

## &lt;Summary&gt;

# **March 2014 Term - First Quarter Financial Results** **[Under Japanese GAAP](Consolidated)**

July 31, 2013

Company name: TAC CO., LTD.

TSE 1st

Company code number: 4319

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

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Supplemental information for quarterly financial statements: Yes

Schedule for quarterly "investor meeting presentation": None

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

**1. Consolidated 1st quarter results for the fiscal year ending March 2014**

(From April 1, 2013 to June 30, 2013)

**(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)	%
June 2013 1 <sup>st</sup> quarter	5,642	-6.6	740	54.4	805	73.8	509	-58.1
June 2012 1 <sup>st</sup> quarter	6,042	-7.0	479	-17.4	463	-13.4	1,216	300.1

(Notes) Comprehensive income :

Fiscal 2013 1<sup>st</sup> quarter 427 million yen (-64.7%)Fiscal 2012 1<sup>st</sup> quarter 1,209 million yen (309.5%)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
June 2013 1 <sup>st</sup> quarter	27.94	—
June 2012 1 <sup>st</sup> quarter	66.72	—

**(2) Consolidated financial position**

	Total assets	Total Shareholders' Equity	Total Shareholders' Equity Ratio
	(Yen in millions)	(Yen in millions)	%
June 2013 1 <sup>st</sup> quarter	16,553	3,750	22.6
Fiscal 2012 (2013/3)	16,808	3,327	19.7

(Notes) Equity Capital Fiscal 2013 (2014/3) 1<sup>st</sup> quarter 3,738 Million yen Fiscal 2012 (2013/3) 3,311 Million yen**2. Status of Dividends**

Date of record	Dividend Per Share				
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	Total
Fiscal 2012 (2013/3)	(Yen) —	(Yen) 0.00	(Yen) —	(Yen) 0.00	(Yen) 0.00
Fiscal 2013 (2014/3)	—				
Fiscal 2013 (2014/3)		0.00	—	1.00	1.00

(Note) Revision of dividend forecasts in the current quarter: None

**3. Consolidated forecasts for March 2014 term (From April 1, 2013 to March 31,2014)**

(% indicates changes from prior fiscal year for annual and from interim period of prior fiscal year for the interim period)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen in millions)	%	(Yen)
Interim	10,424	-9.7	686	36.8	776	66.2	443	-61.1	24.29
Full year	19,900	-5.2	705	415.1	785	107.9	447	-54.3	24.51

(Note) Revision of consolidated financial results forecasts: None

**4. Others**

(1) Significant changes in scope of consolidation (Changes in consolidated subsidiaries): Yes

New 1 : Online school co., Ltd.

(2) Application of the simplified accounting method and/or the special accounting method for quarterly consolidated financial statements: None

(3) Changes in accounting principles, accounting estimates and retrospective restatement for consolidated financial statements

- ① Changes due to changes in accounting standard : None
- ② Other changes : None
- ③ Changes in accounting estimates : None
- ④ Re-statement : None

(4)Numbers of shares issued (common stock)

① Number of shares issued (including treasury stocks)	June 2013 1 <sup>st</sup> quarter	18,504,000 shares	Fiscal Year 2012	18,504,000 shares
② Number of treasury stocks	June 2013 1 <sup>st</sup> quarter	269,168 shares	Fiscal Year 2012	269,168 shares
③ Yearly average number of shares (1st quarter ended June 30)	June 2013 1 <sup>st</sup> quarter	18,234,832 shares	June 2012 1 <sup>st</sup> quarter	18,234,832 shares

**\*Disclosure regarding the execution of the quarterly review process**

This “First Quarter Financial Results” (Quarterly “Tanshin”) is outside the scope of the external auditor's quarterly review procedure which is required by the “Financial Instruments and Exchange Act”. Therefore, the quarterly review process has not been completed as of this disclosure in the First Quarter Financial Results”.

The above forecast is based on the information available at this time. There are possibilities that the actual financial results could vary significantly depending upon various factors. As to the above forecast, please refer to p. 7.

In addition to the above earnings presentation, TAC holds conferences on its business and results for individual investors. Please check our website for the schedule and details.

