



Toshio Tada, President

TAC Co., Ltd. (4319)



## Company Information

Exchange	TSE 1st Section
Industry	Service
President	Toshio Tada
HQ Address	Kanda-Misaki-cho 3-2-18, Chiyoda-ku, Tokyo
Year-end	March
Homepage	<a href="https://www.tac-school.co.jp/">https://www.tac-school.co.jp/</a>

## Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE(Act.)	Trading Unit
¥230	18,504,000 shares		4,255million	5.7%	100 shares
DPS(Est.)	Dividend yield (Est.)	EPS(Est.)	PER(Est.)	BPS(Act.)	PBR(Act.)
¥5.00	2.2%	¥5.40	42.6 x	¥296.83	0.8 x

\*The share price is the closing price on November 18. The number of shares issued, DPS and EPS were based on the results of the first half of the term ending March 2020. ROE and BPS are the results of the previous term.

## Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
March 2016	20,007	605	635	213	11.54	2.00
March 2017	20,440	713	692	490	26.49	4.00
March 2018	20,951	833	735	442	23.93	5.00
March 2019	20,474	340	409	309	16.74	8.00
March 2020 Est	20,430	320	322	100	5.40	5.00

\* Forecast by the Company. These values are on an accrual basis. Net income is profit attributable to owners of parent (the same applies for net income hereinafter).

\*Unit: ¥mn

We present this Bridge Report reviewing the first half of the fiscal year March 2020 earnings results and other information about TAC.

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## Key Points

- The sales on a cash basis for the second quarter of the term ending March 2020 were 11,473 million yen, up 6.9% year-on-year. Sales on an accrual basis were 11,025 million yen, up 1.6% year-on-year. The sales of Certified Public Accountant courses, Architects and Building Engineers courses, corporate training, and the publishing business have been performing well. Further, while gross profit and gross profit margin increased, SG&A expenses decreased 2.6% year-on-year due to the reduction of operating expenses, and operating profit on an accrual basis was 1,157 million yen, up 34.3% year-on-year. The results exceeded the initial estimates, thanks to the strong sales, less net provision of reserve for returns than predicted, curtailment of operating expenses, etc.
- The earnings forecast is unchanged. Sales on an accrual basis for the term ending March 2020 are expected to decline to 20,430 million yen, down 0.2% year on year. The sales of the Public Officer Courses are forecast to remain sluggish this term. Operating profit is expected to fall 6.1% year on year to 320 million yen. According to the company, the plan is based on the minimum profit margin that must be maintained. The dividend is to be 5.00 yen/share, down 3 yen/share from the previous term. The estimated payout ratio is 92.5%. Although the dividend is expected to decline due to decreases in sales and profit for the two consecutive terms, the company plans to enhance marketing and radically reform the cost structure, aiming for the bottom-out of sales and profit and recovering them.
- In this term, in which the company started its plan with the full-year goal of maintaining minimum levels, the progress rate of cash-based sales is going well compared with previous results, as the cumulative total as of the end of the first half reached 56.2%. The effect of rushed demand before the consumption tax hike and how it will impact the third quarter are unclear, however, the increase of Bookkeeping sales is a favorable trend. We would like to pay attention to how far the company can continue pushing through to achieve its initial target despite the harsh environment.

## 1. Company Overview

TAC Co., Ltd. is known as the "TAC, The Certification School" where university students and working people come to study to increase their chances of passing tests for various certifications and qualifications. The Company operates schools throughout Japan that educate students and adults in academic fields necessary to pass certification and Public Officer tests to become Certified Public Accountants, Licensed Tax Accountants, Real Estate Appraisers, Certified Social Insurance and Labor Consultant, Bar Examination, Judicial Scriveners and other professional occupations. In addition, TAC also provides various training programs for corporate clients and conducts publishing business as well.

