

FY2007 Business Overview (1st quarter)



2 August, 2007

TAC Co., Ltd.

(Code No. 4319)

I . Summary of Financial Results

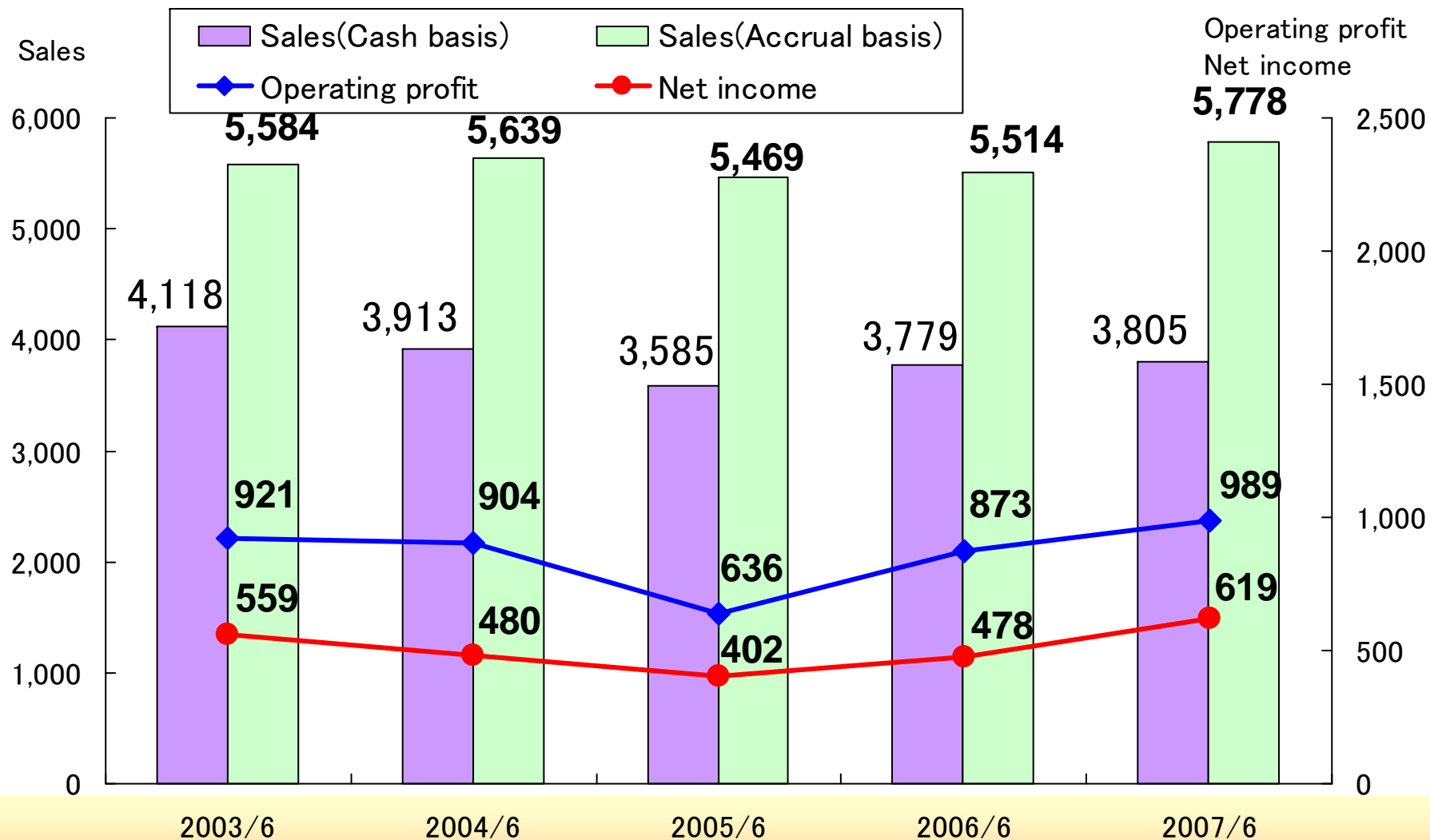




Sales and profit (consolidated)

TAC

(Yen in millions)





Financial highlights (comparative) **TAC**

(Yen in millions)

	2006/6 (Actual)			2007/6 (Actual)			
	Amount	%	Y-O-Y	Amount	%	Difference	Y-O-Y
Net sales before adjustment of tuition advances	3,779	68.5%	105.4%	3,805	65.9%	26	100.7%
Adjustment of tuition advances	1,735	31.5%	92.1%	1,973	34.1%	237	113.7%
Net Sales (after adjustment of tuition advances)	5,514	100.0%	100.8%	5,778	100.0%	263	104.8%
Costs of Sales	3,148	57.1%	103.0%	3,116	53.9%	-31	99.0%
Rent	809	14.7%	97.9%	792	13.7%	-17	97.9%
Employment costs	956	17.3%	99.9%	961	16.6%	4	100.5%
Subcontract costs	549	10.0%	110.7%	549	9.5%	0	100.0%
Gross profit – net	2,595	47.1%	104.2%	2,667	46.2%	72	102.8%
SG & A expenses	1,721	31.2%	92.8%	1,678	29.0%	-43	97.5%
Rent	231	4.2%	101.8%	230	4.0%	-0	99.6%
Employment costs	771	14.0%	100.5%	770	13.3%	-0	100.0%
Advertising costs	271	4.9%	73.0%	241	4.2%	-30	88.9%
Operating income	873	15.8%	137.3%	989	17.1%	115	113.2%
Ordinary income	825	15.0%	110.9%	1,078	18.7%	252	130.6%
Net income	478	8.7%	118.9%	619	10.7%	140	129.3%
Net income per share	25.88 Yen			33.46 Yen			



Financial highlights (forecast:actual) **TAC**

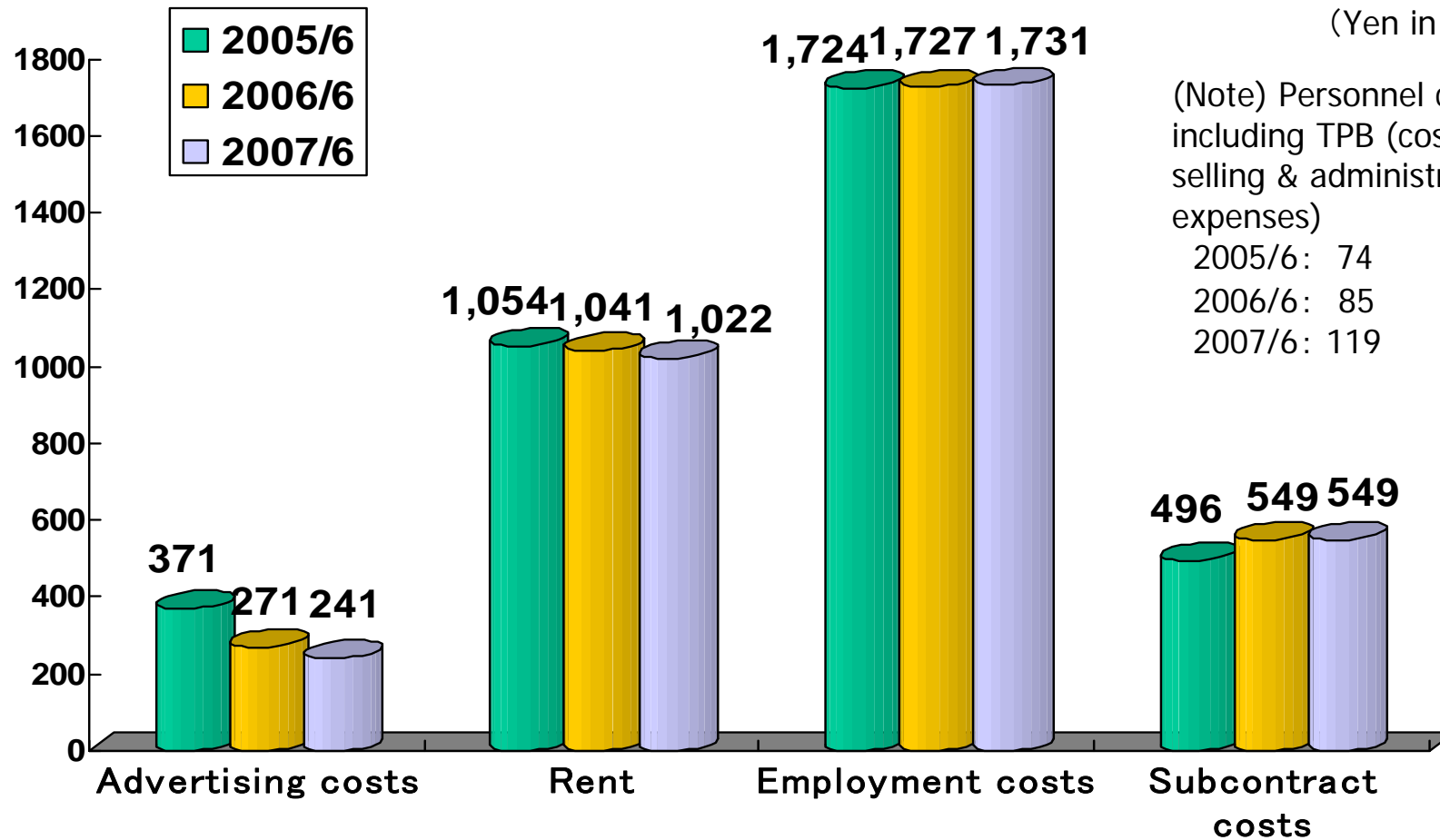
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(Yen in millions)

	2007/6 (forecast)		2007/6 (Actual)			
	Amount	%	Amount	%	Difference	Comparison
Net sales before adjustment of tuition advances	3,737	68.1%	3,805	65.9%	68	101.8%
Adjustment of tuition advances	1,750	31.9%	1,973	34.1%	223	112.7%
Net Sales (after adjustment of tuition advances)	5,487	100.0%	5,778	100.0%	291	105.3%
Costs of Sales	3,241	59.1%	3,116	53.9%	△124	96.2%
Rent	768	14.0%	792	13.7%	23	103.0%
Employment costs	1,032	18.8%	961	16.6%	△71	93.1%
Subcontract costs	542	9.9%	549	9.5%	7	101.4%
Gross profit – net	2,245	40.9%	2,667	46.2%	422	118.8%
SG & A expenses	1,786	32.6%	1,678	29.0%	△107	94.0%
Rent	242	4.4%	230	4.0%	△11	95.3%
Employment costs	786	14.3%	770	13.3%	△15	98.0%
Advertising costs	294	5.4%	241	4.2%	△53	82.0%
Operating income	459	8.4%	989	17.1%	529	215.4%
Ordinary income	480	8.8%	1,078	18.7%	597	224.3%
Net income	271	4.9%	619	10.7%	347	228.0%
Net income per share	14.67 Yen		33.46 Yen			



Major operating expenses



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

2005/6: 74

2006/6: 85

2007/6: 119

% of sales	6.8%	4.9%	4.2%	19.3%	18.9%	17.7%	31.5%	31.3%	30.0%	9.1%	10.0%	9.5%
Y-O-Y	73.0%	88.9%		98.8%	98.2%		100.1%	100.3%		110.7%	100.0%	
% of sales cost	0.0%			78.4%	77.7%	77.4%	55.5%	55.4%	55.5%	100.0%		



Operating profit substantially exceeds forecasts

TAC

(Yen in millions)

Reduction of teaching costs	-71
Production costs for Publications	+37
Production costs for educational material	-28
Outsourcing costs	-44
Rent, etc.	+23

Costs of sales decreased
124
Compared to forecast
96.2%

SG & A expenses decrease
107
Compared to forecast
94.0%

Advertising costs	-53
Agency costs	-20
Outsourcing costs	-29
Rent	-11
Employment costs	-15
Tax & dues	+19 etc.

