

**March 2006 Term - Financial Results Report (Consolidated)**

May 16, 2006

Company name: TAC CO., LTD.

TSE 1st

Company code number: 4319

Location of headquarters(prefecture):Tokyo

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

Representative director: Hiroaki Saito

Please address all communications to: Kazuhiro Araya, Executive director, Administrative Headquarters

Phone: 81-3-5276-8913

Date of Board of Directors' meeting for approval of financial result: May 16, 2006

Parent company: Hiro Express CO.,LTD. (Code No: -)

Percentage of stock held by parent company: 22.7%

Adoptation of U.S. accounting standards: No

**1. Consolidated results for the fiscal year ending March 2006**

(From April 1, 2005 to March 31, 2006)

## (1) Consolidated financial results

(In millions of yen, with fractional amounts rounded down to the nearest million yen)

	Net Sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal 2005 (2006/3)	19,828	( 0.8 )	421	( - 8.2 )	536	( - 3.7 )
Fiscal 2004 (2005/3)	19,669	( 0.6 )	459	( -53.6 )	557	( -49.8 )

	Net income	Net income per share	Net income per share, fully diluted	Return on shareholders' equity	Ordinary income rate on total capital	Ordinary income rate on net sales
	(Millions of yen) %	(Yen)	(Yen)	%	%	%
Fiscal 2005 (2006/3)	189 ( 138.7 )	10.25		6.2	4.2	2.7
Fiscal 2004 (2005/3)	79 ( -85.8 )	4.29		2.6	4.6	2.8

(Notes) 1. Gains or losses on investments through equity method accounting :

Fiscal 2005 : - million yen Fiscal 2004 : - million yen

2. Average number of outstanding shares during period (consolidated) :

Fiscal 2005: 18,503,783 shares Fiscal 2004 : 18,503,918 shares

3. Changes in accounting methods : None

4. The percentages of net sales, operating income, ordinary income and net income represent year-on-year changes.

## (2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Book value per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
Fiscal 2005 (2006/3)	12,678	3,080	24.3	166.50
Fiscal 2004 (2005/3)	12,040	2,891	24.0	156.28

(Notes) Number of outstanding shares at end of period (consolidated) :

As of March 31, 2006 : 18,503,783 shares As of March 31, 2005 : 18,503,783 shares

## (3) Consolidated statement of cash flow

	Net cash used in operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal 2005 (2006/3)	932	-494	-203	1,139
Fiscal 2004 (2005/3)	-560	213	242	904

## (4) Scope of consolidation and application of the equity method

Consolidated subsidiaries : 1 Non-consolidated subsidiaries accounted for under equity method : 0

Affiliated company accounted for under equity method : 0

## (5) Changes in scope of consolidation and in application of the equity method

Consolidation (new) : - (elimination) : -

Equity method (new) : - (elimination) : -

**TAC CO.,LTD.**

2. Consolidated forecasts for March 2007 term (From April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Interim	10,071	309	146
Full year	20,200	737	398

(N.b.) Estimated net income per share for the year ending March 31, 2007 : 21.53 yen

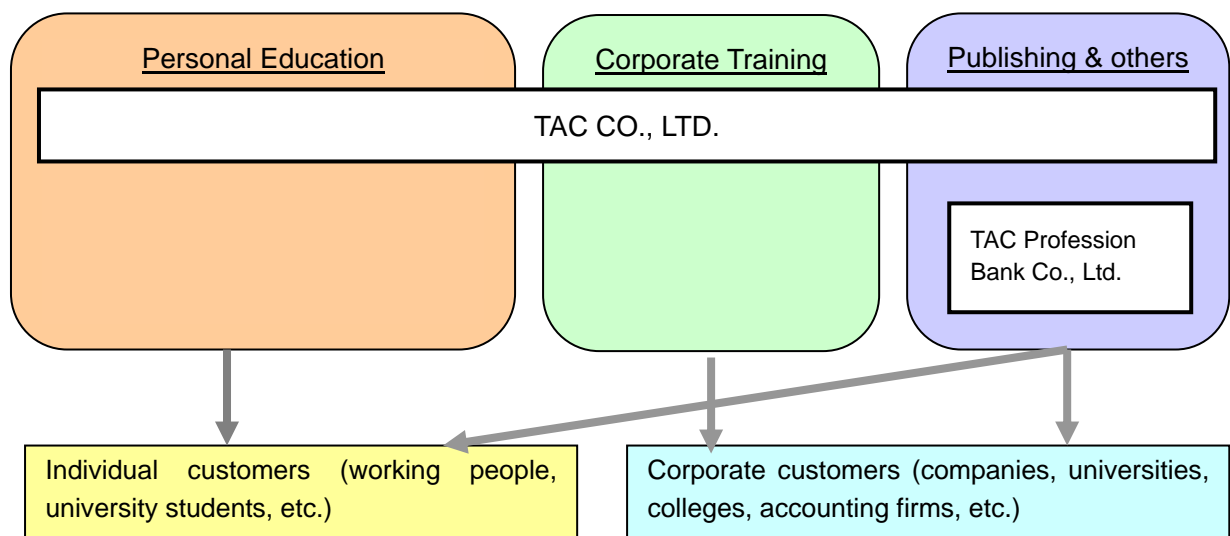
The above estimate was made based on the information available as of the date of this release. Actual results may differ significantly from estimates due to a variety of factors.

**1 . Group Information**

**(1) Operation of TAC Group**

TAC Group is composed of **TAC CO., LTD.** ("TAC" or "the Company") and one subsidiary (**TAC Profession Bank Co., Ltd.** renamed from **TAC Career Support Co., Ltd.** on February 1, 2005). TAC's principle business is to develop professionals and operate in the education business with a central focus on educational programs for working people and for university students who seek to acquire licenses, specialized knowledge and skills required for their work. TAC Profession Bank Co., Ltd. deploys manpower placement and dispatching services and is included in the "Publishing and Other Segment" section of our corporate structure.

TAC has three business segments, which include "Personal education", "Corporate training" and "Publishing and other". Business operations of TAC Group and the roles of TAC and its subsidiary in these business segments are as illustrated below:



**Personal education segment**

TAC is engaged in providing educational services for qualification examinations, which include certified public accountant, licensed tax accountant, real estate appraiser, certified social insurance labor consultant, securities analyst, information technology specialist, U.S. certified public accountant, and others. We lead a great number of candidates to success. Based on the high marks achieved in the preparatory courses for the above license exams, TAC, which is known as "**The License School TAC**", provides premium personal education.

Preparatory courses for license exams are provided through various learning media. These include "School Courses / DVD-based personalized courses", "Distance learning courses using audiocassettes and DVDs", "Internet WEB courses" and "Internet audio download courses". Original textbooks prepared by TAC's experienced teachers are used in all of these courses. Our educational know-how, which has accumulated over the years through educational services and experience, is a valued asset. TAC also exerts extensive efforts in constructing sales networks and collaborations with universities and bookstores nationwide. (Total 356 shops at 254 universities and 160 shops at 52 affiliated bookstores as of March 31, 2006.)

**Corporate training segment**

TAC provides corporate training programs and self-enlightenment courses to companies, universities, colleges, accountancy firms, and other organizations to help students acquire licenses and

## TAC CO.,LTD.

specialized knowledge required for their work. In addition to offering educational materials and consulting services to colleges, TAC actively promotes educational services through affiliated schools nationwide, holds university seminars and also opened TAC Business School. Other offerings include educational courses for license exams related to information processing engineering and IT (Microsoft office specialist, Oracle Master, etc.). Currently, TAC actively promotes the diffusion of IT certifications which have become the global standard, such as CompTIA (The Computing Technology Industry Association) which includes various suites of certification including A+, Network+, i-net+, Server+, Security+, and others. The objective is to fill the gap in IT skills between the US and Japan. TAC also sells "Mahojin" tax software.

### **Publishing and other segment**

( Publishing business )

Making maximum use of an accumulation of knowledge for license exams and corporate training gained in the personal education and corporate training segments, TAC publishes a powerful lineup of books including those for self-development, introductory guides, examinations, business books, and many others. More specifically, TAC publishes the "Secret of Success" series and "Past Questions" series under the brand name of "TAC Publishing" with an aim of spreading its educational know-how through its publications. As of March 31, 2005, TAC Publishing published 540 books of which 193 are related to accounting and taxation licenses.

( Recruiting support business )

TAC Profession Bank Co., Ltd.'s unique and exclusive advantage is TAC's 180 thousand plus students who are striving to acquire licenses. TAC Profession Bank Co., Ltd. offers them various opportunities for an improved career and provides support to enhance their job-hunting experience.

**TAC CO.,LTD.**

**(2) Our group's license courses**

Educational services provided by TAC Group, categorized below, cover almost the entire field of social science:

License by area	Programs	Profile and pass rates
Finance and Accounting	Certified public accountant, Bookkeeper, Construction Industry accountant	Proportion of TAC students from all successful candidates for certified public accountant exam was 82% (*) (part 2 exam in 2005).
Management and Taxation	Licensed tax accountant, Small and medium enterprise management consultant	Provide courses for all subjects for Licensed tax accountant exam. Proportion of TAC students from all successful candidates of licensed tax accountant exam was 72% (*) in 2005. Proportion of TAC students (150 persons) from total enrollment in Small and medium enterprise management consultant (359 persons) was 41% in 2004.
Financial Services and Real Estate	Real estate appraiser, Registered real estate transaction manager, Condominium management consultant / Registered condominium administration manager, Securities Analyst, Financial Planner, DC planner, Business School	Proportion of TAC students from all successful candidates in real estate appraiser exam was 87% (*) (part 2 exam in 2005). Proportion of TAC students (2,199 persons) from all successful candidates in registered real estate transaction manager exam was 10% (*) in 2005.
Law and Labor	Certified social insurance labor consultant, Administrative scrivener, Public officer, The Japan business law examination, Law related qualifications	Proportion of TAC students from all successful candidates in certified social insurance labor consultant was 45% (*) in 2005. The number of TAC students passing the public officer exam in 2005 was 1,920.
IT & International	IT specialist (system administrator exam, fundamental IT engineer exam, software design and development engineer exam etc; total 13 exams) U.S. certified public accountant, CompTIA(A+, i-Net+, Network+, Server+), IT related qualifications(Microsoft office specialist, Oracle master etc)	Provide preparatory courses to cover all IT specialist exams. Accumulated number of successful TAC students in U.S. certified public accountant is 732 since 1997 and 216 were successful in 2003.
Other	Tax software "Maho-jin", miscellaneous revenue (payment at front counter, etc.)	

(Note) Proportion: Proportion of students who took TAC's preparatory courses (students in regular courses and single subject course) from all successful candidates nationwide. This is generally used as a performance indicator in the education industry. The number of TAC students who passed exams includes those who also attend courses in other schools. Accordingly, the sum of the proportion of TAC students and students of other schools may exceed 100%.

## 2 . Management Policy

### (1) Basic management policy

#### **TAC's management philosophy = "Developing professionals"**

Japanese society is making the rapid transition from an industrial society to a knowledge society. In the knowledge society, professionals with expertise are needed in various areas and their appeal in society is widening.

The English word "profession" is derived from the word "profess" which means to declare oneself before God. In the Middle Ages in Europe, specialists such as priests, doctors, accountants, lawyers and teachers declared themselves before God in order to perform their obligations. Not only did they assume a responsibility to the society and its people through their profession, they were expected to have strict professional ethics. In Europe and the United States, universities assumed the role of developing professionals. In Japan, however, universities laid disproportionate emphasis on academics and have neglected developing professionals for important roles in practical business. On behalf of universities, TAC has trained many professionals who take significant roles in modern society.

With a management philosophy of developing professionals, TAC is gaining widespread acceptance from our customers. With their strong support, we aim to take a dominant position in the educational market. We think that "growth in shareholder value", a basic proposition needed for a corporation, cannot be achieved without a strong customer support base.

### (2) Basic policy for profit distribution

#### **Our policy for profit distribution = Stable dividend**

Of the various stakeholders in our company, we attach special importance to our stockholders and customers. Our basic policy for profit distribution is stable dividend payment. To this end, we focus upon the achievement of an optimum balance between return of profits to shareholders and retained earnings devoted to future business strategies.

In accordance with this policy, TAC has decided to pay an annual dividend of ¥ 10 as we had originally planned and in spite of the sluggish growth of our business during the current fiscal year.

	FY 2003	FY 2004	FY 2005
Interim dividends per share	5 Yen※	3 Yen	5 Yen
Full year dividends per share	11 Yen	3 Yen	5 Yen
Ordinary dividend	6 Yen	6 Yen	10 Yen
Memorial dividend	5 Yen	—	—
<b>Total (Annual dividend per share)</b>	<b>16 Yen</b>	<b>6 Yen</b>	<b>10 Yen</b>
Net income per share	30.30 Yen	4.29 Yen	10.25 Yen
Dividend payout ratio (Consolidated)	52.8%	139.7%	97.5%
Dividend payout ratio (excluding memorial dividend)	36.3%	139.7%	97.5%

Values denoted by asterisks \* are dividend per share retroactively adjusted to reflect the stock-split.

### **(3) Policy of reducing investment unit**

---

#### **Our future task = Improving liquidity and securing a stable number of shareholders**

TAC recognizes a more vitalized circulation of stocks and an increased number of individual shareholders as an important issue in our capital policy. Accordingly, on August 1, 2002, TAC reduced the minimum number of investment units from 1,000 shares to 100 shares. The number of individual shareholders continued to increase after being listed on the first section of the Tokyo Stock Exchange on March 1, 2004. The number of shareholders as of March 31, 2006 was 10,620, of which individual shareholders account for 98.5%. We would like to express our gratitude for your assistance. We are determined to increase the liquidity of our stocks as well as secure a stable number of shareholders and expand the number of investors.

### **(4) Targeted performance indices**

---

#### **Target performance indicators = Our target is to regain a profit margin on sales of 5%**

Our target performance indicators include the achievement of stable sales growth and an improved profit margin on sales. Our immediate goal is to regain a profit margin on sales of 5%.