**TAC Group (9 Consolidated Subsidiaries, 1 Equity Method Affiliated Company, 1 Non-Consolidated Subsidiary / not accounted for by Equity Method)**

Company Type	Segment	Company Name	Business Description
Consolidated Subsidiaries	Personnel Education	TAC General Property Management Co., Ltd.	School classroom building contracts, maintenance work
		TAC INFORMATION TECHNOLOGY (Dalian)Co., Ltd.	Dalian operation center (Administrative task, instruction material monitoring check)
		Online School Co., Ltd.	Online instruction membership system over the Internet
	Corporate Training	LUAC., Ltd.	Insurance related corporate training
	Publishing	Waseda Management Publishing Co., Ltd.	“W Seminar” brand publishing business
		TAC Publishing Sales Co., Ltd.	Marketing advertising related to the publishing business
	Manpower Business	TAC Profession Bank Co., Ltd	Human Resources introduction (headhunting), worker dispatch, job advertising business
Medical Office Staffing Kansai Co., Ltd.		Health insurance claims, medical-related staff dispatch business	
Kubo Medical Office Support Co., Ltd.		Health insurance claim inspection, filing services	
Equity Method Affiliated Company		Professional Network Co., Ltd.	Publishing of web magazines for professionals
Non-Consolidated Subsidiary / not accounted for by Equity Method		Technological and Commercial Modern Education (Dalian) Co., Ltd.	Corporate training for Japanese Bookkeeping, IT Specialist

\*As of the end of September 2019.

**【1-1 Corporate History】**

TAC was established in December 1980 as a school providing instruction to people seeking to obtain certifications and qualifications through examinations, including courses for the Certified Public Accountant, Bookkeeper, and Licensed Tax Accountant examinations. In October 2001, TAC listed its shares on the Over-The-Counter Market, and later moved its shares to the Second Section of the Tokyo Stock Exchange in January 2003 and then to the First Section in March 2004. TAC acquired KSS Co., Ltd. (formerly known as Waseda Management Publishing), which conducts certification and qualification acquisition support services including the provision of preparatory courses for Bar Examination, Judicial Scrivener, Patent Attorney, Level-1 Civil Service, Special Personnel of the MOFA, in September 2009. Through the addition of this company, TAC has been able to fortify its strengths in the accounting area by adding certification preparatory courses in the legal area, and to round out its service lineup with courses in the Public Officer area. In December 2013, the Company formed a collaborative agreement that included the sharing of capital with Zoshinkai Publishers Co., Ltd. for work in the development of a correspondence course education service for elementary, junior and senior high school students. Furthermore, other M&A activities were conducted in June 2014 to enter into the medical office area.

**【1-2 Strengths】**
**(1) Detailed Response to Changes, Revisions in Examination System, Laws**

Since the founding of the Company, TAC instructors have made revisions to the text materials used in its courses every year, and this ability to respond to changes and revisions in the examination and legal systems is a distinguishing feature and strength of TAC. For a company like TAC with sales approaching ¥20.0 billion, absorbing the costs of updating text materials on an annual basis is possible. However, new entrants and smaller players in the market have a much more difficult time absorbing the costs of updating teaching materials. Other strengths of TAC include its knowhow and efficiency accumulated over the history of its operations in providing the most updated information to the students of its courses.

## (2) Full-Scale Lineup and Active Course Development

TAC has risen to become the top player in the industry through its active efforts to develop courses in new areas, including those targeting university students, and it has become the first company within its industry to list its shares. Along with the acquisition of W Seminar's certification and qualification acquisition support business in 2009, TAC has been able to fortify its weakness in the areas of legal and Public Officer related courses. Consequently, the Company now boasts of a strong business model comprised of the three main cornerstones of accounting (Certified Public Accountant, Licensed Tax Accountant and Bookkeeper), legal, and Public Officer related certification and qualification acquisition support courses.

## (3) Providing Innovative Services with a Focus upon Students

Innovative services are yet another strength of TAC. TAC was the first school in the certification and qualification acquisition support services market to introduce educational media and enable students to choose which instructor they would like to study under. This corporate focus upon satisfying the needs of students is reflected in the quality of the text materials offered and has contributed to the establishment of a strong brand reputation as "TAC, The Certification School."

### 【1-3 ROE Analysis】

	FY 3/2013	FY 3/2014	FY 3/2015	FY 3/2016	FY 3/2017	FY 3/2018	FY 3/2019
<b>ROE (%)</b>	<b>35.5</b>	<b>21.9</b>	<b>4.9</b>	<b>4.8</b>	<b>10.3</b>	<b>8.6</b>	<b>5.7</b>
Net profit Margin (%)	4.66	3.98	1.06	1.07	2.40	2.11	1.51
Asset Turnover	1.17	1.16	0.98	0.93	0.94	0.96	0.95
Leverage	6.59	4.79	4.68	4.81	4.60	4.27	4.00

For the first time in three terms, return on equity (ROE) fell below 8%, which is generally said to be the value Japanese companies should aim for, because of the decrease in the ratio of net income. The company estimated that net profit Margin in this term will be 0.5% and REO will decline to 1.8%.

