



## March 2008 Term - Financial Results Report

May 14, 2008

Company name: TAC CO., LTD.

TSE 1st

Company code number: 4319

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 14, 2008

Date of Shareholders' meeting: June 19, 2008

Date of commencement of dividend payment: June 20, 2008

Scheduled date of filing Yukashoken-Hokokusho: June 20, 2008

(Yen in millions, with fractional amounts rounded down to the nearest million yen)

### 1. Consolidated results for the fiscal year ending March 2008

(From April 1, 2007 to March 31, 2008)

#### (1) Consolidated financial results

(% indicates changes from prior fiscal year)

	Net Sales		Operating income		Ordinary income		Net income	
	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%
Fiscal 2007 (2008/3)	20,741	0.9	1,069	-8.8	1,230	-7.7	443	-40.2
Fiscal 2006 (2007/3)	20,553	3.7	1,173	178.6	1,333	111.0	742	197.2

	Net income per share	Net income per share - fully diluted	Ratio of Net Income to Shareholders' Equity	Ratio of Pre-tax Net Income to Total Asset	Ratio of Operating Income to Sales
	(Yen)	(Yen)	%	%	%
Fiscal 2007 (2008/3)	23.98	—	11.9	9.1	5.2
Fiscal 2006 (2007/3)	40.11	—	22.0	10.1	5.7

(Notes) Gains or losses on investments through use of equity method of accounting:  
 Fiscal 2007 : — million yen      Fiscal 2006 : — million yen

#### (2) Consolidated financial position

	Total assets	Total Shareholders' Equity	Total Shareholders' Equity Ratio	Shareholders' Equity Per Share
	(Yen in millions)	(Yen in millions)	%	(Yen)
Fiscal 2007 (2008/3)	13,380	3,819	28.5	206.40
Fiscal 2006 (2007/3)	13,727	3,659	26.7	197.76

(Notes) Equity Capital Fiscal 2007 (2008/3) 3,808 Million yen      Fiscal 2006 (2007/3) 3,659 Million yen

#### (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
	(Yen in millions)	(Yen in millions)	(Yen in millions)	(Yen in millions)
Fiscal 2007 (2008/3)	1,052	-559	-331	1,990
Fiscal 2006 (2007/3)	1,804	-561	-551	1,831

**2. Status of Dividends**

Date of record	Dividend Per Share			Total Amount of Dividends (Annual)	Payout Ratio (consolidated)	Ratio of Dividend to Shareholders' Equity (consolidated)
	Interim	Year-end	Annual			
	(Yen)	(Yen)	(Yen)	(Yen in millions)	%	%
Fiscal 2006 (2007/3)	5.00	7.00	12.00	222	29.9	6.6
Fiscal 2007 (2008/3)	8.00	8.00	16.00	296	66.7	7.9
Fiscal 2008 (2009/3)	8.00	8.00	16.00		38.2	

**3. Consolidated forecasts for March 2009 term (From April 1, 2008 to March 31, 2009)**

(Percentage figures for the full fiscal year represent the change from the previous fiscal year, while percentage figures for the six months period represent the change from the same period of the previous year.)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	yen
Six months	10,786	0.4	624	-49.4	675	-56.5	469	-47.6	25.35
Full year	21,678	4.5	1,251	17.0	1,359	10.4	776	74.9	41.94

**4. Others**

- (1) Significant changes in scope of consolidation (Changes in consolidated subsidiaries): No  
(2) Changes in accounting policies, procedures or method of presentation, etc. related to preparation of consolidated financial statements

(Items listed in "Changes to assumptions underlying preparation of consolidated financial statements")

(2)-1 Changes due to changes in accounting standard: Yes

(2)-2 Other changes: Yes

Note: Refer to page 22, "Changes to assumptions underlying preparation of consolidated financial statements")

- (3) Number of shares issued (common stock)

(3)-1 Number of shares issued at the fiscal year end (including treasury stocks) FY07 18,504,000 shares FY06 18,504,000 shares

(3)-2 Number of treasury shares at the fiscal year end FY07 217 shares FY06 217 shares

Note: Refer to page 31, "Amounts per share" for the basis of calculation of consolidated net income per share

(Reference) Summary of Non-consolidated results

**1. Non-consolidated results for the fiscal year ended March 31, 2008**

- (1) Non-consolidated business results (% indicates changes from prior fiscal year)

	Net Sales		Operating income		Ordinary income		Net income	
	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%
Fiscal 2007 (2008/3)	20,030	0.4	1,000	-5.6	1,213	-4.6	453	-37.6
Fiscal 2006 (2007/3)	19,941	3.0	1,059	237.6	1,271	130.4	726	239.2

	Net income per share	Net income per share - fully diluted
	(Yen)	(Yen)
Fiscal 2007 (2008/3)	24.52	—
Fiscal 2006 (2007/3)	39.29	—

## (2) Non-consolidated financial condition

	Total assets	Net assets	Capital-to-asset-ratio	Net asset per share
	(Yen in millions)	(Yen in millions)	%	(Yen)
Fiscal 2007 (2008/3)	13,242	3,700	27.9	199.99
Fiscal 2006 (2007/3)	13,571	3,540	26.1	191.36

(Note) Equity capital Fiscal 2007 (2008/3) 3,700 Million yen Fiscal 2006 (2007/3) 3,540 Million yen

**2. Non-consolidated forecasts for March 2009 term (From April 1, 2008 to March 31, 2009)**

(Percent indications show percentage of change from corresponding figures for the previous period.)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	(Yen)
Interim	10,365	-0.3	615	-48.2	698	-55.1	498	-45.7	26.91
Full year	20,710	3.4	1,170	17.0	1,310	8.0	760	67.5	41.07

## 1. Consolidated operating results

### (1) Operating results

#### (A) Overview of consolidated results for fiscal 2007

In the current consolidated fiscal year, sales of advanced courses for the certified public accountant exam for those making a second exam attempt remained low due to a substantial increase in the number of successful candidates on the previous exam. Further, the number of students registering for introductory courses for new learners remained low. In addition, sales of licensed tax accountant courses remained sluggish throughout the year. Accordingly, sales on a cash basis, before adjustment of tuition advances, increased 0.2% over the previous fiscal year. As the amount of tuition advances reversed in the current fiscal year exceeded that for the previous year, adjustment of tuition advances increased ¥147 million over the previous year, resulting in an increase in sales on accrual basis, after adjustment of tuition advances, of 0.9% over the previous year.

In regards to our school network, Yaesu School, located in prosperous area near Tokyo station, continued to enjoy favorable sales. However, sales of classroom courses in other schools remained weak. Newly opened Hiyoshi, Tachikawa and Hiroshima schools showed stable growth. Total sales of correspondence courses showed a decline of 1.3% over the previous year due to a slowing in correspondence courses using DVD's, which is considered to have run its course. As well, stagnation in correspondence courses using audiocassettes furthered the decline.

As to cost of sales, labor cost increased 5.8% over the previous year. This is attributed to an increase in instructors' fee due to the expansion of our school network, as well as favorable overall operations in manpower dispatching assumed by TAC Profession Bank Co., Ltd, our subsidiary, which increased personnel costs for dispatched staff. Expenses decreased 1.5% over the previous year due to successful cost reduction in a number of areas. A revaluation loss on inventories of ¥312 million was recorded in the current fiscal year in conjunction with the early adoption of the "Accounting Standard for Measurement of Inventories". Concurrently, we re-examined the timing of loss recognition on the disposal of returned publications and chose to record the loss on disposal for the subsequent year in the current fiscal year as an allowance for loss on disposal of returned goods, resulting in an increase in cost of sales of ¥128 million. As a result, total cost of sales increased 2.8% over the previous year. Though we achieved a reduction in advertising expenses of ¥100 million, selling, general and administrative expenses declined only 0.6% over the previous year due to an increase in business consignment expenses.

As a result, consolidated net sales for the current fiscal year increased 0.9% to ¥20,741 million over the previous year and consolidated operating income decreased 8.8% over the previous year to ¥1,069 million. As to non-operating income/loss, we recorded dividend income of ¥291 million which was offset by a loss on investment securities of ¥156 million due to the sharp appreciation of the yen at year-end, resulting in consolidated ordinary income of ¥1,230 million, a decline of 7.7% over the previous year. Extraordinary losses were recorded, which include restoration expenses of ¥11 million, loss on disposal or sale of fixed assets of ¥28 million, loss due to impairment of ¥325 million. In total, net income for the current year was ¥443 million, a decline of 40.2% over the previous 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 (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 are 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 FY2006 (April – June)			2 <sup>nd</sup> quarter of FY2006 (July–September)			3 <sup>rd</sup> quarter of FY2006 (October–December)			4 <sup>th</sup> quarter of FY2006 (January–March)			Total for FY2006		
	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	3,779		105.4	7,214		101.4	5,180		101.0	4,426		101.5	20,601		102.0
Adjustment of tuition advances	1,735		92.1	-2,285		93.5	-374		71.7	876		121.6	-48		13.4
Net sales (after adjustment of tuition advances)	5,514	26.8	100.8	4,929	24.0	105.5	4,806	23.4	104.4	5,303	25.8	104.3	20,553	100.0	103.7
Gross profit	2,595	47.1	104.2	1,815	36.8	109.2	1,621	33.7	105.9	2,127	40.1	107.3	8,160	39.7	106.4
Operating income	873	15.8	137.3	-48	-1.0	14.6	-116	-2.4	38.5	463	8.8	111.2	1,173	5.7	278.6
Ordinary profit	825	15.0	110.9	94	1.9	-32.7	-60	-1.3	25.7	474	8.9	115.3	1,333	6.5	211.0
Net income	478	8.7	118.9	50	1.0	-20.5	-81	-1.7	58.3	294	5.5	125.1	742	3.6	297.2
Net income per share	Yen 25.88			Yen 2.75			Yen -4.42			Yen 15.90			Yen 40.11		

	1 <sup>st</sup> quarter of FY2007 (April – June)			2 <sup>nd</sup> quarter of FY2007 (July–September)			3 <sup>rd</sup> quarter of FY2007 (October–December)			4 <sup>th</sup> quarter of FY2007 (January–March)			Total for FY2007		
	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	3,805		100.7	7,321		101.5	4,774		92.2	4,741		107.1	20,643		100.2
Adjustment of tuition advances	1,973		113.7	-2,355		103.1	-14		3.9	495		56.6	98		—
Net sales (after adjustment of tuition advances)	5,778	27.9	104.8	4,966	23.9	100.8	4,759	23.0	99.0	5,236	25.2	98.8	20,741	100.0	100.9
Gross profit	2,667	46.2	102.8	1,957	39.4	107.8	1,777	37.3	109.6	1,610	30.7	75.7	8,012	38.6	98.2
Operating income	989	17.1	113.2	243	4.9	—	-7	-0.2	6.8	-155	-3.0	—	1,069	5.2	91.2
Ordinary profit	1,078	18.7	130.6	473	9.5	503.2	3	0.1	—	-324	-6.2	—	1,230	5.9	92.3
Net income	619	10.7	129.3	275	5.5	540.6	-27	-0.6	33.3	-423	-8.1	—	443	2.1	59.8
Net income per share	Yen 33.46			Yen 14.88			Yen -1.47			Yen -22.88			Yen 23.98		

- (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.

**(B) Segment-related information**

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

Segment information	Previous fiscal year			Current fiscal year		
	¥ million	Percentage	Y-O-Y	¥ million	Percentage	Y-O-Y
Personal education	14,553	70.7	101.9	14,372	69.3	98.8
Corporate training	3,858	18.8	107.8	4,019	19.3	104.2
Publishing & others	2,161	10.5	108.7	2,368	11.4	109.6
Total	20,572	100.0	103.7	20,759	100.0	100.9

## Personal education

### Decline in income in CPA and LTA. Public officers and certified social insurance labor consultant showed recovery. Favorable start of CIA.

In the Personal education segment, the number of individual members decreased 0.9% over the previous year to 131,513. Though sales on a cash basis, before adjustment of tuition advances, decreased in certified public accountant and licensed tax accountant courses, courses for public officers and certified social insurance labor consultant courses continued to show favorable results. CIA (certified internal auditor) courses, launched in September 2007, had a favorable start and attracted a large number of students. Real estate transaction manager (Takken) showed stable sales with no ill effects from the real estate market. As a whole, sales declines in our key courses were compensated by sales increases in others, though not fully. As a result, sales for the current year decreased 1.2% over the previous year to ¥ 14,372 million.