### **(5) Mid and long-term management strategy**

---

#### **Improved shareholder value by way of educational business and human-resources business linkage**

TAC Group, with its corporate philosophy of “developing professionals”, is engaged in the business of human-resource education for working people and university students through preparatory courses for license exams and corporate training. Many of our students invest in themselves in order to find jobs or improve their career. An increasing number of our individual members and our corporate customers are making use of our human-resource services, including manpower placement and dispatching. Accordingly, we set our mid and long-term management strategy at developing a strong linkage between our educational business and our human-resources business while simultaneously expanding both. Based on this strategy, we will achieve stable growth in sales, improve our profit margin on sales and enhance shareholder value.

### **(6) Issues requiring countermeasures**

---

#### **( Important issues for the current fiscal year )**

##### **Certified public accountant course related**

(Student trends after introduction of new testing system)

The new testing system for the certified public accountant designation will start in 2006. The eventual target number of successful candidates is 2,000 to 3,000 per year (the number of successful candidates in 2004 exam was 1,308). Over the medium term, the number is expected to increase mainly through working people due to the simplified testing system and recognition of credit for each subject passed. We need to carefully examine trends in the number of students and unit price per client after the introduction of the new system.

Sales of correspondence courses using DVD's, which began in the current fiscal year, marked exceptional result. We are now making improvements to the quality of lectures provided through DVD media in order to provide presentations that are as powerful and realistic as classroom lectures.

(Establishment of professional accounting schools)

In FY 2006, 15 universities established professional accounting schools. Taking advantage of structural reform in the district law of Chiyoda Ward (Tokyo) and Osaka City (Osaka pref), we proceeded with preparations for the establishment of “TAC University Accounting School”.

## TAC CO.,LTD.

However, we decided to postpone this application for one year and have since decided to aim toward application in April 2007. The reason for this postponement was the difficulty in developing an original educational program that would be more attractive than other accounting schools in time for the application deadline which had been moved forward. We will further examine the establishment of an accounting school where effective and attractive educational programs will be provided.

### ② Expanding our human-resources business through TAC Profession Bank

Growth in the human-resources business provided by TAC Profession Bank Co., Ltd. is supported by the placement of professionals such as certified public accountants and licensed tax accountant and in dispatching students of our educational courses and successful candidates who have taken our educational courses. The dispatching business is receiving especially strong support from our corporate clients, many of whom have become our regular customers. They appreciate the professional ability of our students in the fields of finance and accounting. Toward further growth in this area, we plan to establish branch offices adjacent to our schools which will help us take full advantage of the potential synergy with our educational courses.

## (7) Parent company information

### (Trade name of the parent company)

Parent company	Affiliation	Percentage of stock held by parent company (%)	Stock exchange on which the parent company's stock is traded
Hiro Express Co., Ltd.	Affiliated company of a listed company	22.70 (—)	N/A

(Note) The figure in parentheses indicates the percentage of indirect ownership in the percentage of voting rights held by the parent company.

### (Position of listed company in the TAC group and relationship between the parent company and the other listed company)

Hiro Express Co., Ltd. manages the assets of Hiroaki Saito (representative director of TAC) and has one shareholder (Hiroaki Saito).

### (Information regarding trade with the parent company)

Not applicable

Operating Results and Financial Conditions
--------------------------------------------

**(1) Consolidated operating results****Overview of consolidated results for fiscal 2005**

Though the Japanese economy and corporate profits continued an upward trend during the current fiscal year, consumption expenditures of households remains weak. In February 2006, the jobless rate was 4.1% which is the lowest since 1998 and the active job opening ratio was 1.04, exceeding 1.00 for three consecutive month. This implies that companies are actively seeking human resources.

In the educational market, working people, which account for 75% of our individual members, became even more aware of the importance of investing in themselves. Sales of preparatory courses for bookkeeping exams, small and medium enterprise management consultant exams, financial planner exam made notable growth. Sales of public officers, social insurance labor consultant and IT specialist courses, however, were below the level of the previous fiscal year. There have been significant changes in the market environment of the CPA exams in the wake of recent accounting-related scandals, such as Kanebo and Livedoor. Companies became more aware of the importance of internal control from the standpoint of corporate governance. This caused the employment of successful candidates of CPA exams by major audit firms to improve rapidly. It took some time for this growth trend to become apparent, however the number of applications for CPA courses recovered quickly in the three months ending March 31, 2006.

We opened Sapporo School and Sendai School in April 2005 in order to strengthen our nationwide school network. We also opened Shibuya School in September to attract demand near terminal stations in the Tokyo Metropolitan Area. At the same time, we decided to close the Tokyo Head School and return portions of the rented areas in our existing schools in order to control rent expense. As a result of successes in correspondence courses using DVD's, which were launched following the start of broadband Web courses, sales of correspondence courses increased 25.8% over the previous consolidated fiscal year. Such growth also caused outsourcing costs, including costs for copying DVD's, to increase. Sales of classroom courses decreased 4.3% over the previous consolidated fiscal year affected by an increase in correspondence courses. Further, in the current year we continued to reduce advertising costs.

As a result, consolidated net sales for the year ending March 31, 2006 increased 0.8% over the previous fiscal year to ¥ 19,828 million. Consolidated operating profit decreased 8.2% over the previous fiscal year to ¥ 421 million. Ordinary income decreased 3.7% from the previous consolidated fiscal year to ¥ 536 million which includes interest on marketable securities. Extraordinary income of ¥ 45 million was recorded as profit from sales of marketable securities. An extraordinary loss of ¥ 232 million was posted and included restoration costs for Tokyo Head School of ¥ 130 million and losses from the sale and retirement of fixed assets of ¥ 76 million. As a result, net income for the current consolidated fiscal year was ¥ 189 million, an increase of 138.7% compared to the previous fiscal year.

Some notable features of our group's quarterly financial record: License examinations covered by our educational courses concentrate on the three months ended September 30 (the second quarter) and ended December 31 (the third quarter). Applications for preparatory courses for next year's exams of our key courses, such as certified public accountant and licensed tax accountant, start right after the exams for these qualifications are over in the second and the third quarters. And in the three months ended March 31 (the fourth quarter) and ended June 30

**TAC CO.,LTD.**

(the first quarter), classes of all the courses that we offer begin. In the second and the third quarters, profit margin on sales tends to be minimized in spite of substantial amounts of cash sales and accounts receivable. This is because tuition advances should be credited to reduce the amount of sales to be recognized in the relevant accounting periods, while fixed costs are expensed every month. In the fourth and the first quarters, these tuition advances are debited monthly to recognize sales, which increases the profit margin on sales

Changes in fiscal operating results between this year and last:

	1 <sup>st</sup> quarter of FY2004 (April – June)			2 <sup>nd</sup> quarter of FY2004 (July–September)			3 <sup>rd</sup> quarter of FY2004 (October–December)			4 <sup>th</sup> quarter of FY2004 (January–March)			Total for FY2004		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales before adjustment of tuition advances	3,913		95.0	6,559		94.9	4,930		100.0	3,900		97.7	19,304		96.7
Adjustment of tuition advances	1,725		117.7	-2,085		82.9	-408		87.8	1,132		102.8	364		-88.5
Net sales (after adjustment of tuition advances)	5,639	28.7	101.0	4,474	22.7	101.7	4,522	23.0	101.3	5,033	25.6	98.8	19,669	100.0	100.6
Gross profit	2,753	48.8	100.6	1,507	33.7	92.4	1,513	33.5	97.4	1,998	39.7	90.9	7,772	39.5	95.7
Operating income	920	16.3	99.9	-421	-9.4	181.5	-309	-6.8	150.3	269	5.4	53.3	459	2.3	46.4
Ordinary profit	949	16.8	99.2	-397	-8.9	180.7	-298	-6.6	160.5	302	6.0	54.3	557	2.8	50.2
Net income	502	8.9	94.3	-370	-8.3	206.3	-401	-8.9	375.1	349	6.9	111.0	79	0.4	14.2
Net income per share	Yen 27.15			Yen -20.02			Yen -21.71			Yen 18.87			Yen 4.29		

	1 <sup>st</sup> quarter of FY2005 (April – June)			2 <sup>nd</sup> quarter of FY2005 (July–September)			3 <sup>rd</sup> quarter of FY2005 (October–December)			4 <sup>th</sup> quarter of FY2005 (January–March)			Total for FY2005		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales before adjustment of tuition advances	3,585		91.6	7,115		108.5	5,127		104.0	4,362		111.8	20,190		104.6
Adjustment of tuition advances	1,883		109.2	-2,444		117.2	-522		127.7	720		63.6	-362		-99.5
Net sales (after adjustment of tuition advances)	5,469	27.6	97.0	4,670	23.6	104.4	4,605	23.2	101.9	5,082	25.6	101.0	19,828	100.0	100.8
Gross profit	2,491	45.5	90.5	1,662	35.6	110.3	1,530	33.2	101.2	1,983	39.0	99.3	7,667	38.7	98.6
Operating income	644	11.8	70.0	-337	-7.2	80.1	-301	-6.6	97.5	416	8.2	154.6	421	2.1	91.8
Ordinary profit	654	12.0	68.9	-297	-6.4	74.9	-274	-6.0	92.1	454	8.9	150.1	536	2.7	96.3
Net income	370	6.8	73.7	-279	-6.0	75.5	-215	-4.7	53.5	314	6.2	89.9	189	1.0	238.7
Net income per share	Yen 20.01			Yen -15.11			Yen -11.62			Yen 16.97			Yen 10.25		

- (Notes) 1. Percentage of quarterly net sales stated as a proportion of total net sales.  
2. Other percentages stated as a proportion of quarterly net sales.

## TAC CO.,LTD.

### Segment-related information

Sales results of our group according to segment are as follows.

Segment information	Previous fiscal year			Current fiscal year		
		Percentage	Changes		Percentage	Changes
	¥ million	%	%	¥ million	%	%
Personal education	14,464	73.5	98.5	14,279	72.0	98.7
Corporate training	3,401	17.3	104.2	3,578	18.0	105.2
Publishing & others	1,803	9.2	113.4	1,988	10.0	110.3
Total	19,669	100.0	100.6	19,846	100.0	100.9

#### Personal education

**Certified public accountant enjoyed recovery in the three months ended March 31, 2006. Bookkeeping courses showed remarkable growth due to the successful campaign of low-priced courses**

In the Personal education segment, the number of individual members, which registered a first-ever drop in the previous fiscal year, made an upward turn and increased 11.8% or 14,243 to 135,205. This is largely attributed to the success of our campaign of low-priced bookkeeping courses. As for certified public accountant courses, the number of new applicants, which had continued to be lower than that of the same term last year, finally exceeded the level of the same term last year in the 4<sup>th</sup> quarter (three months ended March 31, 2006). The number of students of licensed tax accountant courses continued to show steady increases. Public officers courses and social insurance labor consultant courses, however, marked sluggish growth. As a result, sales for the year ending March 31, 2006 decreased 1.3% over the previous fiscal year to ¥ 14,279 million.

	1 <sup>st</sup> quarter of FY2004 (April – June)			2 <sup>nd</sup> quarter of FY2004 (July–September)			3 <sup>rd</sup> quarter of FY2004 (October–December)			4 <sup>th</sup> quarter of FY2004 (January–March)			Total for FY2004		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	4,435	30.7	103.3	3,184	22.0	95.8	3,104	21.5	96.8	3,739	25.8	96.8	14,464	100.0	98.5
Operating costs	3,535	79.7	103.8	3,528	110.8	103.4	3,422	110.2	102.5	3,448	92.2	103.9	13,934	96.3	103.4
Operating income	899	20.3	101.5	-344	-10.8	379.7	-317	-10.2	241.0	291	7.8	53.5	530	3.7	43.9

	1 <sup>st</sup> quarter of FY2005 (April – June)			2 <sup>nd</sup> quarter of FY2005 (July–September)			3 <sup>rd</sup> quarter of FY2005 (October–December)			4 <sup>th</sup> quarter of FY2005 (January–March)			Total for FY2005		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	4,208	29.5	94.9	3,344	23.4	105.0	3,030	21.2	97.6	3,696	25.9	98.8	14,279	100.0	98.7
Operating costs	3,622	86.1	102.4	3,776	112.9	107.0	3,516	116.1	102.8	3,137	84.9	91.0	14,053	98.4	100.9
Operating income	586	13.9	65.2	-431	-12.9	125.5	-486	-16.1	153.4	558	15.1	191.7	226	1.6	42.8

- (Notes)
1. Percentage of quarterly net sales stated as a proportion of total net sales.
  2. Percentages of operating costs and operating income for each quarter are a proportion of the net sales of the relevant quarter.
  3. Operating costs that are not allocable are excluded for the calculation of operating costs and operating income.

#### Corporate training

**Continuous growth in corporate training backed by economic recovery resulted in substantial increases in sales and profit**

In the corporate training segment, sales increased throughout the year as companies reported favorable results backed by the economic recovery. Over the previous fiscal year, sales in corporate training, educational contents such as educational materials, sales by affiliated

## TAC CO.,LTD.

schools and in-university seminars increased 5.7%, 4.5%, 2.2% and 15.0%, respectively. Sales in FP and securities analyst increased 27.5% and 8.0%, respectively, over the previous year backed by increases in the stock market and sales of investment trusts. Sales in IT specialist, however, decreased 7.4% over the previous fiscal year mainly in corporate training. The number of students in this segment increased 7.3% or 3,091 over the previous fiscal year, from 42,507 to 45,598 due to a substantial increase in the number of students in affiliated schools and in correspondence courses for corporate training programs. As a result, sales for the year ending March 31, 2006 increased 5.2% over the previous fiscal year to ¥ 3,578 million.