Sales increase (cash basis)
68
Compared to forecast
101.8%

Sales increase (accrual basis)
291
Compared to forecast
105.3%

Adjustment of tuition advances
+223
Compared to forecast
112.7%

(Note) Breakdown of ¥ 529M increase in operating income over forecast.

Though substantially affected by reversals of tuition advances, cost control measures (cost of goods down by ¥124M and selling & administrative expense down by ¥107M) were successful.

II . Highlights of license areas





Definition of licenses by area

Licenses area	Programs
① Finance and Accounting	Certified public accountant, Bookkeeper, Construction industry accountant
② Management and Taxation	Licensed tax accountant, Small and medium enterprise management consultant
③ Financial Services and Real Estate	Real estate appraiser, Registered real estate transaction manager, Condominium management consultant / Registered condominium administration manager, Financial planner, DC planner(*1), Securities analyst(including CFA(*2), Securities broker), Business school
④ Law and Labor	Certified social insurance labor consultant, Administrative scrivener, Public officer, The Japan business law examination, Law-related qualifications
⑤ IT and International	IT specialist (System administrator, Fundamental IT engineer, Software design and development engineer, etc: Total of 14 qualifications), U.S. CPA, CompTIA(*3), IT related qualifications
⑥ Other	"Maho-jin" tax software(*4), Personnel business, Miscellaneous revenue, etc.

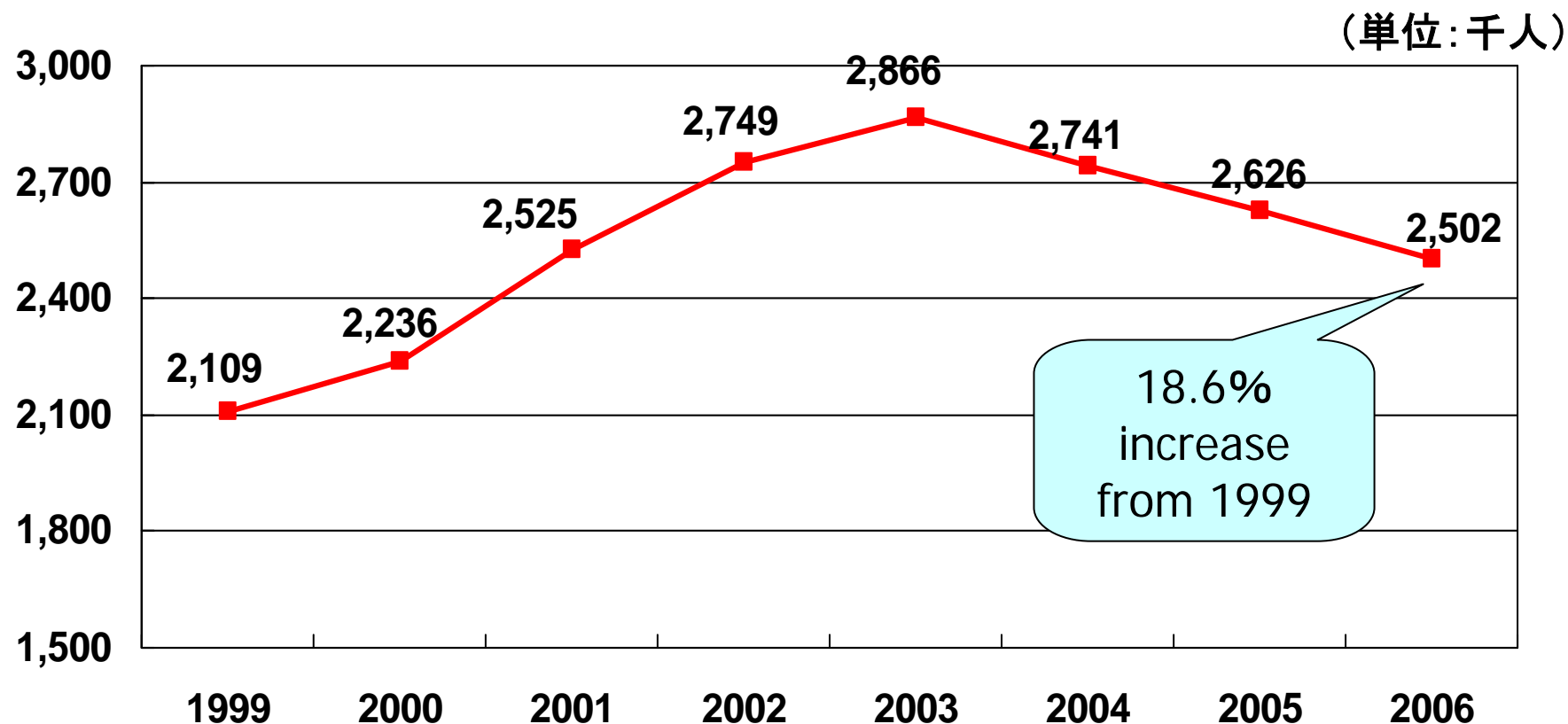
(*1) DC: Defined Contribution (*2) CFA: Chartered Financial Analyst

(*3) CompTIA: Computing Technology Industry Association

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



Number of applicants for exams in 2006



(Notes) Totals only include exams for which TAC offers courses.

Numbers amended for decreases in discontinued "Public officer (3rd class, local & lower)".

Market trend in 2006(In thousands): Bookkeeper +35, CPA +0.8, Registered real estate transaction manager +13, Financial planner +11, Certified social insurance labor consultant -1.4, Public officer(2nd class etc.) -44, IT specialist -85, Microsoft office specialist -42