	1 <sup>st</sup> quarter of FY2006 (April – June)			2 <sup>nd</sup> quarter of FY2006 (July–September)			3 <sup>rd</sup> quarter of FY2006 (October-December)			4 <sup>th</sup> quarter of FY2006 (January-March)			Total for FY2006		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	4,252	29.2	101.0	3,418	23.5	102.2	3,171	21.8	104.7	3,710	25.5	100.4	14,553	100.0	101.9
Operating costs	3,568	83.9	98.5	3,395	99.3	89.9	3,392	106.9	96.5	3,226	87.0	102.8	13,583	93.3	96.7
Operating income	683	16.1	116.6	22	0.7	—	-220	-6.9	—	483	13.0	86.6	969	6.7	427.7

	1 <sup>st</sup> quarter of FY2007 (April – June)			2 <sup>nd</sup> quarter of FY2007 (July–September)			3 <sup>rd</sup> quarter of FY2007 (October-December)			4 <sup>th</sup> quarter of FY2007 (January-March)			Total for FY2007		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	4,260	29.6	100.2	3,365	23.4	98.5	3,145	21.9	99.2	3,600	25.1	97.0	14,372	100.0	98.8
Operating costs	3,329	78.1	93.3	3,416	101.5	100.6	3,288	104.5	96.9	3,447	8.7	106.8	13,481	93.8	99.2
Operating income	931	21.9	136.2	-50	-1.5	—	-143	-4.5	65.0	153	8.7	31.7	890	6.2	91.9

- (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 cannot be allocated are excluded from the calculation of operating costs and operating income.

## Corporate training

### Continued increases in corporate training programs resulting in profit increase of 18%

Sales in corporate training continued to offer stable results. Many companies increased their hiring of new recruits due to labor shortages, resulting in increased demand for training programs for prospective employees and new recruits. As well, demand for training programs which provide higher business-related skills to middle-aged workers (age from 40 to 50) are as high as ever. Sales of corporate training programs increased 7.5% over the previous year, which include training programs in finance and accounting areas (+38.3%), training programs in taxation (+41.3%) and business school courses (+21.5%). These courses, which compensated for sales decline in FP courses (-2.9%) and securities analyst courses (-4.4%), are expected to show further growth. As for IT-related programs, IT specialist and CompTIA courses maintained growth of 10.5% and 24.9% over the previous year, respectively. Sales by affiliated schools declined 6.6% over the previous year due to Hiroshima School coming under our direct control in August 2007. Sales of Hiroshima School itself, however, showed favorable results. Sales of educational contents to colleges increased 3.7%, sales of in-university seminars increased 3.0% and sales of Maho-jin tax software increased 2.8%, over the previous year. As a result, sales for the current year in this segment marked continued and substantial growth with sales of ¥4,019 million, an increase of 4.2% over the previous year. It now boasts increased revenues for five consecutive years.

	1 <sup>st</sup> quarter of FY2006 (April – June)			2 <sup>nd</sup> quarter of FY2006 (July–September)			3 <sup>rd</sup> quarter of FY2006 (October–December)			4 <sup>th</sup> quarter of FY2006 (January–March)			Total for FY2006		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	1,027	26.6	112.3	1,048	27.2	110.3	964	25.0	105.8	817	21.2	102.0	3,858	100.0	107.8
Operating costs	683	66.5	108.7	823	78.5	123.9	692	71.8	109.3	628	76.8	89.8	2,826	73.3	107.6
Operating income	344	33.5	120.2	225	21.5	78.8	272	28.2	97.9	189	23.2	186.8	1,031	26.7	108.4

	1 <sup>st</sup> quarter of FY2007 (April – June)			2 <sup>nd</sup> quarter of FY2007 (July–September)			3 <sup>rd</sup> quarter of FY2007 (October–December)			4 <sup>th</sup> quarter of FY2007 (January–March)			Total for FY2007		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	1,091	27.1	106.2	1,088	27.1	103.8	986	24.6	102.3	852	21.2	104.2	4,019	100.0	104.2
Operating costs	742	68.1	108.7	687	63.2	83.5	690	70.0	99.8	675	79.3	107.6	2,796	69.6	98.9
Operating income	348	31.9	101.2	401	36.8	178.1	296	30.0	108.9	176	20.7	93.1	1,222	30.4	118.5

- (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 cannot be allocated are excluded from the calculation of operating costs and operating income.

### Publishing and other

**In spite of revenue increase, substantial earning decline due to revaluation loss and allowance for loss. Expected to return to normal in the next year.**

In the previous year, our publishing business experienced scheduling delays as a result of regulatory changes that impacted upon the content of our publications, such as the enforcement of new company law and the announcement of new accounting standards. In the current year, however, publishing schedules were maintained and conversion to a new series of books for the bookkeeping exams went smoothly. As a result, sales in our publishing business increased 7.1% over the previous year. We decided, however, to record a revaluation loss on inventories of ¥312 million in the current fiscal year (of which ¥157 million affects the publishing business) as we prepared for the early adoption of the “Accounting Standard for Measurement of Inventories”. Most of our publications are revised annually and publications that are returned after completion of license examinations are abandoned. Taking the opportunity for early adoption of the new standard, we re-examined the handling of returned books, something inherent in publishing industry, and decided to post an allowance for losses on disposal of returned goods, which was ¥128 million in the current year. This allowance was determined based on past rates of return and disposal. We were forced to absorb the dual burden in the current year, which had a significant negative impact the profit in this segment. It is expected, however, to return to normal in the next year.

Of the three operating areas of TAC Profession Bank Co., Ltd. (manpower dispatching, manpower placement and job advertising), manpower placement did not achieve sufficient growth despite the substantial number of candidates passing the certified public accountant exam. This was due to strong willingness of audit corporations to hire new recruits. Manpower dispatching and job advertising, however, showed favorable results. The scope of the manpower dispatching business is expanding from accounting firms to other private companies as a result of our successful sales activities that take advantage of our strong brand image as being experts in finance and accounting area. As a result, sales of manpower business increased 16.5% over the previous year after adjustment for consolidation. In total, sales in this segment for the current year were ¥ 2,368 million, an increase of 9.6% over the previous year.

	1 <sup>st</sup> quarter of FY2006 (April – June)			2 <sup>nd</sup> quarter of FY2006 (July–September)			3 <sup>rd</sup> quarter of FY2006 (October-December)			4 <sup>th</sup> quarter of FY2006 (January-March)			Total for FY2006		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	234	10.9	67.9	472	21.9	122.8	674	31.2	101.0	778	36.0	132.1	2,161	100.0	108.7
Operating costs	94	40.2	35.6	476	100.7	158.7	611	90.6	118.2	670	86.1	132.0	1,852	85.7	116.5
Operating income	140	59.8	173.4	-3	-0.7	—	63	9.4	41.8	108	13.9	132.7	308	14.3	77.4

	1 <sup>st</sup> quarter of FY2007 (April – June)			2 <sup>nd</sup> quarter of FY2007 (July–September)			3 <sup>rd</sup> quarter of FY2007 (October-December)			4 <sup>th</sup> quarter of FY2007 (January-March)			Total for FY2007		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Net sales	430	18.2	183.2	516	21.8	109.2	634	26.8	94.0	787	33.2	101.1	2,368	100.0	109.6
Operating costs	434	100.9	460.0	342	66.4	71.9	492	77.7	80.6	966	122.6	144.1	2,235	94.4	120.7
Operating income	-3	-0.9	—	173	33.6	—	141	22.3	224.3	-178	-22.6	—	132	5.6	43.0

- (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 cannot be allocated are excluded from the calculation of operating costs and operating income.

### (C) Sales results by license area

Licenses by area	1 <sup>st</sup> quarter of FY2006 (April – June)			2 <sup>nd</sup> quarter of FY2006 (July–September)			3 <sup>rd</sup> quarter of FY2006 (October-December)			4 <sup>th</sup> quarter of FY2006 (January-March)			Total for FY2006		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Finance & Accounting	1,734	25.7	102.2	1,513	22.4	100.4	1,658	24.6	114.4	1,845	27.3	112.0	6,751	32.9	107.1
Management & Taxation	1,620	29.3	104.5	1,202	21.7	108.6	1,171	21.2	101.5	1,541	27.8	102.5	5,536	26.9	104.2
Financial Service & Real Estate	688	25.5	111.8	754	27.9	110.0	700	25.9	104.2	556	20.6	95.9	2,699	13.1	105.7
Law & Labor	799	29.7	83.9	640	23.7	103.1	578	21.4	84.7	678	25.2	88.2	2,696	13.1	89.1
IT & International	359	24.5	96.7	441	30.0	103.3	318	21.7	93.5	350	23.8	117.2	1,469	7.1	102.2
Others	311	22.3	111.0	378	27.0	117.3	378	27.1	123.5	331	23.7	117.2	1,399	6.8	117.4
Total	5,514	26.8	100.8	4,929	24.0	105.5	4,806	23.4	104.4	5,303	25.8	104.3	20,553	100.0	103.7

Licenses by area	1 <sup>st</sup> quarter of FY2007 (April – June)			2 <sup>nd</sup> quarter of FY2007 (July–September)			3 <sup>rd</sup> quarter of FY2007 (October-December)			4 <sup>th</sup> quarter of FY2007 (January-March)			Total for FY2007		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Finance & Accounting	1,857	28.4	107.1	1,523	23.3	100.7	1,540	23.5	92.9	1,620	24.8	87.8	6,542	31.5	96.9
Management & Taxation	1,643	30.1	101.4	1,150	21.1	95.7	1,166	21.4	99.6	1,502	27.5	97.5	5,463	26.3	98.7
Financial Service & Real Estate	698	26.7	101.4	727	27.9	96.4	647	24.8	92.4	538	20.6	96.7	2,611	12.6	96.7
Law & Labor	777	27.2	97.2	681	23.9	106.4	632	22.2	109.5	762	26.7	112.4	2,853	13.8	105.8
IT & International	414	24.5	115.1	466	27.6	105.7	357	21.1	112.3	452	26.8	129.2	1,689	8.2	115.0
Others	388	24.5	124.7	417	26.4	110.5	414	26.2	109.5	361	22.8	109.1	1,581	7.6	113.1
Total	5,778	27.9	104.8	4,966	23.9	100.8	4,759	23.0	99.0	5,236	25.2	98.8	20,741	100.0	100.9

(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 & Accounting

Anticipating the introduction of an internal control audit system and quarterly reporting in FY2008, the shortage of labor continues in the accounting industry. The number of applicants for the CPA exam in 2007 was 18,220 (this excludes the number of successful candidates of the part II exam under the former testing system) of which 14.8% or 2,695 passed. The number of candidates taking the exam and successful candidates showed a substantial increase over 2006. As the hiring situation in major audit firms was very favorable for applicants, the number of applicants for 2008 exam increased by 1,517 to 19,737 (this excludes the number of successful candidates of the part II exam under the former testing system), according to a release by the CPAAOB (Certified Public Accountants and Auditing Oversight Board) on April 18, 2008. In the current consolidated fiscal year, CPA courses for those making a second attempt experienced a sharp decline due to substantial number of successful candidates, and the number of students for introductory courses for new learners remained low. This is, however, beginning to show signs of gradual recovery since the three-month period ending March 31, and the current figure remains higher than previous year. Accordingly sales of certified public accountant courses declined 2.3% over the previous year.

As for bookkeeping courses, sales showed stable growth in both the personal education and corporate training segments, responding to heightening needs for accounting skill among working people, as well as, the heightened awareness of our low price campaign for 3rd grade courses. Publication of textbooks for bookkeeping, which we had been revising since previous period, completed its first phase and sales of publications marked substantial declines over the previous year due to return of former editions. Accordingly, sales related to bookkeeping courses declined 4.6% over the previous year. In total, sales decreased 3.1% over the previous year.

### Management & Taxation

The late announcement of licensed tax accountant (LTA) exam test scores caused delays in the start of related preparatory courses. This effected sales for the three months ending December 31, 2007. Further, the 2nd grade bookkeeping exam implemented in November was rather difficult and impeded the natural shift of students to LTA courses. Accordingly, an adequate sales recovery was not achieved in three-month period ending March 31, 2008. Sales on a cash basis, before adjustment of tuition advances, declined 3.3% over the previous year. Sales on accrual basis increased 0.1% over the previous year.

As for small and medium enterprise management consultant (SMEMC), sales declined 7.1% over the previous year as the number of applicants making a second attempt showed sluggish growth due to the substantial number of candidates with conditional credit allowed under the revised testing system. As a result, sales in the Management and Taxation area for the current year decreased 1.3% over the previous year.

### Financial Service & Real Estate

In the area of real estate, sales in real estate appraiser courses remained stagnant resulting in a sales decline of

27.2% over the previous year. This is attributed to the new real estate appraiser exam, which turned out to be more difficult than anticipated. Though the number of successful candidates on the essay exam increased to 120 out of 3,519 applicants, the pass rate was still low at 3.4% (2.0% or 94 in the previous year). However, sales of real estate transaction manager (Takken) courses, where no negative effect was produced by the revision of building standards law, showed growth of 14.7% over the previous year. It is believed that the growth of Takken courses is supported by increased learning motivation by working people, who face a system under which training courses are required for registration.

In regards to the financial services area, sales of securities analyst courses showed a slight decline and financial planner courses decreased 5.4% as it is considered to have run its course. Meanwhile, sales of Business School courses increased by as much as 21.5% over the previous year backed by favorable sales in corporate training programs. Accordingly, sales in financial services area as a whole sustained the same level as the previous year. Further, in February 2007, we participated in the formation of Japan Underwriter Academy Co., Ltd., which deals with insurance-related qualifications. Subsequently, it became our consolidated subsidiary. It is expected that this investment will contribute to the consolidated business results from the next consolidated fiscal year. As a result, sales in the Financial Services and Real Estate area for the current year decreased 3.3% over the previous year.

