021-Sep. 30, 2021)	FY2022 (Apr. 1, 2022-Sep. 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	1,153,029	922,759
Depreciation	163,287	215,631
Increase (decrease) in allowance for doubtful accounts	170	-984
Increase (decrease) in provision for bonuses	-8,634	-4,114
Increase (decrease) in provision for sales returns	-458,892	—
Increase (decrease) in provision for loss on abandonment of sales return	3,792	-38,093
Interest and dividend income	-8,100	-4,404
Interest expenses	17,780	17,088
Commission expenses	2,051	2,551
Loss(gain) on investments in investment securities	-50,977	-2,372
Share of loss (profit) of entities accounted for using equity method	1,268	7,049
Decrease (increase) in notes and accounts receivable - trade	-558,245	-504,691
Decrease (increase) in inventories	128,362	93,895
Increase (decrease) in notes and accounts payable - trade	-219,554	-74,871
Increase (decrease) in advances received	-81,536	-274,426
Other, net	169,413	-82,476
Sub-total	253,214	272,539
Interest and dividend income received	10,930	6,539
Interest expenses paid	-17,710	-17,203
Income tax refund	2,957	106
Income taxes paid	-93,396	-208,826
Proceeds from compensation for forced relocation	66,600	306,496
Proceeds from subsidy income	—	3,126
Net cash provided by (used in) operating activities	222,595	362,779
Cash flows from investing activities		
Purchase of property, plant and equipment	-96,900	-269,565
Payments for restoration	-14,000	-123,629
Purchase of intangible assets	-14,898	-41,978
Purchase of investment securities	-475	—
Proceeds from sales and redemption of investment securities	83,172	174,363
Collection of loans receivable	20,983	—
Decrease (increase) in time deposits	—	-100,000
Payments for guarantee deposits	-3,784	-1,636
Proceeds from collection of guarantee deposits	67,580	827,872
Net cash provided by (used in) investing activities	41,677	465,426

(Yen in thousands)

	FY2021 (Apr. 1, 2021-Sep. 30, 2021)	FY2022 (Apr. 1, 2022-Sep. 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	110,000	100,000
Proceeds from long-term loans payable	1,200,000	700,000
Repayments of long-term loans payable	-419,292	-424,580
Cash dividends paid	-55,273	-55,290
Dividends paid to non-controlling interests	-640	-889
Repayments of lease obligations	-11,253	-11,252
Other, net	-2,051	-2,051
Net cash provided by (used in) financing activities	821,489	305,936
Effect of exchange rate change on cash and cash equivalents	2,901	5,321
Net increase (decrease) in cash and cash equivalents	1,088,664	1,139,463
Cash and cash equivalents at the beginning of the period	5,118,959	5,716,572
Cash and cash equivalents at the end of the period	6,207,623	6,856,035

(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 policy)

We applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021) from the beginning of the current first quarter. In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, we have prospectively adopted the new accounting policy set forth in Implementation Guidance on Accounting Standard for Fair Value Measurement. This has no effect on the quarterly consolidated financial statements.

(Segment information)

I, Second quarter of the previous fiscal year (April 1, 2021 – September 30, 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	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

(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	1,576,520
Corporate expenses	-624,245
Adjustment of tuition advances	158,944
Operating profit of the consolidated financial statements	1,111,219

(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, 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 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, etc.)".