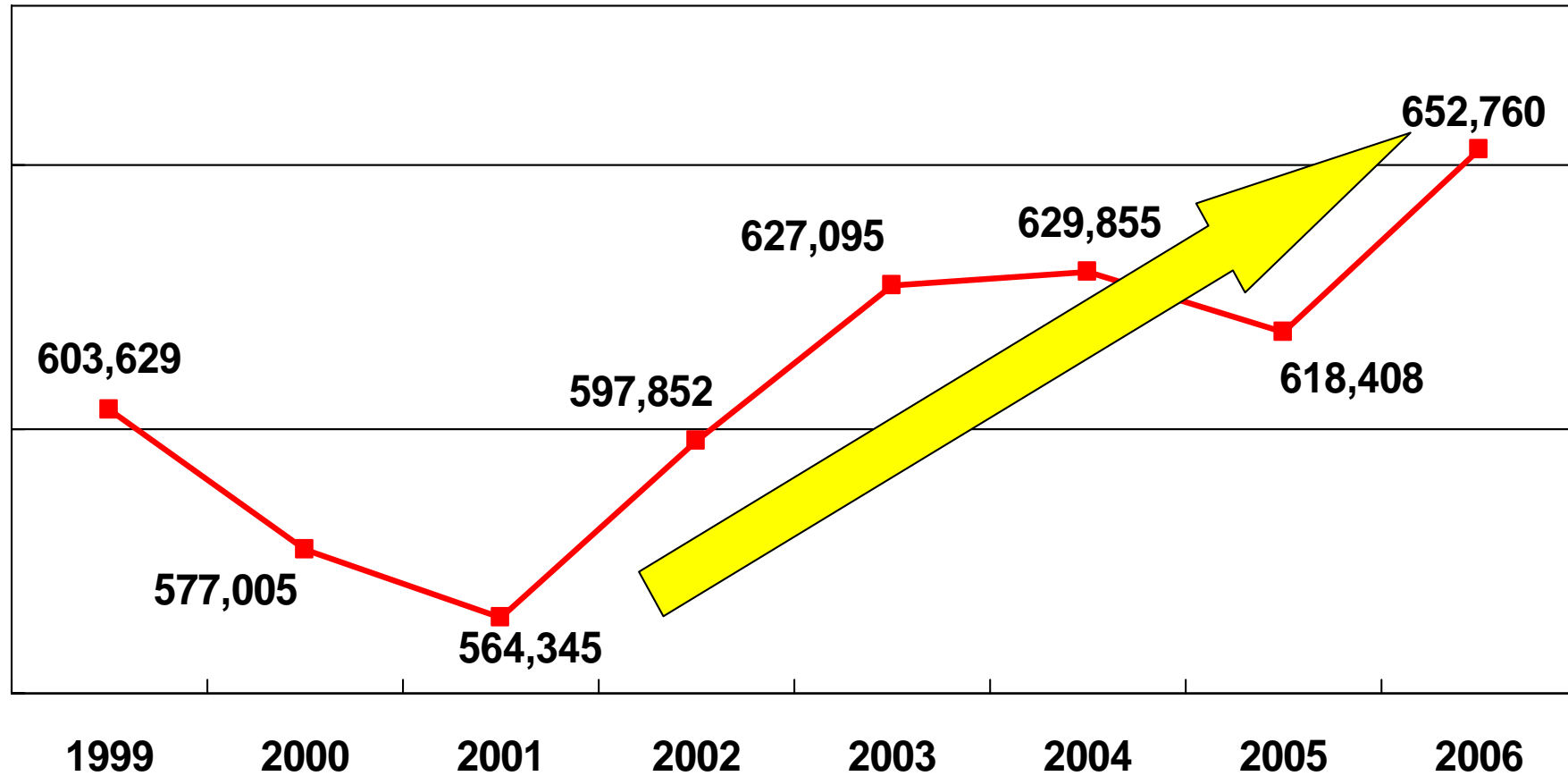
Number of applicants for exams



License area	Licenses	1999	2000	2001	2002	2003	2004	2005	2006	Between '99-'06
Finance & Accounting	Bookkeeper	530,069	502,726	490,681	520,643	545,649	546,198	535,228	570,466	107.6%
	Construction industry accountant	76,509	76,339	67,225	58,272	50,815	44,812	37,363	31,499	41.2%
	CPA	10,265	11,058	12,073	13,389	14,978	16,310	15,322	16,210	157.9%
Mgt & Taxation	Licensed tax accountant	63,295	63,221	61,591	63,820	66,468	67,347	67,858	66,084	104.4%
	Small & medium ent. mgt. consultant	11,409	11,925	10,025	12,447	14,692	15,131	13,476	16,595	145.5%
Financial Services & Real Estate	Real estate appraiser	2,616	2,621	2,505	2,481	2,503	2,300	2,282	4,605	176.0%
	Registered real estate transaction manager	222,913	210,465	204,629	209,672	210,182	216,830	226,665	240,278	107.8%
	Condominium mgt. consultant			109,514	62,124	43,912	36,307	30,615	25,284	23.1%
	Registered condominium administration manager			64,537	39,981	31,558	28,642	26,960	24,779	38.4%
	Securities analyst	21,771	23,181	22,510	21,357	19,277	15,324	14,275	18,253	83.8%
	FP	63,551	79,489	79,168	67,229	20,317	18,381	17,602	15,319	24.1%
	Certification of financial planning				105,595	258,572	259,538	254,276	265,344	251.3%
	DC planner			17,491	43,296	32,464	13,052	12,728	10,659	60.9%
Law & Labor	Certified social insurance labor consultant	45,455	50,689	54,203	58,322	64,122	65,215	61,251	59,839	131.6%
	Administrative scrivener	40,208	51,919	71,366	78,826	96,042	93,923	89,276	88,163	219.3%
	Public officer(2nd class etc.)	101,986	108,678	102,118	108,819	109,963	120,240	114,163	95,025	93.2%
	Public officer (local & higher)	66,318	64,062	62,141	63,386	68,396	67,342	74,012	48,543	73.2%
	Public officer(3 rd , local)	83,426	74,575	91,562	113,239	109,434	96,036	62,639	63,001	75.5%
	Japan bus. law exam	17,324	20,085	23,544	27,962	33,998	39,094	40,747	39,992	230.8%
IT	IT specialist	704,969	784,912	788,443	803,109	772,334	699,928	664,014	578,807	82.1%
	Microsoft (MOUS)	47,800	100,200	189,900	275,100	301,200	279,700	265,900	223,800	468.2%
Total		2,109,884	2,236,145	2,525,226	2,749,069	2,866,876	2,741,600	2,626,652	2,502,545	118.6%



Market for accounting-related qualifications growing



Number of candidates in our flagship qualifications (CPA, LTA and Bookkeeping)

Though the number of students showed temporary declines in 2005, there has been consistent growth since 2001.



Sales by license area

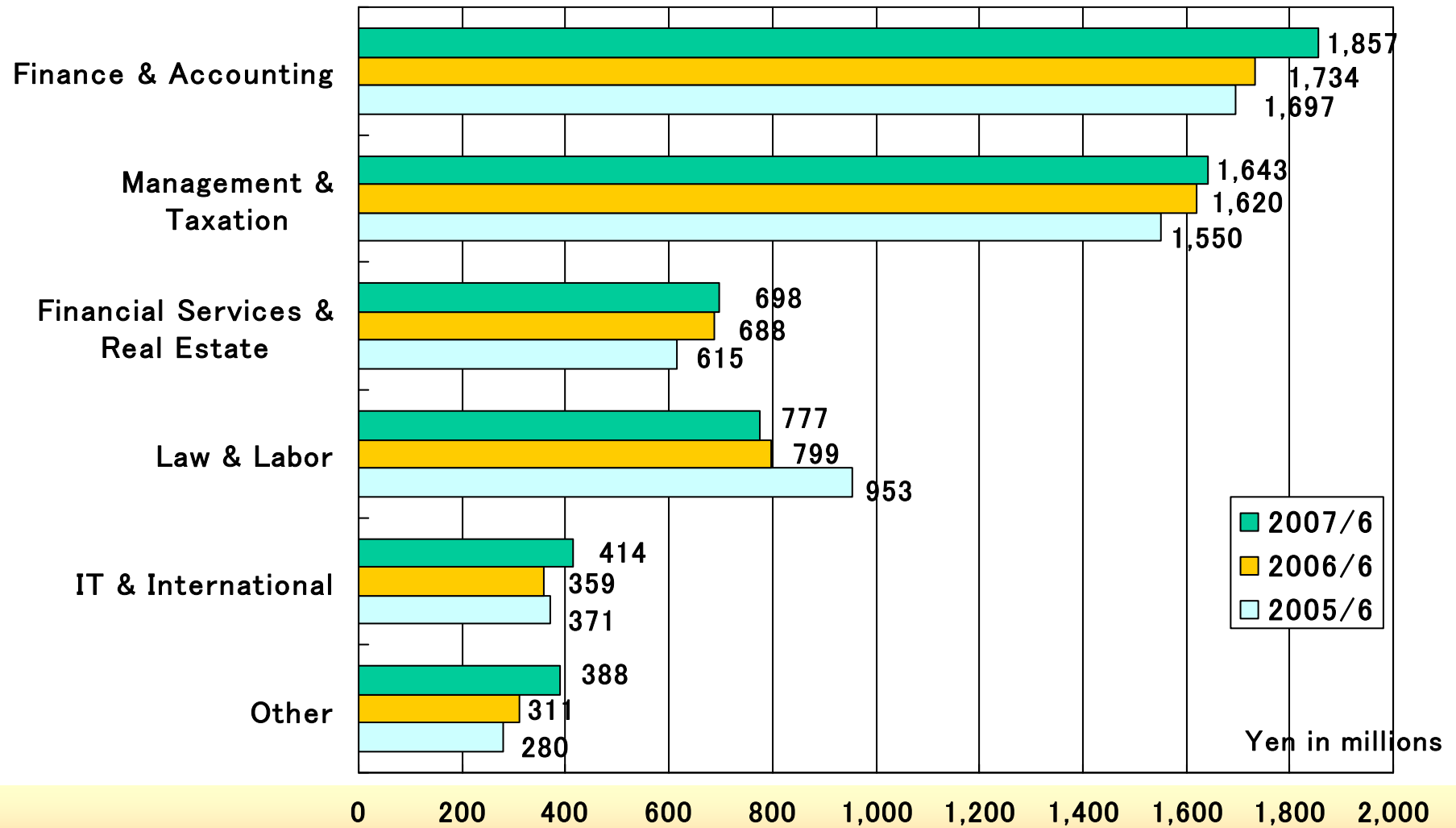
(Yen in thousands)

TAC

License by area	2006/6			2007/6			Comment
	Sales	Y-O-Y	%	Sales	Y-O-Y	%	
① Finance & Accounting	1,734,622	102.2%	31.5%	1,857,805	107.1%	32.1%	Bookkeeping showed continued increase of 14.5%. CPA increased 4.0% but decreased 17.7% on cash basis.
② Management & Taxation	1,620,767	104.5%	29.4%	1,643,510	101.4%	28.4%	LTA showed stable increase of 2.6% (-18.0% on cash basis). SMEMC declined 4.7% but increased 20.1% on cash basis.
③ Financial Services & Real Estate	688,795	111.8%	12.5%	698,109	101.4%	12.1%	REA decreased 22.7% on cash basis but showed upward shift with 4.8% increase. Takken increased 18.7%. Securities analyst increased 9.7%. FP decreased 6.2%. Business school courses increased 43.7%.
④ Law & Labor	799,536	83.9%	14.5%	777,207	97.2%	13.4%	Public officers decreased 2.6% but showed upward shift with 12.7% increase on cash basis. Certified social insurance labor consultant declined 4.3%. Administrative scrivener declined 10.6%. The Japan Business Law Examination showed substantial increase.
⑤ IT & International	359,859	96.7%	6.5%	414,048	115.1%	7.2%	IT specialist courses increased 3.5%. USCPA increased by 59.4%. IT related courses and CompTIA showed stable growth.
⑥ Other	311,344	111.0%	5.6%	388,221	124.7%	6.8%	Maho-jin increased 12.2%. Manpower business assumed by TPB marked dramatic increase of 47.6% supported by newly opened Shinjuku and Umeda offices.
Total	5,514,924	100.8%	100.0%	5,778,902	104.8%	100.0%	

