

## Summary

# Consolidated Financial Results for the Three Months Ended June 30, 2018 <JGAAP>

August 3, 2018

Company name: TAC CO., LTD.

Listing: Tokyo Stock Exchange

Company code number: 4319

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

Representative: Hiroaki Saito, Representative Director

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Scheduled date to commence dividend payments: -

Scheduled date to submit the annual securities report of the 1st quarter: August 9, 2018

Supplemental information for financial statements: Yes

Results briefing session: No

(Amounts rounded down to the nearest million yen)

## 1. Consolidated 1st quarter results for the fiscal year ending March 2019

(From April 1, 2018 to June 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)                       | %     |
| June 2018 1 <sup>st</sup> quarter | 5,607             | -2.1 | 561               | -21.6 | 560               | -18.6 | 385                                     | -16.7 |
| June 2017 1 <sup>st</sup> quarter | 5,728             | 0.1  | 716               | -5.2  | 688               | -7.8  | 463                                     | -16.8 |

(Notes) Comprehensive income: Fiscal 2018 1<sup>st</sup> quarter 385million yen (-14.8%) Fiscal 2017 1<sup>st</sup> quarter 453million yen (-13.5%)

|                                   | Profit per share | Fully diluted profit per share |
|-----------------------------------|------------------|--------------------------------|
|                                   | (Yen)            | (Yen)                          |
| June 2018 1 <sup>st</sup> quarter | 20.85            | —                              |
| June 2017 1 <sup>st</sup> quarter | 25.05            | —                              |

### (2) Consolidated financial position

|                                   | Total assets      | Net assets        | Equity Ratio |
|-----------------------------------|-------------------|-------------------|--------------|
|                                   | (Yen in millions) | (Yen in millions) | %            |
| June 2018 1 <sup>st</sup> quarter | 20,756            | 5,621             | 27.1         |
| Fiscal 2017(2018/3)               | 21,618            | 5,291             | 24.5         |

(Notes) Equity Fiscal 2018 1<sup>st</sup> quarter 5,616 Million yen Fiscal 2017 (2018/3) 5,286 Million yen

## 2. Dividends

|                     | Annual dividends Per Share |                         |                         |                         |       |
|---------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------|
|                     | 1 <sup>st</sup> quarter    | 2 <sup>nd</sup> quarter | 3 <sup>rd</sup> quarter | 4 <sup>th</sup> quarter | Total |
|                     | (Yen)                      | (Yen)                   | (Yen)                   | (Yen)                   | (Yen) |
| Fiscal2017(2018/3)  | —                          | 2.00                    | —                       | 3.00                    | 5.00  |
| Fiscal2018 (2019/3) | —                          |                         |                         |                         |       |
| (Forecast)          |                            | 4.00                    | —                       | 4.00                    | 8.00  |
| Fiscal2018 (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)            |
| Half year | 11,260            | 1.3 | 1,140             | 9.6 | 1,125             | 13.3 | 700                                     | 5.6  | 37.83            |
| 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) | June 2018<br>1 <sup>st</sup> quarter | 18,504,000 Shares | Fiscal Year<br>2017                  | 18,504,000 shares |
| (4)-2 Number of treasury shares at the end of the period                           | June 2018<br>1 <sup>st</sup> quarter | 68 Shares         | Fiscal Year<br>2017                  | 68 shares         |
| (4)-3 Average number of shares during the period                                   | June 2018<br>1 <sup>st</sup> quarter | 18,503,932 Shares | June 2017<br>1 <sup>st</sup> 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) Consolidated balance sheet**

