

TAL Education Group Announces Unaudited Financial Results for the Fourth Fiscal Quarter and the Fiscal Year Ended February 28, 2015

- *Quarterly Net Revenues up by 41.6% Year-Over-Year*
- *Quarterly Income from Operations up by 3.2% Year-Over-Year*
- *Fiscal Year Net Revenues up by 38.3%*
- *Fiscal Year Income from Operations up by 17.2%*
- *Fiscal Year Net Income Attributable to TAL up by 10.8%*

(Beijing—April 28, 2015)—TAL Education Group (NYSE: XRS) (“TAL” or the “Company”), a leading K-12 after-school tutoring services provider in China, today announced its unaudited financial results for the fourth quarter and the fiscal year ended February 28, 2015.

Highlights for the Fourth Quarter of Fiscal Year 2015

- Net revenues increased by 41.6% year-over-year to US\$123.2 million from US\$87.0 million in the same period of the prior year.
- Income from operations increased by 3.2% to US\$14.9 million, from US\$14.4 million in the same period of the prior year.
- Non-GAAP income from operations increased by 18.8% to US\$20.2 million, from US\$17.0 million in the same period of the prior year.
- Net income attributable to TAL decreased by 17.8% year-over-year to US\$13.7 million from US\$16.7 million in the same period of the prior year, taking into account the exchange losses of US\$2.8 million.
- Non-GAAP net income attributable to TAL, which excluded share-based compensation expenses, decreased by 1.3% year-over-year to US\$19.0 million from US\$19.3 million in the same period of the prior year, taking into account the exchange losses of US\$2.8 million.
- Basic and diluted net income per American Depositary Share (“ADS”) were both US\$0.17. Non-GAAP basic and diluted net income per ADS, which excluded share-based compensation expenses, were US\$0.24 and US\$0.23, respectively. Each ADS represents two Class A common shares.
- Cash, cash equivalents and term deposits totaled US\$491.4 million as of February 28, 2015, compared to US\$269.9 million as of February 28, 2014.
- Total student enrollments increased by 44.4% year-over-year to approximately 502,350 from approximately 348,000 in the same period of the prior year.
- Total physical network consisted of 289 learning centers as of February 28, 2015, unchanged from 289 as of November 30, 2014.

Highlights for the Fiscal Year Ended February 28, 2015

- Net revenues increased by 38.3% year-over-year to US\$434.0 million from US\$313.9 million in fiscal year 2014.
- Income from operations increased by 17.2% to US\$67.2 million, from US\$57.4 million in fiscal year 2014.
- Non-GAAP income from operations increased by 30.3% to US\$85.7 million, from US\$65.7 million in fiscal year 2014.
- Net income attributable to TAL increased by 10.8% year-over-year to US\$67.2 million from US\$60.6 million in fiscal year 2014.
- Non-GAAP net income attributable to TAL, which excluded share-based compensation expenses, increased by 24.1% year-over-year to US\$85.6 million from US\$69.0 million in fiscal year 2014.
- Basic and diluted net income per ADS were US\$0.85 and US\$0.82, respectively. Non-GAAP basic and diluted net income per ADS, excluding share-based compensation expenses, were US\$1.08 and US\$1.03, respectively.
- Total student enrollments in fiscal year 2015 increased by 39.2% year-over-year to 1,494,430.
- Total physical network increased to 289 learning centers as of February 28, 2015 from 274 learning centers as of February 28, 2014.

Financial and Operating Data—Fourth Quarter and Fiscal Year 2015

(In US\$ thousands, except per ADS data, student enrollments and percentages)

| | Three Months Ended | | |
|---|--------------------|-------------|--------------------|
| | February 28, | | |
| | <u>2014</u> | <u>2015</u> | <u>Pct. Change</u> |
| Net revenues | 86,999 | 123,205 | 41.6% |
| Net income attributable to TAL | 16,710 | 13,729 | -17.8% |
| Non-GAAP net income attributable to TAL | 19,289 | 19,037 | -1.3% |
| Operating income | 14,396 | 14,855 | 3.2% |
| Non-GAAP operating income | 16,976 | 20,162 | 18.8% |
| Net income per ADS attributable to TAL – basic | 0.21 | 0.17 | -18.8% |
| Net income per ADS attributable to TAL – diluted | 0.21 | 0.17 | -19.2% |
| Non-GAAP net income per ADS attributable to TAL – basic | 0.25 | 0.24 | -2.4% |
| Non-GAAP net income per ADS attributable to TAL – diluted | 0.24 | 0.23 | -3.7% |
| Total student enrollments | 348,000 | 502,350 | 44.4% |

