March 2014 Term - Second Quarter Financial Results [Under Japanese GAAP](Consolidated)

October 31 , 2013

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: Koji Kamata
Phone: 81-3-5276-8913
Scheduled date of filing Shihanki-Hokokusho: November 11, 2013
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 2nd quarter results for the fiscal year ending March 2014

(From April 1, 2013 to September 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)	%
September 2013 2nd quarter	11,101	−3.8	1,490	197.2	1,557	233.6	978	−14.2
September 2012 2nd quarter	11,538	−6.9	501	−19.1	466	−22.0	1,140	231.8

(Notes) Comprehensive income :

Fiscal 2013 2nd quarter 896 million yen (-22.1%) Fiscal 2012 2nd quarter 1,150 million yen (267.1%)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
September 2013 2nd quarter	53.65	—
September 2012 2nd quarter	62.52	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' Equity Ratio
	(Yen in millions)	(Yen in millions)	%
September 2013 2nd quarter	18,380	4,219	22.9
Fiscal 2012 (03/2013)	16,808	3,327	19.7

(Notes) Shareholders' Equity :

Fiscal 2013 (03/2014) 2nd quarter 4,206 Million yen Fiscal 2012 (03/2013) 3,311 Million yen

2. Status of Dividends

	Dividend Per Share				
Date of record	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal 2012 (03/2013)	—	0.00	—	0.00	0.00
Fiscal 2013 (03/2014)		0.00			
Fiscal 2013 (03/2014)			—	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)
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)	September 2013 2nd quarter	18,504,000 shares	Fiscal Year 2012	18,504,000 shares
② Number of treasury stocks	September 2013 2nd quarter	269,168 shares	Fiscal Year 2012	269,168 shares
③ Yearly average number of shares (2nd quarter ended Sep. 30)	September 2013 2nd quarter	18,234,832 shares	September 2012 2nd quarter	18,234,836 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 “Financial Instruments and Exchange Act”. Therefore, the quarterly review process has not been completed as of this disclosure in the Second 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.

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.

3. Quarterly Consolidated Financial Statements

(1) Consolidated balance sheet

(Yen in thousands)

	FY 2012 (as of Mar. 31, 2013)	Current 2nd quarter (as of Sep. 30, 2013)
Assets		
Current assets		
Cash and cash equivalents	3,889,167	5,542,686
Notes and accounts receivable	2,777,057	3,371,222
Marketable securities	80,968	259,912
Merchandise and Finished goods	657,682	537,594
Work in process	12,684	2,678
Stores and materials	342,463	297,125
Accounts receivable-other	21,679	18,076
Prepaid expenses	228,625	298,532
Deferred income taxes	352,912	358,653
Beneficiary right in safeguarding and trust system for advance payment	546,180	309,305
Others	15,910	16,884
Allowance for doubtful accounts	-4,494	-4,484
Total current assets	8,920,836	11,008,187
Fixed assets		
Tangible fixed assets	1,643,275	1,563,748
Intangible fixed assets		
Others	230,997	241,031
Total intangible fixed assets	230,997	241,031
Investments and other assets		
Investment securities	1,593,305	1,147,118
Contribution of affiliated companies	21,413	24,423
Long-term time deposits	300,000	300,000
Fixed leasehold deposits	3,152,354	3,153,489
Insurance reserve fund	930,156	926,614
Others	51,520	48,827
Allowance for doubtful accounts	-35,219	-33,379
Total	6,013,530	5,567,094
Total fixed assets	7,887,803	7,371,874
Total assets	16,808,639	18,380,062

(Yen in thousands)

	FY 2012 (as of Mar. 31, 2013)	Current 2nd quarter (as of Sep. 30, 2013)
Liabilities		
Current liabilities		
Accounts payable	488,497	351,585
Short-term borrowings	1,800,000	1,200,000
Current portion of long-term borrowings	783,186	1,017,556
Accrued amount payable	306,476	357,126
Accrued expenses	683,896	621,493
Corporation and inhabitants taxes payable	167,030	602,508
Tuition advances	6,621,514	6,301,653
Allowance for employees' bonuses	62,621	65,620
Allowance for returned goods	384,765	240,348
Allowance for loss on disposal of returned goods	136,047	100,538
Other	225,988	175,437
Total current liabilities	11,660,025	11,033,869
Noncurrent liabilities		
Long-term borrowings	989,702	2,311,924
Deferred tax liability	74,493	36,342
Post-retirement benefits payable for directors and corporate directors	120,702	120,702
Asset retirement obligations	631,941	635,312
Others	4,304	22,857
Total noncurrent liabilities	1,821,144	3,127,138
Total liabilities	13,481,169	14,161,008
Net assets		
Owner's equity		
Paid-in Capital	940,200	940,200
Capital surplus	790,547	790,547
Earned surplus	1,608,956	2,587,326
Treasury stock	-100,133	-100,133
Total owner's equity	3,239,570	4,217,940
Accumulated other comprehensive income		
Other securities valuation difference	60,580	-26,544
Foreign currency translation adjustment	11,095	14,797
Total accumulated other comprehensive income	71,676	-11,746
Minority interests	16,223	12,860
Total net assets	3,327,470	4,219,054
Total liabilities and net assets	16,808,639	18,380,062

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

Consolidated statement of income

(Yen in thousands)

