

Summary

Consolidated Financial Results for the Six Months Ended September 30, 2019 <JGAAP>

November 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

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Scheduled date to commence dividend payments: December 3, 2019

Scheduled date to submit the annual securities report of the 2nd quarter: November 12, 2019

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 2020

(From April 1, 2019 to September 30, 2019)

(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)	%
FY2019 (Apr.1,2019-Sep.30,2019)	11,025	1.6	1,157	34.3	1,253	46.6	771	29.6
FY2018 (Apr.1,2018-Sep.30,2018)	10,854	-2.3	861	-17.2	855	-13.9	594	-10.3

(Notes) Comprehensive income: FY2019(2019/9) 786million yen (32.8%) FY2018(2018/9) 592 million yen (-8.8%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
FY2019 (Apr.1,2019-Sep.30,2019)	41.67	—
FY2018 (Apr.1,2018-Sep.30,2018)	32.15	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Yen in millions)	(Yen in millions)	%
FY2019 (As of Sep.30,2019)	22,736	6,210	27.3
FY2018 (As of Mar.31,2019)	21,486	5,498	25.6

(Notes) Equity FY2019(2019/9) 6,204 million yen FY2018(2019/3) 5,492 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)
FY2018 (Apr.1,2018-Mar.31,2019)	—	4.00	—	4.00	8.00
FY2019 (Apr.1,2019-Mar.31,2020)	—	2.00			
FY2019(Forecast)			—	3.00	5.00

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

3. Consolidated forecasts for March 2020 term (From April 1, 2019 to March 31, 2020)

(% 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	20,430	-0.2	320	-6.1	322	-21.4	100	-67.7	5.40

(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)

(4)-2 Number of treasury shares at the end of the period

(4)-3 Average number of shares during the period

FY2019 2 nd quarter	18,504,000 shares	FY2018	18,504,000 shares
FY2019 2 nd quarter	68 shares	FY2018	68 shares
FY2019 2 nd quarter	18,503,932 shares	FY2018 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)	
	FY2018 (as of March 31, 2019)	FY2019 (as of September 30, 2019)
Assets		
Current assets		
Cash and deposits	5,195,516	6,219,813
Notes and accounts receivable - trade	3,871,213	4,787,520
Securities	100,099	200,092
Merchandise and finished goods	409,347	335,712
Work in process	29,097	31,690
Raw materials and supplies	346,231	295,698
Accounts receivable – other	8,232	24,421
Prepaid expenses	388,809	408,236
Beneficiary right in safeguarding and trust system for advance payments	537,709	–
Other	18,449	15,984
Allowance for doubtful accounts	-3,121	-2,685
Total current assets	10,901,585	12,316,483
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other	1,764,090	1,747,184
Total property, plant and equipment	4,508,249	4,491,343
Intangible assets	331,329	319,398
Investments and other assets		
Investment securities	1,319,903	1,433,921
Investments in capital of subsidiaries and associates	15,810	6,385
Deferred tax assets	410,661	361,654
Long-term time deposits	100,000	100,000
Guarantee deposits	2,933,307	2,904,674
Insurance funds	747,116	596,529
Other	264,251	252,657
Allowance for doubtful accounts	-46,056	-46,061
Total Investments and other assets	5,744,995	5,609,761
Total non-current assets	10,584,573	10,420,503
Total assets	21,486,158	22,736,986

	(Yen in thousands)	
	FY2018 (as of March 31, 2019)	FY2019 (as of September 30, 2019)
Liabilities		
Current Liabilities		
Notes and accounts payable – trade	524,932	440,010
Short-term loans payable	1,390,000	1,890,000
Current portion of long-term loans payable	1,232,294	1,195,544
Operating accounts payable	536,863	428,320
Accrued expenses	492,758	453,971
Income taxes payable	51,079	314,511
Provision for sales returns	505,634	385,980
Provision for loss on abandonment of sales return	315,185	272,867
Provision for bonuses	190,880	191,902
Advances received	6,044,370	6,627,696
Other	217,286	217,921
Total current liabilities	11,501,284	12,418,726
Non-current liabilities		
Long-term loans payable	3,755,023	3,431,151
Long-term accounts payable - directors' retirement benefits	25,077	25,077
Asset retirement obligations	628,843	577,875
Provision for repairs	37,300	37,300
Other	39,897	36,309
Total non-current liabilities	4,486,141	4,107,713
Total liabilities	15,987,426	16,526,439
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	3,771,989	4,469,072
Treasury shares	-25	-25
Total shareholders' equity	5,502,711	6,199,794
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-26,075	-1,027
Foreign currency translation adjustment	15,834	5,499
Total accumulated other comprehensive income	-10,241	4,471
Non-controlling interests	6,262	6,280
Total net assets	5,498,732	6,210,547
Total liabilities and net assets	21,486,158	22,736,986