| | Fiscal Year Ended | | |
|---|--------------------------|--------------------|---------------------------|
| | February 28, | | |
| | <u>2014</u> | <u>2015</u> | <u>Pct. Change</u> |
| Net revenues | 313,895 | 433,970 | 38.3% |
| Net income attributable to TAL | 60,606 | 67,157 | 10.8% |
| Non-GAAP net income attributable to TAL | 68,951 | 85,598 | 24.1% |
| Operating income | 57,396 | 67,248 | 17.2% |
| Non-GAAP operating income | 65,741 | 85,689 | 30.3% |
| Net income per ADS attributable to TAL – basic | 0.77 | 0.85 | 9.7% |
| Net income per ADS attributable to TAL – diluted | 0.76 | 0.82 | 8.0% |
| Non-GAAP net income per ADS attributable to TAL – basic | 0.88 | 1.08 | 22.8% |
| Non-GAAP net income per ADS attributable to TAL – diluted | 0.86 | 1.03 | 19.3% |
| Total student enrollments | 1,073,950 | 1,494,430 | 39.2% |

“Fiscal year 2015 was another successful year in the execution of our growth strategy. We increased our small class capacity by 30.6% over the previous fiscal year-end by adding 692 small class classrooms on a net basis. Our total revenue grew 38.3% from fiscal year 2014 to fiscal year 2015, supported by the continuous robust growth of our business in the cities outside Beijing, where our K-12 after-school tutoring services are relatively underpenetrated and we have firmly established our brand presence. During fiscal year 2015, our total enrollments grew to nearly 1.5 million,” said TAL’s Chairman and Chief Executive Officer, Mr. Bangxin Zhang.

“In the past fiscal year, we stepped up our investment in online-to-offline (O2O) and new business significantly to implement our strategy of combining new technology with education. We have received positive feedback from users and customers, and believe that we solidified our early-mover advantage in this regard. In fiscal year 2016, we will continue to bring together the technology, community and education resources, and aim to become a leading technology-focused education services provider in China, through both in-house development and strategic investments,” Mr. Zhang added.

Mr. Rong Luo, Chief Financial Officer, said, “We are pleased with the strong financial results for the fourth quarter and fiscal year 2015, which exceeded our expectations on both top and bottom lines. We achieved 30.3% year-over-year growth in non-GAAP operating income, even though we substantially increased investments in new technology and business. Looking ahead, we will continue to invest in O2O and new business initiatives to secure our long-term healthy growth.”

Financial Results for the Fourth Quarter of Fiscal Year 2015

Net Revenues

In the fourth quarter of fiscal year 2015, TAL reported net revenues of US\$123.2 million, representing a 41.6% increase from US\$87.0 million in the fourth quarter of fiscal year 2014. The increase was mainly driven by an increase in total student enrollments, which increased by 44.4% to approximately 502,350 from approximately 348,000 in the same period of the prior year. The increase in total student enrollments was driven primarily by increases of enrollments in the small class offerings. The increase in net revenues was partially offset by a decrease in our average selling price (ASP), which decreased by 1.9% to US\$245 in the fourth quarter of fiscal year 2015 from US\$250 in the fourth quarter of fiscal year 2014. The decrease in ASP was mainly caused by the foreign exchange rate fluctuation while the increases in the hourly rate of the small class course offerings were offset by more enrollment contribution from online courses.

Operating Costs and Expenses

In the fourth quarter of fiscal year 2015, operating costs and expenses were US\$108.6 million, a 49.2% increase from US\$72.8 million in the fourth quarter of fiscal year 2014. Non-GAAP operating costs and expenses, which excluded share-based compensation expenses, were US\$103.3 million, a 47.1% increase from US\$70.2 million in the fourth quarter of fiscal year 2014.

Cost of revenues increased by 45.2% to US\$59.2 million, from US\$40.8 million in the fourth quarter of fiscal year 2014. The increase in cost of revenues was mainly due to an increase in teacher compensation, rental costs and other staff costs associated primarily with an expansion of learning center capacity, as well as increases in wages and teacher fees. Non-GAAP cost of revenues, which excluded share-based compensation expenses, increased by 45.2% to US\$59.2 million, from US\$40.8 million in the fourth quarter of fiscal year 2014.