#### **Law & Labor**

Sales of public officer courses remained stable throughout the year. Demand had been stagnant due to the civil service reform plan and improvements in the general employment situation for new recruits, however, this negative trend finally bottomed out and improvement was forecoming. As a result, sales of public officer courses increased 15.4% over the previous year. Sales on cash basis increased 4.7% over the previous year, which may be, in a way, attributed to temporary sales growth spawned by the incentive to take advantage of the governmental tuition assistance program prior to its revision in October 2007. Sales of administrative scrivener courses remained low with a decline of 7.6% over the previous year. Registered customs specialist courses, which were launched in February 2008 have been attracting many of students. As a result, total sales in these areas increased 5.8% over the previous year.

#### **IT & International**

Revisions to the testing systems for IT specialist qualifications are scheduled for implementation in 2009 and so the number of individual members remained sluggish. Sales, however, increased 2.9% over the previous year supported by our advantage in corporate training programs. CompTIA (the Computing Technology Industry Association) certifications, which are a de-facto standard in the IT industry in the US, showed stable growth supported by increases in corporate training. As a result, sales in IT-related courses increased 31.6% over the previous year.

Sales of US CPA courses remained strong with an increase of 21.1% over the previous year. The state of Maine relaxed its educational requirement, which opened access to more candidates. This is believed to be a major contributing factor to the sales increase. Certified internal auditor (CIA) courses, which were launched in September 2007, received strong support from those responsible for internal control and internal audit-related operations in corporations who were pressed to respond to the implementation of J-SOX. As a first year endeavor, CIA courses had a fairly strong start. We received substantial inquiries for training programs, which include secured orders from major financial institutions as well as from the Tokyo Stock Exchange. As a result, sales in these areas increased 15.0% over the previous year.

#### **Others**

With regards to TAC Profession Bank Co., Ltd. (TPB), our subsidiary, a Shinjuku and an Umeda office were opened in the previous year. This has increased the visibility of TPB among our students. Though manpower dispatching and job advertising businesses recorded favorable sales growth, manpower placement, in which we support job applicants with accounting skills acquired through preparation for CPA exams and successful candidates from the CPA exams, showed sluggish growth. This is mainly due to the substantial increase in successful candidates on the CPA exam, as well as, heated competition among companies to secure new recruits. In spite of this, TPB achieved sales growth of 16.5% (after adjustment for consolidation) over the previous year. Sales of "Maho-jin" tax software maintained stable growth of 1.2% over the previous year. Shipments of TACBOOK (not directly related to educational courses) showed a substantial increase of 40% over the previous year. In total, sales in these areas increased 13.1%.

**(D) Number of schools and capacity**

TAC has 19 schools nationwide (as of March 31, 2008) that provide personal education and corporate training. In the current consolidated year, we: (a) opened Tachikawa School in the Tama Area of Tokyo, (b) focused efforts on our Hiyoshi Satellite School located in Kohoku, Yokohama, so to establish it as an important base specializing in certified public accountant courses, and (c) took direct control over the Hiroshima School. As a result, total classroom capacity as of March 31, 2008 was 15,962 tsubo's, an increase of 1.5% over the previous fiscal year.

The declining tendency of sales in classroom courses continued in the current year. In such circumstances, it is necessary to take measures to prop up classroom courses and make them more attractive by assigning instructors on a steadier basis and improving the consultation system for students.

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

Term Branch Location	Previous fiscal year (as of March 31, 2007)				Current fiscal year (as of March 31, 2008)			
	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	9	638	39	347	9	640	39
Sendai	327	9	584	36	327	9	582	36
Suidobashi (note)	3,282	30	3,211	88	2,929 (Partially returned)	25	2,736	88
Shibuya	1,700	32	3,135	115	1,700	32	3,135	115
Shinjuku	1,468	24	2,938	99	1,468	24	2,938	99
Ikebukuro	1,257	25	2,816	107	1,257	25	2,811	107
Yaesu	1,049	19	1,833	123	1,049	19	1,839	123
Machida	390 (Partially returned)	10	677	46	390	10	675	46
Yokohama	1,047	22	2,055	100	1,017 (Partially returned)	22	2,049	100
Tachikawa					311 (New)	12	541	31
Hiyoshi					82 (New)	2	53	35
Omiya	451 (Partially returned)	13	796	53	451	13	803	53
Nagoya	851 (Partially returned)	20	1,787	89	851	20	1,787	89
Kyoto	693	17	1,389	68	693	17	1,380	68
Umeda	1,293 (Transferred to TPB)	22	2,266	91	1,293	22	2,259	92
Nanba	586	15	1,004	65	586	15	1,011	65
Kobe	569	16	1,277	42	569	16	1,282	42
Hiroshima					229 (Managed directly)	8	245	43
Fukuoka	404	11	659	39	404	11	655	39
Total	15,722	294	27,065	1,200	15,962	311	27,421	1,310

(Note) Suidobashi includes Suidobashi School and Tokyo Headquarters (Tokyo Head Office).

**(E) Number of students**

The proportion of individual students to corporate students is approximately 7 to 3. In the current consolidated year, the number of individual students decreased 0.9%, or 1,242 over the previous fiscal year to 131,513. The number of students declined in certified public accountant and licensed tax accountant courses and increased in US CPA and CIA (certified internal auditor) courses. The number of corporate students increased 6.5%, or 3,099 over the previous fiscal year to 50,879. This was due to a substantial increase in correspondence courses for corporate training programs and in the number of students in in-university seminars. As a result, the total number of students showed a slight increase of 1.0%, or 1,857, to 182,392 from the previous fiscal year. The accumulated number of students for the past 10 years exceeded 1,470,000.

	Individual members	Corporate members	Total	Increase from the same term last year	Change over the same term last year %
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
FY2005	135,205	45,598	180,803	+17,334	110.6
FY2006	132,755	47,780	180,535	-268	99.9
<b>FY2007</b>	<b>131,513</b>	<b>50,879</b>	<b>182,392</b>	<b>+1,857</b>	<b>101.0</b>
<b>Total of 10 years</b>	<b>1,107,183</b>	<b>364,496</b>	<b>1,471,679</b>	<b>—</b>	<b>—</b>
(Distribution %)	(75.2%)	(24.8%)	(100.0%)	—	—

#### (F) Annual forecast to March, 2009

In the current consolidated fiscal year, sales on cash basis, before adjustment of tuition advances, for the personal education segment declined in key courses such as certified public accountant, licensed tax accountant and bookkeeping. Though this was compensated for by sales increases in corporate training and publishing & other segments, sales of our flagship courses remained stagnant. Meanwhile, we reexamined our cost structure dramatically, including advertising, printing and delivery, etc. and focused upon cost reduction.

Considering the current recovery in the number of students applying for certified public accountant courses, we expect the number of applicants for the CPA exam will show further growth if the number of successful candidates and pass rates improve. This will result in a recovery in sales. To cope with the sluggish growth in student numbers in personal education segment, we launched new courses in the current consolidated fiscal year. These include courses for CIA (certified internal auditor), registered customs specialist, intellectual property management skills, careworker, etc. We will continue to develop new educational courses to foster future growth. Though the increase in correspondence courses using DVD's is considered to have run its course, there remains a preference for this style of learning among busy working people. Further, there is ongoing competition with other schools in outlying areas where certain prestigious universities are located. We will focus on urgent tasks such as improving sales of classroom courses by deploying effective strategies for development in suburban areas and by enhancing services for students by ensuring quality of question & answer services and counseling services, to name but a few.

Our corporate training business sustained favorable growth in the current consolidated fiscal year. We must, however, pay close attention to the extent of impact from the economic slow-down in the United States and stagnation in the corporate performance in Japan resulting from escalating resource prices. Companies in Japan are fully aware of the importance of investing in human resources as a result of the adverse effect of restructuring, so there is, so far, no tendency toward reducing investment in training programs. It will take a while before the Japan Underwriter Academy Co., Ltd., which is our consolidated subsidiary in the corporate training segment, makes a full-fledged contribution to our consolidated business results. We nonetheless expect this investment will be covered through favorable business result.

In the publishing segment, we need to continuously stimulate the needs of those studying for license qualification. We are supporting editors who are capable of creating publication that provide great value to the user. As the introduction of revaluation loss on inventories and allowance for loss on disposal of returned goods will test our potential in the publishing business, we will focus on making top-selling publications. In our human resources business, we will focus our efforts on expanding the manpower placement activities for certified public accountants, licensed tax accountants and other areas of specialization through TAC Profession Bank Co., Ltd. We attach great importance to this as it provides a sense of security to successful candidates toward finding jobs. This results in increased motivation for those starting their preparation for license qualifications. As the scope of the manpower dispatching business is evolving from accounting firms to other private companies due to

improved recognition and the high quality of the human resource provided through our service, we will promote further growth in this area.

In regards to costs, we achieved reductions that exceeded the increase in operating cost pertaining to Tachikawa School and Hiyoshi School, which are small to mid-sized schools launched in the current year, and Hiroshima School coming under our direct control during the current year. We aim to achieve further cost reductions through a dramatic revision of the workflow in our existing operations so as to absorb costs required to launch new educational courses and new businesses in the next consolidated fiscal year.

In summary, we forecast that net sales of TAC Group for the term ending March 2009 will increase 4.5% or ¥ 936 million to ¥ 21,678 million; operating profit will increase 17.0% or ¥ 181 million to ¥ 1,251 million; ordinary profit will increase 10.4% or ¥ 128 million to ¥ 1,359 million; and net income will increase 74.9% or ¥ 332 million to ¥ 776 million over the current fiscal year.

## (2) Financial Condition

### (A) Financial position of current fiscal year

Total net assets as of March 31, 2008 increased by ¥ 160 million and total assets decreased by ¥ 346 million over the previous fiscal year. Notable increases include investment securities of ¥ 144 million, deferred income taxes of ¥ 308 million, long-term deposits of ¥ 200 million and allowance for losses on disposal of returned goods of ¥ 128 million. Decreases include inventories of ¥ 372 million, intangible fixed assets of ¥ 393 million, accounts payable of ¥ 159 million, corporate taxes payable of ¥ 218 million and tuition advances of ¥104 million.

	1 <sup>st</sup> quarter of FY2006 (June 30, 2007)			2 <sup>nd</sup> quarter of FY2006 (September 30, 2007)			3 <sup>rd</sup> quarter of FY2006 (December 31, 2007)			4 <sup>th</sup> quarter of FY2006 (March 31, 2007)		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Total assets	13,414	100.0	105.3	15,836	100.0	105.5	15,089	100.0	104.5	13,727	100.0	108.8
Tuition advances	5,437	40.5	110.8	7,840	49.5	104.9	8,220	54.5	102.7	7,294	53.1	100.7
Shareholders' equity	3,487	26.0	103.8	3,538	22.3	113.3	3,366	22.3	116.1	3,659	26.7	118.0
Book value per share	Yen 188.50			Yen 191.22			Yen 181.94			Yen 197.76		

	1 <sup>st</sup> quarter of FY2007 (June 30, 2007)			2 <sup>nd</sup> quarter of FY2007 (September 30, 2007)			3 <sup>rd</sup> quarter of FY2007 (December 31, 2007)			4 <sup>th</sup> quarter of FY2007 (March 31, 2008)		
	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y	¥ million	%	Y-O-Y
Total assets	13,778	100.0	102.7	16,171	100.0	102.1	14,287	100.0	94.7	13,380	100.0	97.5
Tuition advances	5,242	38.1	96.4	7,713	47.7	98.4	7,714	54.0	93.8	7,190	53.7	98.6
Shareholders' equity	4,150	30.1	119.0	4,426	27.4	125.1	4,247	29.7	126.2	3,819	28.5	104.4
Book value per share	Yen 224.32			Yen 239.20			Yen 229.56			Yen 206.40		

### (B) Cash flow performance

Cash and cash equivalents (hereafter referred to as "cash") increased ¥ 158 million from the previous consolidated fiscal year to ¥ 1,990 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 ¥ 1,052 million, a decrease of ¥ 752 million over the previous consolidated fiscal year. Factors contributing to increases in cash flows from operations included allowance for loss on disposal of returned goods of ¥ 128 million, a ¥ 270 million decrease in inventories, a decrease in accounts receivable of ¥ 65 million and loss on sales on investment securities of ¥ 156 million. Factors decreasing cash flows from operations included net income before income taxes of ¥ 864 million (a ¥ 441 million decrease y/o/y), a decrease of ¥ 159 million in accounts payable and a decrease of ¥ 30 million in other liabilities. ¥ 748 million was paid in income tax.

**(Cash flows from investing activities)**

Net cash used in investing activities for the current fiscal year was ¥ 559 million, an increase of ¥ 2 million over the previous consolidated fiscal year. Investment-related cash paid included time deposits of ¥ 200 million, acquisition of property and equipment of ¥ 100 million and purchases of intangible fixed assets of ¥ 109 million. ¥ 60 million net was paid for investment securities.

