

## March 2015 Term - Second Quarter Financial Results [Under Japanese GAAP](Consolidated)

October 31, 2014

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": Yes

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

### 1. Consolidated 2nd quarter results for the fiscal year ending March 2015

(From April 1, 2014 to September 30, 2014)

#### (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)	%
September 2014 2 <sup>nd</sup> quarter	10,361	-6.7	788	-47.1	933	-40.1	574	-41.3
September 2013 2 <sup>nd</sup> quarter	11,101	-3.8	1,490	197.2	1,557	233.6	978	-14.2

(Notes) Comprehensive income :

Fiscal 2014 2<sup>nd</sup> quarter 598 million yen (-33.3%)      Fiscal 2013 2<sup>nd</sup> quarter 896 million yen (-22.1%)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
September 2014 2 <sup>nd</sup> quarter	31.04	—
September 2013 2 <sup>nd</sup> quarter	53.65	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' Equity Ratio
	(Yen in millions)	(Yen in millions)	%
September 2014 2 <sup>nd</sup> quarter	19,071	4,734	24.8
Fiscal 2013 (03/2014)	18,631	4,167	22.3

(Notes) Equity Capital : Fiscal 2014 (03/2015) 2<sup>nd</sup> quarter 4,731 Million yen      Fiscal 2013 (03/2014) 4,153 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
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal 2013 (03/2014)	—	0.00	—	1.00	1.00
Fiscal 2014 (03/2015)	—	0.00			
Fiscal 2014 (03/2015)			—	1.00	1.00

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

### 3. Consolidated forecasts for March 2015 term (From April 1, 2014 to March 31, 2015)

(% 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)
Full year	20,300	-1.1	1,050	1.5	1,080	-16.9	615	-24.7	33.24

(Note) Revision of consolidated financial results forecasts: None

**4. Others**

(1) Significant changes in scope of consolidation (Changes in consolidated subsidiaries): None

(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)	September 2014 2 <sup>nd</sup> quarter	18,504,000 shares	Fiscal Year 2013	18,504,000 shares
② Number of treasury stocks	September 2014 2 <sup>nd</sup> quarter	68 shares	Fiscal Year 2013	68 shares
③ Yearly average number of shares (2nd quarter ended Sep. 30)	September 2014 2 <sup>nd</sup> quarter	18,503,932 shares	September 2013 2 <sup>nd</sup> quarter	18,234,832 shares

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

This “Second 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 Second Quarter Financial Results.

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

(Yen in thousands)

	FY 2013 (as of Mar. 31, 2014)	Current 2nd quarter (as of Sep. 30, 2014)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	6,163,936	5,938,903
Notes and accounts receivable	2,975,078	3,412,563
Marketable securities	166,113	84,991
Merchandise and Finished goods	282,862	215,471
Work in process	12,399	3,568
Stores and materials	333,956	287,911
Accounts receivable-other	49,468	206,182
Prepaid expenses	317,460	329,707
Deferred income taxes	390,813	333,979
Beneficiary right in safeguarding and trust system for advance payment	365,638	293,099
Others	40,270	54,996
Allowance for doubtful accounts	-3,146	-2,320
Total current assets	11,094,852	11,159,054
Fixed assets		
Tangible fixed assets	1,437,433	1,682,262
Intangible fixed assets		
Goodwill	–	155,459
Others	264,855	249,549
Total intangible fixed assets	264,855	405,008
Investments and other assets		
Investment securities	1,318,131	1,299,750
Contribution of affiliated companies	21,413	21,423
Long-term time deposits	400,000	400,000
Fixed leasehold deposits	3,151,532	3,161,259
Insurance reserve fund	927,055	923,159
Others	47,031	84,317
Allowance for doubtful accounts	-30,979	-65,065
Total	5,834,185	5,824,844
Total fixed assets	7,536,474	7,912,116
Total assets	18,631,326	19,071,170

(Yen in thousands)