Selling and marketing expenses increased by 55.1% to US\$15.8 million, from US\$10.2 million in the fourth quarter of fiscal year 2014. Non-GAAP selling and marketing expenses, which excluded share-based compensation expenses, increased by 54.4% to US\$15.3 million, from US\$9.9 million in the fourth quarter of fiscal year 2014. The increase of selling and marketing expenses in the fourth quarter of fiscal year 2015 was primarily a result of an increase in compensation to sales and marketing staff to support a greater number of programs and service offerings versus the year-ago period.

General and administrative expenses increased by 54.0% to US\$33.6 million, from US\$21.8 million in the fourth quarter of fiscal year 2014. The increase in general and administrative expenses was mainly due to an increase in the number of our general and administrative personnel compared to the year-ago period and an increase in compensation to our general and administrative personnel, in particular such personnel supporting our online education initiatives among other new programs and service offerings. Non-GAAP general and administrative expenses, which excluded share-based compensation expenses, increased by 47.4% to US\$28.8 million, from US\$19.6 million in the fourth quarter of fiscal year 2014.

Total share-based compensation expenses allocated to the related operating costs and expenses increased by 105.7% to US\$5.3 million in the fourth quarter of fiscal year 2015, from US\$2.6 million in the same period of fiscal year 2014. The increase was mainly due to

new grants of non-vested shares to directors and employees by the Company in fiscal year 2015.

Gross Profit

Gross profit increased by 38.5% to US\$64.0 million, from US\$46.2 million in the fourth quarter of fiscal year 2014.

Income from Operations

Income from operations increased by 3.2% to US\$14.9 million, from US\$14.4 million in the fourth quarter of fiscal year 2014. Non-GAAP income from operations, which excluded share-based compensation expenses, increased by 18.8% to US\$20.2 million, from US\$17.0 million in the fourth quarter of fiscal year 2014.

Other Expense

Other expense was US\$2.9 million for the fourth quarter of fiscal year 2015, compared to US\$0.4 million for the fourth quarter of fiscal year 2014. Other expense for the fourth quarter of fiscal year 2015 was mainly due to exchange losses. As the Company holds a significant portion of cash balance in RMB and reports in US Dollars, it benefits from exchange gains in times of relative strength of the RMB and incurs exchange losses in times of relative strength of the U.S. Dollar.

Net Income Attributable to TAL Education Group

Net income attributable to TAL decreased by 17.8% to US\$13.7 million, from US\$16.7 million in the fourth quarter of fiscal year 2014. Non-GAAP net income attributable to TAL, which excluded share-based compensation expenses, decreased by 1.3% to US\$19.0 million, from US\$19.3 million in the fourth quarter of fiscal year 2014.

Basic and Diluted Net Income per ADS

Basic and diluted net income per ADS were both US\$0.17, in the fourth quarter of fiscal year 2015. Non-GAAP basic and Non-GAAP diluted net income per ADS, which excluded share-based compensation expenses, were US\$0.24 and US\$0.23, respectively.

Capital Expenditures

Capital expenditures for the fourth quarter of fiscal year 2015 were US\$10.1 million, an increase of US\$7.8 million from US\$2.3 million in the fourth quarter of fiscal year 2014. The increase was mainly due to leasehold improvements and the purchase of servers, computers, software systems and other hardware, for the Company's teaching and mobile network R&D facilities.

Financial Results for the Fiscal Year Ended February 28, 2015

Net Revenues

For fiscal year 2015, TAL reported net revenues of US\$434.0 million, representing a 38.3% increase from US\$313.9 million in fiscal year 2014. The increase was mainly driven by increases of enrollments in the small class offerings. Total student enrollments increased by 39.2% to approximately 1,494,430 from approximately 1,073,950 in the prior year. The increase in total student enrollments was driven primarily by increases of enrollments in the small class offerings. Average selling price (ASP) was US\$290 in fiscal year 2015, which remained almost unchanged from US\$292 in fiscal year 2014. ASP was stable mainly because

the increases in the hourly rate of the small class course offerings were offset by more enrollment contribution from online courses and the foreign exchange rate fluctuation.

