

# FY2005 Business Overview (third quarter)

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3 February, 2006

TAC Co., Ltd.

(Code: 4319)

# . Summary of Financial Results

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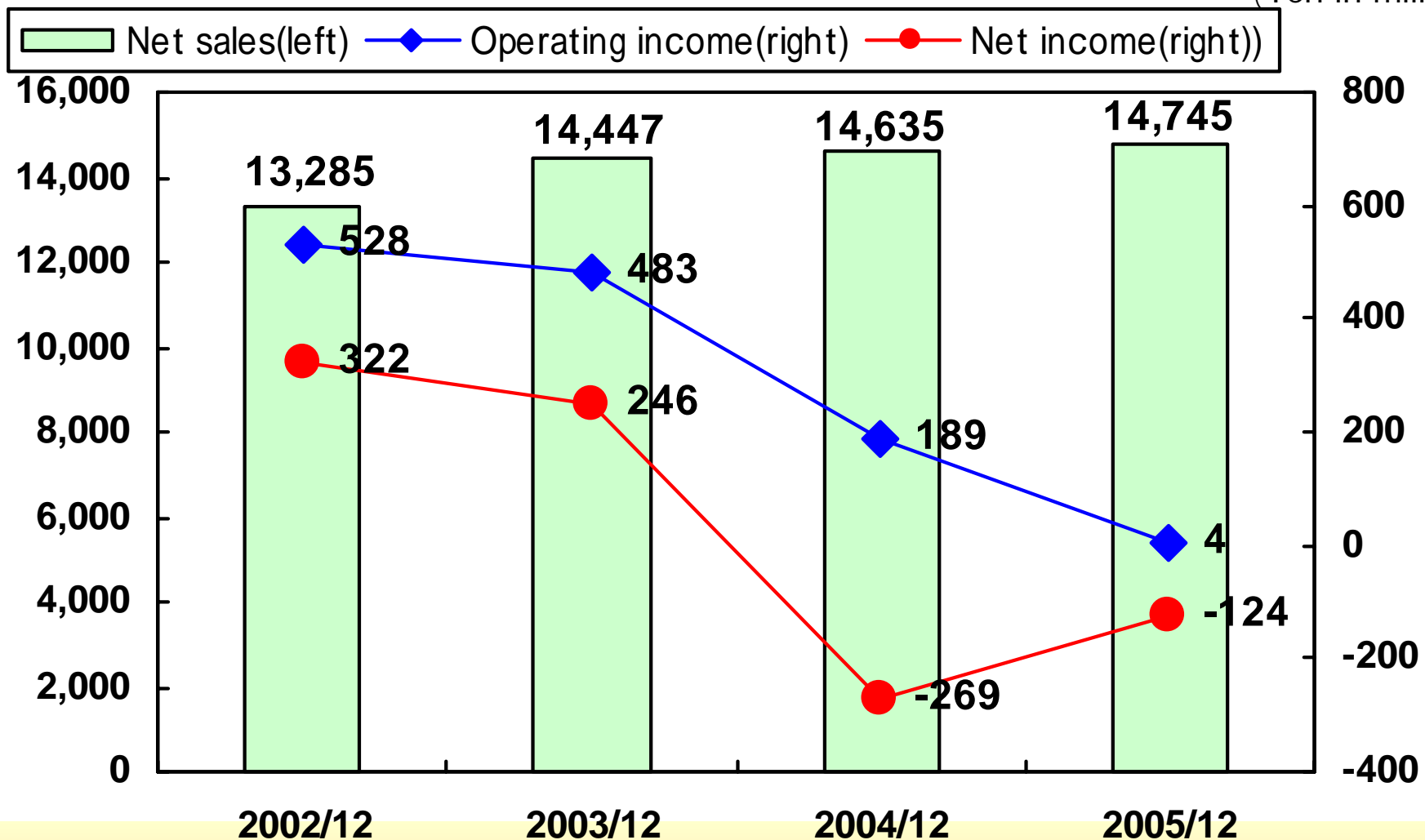




# Sales and profit (consolidated)

**TAC**

(Yen in millions)





# Financial highlights

## (comparative)

	2004/12 (Actual)			2005/12 (Actual)			
	Amount	%	Y-O-Y	Amount	%	Difference	Y-O-Y
Net sales before adjustment of tuition advances	15,404	105.2%	96.5%	15,828	107.3%	424	102.8%
Adjustment of tuition advances	- 768	- 5.2%	50.8%	-1,082	-7.3%	-314	141.0%
Net Sales (after adjustment of tuition advances)	14,635	100.0%	101.3%	14,745	100.0%	109	100.7%
Costs of Sales	8,856	60.5%	103.7%	9,075	61.5%	218	102.5%
Rent	2,451	16.7%	102.0%	2,389	16.2%	-61	97.5%
Employment costs	2,701	18.5%	106.7%	2,803	19.0%	101	103.8%
Subcontract costs	1,549	10.6%	99.9%	1,741	11.8%	191	112.4%
Gross profit – net	5,774	39.5%	97.5%	5,684	38.5%	-90	98.4%
SG & A expenses	5,585	38.2%	102.7%	5,679	38.5%	94	101.7%
Rent	634	4.3%	99.4%	718	4.9%	84	113.3%
Employment costs	2,238	15.3%	102.2%	2,259	15.3%	21	100.9%
Advertising costs	1,211	8.3%	100.8%	1,187	8.1%	-23	98.1%
Operating income	189	1.3%	39.2%	4	0.0%	-184	2.5%
Ordinary income	254	1.7%	46.1%	81	0.6%	-172	32.1%
Net income	-269	- 1.8%	-109.6 %	-124	-0.8 %	145	46.1%
Net income per share	-14.58Yen			-6.72Yen			



# Financial highlights (forecast:actual)

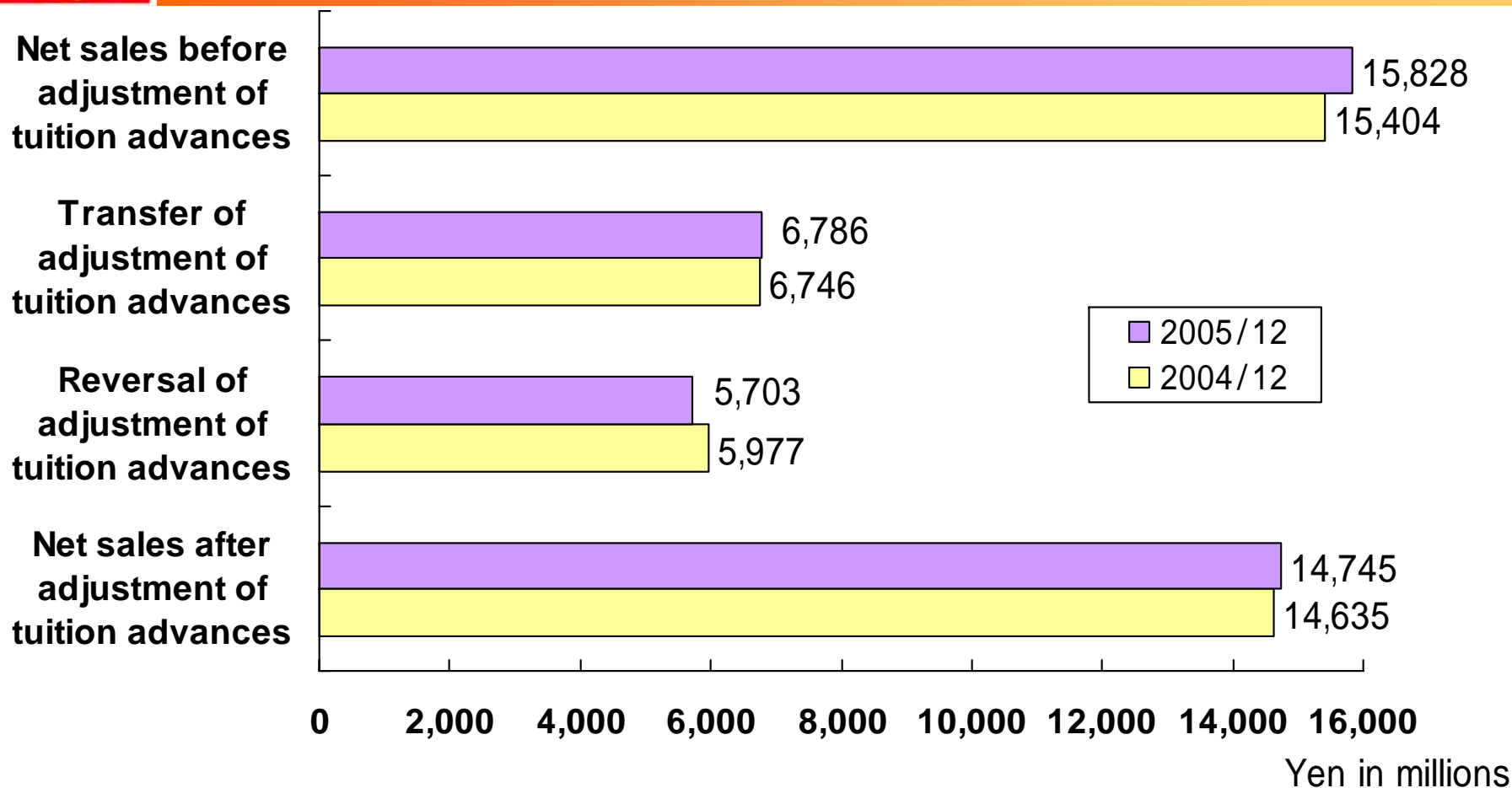
(Yen in millions)