**(Cash flow from financing activities)**

Net cash used in financing activities in the current consolidated fiscal year was ¥ 331 million, a decrease of ¥ 219 million over the previous fiscal year when ¥ 551 million was used. This is attributed to elimination of repayment of short-term borrowings of ¥ 300 million and payment from minority shareholders upon formation of the Japan Underwriter Academy, Co., Ltd., our consolidated subsidiary, of ¥ 11 million. ¥ 91 million was used for dividend payments.

Cash flow indicators used by TAC group are as follows:

	FY2006	FY2007
Shareholders' equity ratio	26.7%	28.5%
Shareholders' equity ratio based on market price	87.7%	50.2%
Redemption period	0.0 year	0.0 year
Interest coverage ratio	164.6	109.0

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.

**(3) Basic policy for profit distribution and dividend payment for the current fiscal year and next fiscal year.**

**Our policy for profit distribution = Proactive approach to promote return to stockholders with minimum dividend payout ratio of 30% (consolidated)**

Of the various stakeholders in our company, we attach special importance to our shareholders and customers. Our basic policy for profit distribution includes achievement of an optimum balance between return of profits to shareholders and retained earnings devoted to future business strategies. As a basic policy of return of profits to shareholders, TAC sets a dividend payout ratio of 30% on a consolidated basis. In the current consolidated fiscal year, earnings were at a level which would be at a record high if temporary factors such as revaluation loss on inventories, allowance for loss on disposal of returned goods and loss on impairment were excluded. These factors were expenses or losses, which do not affect cash flow. Accordingly, TAC has decided to maintain an annual dividend of ¥ 8 as announced in the revised forecast in the interim financial results report released on November 15, 2007. We will examine an increase in the dividend payout ratio giving considering to the opinions of investors.

TAC will enhance return to shareholders as well as conduct a buy-back of shares as needed in order to emphasize improved capital efficiency.

	FY 2005	FY 2006	FY 2007
Interim dividends per share	5 Yen	5 Yen	8 Yen
Full year dividends per share	5 Yen	7 Yen	8 Yen
<b>Total (Annual dividend per share)</b>	<b>10 Yen</b>	<b>12 Yen</b>	<b>16 Yen</b>
Net income per share	13.50 Yen	40.11 Yen	23.98 Yen
Dividend payout ratio (Consolidated)	74.1%	29.9%	66.7%

#### (4) Business risk

The following risks may influence 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, 2008.

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

The governmental tuition assistance program is supervised by the Health, Labor and Welfare Ministry, which aims to support workers in development of their individual ability in order to stabilize present employment or to promote their re-employment. Those who meet the qualification requirement of social insurance contributions for the assistance program pre-pay 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.

When the governmental tuition assistance program was changed in May 2003, sales marked rapid growth spawned by the incentive to take advantage of the program prior to its revision. Subsequent negative influences were created by these temporary increases in sales. In October 2007, the governmental tuition assistance program underwent another revision. Under the revised program, the qualification requirement for the program changed to three years of social insurance contributions, provided that only 1 year of social insurance contributions is required for first-time users and the amount of assistance will be 20%, with the maximum amount set at ¥ 100,000. In the current fiscal year, there were some courses in which temporary increases caused by the revision were felt, however these were not as noticeable as previously. If the negative impact on the earnings created by these temporary increases were to occur, it would become apparent in the latter half of 2008. However, it is difficult to forecast the extent of the impact at this point.

Due to limited 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 effect of this program to promote the learning of working people will decrease in the mid to long term.

##### (B) Tuition advances

In the business of supporting acquisition of license qualifications, tuition fees are paid by the student upon application for a particular course. 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 on cash-basis sales, the decreasing effect on accrual-basis sales, as described above, tends to be amplified.

##### (C) "Specific Commercial Transaction Law" and "Consumer Contracts Law"

In 2007, major English language schools, which are subject to Specific Commercial Transaction Law fell into bankruptcy and Supreme Court decisions were rendered concerning cancellation and return of

payments to customers. Our business of supporting acquisition of license qualifications is not subject to Specific Commercial Transaction Law except for certain courses such as our PC school. However, a wide range of businesses are subject to the Consumer Contracts Law and policies to protect consumers are being reinforced recently. TAC accepts cancellation of courses with refunds if there is a justifiable reason. We are also examining measures to protect tuition advances so that students can receive our educational services with a sense of security. TAC's business model could be significantly affected by changes in these laws and regulations.

(D) Measures toward "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 have implemented thorough measures under a chief administrator in charge of privacy protection of 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 the years. This could seriously affect our business.

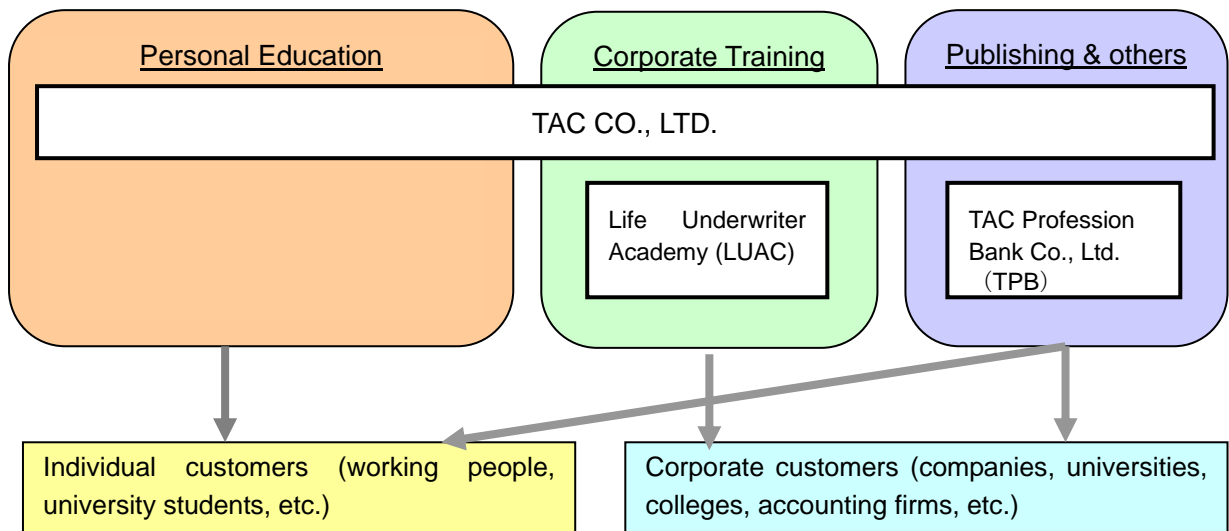
(E) Effect of currency rate fluctuations

For management of surplus funds, as of March 31, 2008, we have a foreign-currency bond accounted for as a compound instrument worth ¥ 960 million. This financial instrument is measured at market value in accordance with "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan, August 11, 2006, Corporate Accounting Standard No. 10). Changes in market value and/or foreign currency translation gains/losses as well as interest income are recorded as non-operating profit/loss. Accordingly, depending on currency rates, ordinary income may fluctuate substantially due to profit/loss from investment securities, which is recorded as non-operating profit / loss.

## 2. Group Information

### (1) Operations of TAC Group

TAC Group is composed of TAC CO., LTD. ("TAC" or "the Company") and two subsidiaries (TAC Profession Bank Co., Ltd. and the Life Underwriter Academy (LUAC)). TAC's main business is to develop professionals and operate in the education industry with a central focus on programs for working people and university students who seek to acquire licenses and specialized knowledge and skills required in their jobs. TAC Profession Bank Co., Ltd. deploys manpower placement and dispatching services and is included in the "Publishing and Other Segment" of our corporate structure. LUAC was established in February 2008 and deploys corporate training specialized in insurance-related programs. It which is included in the "Corporate Training Segment". 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. (A total 350 shops at 252 universities and 155 shops at 51 affiliated bookstores as of March 31, 2008.)

#### 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 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 operates 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 that are 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, 2008, TAC Publishing published 417 books of which 157 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.

## (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
(A) Finance and Accounting	Certified public accountant, Bookkeeper, Construction Industry accountant, <b>Certification test for accounting</b>	Out of 2,695 successful candidates on the CPA exam in 2007 (excluding those exempted from multiple choice exam which include successful candidates of part 2 exam under the former testing system), 1,320 took TAC's regular preparatory courses (*) for the relevant year.
(B) Management and Taxation	Licensed tax accountant, Small and medium enterprise management consultant	
(C) 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	Out of 120 successful candidates on the real estate appraiser exam in 2007, 88 took TAC's regular preparatory courses (*) for the relevant year.
(D) Law and Labor	Certified social insurance labor consultant, Administrative scrivener, Public officer, The Japan business law examination, Law-related qualifications, <b>Registered custom specialist, Intellectual property management skills</b>	
(E) 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), <b>Certified Internal Auditor(CIA)</b>	
(F) Other	Tax software "Maho-jin", miscellaneous revenue (payment at front counter, etc.), <b>Care worker</b>	

(Note) Proportion: Proportion of students who took TAC's preparatory courses (students in regular courses and single subject courses and students taking trial exams) out of all successful candidates nationwide. This is generally used as an indicator to measure performance in the education industry. The number of TAC students who passed exams includes those who also attend courses in other schools.

### 3. 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 a 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) Targeted performance indices

##### **Target performance indicators = Profit margin on sales of 8%**

Our target performance indicators include the achievement of stable sales growth and an improved profit margin on sales. In the current fiscal year, we came very close to the target we set in the previous year, a profit margin on sales of 8%, if factors with temporary impact on earnings such as revaluation loss and loss on impairment, etc. were excluded. Profit margin on sales in the current fiscal year declined to 5.2%. This year, we will make another attempt at achieving our target of 8%

#### (3) 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.

#### (4) Issues requiring countermeasures

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

##### **(A) Certified public accountant-related**

A shortage of CPA's continues as audit firms prepare to respond to internal control audits and quarterly reporting in accordance with the Japanese SOX Act introduced in 2008. The number of applicants for the CPA exam in 2007 was 18,220 (this excludes the number of successful candidates on the part II exam under the former testing system), of which 2,695 passed. This was a record high. The size of the market continues to expand. The hiring situation for successful candidates is favorable as major audit corporations are actively employing new recruits.

TAC Group will attract candidates for the certified public accountant exam and will enhance consultation services and training programs provided through our "TAC Career Support Center". "TAC Career Support Center"

responds to diversifying needs of candidates and extends to them fine-tuned service to assist them in finding employment. We also aim to achieve optimum synergy between our human resource placement business assumed by TAC Profession Bank Co., Ltd. and our personal education business.

**(B) Development of courses for further growth**

For further growth of TAC Group, we need to develop new educational courses. We launched certified internal auditor (CIA) courses in September 2007 and received strong support due to the introduction of internal control audit systems. We also launched courses for registered customs specialist (February 2008) and intellectual property management skills (May 2008). Care worker courses are scheduled for roll out in June 2008. In the corporate training business, Life Underwriter Academy (LUAC) was established as a subsidiary of TAC to handle insurance-related qualifications that are soon to be introduced. We will take this opportunity to attract new customers in the corporate training business.

## 4. Consolidated financial statements and other

### (1) Consolidated balance sheet

(Yen in Thousands)

Account	Term	Previous fiscal year (as of March 31, 2007)		Current fiscal year (as of March 31, 2008)		Increase (Decrease) Amount
		Amount	%	Amount	%	
<b>(Assets)</b>						
<b>I Current assets</b>						
1 Cash and cash equivalents		1,840,841		1,859,653		18,812
2 Notes and accounts receivable		1,967,832		1,902,605		-65,226
3 Marketable securities		216,403		360,436		144,032
4 Inventories		909,148		536,434		-372,714
5 Deferred income taxes		149,880		312,340		162,459
6 Other		454,506		420,101		-34,404
Allowances for doubtful accounts		-911		-1,116		-204
<b>Total current assets</b>		<b>5,537,700</b>	<b>40.3</b>	<b>5,390,455</b>	<b>40.3</b>	<b>-147,245</b>
<b>II Fixed assets</b>						
<b>1 Tangible fixed assets</b>						
(1) Building and structures		421,796		408,369		-13,427
(2) Machinery and vehicle		138,295		95,431		-42,863
(3) Equipment and furniture		135,469		108,992		-26,477
<b>Total Tangible fixed assets</b>		<b>695,561</b>	<b>5.1</b>	<b>612,793</b>	<b>4.6</b>	<b>-82,768</b>
2 Intangible fixed assets		641,045	4.7	247,358	1.8	-393,686
<b>3 Investments and other assets</b>						
(1) Investment securities		1,750,044		1,656,059		-93,985
(2) Fixed leasehold deposits		3,790,158		3,788,270		-1,887
(3) Insurance reserve fund		937,828		937,668		-159
(4) Deferred income taxes		57,069		202,752		145,682
(5) Long-term time deposit		300,000		500,000		200,000
(6) Other		19,342		65,337		45,995
Allowances for doubtful accounts		-1,150		-19,896		-18,746
<b>Total Investments and other assets</b>		<b>6,853,293</b>	<b>49.9</b>	<b>7,130,193</b>	<b>53.3</b>	<b>276,900</b>
<b>Total Fixed assets</b>		<b>8,189,900</b>	<b>59.7</b>	<b>7,990,345</b>	<b>59.7</b>	<b>-199,554</b>
<b>Total assets</b>		<b>13,727,601</b>	<b>100.0</b>	<b>13,380,801</b>	<b>100.0</b>	<b>-346,800</b>