Operating Costs and Expenses

In fiscal year 2015, operating costs and expenses were US\$367.2 million, a 42.5% increase from US\$257.6 million in fiscal year 2014. Non-GAAP operating costs and expenses, which excluded share-based compensation expenses, were US\$348.7 million, a 39.9% increase from US\$249.3 million in fiscal year 2014.

Cost of revenues increased by 34.0% to US\$203.1 million, from US\$151.5 million in fiscal year 2014. The increase in cost of revenues was mainly due to an increase in teacher compensation, rental costs and other staff costs associated primarily with an expansion of learning center capacity as well as increases in wages and teacher fees. Non-GAAP cost of revenues, which excluded share-based compensation expenses, increased by 34.0% to US\$203.0 million, from US\$151.5 million in fiscal year 2014.

Selling and marketing expenses increased by 50.7% to US\$53.9 million, from US\$35.8 million in fiscal year 2014. Non-GAAP selling and marketing expenses, which excluded share-based compensation expenses, increased by 49.7% to US\$51.8 million, from US\$34.6 million in fiscal year 2014. The increase of selling and marketing expenses in fiscal year 2015 was primarily a result of an increase in compensation to sales and marketing staff to support a greater number of programs and service offerings versus the year-ago period.

General and administrative expenses increased by 56.8% to US\$110.2 million, from US\$70.3 million in fiscal year 2014. The increase in general and administrative expenses was mainly due to an increase in the number of our general and administrative personnel compared to the year-ago period and an increase in compensation to our general and administrative personnel, in particular such personnel supporting our online education initiatives among other new programs and service offerings. Non-GAAP general and administrative expenses, which excluded share-based compensation expenses, increased by 48.7% to US\$93.9 million, from US\$63.2 million in fiscal year 2014.

Total share-based compensation expenses allocated to the related operating costs and expenses increased by 121.0% to US\$18.4 million in fiscal year 2015, from US\$8.3 million in fiscal year 2014. The increase was mainly due to new grants of non-vested shares to directors and employees by the Company in fiscal year 2015.

Gross Profit

Gross profit increased by 42.2% to US\$230.9 million, from US\$162.4 million in fiscal year 2014.

Income from Operations

Income from operations increased by 17.2% to US\$67.2 million, from US\$57.4 million in fiscal year 2014. Non-GAAP income from operations, which excluded share-based compensation expenses, increased by 30.3% to US\$85.7 million, from US\$65.7 million in fiscal year 2014.

Other (Expense)/Income

Other expense was US\$2.0 million for fiscal year 2015, compared to other income of US\$0.1 million for fiscal year 2014. Other expense for fiscal year 2015 was mainly due to exchange losses. As the Company holds a significant portion of cash balance in RMB and reports in US Dollars, it benefits from exchange gains in times of relative strength of the RMB and incurs exchange losses in times of relative strength of the U.S. Dollar.

Income Tax Expense

Income tax expense was US\$9.4 million in fiscal year 2015, as compared to US\$6.7 million in fiscal year 2014, because the Company's effective tax rate increased. The effective tax rate increased mainly because TAL Beijing is entitled to a preferential tax rate of 15% from calendar year 2014 through 2016 as a "high and new technology enterprise strongly supported by the state", and was entitled to an even lower tax rate of 12.5% from calendar year 2011 through 2013 as a software enterprise.

Net Income Attributable to TAL Education Group

Net income attributable to TAL increased by 10.8% to US\$67.2 million, from US\$60.6 million in fiscal year 2014. Non-GAAP net income attributable to TAL, which excluded share-based compensation expenses, increased by 24.1% to US\$85.6 million, from US\$69.0 million in fiscal year 2014.

Basic and Diluted Net Income per ADS

Basic and diluted net income per ADS were US\$0.85 and US\$0.82, respectively, in fiscal year 2015. Non-GAAP basic and Non-GAAP diluted net income per ADS, which excluded share-based compensation expenses, were US\$1.08 and US\$1.03, respectively.

Capital Expenditures

Capital expenditures for fiscal year 2015 were US\$30.6 million, an increase of US\$19.7 million from US\$10.9 million in fiscal year 2014. The increase was mainly due to leasehold improvements, and the purchase of servers, computers, software systems and other hardware, for the Company's teaching and mobile network R&D facilities.