	1 <sup>st</sup> quarter of FY2004 (April – June)			2 <sup>nd</sup> quarter of FY2004 (July–September)			3 <sup>rd</sup> quarter of FY2004 (October–December)			4 <sup>th</sup> quarter of FY2004 (January–March)			Total for FY2004		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	890	26.2	87.8	908	26.7	122.4	858	25.2	111.5	744	21.9	100.7	3,401	100.0	104.2
Operating costs	705	79.2	94.0	747	82.2	102.3	662	77.1	94.8	668	89.8	99.9	2,783	81.8	97.7
Operating income	185	20.8	70.3	161	17.8	1,360.7	196	22.9	277.0	75	10.2	108.6	618	18.2	148.7

	1 <sup>st</sup> quarter of FY2005 (April – June)			2 <sup>nd</sup> quarter of FY2005 (July–September)			3 <sup>rd</sup> quarter of FY2005 (October–December)			4 <sup>th</sup> quarter of FY2005 (January–March)			Total for FY2005		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	915	25.6	102.8	950	26.5	104.6	911	25.5	106.2	801	22.4	107.7	3,578	100.0	105.2
Operating costs	628	68.7	89.1	664	69.9	88.9	633	69.5	95.7	699	87.4	104.7	2,626	73.4	94.4
Operating income	286	31.3	154.9	285	30.1	1771	277	30.5	141.7	101	12.6	133.8	951	26.6	153.9

- (Notes)
1. Percentage of quarterly net sales stated as a proportion of total net sales.
  2. Percentages of operating costs and operating income for each quarter are a proportion of the net sales of the relevant quarter.
  3. Operating costs that are not allocable are excluded for the calculation of operating costs and operating income.

### Publishing and other

#### **Books accompanied by DVD media proved successful. Human-resources business showed good results both in manpower placement and dispatching**

In publishing, sales of books related to bookkeeping and public officers reported excellent results. As well, textbooks accompanied by a DVD for the social insurance labor consultant exam proved very popular. However, sales of courses for this area did not fair well in the personal education segment. Nonetheless, this new type of textbook received good reviews from learners who prepared for the exam without the aid of courses. Books that are not directly related to our educational courses (TACBOOK) had high returns. In retail bookstores, books for certification exams have become established as a noteworthy category and books published under the brand name of “TAC Publishing” enjoyed stable sales. As a result, publishing business sales increased 3.8% over the previous fiscal year.

Our human-resources business increased its sales in all of the three business pillars, including manpower placement, dispatching and job advertisement. Manpower dispatching of inexperienced people including our individual members taking our educational courses and those who acquired qualifications after taking our courses grew substantially. Such success is attributed to our excellent manpower dispatching service which satisfies the needs of both companies offering employment and registrants seeking jobs. Our human-resources business showed continued growth of 30.9% over the previous fiscal year (after elimination in consolidation). In total, sales for the year ending March 31, 2006 in this segment increased 10.3% to ¥ 1,988 million.

**TAC CO.,LTD.**

	1 <sup>st</sup> quarter of FY2004 (April – June)			2 <sup>nd</sup> quarter of FY2004 (July–September)			3 <sup>rd</sup> quarter of FY2004 (October-December)			4 <sup>th</sup> quarter of FY2004 (January-March)			Total for FY2004		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	313	17.4	113.2	381	21.1	114.4	558	31.0	115.0	549	30.5	111.3	1,803	100.0	113.4
Operating costs	265	84.7	108.7	260	68.2	111.1	458	82.0	125.2	404	73.6	106.6	1,388	77.0	113.4
Operating income	48	15.3	147.0	121	31.8	122.2	100	18.0	83.8	145	26.4	127.0	415	23.0	113.3

	1 <sup>st</sup> quarter of FY2005 (April – June)			2 <sup>nd</sup> quarter of FY2005 (July–September)			3 <sup>rd</sup> quarter of FY2005 (October-December)			4 <sup>th</sup> quarter of FY2005 (January-March)			Total for FY2005		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	345	17.4	110.2	385	19.4	101.0	668	33.6	119.6	589	29.6	107.3	1,988	100.0	110.3
Operating costs	264	76.6	99.6	300	78.0	115.4	517	77.4	112.9	507	86.1	125.6	1,590	80.0	114.5
Operating income	81	23.4	168.4	84	22.0	70.0	150	22.6	149.9	81	13.9	56.4	398	20.0	96.1

- (Notes) 1. Percentage of quarterly net sales stated as a proportion of total net sales.  
2. Percentages of operating costs and operating income for each quarter are a proportion of the net sales of the relevant quarter.  
3. Operating costs that are not allocable are excluded for the calculation of operating costs and operating income.

TAC CO.,LTD.

Sales results by license area

Licenses by area	1 <sup>st</sup> quarter of FY2004 (April – June)			2 <sup>nd</sup> quarter of FY2004 (July–September)			3 <sup>rd</sup> quarter of FY2004 (October–December)			4 <sup>th</sup> quarter of FY2004 (January–March)			Total for FY2004		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Finance & Accounting	1,762	28.0	96.5	1,338	21.3	95.2	1,526	24.3	96.4	1,657	26.4	98.5	6,285	32.0	96.7
Management & Taxation	1,574	30.3	105.1	1,114	21.4	108.4	1,092	21.0	101.9	1,423	27.3	98.7	5,205	26.5	103.2
Financial Service & Real Estate	598	26.2	93.9	635	27.8	103.5	573	25.0	108.8	480	21.0	99.0	2,288	11.6	101.0
Law & Labor	1,032	32.0	108.0	668	20.7	102.6	659	20.5	102.6	862	26.8	95.3	3,223	16.4	102.1
IT & International	374	25.2	86.3	419	28.2	95.7	349	23.5	89.9	342	23.1	100.0	1,486	7.5	92.7
Others	296	25.2	127.5	296	25.1	114.6	321	27.2	128.5	264	22.5	112.7	1,179	6.0	120.7
<b>Total</b>	<b>5,639</b>	<b>28.7</b>	<b>101.0</b>	<b>4,474</b>	<b>22.7</b>	<b>101.7</b>	<b>4,522</b>	<b>23.0</b>	<b>101.3</b>	<b>5,033</b>	<b>25.6</b>	<b>98.8</b>	<b>19,669</b>	<b>100.0</b>	<b>100.6</b>

Licenses by area	1 <sup>st</sup> quarter of FY2005 (April – June)			2 <sup>nd</sup> quarter of FY2005 (July–September)			3 <sup>rd</sup> quarter of FY2005 (October–December)			4 <sup>th</sup> quarter of FY2005 (January–March)			Total for FY2005		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Finance & Accounting	1,697	26.9	96.3	1,507	23.9	112.6	1,450	23.0	95.0	1,647	26.2	99.4	6,302	31.8	100.3
Management & Taxation	1,550	29.2	98.5	1,107	20.8	99.3	1,153	21.7	105.7	1,504	28.3	105.6	5,315	26.8	102.1
Financial Service & Real Estate	615	24.1	102.9	685	26.9	107.9	672	26.3	117.3	580	22.7	120.7	2,554	12.9	111.6
Law & Labor	953	31.5	92.4	620	20.5	92.8	682	22.6	103.5	769	25.4	89.2	3,026	15.3	93.9
IT & International	371	25.9	99.3	427	29.7	101.7	340	23.6	97.4	298	20.8	87.1	1,437	7.2	96.7
Others	280	23.5	94.5	322	27.0	108.6	306	25.8	95.5	282	23.7	113.9	1,191	6.0	101.0
<b>Total</b>	<b>5,469</b>	<b>27.6</b>	<b>97.0</b>	<b>4,670</b>	<b>23.6</b>	<b>104.4</b>	<b>4,605</b>	<b>23.2</b>	<b>101.9</b>	<b>5,082</b>	<b>25.6</b>	<b>101.0</b>	<b>19,828</b>	<b>100.0</b>	<b>100.8</b>

(Note) 1. Percentage of net sales for each quarter is a proportion of total sales for the relevant quarter over the total annual sales.  
2. Percentage at the end of each fiscal year is a proportion over total annual sales.

**Finance and Accounting**

Society's expectation towards certified public accountants and audit corporations have heightened in the wake of accounting and audit-related scandals such as Kanebo and Livedoor. Internal control audits and mandatory quarterly audits are expected to be introduced in the fiscal year ended March 31, 2009 (later than originally scheduled). Many incidents have occurred that will create shortages of CPA's in the near future. And so, audit corporations have a strong desire to hire new recruits. According to the Nippon Keizai Shimbun Newspaper on November 26, 2005, the number of recruits newly employed by the four major audit corporations was 1,275, which almost covered the number of successful candidates of part two of the CPA exam, which reached 1,308. Audit corporations are still seeking recruits and the employment situation is rapidly changing for the better.

In spite of our expectation that registrations aiming at the new testing system starting in 2006 would increase, sales growth of introductory courses for new learners, most of whom were university students, did not reach expectations until the third quarter (three months ended December 31, 2005). This is attributed to the recent accounting and audit-related scandals

## TAC CO.,LTD.

which created a negative image and dampened the motivation of potential candidates. In the fourth quarter (three months ended March 31, 2006), however, applications for CPA courses showed substantial growth and cash-basis sales (before adjustments of tuition advances) for the current fiscal year increased 3.4% over the previous fiscal year. Sales on an accrual basis (after adjustments of tuition advance) decreased 5.2% over the previous year because of an increased amount of tuition advances transferred to the next fiscal year and after.

As for bookkeeping courses, our campaign of low-priced courses and correspondence courses using DVD media showed steady increases and revealed growth in the number of students. (+32.0% over the previous year). As a result, sales of the bookkeeping courses for the current fiscal year increased 14.0% over the previous fiscal year. This completely compensated for the decrease in the sales of CPA courses. As a result, sales in these areas increased 0.3% from the previous consolidated fiscal year.

### Management and Taxation

In licensed tax accountant (LTA) preparatory courses, 2.5-year and 3-year package plans showed steady growth and the number of applicants for regular courses and package plans, which has a higher unit price, continued to recover. Accordingly, sales on a cash basis increased by 6.8% over the previous fiscal year. Sales on an accrual basis, however, increased only 0.1% over the previous fiscal year because of an increased amount of sales transferred to tuition advances. As for preparatory courses for small and medium enterprise management consultant (SMEMC) tailored to the new testing system revised in 2006, sales increased 11.4% over the previous fiscal year receiving wide support of middle-aged working people. As a result, sales in these areas for the year ending March 31, 2006 increased 2.1% over the previous fiscal year.

### Financial Services and Real Estate

Sales of real estate transaction manager (Takken) courses increased 3.8% over the previous fiscal year. We believe that sales of these courses, which had been showing steady growth since the year ended March 31, 2004, have slowed. In turn, sales of preparatory courses for real estate appraiser increased by 9.8% over the previous fiscal year. Such growth is attributed to a higher unit cost than Takken and to the fact that we have a larger market share in this area. Applications for real estate appraiser courses showed steady growth also because of the scheduled introduction of a new testing system in 2006.

As for sales of financial services-related courses, financial planner (FP) and securities analyst showed substantial growth of 31.6% and 8.6%, respectively over the previous fiscal year. This is in response to gains in the stock market and increases in investment trusts sold by banks and securities companies. As a result, sales in this area for the year ending March 31, 2006 increased 11.6% over the previous fiscal year.

### Law and Labor

Due to a downward trend in the number of applicants for the exam, sales of preparatory courses for certified social insurance labor consultant declined 9.1% over the previous fiscal year. Sales of preparatory courses for public officer courses also declined 6.8% over the previous fiscal year. Such downward trends are attributed to lower motivation among potential candidates, which cooled in response to the civil service reform plan and improvements in the general employment situation for new recruits. Cash-basis sales of preparatory courses for administrative scrivener courses increased 18.0% (+2.0% on accrual basis) over the previous fiscal year. The testing system for administrative scrivener was revised in 2006 to reduce the burden on candidates. Prior to the revision, the pass rate was as low as 2.6%. After the revision

## TAC CO.,LTD.

of testing system, learners, who had prepared for the exam without the aid of attending educational courses, started to seek the support of schools. Sales of preparatory courses for the Japan business law examination showed remarkable growth of 56.5% over the previous year, although the size of the market is still small. As a result, sales for the year ending March 31, 2006 decreased 6.1% over the previous fiscal year.

### IT & International

In regards to IT-related qualifications, the number of candidates for IT specialist examinations declined for two consecutive years from 770,000 to 690,000 and continues to fall. As a result, sales for the year ending March 31, 2006 decreased 6.2% over the previous fiscal year. US CPA sales remained almost unchanged. We were temporarily unable to provide preparatory courses for CompTIA (the Computing Technology Industry Association) certifications, which are considered de-fact IT standards in the US, and other IT qualification as the necessary PC classrooms were unavailable during a reorganization of schools in the Tokyo Metropolitan Area. However, sales increased 4.7% over the previous fiscal year due to increased awareness in relevant industries. As a result, sales for the year ending March 31, 2006 decreased 3.3% over the previous fiscal year.

### Other

In our human-resources business operated by TAC Profession Bank Co., Ltd. (TPB), our subsidiary, sales continued strong (+30.9% after eliminations in consolidation) over the previous year in three areas of its operations: manpower placement and dispatch, which both showed substantial growth, and job advertisements which remained stable.

Sales of "Maho-jin" tax software, which previously experienced a temporary increase in demand in response to upgrades caused by revisions in the Consumption Tax Law, decreased 9.5% over the previous fiscal year. Miscellaneous revenue (payment at the front counter for purchasing stationery, locker fees, etc.) declined 8.8%. Sales of TACBOOK (not directly related to the five business segments above) declined 69% due to a reduction of shipments. In total, sales increased 1.0% over the previous fiscal year.

### Number of schools and capacity

TAC has 16 schools nationwide (as of March 31, 2006) that provide personal education and corporate training. In the current consolidated year, we opened Sapporo School and Sendai School in April and Shibuya School in September and closed Tokyo Head School in August. Parts of the classroom space of Ikebukuro, Yokohama, Kyoto and Kobe Schools were returned in order to control increasing rent expenses. Upon completion of this scrap-and-build scheme, total classroom capacity as of March 31, 2006 was 16,148 tsubo's, an increase of 1.3% over the previous fiscal year. In the fiscal year ending March 31, 2007, we have no plans to open new schools or close existing schools. We will boost sales of classroom courses while making maximum use of the existing classroom space.

TAC CO.,LTD.