**TAC**

	2005/12 (Revised)		2005/12 (Actual)			
	Amount	%	Amount	%	Difference	Comparison
Net sales before adjustment of tuition advances	16,171	110.1%	15,828	107.3%	-342	97.9%
Adjustment of tuition advances	-1,486	-10.1%	-1,082	-7.3%	403	72.9%
Net Sales (after adjustment of tuition advances)	14,685	100.0%	14,745	100.0%	60	100.4%
Costs of Sales	9,034	61.5%	9,075	61.5%	40	100.5%
Rent	2,388	16.3%	2,389	16.2%	1	100.0%
Employment costs	2,720	18.5%	2,803	19.0%	82	103.0%
Subcontract costs	1,580	10.8%	1,741	11.8%	160	110.2%
Gross profit – net	5,650	38.5%	5,684	38.5%	33	100.6%
SG & A expenses	5,670	38.6%	5,679	38.5%	8	100.2%
Rent	658	4.5%	718	4.9%	60	109.2%
Employment costs	2,393	16.3%	2,259	15.3%	- 134	94.4%
Advertising costs	1,244	8.5%	1,187	8.1%	- 57	95.4%
Operating income	-20	-0.1%	4	0.0%	24	-23.3%
Ordinary income	9	0.1%	81	0.6%	72	861.3%
Net income	-210	-1.4 %	-124	-0.8 %	86	59.1%
Net income per share	-11.38 Yen		-6.72 Yen			



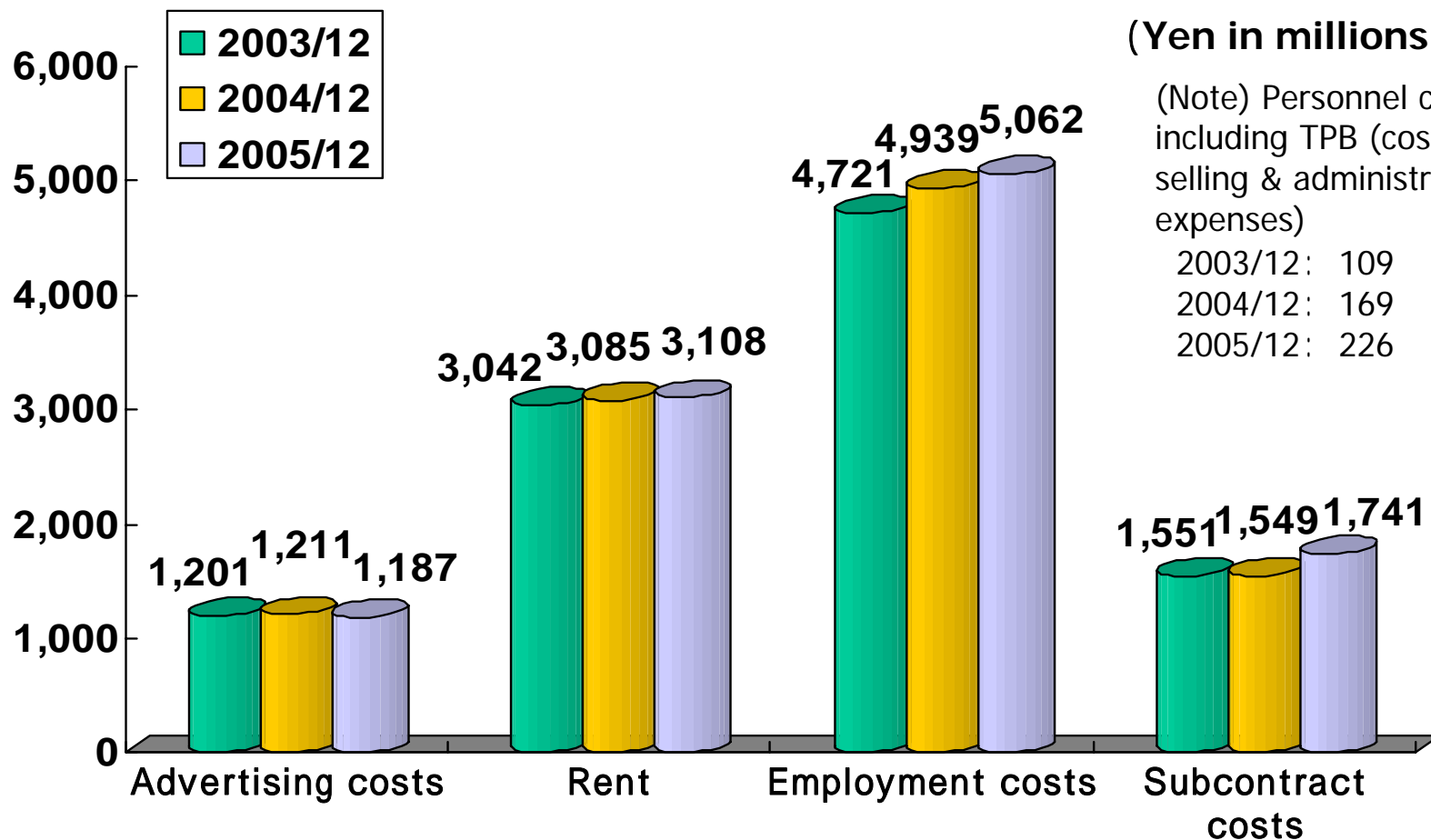
# Effect of adjustment of tuition advances



For 9 months ended 12/31/2005, sales on a cash basis before adjustments of tuition advances increased 2.8% or ¥424M. Sales on an accrual basis after adjustments of tuition advances increased by only ¥109M due to an increase in transfer of tuition advances and a decline in tuition advances in the previous period resulting in a decline in reversal of tuition advances.



# Major operating expenses



(Yen in millions)

(Note) Personnel costs including TPB (cost of selling & administrative expenses)

2003/12: 109

2004/12: 169

2005/12: 226

% of sales	8.3%	8.3%	8.1%	21.1%	21.1%	21.1%	32.7%	33.8%	34.3%	10.7%	10.6%	11.8%
Growth	100.8%	98.1%		101.4%	100.7%		104.6%	102.5%		99.9%	112.4%	
% of sales cost	0.0%			79.0%	79.4%	76.9%	53.6%	54.7%	55.4%	100.0%		

# . Highlights by license area

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# Definition of licenses by area

Licenses area	Programs
<b>Finance and Accounting</b>	Certified public accountant, Bookkeeper, Construction industry accountant
<b>Management and Taxation</b>	Licensed tax accountant, Small and medium enterprise management consultant
<b>Financial Services and Real Estate</b>	Real estate appraiser, Registered real estate transaction manager, Condominium management consultant / Registered condominium administration manager, Financial planner, DC planner(*1), Securities analyst(including CFA(*2)), Business school
<b>Law and Labor</b>	Certified social insurance labor consultant, Administrative scrivener, Public officer, The Japan business law examination, Law related qualifications
<b>IT and International</b>	IT specialist (System administrator, Fundamental IT engineer, Software design and development engineer, etc: Total of 14 qualifications), U.S. CPA, CompTIA(*3), IT related qualifications
<b>Other</b>	"Maho-jin" tax software(*4), Personnel business, Miscellaneous revenue, etc.