Cash, Cash Equivalents, and Term Deposits

As of February 28, 2015, the Company had US\$470.2 million of cash and cash equivalents and US\$21.2 million of term deposits, compared to US\$269.9 million of cash and cash equivalents and nil of term deposits as of February 28, 2014. Net cash provided by operating activities for fiscal year 2015 was approximately US\$147.6 million, representing a year-over-year increase of approximately 45.3%.

Deferred Revenue

As of February 28, 2015, the Company's deferred revenue balance was US\$177.6 million, compared to US\$132.4 million as of February 28, 2014, representing a year-over-year increase of approximately 34.2%.

Business Outlook

Based on the Company's current estimates, total net revenues for the first quarter of fiscal year 2016 are expected to be between US\$122.0 million and US\$124.6 million, representing an increase of 37% to 40% on a year-over-year basis, assuming no material change in exchange rates.

These estimates reflect the Company's current expectation, which is subject to change.

Conference Call

The Company will host a conference call and live webcast to discuss its financial results for the fourth fiscal quarter and the fiscal year ended February 28, 2015 at 8:00 a.m. Eastern Time on April 28, 2015(8:00 p.m. Beijing time on April 28, 2015).

The dial-in details for the live conference call are as follows:

| | |
|-----------------------------|-----------------|
| - U.S. toll free: | +1-866-519-4004 |
| - Hong Kong toll free: | 800-906-601 |
| - Mainland China toll free: | 400-620-8038 |
| - International toll: | +65-6723-9381 |
| Conference ID: | 11493126 |

A live and archived webcast of the conference call will be available on the Investor Relations section of TAL's website at en.100tal.com.

A telephone replay of the conference call will be available through 11:59 p.m. U.S. Eastern time, May 6, 2015 (11:59 a.m. Beijing time, May 6, 2015).

The dial-in details for the replay are as follows:

| | |
|-----------------------------|-----------------|
| - U.S. toll free: | +1-855-452-5696 |
| - Hong Kong toll free: | 800-963-117 |
| - Mainland China toll free: | 400-632-2162 |
| - International toll: | +61-2-8199-0299 |
| Conference ID: | 11493126 |

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the outlook for the first quarter of fiscal year 2016 and the fiscal year ending February 29, 2016, quotations from management in this announcement, as well as TAL Education Group's strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its reports filed with, or furnished to, the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any

forward-looking statement, including but not limited to the following: the Company's ability to continue to attract students to enroll in its courses; the Company's ability to continue to recruit, train and retain qualified teachers; the Company's ability to improve the content of its existing course offerings and to develop new courses; the Company's ability to maintain and enhance its brand; the Company's ability to maintain and continue to improve its teaching results; and the Company's ability to compete effectively against its competitors. Further information regarding these and other risks is included in the Company's reports filed with, or furnished to the U.S. Securities and Exchange Commission. All information provided in this press release and in the attachments is as of the date of this press release, and TAL Education Group undertakes no duty to update such information or any forward-looking statement, except as required under applicable law.

About TAL Education Group

TAL Education Group is a leading K-12 after-school tutoring services provider in China. The acronym "TAL" stands for "Tomorrow Advancing Life," which reflects our vision to promote top learning opportunities for Chinese students through both high-quality teaching and content, as well as leading edge application of technology in the education experience. TAL Education Group offers comprehensive tutoring services to students from pre-school to the twelfth grade through three flexible class formats: small classes, personalized premium services, and online courses. Our tutoring services cover the core academic subjects in China's school curriculum including mathematics, English, Chinese, physics, chemistry, and biology. The Company's learning center network includes 289 physical learning centers as of February 28, 2015, located in 19 key cities in China: Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Wuhan, Xi'an, Chengdu, Nanjing, Hangzhou, Taiyuan, Zhengzhou, Chongqing, Suzhou, Shenyang, Jinan, Shijiazhuang, Qingdao and Changsha. We also operate www.jzb.com, a leading online education platform in China. Our ADSs trade on the New York Stock Exchange under the symbol "XRS."

About Non-GAAP Financial Measures

In evaluating its business, TAL considers and uses the following measures defined as non-GAAP financial measures by the U.S. Securities and Exchange Commission as supplemental metrics to review and assess its operating performance: non-GAAP operating costs and expenses, non-GAAP cost of revenues, non-GAAP selling and marketing expenses, non-GAAP general and administrative expenses, non-GAAP income from operations, non-GAAP net income attributable to TAL, non-GAAP basic and non-GAAP diluted net income per ADS. To present each of these non-GAAP measures, the Company excludes share-based compensation expenses. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from or as a substitute for the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the table captioned "Reconciliations of non-GAAP measures to the most comparable GAAP measures" set forth at the end of this release.