(1 tsubo = 3.3 m<sup>2</sup>)

Term Location of branches	Previous fiscal year (as of March 31, 2004)				Current fiscal year (as of March 31, 2005)			
	Area(tsubo)	Number of classrooms	Number of seats	Number of video booths	Area(tsubo)	Number of classrooms	Number of seats	Number of video booths
Sapporo	—	—	—	—	347 (New)	9	631	39
Sendai	—	—	—	—	327 (New)	9	587	36
Suidobashi (notes)	4,682	49	5,909	135	3,396	30	3,299	65
Shibuya	—	—	—	—	1,700 (New)	30	3,152	115
Shinjuku	1,468	24	2,969	99	1,468	24	2,938	95
Ikebukuro	1,489	27	3,277	106	1,259	24	2,763	117
Yaesu	1,049 (Moved)	18	1,791	123	1,049	18	1,791	123
Machida	497	12	1,012	45	497	12	1,020	46
Yokohama	1,508	28	3,255	83	1,047	22	2,052	100
Omiya	530 (Moved)	14	1,052	61	530	14	1,052	61
Nagoya	963	23	2,103	90	963	23	2,071	89
Kyoto	830	20	1,830	69	693	16	1,399	69
Umeda	1,305	25	2,530	74	1,305	23	2,275	92
Nanba	586	15	1,081	65	586	15	1,081	65
Kobe	619	17	1,460	42	569	15	1,298	42
Fukuoka	404	11	470	39	404	11	466	39
Total	15,936	283	28,740	1,031	16,184	295	27,875	1,193

(Notes) As Tokyo Head School was closed on August 31, 2005, Suidobashi includes Suidobashi School and Tokyo Headquarters (Tokyo Head Office) for the current fiscal year. (In the previous fiscal year, this figure included Tokyo Head School, Suidobashi School and Tokyo Headquarters (Tokyo Head Office)).

**Number of students**

The proportion of individual students to corporate students is approximately 3 to 1. In the current consolidated year, individual student numbers showed a substantial increase of 11.8%, or 14,243 over the previous fiscal year to 135,205. The number of corporate students increased 7.3% or 3,981 over the previous consolidated year to a total of 45,598. This was due to a substantial increase in the number of students in affiliated schools and in correspondence courses for corporate training programs. As a result, the total number of students increased 10.6% or 17,334 from the previous consolidated year to 180,803. The accumulated number of students for the past 9 years exceeded 1,160,000.

	Individual members	Corporate members	Total	Increases from the same term last year	Changes from the same term last year %
FY 1997	43,599	15,791	59,390	—	—
FY 1998	66,661	17,932	84,593	+ 25,203	142.4
FY 1999	83,066	21,528	104,594	+ 20,001	123.6
FY 2000	93,651	28,747	122,398	+ 17,804	117.0
FY 2001	105,217	36,542	141,759	+ 19,361	115.8
FY 2002	114,244	33,433	147,677	+ 5,918	104.2
FY 2003	123,909	39,550	163,459	+ 15,782	110.7
FY2004	120,962	42,507	163,469	+ 10	100.0
<b>FY2005</b>	<b>135,205</b>	<b>45,598</b>	<b>180,803</b>	<b>+ 17,334</b>	<b>110.6</b>
Total of 9 years (Percentage distribution)	886,514 (75.9%)	281,628 (24.1%)	1,168,142 (100.0%)	— —	— —

## TAC CO.,LTD.

### **Annual forecast to March, 2007**

In the current consolidated fiscal year, sales of classroom courses declined after returning rented classroom space, which resulted in a limiting of classroom offerings. Also substantial costs were incurred for copying and shipping DVD's as a result of this media's increasing popularity. Sales showed gradual growth through the end of the current fiscal year. Accordingly, we expect that the sales of CPA courses, our flagship, will show a moderate recovery after potential candidates analyze and confirm trends related to the revised exams, implemented for the first time this year. Other courses, except for preparatory courses of public officers, certified social insurance labor consultant and IT specialist, grew steadily. In the next consolidated year, the upward trend in correspondence courses using DVD is expected to gradually slow. We aim to increase sales of classroom courses by improving curriculum design.

We feel an important mission toward improve the profit margin in the personal education segment. Further, we expect that the corporate training segment will show steady growth in response to the economic recovery. In the publishing segment, we need to stimulate the demand of those studying for license qualification. In the human-resources business, we will focus our efforts on expanding the business of manpower placement of certified public accountants, licensed tax accountant and other experts through TAC Profession Bank Co., Ltd. We attach paramount importance to this area. Providing a sense of security to successful candidates toward finding jobs will result in increased motivation for those starting to prepare for license qualifications.

In regards to costs, we do not plan to open or close schools in the next consolidated year. Accordingly, we do not expect any large extraordinary losses to be incurred. In the current consolidated year, we had some difficulties in restraining instructors' fees and outsourcing costs, but will implement appropriate measures in the next consolidated year. We will continue to reduce advertising costs in order to achieve an appropriate ratio of advertising to sales.

In summary, we forecast that net sales of TAC group during the March 2007 term will increase 1.9% or ¥ 371 million to ¥ 20.2 billion; operating profit will increase 58.9% or ¥ 248 million to ¥ 67 million; ordinary profit will increase 37.4% or ¥ 200 million to ¥ 737 million; and net income will increase 110.0% or ¥ 208 million to ¥ 398 million over the current fiscal year.

**(2) Financial position (consolidated)****Financial position of current fiscal year**

	1 <sup>st</sup> quarter of FY2004 (June 30, 2004)			2 <sup>nd</sup> quarter of FY2004 (September 30, 2004)			3 <sup>rd</sup> quarter of FY2004 (December 31, 2004)			4 <sup>th</sup> quarter of FY2004 (March 31, 2005)		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Total assets	13,003	100.0	108.3	14,789	100.0	104.2	13,502	100.0	101.3	12,040	100.0	96.9
Tuition advances	5,468	42.1	103.0	7,655	51.8	96.4	8,061	59.7	95.8	6,869	57.0	94.8
Shareholders' equity	3,419	26.3	101.6	3,115	21.1	100.3	2,621	19.4	92.0	2,891	24.0	91.4
Book value per share	Yen 184.82			Yen 168.34			Yen 141.67			Yen 156.28		

	1 <sup>st</sup> quarter of FY2005 (June 30, 2005)			2 <sup>nd</sup> quarter of FY2005 (September 30, 2005)			3 <sup>rd</sup> quarter of FY2005 (December 31, 2005)			4 <sup>th</sup> quarter of FY2005 (March 31, 2006)		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Total assets	12,696	100.0	97.6	15,005	100.0	101.5	14,365	100.0	106.4	12,678	100.0	105.3
Tuition advances	4,907	38.7	89.7	7,472	49.8	97.6	8,005	55.7	99.3	7,244	57.1	105.5
Shareholders' equity	3,314	26.1	96.9	3,048	20.3	97.8	2,786	19.4	106.3	3,080	24.3	106.5
Book value per share	Yen 179.13			Yen 164.73			Yen 150.58			Yen 166.50		

**Cash flow performance**

Cash and cash equivalents (hereafter referred to as "cash") increased ¥ 235 million from the previous consolidated fiscal year to ¥ 1,139 million. Status and details of cash flows for each category are as follows:

**(Cash flows from operating activities)**

Net cash provided by operating activities for the current consolidated fiscal year was ¥ 932 million, an increase of ¥ 1,493 million over the previous consolidated fiscal year. Factors contributing to increases in cash flows from operations included a ¥ 375 million increase in tuition advances and a ¥ 77 million loss on the sale and disposal of property and equipment. Factors decreasing cash flows from operations included a ¥ 120 million increase in inventories. The net income tax refund was ¥ 100 million. (¥ 63 million was paid in income tax, offset by an income tax refund of ¥ 163 million.)

**(Cash flows from investing activities)**

Net cash used in investing activities for the current fiscal year was ¥ 494 million, a decline of ¥ 707 million over the previous consolidated fiscal year. Investment-related cash paid includes ¥ 331 million (+¥ 2 million) for tangible fixed assets required for opening Sapporo, Sendai and Shibuya Schools, ¥ 367 million (+¥ 212 million) for intangible fixed assets including renewal of main systems (member administration), Web courses and Internet e-registration sites. Net ¥ 148 million was received for fixed leasehold deposits which is the total of collection of guaranteed deposits offset by payment of guaranteed deposits. ¥ 41 million net was received for investment securities, which is the gain on the sale of investment securities offset by the losses.

**(Cash flow from financing activities)**

Net cash used in financing activities in the current consolidated fiscal year was ¥ 203 million, a decline of ¥ 445 million over the previous fiscal year. This includes ¥ 56 million in repayment of long-term borrowing. ¥ 147 million was used for dividend payments.

## TAC CO.,LTD.

Cash flow indicators used by TAC group are as follows:

	FY2002	FY2003	FY2004	FY2004
Shareholders' equity ratio	24.8%	25.5%	24.0%	24.3%
Shareholders' equity ratio based on market price	92.2%	138.8%	83.8%	95.0%
Redemption period	0.2yrs.	— yrs.	-0.9yrs.	0.5yrs.
Interest coverage ratio	128.6	153.1	-75.9	108.0

(Note) Shareholders' equity ratio : Shareholders' equity / Total assets

Shareholders' equity ratio based on market price: Aggregate market value of corporate stock / Total assets

Redemption period : Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio : Cash flow from operating activities / Interest

\* Each indicator is calculated using values included in the consolidated financial statements.

\* Aggregate market value of corporate stock is calculated by multiplying closing stock price at the term-end by total number outstanding shares at the term-end.

\* Cash flow from operating activities is based on the relevant section of the consolidated statement of cash flow. Interest-bearing debt refers to all debt reported in the consolidated balance sheet which bears interest. Interest payment is based on the amount of interest payment reported on the consolidated statement of cash flow.

### Forecasts of cash flows for the next fiscal year

We expect cash inflows of ¥ 1,517 million from operating activities, cash outflows of ¥ 450 million from investing activities and cash outflows of ¥ 552 million from financing activities. We expect an ending balance of cash and cash equivalents of ¥ 1,655 million.

### (3) Management's discussion and analysis of financial condition

#### Significant accounting policies and forecast

##### (a) Accounting policy for sales of educational courses

In the preparatory courses for license examinations, the total amount of tuition is prepaid by the students upon applying for courses. Upon payment, the entire amount of tuition received is credited as tuition advances (liability) and reduced to recognize sales in the relevant accounting periods in which the service is provided to the students. Difficult national qualifications such as CPA and LTA courses, which are our key courses, have an extended enrollment period of 1 to 2 years. Accordingly, tuition advances are debited monthly to recognize sales over the proper period.

#### Analysis of consolidated operating results

##### (a) Recovery in sales of certified public accountant courses

In the current consolidated fiscal year, we had assumed that sales of CPA courses would recover in November after the announcement of test results and due to the willingness of major audit corporations to employ successful candidates of the part 2 exam. Although it took a while before this effect became apparent, sales of CPA courses showed a steady recovery in the fourth quarter (three months ended March 31, 2006). In this term, sales figures exceeded those of the same term last year as well as those originally forecasted. As a result, sales on a cash basis (before adjustments for tuition advance) increased 3.4% over the previous fiscal year. Sales on an accrual basis (after adjustments for tuition advance), however, decreased 5.2% over the previous year because of an increase in the amount of tuition advances transferred. Sales on a cash basis were not favorable in courses for public officers (-11.2%), certified social insurance labor consultant (-8.6%), IT specialist (-5.8%). Total sales on a cash basis, however, increased 4.6% or ¥ 885 million. Sales on an accrual basis increased by only 0.8% or ¥ 159 million. This was because the amount of adjustment of

## TAC CO.,LTD.

tuition advances in the current consolidated fiscal year is -362 million, which results in eliminating most of the increases in cash-basis sales, while the amount of adjustment of tuition advances was +364 million in the previous consolidated fiscal year. In our company, when the cash-basis sales shows an upward trend, the amount of adjustment of tuition advances tends to be negative. Accordingly, we take such a change to represent a transition from a sales downturn to sales expansion.

(b) Balance between correspondence courses using DVD and classroom courses

Rapid expansion of correspondence courses using DVD media started in the current consolidated fiscal year and became the driving force toward boosting sales of correspondence courses. These sales increased 25.8% over the previous year. The proportion of sales of correspondence courses using DVD media over entire sales of correspondence courses reached 31.0%. Conventional media such as audiocassettes and video tapes still account for 38.3%. It is expected that such conventional media will shift to DVD. The cost of copying DVD's was reduced to below that of videotapes and we expect further cost reduction in the future.

Sales of classroom courses decreased 4.3% due to classroom courses and correspondence courses cannibalizing each other. Rent expense for classrooms and instructors' fee are fixed costs which reduce marginal profit. We will take measures to increase the level of marginal profit produced by classroom courses by enhancing the quality of classroom lectures, as well as carefully considering the risks of rent increases. We expect that this will result in an expansion in sales while maintaining an appropriate balance between classroom courses and correspondence courses.

(c) Growth in business of affiliated schools

We are actively promoting business through affiliated schools. In the current fiscal year, the number of affiliated schools is 17 nationwide, which is unchanged from the previous fiscal year. Changes in the number of students and net sales through our affiliated schools are as follows:

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Students (Persons)	8,543	9,794	10,627
Sales (¥ million)	349	392	401
Number of affiliated schools at fiscal year-end	12	17	17

We will develop and expand the network of affiliated schools so that the TAC brand penetrates cities in outlying areas while also fostering co-existence and co-prosperity with our partners. In the next fiscal year ending March 31, 2007, we have no plan to open new schools. In the fiscal year ending March 31, 2008, we plan to open 2 new schools. In the next fiscal year, we will exert effort in expanding sales in existing affiliated schools by securing enough capable instructors and by providing effective support of promotional activities.

(d) Growth in human-resources business

Our wholly owned subsidiary, TAC Profession Bank Co., Ltd. is engaged in three important areas of business - manpower placement, dispatching and job advertising. Since its establishment in May 2001, this business finally got on track toward expansion in its fifth year. In the current consolidated fiscal year, TAC Profession Bank Co., Ltd received significant media exposure as there was substantial media coverage of the problem of successful candidates of the CPA exam (part 2). We acted as a pioneer in supporting candidates in finding jobs at companies in private industry. This contributed to creating a better image of

## TAC CO.,LTD.

TAC as a company able to provide effective support for the employment of CPAs. We will continue to provide support to successful candidates.