|  | (Yen in thousands)                             |  |
|--|--|--|
|  | Previous fiscal year<br>(as of March 31, 2018) | Current 1st quarter<br>(as of June 30, 2018) |
| <b>Assets</b>  |  |  |
| Current assets   |  |  |
| Cash and deposits  | 4,973,428                                      | 4,590,557                                    |
| Notes and accounts receivable - trade                                      | 3,781,337                                      | 3,885,949                                    |
| Securities   | 700,100  | 100  |
| Merchandise and finished goods   | 333,344  | 360,269                                      |
| Work in process  | 28,252   | 27,327                                       |
| Raw materials and supplies   | 331,436  | 335,473                                      |
| Accounts receivable - other  | 9,478  | 9,615  |
| Prepaid expenses   | 371,624  | 356,824                                      |
| Beneficiary right in safeguarding and trust system<br>for advance payments | 560,647  | 727,341                                      |
| Other  | 16,657   | 17,346                                       |
| Allowance for doubtful accounts  | -3,668   | -2,749                                       |
| Total current assets   | 11,102,640                                     | 10,308,055                                   |
| Non-current assets   |  |  |
| Property, plant and equipment  |  |  |
| Land   | 2,744,159                                      | 2,744,159                                    |
| Other  | 1,859,904                                      | 1,843,983                                    |
| Total intangible assets  | 4,604,063                                      | 4,588,142                                    |
| Intangible assets  | 351,879  | 341,816                                      |
| Investments and other assets   |  |  |
| Investment securities  | 1,168,401                                      | 1,153,925                                    |
| Investments in capital of subsidiaries and associates                      | 15,010   | 15,001                                       |
| Deferred tax assets  | 367,063  | 328,855                                      |
| Long-term time deposits  | 100,000  | 100,000                                      |
| Guarantee deposits   | 2,919,939                                      | 2,933,440                                    |
| Insurance funds  | 919,657  | 919,657                                      |
| Other  | 115,830  | 113,610                                      |
| Allowance for doubtful accounts  | -46,120  | -46,065                                      |
| Total Investments and other assets   | 5,559,783                                      | 5,518,425                                    |
| Total non-current assets   | 10,515,726                                     | 10,448,384                                   |
| Total assets   | 21,618,367                                     | 20,756,440                                   |

(Yen in thousands)

|   | Previous fiscal year<br>(as of March 31, 2018) | Current 1st quarter<br>(as of June 30, 2018) |
|---|--|--|
| Liabilities   |  |  |
| Current Liabilities   |  |  |
| Notes and accounts payable - trade                          | 473,104  | 393,726                                      |
| Short-term loans payable                                    | 790,000  | 790,000                                      |
| Current portion of long-term loans payable                  | 1,473,696                                      | 1,336,576                                    |
| Operating accounts payable                                  | 522,053  | 424,703                                      |
| Accrued expenses  | 426,116  | 503,835                                      |
| Income taxes payable  | 162,250  | 153,950                                      |
| Provision for sales returns                                 | 413,117  | 435,726                                      |
| Provision for loss on abandonment of sales return           | 343,454  | 295,332                                      |
| Provision for bonuses                                       | 175,202  | 88,190                                       |
| Advances received   | 6,284,424                                      | 5,679,456                                    |
| Other   | 220,192  | 294,045                                      |
| Total current liabilities                                   | 11,283,611                                     | 10,395,543                                   |
| Non-current liabilities                                     |  |  |
| Long-term loans payable                                     | 4,202,656                                      | 3,898,672                                    |
| Long-term accounts payable - directors' retirement benefits | 119,397  | 119,397                                      |
| Asset retirement obligations                                | 627,651  | 633,827                                      |
| Provision for repairs                                       | 37,300   | 37,300                                       |
| Other   | 55,766   | 50,039                                       |
| Total non-current liabilities                               | 5,042,772                                      | 4,739,236                                    |
| Total liabilities   | 16,326,383                                     | 15,134,779                                   |
| Net assets  |  |  |
| Shareholders' equity  |  |  |
| Capital stock   | 940,200  | 940,200                                      |
| Capital surplus   | 790,547  | 790,547                                      |
| Retained earnings   | 3,591,799                                      | 3,922,131                                    |
| Treasury shares   | -25  | -25  |
| Total shareholders' equity                                  | 5,322,522                                      | 5,652,854                                    |
| Accumulated other comprehensive income                      |  |  |
| Valuation difference on available-for-sale securities       | -54,700  | -53,368                                      |
| Foreign currency translation adjustment                     | 18,740   | 17,089                                       |
| Total accumulated other comprehensive income                | -35,960  | -36,279                                      |
| Non-controlling interests                                   | 5,421  | 5,085  |
| Total net assets  | 5,291,983                                      | 5,621,660                                    |
| Total liabilities and net assets                            | 21,618,367                                     | 20,756,440                                   |