TAL believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding share-based expenses that may not be indicative of its operating performance from a cash perspective. TAL believes that

both management and investors benefit from these non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These non-GAAP financial measures also facilitate management's internal comparisons to TAL's historical performance and liquidity. TAL computes its non-GAAP financial measures using the same consistent method from quarter to quarter and from period to period. TAL believes these non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using non-GAAP measures is that these non-GAAP measures exclude share-based compensation charges that have been and will continue to be for the foreseeable future a significant recurring expense in the Company's business. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying tables have more details on the reconciliations between GAAP financial measures that are most directly comparable to non-GAAP financial measures.

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TAL EDUCATION GROUP
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In U.S. dollars)

| | As of February 28, 2014 | As of February 28, 2015 |
|--|--|--|
| | | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 269,930,571 | \$ 470,157,430 |
| Term deposits | - | 21,229,763 |
| Restricted cash-current | 325,688 | 606,169 |
| Short-term investment | - | 765,611 |
| Inventory | 181,759 | 544,085 |
| Amounts due from related parties-current | - | 159,502 |
| Deferred tax assets-current | 3,281,063 | 4,562,034 |
| Income tax receivable | 9,824,333 | 3,222,529 |
| Prepaid expenses and other current assets | 16,833,208 | 38,185,411 |
| Total current assets | 300,376,622 | 539,432,534 |
| Restricted cash-non-current | 2,546,878 | 3,773,302 |
| Property and equipment, net | 78,625,191 | 93,575,648 |
| Deferred tax assets-non-current | 555,528 | 1,708,212 |
| Rental deposit | 7,322,438 | 11,034,812 |
| Intangible assets, net | 2,535,593 | 3,687,255 |
| Goodwill | 7,509,824 | 12,330,326 |
| Amounts due from related parties-non-current | - | 319,005 |
| Long-term investments | 27,137,239 | 97,359,075 |
| Long-term prepayments and other non-current assets | 989,454 | 9,194,468 |
| Total assets | \$ 427,598,767 | \$ 772,414,637 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of 2,004,659 and 4,115,254 as of February 28, 2014, and February 28, 2015, respectively) | \$ 2,349,365 | \$ 4,705,492 |
| Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to TAL Education Group of 102,488,333 and 154,982,001 as of February 28, 2014, and February 28, 2015, respectively) | 132,401,062 | 177,639,939 |
| Amounts due to related parties(including amount due to related parties of the consolidated VIEs without recourse to TAL Education Group of nil and 22,077 as of February | - | 22,077 |

| | | |
|--|-----------------------|-----------------------|
| 28, 2014, and February 28, 2015, respectively) | | |
| Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to TAL Education Group of 18,920,194 and 30,106,008 as of February 28, 2014, and February 28, 2015, respectively) | 27,423,992 | 43,988,602 |
| Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of 3,661,860 and 4,193,507 as of February 28, 2014, and February 28, 2015, respectively) | 4,519,807 | 6,136,813 |
| Deferred tax liabilities-current (including deferred tax liabilities-current of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 28, 2014, and February 28, 2015, respectively) | 62,100 | 62,100 |
| Total current liabilities | 166,756,326 | 232,555,023 |
| Deferred tax liabilities-non-current (including deferred tax liabilities-non-current of the consolidated VIEs without recourse to TAL Education Group of 32,344 and 215,764 as of February 28, 2014, and February 28, 2015, respectively) | 32,344 | 226,792 |
| Bond payable(including bond payable of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 28, 2014,and February 28,2015, respectively) | - | 226,062,006 |
| Long-term payable (including long-term payable of the consolidated VIEs without recourse to TAL Education Group of 813,696 and nil as of February 28, 2014, and February 28, 2015, respectively) | 813,696 | - |
| Total liabilities | 167,602,366 | 458,843,821 |
| TAL Education Group Shareholders' Equity | | |
| Class A common shares | 78,204 | 88,372 |
| Class B common shares | 79,531 | 71,456 |
| Additional paid-in capital | 92,664,436 | 82,479,806 |
| Statutory reserve | 15,015,824 | 18,961,627 |
| Retained earnings | 144,311,994 | 207,522,766 |
| Accumulated other comprehensive income | 7,846,412 | 4,168,548 |
| Total TAL Education Group's equity | 259,996,401 | 313,292,575 |
| Noncontrolling interest | - | 278,241 |
| Total equity | 259,996,401 | 313,570,816 |
| Total liabilities and equity | \$ 427,598,767 | \$ 772,414,637 |

