

Summary

Consolidated Financial Results for the Six Months Ended September 30, 2018 <JGAAP>

November 5, 2018

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 2nd quarter: November 12, 2018

Supplemental information for financial statements: Yes

Results briefing session: No

(Amounts rounded down to the nearest million yen)

1. Consolidated 2nd quarter results for the fiscal year ending March 2019

(From April 1, 2018 to September 30, 2018)

(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)	%
September 2018 2 nd quarter	10,854	-2.3	861	-17.2	855	-13.9	594	-10.3
September 2018 2 nd quarter	11,115	2.7	1,039	6.2	993	2.9	662	-4.2

(Notes) Comprehensive income: Fiscal 2018 2nd quarter 592million yen (-8.8%) Fiscal 2017 2nd quarter 649 million yen (-0.9%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
September 2018 2 nd quarter	32.15	—
September 2018 2 nd quarter	35.83	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Yen in millions)	(Yen in millions)	%
September 2018 2 nd quarter	22,725	5,828	25.6
Fiscal 2017(2018/3)	21,618	5,291	24.5

(Notes) Equity Fiscal 2018 2nd quarter 5,822 million yen Fiscal 2017 (2018/3) 5,286 million yen

2. Dividends

	Annual dividends per share				
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal 2017 (2018/3)	—	2.00	—	3.00	5.00
Fiscal 2018 (2019/3)	—	4.00			
(Forecast)			—	4.00	8.00
Fiscal 2018 (2019/3)					

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

3. Consolidated forecasts for March 2019 term (From April 1, 2018 to March 31, 2019)

(% 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	21,200	1.2	910	9.1	880	19.6	550	24.2	29.72

(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: 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)	September 2018 2 nd quarter	18,504,000 shares	Fiscal Year 2017	18,504,000 shares
(4)-2 Number of treasury shares at the end of the period	September 2018 2 nd quarter	68 shares	Fiscal Year 2017	68 shares
(4)-3 Average number of shares during the period	September 2018 2 nd quarter	18,503,932 shares	September 2018 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)	
	Previous fiscal year (as of March 31, 2018)	Current 2nd quarter (as of September 30, 2018)
Assets		
Current assets		
Cash and deposits	4,973,428	6,065,623
Notes and accounts receivable - trade	3,781,337	4,439,626
Securities	700,100	100,102
Merchandise and finished goods	333,344	286,528
Work in process	28,252	31,088
Raw materials and supplies	331,436	297,563
Accounts receivable – other	9,478	13,916
Prepaid expenses	371,624	379,004
Beneficiary right in safeguarding and trust system for advance payments	560,647	448,172
Other	16,657	25,648
Allowance for doubtful accounts	-3,668	-2,705
Total current assets	11,102,640	12,084,569
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other	1,859,904	1,823,004
Total non-current assets	4,604,063	4,567,163
Intangible assets	351,879	339,465
Investments and other assets		
Investment securities	1,168,401	1,342,217
Investments in capital of subsidiaries and associates	15,010	15,648
Deferred tax assets	367,063	372,725
Long-term time deposits	100,000	100,000
Guarantee deposits	2,919,939	2,927,428
Insurance funds	919,657	919,657
Other	115,830	102,895
Allowance for doubtful accounts	-46,120	-46,429
Total Investments and other assets	5,559,783	5,734,144
Total non-current assets	10,515,726	10,640,774
Total assets	21,618,367	22,725,343

	(Yen in thousands)	
	Previous fiscal year (as of March 31, 2018)	Current 2nd quarter (as of September 30, 2018)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	473,104	351,375
Short-term loans payable	790,000	1,390,000
Current portion of long-term loans payable	1,473,696	1,410,594
Operating accounts payable	522,053	479,284
Accrued expenses	426,116	458,905
Income taxes payable	162,250	307,877
Provision for sales returns	413,117	400,257
Provision for loss on abandonment of sales return	343,454	303,048
Provision for bonuses	175,202	194,166
Advances received	6,284,424	6,223,436
Other	220,192	215,544
Total current liabilities	11,283,611	11,734,489
Non-current liabilities		
Long-term loans payable	4,202,656	4,326,695
Long-term accounts payable - directors' retirement benefits	119,397	119,397
Asset retirement obligations	627,651	635,087
Provision for repairs	37,300	37,300
Other	55,766	44,314
Total non-current liabilities	5,042,772	5,162,794
Total liabilities	16,326,383	16,897,284
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	3,591,799	4,131,156
Treasury shares	-25	-25
Total shareholders' equity	5,322,522	5,861,878
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-54,700	-55,264
Foreign currency translation adjustment	18,740	15,966
Total accumulated other comprehensive income	-35,960	-39,298
Non-controlling interests	5,421	5,478
Total net assets	5,291,983	5,828,059
Total liabilities and net assets	21,618,367	22,725,343

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

Quarterly consolidated statement of income

	(Yen in thousands)	
	FY2017 1st quarter (April 1, 2017 -September.30, 2017)	Current 1st quarter (April.1 2018- September.30,2018)
Net sales	11,115,648	10,854,793
Cost of sales	6,205,433	6,167,705
Gross profit	4,910,214	4,687,087
Reversal of provision for sales returns	353,500	413,117
Provision for sales returns	304,110	400,257
Gross profit - net	4,959,604	4,699,948
Selling, general and administrative expenses	3,919,784	3,838,588
Operating profit	1,039,819	861,359
Non-operating income		
Interest income	10,039	8,593
Share of profit of entities accounted for using equity method	301	814
Foreign exchange gains	-	205
Gain on investments in investment securities	9,659	7,376
Other	3,630	3,371
Total non-operating income	23,630	20,360
Non-operating expenses		
Interest expenses	28,778	23,755
Foreign exchange losses	167	-
Commission fee	33,054	2,155
Other	8,097	745
Total non-operating expenses	70,098	26,655
Ordinary profit	993,352	855,064
Extraordinary losses		
Loss on sales and retirement of non-current assets	112	1,628
Total extraordinary losses	112	1,628
Profit before income taxes	993,239	853,435
Income taxes – current	341,650	263,165
Income taxes - deferred	-12,082	-5,413
Total income taxes	329,568	257,751
Profit	663,671	595,683
Profit attributable to non-controlling interests	766	815
Profit attributable to owners of parent	662,905	594,868

