

Summary

Consolidated Financial Results for the Nine Months Ended December 31, 2018 <JGAAP>

February 5, 2019

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: -

Scheduled date to submit the annual securities report of the 3rd quarter: February 12, 2019

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 2019

(From April 1, 2018 to December 31, 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)	%
December 2018 3 rd quarter	15,515	-2.0	536	-39.6	602	-27.8	429	-20.2
December 2017 3 rd quarter	15,838	2.8	888	43.7	833	37.7	537	24.6

(Notes) Comprehensive income: Fiscal 2018 3rd quarter 419million yen (-20.5%) Fiscal 2017 3rd quarter 527 million yen (23.2%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
December 2018 3 rd quarter	23.19	—
December 2017 3 rd quarter	29.07	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Yen in millions)	(Yen in millions)	%
December 2018 3 rd quarter	21,869	5,581	25.5
Fiscal 2017(2018/3)	21,618	5,291	24.5

(Notes) Equity Fiscal 2018 3rd quarter 5,575 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)	December 2018 3 rd quarter	18,504,000 shares	Fiscal Year 2017	18,504,000 shares
(4)-2 Number of treasury shares at the end of the period	December 2018 3 rd quarter	68 shares	Fiscal Year 2017	68 shares
(4)-3 Average number of shares during the period	December 2018 3 rd quarter	18,503,932 shares	December 2017 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)	
	Previous fiscal year (as of March 31, 2018)	Current 3rd quarter (as of December 31, 2018)
Assets		
Current assets		
Cash and deposits	4,973,428	6,031,762
Notes and accounts receivable - trade	3,781,337	3,813,046
Securities	700,100	100,098
Merchandise and finished goods	333,344	383,356
Work in process	28,252	30,057
Raw materials and supplies	331,436	307,060
Accounts receivable – other	9,478	8,844
Prepaid expenses	371,624	364,692
Beneficiary right in safeguarding and trust system for advance payments	560,647	507,264
Other	16,657	32,607
Allowance for doubtful accounts	-3,668	-3,440
Total current assets	11,102,640	11,575,350
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other	1,859,904	1,793,800
Total non-current assets	4,604,063	4,537,959
Intangible assets	351,879	332,370
Investments and other assets		
Investment securities	1,168,401	1,307,763
Investments in capital of subsidiaries and associates	15,010	15,836
Deferred tax assets	367,063	339,267
Long-term time deposits	100,000	100,000
Guarantee deposits	2,919,939	2,927,830
Insurance funds	919,657	678,111
Other	115,830	119,670
Allowance for doubtful accounts	-46,120	-64,255
Total Investments and other assets	5,559,783	5,424,225
Total non-current assets	10,515,726	10,294,555
Total assets	21,618,367	21,869,905

	(Yen in thousands)	
	Previous fiscal year (as of March 31, 2018)	Current 3rd quarter (as of December 31, 2018)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	473,104	465,421
Short-term loans payable	790,000	1,390,000
Current portion of long-term loans payable	1,473,696	1,318,144
Operating accounts payable	522,053	416,314
Accrued expenses	426,116	474,935
Income taxes payable	162,250	17,654
Provision for sales returns	413,117	386,388
Provision for loss on abandonment of sales return	343,454	276,335
Provision for bonuses	175,202	67,323
Advances received	6,284,424	6,352,152
Other	220,192	246,302
Total current liabilities	11,283,611	11,410,972
Non-current liabilities		
Long-term loans payable	4,202,656	4,044,159
Long-term accounts payable - directors' retirement benefits	119,397	119,397
Asset retirement obligations	627,651	630,833
Provision for repairs	37,300	37,300
Other	55,766	45,808
Total non-current liabilities	5,042,772	4,877,499
Total liabilities	16,326,383	16,288,472
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	3,591,799	3,891,383
Treasury shares	-25	-25
Total shareholders' equity	5,322,522	5,622,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-54,700	-60,255
Foreign currency translation adjustment	18,740	13,707
Total accumulated other comprehensive income	-35,960	-46,547
Non-controlling interests	5,421	5,875
Total net assets	5,291,983	5,581,433
Total liabilities and net assets	21,618,367	21,869,905

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

Quarterly consolidated statement of income

	(Yen in thousands)	
	FY2017 3rd quarter (April 1, 2017 – December.31, 2017)	Current 3rd quarter (April.1 2018- December.31,2018)
Net sales	15,838,098	15,515,433
Cost of sales	9,198,792	9,254,377
Gross profit	6,639,305	6,261,056
Reversal of provision for sales returns	353,500	413,117
Provision for sales returns	306,132	386,388
Gross profit - net	6,686,673	6,287,785
Selling, general and administrative expenses	5,798,457	5,751,109
Operating profit	888,216	536,676
Non-operating income		
Interest income	20,339	12,822
Share of profit of entities accounted for using equity method	1,076	7,356
Insurance income	-	66,443
Gain on investments in investment securities	14,635	11,279
Other	5,505	7,251
Total non-operating income	41,575	105,153
Non-operating expenses		
Interest expenses	41,860	35,437
Foreign exchange losses	408	467
Commission fee	34,054	3,155
Other	19,597	757
Total non-operating expenses	95,921	39,818
Ordinary profit	833,870	602,011
Extraordinary losses		
Impairment loss	-	490
Loss on sales and retirement of non-current assets	112	3,182
Total extraordinary losses	112	3,673
Profit before income taxes	833,758	598,337
Income taxes – current	240,250	137,767
Income taxes - deferred	54,368	30,246
Total income taxes	294,618	168,014
Profit	539,139	430,323
Profit attributable to non-controlling interests	1,147	1,212
Profit attributable to owners of parent	537,991	429,110

Consolidated statement of comprehensive income

		(Yen in thousands)
	FY2017 3rd quarter (April 1, 2017 – December.31, 2017)	Current 3rd quarter (April.1 2018- December.31,2018)
Profit	539,139	430,323
Other comprehensive income		
Valuation difference on available-for-sale securities	-17,793	-5,554
Foreign currency translation adjustment	5,872	-4,644
Share of other comprehensive income of entities accounted for using equity method	433	-388
Total other comprehensive income	-11,487	-10,587
Comprehensive income	527,652	419,735
Comprehensive income attributable to:		
owners of the parent	526,504	418,523
non-controlling interests	1,147	1,212

(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, Third quarter of the previous fiscal year (April 1, 2017 - December 31, 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	9,850,616	3,387,604	2,295,045	577,532	16,110,798
(2) Intersegment and transfer	1,639	—	58	44,157	45,854
Total	9,852,255	3,387,604	2,295,103	621,689	16,156,652
Segment profit(loss)	548,160	956,965	383,886	125,347	2,014,361

(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	2,014,361
Corporate expenses	-853,444
Adjustment of tuition advances	-272,700
Operating profit of the quarterly consolidated financial statements	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 segments.

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

Not applicable

II, Third quarter of the current fiscal year (April 1, 2018 – December 31, 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	9,205,291	3,346,763	2,436,179	557,089	15,545,324
(2) Intersegment and transfer	3,056	—	—	47,033	50,089
Total	9,208,347	3,346,763	2,436,179	604,123	15,595,414
Segment profit(loss)	-65,163	869,546	456,936	127,593	1,388,912

(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	1,388,912
Corporate expenses	-822,345
Adjustment of tuition advances	-29,890
Operating profit of the quarterly consolidated financial statements	536,676

(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

In the personal education segment, impairment of features (Buildings and Structures) that are no longer expected to be used due to reduce floor is ¥490 thousand. The features posted as extraordinary loss, have not been allocated to reporting segments.

(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.