TAL EDUCATION GROUP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In U.S. dollars, except share, ADS, per share and per ADS data)

| | For the Three Months Ended February 28, | | For the Fiscal Year Ended February 28, | |
|--|--|----------------|---|----------------|
| | 2014 | 2015 | 2014 | 2015 |
| Net revenues | \$ 86,998,753 | \$ 123,204,551 | \$ 313,895,205 | \$ 433,969,569 |
| Cost of revenues(note 1) | 40,767,443 | 59,185,331 | 151,543,116 | 203,073,957 |
| Gross profit | 46,231,310 | 64,019,220 | 162,352,089 | 230,895,612 |
| Operating expenses (note 1) | | | | |
| Selling and marketing | 10,183,556 | 15,796,961 | 35,761,166 | 53,881,815 |
| General and administrative | 21,842,195 | 33,627,409 | 70,299,742 | 110,230,010 |
| Total operating expenses | 32,025,751 | 49,424,370 | 106,060,908 | 164,111,825 |
| Government Subsidies | 190,397 | 260,002 | 1,104,750 | 464,327 |
| Income from operations | 14,395,956 | 14,854,852 | 57,395,931 | 67,248,114 |
| Interest income | 2,799,092 | 4,967,407 | 9,438,263 | 16,613,656 |
| Interest expense | - | (1,872,138) | - | (5,811,288) |
| Other (expenses)/ income | (364,881) | (2,856,183) | 101,254 | (2,010,109) |
| Gain on short-term investment | - | - | 297,120 | - |
| Gain on fair value change from long-term investment | - | 199,000 | - | 1,202,000 |
| Gain on sales of available-for-sale securities | - | - | 52,958 | - |
| Income before provision for income tax and loss from equity method investments | 16,830,167 | 15,292,938 | 67,285,526 | 77,242,373 |
| Provision for income tax | (120,557) | (1,129,266) | (6,679,754) | (9,368,541) |
| Loss from equity method investments | - | (423,225) | - | (729,811) |
| Net income | 16,709,610 | 13,740,447 | 60,605,772 | 67,144,021 |
| Add: Net (income)/loss attributable to noncontrolling interest | - | (11,226) | - | 12,554 |
| Total net income attributable to TAL Education Group | \$ 16,709,610 | \$ 13,729,221 | \$ 60,605,772 | \$ 67,156,575 |
| Net income per common share | | | | |
| Basic | \$ 0.11 | \$ 0.09 | \$ 0.39 | \$ 0.42 |
| Diluted | 0.10 | 0.08 | 0.38 | 0.41 |
| Net income per ADS (note 2) | | | | |
| Basic | \$ 0.21 | \$ 0.17 | \$ 0.77 | \$ 0.85 |
| Diluted | 0.21 | 0.17 | 0.76 | 0.82 |

Weighted average shares used in
calculating net income per
common share

| | | | | |
|---------|-------------|-------------|-------------|-------------|
| Basic | 157,289,447 | 159,085,889 | 156,726,994 | 158,381,576 |
| Diluted | 161,468,899 | 164,156,582 | 159,444,928 | 163,589,649 |

Note1: Share-based compensation expenses are included in the operating costs and expenses as follows:

| | For the Three Months Ended February 28, | | For the Fiscal Year Ended February 28, | |
|----------------------------|--|---------------------|---|----------------------|
| | 2014 | 2015 | 2014 | 2015 |
| Cost of revenues | \$ 14,592 | \$ 13,272 | \$ 47,894 | \$ 47,808 |
| Selling and marketing | 284,470 | 509,161 | 1,161,593 | 2,072,742 |
| General and administrative | 2,280,770 | 4,784,931 | 7,135,803 | 16,320,526 |
| Total | <u>\$ 2,579,832</u> | <u>\$ 5,307,364</u> | <u>\$ 8,345,290</u> | <u>\$ 18,441,076</u> |

Note 2: Each ADS represents two Class A common shares.