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

Quarterly consolidated statement of income

	(Yen in thousands)	
	FY2018 (April 1, 2018- September 30, 2018)	FY2019 (April 1, 2019- September 30, 2019)
Net sales	10,854,793	11,025,691
Cost of sales	6,167,705	6,248,418
Gross profit	4,687,087	4,777,273
Reversal of provision for sales returns	413,117	505,634
Provision for sales returns	400,257	385,980
Gross profit – net	4,699,948	4,896,927
Selling, general and administrative expenses	3,838,588	3,739,725
Operating profit	861,359	1,157,201
Non-operating income		
Interest income	8,593	9,021
Insurance claim income	–	95,625
Foreign exchange gains	205	796
Gain on investments in investment securities	7,376	4,761
Share of profit of entities accounted for using equity method	814	1,736
Other	3,371	8,676
Total non-operating income	20,360	120,618
Non-operating expenses		
Interest expenses	23,755	21,696
Commission fee	2,155	2,111
Other	745	67
Total non-operating expenses	26,655	23,875
Ordinary profit	855,064	1,253,943
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,628	3,258
Special retirement payments	–	155,680
Total extraordinary losses	1,628	158,938
Profit before income taxes	853,435	1,095,004
Income taxes – current	263,165	285,139
Income taxes – deferred	-5,413	37,951
Total income taxes	257,751	323,090
Profit	595,683	771,914
Profit attributable to non-controlling interests	815	815
Profit attributable to owners of parent	594,868	771,098

Consolidated statement of comprehensive income

		(Yen in thousands)
	FY2018 (April 1, 2018- September 30, 2018)	FY2019 (April 1, 2019- September 30, 2019)
Profit	595,683	771,914
Other comprehensive income		
Valuation difference on available-for-sale securities	-563	25,048
Foreign currency translation adjustment	-2,560	-9,593
Share of other comprehensive income of entities accounted for using equity method	-214	-741
Total other comprehensive income	-3,337	14,713
Comprehensive income	592,345	786,627
(Breakdown)		
Comprehensive income attributable to owners of parent	591,530	785,812
Comprehensive income attributable to non-controlling interests	815	815

(4) Consolidated statement of cash flows

	(Yen in thousands)	
	FY2018 (April 1, 2018- September 30, 2018)	FY2019 (April 1, 2019- September 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	853,435	1,095,004
Depreciation	140,373	146,135
Increase (decrease) in allowance for doubtful accounts	-1,018	-430
Increase (decrease) in provision for bonuses	18,963	1,021
Increase (decrease) in provision for sales returns	-12,860	-119,653
Increase (decrease) in provision for loss on abandonment of sales return	-40,405	-42,317
Interest and dividend income	-8,616	-9,057
Insurance claim income	—	-95,625
Interest expenses	23,755	21,696
Commission fee	—	2,111
Loss(gain) on investments in investment securities	-7,376	-4,761
Share of loss (profit) of entities accounted for using equity method	-814	-1,736
Decrease (increase) in notes and accounts receivable - trade	-658,453	-916,888
Decrease (increase) in inventories	77,853	121,575
Increase (decrease) in notes and accounts payable - trade	-121,640	-84,617
Increase (decrease) in advances received	-60,987	583,326
Increase (decrease) in beneficiary right in safeguarding and trust system for advance payment	112,474	537,709
Other, net	29,908	-193,158
Sub-total	344,590	1,040,334
Interest and dividend income received	16,516	19,497
Interest expenses paid	-23,753	-21,812
Income tax refund	1	32,252
Income taxes paid	-123,531	-70,289
Net cash provided by operating activities	213,822	999,982
Cash flows from investing activities		
Purchase of securities	-100,000	-100,000
Proceeds from sales and redemption of securities	700,000	—
Purchase of property, plant and equipment	-67,237	-94,980
Payments for restoration	-6,855	-9,150
Purchase of intangible assets	-55,647	-18,566
Purchase of investment securities	-201,005	-202,717
Proceeds from sales and redemption of investment securities	28,785	133,142
Collection of loans receivable	3,364	6,410
Payments for guarantee deposits	-14,822	-1,288
Proceeds from collection of guarantee deposits	669	14,822
Purchase of insurance funds	—	-318,894
Proceeds from maturity of insurance funds	—	573,323
Other, net	66	—
Net cash provided by (used in) investing activities	287,318	-17,899

(Yen in thousands)

	FY2018 (April 1, 2018- September 30, 2018)	FY2019 (April 1, 2019- September 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	600,000	500,000
Proceeds from long-term loans payable	900,000	300,000
Repayments of long-term loans payable	-839,063	-660,622
Cash dividends paid	-55,270	-73,664
Dividends paid to non-controlling interests	-758	-796
Repayments of lease obligations	-11,678	-12,491
Other, net	-	-2,111
Net cash provided by (used in) financing activities	593,229	50,312
Effect of exchange rate change on cash and cash equivalents	-2,174	-8,105
Net increase (decrease) in cash and cash equivalents	1,092,196	1,024,290
Cash and cash equivalents at the beginning of the year	4,943,151	5,165,236
Cash and cash equivalents at the end of the year	6,035,347	6,189,526

(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, 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	
Net 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 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

Not applicable

II, Second quarter of the current fiscal year (April 1, 2019 – September 30, 2019)

(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	7,009,138	2,535,287	1,619,953	309,543	11,473,922
(2) Intersegment and transfer	894	—	—	29,555	30,450
Total	7,010,032	2,535,287	1,619,953	339,099	11,504,372
Segment profit(loss)	788,987	831,103	462,931	85,299	2,168,320

(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	2,168,320
Corporate expenses	-562,888
Adjustment of tuition advances	-448,231
Operating profit of the quarterly consolidated financial statements	1,157,201

(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 about impairment of fixed assets or goodwill by each reporting segment

Not applicable