Changes in operating results of TAC Profession Bank Co., Ltd. (non-consolidated) are as follows:

		Fiscal 2003	Fiscal 2004	Fiscal 2005
Sales	(¥ million)	250	382	495
Operating income	(¥ million)	42	78	104
Net income	(¥ million)	27	45	60

In the current fiscal year, net sales and operating profit showed significant increases of 29.7% and 33.1%, respectively, over the previous fiscal year. This was supported by favorable sales to our clients mainly in the manpower placement business. This is attributed to our success in providing services pinpointed at accounting areas which no other competitor provides.

We are exerting extensive efforts in expanding our human-resources business, including dispatching accounting professionals such as certified public accountants, licensed tax accountants and others.

### Factors significantly affecting operating results

(a) Changes in the number of candidates for qualifications

Applicants for license examinations covered by our educational courses were 1,750 thousand in 1997. This dropped 9.7% to 2,580 thousand in 2005 from a peak of 2,860 thousand in 2003. There is a downward trend in many license qualifications, including IT specialist exams which recorded a decrease of 108 thousand. There are some license qualifications where the number of candidates decreased or the rate of increase was very limited despite their heightening importance in society. Such qualifications include certified public accountant (14,978 in 2003 and 15,322 in 2005) and real estate appraiser (2,503 in 2003 and 2,282 in 2005).

The number of applicants for the license exams covered by our educational courses shows a variety of trends that reflect the current social situation. The market size for license exams, including students who are preparing for exams, is estimated to be several times the number of actual applicants. Sales of our educational courses are greatly affected by the number of applicants for license examinations.

(b) Revision of testing system

Since the announcement of the revision of the testing system in the fiscal year ended March 31, 2004, sales of CPA courses, our flagship, have been affected by a number of factors. Working people shifted toward courses tailored to the new testing system. In the year ended March 31, 2005, the number of applications for new courses continued to lag due to uncertainty over the new testing system. In the current fiscal year, sales of advanced courses targeting candidates making a second attempt showed favorable growth, while sales of introductory courses for new learners have not shown signs of recovery.

Aside from CPA courses, revisions in the testing system are scheduled to be implemented in 2006 for real estate appraiser, small and medium enterprise management consultant, administrative scrivener, and others. Our operating results will be greatly affected by testing system revisions, pass rates, and the difficulty levels of license qualifications covered by our courses.

## Financial results and analysis of financial position

### (a) Tuition advances

In assessing the financial position of our company, special regard should be given to tuition advances. Changes in tuition advances and other indicators of financial position are as follows:

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Total assets(A) (¥ million)	12,422	12,040	12,678
Tuition advances(B) (¥ million)	7,243	6,869	7,244
Tuition advances ratio (B/A) (%)	58.3	57.0	57.1
Shareholders' equity(C) (¥ million)	3,164	2,891	3,080
Equity ratio(C/A) (%)	25.5	24.0	24.3

In the business of supporting acquisition of license qualifications, the total amount of tuition is prepaid by the students upon applying for courses. This constitutes sales on a cash basis. Upon payment, the entire amount of tuition received is credited to tuition advances (liability) and reduced to recognize sales on an accrual basis in the relevant accounting periods in which the service is provided to the students. In general, the balance of tuition advances increases as sales on a cash basis increase, which causes the amount of sales on an accrual basis after the next accounting period to increase due to increases in the amount of tuition advances reversed. In contrast, the balance of tuition advances decreases as sales on a cash basis decrease, which causes the amount of sales on an accrual basis after the next accounting period to decrease due to a decrease in the amount of tuition advances reversed. At the turning point from a decreasing trend to an increasing trend of cash-basis sales, the decreasing effect on accrual-basis sales, which is described above, tends to be amplified. This significantly influences our business performance measures on an accrual basis.

As shown in the consolidated statement of cash flow for the current fiscal year, the amount of tuition advances increased by ¥ 375 million (in the previous fiscal year it decreased by ¥ 374 million). Capital equivalent to match the tuition advances are gradually reduced and used in operating activities. Accordingly shareholders' equity required for business activities is maintained at a relatively low level, which makes the equity ratio relatively low. The balance of interest-bearing debt, which was eliminated as of March 31, 2005, was ¥ 444 million as of March 31, 2006.

### (b) Fixed leasehold deposits

It is our strategic policy not to own any real property and to only rent facilities including school branches and affiliated schools where lectures are provided. Accordingly, a large amount of fixed leasehold deposits are reported as "Investments and other assets" (fixed assets).

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Fixed leasehold deposits (A) (¥ million)	4,228	3,994	3,836
Tuition advances(B) (¥ million)	7,243	6,869	7,244
Deposits ratio(A/B) (%)	58.4	58.1	53.0

The term of lease agreements is basically 2 years and the financial position of the lessor is appropriate. The amount of fixed leasehold deposits, however, tends to increase due to expansion of existing schools and the opening of new schools to accommodate an increasing number of students.

## TAC CO.,LTD.

In the current consolidated fiscal year, the total amount of fixed leasehold deposits decreased 3.9% over the previous consolidated fiscal year due to the large amount of guaranteed deposits returned in the opening of Sapporo, Sendai and Shibuya Schools and the closing the Tokyo Head School.

### (c) Management of marketable securities

Increases in tuition advances received means increases in deposits received from our students. A portion of the deposits is charged to fixed leasehold deposits to rent space for classrooms. The remainder is expensed in a timely manner as the cost required to provide educational services, including printing expenses, expenses for copying audiocassettes and videos, advertisement expenses, etc. Up until the point of spending, a part of tuition advances received is invested in cash, deposits, financial instruments, including marketable securities, etc. Our policy toward investment in marketable securities is set out in the "Investment policy" section. The majority of financial instruments that we invest in are safety-conscious principal protection funds with higher yields.

Changes in marketable securities in the past 3 years are as follows:

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Marketable securities (¥ million)	141	31	171
Investment securities (¥ million)	1,693	1,526	1,578
Total	2,662	1,835	1,749

In the current fiscal year, we deposited cash reserves in MRF which resulted in an increase in the amount of marketable securities.

### Strategic status and forecasts

We regard the revision of the testing system for certified public accountants, which takes effect in 2006, as a good opportunity to take a dynamic leap. We have been developing strategies to yield fruitful results. Our assiduous efforts include a scrap-and-build plan of schools in the Tokyo Metropolitan Area, maintaining an appropriate balance between classroom space and rent expense in existing schools, enhancing broadband Web courses and correspondence courses using DVD media, and developing our human-resources business, to name only a few. In the mid to long term, we will pursue business development by expanding our educational and human-resources business in a balanced manner and with a mind toward improving shareholder value.

Projections of results and future developments are based on information available to the TAC Group as of March 31, 2006, as well as certain assumptions judged by the TAC Group to be reasonable. Various factors could cause actual results to differ materially from these projections which bear many uncertainties.

### Business risk

The following risks may influence the TAC Group's management results and financial condition. Note that items referring to the future reflect the TAC Group's forecasts and assumptions as of March 31, 2006.

#### (a) Rent Increases

It is our strategic policy not to own any real property and to only rent facilities including schools located in the Tokyo Metropolitan Area. It has been reported that rent levels are expected to rise mainly in this area. This may affect the profit of our group. We will proceed with negotiations with the owners of the premises to optimize utilization efficiency as well as focusing on achievement of an ideal balance between classroom courses and correspondence

## TAC CO.,LTD.

courses.

### (b) Trends in governmental tuition assistance program

The governmental tuition assistance program is supervised by the Health, Labor and Welfare Ministry which aims at supporting workers in development of their individual ability in order to stabilize present employment and to promote their re-employment. Those who meet the qualification requirement of social insurance contributions for the assistance program prepay the total amount of tuition. Upon completion of their courses, they are reimbursed a certain percentage of the tuition by the unemployment office ("Hello-work") if they meet attendance and other requirements.

The governmental tuition assistance program was changed in May 2003. Under the revised program, the qualification requirement for the program was reduced from five years of social insurance contributions to three years. As well, the amount of assistance was lowered from 80% of tuition to 40% (20% for those with a contribution period from three years to less than five years). The maximum amount was lowered from ¥ 300,000 to ¥ 200,000 (¥ 100,000 for those with a contribution period from three years to less than five years). Due to this revision, sales of TAC group grew rapidly until April 2003 spawned by the incentive to take advantage of the program prior to its revision. After this, we remained under the negative influence of such temporary sales increases. Because of problems in financial resources, the government has instituted an ongoing effort to narrow the number of qualified courses. This includes implementing reduction measures such as eliminating 2 courses per 1 newly opened course. Accordingly, the total number of qualified courses for the assistance program is expected to decline gradually.

### (c) Measures for "Privacy Law"

The "Privacy Law", which imposes certain obligations on companies that collect private information, was implemented gradually starting in April 2005. Not only our individual members but also our corporate members show considerable concern over this issue. We recognize it as an urgent issue in terms of maintaining an appropriate compliance system. TAC Co., Ltd. and TAC Profession Bank Co., Ltd., our subsidiary, acquired the Privacy Mark certified by the Japan Information Processing Development Corporation (JIPDEC). We will implement thorough measures under a chief administrator in charge of privacy protection to protect personal information. Such measures include maintaining stringent security measures to prevent outflow of information and by providing continuous education to our employees. Should any divulgence of private information occur, it would harm the social confidence we have built over many years. This could seriously affect our business.

**TAC CO.,LTD.**

**Consolidated financial statements and other**

**( 1 ) Consolidated balance sheet**

(Thousand of yen)

Account	Term	Previous fiscal year (as of March31, 2005)		Current fiscal year (as of March31, 2006)		Increase (Decrease)
		Amount	%	Amount	%	Amount
<b>(Assets)</b>						
<b>I Current assets</b>						
1	Cash and cash equivalents	913,080		1,027,685		114,604
2	Notes and accounts receivable	1,492,355		1,706,486		214,131
3	Marketable securities	31,380		171,576		140,196
4	Inventories	891,125		1,011,609		120,483
5	Deferred income taxes	77,161		65,316		-11,845
6	Other	640,350		490,144		-150,206
	Allowances for doubtful accounts	-5,700		-1,572		4,127
	Total current assets	4,039,753	33.5	4,471,246	35.3	431,492
<b>II Fixed assets</b>						
<b>1 Tangible fixed assets</b>						
(1)	Building and structures	454,760		466,474		11,713
(2)	Machinery and vehicle	205,990		196,915		-9,074
(3)	Equipment and furniture	204,910		174,075		-30,834
	Total Tangible fixed assets	865,661	7.2	837,466	6.6	-28,195
2	Intangible fixed assets	395,697	3.3	670,549	5.3	274,851
<b>3 Investments and other assets</b>						
(1)	Investment securities	1,526,114		1,578,082		51,968
(2)	Fixed leasehold deposits	3,994,423		3,836,865		-157,558
(3)	Insurance reserve fund	931,195		937,228		6,032
(4)	Deferred income taxes	63,542		122,608		59,066
(5)	Long-term time deposit	200,000		200,000		-
(6)	Other	25,759		26,016		256
	Allowances for doubtful accounts	-1,150		-1,150		-
	Total Investments and other assets	6,739,885	56.0	6,699,651	52.8	-40,234
	Total Fixed assets	8,001,245	66.5	8,207,667	64.7	206,422
	Total assets	12,040,998	100.0	12,678,913	100.0	637,915

TAC CO.,LTD.

(Thousand of yen)

Account	Term	Previous fiscal year (as of March31, 2005)		Current fiscal year (as of March31, 2006)		Increase (Decrease)
		Amount	%	Amount	%	Amount
<b>(Liabilities)</b>						
<b>I Current Liabilities</b>						
1	Accounts payable	406,554		453,810		47,256
2	Short-term borrowings	500,000		300,000		-200,000
3	long-term borrowings	—		67,200		67,200
4	Corporation and inhabitants taxes payable	20,403		121,956		101,552
5	Tuition advances	6,869,296		7,244,513		375,217
6	Reserve for loss on returned goods	244,424		282,644		38,220
7	Accrued bonuses	49,237		64,920		15,682
8	Other	919,324		846,219		-73,104
	<b>Total current liabilities</b>	<b>9,009,240</b>	<b>74.8</b>	<b>9,381,265</b>	<b>74.0</b>	<b>372,025</b>
<b>II Long-term liabilities</b>						
1	Provisions for post-retirement benefits	—		76,800		76,800
2	Reserve for post-retirement benefits for directors and corporate auditors	139,916		139,916		—
	<b>Total long-term liabilities</b>	<b>139,916</b>	<b>1.2</b>	<b>216,716</b>	<b>1.7</b>	<b>76,800</b>
	<b>Total liabilities</b>	<b>9,149,156</b>	<b>76.0</b>	<b>9,597,982</b>	<b>75.7</b>	<b>448,825</b>
<b>(Minority interests)</b>						
	Minority interests	—	—	—	—	—
<b>(Shareholders' equity)</b>						
<b>I Common stock</b>						
		940,200	7.8	940,200	7.4	—
<b>II Additional paid-in capital</b>						
		790,547	6.6	790,547	6.2	—
<b>III Retained earnings</b>						
		1,397,062	11.6	1,438,741	11.4	41,679
<b>IV Difference on revaluation of other marketable securities</b>						
		-235,823	-2.0	-88,413	-0.7	147,410
<b>V Treasury stock</b>						
		-144	-0.0	-144	-0.0	—
	<b>Total shareholders' equity</b>	<b>2,891,841</b>	<b>24.0</b>	<b>3,080,931</b>	<b>24.3</b>	<b>189,089</b>
	<b>Total liabilities and shareholders' equity</b>	<b>12,040,998</b>	<b>100.0</b>	<b>12,678,913</b>	<b>100.0</b>	<b>637,915</b>

**TAC CO.,LTD.**

**( 2 ) Consolidated statement of income**

(Thousand of yen)