(Yen in Thousands)

Account	Term	Previous fiscal year (as of March 31, 2007)		Current fiscal year (as of March 31, 2008)		Increase (Decrease)
		Amount	%	Amount	%	Amount
<b>(Liabilities)</b>						
<b>I Current Liabilities</b>						
1	Accounts payable	598,691		439,192		-159,499
2	long-term borrowings	67,200		9,600		-57,600
3	Corporation and inhabitants taxes payable	503,152		284,841		-218,311
4	Tuition advances	7,294,755		7,190,350		-104,404
5	Reserve for loss on returned goods	304,939		322,042		17,103
6	Allowance for loss on disposal of returned goods	-		128,661		128,661
7	Accrued bonuses	61,430		60,669		-760
8	Other	1,088,700		986,264		-102,435
	<b>Total current liabilities</b>	<b>9,918,868</b>	<b>72.2</b>	<b>9,421,622</b>	<b>70.4</b>	<b>-497,245</b>
<b>II Long-term liabilities</b>						
1	Provisions for post-retirement benefits	9,600		-		-9,600
2	Post-retirement benefits payable for directors and corporate directors	139,916		139,916		-
	<b>Total long-term liabilities</b>	<b>149,516</b>	<b>1.1</b>	<b>139,516</b>	<b>1.1</b>	<b>-9,600</b>
	<b>Total liabilities</b>	<b>10,068,385</b>	<b>73.3</b>	<b>9,561,539</b>	<b>71.5</b>	<b>-506,845</b>
			<b>%</b>		<b>%</b>	
<b>(Net assets)</b>						
<b>I Owners' equity</b>						
1	Common stock	940,200	6.8	940,200	7.0	-
2	Additional paid-in capital	790,547	5.8	790,547	5.9	-
3	Retained earnings	1,931,236	14.1	2,097,477	15.7	166,241
4	Treasury stock	-144	-0.0	-144	-0.0	-
	<b>Total owners' equity</b>	<b>3,661,839</b>	<b>26.7</b>	<b>3,828,080</b>	<b>28.6</b>	<b>166,241</b>
<b>II Valuation and translation adjustments</b>						
1	Difference on revaluation of other marketable securities	-2,623	-0.0	-19,136	-0.2	-16,513
	<b>Total valuation and translation adjustments</b>	<b>-2,623</b>	<b>-0.0</b>	<b>-19,136</b>	<b>-0.2</b>	<b>-16,513</b>
<b>III Minority interests</b>						
		-		10,318	0.1	10,318
	<b>Total net assets</b>	<b>3,659,216</b>	<b>26.7</b>	<b>3,819,262</b>	<b>28.5</b>	<b>160,045</b>
	<b>Total liabilities and net assets</b>	<b>13,727,601</b>	<b>100.0</b>	<b>13,380,801</b>	<b>100.0</b>	<b>-346,800</b>

(2) Consolidated statement of income

(Yen in Thousands)

Account	Term	Previous fiscal year April 1,2006- March 31,2007		Current fiscal year April 1,2007- March 31,2008		Increase (Decrease)
		Amount	%	Amount	%	Amount
I	Sales revenues	20,553,400	100.0	20,741,979	100.0	188,578
II	Cost of sales	12,371,054	60.2	12,712,274	61.3	341,220
	Gross profit	8,182,346	39.8	8,029,705	38.7	-152,641
	Reversal of allowance for loss on returned goods	282,644	1.4	304,939	1.5	22,294
	Transfer to reserve for loss on returned goods	304,939	1.5	322,042	1.6	17,103
	Gross profit - net	8,160,052	39.7	8,012,601	38.6	-147,450
III	Selling, general and administrative expenses	6,986,922	34.0	6,942,985	33.5	-43,937
	Operating income	1,173,129	5.7	1,069,615	5.2	-103,513
IV	Non-operating income	172,859	0.8	334,232	1.5	161,373
	1 Interest income on deposits	40,823		36,653		
	2 Dividend received	—		291,911		
	3 Profit of investment securities	124,566		—		
	4 Other	7,468		5,666		
V	Non-operating expenses	12,488	0.0	173,239	0.8	160,750
	1 Interest expenses	11,044		9,684		
	2 loss of investment securities	—		156,840		
	3 Other	1,443		6,714		
	Ordinary income	1,333,500	6.5	1,230,608	5.9	-102,891
VI	Extraordinary expenses	27,806	0.1	366,199	1.8	338,393
	1 Losses on disposal or sale of fixed assets	10,221		28,317		
	2 Restoration expenses	17,585		11,886		
	3 Loss on impairment	—		325,995		
	Net income before income taxes	1,305,693	6.4	864,409	4.2	-441,284
	Corporate, inhabitants and enterprise taxes	641,445		718,316		76,871
	Deferred income taxes	-78,023	2.8	-296,673	2.0	-218,650
	Minority interests	—		1,031		1,031
	Net income	742,271	3.6	443,797	2.1	-298,474

( 3 ) Consolidated statement of changes in net asset

Previous fiscal year (April 1, 2006 - March 31, 2007)

(Yen in Thousands)

	Owners' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total owners' equity
Balance at the end of previous period (As of March 31, 2006)	940,200	790,547	1,374,001	-144	3,104,605
Changes of items during the period					
Issuance of new shares Dividends from surplus(*)			-185,037		-185,037
Net income			742,271		742,271
Net changes of items other than owners' equity					
Total changes of items during the period	—	—	557,234	—	557,234
Balance at the end of previous period (As of - March 31, 2007)	940,200	790,547	1,931,236	-144	3,661,839

	Valuation and translation adjustments	Total Net assets
	Difference on revaluation of other marketable securities	
Balance at the end of previous period (As of March 31, 2006)	-4,278	3,100,326
Changes of items during the period		
Issuance of new shares Dividends from surplus(*)		-185,037
Net income		742,271
Net changes of items other than owners' equity	1,655	1,655
Total changes of items during the period	1,655	558,889
Balance at the end of previous period (As of - March 31, 2007)	-2,623	3,659,216

(Note) 1: Appropriation of retained earning resolved at the annual shareholders' meeting held on June 21, 2006.

Current fiscal year (April 1, 2007 - March 31, 2008)

(Yen in Thousands)

	Owners' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total owners' equity
Balance at the end of previous period (As of March 31, 2007)	940,200	790,547	1,931,236	-144	3,661,839
Changes of items during the period					
Issuance of new shares Dividends from surplus(*)			-129,526		-129,526
Issuance of new shares Dividends from surplus			-148,030		-148,030
Net income			443,797		443,797
Net changes of items other than owners' equity					
Total changes of items during the period	—	—	166,241	—	166,241
Balance at the end of previous period (As of - March 31, 2008)	940,200	790,547	2,097,477	-144	3,828,080

	Valuation and translation adjustments	Minority interests	Total Net assets
	Difference on revaluation of other marketable securities		
Balance at the end of previous period (As of March 31, 2006)	-2,623	—	3,659,216
Changes of items during the period			
Issuance of new shares Dividends from surplus(*)			-129,526
Issuance of new shares Dividends from surplus			-148,030
Net income			443,797
Net changes of items other than owners' equity	-16,513	10,318	-6,195
Total changes of items during the period	-16,513	10,318	160,045
Balance at the end of previous period (As of - March 31, 2007)	-19,136	10,318	3,819,262

(Note) 1: Appropriation of retained earning resolved at the annual shareholders' meeting held on June 20, 2007.

(4) Consolidated statements of cash flow

(Yen in Thousands)

Account	Term	Previous fiscal year	Current fiscal year
		April 1,2006 - March 31,2007	April 1,2007- March 31,2008
		Amount	Amount
<b>I</b>	<b>Cash flows from operating activities</b>		
1	Income before income taxes	1,305,693	864,409
2	Depreciation and amortization	330,317	286,887
3	Loss on impairment	—	325,995
4	Increase (decrease) in allowance for doubtful accounts	-661	18,951
5	Increase (decrease) in allowance for employees' bonuses	-3,490	-760
6	Increase in allowance for returned goods	22,294	17,103
7	Increase (decrease) in allowance for loss on disposal of returned goods	—	128,661
8	Interest and dividend income	-40,823	-328,565
9	Interest paid	11,044	9,684
10	Loss on sales and disposal of property and equipment	10,221	28,317
11	Negative figure represents gain on sales	-124,566	156,840
12	Increase (decrease) in accounts receivable	-261,345	65,226
13	Increase (decrease) in inventories	102,460	372,714
14	Increase (decrease) in other receivable	34,680	-22,942
15	Increase (decrease) in accounts payable	144,881	-159,499
16	Increase (decrease) in tuition advances	50,241	-104,404
17	Increase (decrease) in other liabilities	314,065	-30,451
18	Other	-16,470	-21,269
	Sub-total	1,878,543	1,606,898
19	Interest and dividend received	125,602	392,059
20	Interest paid	-10,969	-9,654
21	Income taxes paid	-188,323	-937,236
	Net cash provided by operating activities	1,804,853	1,052,066
<b>II</b>	<b>Cash flows from investing activities</b>		
1	Increase (decrease) in time deposits	-100,006	-200,012
2	Purchases of marketable securities	—	-200,000
3	Proceeds from sales of marketable securities	29,555	100,000
4	Acquisitions of property and equipment	-68,320	-100,781
5	Purchases of intangible fixed assets	-142,636	-109,462
6	Purchases of investment securities	-427,794	-850,041
7	Proceeds from sales of investment securities	100,338	790,314
8	Payment for guaranteed deposits	-35,711	-39,492
9	Collection of guaranteed deposits	74,055	40,627
10	Payment for insurance reserve fund	-4,495	-3,737
11	Collection of insurance reserve fund	7,008	3,896
12	Other	6,172	9,600
	Net cash provided by (used in) investing activities	-561,836	-559,088
<b>III</b>	<b>Cash flows from financing activities</b>		
1	Decrease in short-term borrowings	-300,000	—
2	Repayment of long-term debt	-67,200	-67,200
3	Proceeds from stock issuance to minority shareholders	—	11,350
4	Dividends paid	-184,328	-275,912
	Net cash provided by (used in) financing activities	-551,528	-331,762
<b>IV</b>	Exchange difference of cash and cash equivalents	9	-2,277
<b>V</b>	Net increase in cash and cash equivalents	691,498	158,938
<b>VI</b>	Cash and cash equivalents at the beginning of the year	1,139,586	1,831,084
<b>VII</b>	Cash and cash equivalents at the end of the year	1,831,084	1,990,022

(5) Assumptions underlying preparation of consolidated financial statements

## 1.Item relating to scope of consolidation

Consolidated subsidiaries are TAC Profession Bank Co., Ltd. and Life Underwriter Academy Co., Ltd. There is no non-consolidated subsidiary. (Life Underwriter Academy Co., Ltd. was established in the current consolidated fiscal year and became a subsidiary.)

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

The fiscal year end of Life Underwriter Academy Co., Ltd. (LUAC) is December 31. LUAC is consolidated after compiling provisional account settlement as of the date of consolidated settlement of accounts.

## 3.Items related to accounting standards

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

## (A) 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.

Derivatives, which are embedded in hybrid financial instruments and cannot be accounted separately from the host contracts, are measured at market value and their valuation gains (losses) are recorded as non-operating gains (losses).

For capital investments in investment partnership (investment enterprise limited liability association) and similar associations (deemed securities as per Article 2, Section 2 of the Securities and Exchange Law), the net amount corresponding to the ownership percentage is used for the consolidated balance sheet and the amount corresponding to the ownership percentage of profit (loss) items is used for the consolidated statement of income, based on the most recent financial statement available as of the reporting date stipulated in the partnership contract.

## (B) Inventories

Merchandise, finished goods and raw materials ... 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

## (Changes in accounting policies)

Responding to the early adoption of "Accounting Standard for Measurement of Inventories" (Accounting Standard Board of Japan Statement No. 9, released on July 5, 2006), which allows for adoptions of a consolidated fiscal year starting before March 31, we started adoption thereof in the current consolidated fiscal year.

Such early adoption resulted in a decline in gross profit (net), operating income, ordinary income and net income before taxes by ¥ 312,416 thousand.

As we prepared for the early adoption of the standard in the latter half of the current fiscal year, settlement of accounts for the interim period was complied in accordance with the procedure prior to adoption of the said standard.

Accordingly, gross profit (net), operating income, ordinary income and net income before taxes is higher than the figure which would be obtained if standard were adopted early by ¥ 282,770 thousand.

Impact on segment information is stated in the relevant section.

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

## (A) 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.

(Change in accounting principle)

Commencing in the current consolidated fiscal year, for those tangible fixed assets that were acquired on or after April 1, 2007, TAC changed the depreciation method in accordance with the applicable provisions of the revised Japanese Income Tax Code, Law No. 6 and Ordinance No. 83 to Partly Revise Japanese (Corporate) Income Tax Code, both promulgated on March 30, 2007.