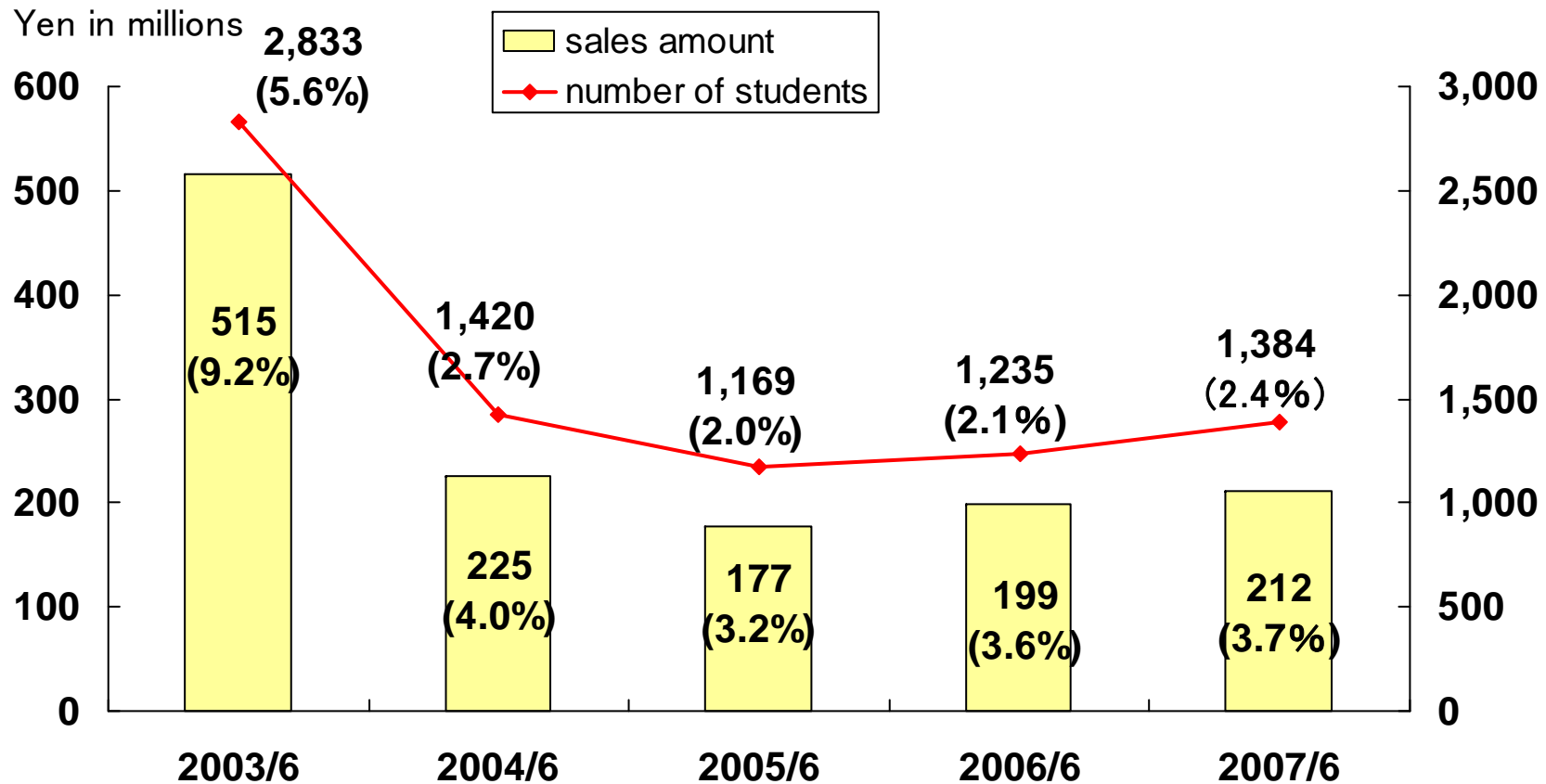


Sales growth by license area





Impact of government tuition assistance (GTA) program



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

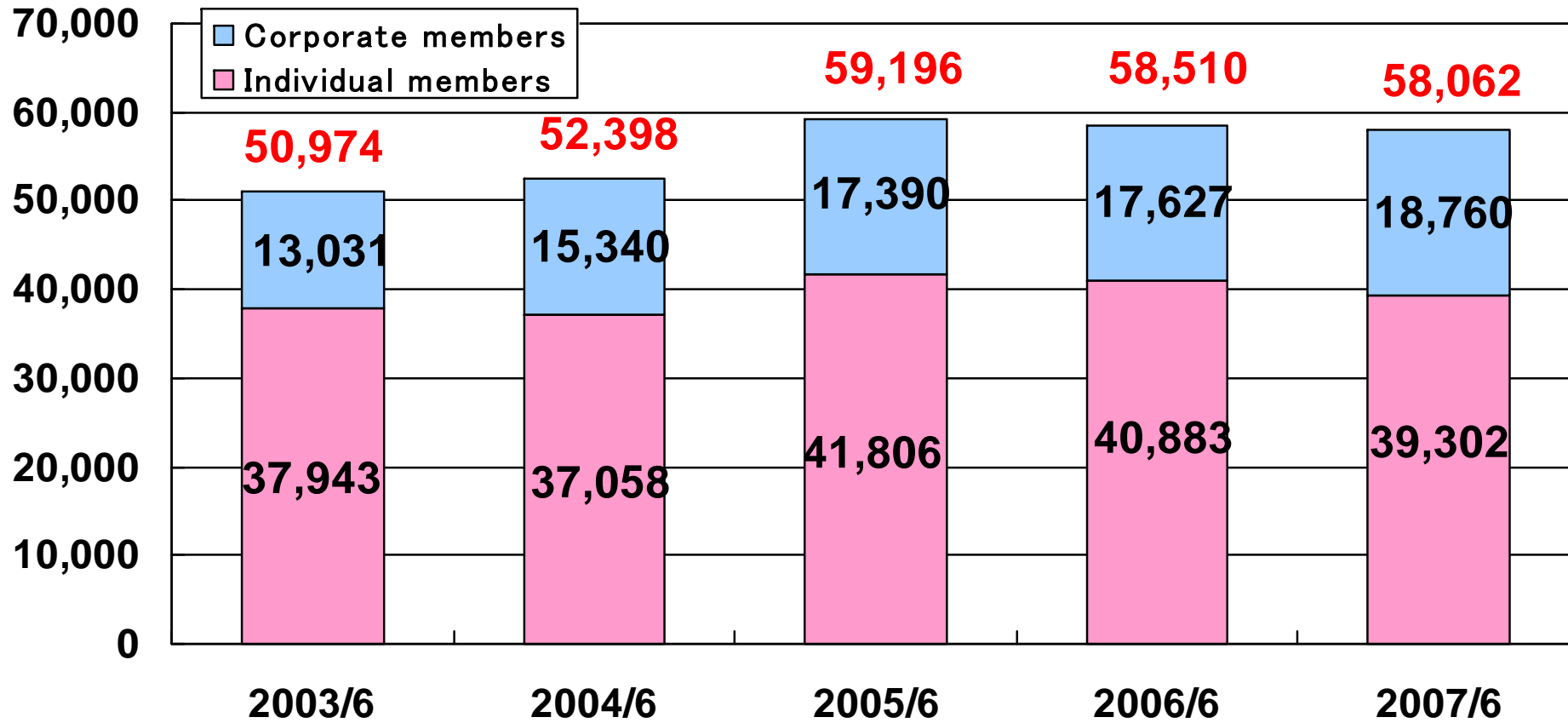
Number of users and related sales increased for two consecutive years. Though classroom courses remained unchanged, correspondence courses increased 18.2%.

Market trend of working people:

Accounting, financial and real-estate-related courses gaining popularity among working people. (Bookkeeping +54.3%, Takken +27.4%, FP +29.6%, USCPA +56.9%, etc.)



Number of students








Change	115.1%	102.8%	113.0%	98.8%	99.2%
-Individual	115.9%	97.7%	112.8%	97.8%	96.1%
-Corporate	112.7%	117.7%	113.4%	101.4%	106.4%
% of Individual members	74.4%	70.7%	70.6%	69.9%	67.7%



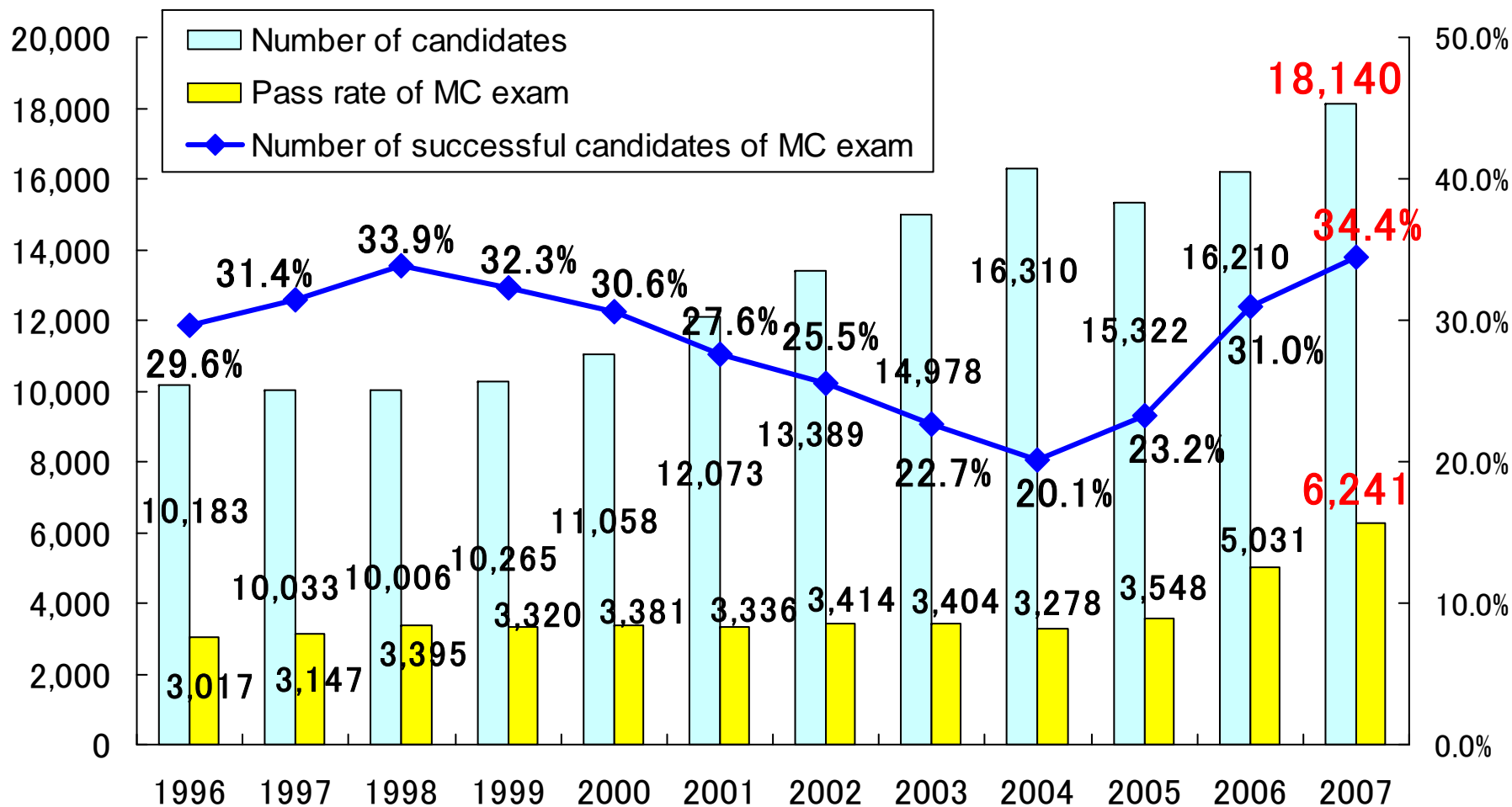
Number of students by license area



License by area	2007/6	Y-O-Y	%	Comment	
① Finance & Accounting	13,711	104.7%	23.6%	Bookkeeping increased 10.0% supported by growth of in-university seminars. CPA was sluggish and declined -6.6%.	
② Management & Taxation	13,061	100.6%	22.5%	LTA made a slow start and decreased 5.4%. Applications for SMEMC recovered and increased 3.2%.	
③ Financial Services & Real Estate	11,148	103.9%	19.2%	REA finally overcame its slump and increased 16.5%. Takken continued growth at +22.2%. FP declined 9.2%. Securities analyst declined 29.5% due to decreases in corporate training programs.	
④ Law & Labor	12,779	87.3%	22.0%	Certified social insurance labor declined 11.8%. Administrative scrivener declined 23.7%. Public officers slumped with student numbers declining 10.3% y/o/y, which is mainly attributed to decrease in no. of test-takers on mock exams.	
⑤ IT & International	7,363	104.3%	12.7%	IT specialist courses declined 1.1%. In-university seminars for USCPA courses showed remarkable growth of +68.8%.	
Total	58,062	99.2%	100.0%		



Results of 2007 CPA exam (multiple choice)