Account	Term	Previous fiscal year April 1,2004 - March 31,2005		Current fiscal year April 1,2005 - March 31,2006		Increase (Decrease)
		Amount	%	Amount	%	Amount
I	Sales revenues	19,669,000	100.0	19,828,237	100.0	159,236
II	Cost of sales	11,847,311	60.2	12,122,626	61.1	275,314
	Gross profit	7,821,689	39.8	7,705,611	38.9	-116,078
	Reversal of allowance for loss on returned goods	195,495	1.0	244,424	1.2	48,928
	Transfer to reserve for loss on returned goods	244,424	1.3	282,644	1.4	38,220
	Gross profit - net	7,772,760	39.5	7,667,390	38.7	-105,369
III	Selling, general and administrative expenses	7,313,588	37.2	7,245,843	36.6	-67,745
	Operating income	459,171	2.3	421,547	2.1	-37,624
IV	Non-operating income	113,339	0.6	123,639	0.6	10,299
	1 Interest income on deposits	102,036		110,683		
	2 Dividend received	2,827		77		
	3 Commision charge	5,398		5,398		
	4 Other	3,076		7,480		
V	Non-operating expenses	15,360	0.1	8,853	0.0	-6,506
	1 Interest expenses	7,401		8,518		
	2 Loss of policy cancellation	4,777		—		
	3 Loss from sales of marketable securities	1,534		—		
	4 Other	1,647		335		
	Ordinary income	557,150	2.8	536,333	2.7	-20,817
VI	Extraordinary income	7,102	0.0	45,136	0.2	38,033
	1 Gains from sale of investment securities	2,000		41,181		
	2 Reversal of allowance for doubtful receivables	5,102		3,955		
VII	Extraordinary expenses	343,368	1.7	232,444	1.1	-110,924
	1 Losses on disposal or sale of fixed assets	35,239		76,894		
	2 Restoration expenses	43,778		130,543		
	3 Loss from sale of investment securities	18,643		—		
	4 Loss from revaluation of investment securities	2,879		1,392		
	5 Penalty for canceled contract	—		23,613		
	6 Adjustment for employees' retirement benefits	242,810		—		
	Net income before income taxes	220,885	1.1	349,025	1.8	128,139
	Corporate, inhabitants and enterprise taxes	41,576	0.2	142,642	0.7	101,066
	Deferred income taxes	99,846	0.5	16,673	0.1	-83,172
	Net income	79,463	0.4	189,709	1.0	110,246

**TAC CO.,LTD.**

( 3 ) Consolidated statement of retained earnings

(Thousand of yen)

Account	Term	Previous fiscal year April 1,2004 - March 31,2005		Current fiscal year April 1,2005 - March 31,2006	
		Amount		Amount	
(Additional paid-in capital)					
I	Additional paid-in capital at the beginning of year		790,547		790,547
II	Additional paid-in capital at the end of year		790,547		790,547
(Retained earnings)					
I	Retained earnings at the beginning of year		1,576,654		1,397,062
II	Increase in retained earnings				
	1 Net income	79,463	79,463	189,709	189,709
III	Decrease in retained earnings				
	1 Cash Dividends	259,055	259,055	148,030	148,030
IV	Retained earnings at the end of year		1,397,062		1,438,741

TAC CO.,LTD.

(4) Consolidated statements of cash flow

(Thousand of yen)

Account	Term	Previous fiscal year	Current fiscal year
		April 1,2004 - March 31,2005	April 1,2005 - March 31,2006
		Amount	Amount
<b>Cash flows from operating activities</b>			
1	Income before income taxes	220,885	349,025
2	Depreciation and amortization	356,122	362,386
3	Unrealized losses on investment securities	2,897	1,392
4	Decrease in allowance for doubtful accounts	-5,975	-4,127
5	Increase (decrease) in allowance for employees' bonuses	16,729	15,682
6	Increase in allowance for returned goods	48,928	38,220
7	Increase (decrease) in allowance for employees' retirement benefits	-181,130	-
8	Increase (decrease) in allowance for directors' retirement benefits	-35,810	-
9	Interest and dividend income	-104,863	-110,760
10	Interest paid	7,401	8,518
11	Loss on sales and disposal of property and equipment	35,239	76,894
12	Gain on sales of investment securities	-2,000	-41,181
13	Loss on sales of investment securities	18,643	-
14	Increase in accounts receivable	-230,671	-214,131
15	Increase in inventories	-60,042	-120,483
16	Increase (decrease) in other receivable	-38,045	-17,520
17	Increase in accounts payable	53,214	47,256
18	Increase (decrease) in tuition advances	-374,536	375,217
19	Decrease in other liabilities	-	-38,645
20	Other	-25,222	9,309
	Sub-total	-298,236	737,054
21	Interest and dividend received	120,239	104,190
22	Interest paid	-7,388	-8,640
23	Refund of income tax, etc.	-	163,449
24	Income taxes paid	-375,032	-63,304
	Net cash provided by operating activities	-560,417	932,750
<b>Cash flows from investing activities</b>			
1	Increase (decrease) in time deposits	199,991	-15
2	Proceeds from sales of marketable securities	20,754	10,052
3	Acquisitions of property and equipment	-334,015	-331,841
4	Proceeds from sales of tangible fixed assets	-	1,827
5	Purchases of intangible fixed assets	-154,471	-367,154
6	Purchases of investment securities	-1,065,552	-100,110
7	Proceeds from sales of investment securities	1,310,899	142,035
8	Payment for amount invested	-5,630	-
9	Payment for guaranteed deposits	-83,642	-474,396
10	Collection of guaranteed deposits	317,567	622,593
11	Payment for insurance reserve fund	-6,193	-6,032
12	Collection of insurance reserve fund	38,362	-
13	Other	-24,457	8,785
	Net cash provided by (used in) investing activities	213,611	-494,258
<b>Cash flows from financing activities</b>			
1	Increase (decrease) in short-term borrowings	500,000	-200,000
2	Proceeds from long-term debt	-	200,000
3	Repayment of long-term debt	-	-56,000
4	Payment for purchase of treasury stock	-141	-
5	Dividends paid	-257,622	-147,117
	Net cash provided by (used in) financing activities	242,236	-203,117
	Exchange difference of cash and cash equivalents	26	14
	Net increase (decrease) in cash and cash equivalents	-104,543	235,388
	Cash and cash equivalents at the beginning of the year	1,008,741	904,197
	Cash and cash equivalents at the end of the year	904,197	1,139,586

## TAC CO.,LTD.

### ( 5 ) Assumptions underlying preparation of consolidated financial statements

#### 1 . Item relating to scope of consolidation

Consolidated subsidiary is TAC Profession Bank Co., Ltd. (renamed from TAC Career Support Co.,Ltd. In Feb.1, 2005) only and there is no non-consolidated subsidiary.

#### 2 . Item relating to the fiscal years etc. of consolidated subsidiaries

The fiscal year end of the consolidated subsidiary coincides with the consolidated fiscal year end.

#### 3 . Items related to accounting standards

##### (1) Standards and methods of valuation for important assets

###### ① Marketable and investment securities

###### Other securities

Other securities whose current value can be estimated ... Stated at market value at the interim fiscal year end. (Unrealized gains and losses on other securities are included in shareholders' equity, net of income taxes. Sales cost is calculated by the moving-average method.)

Other securities whose current value cannot be estimated ... Stated at cost computed by the moving-average method.

###### ② Inventories

Merchandise, finished goods and raw materials ... Valued at cost, using the gross average method

Work in process ... Value at cost, using the specific identification method

Stored goods ... Value at cost, using the last purchase price method

##### (2) Major depreciable assets and methods of depreciation

###### ① Tangible fixed assets ... Depreciation is computed using the straight-line method.

Principal estimated useful lives are 15 years for buildings and 3 years to 5 years for equipment and furniture.

Cost of petty sum depreciable assets whose cost is ¥ 100,000 or more and less than ¥ 200,000 are amortized using the straight-line method over the estimated useful lives of 3 years.

###### ② Intangible fixed assets ... Costs of computer software developed or obtained for internal use are amortized using the straight-line method over the estimated useful lives of 5 years. Costs of other intangible fixed assets are amortized using the straight-line method.

##### (3) Standards for important allowance

###### ① Allowance for doubtful accounts

An allowance for loan losses is provided as detailed below. For claims to general debtors, an allowance is provided based on historical loan losses experience. For specific claims to debtors who are likely to become bankrupt or legally or virtually bankrupt, an allowance is provided for the amount of claims expected to be uncollectible, which is estimated depending on the collectibility of individual claims.

###### ② Allowance for loss on returned goods

A reserve for loss caused by returns of publications is provided based on estimated amounts of the future returns attributed to the current fiscal year.

###### ③ Allowance for accrued bonuses

A reserve for employee's bonuses is provided for the payment of employees' bonuses based on estimated amounts of the future payments attributed to the current fiscal year.

###### ④ Allowance for post-retirement benefits for directors and corporate auditors

On April 26, 2004, the Board approved elimination of the post-retirement benefits plan for directors on June 22, 2004. Retirement benefits for directors were calculated based on the period of service until the date of the elimination. The amount already set aside for the post-retirement benefits plan for directors will be paid when the relevant director retires from the position.

#### (Changes to accounting policies)

TAC adopted impairment accounting standards during the current consolidated fiscal year. These standards are based on the Business Accounting Council's "Report on Accounting Standards for Impaired Fixed Assets" published on August 9, 2002, and the Accounting Standards Board of Japan's "Implementation Guidelines for Asset Impairment Accounting," which were published in the "Statement of Corporate Accounting Standards No. 6" on October 31, 2003. There is no effect on profit or loss due to such changes.

## TAC CO.,LTD.

(4) Accounting for significant lease transactions

Transactions under finance lease agreement is accounted for as transaction under ordinary rental transactions, except for those lease transactions which transfer ownership of leased property to the lessee.

(5) Others

Accounting for consumption taxes

The company recognized consumption taxes and local consumption taxes as a separate account.

4 . Valuation of asset and liabilities of consolidated subsidiaries

All assets and liabilities of consolidated subsidiaries are recorded based on market value at the start of consolidation.

5 . Appropriation of earned surplus

The consolidated statements of retained earnings are prepared based on appropriation of earned surplus approved at the Shareholders' Meeting during the fiscal year.

6 . Scope of "Cash and cash equivalents" in consolidated statements of cash flows

"Cash and cash equivalents" in the consolidated statements of cash flows includes cash on hand, readily available deposits, and short-term investments with original maturities of not exceeding three months, which are highly liquid and virtually risk-free with respect to change of value.

### **Notes**

( Consolidated balance sheet-related )

	Previous fiscal year April 1,2004- March 31,2005	<b>Current fiscal year April 1,2005- March 31,2006</b>
	Thousand of yen	Thousand of yen
1.Accumulated depreciation on tangible fixed assets	1,025,733	940,468

2. Treasury Stock

	Previous fiscal year April 1,2004- March 31,2005	<b>Current fiscal year April 1,2005- March 31,2006</b>
	Number of stocks	Number of stocks
Common stock	217	217

3. Outstanding shares

	Previous fiscal year April 1,2004- March 31,2005	<b>Current fiscal year April 1,2005- March 31,2006</b>
	Number of stocks	Number of stocks
Common stock	18,504,000	18,504,000

( Consolidated statement of income-related )

1. Outline of selling, general and administrative expenses

	Previous fiscal year April 1,2004- March 31,2005	<b>Current fiscal year April 1,2005- March 31,2006</b>
	Thousand of yen	Thousand of yen
Advertising cost	1,590,046	1,479,192
Salary	1,956,454	1,974,181
Transfer to accrued bonuses	47,326	63,331
Transfer to employees' retirement benefits	29,491	—
Rent	848,294	937,832

**TAC CO.,LTD.**

2. Outline of Losses on disposal or sale of fixed assets

Losses incurred from disposal of additions	25,651	40,276
Losses incurred from disposal of structures	4,823	8,677
Losses incurred from disposal of machinery and equipment	558	9,787
Losses incurred from disposal of equipment and fixtures	4,205	15,999
Other	—	2,153
Total	35,239	76,894

( Consolidated statement of cash flow-related )

1. Relationship between balance of cash and cash equivalents as of term end and balance sheet items

	Previous fiscal year April 1,2004- March 31,2005	<b>Current fiscal year April 1,2005- March 31,2006</b>
	Thousand of yen	Thousand of yen
Cash and deposit accounts	913,080	1,027,685
Fixed term deposit whose deposited period exceeds 3 months	-30,032	-30,048
Marketable securities account	31,380	171,576
Marketable securities other than MMF, etc.	-10,231	-29,628
Cash and Cash equivalents	904,197	1,139,586

## TAC CO.,LTD.

( Segment information )

Previous fiscal year (April 1,2004-March 31,2005)

(Thousands of yen)

	Personal education	Corporate training	Publishing & other	Total	Eliminations	Consolidated
I Sales and operating income						
Sales						
(1) External customers	14,464,078	3,401,507	1,803,414	19,669,000	—	19,669,000
(2) Inter-segment transactions and eliminations	—	—	—	—	—	—
Total	14,464,078	3,401,507	1,803,414	19,669,000	—	19,669,000
Operating expenses	13,934,020	2,783,262	1,388,359	18,105,642	1,104,186	19,209,828
Operating income	530,057	618,245	415,055	1,563,358	(1,104,186)	459,171
II Asset, depreciation and capital expenditure						
Assets	6,382,531	760,411	1,460,028	8,602,971	3,438,027	12,040,998
Depreciation	276,143	29,736	9,317	315,197	40,925	356,122
Capital expenditure	449,907	17,330	8,228	475,466	70,261	545,727

Current fiscal year (April 1,2005-March 31,2006)

(Thousands of yen)

	Personal education	Corporate training	Publishing & other	Total	Eliminations	Consolidated
I Sales and operating income						
Sales						
(1) External customers	14,279,043	3,578,214	1,970,978	19,828,237	—	19,828,237
(2) Inter-segment transactions and eliminations	718	—	17,806	18,525	( 18,525)	—
Total	14,279,762	3,578,214	1,988,785	19,846,762	( 18,525)	19,828,237
Operating expenses	14,053,062	2,626,622	1,590,100	18,269,785	1,136,904	19,406,689
Operating income	226,699	951,592	398,685	1,576,977	(1,155,429)	421,547
II Asset, depreciation and capital expenditure						
Assets	6,380,304	862,185	1,758,461	9,000,951	3,677,962	12,678,913
Depreciation	285,160	24,184	11,122	320,468	41,918	362,386
Capital expenditure	347,484	10,224	25,775	383,484	309,625	693,109

(Notes) 1. Business divisions including Personal education, Corporate training and Publishing and other are classified based on the similarity of the relevant market and type of products.

