

March 2018 Term - Third Quarter Financial Results [Under Japanese GAAP](Consolidated)

February 13, 2018

Company name: TAC CO., LTD.

TSE 1st

Company code number: 4319

URL <http://www.tac-school.co.jp>

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Supplemental information for quarterly financial statements: Yes

Schedule for quarterly "investor meeting presentation": None

(Yen in millions, with fractional amounts rounded down to the nearest million yen)

1. Consolidated 3rd quarter results for the fiscal year ending March 2018

(From April 1, 2017 to December 31, 2017)

(1) Consolidated financial results

(% indicates changes from prior fiscal year)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%
December 2017 3 rd quarter	15,838	2.8	888	43.7	833	37.7	537	24.6
December 2016 3 rd quarter	15,402	1.5	617	-15.9	605	-19.4	431	0.3

(Notes) Comprehensive income

Fiscal 2017 3rd quarter 527million yen (23.2%) Fiscal 2016 3rd quarter 428 million yen (3.0%)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
December 2017 3 rd quarter	29.07	—
December 2016 3 rd quarter	23.34	—

(2) Consolidated financial position

	Total assets	Net assets	Total Shareholders' Equity Ratio
	(Yen in millions)	(Yen in millions)	%
December 2017 3 rd quarter	22,303	5,412	24.2
Fiscal 2016(2017/03)	22,069	4,959	22.5

(Notes) Shareholders' Equity Fiscal 2017(2018/03) 3rd quarter 5,407 Million yen Fiscal 2016(2017/03) 4,954 Million yen

2. Status of Dividends

Date of record	Dividend Per Share				
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal 2016(2017/03)	—	2.00	—	2.00	4.00
Fiscal 2017(2018/03)	—	2.00	—		
Fiscal 2017(2018/03)				3.00	5.00

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

3. Consolidated forecasts for March 2018 term (From April 1, 2017 to March 31, 2018)

(% indicates changes from prior fiscal year for annual and from interim period of prior fiscal year for the interim period)

(%) indicates changes from prior fiscal year for annual and from interim period of prior fiscal year for the interim period)									
	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen)
Full year	20,900	2.3	810	13.6	780	12.6	440	-10.2	23.78

(Note) Revision of consolidated financial results forecasts: None

4. Others

(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 principles, accounting estimates and retrospective restatement for consolidated financial statements

- | | | |
|---|---|--------|
| ① | Changes due to changes in accounting standard | : None |
| ② | Other changes | : None |
| ③ | Changes in accounting estimates | : None |
| ④ | Re-statement | : None |

(4) Numbers of shares issued (common stock)

① Number of shares issued (including treasury stocks)	December 2017 3 rd quarter	18,504,000 shares	Fiscal Year 2016	18,504,000 shares
② Number of treasury stocks	December 2017 3 rd quarter	68 shares	Fiscal Year 2016	68 shares
③ Yearly average number of shares (3rd quarter ended Dec. 31)	December 2017 3 rd quarter	18,503,932 shares	December 2016 3 rd quarter	18,503,932 shares

***This Quarterly Financial Results Report is outside the scope of the quarterly review**

***Disclosure regarding the execution of the quarterly review process**

This “Third Quarter Financial Results” (Quarterly “Tanshin”) is outside the scope of the external auditor’s quarterly review procedure which is required by the “Financial Instruments and Exchange Act”.