The effects of this change on the consolidated statement of income for the current consolidated fiscal year were immaterial.

Impact on segment information is stated in the relevant section.

(Additional information)

Commencing in the current consolidated fiscal year, tangible fixed assets that were acquired before April 1, 2007 will continue to be depreciated under pre-revised rules until the remaining value of the assets reaches 5% of acquisition cost, after which the remaining value will be depreciated evenly over five years until asset amount reaches JPY 1.

The effects of this change on the consolidated statement of income for the current consolidated fiscal year were immaterial.

Impact on segment information is stated in the relevant section.

- (B) 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

(A) 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.

(B) 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.

(C) Allowance for loss on disposal of returned publication

To be prepared for loss on disposal of returned publication, amount of estimated loss on disposal of returned publication for the current fiscal year is provided.

(Changes in accounting policies)

In the past, loss on disposal of returned publication was processed as cost of sales in the year it was returned. In the current fiscal year, we started to provide for allowance for loss on disposal of returned goods, which represents the amount thought to be adequate to cover estimated loss on disposal of returned publication, determined based on the past rate of return and disposal.

We decided on this change after examining losses on disposal of returned goods in the future upon early adoption of "Accounting Standard for Measurement of Inventories" (Accounting Standard Board of Japan Statement No. 9, released on July 5, 2006). In the publishing industry, which is inseparable from return of publications, most of our publications get revised annually and publications, which are returned after completion of license examinations, are abandoned in the following fiscal year. To cope with such industry practice, we provided for loss on disposal of returned goods in order to compute profit and loss in a fairer manner.

Such early adoption resulted in decline of gross profit (net), operating income, ordinary income and net income before taxes by ¥ 128,661 thousand.

As we prepared for the early adoption of the standard in the latter half of the current fiscal year, settlement of accounts for the interim period were complied in accordance with the procedure prior to adoption of the said standard.

Accordingly, gross profit (net), operating income, ordinary income and net income before taxes is higher than the figure which would be obtained if standard were adopted early by ¥ 131,980 thousand.

Impact on segment information is stated in the relevant section.

(D) Allowance for accrued bonuses

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

(4) Accounting for significant lease transactions

Transactions under finance lease agreements are accounted for as transactions under ordinary rental transactions, except for those lease transactions that transfer ownership of the leased property to the lessee.

(5) Others

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 profit or loss due to such changes.

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 1,2006- March 31,2007 <hr/> Yen in thousands	Current fiscal year <b>April 1,2007- March 31,2008</b> <hr/> Yen in thousands
1.Accumulated depreciation on tangible fixed assets	1,087,121	1,209,936

(Consolidated statement of income-related)

1. Outline of selling, general and administrative expenses

	Previous fiscal year April 1,2006- March 31,2007 <hr/> Yen in thousands	Current fiscal year <b>April 1,2007- March 31,2008</b> <hr/> Yen in thousands
Advertising cost	1,124,015	1,019,977
Salary	2,029,592	2,079,452
Transfer to accrued bonuses	58,929	57,878
Rent	933,704	945,268
Business commission expenses	344,631	370,815

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

Loss on disposal of software	—	18,339
Losses incurred from disposal of additions	4,717	5,815
Losses incurred from disposal of structures	1,945	300
Losses incurred from disposal of equipment and fixtures	3,493	3,801
Other	64	60
Total	<hr/> 10,221	<hr/> 28,317

3. Cost of sales

Revaluation loss on inventories of ¥ 312,416 thousand and allowance for loss on disposal of returned goods of ¥ 128,661 thousand is included in cost of sales.

4. Loss on impairment

(1) Outline of impairment loss recognized by asset group

TAC recognized an impairment loss by asset group in the current fiscal year, which is indicated below.

Location	Usage of assets	Type	Amount (in thousand)
Headquarter	Main systems	Software development in progress	325,995

(2) Background of recognition of impairment of loss

We recorded the amount required for renewal of our main system (member administration) as software development in progress (asset). We notified the subcontractor, however, to suspend commission of development on May 7, 2008. Accordingly, total book value of software in progress is recognized as impairment loss, which is included in extraordinary losses.

(3) Method of grouping assets

TAC Co., Ltd. and its subsidiary group assets based on business classification of the smallest cash flow generating units. Basically, we use our schools as basic units, except that “area” is used in the Tokyo metropolitan area and Kinki region. Individual valuation is made for idle real estate.

(4) Computation of recoverable amounts

The amounts recoverable from asset groups of TAC and its consolidated subsidiaries were estimated at the net

disposable price.

(Consolidated statement of changed in net assets-related )

**Current fiscal year** (April 1,2007-March 31,2008)

1. Types and total number of outstanding shares and types and total number of treasury stock (Number of shares)

	Number of shares at the end of previous fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at the end of current fiscal year
Outstanding shares				
Common stock	18,504,000	—	—	18,504,000
Total	18,504,000	—	—	18,504,000
Treasury stock				
Common stock	217	—	—	217
Total	217	—	—	217

2. Dividend-related

(1) Dividend paid

Resolution	Stock type	Dividend paid (Thousands of Yen)	Dividend per share (Yen)	Record date	Effect date
June 20, 2007 Shareholders' Meeting	Common stock	129,526	7	March 31, 2007	June 21, 2007
November 8, 2007 Board of directors' Meeting	Common stock	148,030	8	September 30,2007	December 7, 2007

(2) Dividends with a record date falling within the current interim period that become effective after the end of the period

current interim period Resolution	Stock type	Dividend paid (Thousands of Yen)	Dividend per share (Yen)	Record date	Effect date
June 19, 2008 Shareholders' Meeting	Common stock	148,030	8	March 31, 2008	June 20, 2008

(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 1,2006- March 31,2007	<b>Current fiscal year April 1,2007- March 31,2008</b>
	Thousands of yen	Thousands of yen
Cash and deposit accounts	1,840,841	1,859,653
Fixed term deposit whose deposited period exceeds 3 months	-30,054	-30,067
Marketable securities account	216,403	360,436
Marketable securities other than MMF, etc.	-196,106	-200,000
Cash and Cash equivalents	1,831,084	1,990,022

(Segment information)

Previous fiscal year (April 1,2006-March 31,2007)

(Yen in thousands)

	Personal education	Corporate training	Publishing & other	Total	Eliminations	Consolidated
I Sales and operating income						
Sales						
(1) External customers	14,552,194	3,858,043	2,143,162	20,553,400	—	20,553,400
(2) Inter-segment transactions and eliminations	809	—	18,037	18,846	( 18,846)	—
Total	14,553,003	3,858,043	2,161,199	20,572,247	( 18,846)	20,553,400
Operating expenses	13,583,305	2,826,872	1,852,571	18,262,750	1,117,521	19,380,271
Operating income	969,698	1,031,171	308,628	2,309,497	(1,136,368)	1,173,129
II Asset, depreciation and capital expenditure						
Assets	6,556,258	1,314,618	1,874,600	9,745,477	3,982,124	13,727,601
Depreciation	257,397	18,233	15,588	291,219	39,098	330,317
Capital expenditure	82,315	5,735	36,028	124,079	45,051	169,130

Current fiscal year (April 1,2007-March 31,2008)

(Yen in thousands)

	Personal education	Corporate training	Publishing & other	Total	Eliminations	Consolidated
I Sales and operating income						
Sales						
(1) External customers	14,370,353	4,019,064	2,352,562	20,741,979	—	20,741,979
(2) Inter-segment transactions and eliminations	1,876	—	15,888	17,765	( 17,765)	—
Total	14,372,229	4,019,064	2,368,450	20,759,745	( 17,765)	20,741,979
Operating expenses	13,481,298	2,796,781	2,235,590	18,513,670	1,158,693	19,672,364
Operating income	890,931	1,222,283	132,859	2,246,074	(1,176,458)	1,069,615
II Asset, depreciation and capital expenditure						
Assets	6,457,827	1,100,968	1,659,445	9,218,242	4,162,558	13,380,801
Depreciation	219,895	13,067	16,775	249,738	37,148	286,887
Loss on impairment	—	—	—	—	325,995	325,995
Capital expenditure	135,457	13,179	5,460	154,097	37,549	191,647

(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, sale of books at front counter and manpower placement and dispatching business.

3. Amounts of operating expenses for the previous consolidated fiscal year and for the current consolidated

fiscal year are ¥ 1,138,767 thousand and ¥ 1,178,858 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 ¥ 3,982,124 thousand and ¥ 4,162,558 thousand respectively, which include surplus funds of the parent company (cash and marketable securities), long-term investment fund (investment securities) and assets related to administration department, etc.
5. As stated in "3. Items related to accounting standards" of "Assumption underlying preparation of consolidated financial statements", we started early adoption of the "Accounting Standard for Measurement of Inventories" in the current consolidated fiscal year. Due to this change, operating income declined ¥ 127, 907 thousand for personal education segment, ¥ 27,470 thousand for corporate training segment and ¥ 157,037 thousand for publishing and other segment.  
As we prepared for the early adoption of the standard in the latter half of the current fiscal year, settlement of accounts for the interim period was complied in accordance with the procedure prior to adoption of the said standard. Accordingly, operating income for the current interim period increased ¥ 73,164 thousand for personal education segment, ¥ 15,222 thousand for corporate training segment and ¥ 194,383 thousand for publishing and other segment.
6. As stated in "3. Items related to accounting standards" of "Assumption underlying preparation of consolidated financial statements", in the current fiscal year, we started to provide for allowance for loss on disposal of returned goods, which represents the amount thought to be adequate to cover estimated loss on disposal of returned publication, determined based on past rate of return and disposal. Accordingly, operating income decreased 128,661 thousand for publishing and other segment.  
As we prepared for the adoption of the standard in the latter half of the current fiscal year, settlement of accounts for the interim period was complied in accordance with the procedure prior to adoption of the said standard. Accordingly, operating income for the current interim period increased ¥ 131,980 thousand for publishing and other segment.
7. As stated in "3. Items related to accounting standards" of "Assumption underlying preparation of consolidated financial statements", commencing in the current fiscal year, for those tangible fixed assets that were acquired on or after April 1, 2007, TAC changed the depreciation method in accordance with the applicable provisions of the revised Japanese Income Tax Code. The effects of this change on the segment information in the consolidated statement of income for the current fiscal year were immaterial.
8. Commencing in the current fiscal year, tangible fixed assets that were acquired before April 1, 2007 will continue to be depreciated under pre-revised rules until the remaining value of the assets reaches 5% of acquisition cost, after which the remaining value will be depreciated evenly over five years until the asset amount reaches JPY 1. The effects of this change on the segment information in consolidated statement of income for the current fiscal year were immaterial. The effects of this change on the profit / loss of segments in consolidated statement of income for the current fiscal year were immaterial.

(Lease transaction )

**Current fiscal year** (April 1, 2007-March 31, 2008)

1. Capital lease assets

(1) Equivalent to acquisition cost, accumulated depreciation and net book value

	Equivalent to acquisition cost (Yen in thousands)	Less: accumulated depreciation (Yen in thousands)	Net book value (Yen in thousands)
Equipment and furniture	91,734	51,370	40,364
Total	91,734	51,370	40,364

(Note) The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

## (2) Lease obligations, etc.

## Lease obligations

Due within one year	16,561 Thousands of yen
Due after one year	23,802
<u>Total</u>	<u>40,364</u>

## (3) Lease payments, Reversal of impaired lease assets, depreciation and impairment loss

Lease payments	20,361 Thousands of yen
Depreciation	20,361 Thousands of yen

## (4) Calculation method of depreciation equivalent

Depreciation equivalent is computed on a straight-line method over the lease period without residual value.

## 2. Operating leases

## The future lease payments for operating leases

Due within one year	740,155 Thousands of yen
Due after one year	1,687,302
<u>Total</u>	<u>2,427,458</u>

## (Transactions with concerned parties)

Current fiscal year (April 1, 2007-March 31, 2008)

None.