**Quarterly Consolidated Financial Statements****(1) Consolidated balance sheet**

(Yen in thousands)

	FY 2012 (as of Mar. 31, 2013)	Current 1st quarter (as of Jun. 30, 2013)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,889,167	3,813,723
Notes and accounts receivable	2,777,057	2,900,365
Marketable securities	80,968	160,305
Merchandise and Finished goods	657,682	605,662
Work in process	12,684	581
Stores and materials	342,463	344,147
Accounts receivable-other	21,679	25,834
Prepaid expenses	228,625	335,770
Deferred income taxes	352,912	326,184
Beneficiary right in safeguarding and trust system for advance payment	546,180	607,914
Others	15,910	29,954
Allowance for doubtful accounts	-4,494	-4,133
Total current assets	8,920,836	9,146,311
Fixed assets		
Tangible fixed assets	1,643,275	1,620,636
Intangible fixed assets		
Others	230,997	219,275
Total intangible fixed assets	230,997	219,275
Investments and other assets		
Investment securities	1,593,305	1,146,590
Contribution of affiliated companies	21,413	21,413
Long-term time deposits	300,000	300,000
Fixed leasehold deposits	3,152,354	3,153,243
Insurance reserve fund	930,156	930,333
Other	51,520	50,332
Allowance for doubtful accounts	-35,219	-34,589
Total	6,013,530	5,567,324
Total fixed assets	7,887,803	7,407,236
Total assets	16,808,639	16,553,547

(Yen in thousands)

	FY 2011 (as of Mar. 31, 2013)	Current 1st quarter (as of Jun. 30, 2013)
Liabilities		
Current liabilities		
Accounts payable	488,497	384,022
Short-term borrowings	1,800,000	2,300,000
Current portion of long-term borrowings	783,186	642,186
Accrued amount payable	306,476	329,153
Accrued expenses	683,896	700,808
Corporation and inhabitants taxes payable	167,030	278,528
Tuition advances	6,621,514	5,723,905
Allowance for employees' bonuses	62,621	25,662
Allowance for returned goods	384,765	331,039
Allowance for loss on disposal of returned goods	136,047	121,807
Other	225,988	283,189
Total current liabilities	11,660,025	11,120,303
Long-term liabilities		
Long-term borrowings	989,702	864,813
Deferred tax liability	74,493	38,668
Post-retirement benefits payable for directors and corporate directors	120,702	120,702
Asset retirement obligations	631,941	633,627
Other	4,304	25,389
Total long-term liabilities	1,821,144	1,683,201
Total liabilities	13,481,169	12,803,505
Net assets		
Owner's equity		
Paid-in Capital	940,200	940,200
Capital surplus	790,547	790,547
Earned surplus	1,608,956	2,118,419
Treasury stock	-100,133	-100,133
Total owner's equity	3,239,570	3,749,033
Accumulated other comprehensive income		
Other securities valuation difference	60,580	-26,077
Foreign currency translation adjustment	11,095	15,243
Total accumulated other comprehensive income	71,676	-10,833
Minority interests	16,223	11,842
Total net assets	3,327,470	3,750,042
Total liabilities and net assets	16,808,639	16,553,547

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

## Consolidated statement of income

(Yen in thousands)

	FY2012 1st quarter (Apr.1 2012-Jun. 30, 2012)	Current 1st quarter (Apr.1 2013-Jun. 30, 2013)
Sales revenues	6,042,928	5,642,853
Cost of Sales	3,595,544	3,148,487
Gross profit	2,447,383	2,494,365
Reversal of allowance for loss on returned goods	371,861	384,765
Transfer to reserve for loss on returned goods	323,486	331,039
Gross profit - net	2,495,759	2,548,091
Selling, general and administrative expenses	2,016,138	1,807,450
Operating income	479,620	740,641
Non-operating income		
Interest income	140	329
Foreign exchange gains	885	-
Gain on valuation of investment securities	-	77,011
Others	938	3,957
Total Non-operating income	1,964	81,298
Non-operating income		
Interest expenses	10,430	6,359
Foreign exchange loss	-	6,752
Loss on valuation of investment securities	6,513	-
Equity in losses of affiliates	727	2,770
Others	490	597
Total Non-operating expenses	18,162	16,480
Ordinary income	463,422	805,459
Extraordinary income		
Compensation for transfer	1,750,000	-
Total extraordinary income	1,750,000	-
Extraordinary loss		
Business structure improvement expense	237,883	-
Total extraordinary loss	237,883	-
Net income before income taxes	1,975,539	805,459
Corporate, inhabitants and enterprise taxes	417,834	271,206
Deferred income taxes	340,724	24,450
Total corporate, inhabitants and enterprise taxes	758,559	295,656
Income before minority interests	1,216,979	509,802
Minority interests	440	339
Net income	1,216,539	509,462