Quarterly Consolidated Financial Statements**(1) Consolidated balance sheet**

(Yen in thousands)

	FY 2016 (as of Mar. 31, 2017)	Current 3rd quarter (as of Dec. 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	6,542,716	5,944,760
Notes and accounts receivable	3,447,710	3,769,009
Marketable securities	65,750	400,108
Merchandise and Finished goods	275,209	376,515
Work in process	33,028	20,524
Stores and materials	322,579	287,457
Accounts receivable-other	30,070	16,321
Prepaid expenses	351,632	383,208
Deferred income taxes	357,378	301,777
Beneficiary right in safeguarding and trust system for advance payment	470,399	495,986
Other	216,755	34,182
Allowance for doubtful accounts	-3,530	-3,200
Total current assets	12,109,700	12,026,651
Noncurrent assets		
Tangible fixed assets		
Land	2,744,159	2,744,159
Other,Net	1,871,126	1,919,032
Total tangible fixed assets	4,615,285	4,663,191
Intangible fixed assets	266,484	309,623
Investments and other assets		
Investment securities	1,046,667	1,272,186
Contribution of affiliated companies	33,634	34,075
Long-term time deposits	100,000	100,000
Fixed leasehold deposits	2,925,967	2,909,400
Insurance reserve fund	919,488	919,488
Other	98,310	114,952
Allowance for doubtful accounts	-46,097	-46,115
Total Investments and other assets	5,077,970	5,303,988
Total noncurrent assets	9,959,741	10,276,803
Total assets	22,069,442	22,303,455

(Yen in thousands)

	FY 2016 (as of Mar. 31, 2017)	Current 3rd quarter (as of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable	450,866	471,600
Short-term borrowings	800,000	890,000
Current portion of long-term borrowings	1,812,252	1,585,816
Accounts payable - other	418,542	443,330
Accrued expenses	440,728	511,323
Corporation and inhabitants taxes payable	242,190	110,846
Allowance for returned goods	353,500	306,132
Allowance for loss on disposal of returned goods	358,944	284,671
Allowance for employees' bonuses	74,021	36,090
Tuition advances	6,262,681	6,612,655
Other	171,611	246,282
Total current liabilities	11,385,340	11,498,747
Noncurrent liabilities		
Long-term borrowings	4,916,384	4,531,640
Deferred tax liability	20,786	11,701
Post-retirement benefits payable for directors and corporate directors	119,397	119,397
Asset retirement obligations	625,903	631,036
Provision for repairs	37,300	37,300
Other	5,029	61,443
Total noncurrent liabilities	5,724,801	5,392,519
Total liabilities	17,110,141	16,891,266
Net assets		
Shareholders' equity		
Paid-in Capital	940,200	940,200
Capital surplus	790,547	790,547
Earned surplus	3,223,053	3,687,029
Treasury stock	-25	-25
Total shareholders' equity	4,953,775	5,417,751
Accumulated other comprehensive income		
Other securities valuation difference	-13,837	-31,631
Foreign currency translation adjustment	14,712	21,018
Total accumulated other comprehensive income	874	-10,612
Non-controlling interests	4,650	5,049
Total net assets	4,959,300	5,412,188
Total liabilities and net assets	22,069,442	22,303,455

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

Consolidated statement of income

(Yen in thousands)

	FY2016 3rd quarter (Apr.1 2016-Dec. 31, 2016)	Current 3rd quarter (Apr.1 2017-Dec. 31, 2017)
Sales revenues	15,402,821	15,838,098
Cost of Sales	9,233,585	9,198,792
Gross profit	6,169,236	6,639,305
Reversal of allowance for loss on returned goods	368,248	353,500
Transfer to reserve for loss on returned goods	306,352	306,132
Gross profit - net	6,231,132	6,686,673
Selling, general and administrative expenses	5,613,175	5,798,457
Operating income	617,956	888,216
Non-operating income		
Interest income	13,857	20,339
Equity method investment income	1,679	1,076
Gain on valuation of investment securities	7,505	14,653
Others	15,690	5,505
Total Non-operating income	38,733	41,575
Non-operating expense		
Interest expenses	49,118	41,860
Foreign exchange losses	1,218	408
Commission fee	-	34,054
Others	951	19,597
Total Non-operating expenses	51,287	95,921
Ordinary income	605,402	833,870
Extraordinary income		
Settlement received	120,000	-
Total extraordinary income	120,000	-
Extraordinary losses		
Loss on sales of property, plant and equipment	1,017	112
Loss on valuation of investment securities	34,931	-
Total extraordinary losses	35,948	112
Profit before income taxes	689,454	833,758
Corporate, inhabitants and enterprise taxes	241,441	240,250
Deferred income taxes	14,971	54,368
Total corporate, inhabitants and enterprise taxes	256,412	294,618
Profit	433,041	539,139
Profit attributable to non-controlling interests	1,152	1,147
Profit attributable to owners of parent	431,889	537,991