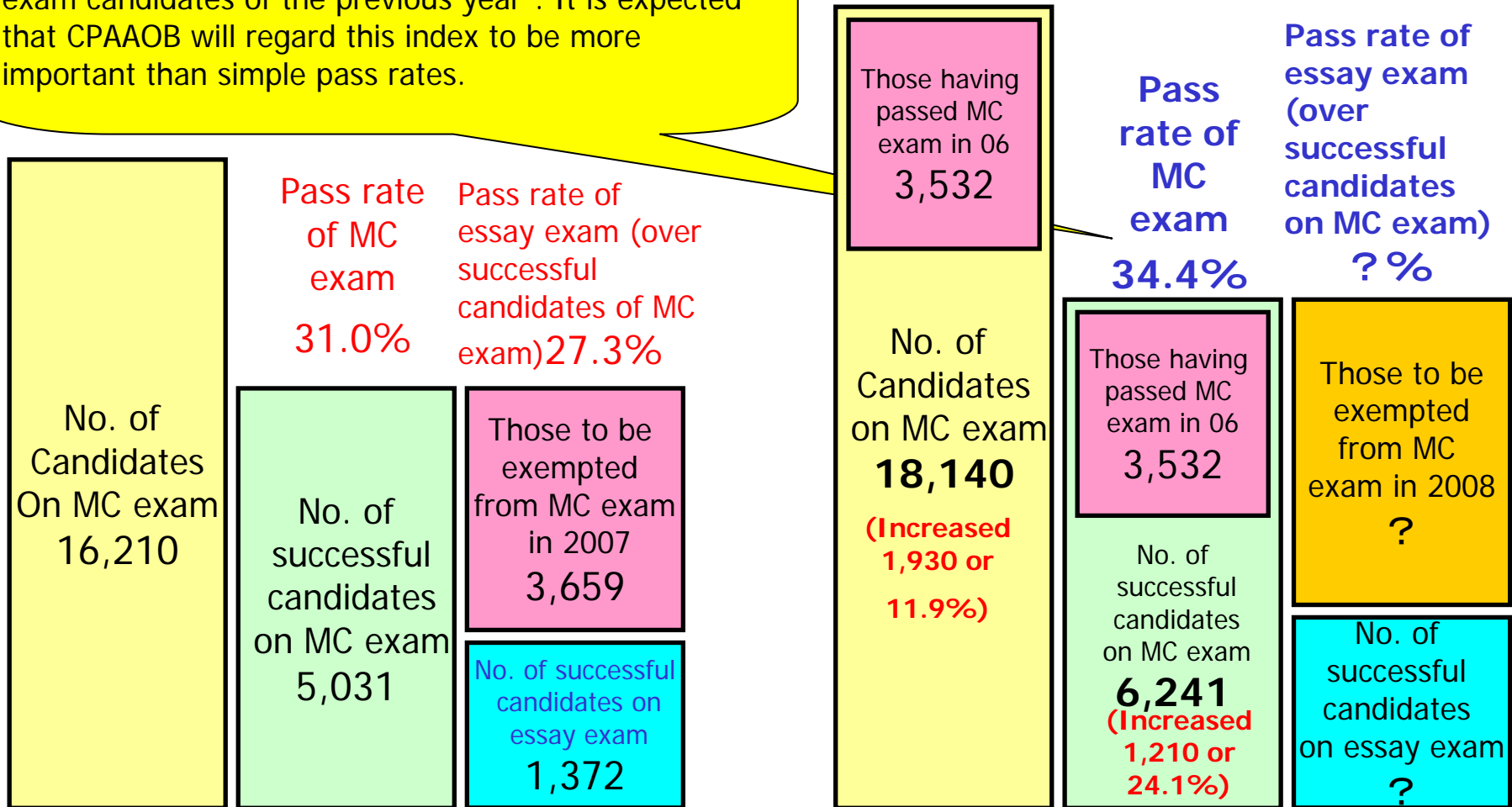
Number of candidates for 2007 exam marked a record high of 18,140 (including those exempted from MC exam), an increase of 1,930 over the previous year. Number of successful candidates on MC exam (including 3,532 exempted from MC exam) was 6,241, according to a release by CPAAOB on June 28, 2007.



Trend of revised CPA exam



CPAAOB raised "pass rate that includes successful MC exam candidates of the previous year". It is expected that CPAAOB will regard this index to be more important than simple pass rates.



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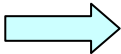



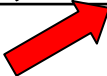

<2007>

According to Nippon Keizai Shimbun on 2007.7.13, CPAAOB is examining the possibility of increasing the number of successful candidates.



III. Highlights by segment

Summary by segment for 1st quarter of FY2007

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





Segment information

(Yen in millions)

	2006/6			2007/6			Year-on-year		
	Sales	Operating costs	Operating income	Sales	Operating costs	Operating income	Sales	Operating costs	Operating income
Personal education	4,252	3,568	683 (16.1%)	4,260	3,329	931 (21.9%)	7 (+0.2%)	-239 (-6.7%)	247 (+36.2%)
Corporate training	1,027	683	344 (33.5%)	1,091	742	348 (31.9%)	63 (+6.2%)	59 (+8.7%)	3 (+1.2%)
Publishing & other	234	94	140 (59.8%)	430	434	-3 (-%)	195 (83.2%)	339 (360.0%)	-144 (-%)
Eliminations	—	295	-295	-3	283	-286	-3	-11 (-3.9%)	8 (-2.9%)
Total	5,514	4,641	873 (15.8%)	5,778	4,789	989 (17.1%)	263 (+4.8%)	148 (3.2%)	115 (+13.2%)

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

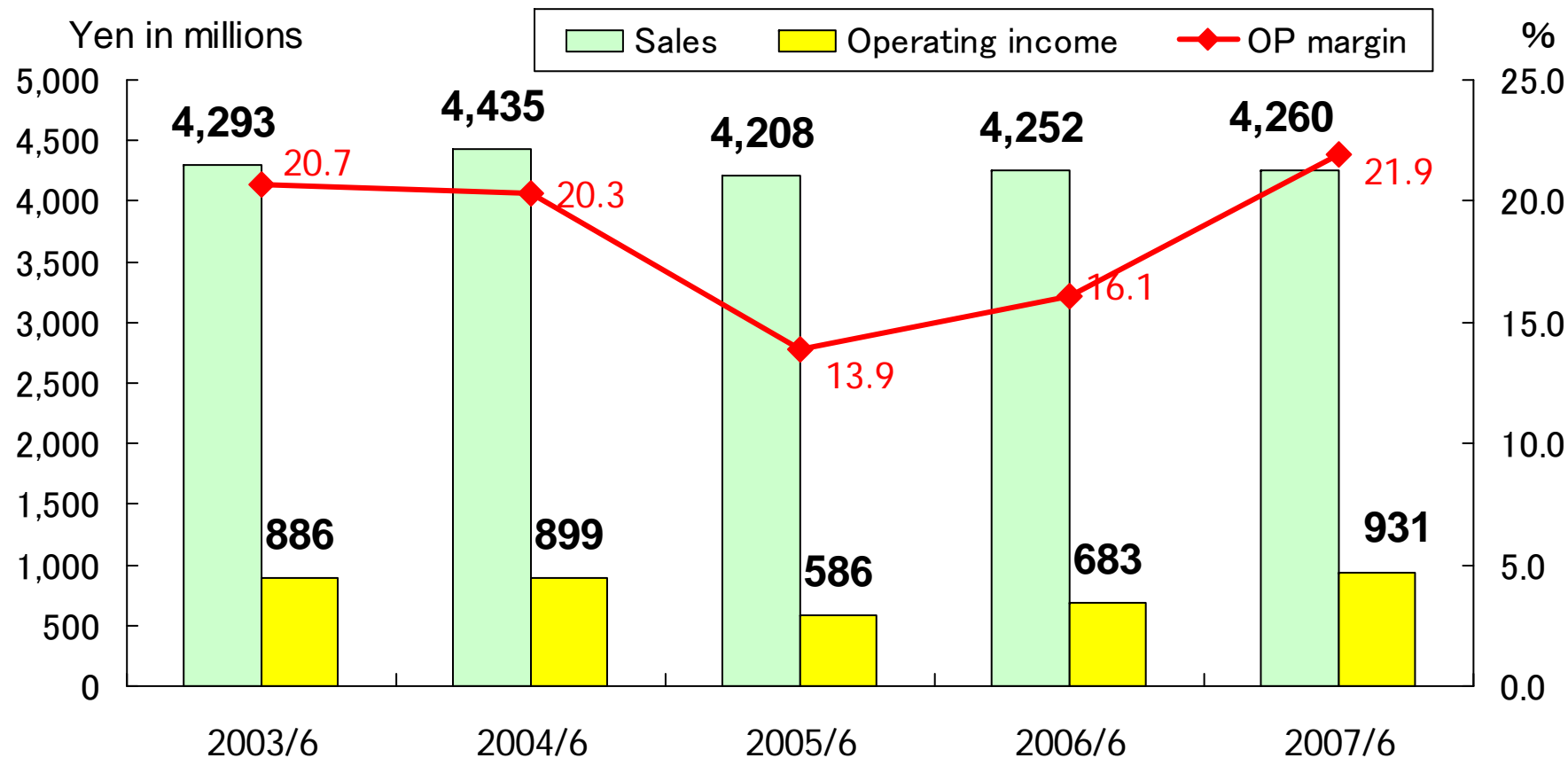
Sales in publishing business : 2006/6 129 million, 2007/6 274 million(212.7%)

Sales in personnel business : 2006/6 105 million, 2007/6 152 million (144.5%)

※After elimination of intercompany transactions



Trend in Personal Education



Rate of increase of sales	111.4%	103.3%	94.9%	101.0%	100.2%
Proportion over total sales	76.9%	78.6%	76.9%	77.1%	73.7%

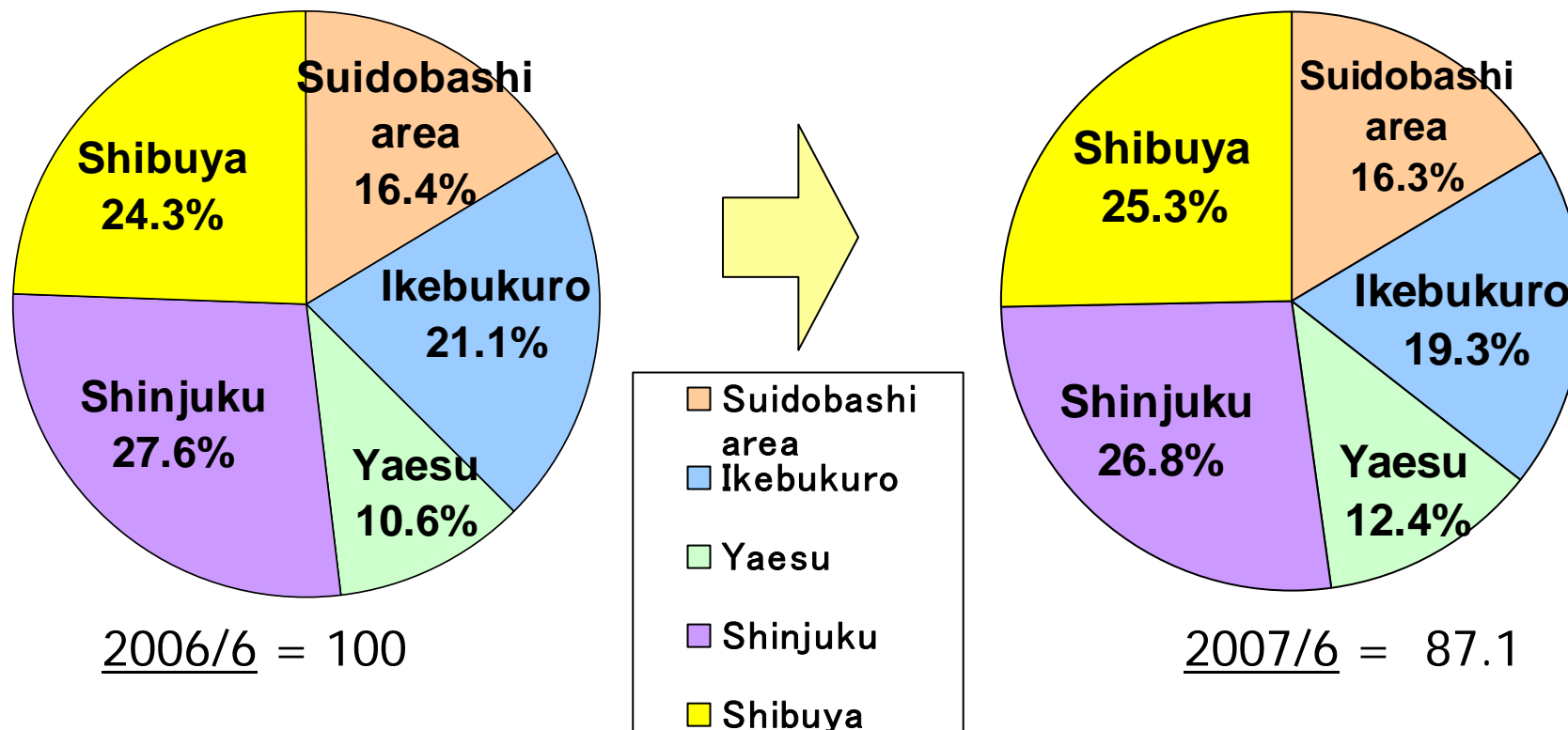
Operating profit exceeded ¥900M due to increase in sales on accrual basis (resulting from adjustment of tuition advances) and success in continued cost control.



