

Summary

Consolidated Financial Results for the Three Months Ended June 30, 2019 <JGAAP>

August 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: -

Scheduled date to submit the annual securities report of the 1st quarter: August 9, 2019

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 2020

(From April 1, 2019 to June 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-Jun.30,2019)	5,547	-1.1	551	-1.8	649	15.9	338	-12.1
FY2018 (Apr.1,2018-Jun.30,2018)	5,607	-2.1	561	-21.6	560	-18.6	385	-16.7

(Notes) Comprehensive income: FY 2019 (2019/6) 338 million yen (-12.2%) FY 2018 (2018/6) 385 million yen (-14.8%)

	Profit per share	Fully diluted profit per share
	(Yen)	(Yen)
FY2019 (Apr.1,2019-Jun.30,2019)	18.32	—
FY2018 (Apr.1,2018-Jun.30,2018)	20.85	—

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio
	(Yen in millions)	(Yen in millions)	%
FY2019 (As of Jun.30,2019)	20,798	5,762	27.7
FY2018 (As of Mar.31,2019)	21,486	5,498	25.6

(Notes) Equity FY2019 (2019/6) 5,756 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
FY2018 (Apr.1,2018-Mar.31,2019)	(Yen) —	(Yen) 4.00	(Yen) —	(Yen) 4.00	(Yen) 8.00
FY2019 (Apr.1,2019-Mar.31,2020)	—	—	—	—	—
FY2019 (Forecast)	—	2.00	—	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
Half year	10,951	0.9	810	-6.0	817	-4.5	388	-34.8	20.97
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)	FY2019 1 st quarter	18,504,000	Shares	FY2018	18,504,000	shares
(4)-2 Number of treasury shares at the end of the period	FY2019 1 st quarter	68	Shares	FY2018	68	shares
(4)-3 Average number of shares during the period	FY2019 1 st quarter	18,503,932	Shares	FY2018 1 st 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)	
	FY2018 (as of March 31, 2019)	FY2019 (as of June 30, 2019)
Assets		
Current assets		
Cash and deposits	5,195,516	4,918,868
Notes and accounts receivable - trade	3,871,213	3,971,349
Securities	100,099	200,095
Merchandise and finished goods	409,347	388,502
Work in process	29,097	12,316
Raw materials and supplies	346,231	353,174
Accounts receivable - other	8,232	20,481
Prepaid expenses	388,809	363,474
Beneficiary right in safeguarding and trust system for advance payments	537,709	722,572
Other	18,449	15,283
Allowance for doubtful accounts	-3,121	-2,882
Total current assets	10,901,585	10,963,235
Non-current assets		
Property, plant and equipment		
Land	2,744,159	2,744,159
Other	1,764,090	1,750,094
Total property, plant and equipment	4,508,249	4,494,253
Intangible assets	331,329	320,987
Investments and other assets		
Investment securities	1,319,903	1,208,599
Investments in capital of subsidiaries and associates	15,810	6,385
Deferred tax assets	410,661	299,802
Long-term time deposits	100,000	100,000
Guarantee deposits	2,933,307	2,919,040
Insurance funds	747,116	273,532
Other	264,251	258,772
Allowance for doubtful accounts	-46,056	-46,061
Total Investments and other assets	5,744,995	5,020,070
Total non-current assets	10,584,573	9,835,311
Total assets	21,486,158	20,798,547