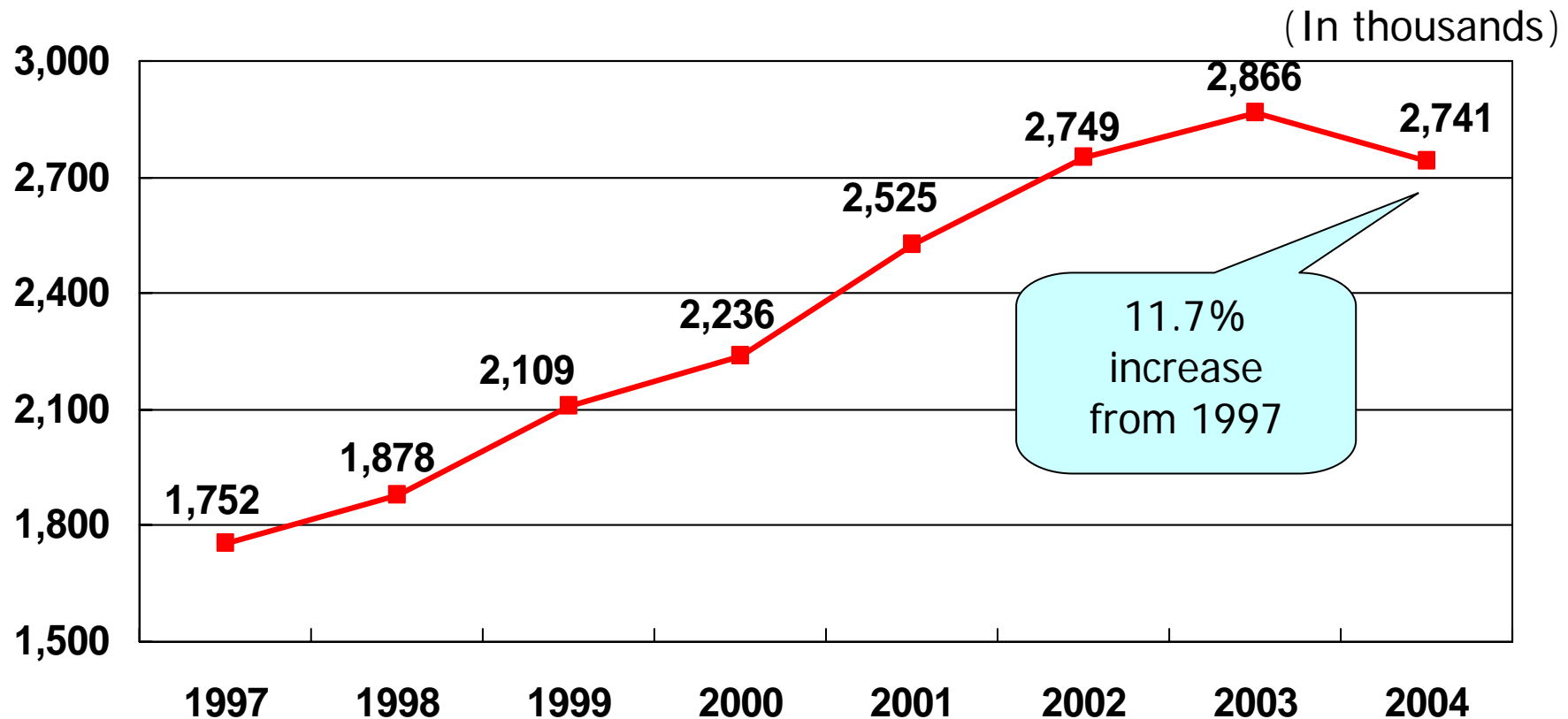
(\*1) DC: Defined Contribution (\*2) CFA: Chartered Financial Analyst

(\*3) CompTIA: Computing Technology Industry Association

(\*4) Maho-jin: A tax software developed by Hand Corporation (Osaka, Japan)



# Number of applicants for exams in 2004



(Notes) Totals include only courses that TAC offers.

Number amended for decreases in closed "Public officer (3<sup>rd</sup> class, local & lower)".

Market trend in 2005(In thousand): Registered real estate transaction manager +10, CPA -1, Bookkeeper -1.1, Certified social insurance labor consultant -4, Public officer(2nd class etc.) -1.7, IT specialist -36



# Number of applicants for exams



(For 2005, figures officially announced for exams closed)

License area	Licenses	1998	1999	2000	2001	2002	2003	2004	2005	Between 98- 05
Finance & Accounting	Bookkeeper	536,992	530,069	502,726	490,681	520,643	545,649	546,198	535,228	99.7%
	Construction industry accountant	94,301	76,509	76,339	67,225	58,272	50,815	44,812	37,363	39.6%
	CPA	10,006	10,265	11,058	12,073	13,389	14,978	16,310	15,322	153.1%
Mgt & Taxation	Licensed tax accountant	62,606	63,295	63,221	61,591	63,820	66,468	67,347	67,858	108.4%
	Small & medium ent. mgt. consultant	10,089	11,409	11,925	10,025	12,447	14,692	15,131	13,476	133.6%
Financial Services & Real Estate	Real estate appraiser	2,481	2,616	2,621	2,505	2,481	2,503	2,300	2,282	92.0%
	Registered real estate transaction manager	224,822	222,913	210,465	204,629	209,672	210,182	216,830	226,665	100.8%
	Condominium mgt. consultant				109,514	62,124	43,912	36,307	30,615	28.0%
	Registered condominium administration manager				64,537	39,981	31,558	28,642	26,960	41.8%
	Securities analyst	22,927	21,771	23,181	22,510	21,357	19,277	15,324	14,275	62.3%
	FP	43,939	63,551	79,489	79,168	22,544	20,317	18,381		
	Certification of financial planning					105,595	258,572	259,538		
	DC planner				17,491	43,296	32,464	13,052	11,529	65.9%
Law & Labor	Certified social insurance labor consultant	39,415	45,455	50,689	54,203	58,322	64,122	65,215	61,251	155.4%
	Administrative scrivener	39,291	40,208	51,919	71,366	78,826	96,042	93,923	89,276	227.2%
	Public officer(2nd class etc.)	91,777	101,986	108,678	102,118	108,819	109,963	120,240	114,163	124.4%
	Public officer (local)	34,143	66,318	64,121	62,141	63,386	68,396	67,342	56,408	165.2%
	Public officer (higher)	74,098	83,426	74,575	91,562	113,239	109,434	96,036	42,322	57.1%
	Japan bus. law exam	10,136	17,324	20,085	23,544	27,962	33,998	39,094		
IT	IT specialist	570,904	704,969	784,912	788,443	803,109	772,334	699,928	664,014	116.3%
	Microsoft (MOUS)	10,400	47,800	100,200	189,900	275,100	301,200	279,700		
Total		1,878,327	2,109,884	2,236,145	2,525,226	2,749,069	2,866,876	2,741,600		



# Sales by license area

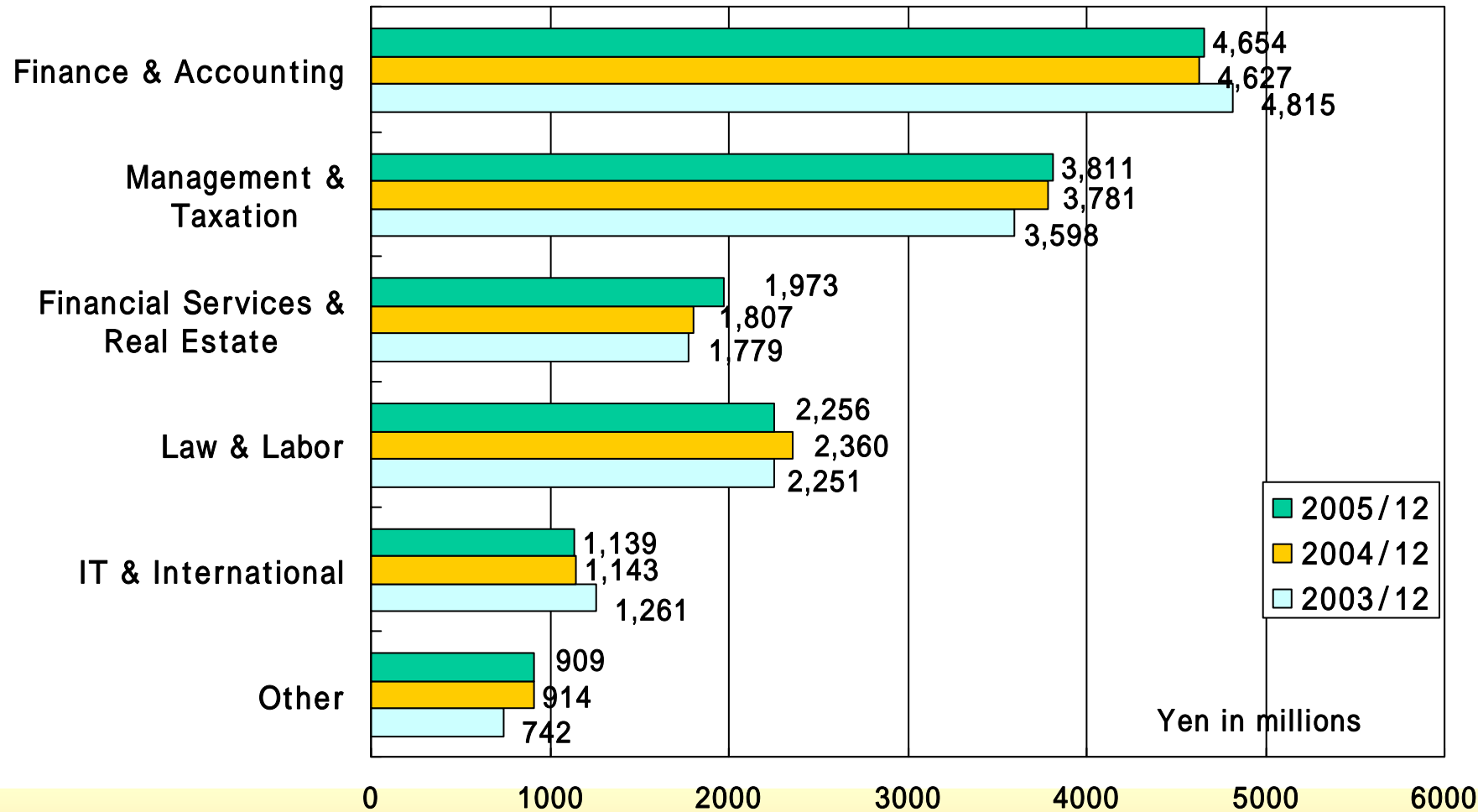


(Yen in thousands)