## 2. First Half of the Fiscal Year March 2020 Earnings Results

### Regarding Sales

Students applying for courses are required to pay tuitions at the time of their initial application (TAC calls these fees tuition advance pre-adjustment sales or sales on a cash basis), which are then booked on the balance sheet as a liability under the title "tuition advance." These tuition advances are then written down and booked as sales in the month that educational services were provided to the student (TAC calls these fees tuition advance pre-adjustment sales or sales on an accrual basis). While sales booked on the income statement are "sales on an accrual basis (tuition advance pre-adjustment sales)", the actual indicator of the sales conditions of the Company in the term are considered to be the "sales on a cash basis (tuition advance pre-adjustment sales)" (The fact that cash and equivalents are influenced strongly by the sales on a cash income is a characteristic that is shared with companies that take orders) and they are deemed to be a leading indicator for actual sales. Therefore, TAC management identifies this "sales on a cash basis (tuition advance pre-adjustment sales)" as a key management indicator.

### Regarding Seasonal Characteristics

Examinations for the majority of certification courses are held from the second (July to September) to third quarters (October to December), and core courses, especially those for Certified Public Accountants and Licensed Tax Accountants, fall into the time frame for examinations in the following year. At the same time, all courses fall into the fourth (January to March) and first quarters (April to June).

Despite an increase in sales on a cash basis and Account receivable-trade sales during the second and third quarters, tuition advances are written down and booked depending upon enrollment period and gross margin is profoundly influenced because of the booking of a fixed level of expenses every month. In the fourth and first quarters, these tuition advances are then written down and booked as sales in each month, causing gross margin to increase.

## BRIDGE REPORT

**(1) Consolidated Earnings**

	1H of FY 3/19	Share	1H of FY 3/20	Share	YY Change	Difference from the initial estimate
Sales on a cash basis	10,728	98.8%	11,473	104.1%	+6.9%	+4.4%
Sales on an accrual basis	10,854	100.0%	11,025	100.0%	+1.6%	+0.7%
Gross profit	4,699	43.3%	4,896	44.4%	+4.2%	+5.5%
SG&A	3,838	35.4%	3,739	33.9%	-2.6%	-2.4%
Operating profit	861	7.9%	1,157	10.5%	+34.4%	+42.9%
Ordinary profit	855	7.9%	1,253	11.4%	+46.6%	+53.5%
Net profit	594	5.5%	771	7.0%	+29.6%	+98.7%

\*Units: ¥mn. Net profit is profit attributable to owners of parent (the same applies for net income hereinafter).

**Sales and profits increased, exceeding the estimates.**

The sales on a cash basis were 11,473 million yen, up 6.9% year-on-year. The sales on an accrual basis were 11,025 million yen, up 1.6% year-on-year. The sales of Certified Public Accountant courses, Architects and Building Engineers courses, corporate training, and the publishing business have been performing well.

Further, while gross profit and gross profit margin increased, SG&A expenses decreased 2.6% year-on-year due to the reduction of the operating expenses, and operating profit on an accrual basis was 1,157 million yen, up 34.3% year-on-year.

The results exceeded the initial estimates, thanks to the strong sales, less net provision of reserve for returns than predicted, the curbing of operating expenses, etc.

**(2) Business Segment Trends****Sales on a cash basis by Business Segment**

	1H of FY 3/19	Share	1H of FY 3/20	Share	YY Change
Personnel Education	6,563	61.2%	7,010	61.1%	+6.8%
Corporate Training	2,247	21.0%	2,535	22.1%	+12.8%
Publishing	1,528	14.2%	1,619	14.1%	+6.0%
Manpower Business	423	3.9%	339	3.0%	-19.8%
Companywide Eliminations	-33	-	-30	-	-
Consolidated Sales	10,728	100.0%	11,473	100.0%	+6.9%

\*Units: ¥mn

**Operating profit on a cash basis by Business Segment**

	1H of FY 3/19	Share	1H of FY 3/20	Share	YY Change
Personnel Education	294	4.5%	788	11.3%	+167.7%
Corporate Training	598	26.6%	831	32.8%	+39.0%
Publishing	306	20.1%	462	28.6%	+51.0%
Manpower Business	90	21.5%	85	25.2%	-6.2%
Companywide Eliminations	-554	-	-562	-	-
Consolidated Operating profit	735	6.9%	1,605	14.0%	+118.3%

\*Units: ¥mn

**BRIDGE REPORT****【Personnel Education】**

Sales and profit increased.