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

## Consolidated statement of income

(Yen in thousands)

|   | FY2017 1st quarter<br>(April 1, 2017 -June.30, 2017) | Current 1st quarter<br>(April.1 2018-June.30,2018) |
|---|--|--|
| Net sales   | 5,728,513  | 5,607,423  |
| Cost of sales   | 3,112,510  | 3,087,249  |
| Gross profit  | 2,616,003  | 2,520,174  |
| Reversal of provision for sales returns                     | 353,500  | 413,117  |
| Provision for sales returns                                 | 292,355  | 435,726  |
| Gross profit - net  | 2,677,148  | 2,497,565  |
| Selling, general and administrative expenses                | 1,961,116  | 1,936,499  |
| Operating profit  | 716,031  | 561,066  |
| Non-operating income  |  |  |
| Interest income   | 7,291  | 4,851  |
| Foreign exchange gains                                      | -  | 130  |
| Gain on investments in investment securities                | 10,949   | 6,173  |
| Other   | 2,171  | 1,599  |
| Total non-operating income                                  | 20,411   | 12,755   |
| Non-operating expenses                                      |  |  |
| Interest expenses   | 14,562   | 12,020   |
| Share of loss of entities accounted for using equity method | 1,312  | 739  |
| Foreign exchange losses                                     | 752  | -  |
| Commission fee  | 31,000   | -  |
| Other   | 81   | 649  |
| Total non-operating expenses                                | 47,710   | 13,409   |
| Ordinary profit   | 688,733  | 560,412  |
| Profit before income taxes                                  | 688,733  | 560,412  |
| Income taxes – current                                      | 177,867  | 136,527  |
| Income taxes - deferred                                     | 46,997   | 37,619   |
| Total income taxes  | 224,864  | 174,146  |
| Profit  | 463,868  | 386,265  |
| Profit attributable to non-controlling interests            | 391  | 422  |
| Profit attributable to owners of parent                     | 463,477  | 385,843  |

## Consolidated statement of comprehensive income

|  |  | (Yen in thousands)                                  |
|--|--|---|
|  | FY2017 1st quarter<br>(April.1 2017-June.30, 2017) | Current 1st quarter<br>(April.1 2018-June.30, 2018) |
| Profit   | 463,868  | 386,265   |
| Other comprehensive income   |  |   |
| Valuation difference on available-for-sale securities                                | -12,031  | 1,332   |
| Foreign currency translation adjustment  | 1,190  | -1,523  |
| Share of other comprehensive income of entities<br>accounted for using equity method | 87   | -127  |
| Total other comprehensive income   | -10,752  | -318  |
| Comprehensive income   | 453,116  | 385,946   |
| Comprehensive income attributable to:  |  |   |
| owners of the parent   | 452,724  | 385,524   |
| non-controlling interests  | 391  | 422   |

**(3) Note for Consolidated Financial Statements**

(Going-Concern Assumption)

None

(Segment information)

I, First quarter of the previous fiscal year (April 1, 2017 - June 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        | 3,160,363          | 1,099,896          | 722,559    | 181,034           | 5,163,853 |
| (2) Intersegment and transfer | 651                | -                  | 43         | 9,416             | 10,112    |
| Total                         | 3,161,015          | 1,099,896          | 722,602    | 190,451           | 5,173,965 |
| Segment profit(loss)          | 25,857             | 279,463            | 108,726    | 25,142            | 439,190   |

(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              | 439,190  |
| Corporate expenses  | -287,819 |
| Adjustment of tuition advances                            | 564,660  |
| Operating profit of the consolidated financial statements | 716,031  |

(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

None

## II, First quarter of the current fiscal year (April 1, 2018 – June 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        | 2,912,188          | 1,119,780          | 725,693    | 189,986           | 4,947,648 |
| (2) Intersegment and transfer | 467                | -                  | -          | 10,170            | 10,638    |
| Total                         | 2,912,656          | 1,119,780          | 725,693    | 200,156           | 4,958,286 |
| Segment profit(loss)          | -238,754           | 279,648            | 86,205     | 40,403            | 167,503   |

(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              | 167,503  |
| Corporate expenses  | -266,212 |
| Adjustment of tuition advances                            | 659,774  |
| Operating profit of the consolidated financial statements | 561,066  |

(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

None