(Tax effect accounting)

## 1. Principal cause of deferred tax assets and deferred tax liabilities: (April 1, 2007-March 31, 2008)

	<b>Current fiscal year</b> <b>April 1, 2007-</b> <b>March 31, 2008</b>
	Yen in thousands
Add: Deferred tax assets:	
Add: Accrued business office tax	5,534
Add: Accrued income tax	36,189
Add: Accrued bonus	56,856
Add: Excess amount transferred to accrued	24,751
Add: Legal welfare expense incurred on above	9,464
Add: allowance for doubtful accounts goods	8,164
Add: Allowance for loss on disposal of returned goods	52,352
Add: Revaluation loss on inventories	127,122
Add: Loss on impairment	132,647
Add: Post-retirement benefits payable for directors and corporate directors	56,932
Add: Loss from revaluation of investment	28,279
Add: Difference on revaluation of other	13,444
Add: Other deferred tax assets	1,407
Sub-total of deferred tax assets	553,146
Allowance account	-37,738
Sub-total of deferred tax assets	515,408
Deferred liabilities	
Difference on revaluation of other	-315
Sub-total of deferred liabilities	-315
Net deferred tax assets	515,092

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

	%
Statutory effective tariff (Adjusted)	40.69
Entertainment expenses not qualifying for deduction	1.28
Per capita inhabitant tax	2.05
Allowance for doubtful accounts	0.94
Loss from revaluation of investment securities	3.43
Other	0.39
Charge rate of income tax after adoption of tax effect accounting	48.78

(Marketable and investment securities)

Previous fiscal year (April 1,2006 - March 31,2007)

## 1. Other marketable securities with market value

(Yen in thousands)

	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	110,760	111,240	480
	Others	796,732	843,961	47,218
	(3) Others	24,421	26,102	1,680
	Sub-total	931,914	981,303	49,389
Market value not exceeding amount stated on the consolidated balance sheet	(1) Shares	—	—	—
	(2) Bonds			
	Corporate bonds	227,152	220,474	-6,678
	Others	100,000	96,351	-3,649
	(3) Others	136,670	131,022	-5,648
	Sub-total	463,822	447,847	-15,975
Total		1,395,736	1,429,150	33,414

## 2. Marketable securities without market price and value

(Yen in thousands)

Type	Stated value on consolidated balance sheet
Other marketable securities	
Unlisted stocks	17,000
Investment in anonymous association	500,000
MMF	19,896

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

(Yen in thousands)

Type	Within one year	One year to five years	Five years to ten years	Over ten years
(1) Bonds				
Corporate bonds	99,526	—	—	—
Other	—	—	—	1,172,500
(2) Other				
Investment trust	96,580	—	—	—
Total	196,106	—	—	1,172,500

**Current fiscal year** (April 1,2007 - March 31,2008)

## 1. Other marketable securities with market value

(Yen in thousands)

	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	—	—	—
	Others	—	—	—
	(3) Others	100,000	100,760	760
	Sub-total	100,000	100,760	760
Market value not exceeding amount stated on the consolidated balance sheet	(1) Shares	—	—	—
	(2) Bonds			
	Corporate bonds	—	—	—
	Others	1,194,201	960,725	-233,476
	(3) Others	260,615	227,574	-33,041
	Sub-total	1,454,817	1,188,299	-266,517
Total		1,554,817	1,289,059	-265,757

## 2. Marketable securities without market price and value

(Yen in thousands)

Type	Stated value on consolidated balance sheet
Other marketable securities	
Unlisted stocks	17,000
Investment in anonymous association	350,000
Corporate bonds	200,000
MMF	19,977
MRF	140,458

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

(Yen in thousands)

Type	Within one year	One year to five years	Five years to ten years	Over ten years
(1) Bonds				
Corporate bonds	200,000	—	—	—
Other	—	—	—	960,725
(2) Other				
Investment trust	—	100,760	—	—
Total	200,000	100,760	—	960,725

## (Derivatives)

**Current fiscal year** (April 1,2007 - March 31,2008)

## 1. Matters concerning status of the derivatives

## (1) Detail of transaction

Derivatives, which are embedded in hybrid financial instruments, are used.

## (2) Policy concerning the derivatives

For hybrid financial instruments, it is our policy not to be engaged in highly speculative transactions involving high risk.

## (3) Purpose of the derivatives

Hybrid financial instruments are used to manage surplus funds.

## (4) Detail of risks related to the derivatives

Hybrid financial instruments are exposed to foreign currency risk, interest volatility risk and risk that redemption price falls below principal amount due to fluctuations in foreign exchange rates.

(5) Risk management system concerning the derivatives

We do not anticipate non-performance by the counterparties of the derivatives, all of whom are financial institutions with high credit ratings. These transactions are managed by the Accounting Group with the approval of the operating manager in accordance with "Investment Securities Management Guideline" which provides authority for transactions and maximum amounts for transactions.

In using derivatives, which are embedded in hybrid financial instruments, for management of surplus funds, it is our policy not to be engaged in highly speculative transactions involving high risk. The hybrid financial instruments are exposed to foreign currency risk, interest volatility risk and risk that redemption price falls below principal amount due to fluctuations in foreign exchange rates.

2. Market value of transactions

Market value of the derivatives are as follows:

(Yen in thousands)

Type	For the current consolidated fiscal year			
	Contract amount	Contract amount that exceeds one year	Market value	Valuation gain (loss)
Transactions other than market transactions Hybrid financial instruments	1,194,201	1,194,201	960,725	-233,476
Total	1,194,201	1,194,201	960,725	-233,476

- Note
1. Market value is based on information provided by financial institutions.
  2. Derivatives, which are embedded in hybrid financial instruments and whose market value cannot be measured separately from the host contracts, are measured at market value and their valuation gains (losses) recorded as non-operating gains (losses).
  3. Contract amount and other values are based on book value of the relevant hybrid financial instruments, etc. at the beginning of the current fiscal year.

(Per share information)

Previous fiscal year		Current fiscal year	
Book value per share	¥ 197.76	Book value per share	¥ 206.40
Net income per share	¥ 40.11	Net income per share	¥ 23.98
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)

The Board of Directors of TAC Co. Ltd., meeting on May 14, 2008, resolved to acquire treasury shares pursuant to the provisions of Article 156 of the Japanese Company Law as applied mutatis mutandis to Article 165:3 of the law.

(1) Reason for acquisition of treasury shares

To enhance return to shareholders as well as practicing management that emphasizes improved capital efficiency

(2) Details of acquisition

- a. Class of shares to be acquired: Common stock
- b. Number of shares to be acquired: 300,000 shares (maximum)  
(Percentage of treasury stock in total outstanding shares excluding treasury shares: 1.6%)
- c. Total acquisition price: ¥ 100 million (maximum)
- d. Acquisition period: From May 19, 2008 to September 26, 2008
- e. Acquisition method: Market buying

## Non-consolidated financial statements and other

### (1) Non-consolidated balance sheet

(Yen in thousands)

Account	Previous fiscal year (as of March 31, 2007)		Current fiscal year (as of March 31, 2008)		Increase (decrease)
	Amount	%	Amount	%	Amount
<b>(Assets)</b>					
<b>I Current assets</b>					
1 Cash and deposits	1,766,272		1,793,619		27,347
2 Accounts receivable-trade	1,909,683		1,840,015		-69,667
3 Marketable securities	216,403		360,436		144,032
4 Merchandise	14,364		18,732		4,367
5 Finished goods	450,536		249,079		-201,457
6 Work in process	8,057		500		-7,557
7 Stored goods	435,717		267,935		-167,782
8 Advances	10,367		—		-10,367
9 Prepaid expenses	376,623		376,872		248
10 Deferred tax assets	142,064		305,575		163,510
11 Accrued refunded corporation tax	72,918		45,405		-27,512
12 Other	-578		-739		-160
Allowance for doubtful accounts	5,402,430	39.8	5,257,432	39.7	-144,998
<b>II Fixed assets</b>					
<b>1 Tangible fixed assets</b>					
(1) Building	395,399		386,191		-9,208
(2) Structures	13,809		11,467		-2,341
(3) Machinery and equipments	130,767		89,254		-41,513
(4) Automotive equipments	7,527		6,177		-1,349
(5) Equipment and fixtures	132,336		105,734		-26,601
Total Tangible fixed assets	679,840	5.0	598,825	4.5	-81,014
<b>2 Intangible fixed assets</b>					
(1) Software	272,570		213,127		-59,442
(2) Software development in progress	330,000		—		-330,000
(3) Other	23,567		23,235		-331
Total intangible fixed assets	626,138	4.6	236,363	1.8	-389,774
<b>3 Investment and other assets</b>					
(1) Investment securities	1,750,044		1,656,059		-93,985
(2) Equity investment in related companies	10,000		20,000		10,000
(3) Contribution to capital	5,630		2,264		-3,366
(4) Unrecoverable or valueless claims	1,150		53,056		51,906
(5) Long-term prepaid expenses	12,562		10,016		-2,545
(6) Deferred tax assets	57,069		202,752		145,682
(7) Long-term time deposit	300,000		500,000		200,000
(8) Fixed leasehold deposits	3,789,858		3,787,970		-1,887
(9) Insurance reserve fund	937,828		937,868		-159
Allowance for doubtful accounts	-1,150		-19,896		-18,746
Total investment and other assets	6,862,993	50.6	7,149,893	54.0	286,900
Total fixed assets	8,168,971	60.2	7,985,083	60.3	-183,888
Total assets	13,571,402	100.0	13,242,515	100.0	-328,886

(Yen in thousands)

Account	Term	Previous fiscal year (as of March 31, 2007)		Current fiscal year (as of March 31, 2008)		Increase (decrease)
		Amount	%	Amount	%	Amount
<b>(Liabilities)</b>						
<b>I Current liabilities</b>						
1	Accounts payable	598,633		438,835		-159,798
2	Long-term borrowings	67,200		9,600		-57,600
3	Accrued liabilities	395,407		357,871		-37,536
4	Accrued expenses	513,074		446,346		-66,728
5	Corporation and inhabitants taxes payable	478,074		281,459		-196,615
6	Tuition advances	7,291,619		7,188,094		-103,524
7	Deposits received	167,671		164,056		-3,614
8	Reserve for loss on returned goods	304,939		322,042		17,103
9	Allowance for loss on disposal of returned goods	—		128,661		128,661
10	Accrued bonuses	56,778		55,864		-913
11	Other	7,613		9,257		1,643
	<b>Total Current liabilities</b>	<b>9,881,012</b>	<b>72.8</b>	<b>9,402,090</b>	<b>71.0</b>	<b>-478,922</b>
<b>II Long-term Liabilities</b>						
1	Provisions for post-retirement benefits	9,600		—		-9,600
2	Post-retirement benefits payable for directors and corporate directors	139,916		139,916		—
	<b>Total long-term liabilities</b>	<b>149,516</b>	<b>1.1</b>	<b>139,916</b>	<b>1.1</b>	<b>-9,600</b>
	<b>Total liabilities</b>	<b>10,030,529</b>	<b>73.9</b>	<b>9,542,007</b>	<b>72.1</b>	<b>-488,522</b>
<b>(Net assets)</b>						
<b>I Owners' equity</b>						
1	Common stock	940,200	6.9	940,200	7.1	—
2	Additional paid-in capital					
	Capital legal reserve	790,547		790,547		—
	<b>Total capital surplus</b>	<b>790,547</b>	<b>5.8</b>	<b>790,547</b>	<b>6.0</b>	<b>—</b>
3	Retained earnings					
	(1) Earned legal reserve	19,978		19,978		—
	(2) Other earned surplus					
	<b>Total earned surplus</b>	<b>1,792,914</b>		<b>1,969,063</b>		<b>176,148</b>
	<b>Total earned surplus</b>	<b>1,812,892</b>	<b>13.4</b>	<b>1,989,041</b>	<b>15.0</b>	<b>176,148</b>
4	Treasury Stock	-144	-0.0	-144	-0.0	—
	<b>Total owners' equity</b>	<b>3,543,496</b>	<b>26.1</b>	<b>3,719,644</b>	<b>28.1</b>	<b>176,148</b>
<b>II Valuation and translation adjustments</b>						
1	Difference on revaluation of other marketable securities	-2,623	-0.0	-19,136	-0.2	-16,513
	<b>Total valuation and translation adjustments</b>	<b>-2,623</b>	<b>-0.0</b>	<b>-19,136</b>	<b>-0.2</b>	<b>-16,513</b>
	<b>Total net assets</b>	<b>3,540,873</b>	<b>26.1</b>	<b>3,700,508</b>	<b>27.9</b>	<b>159,635</b>
	<b>Total liabilities and net assets</b>	<b>13,571,402</b>	<b>100.0</b>	<b>13,242,515</b>	<b>100.0</b>	<b>-328,886</b>

## (2) Non-consolidated statement of income

(Yen in thousands)

Account	Term	Previous fiscal year April 1,2006 - March 31,2007		Current fiscal year April 1,2007- March 31,2008		Increase (decrease)
		Amount	%	Amount	%	Amount
I	Net sales	19,941,780	100.0	20,030,233	100.0	88,452
	1 Sales from personal education	14,553,003		14,372,229		
	2 Sales from corporate training	3,858,043		4,018,898		
	3 Sales from publishing & other	1,530,732		1,639,105		
II	Cost of sales	12,141,802	60.9	12,374,826	61.8	233,023
	1 Cost of personal education	9,338,529		9,339,055		
	2 Cost of corporate training	1,786,765		1,809,680		
	3 Cost of publishing & other	1,016,507		1,226,090		
	Gross profit	7,799,977	39.1	7,655,406	38.2	-144,570
	Reversal of allowance for loss on returned goods	282,644	1.4	304,939	1.5	22,294
	Transfer to reserve for loss on returned goods	304,939	1.5	322,042	1.6	17,103
	Gross profit – net	7,777,682	39.0	7,638,303	38.1	-139,379
III	Selling, general and administrative expenses	6,718,445	33.7	6,638,274	33.1	-80,170
	Operating income	1,059,237	5.3	1,000,028	5.0	-59,209
IV	Non-operating income	225,182	1.1	386,540	1.9	161,358
	1 Interest received	8,733		32,317		
	2 Interest on securities	32,173		4,244		
	3 Dividend received	50,000		341,911		
	4 Profit of investment securities	124,566		—		
	5 Other	9,708		8,066		
V	Non-operating expenses	12,488	0.0	173,239	0.8	160,750
	1 Interest expenses	11,044		9,684		
	2 loss of investment securities	—		156,840		
	3 Other	1,443		6,714		
	Ordinary income	1,271,931	6.4	1,213,329	6.1	-58,602
VI	Extraordinary expenses	27,694	0.2	366,098	1.9	338,403
	1 Losses on disposal or sale of fixed assets	10,109		28,216		
	2 Restoration expenses	17,585		11,886		
	3 Loss on impairment	—		325,995		
	Net income before taxes	1,244,236	6.2	847,230	4.2	-397,006
	Corporate, inhabitants and enterprise taxes	593,006	3.0	691,249	3.4	98,243
	Deferred income taxes	-75,758	-0.4	-297,724	-1.5	-221,966
	Net income	726,988	3.6	453,705	2.3	-273,283