In Tokyo Metropolitan Area



Changes in sales proportions in Tokyo Metropolitan Area



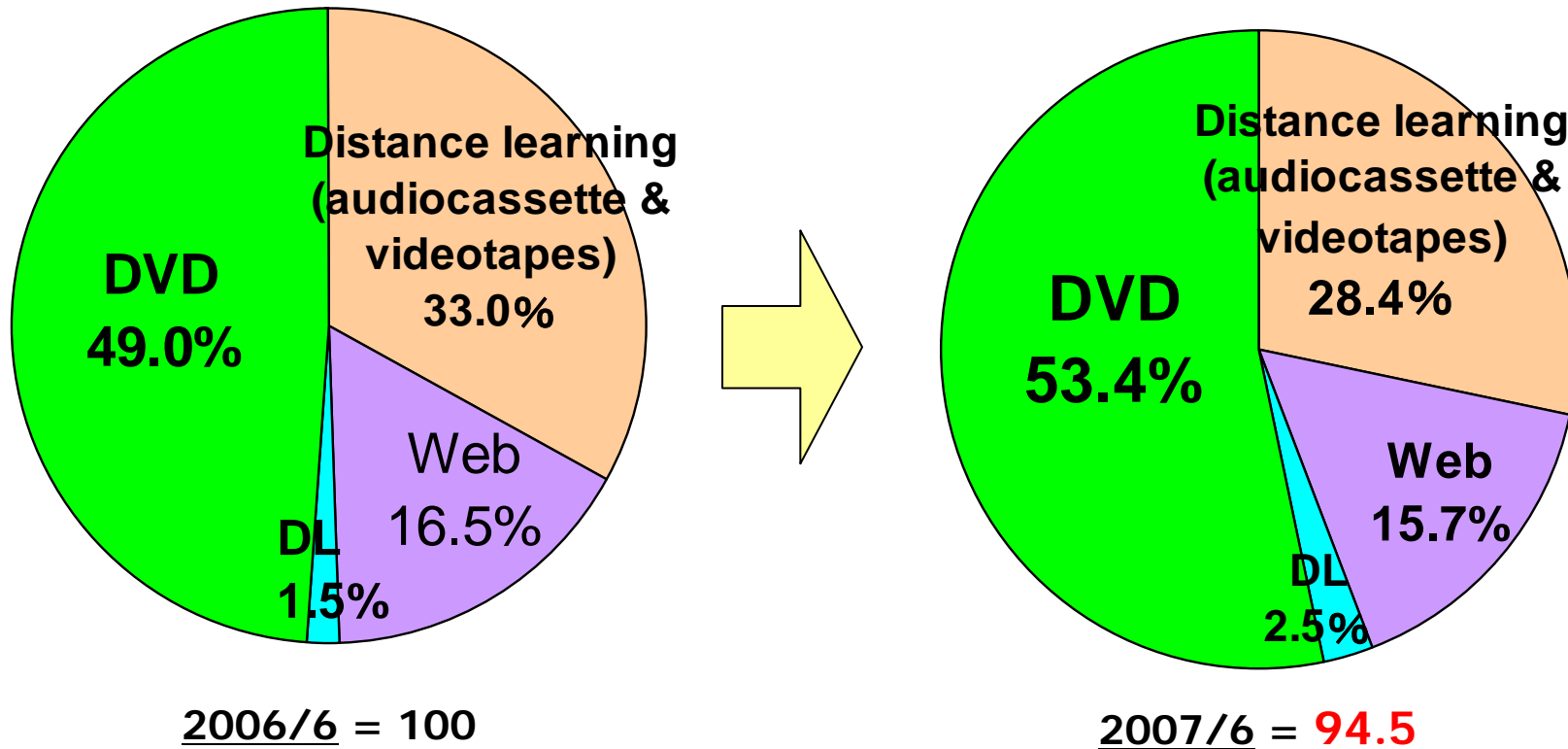
- Number of application slowed at schools in the Tokyo metropolitan area and declined 12.9% y/o/y.
- Except for Yaesu school, all schools recorded declines.



Personal education:

**Media strategy ~ DVD courses exceeded 50%
(of correspondence courses)**

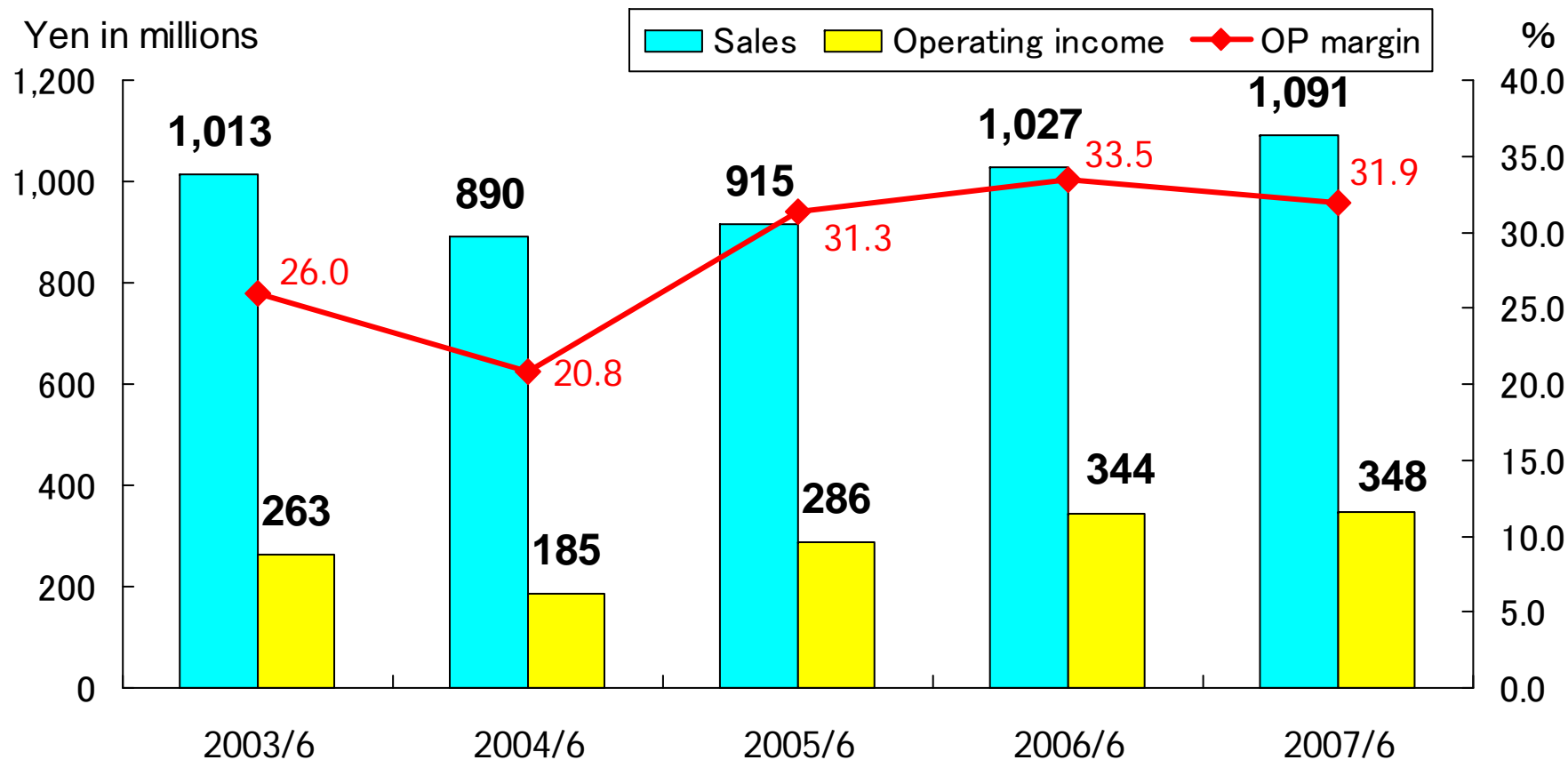
Changes in percentage of sales in distance education



- Classroom courses were 89.1% and correspondence courses were 94.5% of the previous year's level.
- Correspondence courses using DVD recorded dramatic growth to account for over half of correspondence courses. But such growth slowed in the current quarter (+2.9% y/o/y).



Trend of corporate training business **TAC**



Rate of increase of sales	101.9%	87.8%	102.8%	112.3%	106.2%
Proportion over total sales	18.2%	15.8%	16.7%	18.6%	18.9%

Supported by strong demand in corporate training programs, income and profit showed growth y/o/y for 3 consecutive years.