Sales increased.	Courses for Bookkeeping, Certified Public Accountants, Architects and Building Engineers, Securities Analysts, Financial Planners, etc.
Sales decreased.	Courses for Government Officials in the Regular Service and Senior Officials of Local Governments, S&M Enterprise Mgt. Consultants, the Bar Exam, etc.

The company received many applications in a single month, September 2019, due to the rush demand before the consumption tax hike. Operating expenses were 6,221 million yen, down 0.8% year-on-year.

**【Corporate Training Business】**

Sales and profit increased

Sales increased.	IT Specialist, CompTIA®, In-university seminars, and Training programs entrusted for local governments
Sales decreased.	Content Provision and affiliated schools

Operating expenses, including instruction fees and personnel expenses for operation, increased 3.3% year on year.

**【Publishing Business】**

Sales and profit increased

Sales increased.	Publications related to Certified Social Insurance Labor Consultants, Financial Planners, Licensed Electrical Engineers, IT Specialist, Judicial Scriveners, Bar Exam, and Patent Attorneys.
Sales decreased.	Publications related to Real Estate Notary examination and Bookkeeping.

Operating expenses declined 5.3% year-on-year. Some expense items such as payments for manuscripts have increased, but net provision of reserve for inventory assets decreased thanks to the efforts made to increase management efficiency and promote sales.

**【Manpower Business】**

Sales and profit declined.

The demand for personnel in audit corporations, tax accountant corporations, and private enterprises is stable, but the gap related to terms and conditions between job offers and job seekers is getting wider. Thus, the time required to finalize contracts has become longer. Sales of temporary staffing shrunk due to the amendment to the Worker Dispatch Law.

Sales of advertisement decreased as the effectiveness of job advertisement for securing human resources has begun to fade.

As for the business of introduction and dispatch of medical office staff and nurse, little progress was made in increasing new clients while personnel expenses kept rising. Sales declined due to the cancellation of the large project launched in the previous fiscal year.

## BRIDGE REPORT

**(3) Trend by Certification Category****Sales on an accrual basis by Certification Category**

	1H of FY 3/19	Share	1H of FY 3/20	Share	YY Change
Finance, Accounting	1,799	16.6%	1,912	17.3%	+6.3%
Management, Taxation	1,935	17.8%	1,871	17.0%	-3.3%
Financial Service, Real Estate	2,355	21.7%	2,513	22.8%	+6.7%
Law	764	7.0%	745	6.8%	-2.5%
Public Officer, Labor	2,616	24.1%	2,519	22.9%	-3.7%
IT, International	715	6.6%	807	7.3%	+12.9%
Medical, Welfare	167	1.5%	133	1.2%	-20.2%
Others	500	4.7%	521	4.7%	+4.1%
<b>Consolidated Sales</b>	<b>10,854</b>	<b>100.0%</b>	<b>11,025</b>	<b>100.0%</b>	<b>+1.6%</b>

\*Units: ¥mn

**【Market Overview】**

The number of official test applicants of the various curricula taught by TAC in 2018 declined from the previous year 2.565 million to 2.513 million. It dropped two year straight.

Sales increased	Finance and Accounting Area, Financial Service & Real Estate Area, IT and International Area, Others
Sales decreased	Management and Taxation Area, Law Area, Public Officer Labor Area, Medical, & Welfare Area

**(Finance and Accounting Area)**

Applications from beginners as well as advanced students for the Certified Public Accountant course has been healthy. As for the Bookkeeping course, applications have become stable thanks to the fact that the effect of revising the examination sections subsided, etc.

**(Financial Service and Real Estate Area)**

Sales from courses for Financial Planners, Securities Analysts, Architects and Building Engineers were healthy.

**(IT and International Area)**

Sales of IT-related training for enterprises were solid.

**(Management and Taxation Area)**

Sales of the Licensed Tax Accountant course were favorable in the second quarter (July-September), and the performance in the first half was unchanged from the previous term, but sales of the Small and Medium Enterprise Management Consultant course were sluggish, which resulted in a general decrease in sales.