2. The major activities of each division are as follows:

- Personal education ... Preparatory courses for qualifications for individual students including working people and university students, etc.
- Corporate training ... Training programs to companies, universities, colleges, accountancy firms, and other organizations to help students to acquire licenses and specialized knowledge required for their work and sales of educational materials and tax software
- Publishing and other ... Sale of publications at bookstores and university co-ops nationwide with an aim to diffusing its educational know-how obtained through personal education and corporate training, sales of books at front counter and manpower placement and dispatching business.

3. Amounts of operating expenses fiscal year and for the current consolidated fiscal year are ¥ 1,104,186 thousand and ¥ 1,136,904 thousand respectively, which cannot be eliminated or allocated represents expenses incurred at the administrative section of headquarters, including the general affairs department, etc.

4. Amounts of corporate assets included in "Elimination" for the previous consolidated fiscal year and for the current consolidated fiscal year are ¥ 3,438,027 thousand and ¥ 3,677,962 thousand respectively, which

## TAC CO.,LTD.

include surplus funds of the parent company (cash and marketable securities), long-term investment fund (investment securities) and assets related to administration department, etc.

( Transactions with concerned parties )

Current fiscal year (April 1,2005-March 31,2006)

None.

( Lease transaction )

Description omitted as it is disclosed on EDINET.

( Tax effect accounting )

1. Principal cause of deferred tax assets and deferred tax liabilities:

	Current fiscal year April 1,2005- March 31,2006
	Thousand of yen
Deferred tax assets:	
Accrued business office tax	
Accrued income tax	5,217
Accrued bonus	18,786
Excess amount transferred to accrued bonus	10,716
Legal welfare expense incurred on above items	26,424
Transfer allowance for retirement benefits for directors and corporate auditors	4,023
Loss from revaluation of investment securities	56,932
Difference on revaluation of other marketable securities	28,279
Other deferred tax assets	61,181
Sub-total of deferred tax assets	211,642
Allowance account	-23,193
Sub-total of deferred tax assets	188,449
Deferred liabilities	
Difference on revaluation of other marketable securities	-525
Sub-total of deferred liabilities	-525
Net deferred tax assets	187,924

Current asset – deferred income taxes: ¥ 65,316 thousand

Fixed asset – deferred income taxes: ¥ 122,608 thousand

2. Principal items which caused differences between statutory effective tax rate and income tax charge rate after adoption of tax effect accounting:

	%
Statutory effective tariff	40.69
(Adjusted)	
Entertainment expenses not qualifying for deduction	3.24
Per capita inhabitant tax	4.64
Special tax deductions by application of incentive measures for IT investments	-3.57
Other	0.65
Charge rate of income tax after adoption of tax effect accounting	45.65

**TAC CO.,LTD.**

(Marketable and investment securities)

Previous fiscal year (April 1,2004 - March 31,2005)

1. Other marketable securities with market value

(Thousands of yen)

	Type	Cost of acquisition	Stated value on consolidated balance sheet	Gains or losses on valuation
Market value exceeding amount stated on the consolidated balance sheet	(1) Shares	2,129	11,154	9,024
	(2) Bonds			
	Corporate bonds	—	—	—
	Others	197,916	200,591	2,675
	(3) Others	45,264	45,631	367
	Sub-total	245,310	257,377	12,067
Market value not exceeding amount stated on the consolidated balance sheet	(1) Shares	—	—	—
	(2) Bonds			
	Corporate bonds	—	—	—
	Others	950,000	709,437	-240,562
	(3) Others	155,930	151,840	-4,090
	Sub-total	1,105,930	861,278	-244,652
Total		1,351,241	1,118,655	-232,585

2. Other marketable securities sold during the current fiscal year(April 1,2004 - March 31,2005) (Thousands of yen)

Sales price	Total gain on sale	Total loss on sale
609,862	2,000	20,178

3. Marketable securities without market price and value

(Thousands of yen)

Type	Stated value on consolidated balance sheet
Other marketable securities	
Unlisted stocks	18,392
Investment in anonymous association	300,000
MMF	19,828
Corporate bonds (Yen currency)	100,000

4. Other marketable securities with expiration period and depreciation amount of bonds in purpose of owner ship by expiration period scheduled after consolidated settlement date

(Thousands of yen)

Type	Within one year	One year to five years	Five years to ten years	Over ten years
(1) Bonds				
Corporate bonds	—	—	—	—
Other	—	100,000	—	812,007
(2) Other				
Investment trust	10,231	128,708	—	—
Total	10,231	228,708	—	812,007

**TAC CO.,LTD.**

**Current fiscal year** (April 1,2005 - March 31,2006)

1. Other marketable securities with market value

(Thousands of yen)

	Type	Cost of acquisition	Stated value on consolidated balance sheet	Gains or losses on valuation
Market value exceeding amount stated on the consolidated balance sheet	(1) Shares	—	—	—
	(2) Bonds			
	Corporate bonds	100,000	110,760	10,760
	Others	—	—	—
	(3) Others	38,113	39,939	1,825
	Sub-total	138,113	150,699	12,585
Market value not exceeding amount stated on the consolidated balance sheet	(1) Shares	—	—	—
	(2) Bonds			
	Corporate bonds	100,000	92,717	-7,283
	Others	1,049,002	896,387	-152,615
	(3) Others	152,674	150,907	-1,766
	Sub-total	1,301,676	1,140,011	-161,664
Total		1,439,789	1,290,710	-149,079

2. Other marketable securities sold during the current fiscal year (April 1,2005 - March 31,2006) (Thousands of yen)

Sales price	Total gain on sale	Total loss on sale
141,944	41,233	—

3. Marketable securities without market price and value

(Thousands of yen)

Type	Stated value on consolidated balance sheet
Other marketable securities	
Unlisted stocks	17,000
Investment in anonymous association	300,000
MMF	19,846
MRF	122,102

4. Other marketable securities with expiration period and depreciation amount of bonds in purpose of ownership by expiration period scheduled after consolidated settlement date

(Thousands of yen)

Type	Within one year	One year to five years	Five years to ten years	Over ten years
(1) Bonds				
Corporate bonds	—	92,717	—	110,760
Other	—	—	—	896,387
(2) Other				
Investment trust	29,628	99,140	—	—
Total	29,628	191,857	—	1,007,147

(Note) In the current fiscal year, we recognized ¥ 1,392 thousand of loss by applying impairment accounting on investment securities (investment securities without fair value). If the fair value of fixed assets as of the end of fiscal year falls by 50% or more from their book value, we book a loss for the entire amount of decrease. If the fair value of fixed assets as of the end of fiscal year falls by 30 – 50%, amount of impairment loss shall be determined after examining the significance and recoverability of the impairment of the relevant assets.

## TAC CO.,LTD.

(Per share information)

Previous fiscal year		Current fiscal year	
book value per share	¥ 156.28	book value per share	¥ 166.50
Net income per share	¥ 4.29	Net income per share	¥ 10.25
Net income after giving effect to the diluted potential of common stock has not been presented since there are no such potential shares to be issued.		Net income after giving effect to the diluted potential of common stock has not been presented since there are no such potential shares to be issued.	

(Important subsequent event)

None.

**TAC CO.,LTD.**

**March 2006 Term - Financial Results Report (Non-consolidated)**

May 16, 2006

Company name: TAC CO., LTD.

TSE 1<sup>st</sup>

Company code number: 4319

Location of headquarters(prefecture):Tokyo

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

Representative director: Hiroaki Saito

Please address all communications to: Kazuhiro Araya, Executive Director, Administrative Headquarters

Phone: 81-3-5276-8911

Date of Board of Directors' meeting for approval of financial result: May 16, 2006

Date of commencement of dividend payment: June 22, 2006

Date of Shareholders' meeting: June 21, 2006

Adoption of system of interim dividends: Yes

Unit share system: Yes (1 unit = 100 shares)

1. Non-consolidated results for Fiscal 2005 (From April 1, 2005 to March 31, 2006)

(1) Non-consolidated financial results

(In millions of yen, with fractional amounts rounded down to the nearest million yen)

	Net Sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal 2005 (2006/3)	19,351	( 0.2 )	314	( -16.9 )	456	( -7.5 )
Fiscal 2004 (2005/3)	19,308	( -0.1 )	378	( -60.0 )	493	( -53.6 )

	Net income	Net income per share	Net income per share, fully diluted	Return on shareholders' equity	Ordinary income rate on total capital	Ordinary income rate on net sales
	(Millions of yen) %	(Yen)	(Yen)	%	%	%
Fiscal 2005 (2006/3)	154 ( 214.6 )	8.34		5.3	3.7	2.4
Fiscal 2004 (2005/3)	49 ( -90.8 )	2.65		1.6	4.1	2.6

(Notes) 1. Average number of outstanding shares during period:

Fiscal 2005: 18,503,783 shares      Fiscal 2004: 18,503,918 shares

2. Changes in accounting methods : None

3. The percentages of net sales, operating income, ordinary income and net income represent year-on-year changes.

(2) Dividends

	Annual dividends per share			Dividends	Pay-out Ratio	Dividends on equity
	Interim	Year end				
	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
Fiscal 2005 (2006/3)	10.00	5.00	5.00	185	119.9	6.2
Fiscal 2004 (2005/3)	6.00	3.00	3.00	111	226.3	3.9

(Notes) 1. The items of term year-end dividend money ended March 31, 2005 :

Ordinary dividend ¥3.00      Dividend in commemoration: —

2. The items of term year-end dividend money ended March 31, 2006 :

Ordinary dividend ¥5.00      Dividend in commemoration: —

(3) Financial position

	Total assets	Shareholders' equity	Equity ratio	Book value per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
Fiscal 2005 (2006/3)	12,545	2,977	23.7	160.93
Fiscal 2004 (2005/3)	11,948	2,824	23.6	152.63

(Notes) 1. Number of outstanding shares at end of period :

As of March 31, 2006 : 18,503,783 shares      As of March 31, 2005 : 18,503,783 shares

2. Number of treasury stock held by the Company :

As of March 31, 2006 : 217 shares      As of March 31, 2005 : 217 shares

**TAC CO.,LTD.**

2. Forecasts for March 2007 term (From April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income	Annual dividends per share		
				Interim	Full year	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)	(Yen)	(Yen)
Interim	9,810	329	178	5.00		
Full year	19,600	717	407		5.00	10.00

(N.b.) Estimated net income per share for the year ending March 31, 2007 : 22.00 yen

The above estimate was made based on the information available as of the date of this release. Actual results may differ significantly from estimates due to a variety of factors.

## Non-consolidated financial statements and other

### ( 1 ) Non-consolidated balance sheet

(Thousand of yen)

Account	Term	Previous fiscal year (as of March 31, 2005)		Current fiscal year (as of March 31, 2006)		Increase (decrease)
		Amount	%	Amount	%	Amount
<b>(Assets)</b>						
<b>I Current assets</b>						
1	Cash and deposits	849,632		935,571		85,939
2	Accounts receivable-trade	1,458,620		1,667,976		209,356
3	Marketable securities	31,380		171,576		140,196
4	Merchandise	21,638		19,153		-2,484
5	Finished goods	376,840		483,124		106,283
6	Work in process	22,919		350		-22,569
7	Stored goods	469,726		508,980		39,254
8	Advances	11,831		10,367		-1,464
9	Prepaid expenses	407,531		404,386		-3,145
10	Deferred tax assets	74,918		59,765		-15,153
11	Accrued refunded corporation tax	164,057		—		-164,057
12	Other	58,424		78,880		20,455
	Allowance for doubtful accounts	-5,504		-1,354		4,149
	<b>Total urrent assets</b>	<b>3,942,020</b>	<b>33.0</b>	<b>4,338,779</b>	<b>34.6</b>	<b>396,759</b>
<b>II Fixed assets</b>						
<b>1 Tangible fixed assets</b>						
(1)	Building	439,454		444,456		5,001
(2)	Structures	14,205		16,773		2,567
(3)	Machinery and equipments	199,877		191,595		-8,281
(4)	Automotive equipments	6,112		5,320		-792
(5)	Equipment and fixtures	204,484		172,630		-31,854
	<b>Total Tangible fixed assets</b>	<b>864,134</b>	<b>7.2</b>	<b>830,775</b>	<b>6.6</b>	<b>-33,359</b>
<b>2 Intangible fixed assets</b>						
(1)	Software	328,340		323,144		-5,195
(2)	Software development in progress	—		319,000		319,000
(3)	Other	64,744		24,154		-40,590
	<b>Total intangible fixed assets</b>	<b>393,084</b>	<b>3.3</b>	<b>666,298</b>	<b>5.3</b>	<b>273,213</b>
<b>3 Investment and other assets</b>						
(1)	Investment securities	1,526,114		1,578,082		51,968
(2)	Equity investment in related companies	10,000		10,000		—
(3)	Contribution to capital	5,730		5,630		-100
(4)	Unrecoverable or valueless claims	1,150		1,150		—
(5)	Long-term prepaid expenses	18,879		19,236		356
(6)	Deferred tax assets	63,542		122,608		59,066
(7)	Long-term time deposit	200,000		200,000		—
(8)	Fixed leasehold deposits	3,994,123		3,836,565		-157,558
(9)	Insurance reserve fund	931,195		937,228		6,032
	Allowance for doubtful accounts	-1,150		-1,150		—
	<b>Total investment and other assets</b>	<b>6,749,585</b>	<b>56.0</b>	<b>6,709,351</b>	<b>53.5</b>	<b>-40,234</b>
	<b>Total fixed assets</b>	<b>8,006,805</b>	<b>67.0</b>	<b>8,206,425</b>	<b>65.4</b>	<b>199,620</b>
	<b>Total assets</b>	<b>11,948,825</b>	<b>100.0</b>	<b>12,545,205</b>	<b>100.0</b>	<b>596,379</b>