License by area	2004/12			2005/12			Comment
	Sales	Y-O-Y	%	Sales	Y-O-Y	%	
<b>Finance &amp; Accounting</b>	4,627,518	96.1%	31.6%	4,654,613	100.6%	31.6%	CPA exam decreased 4.9%. Bookkeepers exams increased 13.8%. Bookkeepers covered CPA.
<b>Management &amp; Taxation</b>	3,781,596	105.1%	25.8%	3,811,652	100.8%	25.9%	SMEMC increased 8.8%. LTA decreased 1.0% but sales on cash basis increased 3.4% due to stable growth in long-term courses.
<b>Financial Services &amp; Real Estate</b>	1,807,532	101.6%	12.4%	1,973,951	109.2%	13.4%	Real estate-related exams showed favorable result including real estate appraiser (+11.2%) & real estate transaction manager (Takken) (+2.7%). Securities analyst and FP courses increased 10.0% and 22.2%, respectively due to current favorable condition of securities market.
<b>Law &amp; Labor</b>	2,360,834	104.9%	16.1%	2,256,789	95.6%	15.3%	Public officers unchanged (decreased 5.9% on cash basis). Social ins. labor consultant decreased 8.3%. Administrative scrivener courses for revised test increased 11.9% on cash basis.
<b>IT &amp; International</b>	1,143,641	90.7%	7.8%	1,139,161	99.6%	7.7%	IT specialist decreased 2.9%, USCPA decreased on cash basis. IT area unchanged.
<b>Other</b>	914,862	123.3%	6.3%	909,423	99.4%	6.1%	Maho-jin decreased 13.2%, returning to normal levels after past upgrade sales. Human resource business increased 34.1%.
<b>Total</b>	<b>14,635,984</b>	<b>101.3%</b>	<b>100.0%</b>	<b>14,745,591</b>	<b>100.7%</b>	<b>100.0%</b>	

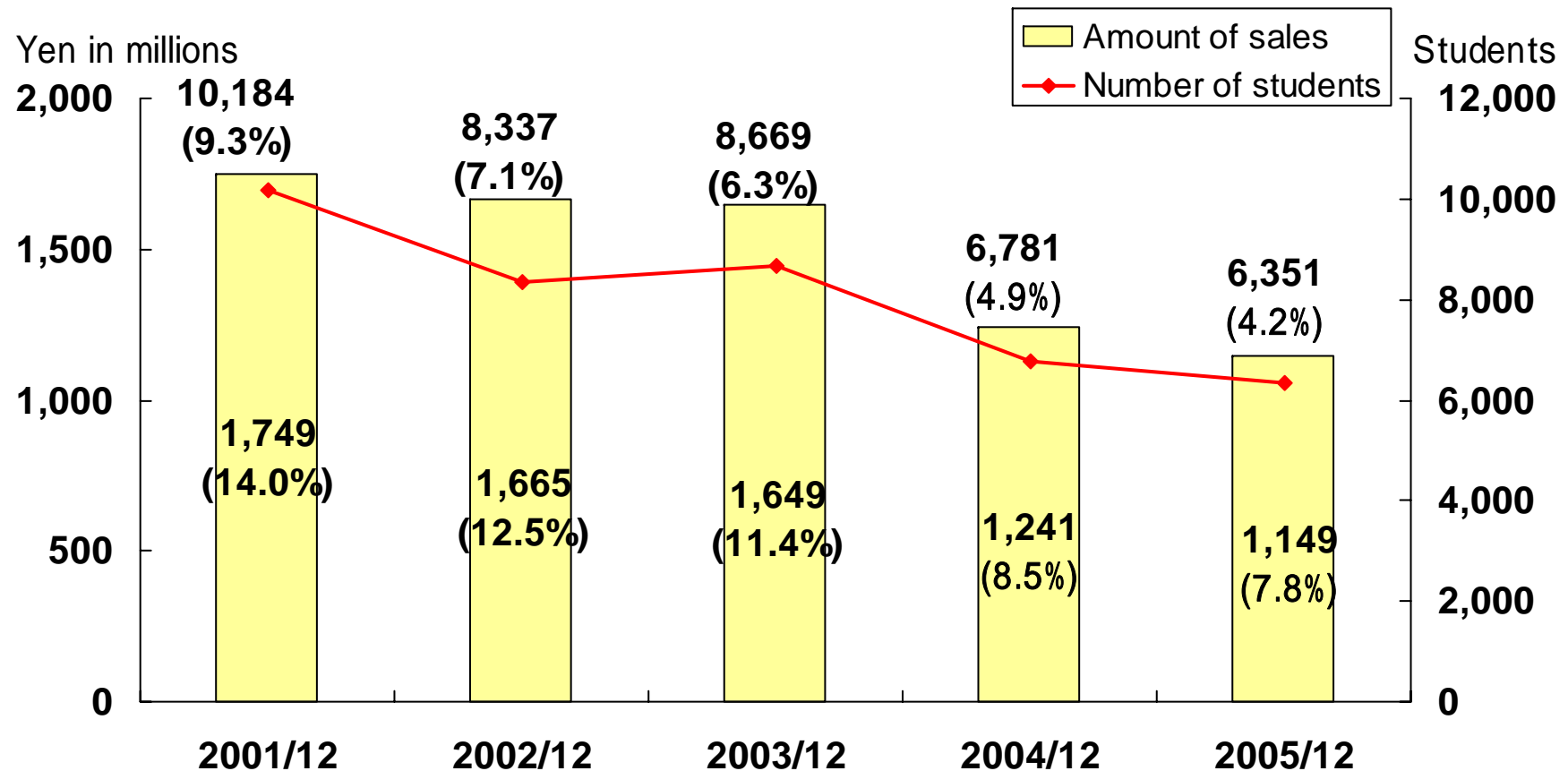


# Sales growth by license area





# Impact of governmental tuition assistance (GTA) program



(Note) Figures in parentheses; (\*)Proportion of number of students; (\*\*)Proportion of sales;

**Effect of reduction of GTA in April 2003 diminished. GTA-related sales show moderate declining trend in each course. CPA courses favorably affected by revised testing system. Students of classroom courses and correspondence courses increased 4.4% and 51.7%, respectively.**

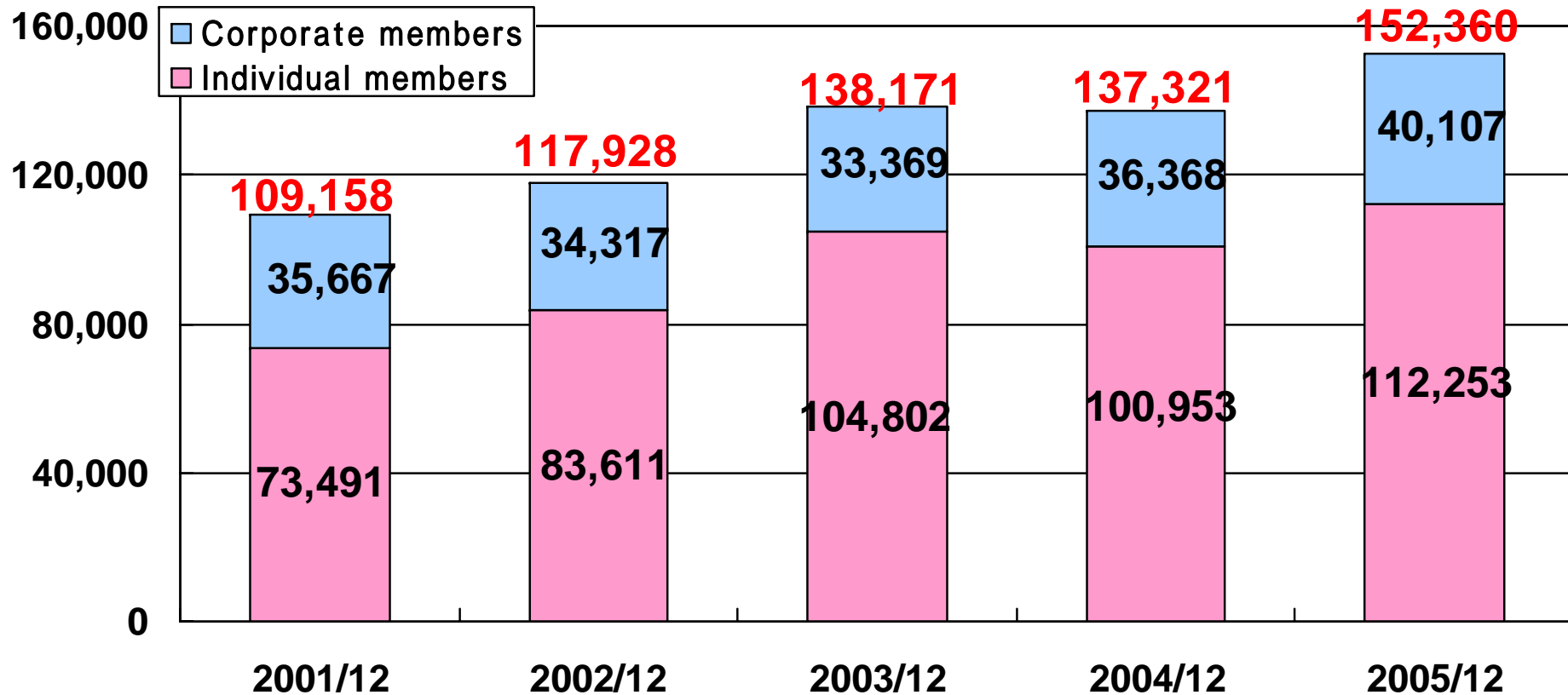
**Working people studying for CPA surfaced.**