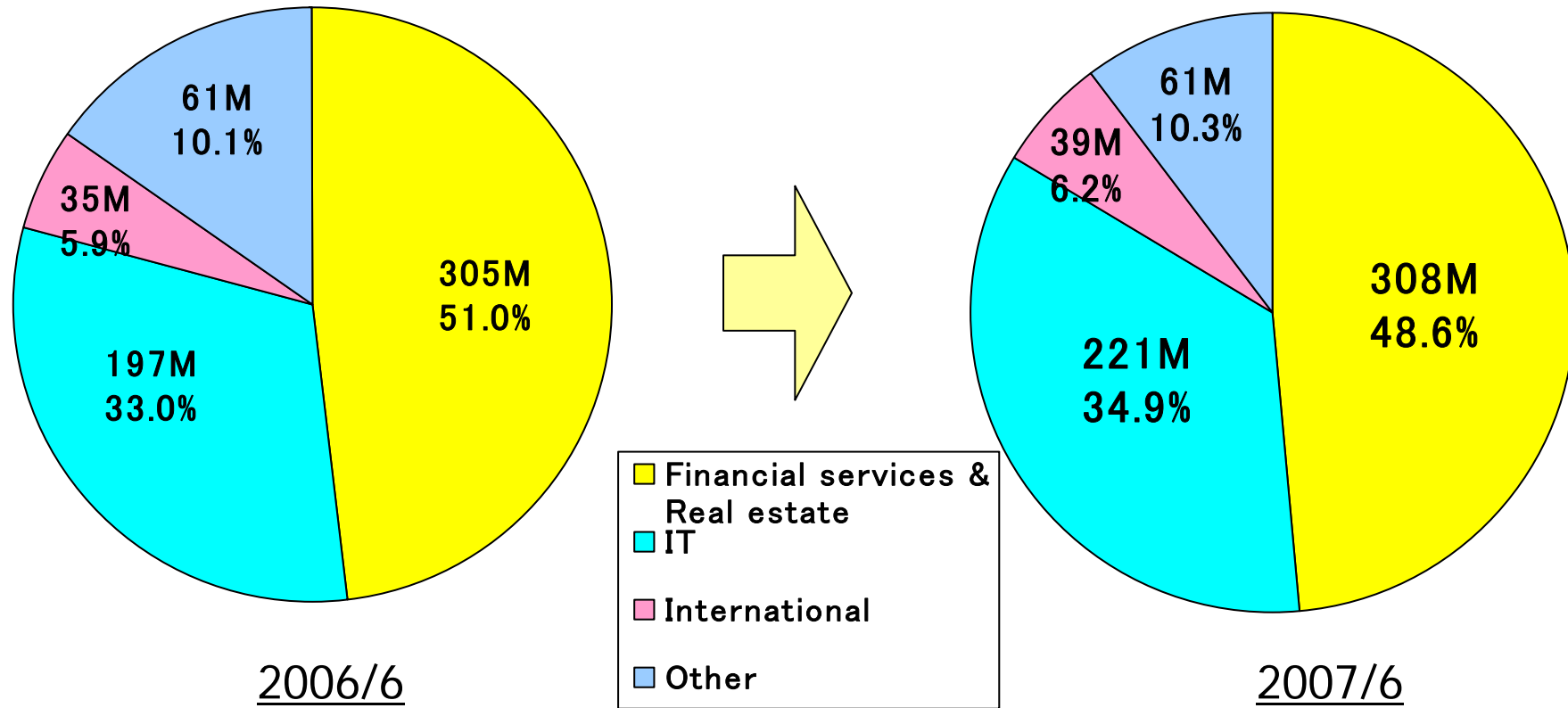
Corporate training: Descriptions

(Yen in thousands)

Contents	Sales	Y-O-Y	%	Overview of FY2007 1Q	
Corporate Training	633,238	105.6%	58.0%	Stable growth recorded in this area. IT specialist courses +11.8%, business school courses +43.2%, securities analyst courses +8.1%, CompTIA +11.1%, etc.	
Provision of educational materials	84,907	104.1%	7.8%	Sales of educational material for colleges specialized in public officers exam recovered. Financial and real estate-related contents declined, including Takken and FP. In total, showed stable performance of +4.1%.	
Affiliated schools	105,524	109.0%	9.7%	Financial and accounting area increased 21.8% supported by favorable growth in bookkeeping. Management and taxation increased 8.8% supported by LTA.	
In-university seminars	98,425	109.6%	9.0%	Law and labor increased 28.7% due to increase in public officers. Management and taxation increased 16.0%.	
Tax software "Maho-jin" & other	169,156	106.0%	15.5%	Maho-jin, tax software continued with favorable increase of 12.2%. Training programs consigned by local governments showed a slight decline.	
Total	1,091,252	106.2%	100.0%	Though showing declines from the same term last year, demand for corporate training programs is solid.	



Corporate training: Trends



- Sales in corporate training increased 5.6% y/o/y.
- Our flagship courses of financial & real estate-related courses and IT-related courses showed favorable growth. Business school courses +43.2%, Securities analyst +8.1%, IT specialist courses +11.8%, CompTIA +11.0%, etc.



Trends at affiliated schools



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

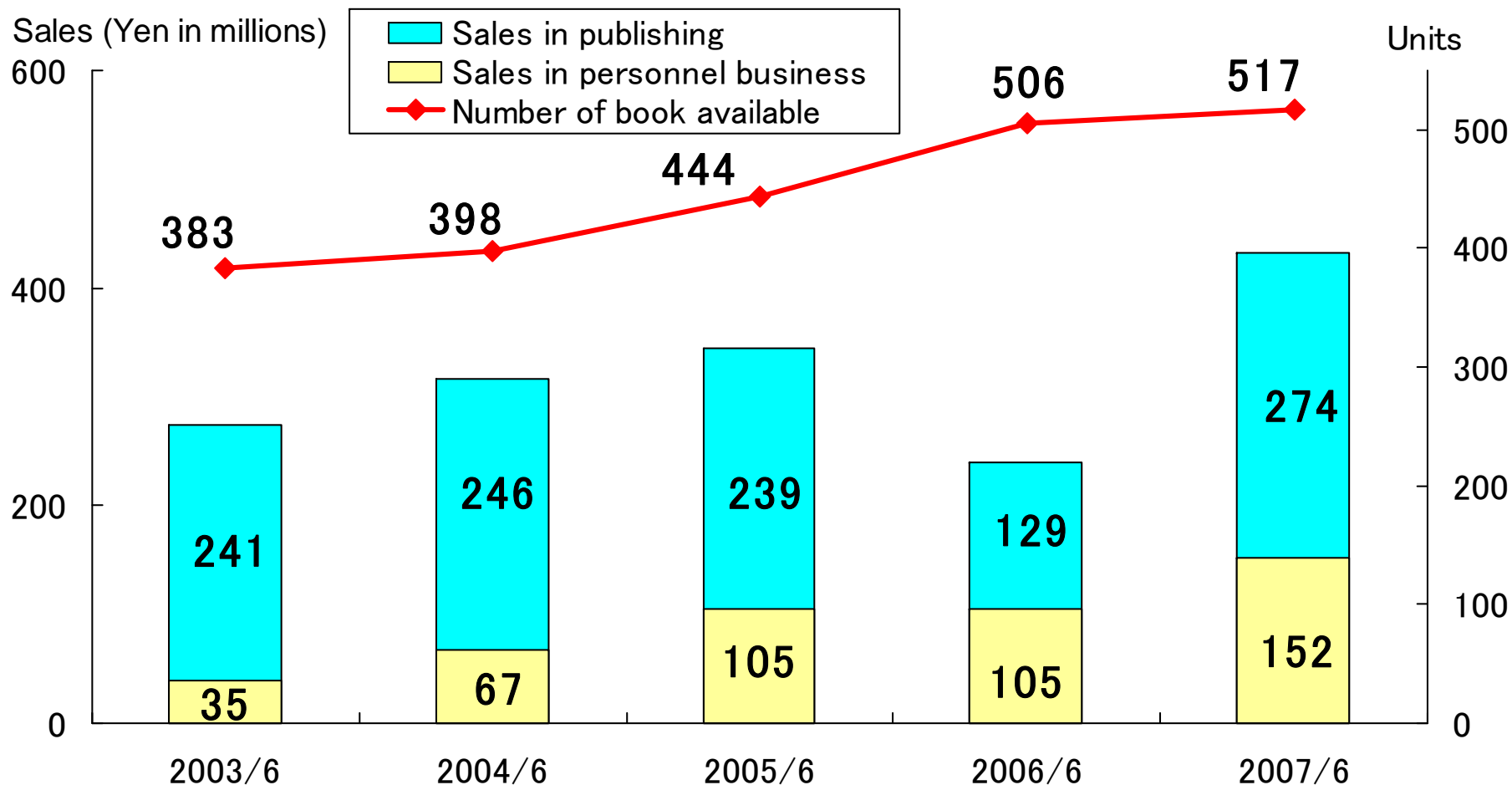
Total 17 schools (Hiroshima school scheduled to come under our direct management in September, 2007.) (Yen in thousands)

Licenses by area	# of students 2007/6	# of students (Y-O-Y)	Sales 2007/6	Sales (Y-O-Y)	% of sales
① Finance & Accounting	583	105.2%	23,883	121.8%	22.6%
② Management & Taxation	512	90.0%	38,406	107.9%	36.6%
③ Financial Services & Real Estate	300	116.3%	14,648	103.2%	13.9%
④ Law & Labor	820	86.1%	26,832	103.3%	25.4%
⑤ IT & International	60	115.4%	1,585	122.9%	1.5%
Total	2,275	95.4%	105,524	109.0%	100.0%

- Rapid growth (120% over) : Bookkeeping, CPA, Real estate sales manager
- High growth (100~120%) : Licensed tax accountant, Certified social insurance consultant, Public officer
- Negative growth : Real estate appraiser



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

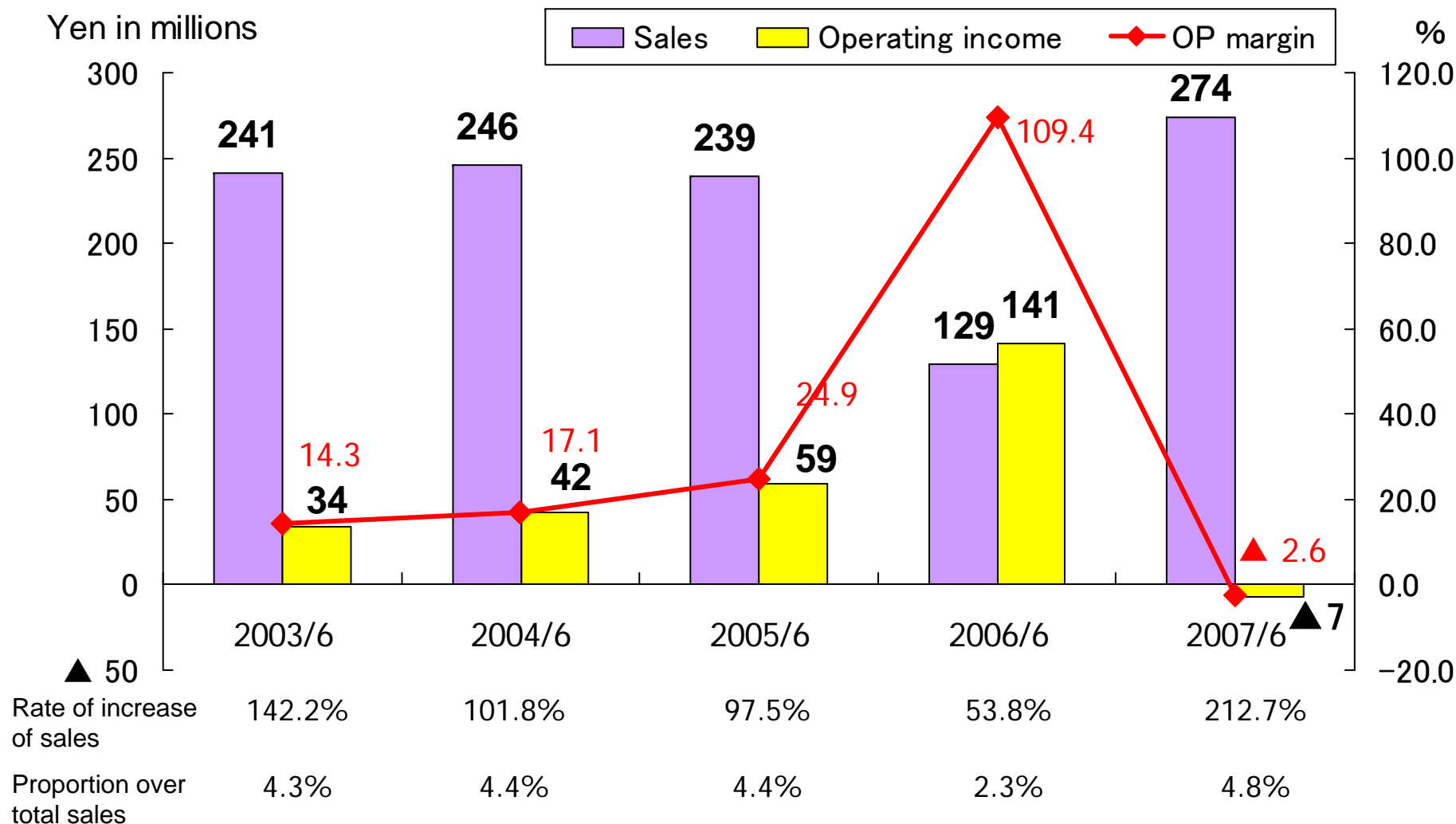


- In the publishing business, bookkeeping-related books showed a positive trend. However, an increase in reserve for loss on returned goods of ¥223M y/o/y created a breakeven result.
- Manpower business showed remarkable growth due to success in Shinjuku and Umeda offices, which were opened in the previous fiscal year.