Consolidated statement of comprehensive income

		(Yen in thousands)
	FY2017 2nd quarter (April.1 2017-September.30, 2017)	Current 2nd quarter (April.1 2018- September.30, 2018)
Profit	663,671	595,683
Other comprehensive income		
Valuation difference on available-for-sale securities	-18,620	-563
Foreign currency translation adjustment	3,989	-2,560
Share of other comprehensive income of entities accounted for using equity method	294	-214
Total other comprehensive income	-14,335	-3,337
Comprehensive income	649,335	592,345
Comprehensive income attributable to:		
owners of the parent	648,569	591,530
non-controlling interests	766	815

(4) Consolidated statement of cash flows

	(Yen in thousands)	
	FY2017 2nd quarter (April.1 2017- September.30, 2017)	Current 2nd quarter (April.1 2018- September.30, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	993,239	853,435
Depreciation	140,138	140,373
Increase (decrease) in allowance for doubtful accounts	-355	-1,018
Increase (decrease) in provision for bonuses	99,634	18,963
Increase (decrease) in provision for sales returns	-49,389	-12,860
Increase (decrease) in provision for loss on abandonment of sales return	-32,627	-40,405
Interest and dividend income	-10,039	-8,616
Interest expenses	28,778	23,755
Commission fee	33,054	-
Loss(gain) on investments in investment securities	-9,659	-7,376
Share of loss (profit) of entities accounted for using equity method	-301	-814
Decrease (increase) in notes and accounts receivable - trade	-861,531	-658,453
Decrease (increase) in inventories	46,736	77,853
Increase (decrease) in notes and accounts payable - trade	-76,104	-121,640
Increase (decrease) in advances received	143,448	-60,987
Increase (decrease) in beneficiary right in safeguarding and trust system for advance payment	43,931	112,474
Other, net	31,523	29,908
Sub-total	520,477	344,590
Interest and dividend income received	14,429	16,516
Interest expenses paid	-28,653	-23,753
Income tax refund	0	1
Income taxes paid	-174,826	-123,531
Net cash provided by operating activities	331,426	213,822
Cash flows from investing activities		
Purchase of securities	-	-100,000
Proceeds from sales and redemption of securities	-	700,000
Purchase of property, plant and equipment	-58,327	-67,237
Payments for restoration	-1,987	-6,855
Purchase of intangible assets	-45,326	-55,647
Purchase of investment securities	-564,883	-201,005
Collection of loans receivable	3,000	3,364
Proceeds from sales and redemption of investment securities	322,662	28,785
Decrease (increase) in time deposits	100,000	-
Payments for guarantee deposits	-11,083	-14,822
Proceeds from collection of guarantee deposits	973	669
Other, net	-20,000	66
Net cash provided by (used in) investing activities	-274,971	287,318

	FY2017 2nd quarter (April.1 2017-September.30, 2017)	Current 2nd quarter (April.1 2018- September.30, 2018)
Cash flows from financing activities		
Proceeds from long-term loans payable	850,000	900,000
Repayments of long-term loans payable	-1,236,744	-839,063
Cash dividends paid	-36,751	-55,270
Net increase (decrease) in short-term loans payable	590,000	600,000
Dividends paid to non-controlling interests	-748	-758
Repayments of lease obligations	-8,460	-11,678
Other, net	-33,054	-
Net cash provided by (used in) financing activities	124,239	593,229
Effect of exchange rate change on cash and cash equivalents	-3,857	-2,174
Net increase (decrease) in cash and cash equivalents	176,837	1,092,196
Cash and cash equivalents at the beginning of the year	6,584,005	4,943,151
Cash and cash equivalents at the end of the year	6,760,843	6,035,347

(3) Note for Consolidated Financial Statements

(Going-Concern Assumption)

Not applicable

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

Not applicable

(Segment information)

I, Second quarter of the previous fiscal year (April 1, 2017 - September 30, 2017)

(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	
Sales					
(1) External customers	6,981,344	2,277,529	1,498,016	387,386	11,144,276
(2) Intersegment and transfer	952	—	58	29,841	30,852
Total	6,982,297	2,277,529	1,498,074	417,227	11,175,128
Segment profit(loss)	686,664	630,933	238,662	83,853	1,640,113

(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	1,640,113
Corporate expenses	-571,665
Adjustment of tuition advances	-28,628
Operating profit of the quarterly consolidated financial statements	1,039,819

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

Not applicable

II, Second quarter of the current fiscal year (April 1, 2018 – September 30, 2018)

(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	
Sales					
(1) External customers	6,561,407	2,247,678	1,528,017	391,753	10,728,856
(2) Intersegment and transfer	1,784	—	—	31,274	33,059
Total	6,563,191	2,247,678	1,528,017	423,028	10,761,915
Segment profit(loss)	294,690	598,036	306,567	90,946	1,290,241

(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	1,290,241
Corporate expenses	-554,817
Adjustment of tuition advances	125,936
Operating profit of the quarterly consolidated financial statements	861,359

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

Not applicable

(Additional Information)

TAC has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first quarter of the current fiscal year. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.