Finance & Accounting -13.2%、 Management & Taxation -14.0%、 Financial services & Real estate -21.9%、 Law & Labor -37.9%、 IT & International -32.6%



# Number of students

(persons)



Change - 108.0% 117.2% 99.4% 111.0%

-Individual - 113.8% 125.3% 96.3% 111.2%

-Individual - 96.2% 97.2% 109.0% 110.3%






% of Individual members 67.3% 70.9%(+3.6%) 75.8%(+4.9%) 73.5%(-2.3%) 73.7%(+0.2%)



# Number of students by license area

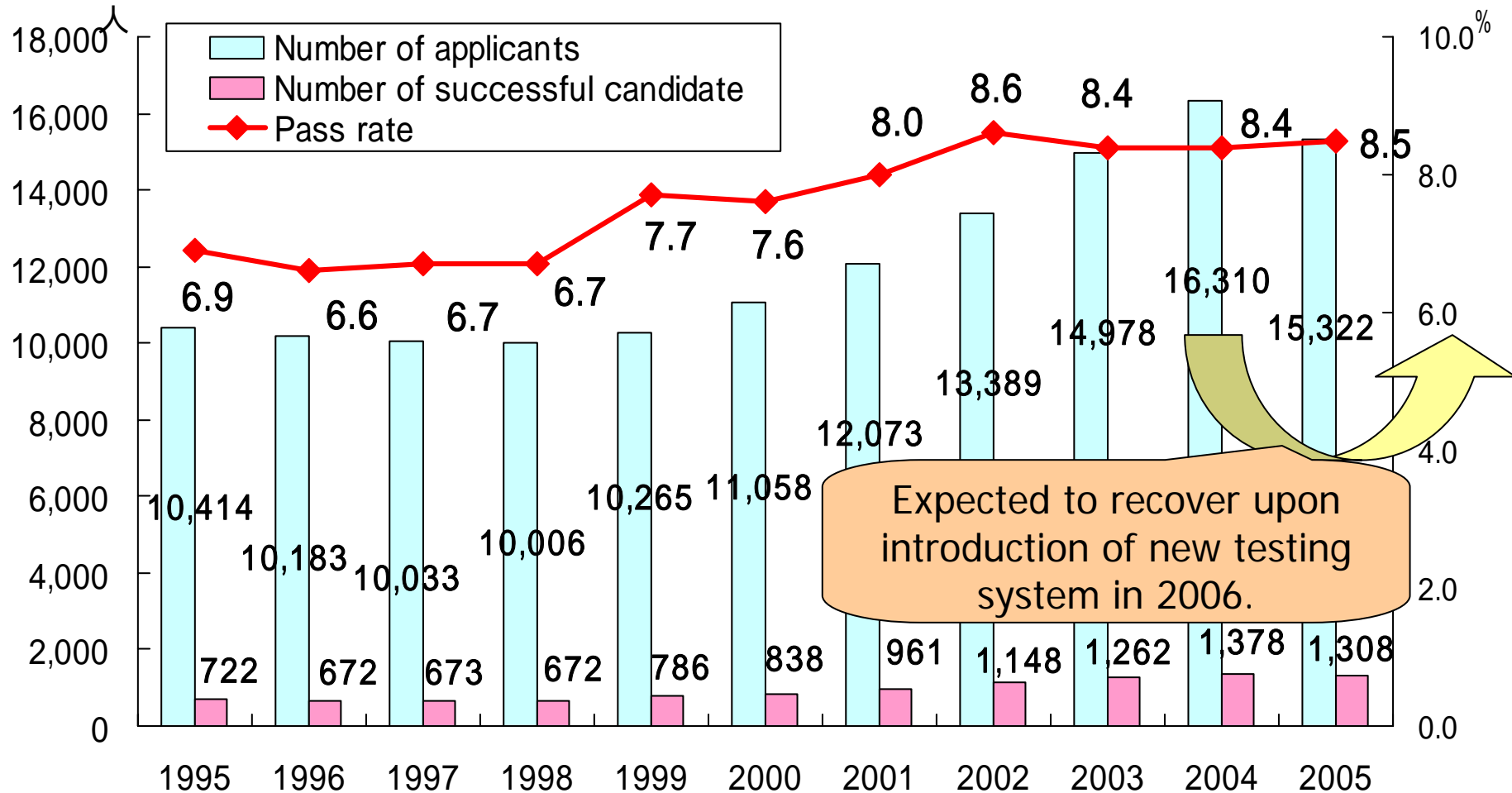


(persons)

License by area	2005/12	Y-O-Y	%	Comment	
<b>Finance &amp; Accounting</b>	41,981	122.0%	27.6%	Continued growth in Bookkeepers courses which increased 35.5% due to "carry up" campaign. CPA courses increased 9.5% due to success in sales campaign for an advanced course.	
<b>Management &amp; Taxation</b>	32,500	105.1%	21.3%	LTA increased 4.2%. SMEMC increased 10.9% with courses resumed after revision in testing system.	
<b>Financial Services &amp; Real Estate</b>	29,189	115.7%	19.2%	Real estate appraiser increased 18.8% with rate of new learners increasing. Real estate transaction manager (Takken) decreased 3.7%. FP & securities analyst increased 61.7% & 27.4%, respectively due to favorable securities market.	
<b>Law &amp; Labor</b>	28,836	106.5%	18.9%	Certified social insurance labor consultant increased 13.7%. Administrative scrivener for revised testing system increased 6.5%. Public officers decreased 8.3% due to civil-service reform plan taking shape.	
<b>IT &amp; International</b>	19,854	100.8%	13.0%	IT specialist courses decreased 2.2% due to decline in classroom students. USCPA recovered by 14.5%.	
<b>Total</b>	<b>152,360</b>	<b>111.0%</b>	<b>100.0%</b>		



# Number of applicants for CPA exams

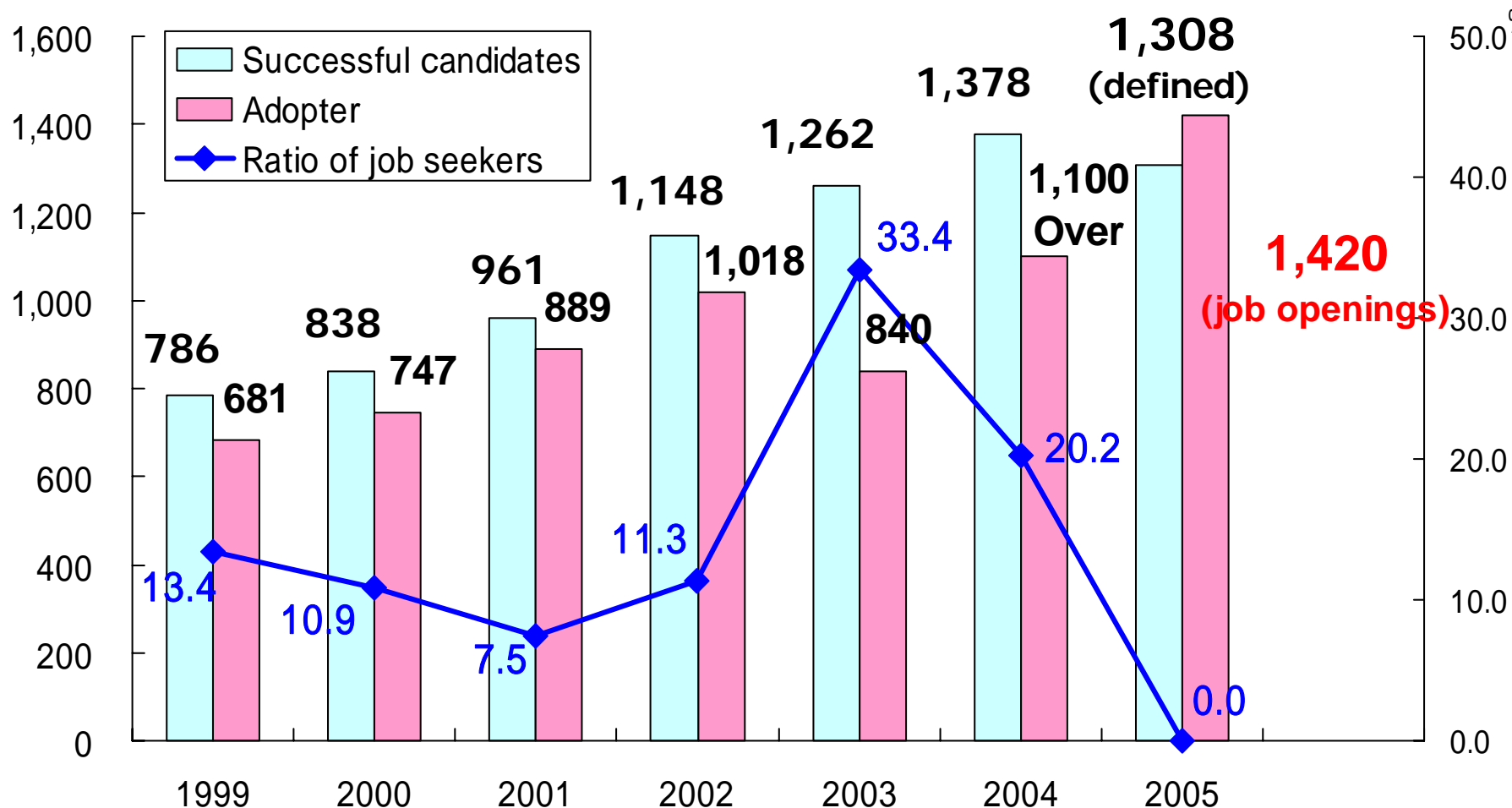


Expected to recover upon introduction of new testing system in 2006.