Trend in publishing business

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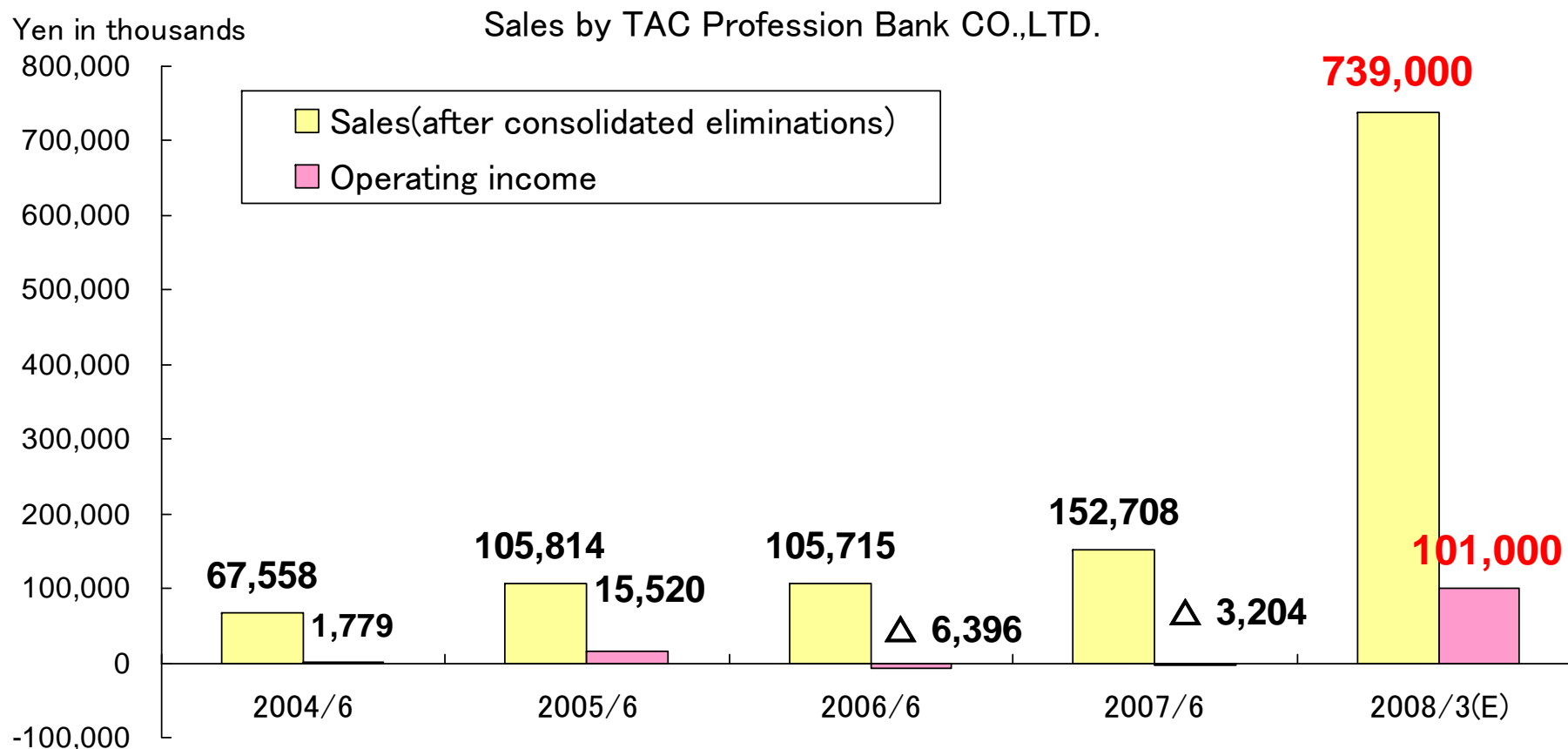
Increase in reserve for loss on returned goods by ¥223M y/o/y created a breakeven result. (TPB usually records a loss in the 1st quarter.)

(Note) Operating income after reversal of and transfer to reserve for loss on returned goods



Publishing & other: Growth in TAC Profession Bank Sales

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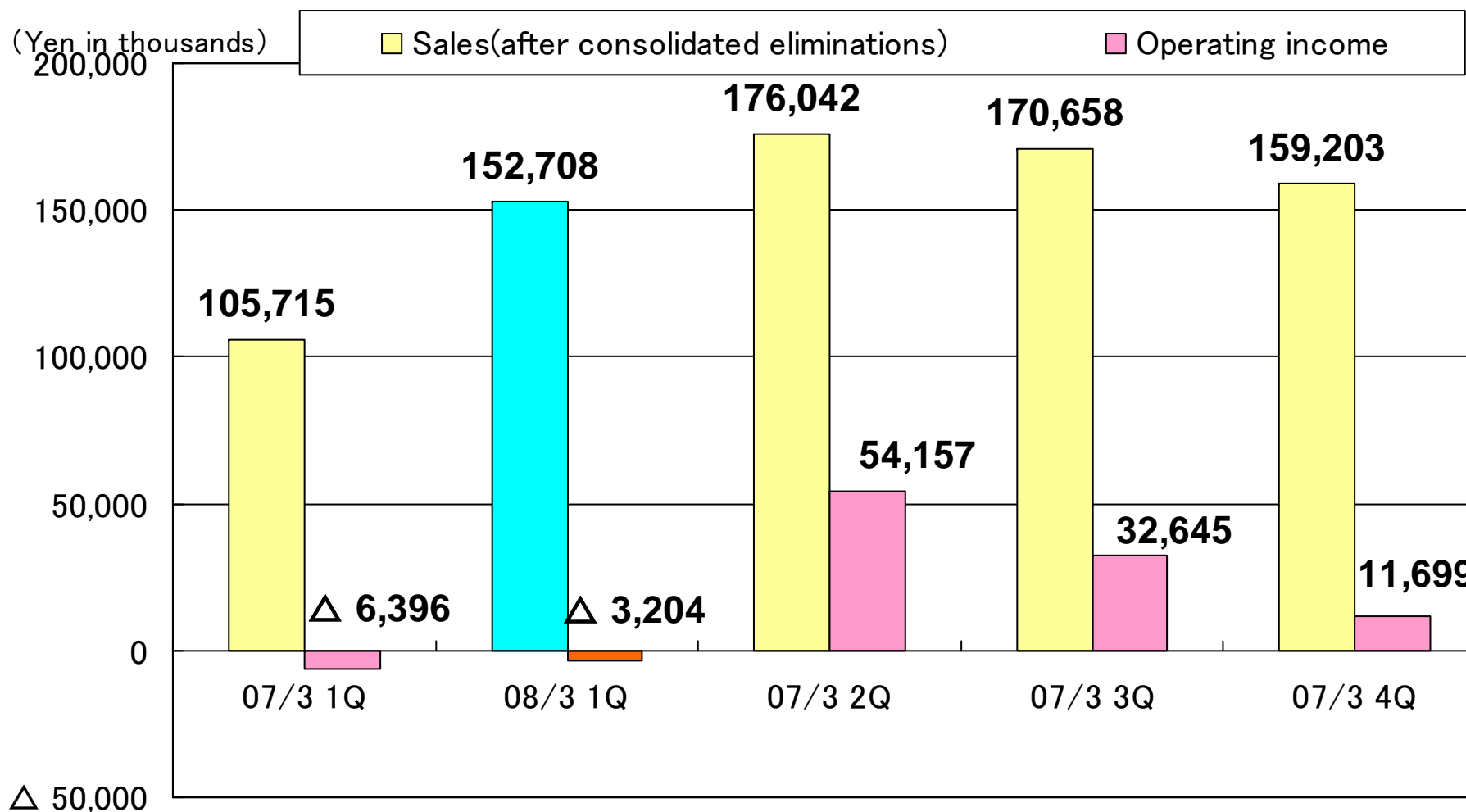


- TPB opened its Shinjuku office (April, 2006) and Umeda office (October, 2006) which contributed to a substantial sales increase of 44.5% y/o/y (after adjustment for consolidation).
- In 1Q, manpower placement business usually remains slack as various qualification exams are scheduled at the end of 1Q and operations focus on manpower dispatching. Certain losses recorded on prior investment of rented space. It is expected that manpower placement business will increase around employment explanatory seminars to be held after license qualifications exams This will contribute to increased profits.



Quarterly Trends for TPB

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- TPB usually records a loss in the 1st quarter. Sales and operating profit peak in 2Q to 3Q.
- Contribution of Shinjuku and Umeda offices is the key to success of TPB in FY2007.



Interim Forecast for FY2007

(Yen in millions)

(Consolidated)	2007/6 (Actual)		2007/9 (Forecast)		
	Amount	%	Amount	%	Progress rate
Net sales before adjustment of tuition advances	3,805	65.9%	10,951	105.9%	34.7%
Adjustment of tuition advances	1,973	34.1%	-610	-5.9%	—%
Net sales (after adjustment of tuition advances)	5,778	100.0%	10,341	100.0%	55.9%
Costs of Sales	3,116	53.9%	6,245	60.4%	49.9%
Gross profit – net	2,667	46.2%	4,095	39.6%	65.1%
SG & A expenses	1,678	29.0%	3,594	34.7%	46.7%
Operating income	989	17.1%	501	4.9%	197.4%
Ordinary income	1,078	18.7%	544	5.3%	198.2%
Net income	619	10.7%	301	2.9%	205.6%
Net income per share	33.46 Yen		7.90 Yen		

(Note) Many of our educational services, including preparatory courses for license qualifications, start in the 2nd quarter after national license qualifications exams, resulting in increases in cash-basis sales (before adjustment of tuition advances) in the 2nd quarter. Sales on an accrual basis (after adjustment of tuition advances), however, tend to decline due to sales being transferred to tuition advances. Accordingly, operating income, ordinary income, net income, etc. tend to decline compared to the 1st quarter.



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