**(Law Area)**

Sales are sluggish overall

**(Public Officer and Labor Area)**

The sales from the Government Officials course (Regular Service and Local Government course) decreased, as the employment conditions in the private sector were good.

**(Medical and Welfare Area)**

Large projects were discontinued.

## BRIDGE REPORT

**(4) Student Number Trends**

	1H of FY 3/19	Share	1H of FY 3/20	Share	YY Change
Individual	87,677	64.5%	85,743	63.1%	-2.2%
Corporate	48,227	35.5%	50,070	36.9%	+3.8%
<b>Total</b>	<b>135,904</b>	<b>100.0%</b>	<b>135,813</b>	<b>100.0%</b>	<b>-0.1%</b>

\*Units: Persons

**Number of students by Certification Category**

	1H of FY 3/20	Share	YY Change
Finance and Accounting	21,177	15.6%	-0.3%
Management and Taxation	19,079	14.0%	-0.4%
Financial Service & Real Estate	35,861	26.4%	-3.2%
Law	7,253	5.4%	-7.9%
Public Officer and Labor	36,161	26.6%	+4.2%
IT and International/ Medical and Welfare/ Others	16,282	12.0%	+2.6%
<b>Consolidated Sales</b>	<b>135,813</b>	<b>100.0%</b>	<b>-0.1%</b>

\*Units: Persons

**Business Trends by Curriculum Category (Combined Total for both Personal and Corporate Instruction)**

&lt;Increases&gt;

Courses for Certified Public Accountants, Architects and Building Engineers, Securities Analysts, CompTIA®, etc.

&lt;Declines&gt;

Courses for Real Estate Notary, Government Officials in the Regular Service and Senior Officials of Local Government, Certified Social Insurance Labor Consultant, etc.

The number of corporate students in online training and in-university seminars increased while it decreased in affiliated schools. Entrusted training programs increased with new clients.

**(5) Financial Conditions****◎Main Balance Sheet Items**

	March 2019	September 2019		March 2019	September 2019
Cash, Equivalents	5,195	6,219	Payables	524	440
Receivables	3,871	4,787	Returns, Disposal Loss Reserves	820	658
Inventories	784	663	Tuition advance	6,044	6,627
<b>Current Assets</b>	<b>10,901</b>	<b>12,316</b>	Asset Retirement Obligation	628	577
Tangible Fixed Assets	4,508	4,491	<b>Interest Bearing Liabilities</b>	<b>6,377</b>	<b>6,516</b>
Intangible Fixed Assets	331	319	<b>Liabilities</b>	<b>15,987</b>	<b>16,526</b>
Investments, Others	5,744	5,609	<b>Net Assets</b>	<b>5,498</b>	<b>6,210</b>
<b>Fixed Assets</b>	<b>10,584</b>	<b>10,420</b>	<b>Total Liabilities, Net Assets</b>	<b>21,486</b>	<b>22,736</b>

\*Units: ¥mn

Due to the increase in receivables, cash, etc., current assets increased 1,414 million yen from the end of the previous year. Fixed assets were 10,420 million, down 164 million yen year-on-year, due to the decline in investments and other assets. Total assets were 22,736 million yen, up 1,250 million yen year-on-year.

Total liabilities were 16,526 million yen, up 539 million yen year-on-year, due to the increase in advance received and debts.

Net assets were 6,210 million yen, up 711 million yen year-on-year, due to the increase in retained earnings.

As a result, capital adequacy ratio was 27.3%, up 1.7% from the end of the previous term.



## BRIDGE REPORT



### ◎Cash flow statement

	March 2019	September 2019	YoY
Operating Cash Flow	213	999	+786
Investing Cash Flow	287	-17	-305
Free Cash Flow	501	982	+480
Financing Cash Flow	593	50	-542
Cash, Equivalents at the end of term	6,035	6,189	+154

The surplus of operating CF and free CF expanded due to the increase of net income before taxes and other adjustments, etc. The surplus of financing CF shrank due to the reduction of long-term debts. The cash position improved.

## (6) Topics

### ◎Opening new affiliated schools

In September 2019, the new TAC Mito School was opened as an affiliated school. As of the end of September 2019, the number of affiliated schools was 14.

### ◎Reinforcing the sales structure

As initially planned, the company reinforced the sales structure by increasing the number of sales representatives by 5 from the end of March 2019.