After the problem of successful CPA exam candidates not finding jobs in 2003, the number of TAC students started to decline. The number of applicants for exams decreased by 1,000 in 2005. Students currently taking our courses will take the exam in 1 –2 yrs.



# Seller s market expected for successful candidates in 2005

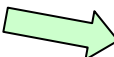







According to the financial press, 4 major auditing firms hope to employ 1,420 new recruits, which exceeds the total number of successful candidates seeking jobs. Major auditing firms are motivated to hire CPAs in preparation for reinforced internal control audit standards.



# . Highlights by segment

## Summary by segment for 3<sup>rd</sup> quarter

	Sales growth	OP margin growth
Personal education		
Corporate training		
Publishing & other		





# Segment information

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**TAC**

(Yen in millions)

	2004/12			2005/12			Year-on-year		
	Sales	Operating costs	Operating income	Sales	Operating costs	Operating income	Sales	Operating costs	Operating income
Personal education	10,724	10,485	238 (2.2%)	10,583	10,915	-331 (-3.1%)	-141 (-1.3%)	429 (+4.1%)	-570 ( - )
Corporate training	2,657	2,114	542 (20.4%)	2,777	1,926	850 (30.6%)	119 (+4.5%)	-188 (-8.9%)	307 (+56.7%)
Publishing & other	1,254	984	269 (21.5%)	1,399	1,082	316 (22.6%)	145 (+11.6%)	98 (+10.0%)	46 (+17.4%)
Eliminations	-	861	-861	-14	816	-830	-14	-45 (-5.3%)	30 (-3.6%)
Total	14,635	14,446	189 (1.3%)	14,745	14,740	4 (0.0%)	109 (+0.7%)	294 (+2.0%)	-184 (-97.5%)

(Note) ( %) in the "Operating income" column is Operating income percentage, ( %) in the "Year-on-year" column are comparisons with the previous fiscal year.

Sales in publishing business : 2004/12 ¥992 million, 2005/12 ¥1,032 million, (+4.1%)

Sales in personnel business : 2004/12 ¥261 million, 2005/12 ¥351 million, (+ 34.1%)

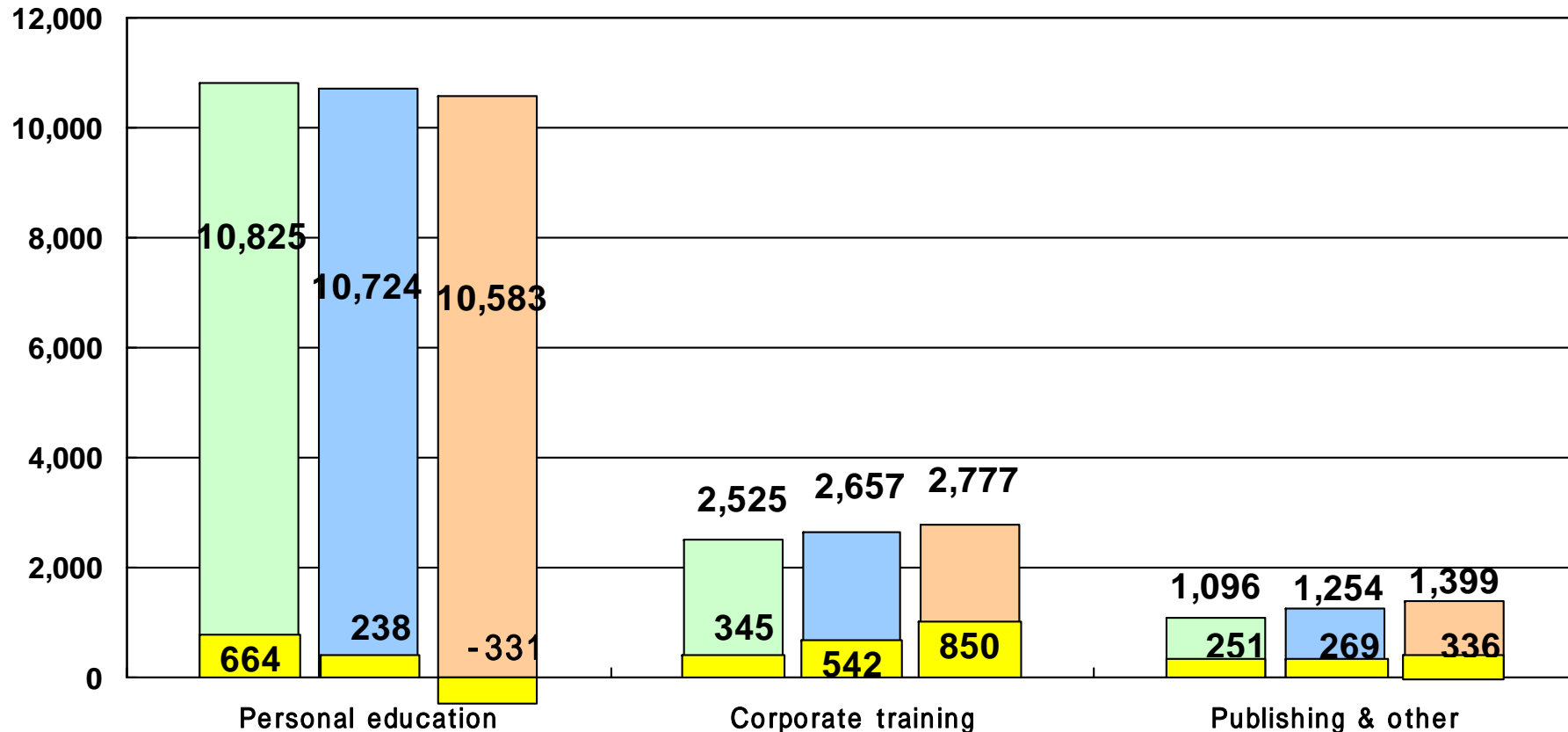


# Sales by segment

(Yen in millions)

2003/12 2004/12 2005/12

Operating income



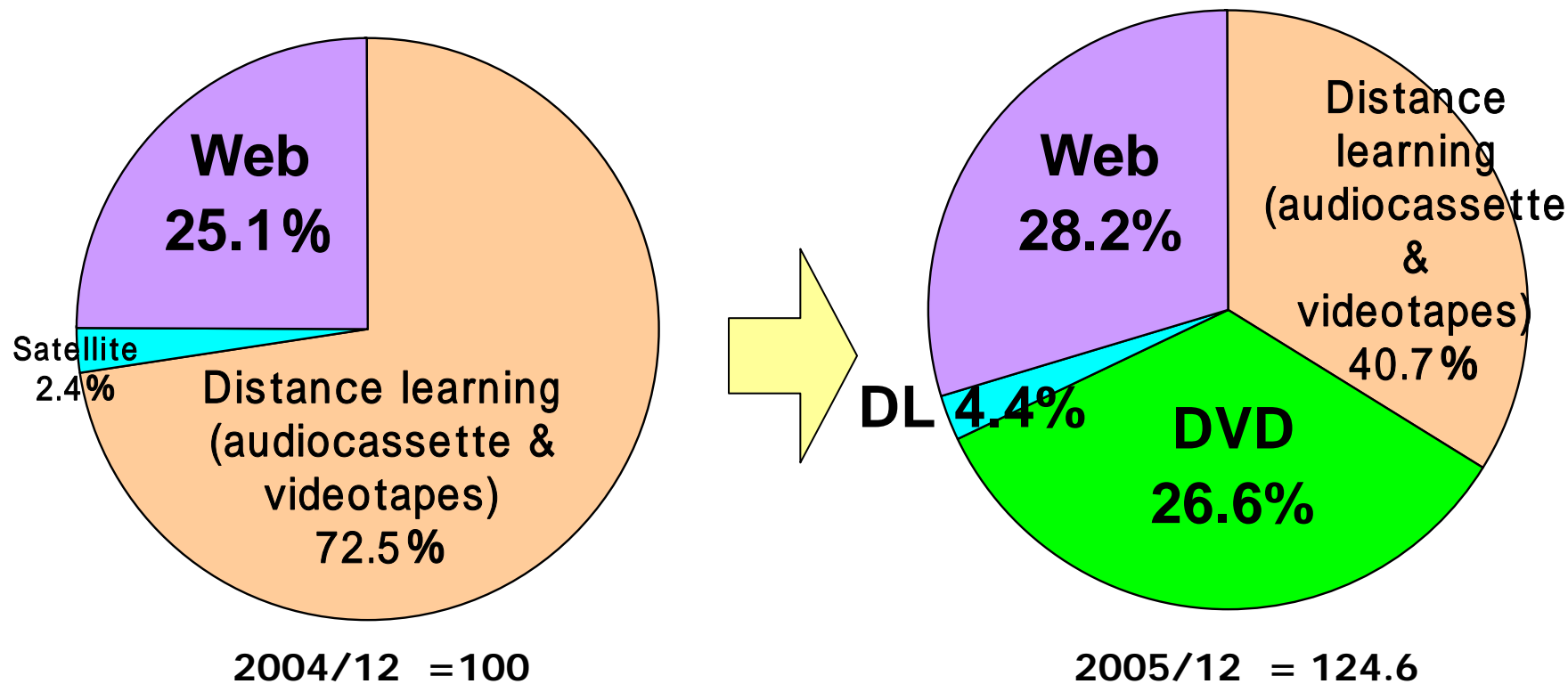
Change	108.0%	99.1%	98.7%	103.9%	105.2%	104.5%	132.2%	114.4%	111.6%
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Percentage	74.9%	73.3%	71.8%	17.5%	18.1%	18.8%	7.6%	8.6%	9.5%
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OP margin	6.1%	2.2%	-3.1%	13.7%	20.4%	30.6%	23.0%	21.5%	22.6%
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Changes in percentage of sales in distance education