	FY 2013 (as of Mar. 31, 2014)	Current 2nd quarter (as of Sep. 30, 2014)
Liabilities		
Current liabilities		
Accounts payable	492,511	389,942
Short-term borrowings	1,025,000	1,200,000
Current portion of long-term borrowings	1,047,556	1,357,556
Accrued amount payable	460,091	310,898
Accrued expenses	597,719	485,325
Corporation and inhabitants taxes payable	437,289	317,970
Tuition advances	6,515,502	6,044,032
Allowance for employees' bonuses	50,435	59,922
Allowance for returned goods	344,472	268,670
Allowance for loss on disposal of returned goods	192,385	163,758
Other	163,245	225,723
Total current liabilities	11,326,209	10,823,799
Noncurrent liabilities		
Long-term borrowings	2,328,146	2,731,868
Deferred tax liability	39,986	45,934
Post-retirement benefits payable for directors and corporate directors	120,702	120,702
Asset retirement obligations	630,180	584,082
Others	18,222	30,390
Total noncurrent liabilities	3,137,238	3,512,978
Total liabilities	14,463,448	14,336,778
Net assets		
Owner's equity		
Paid-in Capital	940,200	940,200
Capital surplus	790,547	790,547
Earned surplus	2,422,455	2,978,080
Treasury stock	-25	-25
Total owner's equity	4,153,177	4,708,803
Accumulated other comprehensive income		
Other securities valuation difference	-17,379	207
Foreign currency translation adjustment	17,518	22,802
Total accumulated other comprehensive income	139	23,010
Minority interests	14,561	2,578
Total net assets	4,167,878	4,734,392
Total liabilities and net assets	18,631,326	19,071,170

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

## Consolidated statement of income

(Yen in thousands)

	FY2013 2nd quarter (Apr.1 2013-Sep. 30, 2013)	Current 2nd quarter (Apr.1 2014-Sep. 30, 2014)
Sales revenues	11,101,996	10,361,466
Cost of Sales	6,187,883	6,088,860
Gross profit	4,914,113	4,272,605
Reversal of allowance for loss on returned goods	384,765	344,472
Transfer to reserve for loss on returned goods	240,348	268,670
Gross profit - net	5,058,530	4,348,407
Selling, general and administrative expenses	3,567,533	3,560,066
Operating income	1,490,996	788,340
Non-operating income		
Interest income	1,540	1,719
Gain on valuation of investment securities	88,537	213,289
Interest on corporate tax refund	813	1,368
Dividends income of insurance	3,111	3,111
Others	3,778	3,003
Total Non-operating income	97,782	222,492
Non-operating income		
Interest expenses	11,857	16,234
Commission fee	–	51,000
Equity in losses of affiliates	13,138	9,293
Foreign exchange losses	6,468	1,085
Others	75	42
Total Non-operating expenses	31,539	77,656
Ordinary income	1,557,239	933,176
Extraordinary income		
Gain on bargain purchase	–	5,610
Total extraordinary income	–	5,610
Extraordinary loss		
Losses on sales and retirement of non-current assets	4,474	–
Total extraordinary loss	4,474	–
Net income before income taxes	1,552,764	938,787
Corporate, inhabitants and enterprise taxes	583,381	300,664
Deferred income taxes	-10,344	62,782
Total corporate, inhabitants and enterprise taxes	573,036	363,446
Income before minority interests	979,727	575,340
Minority interests	1,358	977
Net income	978,369	574,363

## Statements of comprehensive income

	(Yen in thousands)	
	FY2013 2nd quarter (Apr.1 2013-Sep.30, 2013)	Current 2nd quarter (Apr.1 2014-Sep.30, 2014)
Loss before minority interests	979,727	575,340
Other comprehensive income		
Valuation difference on available-for-sale securities	-87,124	17,586
Foreign currency translation adjustment	3,492	4,947
Share of other comprehensive income of associates accounted for using equity method	209	336
Total other comprehensive income	-83,422	22,870
Comprehensive income	896,305	598,211
Comprehensive income attributable to:		
owners of the parent company	894,947	597,233
minority interests	1,358	977