### ◎Initiating cost structure reforms

The company believes that the drastic reforms of the cost structure are needed, and started to optimize (downsize) 22 directly-managed schools on a full-scale basis.

By calculating classroom usage rate, seat occupation ratio, etc., the company applied concrete measures for reduction after studying each school building's case.

Moreover, the company is drastically revising the paper pamphlets.

### ◎Meeting students' needs

The company has been providing Wi-Fi connectivity to private video rooms one after another since March 2018.

Furthermore, the company started offering digital study material for the Certified Public Accountant and Certified Social Insurance Labor Consultant courses and the company is planning to expand it to include other courses.

### ◎Publishing the overseas guidebook, "Harukana"

Following the domestic guidebook series, "Otona Tabi Premium Series (a total of 32 titles in Japan), the company published a new overseas version.

The company plans to release a total of 15 titles, 5 of which were released in September 2019 (Honolulu, Taipei, Singapore, Italy, and Paris).

### 3. Fiscal Year March 2020 Earnings Estimates

#### (1) Consolidated Earnings

	FY 3/19 Act.	Share	FY 3/20 Est.	Share	YY Change
Sales on a cash basis	20,253	98.9%	20,430	100.0%	+0.9%
Sales on an accrual basis	20,474	100.0%	20,430	100.0%	-0.2%
Gross profit	8,006	39.1%	7,950	38.9%	-0.7%
SG&A	7,665	37.4%	7,630	37.3%	-0.5%
Operating profit	340	1.7%	320	1.6%	-6.1%
Ordinary profit	409	2.0%	322	1.6%	-21.4%
Net profit	309	1.5%	100	0.5%	-67.7%

\*Units: ¥mn. Estimates are those of the company.

**The earnings forecast is unchanged. Sales estimated to remain unchanged from the previous year and profits estimated to decline.**

The earnings forecast is unchanged. Sales on an accrual basis are expected to be 20,430 million yen, down 0.2% year on year. The sales of the Government Officials Courses are forecast to remain sluggish this term as well.

Operating profit is expected to drop to 320 million yen, down 6.1% year on year.

The dividend is to be 5.00 yen/share, down 3 yen/share from the previous term. The estimated payout ratio is 92.5%.

#### (2) Approaches after this term

Although the dividend is forecast to decline due to decreases in sales and profit for the two consecutive terms, the company aims for bottoming out of its sales and profit and to recover them with the following approaches in the aspect of business and cost.

#### 1. Approaches in each segment (Extracted from the previous Bridge Report)

##### (Personnel Education)

As for the Government Officials, the company plans to minimize the decrease in the number of students and prepare for economic recession as the recruitment status in private enterprises for new graduates is projected to be healthy for the time being.

In addition, as the number of students for both Licensed Tax Accountant and Judicial Scrivener Courses has been decreasing for the 8 consecutive years, there is an urgent need to minimize the decrease.

On the other hand, the number of students in Certified Public Accountant Courses tends to increase since the employment status in audit corporations for exam-qualified students is healthy. The company plans to actively capitalize on the fact that it has the lion's share in the number of students passing exams and to steadily capture demand.

In either case, the company will carry out strategies for each course that appropriately respond to external environmental factors and meet the needs of the market (students).

##### (Corporate Training)

The company plans to reinforce sales capabilities by increasing personnel for marketing.

TAC School Mito (affiliated school) was opened in September 2019 and to offer courses for Government Officials, Licensed Tax Accountant, Certified Social Insurance and Labor Consultant, Real Estate Notary, etc.

##### (Publishing)

The new publication, "Harukana," which is the overseas version of the popular "Otona Tabi Premium Series," was launched in September 2019.

A total of 15 titles are to cover Honolulu, Guam, Taipei, Paris, Italy, Singapore, Hong Kong, Vietnam, New York, Seoul, etc.

**(Manpower Business)**

In response to the booming demand in the career-change market for Certified Public Accountants and USCPA, the company plans to enhance personnel introduction business of Certified Public Accountants and USCPA.

The company will focus on attracting job seekers as well as improving the quality of consultants.

**2. Drastic reform of the cost structure**

Operating costs composed of cost and SG&A expenses increased to 20.1 billion yen while the sales on an accrual basis for the previous term was 20.4 billion yen. The company acknowledges that it needs to review the costs drastically and take action.