- Sales of correspondence education increased 124.6% over the same term last year. (Classroom courses 93.1% of the same term last year.)
- Correspondence courses using DVD media started in April 2005 showed rapid growth and now account for 26.6% of correspondence courses. Conventional learning media (audio cassette and video) shifting to DVD media.



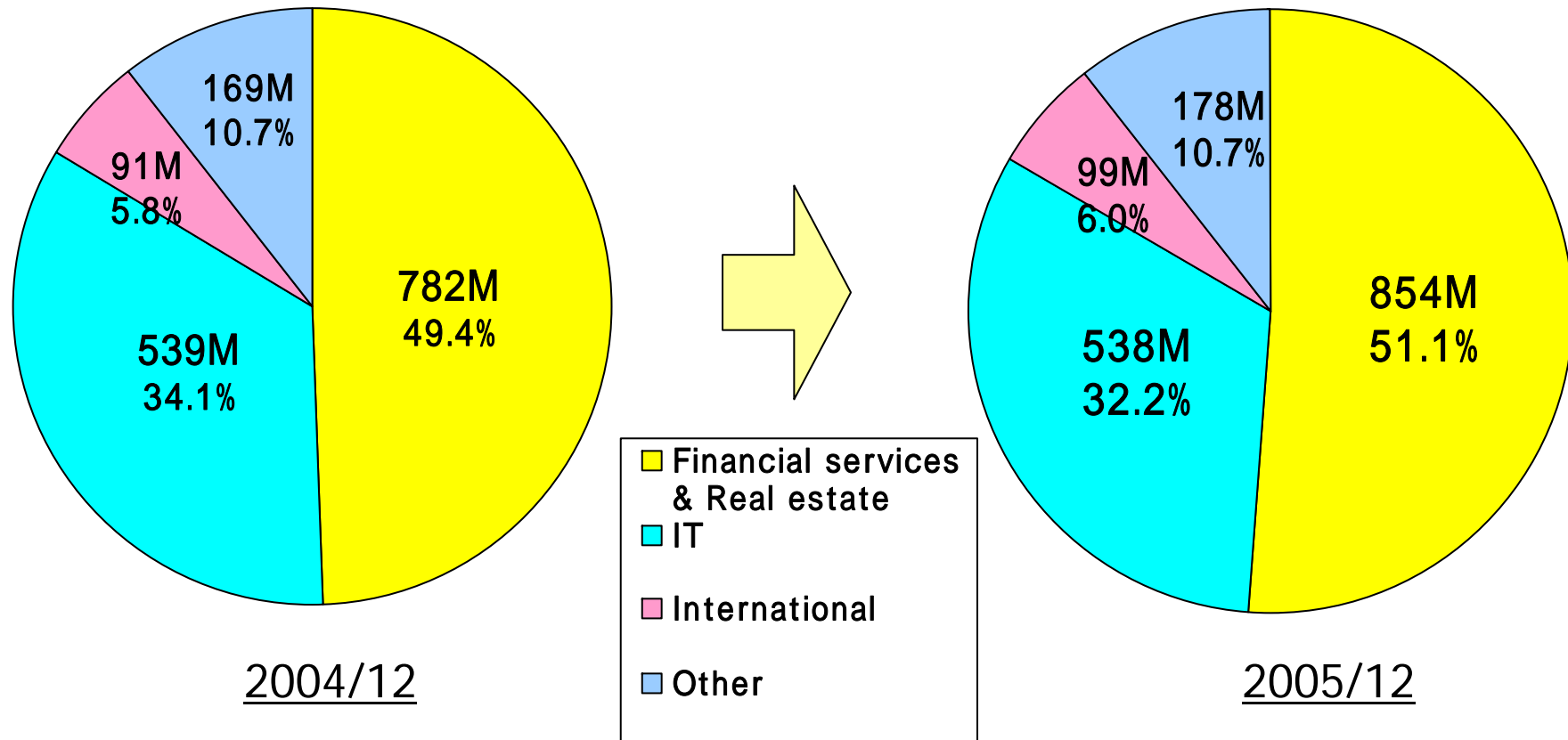
# Corporate training: Descriptions

(Yen in thousands)

Contents	Sales	Y-O-Y	%	Overview of 3 <sup>rd</sup> quarter	
Corporate training	1,671,225	105.6%	60.2%	Financial & real estate areas increased over the same term last year. FP +11.9%. Securities analyst + 4.3%. Condominium management consultant +29.2%. IT courses unchanged.	
Provision of educational materials	144,534	103.0%	5.2%	Real estate transaction manager (Takken), Law and Labor high sales to vocational schools.	
Affiliated schools	299,529	94.7%	10.8%	Real estate-related exams showed favorable results including real estate appraiser (+13.3%) & real estate transaction manager (Takken) (+34.2%). IT specialist (-38.4%), Social ins. labor consultant (-13.3%), and FP (-13.1%).	
In-university seminars	273,089	113.0%	9.8%	CPA decreased 20.7%. LTA increased 56.7%. Growth in Public officer and Social ins. labor consultant. IT specialist decreased.	
Tax software "Maho-jin" & other	277,410	89.8%	14.0%	Consigned training courses for local gvt, etc. in finance & real estate areas grew to 2.5 times over the previous year due to successful shift from IT to bookkeeping and FP courses. Maho-jin tax software decreased 13.2% due to a rebound in sales increase in the previous year affecting overall sales in this area.	
Total	2,657,303	104.5%	100.0%	Corporate training increased by ¥88.75M and in-university seminar increased ¥31.47M. Companies and universities exerting efforts in fostering human resources.	



# Corporate training: Trends in corporate training



- Upward trend in sales of corporate training established with sales of 105.6% of the same term last year.
- Financial Services appraiser increased, FP training +19.4%, Securities analyst training +4.3%. Management & taxation +45.7%, companies exerting efforts in fostering human resources. IT specialist leveled-off. In total +88 ¥million.



# Corporate training: Trends in affiliated schools **TAC**

Morioka, Maebashi, Utsunomiya, Kanazawa, Toyama, Himeji, Takamatsu, Tokushima, Okayama, Fukuyama, Hiroshima, Kumamoto, Nagasaki, Saga, Miyazaki, Kagoshima, Okinawa  
Total 17 schools

(Yen in thousands)

Licenses by area	# of students (2005/12)	# of students Y-O-Y	Sales (2005/12)	Sales Y-O-Y	% of Sales
<b>Finance &amp; Accounting</b>	2,285	122.3%	56,135	96.7%	18.7%
<b>Management &amp; Taxation</b>	2,265	107.6%	116,280	90.2%	38.8%
<b>Financial Services &amp; Real Estate</b>	604	105.8%	34,647	106.7%	11.6%
<b>Law &amp; Labor</b>	3,108	119.0%	88,212	97.2%	29.5%
<b>IT &amp; International</b>	143	88.0%	4,253	70.9%	1.4%
Total	8,405	114.4%	299,529	94.7%	100.0%