**(3) Consolidated statement of cash flow**

	(Yen in thousands)	
	FY2013 2nd quarter Apr.1,2013 – Sep.30,2013	Current 2nd quarter Apr.1,2014- Sep.30,2014
<b>Cash flows from operating activities</b>		
Income before income taxes	1,552,764	938,787
Depreciation and amortization	168,711	140,243
Amortization of goodwill	-	8,182
Increase (decrease) in allowance for doubtful accounts	-1,850	16,901
Increase (decrease) in allowance for employees' bonuses	2,998	7,898
Increase in allowance for returned goods	-144,417	-75,802
Increase (decrease) in allowance for loss on disposal of returned goods	-35,509	-28,626
Interest and dividend income	-1,540	-1,719
Interest paid	11,857	16,234
Loss (gain) on valuation of investment securities	-88,537	-213,289
Equity in losses of affiliates	13,138	9,293
Increase (decrease) in accounts receivable	-593,730	-381,908
Increase (decrease) in inventories	175,431	122,266
Increase (decrease) in accounts payable	-137,111	-102,911
Increase (decrease) in tuition advances	-319,860	-471,469
Increase (decrease) in Beneficiary right in safeguarding and trust system for advance payment	236,875	72,539
Others	-49,663	-219,747
Sub-total	789,556	-163,126
Interest and dividend received	27,953	38,720
Interest paid	-13,143	-16,128
A tax refund	2,242	6,114
Income taxes paid	-179,535	-450,284
Net cash provided by operating activities	627,073	-584,703
<b>Cash flows from investing activities</b>		
Profit from sales of marketable securities	-	85,296
Acquisitions of property and equipment	-50,223	-312,989
Payment for restoration	-	-1,554
Purchases of intangible fixed assets	-53,874	-60,817
Purchases of investment securities	-346	-10,868
Profit from sales of investment securities	306,250	13,500
Purchase of investments in subsidiaries	-4,000	-
Purchases of shares of subsidiaries resulting in change in scope of consolidation	-	-137,609
Proceeds from withdrawal of time deposits	100,000	-
Payment for guaranteed deposits	-3,777	-1,310
Collection of guaranteed deposits	2,775	1,760
Others	-11,298	3,896
Net cash provided by (used in) investing activities	285,503	-420,696
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	-600,000	175,000
Proceeds from long-term loans payable	2,000,000	1,300,000
Repayment of long-term debt	-443,408	-661,615
Purchase of treasury shares of subsidiaries	-	-7,350
Dividends paid	-130	-18,294
Cash dividends paid to minority shareholders	-	-233
Repayment of lease obligation	-11,609	-9,892
Net cash provided by (used in) financing activities	944,851	777,614
Exchange difference of cash and cash equivalents	-2,944	4,457
Net increase in cash and cash equivalents	1,854,484	-223,328
Cash and cash equivalents at the beginning of the year	3,839,797	6,216,875
Cash and cash equivalents at the end of the year	5,694,282	5,993,547

**(4) Going concern assumption**

None

**(5)-1. Segment information****(A) Segment information by type**

First quarter of previous fiscal year (April 1,2013-September 30,2013)

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Sales					
(1) External customers	7,290,840	2,301,790	895,732	226,601	10,714,965
(2) Inter-segment transactions and eliminations	886	-	40	19,364	20,290
Total	7,291,726	2,301,790	895,772	245,966	10,735,255
Segment income	569,066	727,367	291,290	61,566	1,649,291

(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	1,649,291
Corporate expenses	-545,325
Adjustment of tuition advances	387,031
Operating income reported on quarterly statements of income	1,490,996

(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

**(5)-2. Segment information****(A) Segment information by type**

First quarter of current fiscal year (April 1, 2014-September 30, 2014)

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Sales					
(1) External customers	6,293,875	2,220,916	921,285	255,152	9,691,230
(2) Inter-segment transactions and eliminations	1,165	-	16	17,035	18,217
Total	6,295,041	2,220,916	921,301	272,188	9,709,447
Segment income	-213,980	624,263	243,663	15,647	669,593

(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	669,593
Corporate expenses	-551,489
Adjustment of tuition advances	670,236
Operating income reported on quarterly statements of income	788,340

(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**

(Significant change in the amount of goodwill)

In the three months ended June 30, 2014, a significant change in the amount of goodwill occurred by the acquisition of shares of two companies (Kubo Iryou Co., Ltd. and Iryoujimu Staff Kansai Co., Ltd.). The increase in goodwill as a result of the relevant events during the period under review was ¥163,641 thousand. The said goodwill is not allocated to reporting segments.