	(Yen in thousands)	
	FY2018 (as of March 31, 2019)	FY2019 (as of June 30, 2019)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	524,932	414,599
Short-term loans payable	1,390,000	1,390,000
Current portion of long-term loans payable	1,232,294	1,168,144
Operating accounts payable	536,863	677,499
Accrued expenses	492,758	479,220
Income taxes payable	51,079	12,807
Provision for sales returns	505,634	517,184
Provision for loss on abandonment of sales return	315,185	298,782
Provision for bonuses	190,880	70,105
Advances received	6,044,370	5,514,912
Other	217,286	290,682
Total current liabilities	11,501,284	10,833,939
Non-current liabilities		
Long-term loans payable	3,755,023	3,469,187
Long-term accounts payable - directors' retirement benefits	25,077	25,077
Asset retirement obligations	628,843	630,123
Provision for repairs	37,300	37,300
Other	39,897	40,149
Total non-current liabilities	4,486,141	4,201,837
Total liabilities	15,987,426	15,035,777
Net assets		
Shareholders' equity		
Capital stock	940,200	940,200
Capital surplus	790,547	790,547
Retained earnings	3,771,989	4,036,959
Treasury shares	-25	-25
Total shareholders' equity	5,502,711	5,767,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-26,075	-20,086
Foreign currency translation adjustment	15,834	9,294
Total accumulated other comprehensive income	-10,241	-10,791
Non-controlling interests	6,262	5,880
Total net assets	5,498,732	5,762,770
Total liabilities and net assets	21,486,158	20,798,547

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

Consolidated statement of income

(Yen in thousands)

	FY2018 (April 1, 2018-June.30,2018)	FY2019 (April.1,2019-June.30,2019)
Net sales	5,607,423	5,547,396
Cost of sales	3,087,249	3,114,185
Gross profit	2,520,174	2,433,211
Reversal of provision for sales returns	413,117	505,634
Provision for sales returns	435,726	517,184
Gross profit - net	2,497,565	2,421,661
Selling, general and administrative expenses	1,936,499	1,870,544
Operating profit	561,066	551,117
Non-operating income		
Interest income	4,851	5,947
Insurance claim income	-	95,625
Foreign exchange gains	130	627
Gain on investments in investment securities	6,173	5,206
Share of profit of entities accounted for using equity method	-	159
Other	1,599	3,963
Total non-operating income	12,755	111,528
Non-operating expenses		
Interest expenses	12,020	10,848
Commission fee	-	2,111
Share of loss of entities accounted for using equity method	739	-
Other	649	44
Total non-operating expenses	13,409	13,005
Ordinary profit	560,412	649,640
Extraordinary losses		
Loss on sales and retirement of non-current assets	-	1,867
Special retirement payments	-	155,680
Total extraordinary losses	-	157,547
Profit before income taxes	560,412	492,093
Income taxes – current	136,527	44,476
Income taxes - deferred	37,619	108,215
Total income taxes	174,146	152,691
Profit	386,265	339,401
Profit attributable to non-controlling interests	422	415
Profit attributable to owners of parent	385,843	338,985

Consolidated statement of comprehensive income

	(Yen in thousands)	
	FY2018 (April.1,2018-June.30, 2018)	FY2019 (April.1,2019-June.30, 2019)
Profit	386,265	339,401
Other comprehensive income		
Valuation difference on available-for-sale securities	1,332	5,989
Foreign currency translation adjustment	-1,523	-5,798
Share of other comprehensive income of entities accounted for using equity method	-127	-741
Total other comprehensive income	-318	-550
Comprehensive income	385,946	338,850
(Breakdown)		
Comprehensive income attributable to owners of parent	385,524	338,435
Comprehensive income attributable to non-controlling interests	422	415

(3) Note for Consolidated Financial Statements

(Going-Concern Assumption)

None

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

Not applicable

(Segment information)

I, First quarter of the previous 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	
Net 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 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

None

II, First quarter of the current fiscal year (April 1, 2019 - June 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	2,881,616	1,171,644	757,932	144,491	4,955,685
(2) Intersegment and transfer	472	—	—	9,242	9,715
Total	2,882,089	1,171,644	757,932	153,734	4,965,400
Segment profit(loss)	-229,777	325,773	103,087	38,142	237,227

(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	237,227
Corporate expenses	-277,821
Adjustment of tuition advances	591,711
Operating profit of the consolidated financial statements	551,117

(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

None