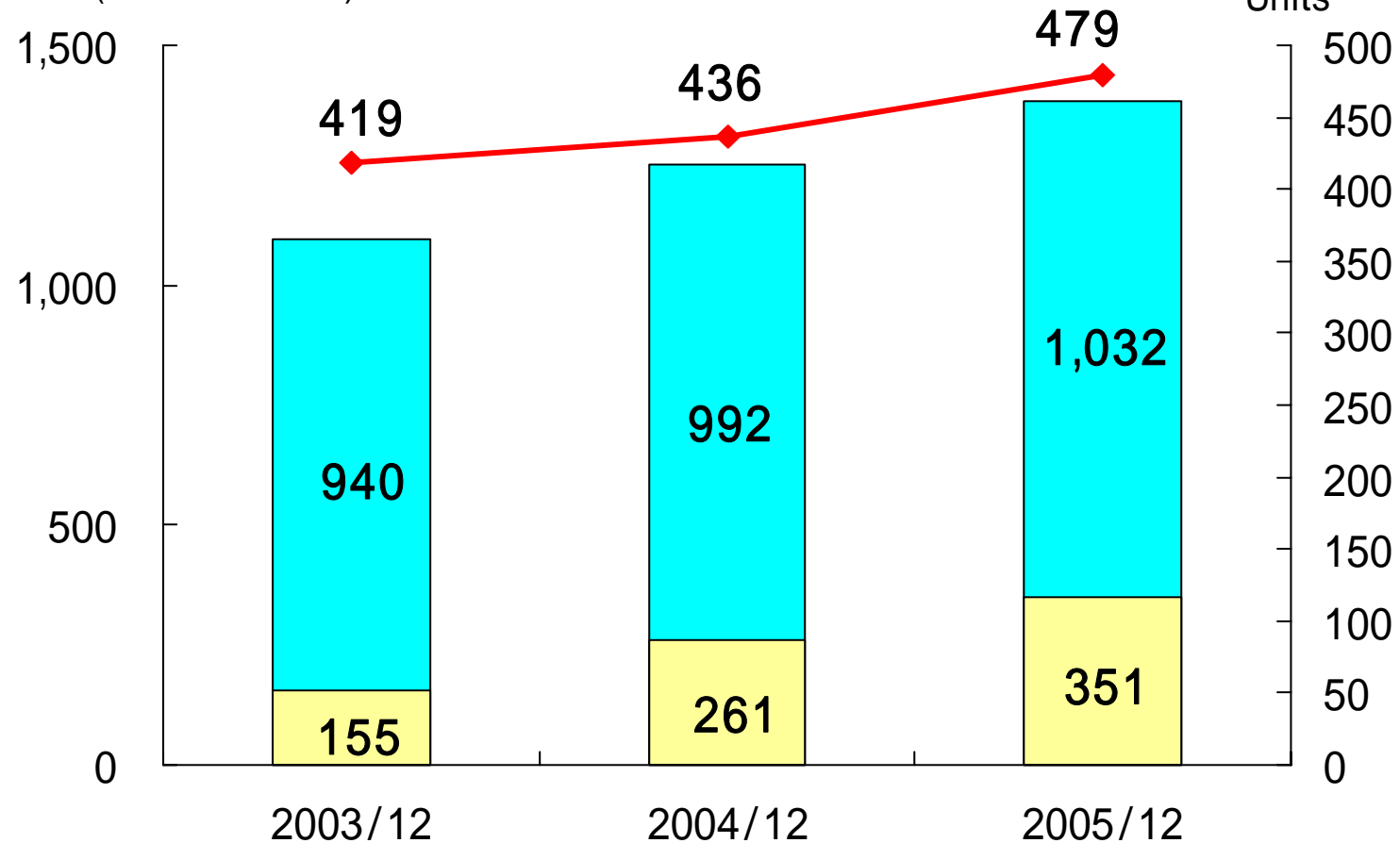
- Positive growth : Real estate appraiser, Registered real estate transaction manager, Administrative scrivener, Public officer

- Negative growth : IT specialist , Certified social insurance labor consultant, FP, Securities analyst

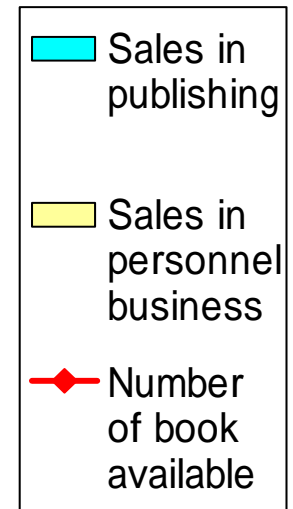


# Breakdown of sales & number of books available **TAC**

Sales (Yen in millions)



Units



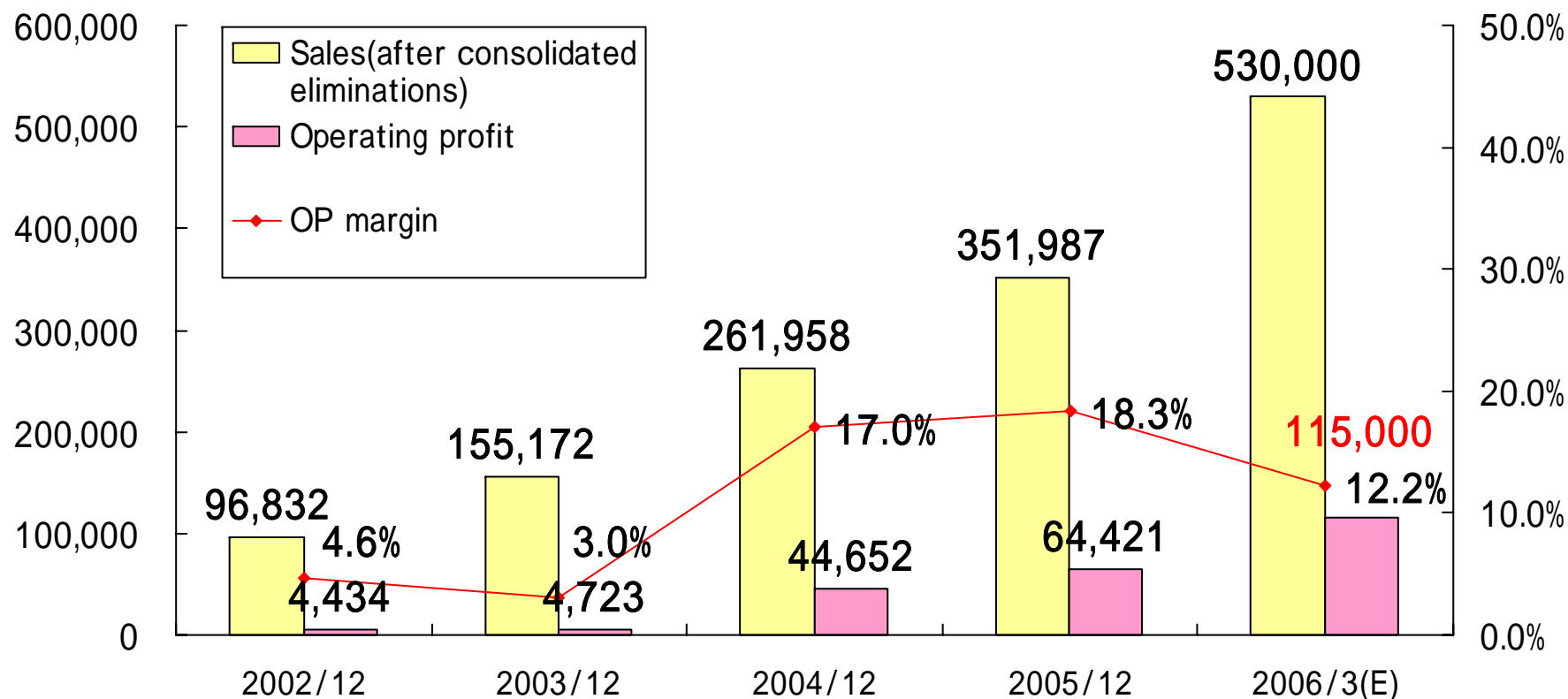
- In publishing, books related to bookkeeping & accounting and Public officer remain favorable.
- Continued growth in human resources business which increased 34.1% over the same term last year.



# Publishing & other: Growth in TAC Profession Bank Sales



In thousands Sales by TAC Profession Bank CO.,LTD



“Temp to perm” for corporations and audit firms and personnel dispatch to audit firms to be started.

# . Forecast for Fiscal 2005

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# Forecast for fiscal 2005

(Yen in millions)

**TAC**

(Consolidated)	2006/3 (Actual)		2005/12			
	Amount	%	Amount	%	2006/1-3(E)	2005/1-3
Net sales before adjustment of tuition advances	20,169	102.0%	15,828	107.3%	3,997	3,900
Adjustment of tuition advances	-389	- 2.0%	-1,082	-7.3%	1,097	1,132
Net Sales (after adjustment of tuition advances)	19,780	100.0%	14,745	100.0%	5,094	5,033
Costs of Sales	12,005	60.7%	9,075	61.5%	3,047	2,990
Rent	3,185	16.1%	2,389	16.2%	797	833
Employment costs	3,642	18.4%	2,803	19.0%	922	916
Subcontract costs	2,343	11.8%	1,741	11.8%	762	579
Gross profit – net	7,738	39.1%	5,684	38.5%	2,047	1,998
SG & A expenses	7,228	36.5%	5,679	38.5%	1,567	1,728
Rent	932	4.7%	718	4.9%	273	213
Employment costs	2,767	14.0%	2,259	15.3%	628	705
Advertising costs	1,523	7.7%	1,187	8.1%	278	378
Operating income	510	2.6%	4	0.0%	480	269
Ordinary income	600	3.0%	81	0.6%	540	302
Net income	230	1.2%	-124	-0.8 %	383	349
Net income per share	12.43 Yen					



**TAC**



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