Consolidated statements of comprehensive income

(Yen in thousands)

	FY2016 3rd quarter (Apr.1 2016-Dec.31, 2016)	Current 3rd quarter (Apr.1 2017-Dec.31, 2017)
Profit	433,041	539,139
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,237	-17,793
Foreign currency translation adjustment	-3,210	5,872
Share of other comprehensive income of associates accounted for using equity method	-230	433
Total other comprehensive income	-4,678	-11,487
Comprehensive income	428,362	527,652
Comprehensive income attributable to:		
owners of the parent	427,210	526,504
non-controlling interests	1,152	1,147

(3) Going concern assumption

None

(4)-1. Segment information

Third quarter of previous fiscal year (April 1, 2016 - December 31, 2016)

(A) Segment information by type

(Yen in

thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Sales					
(1) External customers	9,655,641	3,259,936	2,285,947	539,704	15,741,230
(2) Inter-segment transactions and eliminations	1,480	-	366	45,834	47,680
Total	9,657,122	3,259,936	2,286,313	585,538	15,788,911
Segment income	397,039	928,499	348,618	121,646	1,795,804

(Notes) TAC places importance on sales before adjustment of tuition advances (sales on a cash basis) from the standpoint of business management in the Personal Education segment and Corporate Training segment. Accordingly, sales and income (loss) of each reporting segment refers to sales and operating income before adjustment of tuition advances (sales on a cash basis).

(B) Difference between the total of the reporting segments' measures of profit or loss and income according to quarterly consolidated statements of income, and the main components of the difference (matters related to adjustment of difference)

(Yen in thousands)

Income	Amount
Total operating income of reporting segments	1,795,804
Corporate expenses	-839,439
Adjustment of tuition advances	-338,408
Operating income reported on quarterly statements of income	617,956

(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 segment.

(C) Information on amortization of goodwill and unamortized balance by each reporting segment

None

(D) Changes in reporting segment

Pursuant to an amendment in the Corporation Tax Act, the Company has applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No.32 issued on June 17, 2016) from the third quarter of the current fiscal year. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change in accounting policies on income of each business segment for the third quarter under review is immaterial.

(4)-2. Segment information

Third quarter of current fiscal year (April 1, 2017 -December 31, 2017)

(A) Segment information by type

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Sales					
(1) External customers	9,850,616	3,387,604	2,295,045	577,532	16,110,798
(2) Inter-segment transactions and eliminations	1,639	-	58	44,157	45,854
Total	9,852,255	3,387,604	2,295,103	621,689	16,156,652
Segment income	548,160	956,965	383,886	125,347	2,014,361

(Notes) TAC places importance on sales before adjustment of tuition advances (sales on a cash basis) from the standpoint of business management in the Personal Education segment and Corporate Training segment. Accordingly, sales and income (loss) of each reporting segment refers to sales and operating income before adjustment of tuition advances (sales on a cash basis).

(B) Difference between the total of the reporting segments' measures of profit or loss and income according to quarterly consolidated statements of income, and the main components of the difference (matters related to adjustment of difference)

(Yen in thousands)

Income	Amount
Total operating income of reporting segments	2,014,361
Corporate expenses	-853,444
Adjustment of tuition advances	-272,700
Operating income reported on quarterly statements of income	888,216

(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 segment.

(C) Information on amortization of goodwill and unamortized balance by each reporting segment

None