TAL EDUCATION GROUP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(In U.S. dollars)

| | For the Three Months Ended February 28, | | For the Fiscal Year Ended February 28, | |
|--|--|---------------|---|---------------|
| | 2014 | 2015 | 2014 | 2015 |
| Net income | \$ 16,709,610 | \$ 13,740,447 | \$ 60,605,772 | \$ 67,144,021 |
| Other comprehensive (loss)/income, net of tax | (1,799,139) | (4,131,675) | 1,295,686 | (3,678,886) |
| Comprehensive income | 14,910,471 | 9,608,772 | 61,901,458 | 63,465,135 |
| Add: Comprehensive (income)/loss attributable to noncontrolling interest | - | (5,512) | - | 13,576 |
| Comprehensive income attributable to TAL Education Group | \$ 14,910,471 | \$ 9,603,260 | \$ 61,901,458 | \$ 63,478,711 |

TAL EDUCATION GROUP
Reconciliation of Non-GAAP Measures to the Most Comparable GAAP Measures
(In U.S. dollars, except share, ADS, per share and per ADS data)

| | For the Three Months Ended February 28, | | For the Fiscal Year Ended February 28, | |
|---|--|--------------------|---|--------------------|
| | 2014 | 2015 | 2014 | 2015 |
| Cost of revenues | \$ 40,767,443 | \$ 59,185,331 | \$ 151,543,116 | \$ 203,073,957 |
| Share-based compensation expense in cost of revenues | 14,592 | 13,272 | 47,894 | 47,808 |
| Non-GAAP cost of revenues | 40,752,851 | 59,172,059 | 151,495,222 | 203,026,149 |
| Selling and marketing expenses | 10,183,556 | 15,796,961 | 35,761,166 | 53,881,815 |
| Share-based compensation expense in selling and marketing expenses | 284,470 | 509,161 | 1,161,593 | 2,072,742 |
| Non-GAAP selling and marketing expenses | 9,899,086 | 15,287,800 | 34,599,573 | 51,809,073 |
| General and administrative expenses | 21,842,195 | 33,627,409 | 70,299,742 | 110,230,010 |
| Share-based compensation expense in general and administrative expenses | 2,280,770 | 4,784,931 | 7,135,803 | 16,320,526 |
| Non-GAAP general and administrative expenses | 19,561,425 | 28,842,478 | 63,163,939 | 93,909,484 |
| Operating costs and expenses | 72,793,194 | 108,609,701 | 257,604,024 | 367,185,782 |
| Share-based compensation expense in operating costs and expenses | 2,579,832 | 5,307,364 | 8,345,290 | 18,441,076 |
| Non-GAAP operating costs and expenses | 70,213,362 | 103,302,337 | 249,258,734 | 348,744,706 |
| Income from operations | 14,395,956 | 14,854,852 | 57,395,931 | 67,248,114 |
| Share based compensation expenses | 2,579,832 | 5,307,364 | 8,345,290 | 18,441,076 |
| Non-GAAP income from operations | 16,975,788 | 20,162,216 | 65,741,221 | 85,689,190 |
| Net income attributable to TAL Education Group | 16,709,610 | 13,729,221 | 60,605,772 | 67,156,575 |
| Share based compensation expenses | 2,579,832 | 5,307,364 | 8,345,290 | 18,441,076 |

| | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| Non-GAAP net income attributable to TAL Education Group | \$ 19,289,442 | \$ 19,036,585 | \$ 68,951,062 | \$ 85,597,651 |
| Net income per ADS | | | | |
| Basic | \$ 0.21 | \$ 0.17 | \$ 0.77 | \$ 0.85 |
| Diluted | 0.21 | 0.17 | 0.76 | 0.82 |
| Non-GAAP Net income per ADS | | | | |
| Basic | \$ 0.25 | \$ 0.24 | \$ 0.88 | \$ 1.08 |
| Diluted | 0.24 | 0.23 | 0.86 | 1.03 |
| ADSs used in calculating net income per ADS | | | | |
| Basic | 78,644,724 | 79,542,945 | 78,363,497 | 79,190,788 |
| Diluted | 80,734,450 | 82,078,291 | 79,722,464 | 81,794,824 |
| ADSs used in calculating Non-GAAP Net income per ADS | | | | |
| Basic | 78,644,724 | 79,542,945 | 78,363,497 | 79,190,788 |
| Diluted | 80,734,450 | 90,828,196 | 79,722,464 | 88,602,970 |