	FY2012 2nd quarter (Apr.1 2012-Sep. 30, 2012)	Current 2nd quarter (Apr.1 2013-Sep. 30, 2013)
Sales revenues	11,538,572	11,101,996
Cost of Sales	7,082,651	6,187,883
Gross profit	4,455,921	4,914,113
Reversal of allowance for loss on returned goods	371,861	384,765
Transfer to reserve for loss on returned goods	277,305	240,348
Gross profit - net	4,550,476	5,058,530
Selling, general and administrative expenses	4,048,834	3,567,533
Operating income	501,642	1,490,996
Non-operating income		
Interest income	792	1,540
Gain on valuation of investment securities	－	88,537
Interest on corporate tax refund	2,793	813
Dividends income of insurance	3,111	3,111
Others	1,795	3,778
Total Non-operating income	8,493	97,782
Non-operating income		
Interest expenses	20,879	11,857
Loss on valuation of investment securities	14,677	－
Equity in losses of affiliates	6,676	13,138
Foreign exchange losses	－	6,468
Others	1,127	75
Total Non-operating expenses	43,361	31,539
Ordinary income	466,774	1,557,239
Extraordinary income		
Compensation for transfer	1,750,000	－
Total extraordinary income	1,750,000	－
Extraordinary loss		
Losses on sales and retirement of non-current assets	-	4,474
Business structure improvement expense	320,126	-
Total extraordinary loss	320,126	4,474
Net income before income taxes	1,896,647	1,552,764
Corporate, inhabitants and enterprise taxes	365,852	583,381
Deferred income taxes	388,963	-10,344
Total corporate, inhabitants and enterprise taxes	754,815	573,036
Income before minority interests	1,141,832	979,727
Minority interests	1,779	-1,358
Net income	1,140,052	978,369

Statements of comprehensive income

(Yen in thousands)

	FY2012 2nd quarter (Apr.1 2012-Sep.30, 2012)	Current 2nd quarter (Apr.1 2013-Sep.30, 2013)
Loss before minority interests	1,141,832	979,727
Other comprehensive income		
Valuation difference on available-for-sale securities	10,981	-87,124
Foreign currency translation adjustment	-2,415	3,492
Share of other comprehensive income of associates accounted for using equity method	-	209
Total other comprehensive income	8,565	-83,422
Comprehensive income	1,150,397	896,305
Comprehensive income attributable to:		
owners of the parent company	1,148,618	894,947
minority interests	1,779	1,358

(3) Consolidated statement of Cash flow

(Yen in thousands)

	FY2012 2nd quarter April 1,2012 - September 30,2012	Current 2nd quarter April 1,2013- September 30,2013
Cash flows from operating activities		
Income before income taxes	1,896,647	1,552,764
Depreciation and amortization	207,397	168,711
Amortization of goodwill	54,830	-
Business structure improvement expense	12,921	-
Compensation for transfer	-1,750,000	-
Increase (decrease) in allowance for doubtful accounts	639	-1,850
Increase (decrease) in allowance for employees' bonuses	482	2,998
Increase in allowance for returned goods	-94,555	-144,417
Increase (decrease) in allowance for loss on disposal of returned goods	-18,942	-35,509
Interest and dividend income	-792	-1,540
Interest paid	20,879	11,857
Loss (gain) on valuation of investment securities	14,677	-88,537
Equity in losses of affiliates	6,676	13,138
Increase (decrease) in accounts receivable	-1,220,615	-593,730
Increase (decrease) in inventories	100,545	175,431
Increase (decrease) in accounts payable	-15,857	-137,111
Increase (decrease) in tuition advances	-484,396	-319,860
Increase (decrease) in Beneficiary right in safeguarding and trust system for advance payment	1,623,261	236,875
Others	-98,512	-49,663
Sub-total	255,288	789,556
Interest and dividend received	14,185	27,953
Interest paid	-21,207	-13,143
Compensation received	500,000	-
A tax refund	34,688	2,242
Income taxes paid	-40,699	-179,535
Net cash provided by operating activities	742,254	627,073
Cash flows from investing activities		
Profit from sales of marketable securities	28,229	-
Acquisitions of property and equipment	-70,980	-50,223
Payment for restoration	-51,509	-
Purchases of intangible fixed assets	-39,803	-53,874
Purchases of investment securities	-236	-346
Profit from sales of investment securities	24,480	306,250
Purchase of investments in subsidiaries	-	-4,000
Purchases of stocks of affiliates	-18,000	-
Proceeds from withdrawal of time deposits	-	100,000
Payment for guaranteed deposits	-162,475	-3,777
Collection of guaranteed deposits	771,976	2,775
Others	3,950	-11,298
Net cash provided by (used in) investing activities	485,631	285,503
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	-560,000	-600,000
Proceeds from long-term loans payable	-	2,000,000
Repayment of long-term debt	-531,778	-443,408
Dividends paid	-288	-130
Repayment of lease obligation	-7,313	-11,609
Net cash provided by (used in) financing activities	-1,099,379	944,851
Exchange difference of cash and cash equivalents	-2,474	-2,944
Net increase in cash and cash equivalents	126,031	1,854,484
Cash and cash equivalents at the beginning of the year	1,767,404	3,839,797
Cash and cash equivalents at the end of the year	1,893,436	5,694,282

Segment information

(1)Second quarter of previous fiscal year (April 1,2012-September 30,2012)

(A) Segment information by type

(Yen in thousands)

	Reporting segments				Total
	Personal Education	Corporate Training	Publishing	Manpower Business	
Sales					
(1) External customers	7,629,391	2,260,845	905,194	204,110	10,999,542
(2) Inter-segment transactions and eliminations	964	-	8	20,922	21,894
Total	7,630,356	2,260,845	905,202	225,033	11,021,437
Segment income	-293,236	632,709	216,091	37,820	593,385

(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	593,385
Corporate expenses	-630,772
Adjustment of tuition advances	539,029
Operating income reported on quarterly statements of income	501,642

(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

(2)Second quarter of current fiscal year (April 1,2013-September 30,2013)

(A) Segment information by type

(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