**◎Advertisement cost**

The company plans to make paperless brochures and shift its advertising media to the Internet as paper costs are projected to increase and advertising media are shifting to the Internet.

**◎Outsourcing expenses**

The impact of increasing paper cost is significant here as well. Meanwhile, the company plans to release electronic teaching materials as the demand for them is increasing.

**◎Rent expenses**

Although the company currently has 22 sites, the daytime operating rates in many sites are declining. In addition, the learning style has been changing; an increasing number of students uses the Internet and downloads content instead of going to a classroom.

Under these circumstances, the company plans to make decisions on reducing and relocating sites quickly based on their operation rates, as well as installing equipment that meets the needs of students.

**◎Personnel expenses**

In the office, securing human resources is becoming more difficult, and the increase in the minimum hourly wage has become an issue. In addition, it has also been difficult to secure instructors, and demand for instructors is growing due to the increase in the field of study for each examination subject and expertise therein.

The company plans to further improve work efficiency with utilization of IT etc., while maintaining around 500 employees as a whole. In order to enhance sales, the company also plans to reshuffle the personnel.

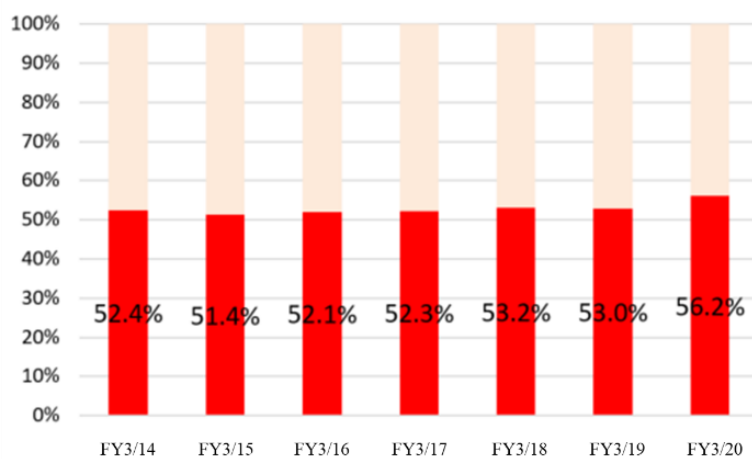
## 4. Conclusions

This term, in which the company started its plan with the full-year goal of maintaining minimum levels, the progress rate of cash-based sales is going well compared with previous results, as the cumulative total as of the end of the second quarter reached 56.2%.

The effect of rushed demand before the consumption tax hike and how it will impact the third quarter is unclear, but the increase of Bookkeeping sales is a favorable trend.

We would like to pay attention to how far the company can continue pushing through to achieve its initial target despite the harsh environment.

Trends in composition ratio of cash-based sales as of the end of 2Q



\*Composition ratio to full-year results. As for FY3/20, composition ratio to full-year forecast is applied.

## &lt;Reference: Regarding Corporate Governance&gt;

©Operating type, and the composition of directors and auditors

Operating type	Company with company auditors
Directors	8 directors, including 2 external ones
Auditors	3 auditors, including 2 external ones

©Corporate Governance Report

Updated on June 28, 2019

## &lt;Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)&gt;

Principles	Reasons for not implementing the principles
Supplementary principle 1-2 (4)	The great majority of our shareholders consist of individual Japanese shareholders, and the respective ratios of institutional and overseas investors are limited. At the present moment, therefore, our company does not use any electronic voting platforms, etc. or translate notices of convocation of shareholders' meetings into English; however, we will consider working on them if the ratio of institutional or overseas investors increases in the future.
Principle 1-4	At present, our company does not have any listed shares that are possessed strategically (hereinafter referred to as "strategically held shares"), and thus, we do not develop any criteria for properly coping with the exercise of voting rights pertaining to strategically held shares.  In the future, however, if we have to possess listed shares as strategically held shares, considering the intent of the corporate governance code, we will take appropriate action on disclosure of the policy on strategic shareholding, explanation about strategically held shares at meetings of shareholders, and the exercise of voting rights relating to strategically held shares.

## &lt;Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)&gt;

Principles	Disclosure contents
【Principle 5-1 Policy on constructive communication with shareholders】	Our company has established a department devoted to dealing with inquiries from investors including shareholders (IR Office). We appropriately handle each and every inquiry, except for any information that is deemed to be highly likely to go against the regulations for insider trading.

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