## Consolidated statements of comprehensive income

	(Yen in thousands)	
	FY2012 1st quarter (Apr.1 2012-Jun.30, 2012)	Current 1st quarter (Apr.1 2013-Jun.30, 2013)
Loss before minority interests	1,216,979	509,802
Other comprehensive income		
Valuation difference on available-for-sale securities	-5,703	-86,657
Foreign currency translation adjustment	-1,971	3,913
Share of other comprehensive income of associates accounted for using equity method	-	235
Total other comprehensive income	-7,675	-82,509
Comprehensive income	1,209,304	427,293
Comprehensive income attributable to:		
owners of the parent company	1,208,864	426,953
minority interests	440	339

**(3) Going concern assumption**

None

**(4)-1. Segment information**

## (A) Segment information by type

First quarter of previous fiscal year (April 1, 2012 - June 30, 2012)

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Sales					
(1) External customers	3,132,185	1,080,181	408,655	77,349	4,698,370
(2) Inter-segment transactions and eliminations	359	-	8	8,059	8,426
Total	3,132,544	1,080,181	408,663	85,408	4,706,797
Segment income	-872,831	253,724	80,746	-7,854	-546,214

(Notes) TAC places importance on sales before adjustment of tuition advances (sales on a cash basis) from the standpoint of business management in the Personal Education segment and Corporate Training segment. Accordingly, sales and income (loss) of each reporting segment refers to sales and operating income before adjustment of tuition advances (sales on a cash basis).

(B) Difference between the total of the reporting segments' measures of profit or loss and income according to quarterly consolidated statements of income, and the main components of the difference (matters related to adjustment of difference)

(Yen in thousands)

Income	Amount
Total operating income of reporting segments	-546,214
Corporate expenses	-318,722
Adjustment of tuition advances	1,344,557
Operating income reported on quarterly statements of income	479,620

(Note)1. Adjustment of tuition advances is applied to sales before adjustment of tuition advances (sales on a cash basis) to obtain sales on an accrual basis (sales recorded on the income statement).

2. Corporate expenses are mainly general administration expenses that do not belong to any reporting segment.

(C) Information on amortization of goodwill and unamortized balance by each reporting segment

None

**(4)-2. Segment information**

## (A) Segment information by type

First quarter of current fiscal year (April 1, 2013 – June 30, 2013)

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Sales					
(1) External customers	3,115,326	1,117,033	401,254	83,782	4,717,397
(2) Inter-segment transactions and eliminations	220	-	-	10,077	10,298
Total	3,115,547	1,117,033	401,254	93,860	4,727,695
Segment income	-285,405	304,570	79,463	-6	98,621

(Notes) TAC places importance on sales before adjustment of tuition advances (sales on a cash basis) from the standpoint of business management in the Personal Education segment and Corporate Training segment. Accordingly, sales and income (loss) of each reporting segment refers to sales and operating income before adjustment of tuition advances (sales on a cash basis).

(B) Difference between the total of the reporting segments' measures of profit or loss and income according to quarterly consolidated statements of income, and the main components of the difference (matters related to adjustment of difference)

(Yen in thousands)

Income	Amount
Total operating income of reporting segments	98,621
Intersegment – eliminations	-283,435
Adjustment of tuition advances	925,455
Operating income reported on quarterly statements of income	740,641

(Note)1. Adjustment of tuition advances is applied to sales before adjustment of tuition advances (sales on a cash basis) to obtain sales on an accrual basis (sales recorded on the income statement).

2. Corporate expenses are mainly general administration expenses that do not belong to any reporting segment.

(C) Information on amortization of goodwill and unamortized balance by each reporting segment

None