## ( 3 ) Non-consolidated statement of changes in net asset

Previous fiscal year (April 1,2006 - March 31,2007)

(Yen in thousands)

	Owners' equity					
	Paid-in Capital	Capital Surplus	Earned surplus		Treasury stock	Total owners' equity
		Capital legal reserve	Earned legal surplus	Other earned surplus Earned surplus brought forward		
Balance at the end of previous period (As of March 31, 2006)	940,200	790,547	19,978	1,250,964	-144	3,001,545
Changes of items during the period						
Issuance of new shares Dividends from surplus(*)				-92,518		-92,518
Issuance of new shares Dividends from surplus				-92,518		-92,518
Net income				726,988		726,988
Net changes of items other than owners' equity						
Total changes of items during the period	—	—	—	541,950	—	541,950
Balance at the end of previous period (As of - March 31, 2007)	940,200	790,547	19,978	1,792,914	-144	3,543,496

	Valuation and translation adjustments	Total Net assets
	Valuation difference on available-for-sale securities	
Balance at the end of previous period (As of March 31, 2006)	-4,278	2,997,266
Changes of items during the period		
Issuance of new shares Dividends from surplus(*)		-92,518
Issuance of new shares Dividends from surplus		-92,518
Net income		726,988
Net changes of items other than owners' equity	1,655	1,655
Total changes of items during the period	1,655	543,606
Balance at the end of previous period (As of - March 31, 2007)	-2,623	3,540,873

(Note) : Appropriation of retained earning resolved at the annual shareholders' meeting held on June 21, 2006.

Current fiscal year (April 1,2007 - March 31,2008)

(Yen in thousands)

	Owners' equity					
	Paid-in Capital	Capital Surplus	Earned surplus		Treasury stock	Total owners' equity
		Capital legal reserve	Earned legal surplus	Other earned surplus Earned surplus brought forward		
Balance at the end of previous period (As of March 31, 2007)	940,200	790,547	19,978	1,792,914	-144	3,543,496
Changes of items during the period						
Issuance of new shares Dividends from surplus(*)				-129,526		-129,526
Issuance of new shares Dividends from surplus				-148,030		-148,030
Net income				453,705		453,705
Net changes of items other than owners' equity						
Total changes of items during the period	—	—	—	176,148	—	176,148
Balance at the end of previous period (As of - March 31, 2008)	940,200	790,547	19,978	1,969,063	-144	3,719,644

	Valuation and translation adjustments	Total Net assets
	Valuation difference on available-for-sale securities	
Balance at the end of previous period (As of March 31, 2007)	-2,623	3,540,873
Changes of items during the period		
Issuance of new shares Dividends from surplus(*)		-129,526
Issuance of new shares Dividends from surplus		-148,030
Net income		453,705
Net changes of items other than owners' equity	-16,513	-16,513
Total changes of items during the period	-16,513	159,635
Balance at the end of previous period (As of - March 31, 2008)	-19,136	3,700,508

(Note) : Appropriation of retained earning resolved at the annual shareholders' meeting held on June 20, 2007.

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

## Items related to accounting standards

## 1. Standards and methods of valuation for assets

## (A) 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

Derivatives, which are embedded in hybrid financial instruments and cannot be accounted separately from the host contracts, are measured at market value and their valuation gains (losses) are recorded as non-operating gains (losses).

For capital investments in investment partnership (investment enterprise limited liability association) and similar associations (deemed securities as per Article 2, Section 2 of the Securities and Exchange Law), the net amount corresponding to the ownership percentage is used for consolidated balance sheet and the amount corresponding to the ownership percentage of profit (loss) items is used for consolidated statement of income, based on the most recent financial statement available as of the reporting date stipulated in the partnership contract.

## (B) 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

## (Changes in accounting policies)

Responding to early adoption of "Accounting Standard for Measurement of Inventories" (Accounting Standard Board of Japan Statement No. 9, released on July 5, 2006), which allows adoption for consolidated fiscal year starting before March 31, we started adoption thereof in the current consolidated fiscal year.

Such early adoption resulted in decline of gross profit (net), operating income, ordinary income and net income before taxes by ¥ 312,416 thousand.

As we prepared for the early adoption of the standard in the latter half of the current fiscal year, settlement of accounts for the interim period was complied in accordance with the procedure prior to adoption of the said standard.

Accordingly, gross profit (net), operating income, ordinary income and net income before taxes is higher than the figure which would be obtained if standard were adopted early by ¥ 282,770 thousand.

Impact on segment information is stated in the relevant section.

## 2. Major depreciable assets and methods of depreciation

## (A) 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.

## (Change in accounting principle)

Commencing in the current non-consolidated fiscal year, for those tangible fixed assets that were acquired on or after April 1, 2007, TAC changed the depreciation method in accordance with the applicable provisions of the revised Japanese Income Tax Code, Law No. 6 and Ordinance No. 83 to Partly Revise Japanese (Corporate) Income Tax Code, both promulgated on March 30, 2007.

The effects of this change on the consolidated statement of income for the current non-consolidated fiscal year were immaterial.

Impact on segment information is stated in the relevant section.

## (Additional information)

Commencing in the current non-consolidated fiscal year, tangible fixed assets that were acquired before April 1, 2007 will continue to be depreciated under pre-revised rules until the remaining value of the assets reaches 5% of acquisition cost, after which the remaining value will be depreciated evenly over five years until asset amount reaches JPY 1.

The effects of this change on the consolidated statement of income for the current non-consolidated fiscal

year were immaterial.

Impact on segment information is stated in the relevant section.

(B) 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

(A) 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.

(B) 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.

(C) Allowance for loss on disposal of returned publication

To be prepared for loss on disposal of returned publication, amount of estimated loss on disposal of returned publication for the current fiscal year is provided.

(Changes in accounting policies)

In the past, loss on disposal of returned publication was processed as cost of sales in the year it was returned. In the current fiscal year, we started to provide for allowance for loss on disposal of returned goods, which represents the amount thought to be adequate to cover estimated loss on disposal of returned publication, determined based on past rate of return and disposal.

We decided to make such a change after examining loss on disposal of returned goods in the future upon early adoption of "Accounting Standard for Measurement of Inventories" (Accounting Standard Board of Japan Statement No. 9, released on July 5, 2006). In the publishing industry, which is inseparable from return of publications, most of our publications get revised annually and publications, which are returned after completion of license examinations, are abandoned in the following fiscal year. To cope with such industry practices, we provided for loss on disposal of returned goods in order to compute profit and loss in a fairer manner.

Such early adoption resulted in decline of gross profit (net), operating income, ordinary income and net income before taxes by ¥ 128,661 thousand.

As we prepared for the early adoption of the standard in the latter half of the current fiscal year, settlement of accounts for the interim period was complied in accordance with the procedure prior to adoption of the said standard.

Accordingly, gross profit (net), operating income, ordinary income and net income before taxes is higher than the figure which would be obtained if standard were adopted early by ¥ 131,980 thousand.

Impact on segment information is stated in the relevant section.

(D) Reserve for bonuses

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

4. Accounting for significant lease transactions

Transactions under finance lease agreements are accounted for as transactions under ordinary rental transactions, except for those lease transactions that 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.

**Notes**

(Non-consolidated balance sheet-related)

	Previous fiscal year April 1,2006- March 31,2007	Current fiscal year April 1,2007- March 31,2008
	Yen in thousands	Yen in thousands
1. Accumulated depreciation on tangible fixed assets	1,081,609	1,201,785

(Non-consolidated statement of income-related)

1. Outline of selling, general and administrative expenses

	Previous fiscal year April 1,2006- March 31,2007	Current fiscal year April 1,2007- March 31,2008
	Yen in thousands	Yen in thousands
Advertising cost	1,079,377	991,315
Salary	1,924,861	1,938,401
Bonuses	485,267	411,097
Transfer to accrued bonuses	54,277	53,074
Rent	899,235	906,180
Depreciation	119,221	114,937
Proportion of sales expense	19.5%	17.8%
Proportion of general and administrative expense	80.5%	82.2%

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

Loss on disposal of software	—	18,339
Losses incurred from disposal of additions	4,717	5,815
Losses incurred from disposal of structures	1,945	300
Losses incurred from disposal of equipment and fixtures	3,382	3,700
Other	64	60
Total	10,109	28,216

(Non-consolidated statement of changed in net assets-related)

Current fiscal year (April 1, 2007 - March 31, 2008)

Total number of treasury stock (Number of shares)

	Number of shares at the end of previous fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at the end of current fiscal year
Common stock	217	—	—	217
Total	217	—	—	217

(Lease transaction)

Current fiscal year (April 1,2007- March 31,2008)

1. Capital lease assets

(1) Equivalent to acquisition cost, accumulated depreciation and net book value

	Equivalent to acquisition cost (Yen in thousands)	Less: accumulated depreciation (Yen in thousands)	Net book value (Thousands of yen)
Equipment and furniture	91,734	51,370	40,364
Total	91,734	51,370	40,364

(Note) The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

## (2) Lease obligations, etc.

## Lease obligations

Due within one year 16,561 Thousands of yen

Due after one year 23,802

Total 40,364

## (3) Lease payments, Reversal of impaired lease assets, Depreciation and impairment loss

Lease payments 20,361 Thousands of yen

Depreciation 20,361 Thousands of yen

## (4) Calculation method of depreciation equivalent

Depreciation equivalent is computed on a straight-line method over the lease period without residual value.

## 2. Operating leases

The future lease payments for operating leases

Due within one year 740,155 Thousands of yen

Due after one year 1,687,302

Total 2,427,458

## (Marketable securities related)

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

## (Tax effect accounting )

Current fiscal year (April 1,2007- March 31,2008)

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

	<b>Current fiscal year April 1,2007- March 31,2008</b>
	Yen in thousands
Deferred tax assets:	
Add:Accrued income tax	5,383
Add:Accrued business office tax	35,890
Add:Accrued bonus	53,218
Add:Excess amount transferred to accrued bonus	22,731
Add:Legal welfare expense incurred on above	8,808
Add: allowance for doubtful accounts goods	8,164
Add: Allowance for loss on disposal of returned goods	52,352
Add: Revaluation loss on inventories	127,122
Add: Loss on impairment	132,647
Add: Post-retirement benefits payable for directors and corporate directors	56,932
Add: Loss from revaluation of investment	28,279
Add:Difference on revaluation of other marketable	13,444
Add:Other deferred tax assets	1,407
Sub-total of deferred tax assets	<u>546,382</u>
Allowance account	-37,738
Sub-total of deferred tax assets	508,643
Deferred liabilities	
Difference on revaluation of other	<u>-315</u>
Sub-total of deferred liabilities	<u>-315</u>
Net deferred tax assets	<u><u>508,328</u></u>

2. Principal items that 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	1.30
Per capita inhabitant tax	2.07
Allowance for doubtful accounts	0.95
Loss from revaluation of investment securities	3.50
Dividends received exclusion	-2.40
Other	0.34
Charge rate of income tax after adoption of tax effect accounting	46.45

(Per share information)

Previous fiscal year April 1,2006 - March 31,2007	Current fiscal year April 1,2007 - March 31,2008
Book value per share 191.36 Yen	Book value per share 199.99 Yen
Net income per share 39.29 Yen	Net income per share 24.52 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)

The Board of Directors of TAC Co. Ltd., meeting on May 14, 2008, resolved to acquire treasury shares pursuant to the provisions of Article 156 of the Japanese Company Law as applied mutatis mutandis to Article 165:3 of the law.

(1) Reason for acquisition of treasury shares

To enhance return to shareholders as well as practicing management that emphasizes improved capital efficiency

(2) Details of acquisition

a. Class of shares to be acquired: Common stock

b. Number of shares to be acquired: 300,000 shares (maximum)

(Percentage of treasury stock in total outstanding shares excluding treasury shares: 1.6%)

c. Total acquisition price: ¥ 100 million (maximum)

d. Acquisition period: From May 19, 2008 to September 26, 2008

e. Acquisition method: Market buying

### **Year-end dividend**

In the current period, TAC has decided to pay an interim dividend of ¥ 8 per share, which increases the annual dividend. For the year-end dividend, we are going to make a proposal at the 25th general shareholder's meeting to be held on June 19, 2008 for the payment of an ordinary dividend of ¥ 8 per share.