(Thousand of yen)

Account	Term	Previous fiscal year (as of March 31, 2005)		Current fiscal year (as of March 31, 2006)		Increase (decrease)
		Amount	%	Amount	%	Amount
<b>(Liabilities)</b>						
<b>I Current liabilities</b>						
1	Accounts payable	406,533		453,692		47,159
2	Short-term borrowings	500,000		300,000		-200,000
3	Long-term borrowings	—		67,200		67,200
4	Accrued liabilities	420,137		347,161		-72,976
5	Accrued expenses	380,694		371,590		-9,104
6	Corporation and inhabitants taxes payable	—		92,207		92,207
7	Tuition advances	6,866,497		7,241,770		375,273
8	Deposits received	115,060		126,150		11,089
9	Reserve for loss on returned goods	244,424		282,644		38,220
10	Accrued bonuses	47,048		59,870		12,821
11	Other	4,332		8,328		3,996
	Total Current liabilities	8,984,729	75.2	9,350,616	74.6	365,886
<b>II Long-term Liabilities</b>						
1	Provisions for post-retirement benefits	—		76,800		76,800
2	Reserve for post-retirement benefits for directors and corporate auditors	139,916		139,916		—
	Total long-term liabilities	139,916	1.2	216,716	1.7	76,800
	Total liabilities	9,124,646	76.4	9,567,333	76.3	442,686
<b>(Shareholders' equity)</b>						
<b>I Common stock</b>						
		940,200	7.9	940,200	7.5	—
<b>II Additional paid-in capital</b>						
1	Capital reserve	790,547		790,547		—
	Total additional paid-in capital	790,547	6.6	790,547	6.3	—
<b>III Retained earnings</b>						
1	Legal reserves	19,978		19,978		—
2	Unappropriated retained earnings	1,309,421		1,315,703		6,282
	Total retained earnings	1,329,399	11.1	1,335,681	10.6	6,282
<b>IV Difference on revaluation of other marketable securities</b>						
		-235,823	-2.0	-88,413	-0.7	147,410
<b>V Treasury Stock</b>						
		-144	-0.0	-144	-0.0	—
	Total shareholders' equity	2,824,179	23.6	2,977,871	23.7	153,692
	Total liabilities and shareholders' equity	11,948,825	100.0	12,545,205	100.0	596,379

## (2) Non-consolidated statement of income

(Thousand of yen)

Account	Term	Previous fiscal year April 1,2004 - March 31,2005		Current fiscal year April 1,2005 - March 31,2006		Increase (Decrease)
		Amount	%	Amount	%	Amount
I	Net sales	19,308,047	100.0	19,351,907	100.0	43,859
	1 Sales from personal education	14,467,597		14,279,762		
	2 Sales from corporate training	3,401,507		3,578,214		
	3 Sales from publishing & other	1,438,942		1,493,930		
II	Cost of sales	11,695,522	60.6	11,924,121	61.6	228,599
	1 Cost of personal education	9,162,121		9,375,302		
	2 Cost of corporate training	1,733,807		1,659,387		
	3 Cost of publishing & other	799,593		889,430		
	Gross profit	7,612,525	39.4	7,427,785	38.4	-184,739
	Reversal of allowance for loss on returned goods	195,495	1.0	244,424	1.3	48,928
	Transfer to reserve for loss on returned goods	244,424	1.2	282,644	1.5	38,220
	Gross profit – net	7,563,596	41.3	7,389,565	38.2	-174,030
III	Selling, general and administrative expenses	7,185,581	37.2	7,075,359	36.6	-110,221
	Operating income	378,014	2.0	314,205	1.6	-63,808
IV	Non-operating income	130,798	0.7	151,038	0.8	20,240
	1 Interest received	4,567		2,921		
	2 Interest on securities	97,527		107,760		
	3 Dividend received	17,827		25,077		
	4 Commision Charge	5,398		5,398		
	5 Other	5,476		9,880		
V	Non-operating expenses	15,360	0.1	8,853	0.0	-6,506
	1 Interest expenses	7,401		8,501		
	2 Loss of policy cancellation	4,777		—		
	3 Loss from sales of marketable securities	1,534		—		
	4 Other	1,647		335		
	Ordinary income	493,452	2.6	456,390	2.4	-37,061
VI	Extraordinary income	7,102	0.0	45,136	0.2	38,033
	1 Gain on sales of investment securities	2,000		41,181		
	2 Reversal of allowance for doubtful receivables	5,102		3,955		
VII	Extraordinary expenses	339,932	1.8	232,172	1.2	-107,759
	1 Losses on disposal or sale of fixed assets	35,239		76,622		
	2 Restoration expenses	43,778		130,543		
	3 Losses from sales of investment securities	18,643		—		
	4 Losses from revaluation of investment securities	2,897		1,392		
	5 Penalty for canceled contract	—		23,613		
	6 Adjustment for employees' retirement benefits	239,374		—		
	Net income before taxes	160,623	0.8	269,355	1.4	108,731
	Corporate, inhabitants and enterprise taxes	11,380	0.0	95,060	0.5	83,679
	Deferred income taxes	100,184	0.5	19,982	0.1	-80,202
	Net income	49,057	0.3	154,312	0.8	105,254
	Unappropriated retained earnings – carryforward	1,315,875		1,253,909		
	Interim dividend	55,511		92,518		
	Unappropriated retained earnings	1,309,421		1,315,703		6,282

(3) Non-consolidated statement of appropriation of retained earnings

(Thousand of yen)

Account	Term	Previous fiscal year April 1,2003 - March 31,2004		Current fiscal year April 1,2004 - March 31,2005		Increase (Decrease) Amount
		Amount		Amount		
I	Unappropriated retained earnings		1,309,421		1,315,703	6,282
II	Appropriation of retained earnings					
	1 Cash dividend	55,511	55,511	92,518	92,518	37,007
III	Appropriation of retained earnings carried forward		1,253,909		1,223,184	30,725

(Note) 1. On 6 December, 2004, TAC paid an interim dividend of ¥ 55,511 thousand (¥ 3 per share).

2. On 6 December, 2005, TAC paid an interim dividend of ¥ 92,518 thousand (¥ 5 per share).

(4) Assumptions underlying preparation of non-consolidated interim financial statements

Items related to accounting standards

1. Standards and methods of valuation for assets

① Marketable and investment securities

Shares in subsidiaries and affiliated company...valued at cost using the moving average method

Other securities

Quoted securities...The market value method is applied, based on the market value as of the interim fiscal year end. The entire positive or negative valuation difference with the purchase price is booked directly as shareholders' equity, and the cost of securities sold is calculated using the moving average method.

Unquoted securities...Valued at cost using the moving average method

② Inventories

Merchandise and finished goods...Valued at cost using the gross average method

Work in process...Valued at cost, using the specific identification method

Stored goods...Valued at cost, using the last purchase price method

2. Major depreciable assets and methods of depreciation

① Tangible fixed assets...Declining balance method

Principal estimated useful lives are 15 years for buildings and 3 years to 5 years for equipment and furniture.

Cost of petty sum depreciable assets whose cost is ¥ 100,000 or more and less than ¥ 200,000 are amortized using the straight-line method over the estimated useful lives of 3 years.

② Intangible fixed assets...Straight-line method

Costs of computer software developed or obtained for internal use are amortized using the straight-line method over the estimated useful lives of 5 years. Costs of other intangible fixed assets are amortized using the straight-line method.

3. Standards for allowance

① Allowance for doubtful accounts

An allowance for loan losses is provided as detailed below. For claims to general debtors, an allowance is provided based on historical loan losses experience. For specific claims to debtors who are likely to become bankrupt or legally or virtually bankrupt, an allowance is provided for the amount of claims expected to be uncollectible, which is estimated depending on the collectibility of individual claims.

② Allowance for loss on returned goods

A reserve for loss caused by returns of publications is provided based on estimated amounts of the future returns attributed to the current interim fiscal year.

③ Reserve for bonuses

A reserve for employee's bonuses is provided for the payment of employees' bonuses based on estimated amounts of the future payments attributed to the current interim fiscal year.

④ Allowance for post-retirement benefits for directors and corporate auditors

On April 26, 2004, the Board approved elimination of the post-retirement benefits plan for directors on June 22, 2004. Retirement benefits for directors were calculated based on the period of service until the date of

the elimination. The amount already set aside for the post-retirement benefits plan for directors will be paid when the relevant director retires from the position.

4. Accounting for significant lease transactions

Transactions under finance lease agreement is accounted for as transaction under ordinary rental transactions, except for those lease transactions which transfer ownership of leased property to the lessee.

5. Accounting for consumption taxes

The company recognized consumption taxes and local consumption taxes as a separate account.

(Changes to accounting policies)

TAC adopted impairment accounting standards during the current consolidated fiscal year. These standards are based on the Business Accounting Council's "Report on Accounting Standards for Impaired Fixed Assets" published on August 9, 2002, and the Accounting Standards Board of Japan's "Implementation Guidelines for Asset Impairment Accounting," which were published in the "Statement of Corporate Accounting Standards No. 6" on October 31, 2003. There is no effect on the profit or loss due to such changes.

(Reclassification in the consolidated financial statements)

"Software development in progress" was included in and classified as "Others" of "Intangible fixed assets" until the previous consolidated fiscal year. In the current fiscal year, the amount of "software development in progress" exceeded 1% of total assets and thus is reclassified as "Software development in progress". The amount of "Software development in progress" in the previous consolidated fiscal year was ¥ 39,900 thousand.

**Notes**

( Non-consolidated balance sheet-related )

	Previous fiscal year April 1,2004- March 31,2005	<b>Current fiscal year April 1,2005- March 31,2006</b>
	Thousand of yen	Thousand of yen
1. Accumulated depreciation on tangible fixed assets	1,024,426	937,907
2. Shares of issuance and number of shares outstanding		
Number of authorized stock	37,000,000 shares	74,000,000 shares
Number of shares outstanding	18,504,000 shares	18,504,000 shares
Number of treasury stock	217 shares	217 shares

( Non-consolidated statement of income-related )

1. Outline of selling, general and administrative expenses

	Previous fiscal year April 1,2004- March 31,2005	<b>Current fiscal year April 1,2005- March 31,2006</b>
	Thousand of yen	Thousand of yen
Advertising cost	1,558,836	1,448,722
Salary	1,894,405	1,897,796
Bonuses	440,090	366,596
Transfer to accrued bonuses	45,137	58,281
Transfer to employees' retirement benefits	29,491	—
Rent	841,797	920,463
Depreciation	131,071	129,985
Proportion of sales expense	25.6%	24.3%
Proportion of general and administrative expense	74.4%	75.7%

2. Outline of Losses on disposal or sale of fixed assets		
Losses incurred from disposal of additions	25,651	40,004
Losses incurred from disposal of structures	4,823	8,677
Losses incurred from disposal of machinery	558	9,787
Losses incurred from disposal of equipment and fixtures	4,205	15,999
Other	—	2,153
Total	35,239	76,622

(Lease transaction)

Description omitted as it is disclosed on EDINET.

( Marketable securities related )

There is no stock of subsidiary whose current value can be estimated.

( Tax effect accounting )

1. Principal cause of deferred tax assets and deferred tax liabilities:

	<b>Current fiscal year</b> <b>April 1,2005-</b> <b>March 31,2006</b>
	Thousand of yen
Deferred tax assets:	
Accrued income tax	5,217
Accrued business office tax	16,154
Accrued bonus	10,128
Excess amount transferred to accrued bonus	24,361
Legal welfare expense incurred on above items	3,755
Transfer allowance for retirement benefits for directors and corporate auditors	56,932
Loss from revaluation of investment securities	28,279
Difference on revaluation of other marketable securities	61,181
Other deferred tax assets	80
Sub-total of deferred tax assets	206,091
Allowance account	-23,193
Sub-total of deferred tax assets	182,898
Deferred liabilities	
Difference on revaluation of other marketable securities	-525
Sub-total of deferred liabilities	-525
Net deferred tax assets	182,373
Current asset – deferred income taxes: ¥ 59,765 thousand	
Fixed asset – deferred income taxes: ¥ 122,608 thousand	

2. Principal items which caused differences between statutory effective tax rate and income tax charge rate after adoption of tax effect accounting:

	%
Statutory effective tariff	40.69
(Adjusted)	
Entertainment expenses not qualifying for deduction	4.20
Per capita inhabitant tax	5.99
Exclusion from gross revenue of dividend received	-3.79
Amount of special tax credit granted by tax system to promote IT investment	-4.62
Other	0.24
Charge rate of income tax after adoption of tax effect accounting	42.71

(Per share information)

Previous fiscal year April 1,2004 - March 31,2005		Current fiscal year April 1,2005 - March 31,2006	
Book value per share	152.63 Yen	Book value per share	160.93 Yen
Net income per share	2.65 Yen	Net income per share	8.34 Yen
Net income after giving effect to the diluted potential of common stock has not been presented since there are no such potential shares to be issued.		Net income after giving effect to the diluted potential of common stock has not been presented since there are no such potential shares to be issued.	

(Important subsequent event)

None.

### **Year-end dividend**

In the current period, TAC has decided to pay an interim dividend of ¥ 5 per share which increases the annual dividend. For the year-end dividend, we are going to make a proposal at the 23rd general shareholder's meeting to be held on June 21, 2006 for the payment of the ordinary dividend of ¥ 5 per share.

(Per share information retroactively adjusted)

	Previous fiscal year April 1,2004 - March 31,2005		Current fiscal year April 1,2005 - March 31,2006	
	Interim	Year end	Interim	Year end
Net income per share	6.97 Yen	2.65 Yen	4.56 Yen	8.34 Yen
Dividend per share	3.00	3.00	5.00	5.00
Book value per share	166.17	152.63	160.73	160.93

### **Personnel change of board member (as of June 21, 2006)**

We will appoint one new director in order to control budgets and to reinforce cost management.

:

New board member

Director : Atsushi Kondo (Presently Manager of accounting division)