



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	https://www.tac-school.co.jp/

Stock Information

Share Price	Number of shares issued (excluding treasury shares)	Total market cap	ROE(Act.)	Trading Unit	
¥220	18,504,000 shares	¥4,070 million	1.9%	100 shares	
DPS(Est.)	Dividend yield (Est.)	EPS(Est.)	PER(Est.)	BPS(Act.)	PBR(Act.)
¥5.00	2.3%	¥22.16	9.9 x	¥295.67	0.7 x

*The share price is the closing price on November 16th. Number of shares issued, DPS, and EPS were taken from the brief report for the second quarter of fiscal year ending March 2021. ROE and BPS were the previous term results.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
March 2017 Act	20,440	713	692	490	26.49	4.00
March 2018 Act	20,951	833	735	442	23.93	5.00
March 2019 Act	20,474	340	409	309	16.74	8.00
March 2020 Act	20,331	162	260	103	5.58	5.00
March 2021 Est	20,350	690	684	410	22.16	5.00

*Unit: ¥mn. 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).

We present this Bridge Report reviewing the second quarter of fiscal year ending March 2021 earnings results and other information about TAC.

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Key Points

- Sales and profit decreased year on year in the second quarter of the term ending March 2021. The sales on a cash basis declined 13.7% year on year to 9,899 million yen due to the impact of the spread of the novel coronavirus and the last-minute demand before the consumption tax hike in the second quarter of the previous year. Sales dropped except for Publishing. Sales on an accrual basis fell 8.0% year on year to 10,144 million yen. Cost of sales decreased 6.6% year on year, and SG&A expenses fell 4.8% only. Thus, operating profit on an accrual basis went down 21.6% year on year to 907 million yen. Net profit declined 4.9% year on year to 733 million yen.
- There is no change in the full-year earnings forecast. For the term ending March 2021, it is expected that sales on a cash basis will decrease 0.2% year on year to 20,350 million yen, sales on an accrual basis will increase 0.1% to 20,350 million yen, and operating profit will rise 325.6% to 690 million yen. Sales are forecasted to remain at the same level as the previous fiscal year, but profit will grow significantly due to cost reductions. The dividend is to be 5.00 yen/share, the same as the last year.
- Due to the novel coronavirus crisis, all examinations were postponed. Additionally, shipping costs for teaching materials have increased. On the other hand, the amount of time spent at home has increased, resulting in a rise in the number of people who study using books they purchase on EC sites. For this reason, the company will strengthen the provision of online services. It will improve its ability to provide high-level content during the novel coronavirus crisis as well.
- Regarding the impact of the novel coronavirus pandemic, the company believes that it is likely to have a negative effect in the short term. The performance in both the first quarter and the second quarter fell below that in the same period of the previous year. The company expects to achieve the full-year forecast of “sales on par with the previous fiscal year and a significant increase in profit” by enriching the contents of correspondence-type courses, mainly online ones, capturing demand for online and e-learning training, and improving book sales via the Internet. We would like to pay attention to how effective the measures the company is taking would be. Above all, following the Licensed electrical engineer-class3, three scientific courses (Qualified Electrician-Class 2 , Licensed Electrical Engineer-Class2, and First-Class Building Operation and Management Engineer) will start this term. We expect them to contribute to revenues.

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, Certified Public Tax Accountants, Real Estate Appraisers, Labor and Social Security Attorney, 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	Personal Education	TAC General Property Management Co., Ltd. TAC INFORMATION TECHNOLOGY (Dalian)Co., Ltd. Online School Co., Ltd.	School classroom building contracts, maintenance work Dalian operation center (Administrative task, instruction material monitoring check) Online instruction membership system over the Internet	
		Corporate Training	LUAC., Ltd.	Insurance related corporate training
		Publishing	Waseda Management Publishing Co., Ltd. TAC Publishing Sales Co., Ltd.	“W Seminar” brand publishing business 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 October 2020.

【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, Bookkeeping, and Certified Public 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 (Government officials in the Main Career Track), 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 billing area.

*MOFA: Ministry of Foreign Affairs of Japan

【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, Certified Public Tax Accountant and Bookkeeping), 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	FY 3/2020
ROE(%)	35.5	21.9	4.9	4.8	10.3	8.6	5.7	1.9
Net profit Margin (%)	4.66	3.98	1.06	1.07	2.40	2.11	1.51	0.51
Asset Turnover	1.17	1.16	0.98	0.93	0.94	0.96	0.95	0.97
Leverage	6.59	4.79	4.68	4.81	4.60	4.27	4.00	3.81

ROE declined for three consecutive terms because of the decrease in profitability and leverage. The company estimates that net profit Margin in this term will be 2.0% and ROE will improve to 7.3%.

2. The Second Quarter of Fiscal Year ending March 2021 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 post-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

The company’s quarterly trends are as follows. Sales on a cash basis (tuition advance pre-adjustment sales) refers to sales after aggregating tuitions, and sales on an accrual basis (tuition advance post-adjustment sales) refers to sales after allocating tuitions to the period in which the company provides education services.

Examinations for the company’s main certification courses, such as Certified Public Accountants and Certified Public Tax Accountant, are held from spring to fall (Q1 to Q3), and applications for courses for mainly university students, such as public officer courses, are concentrated in the spring and summer (Q1 to Q2). Therefore, applications (sales on a cash basis) in the fourth quarter tend to be less than in other quarters.

On the other hand, operating expenses, such as rent, instructor fees, and advertising expenses, are booked in a fixed amount each month, so there is no quarterly bias.

(1) Consolidated Earnings

	FY 3/20 2Q	Share	FY 3/21 2Q	Share	YoY Change
Sales on a cash basis	11,473	104.1%	9,899	97.6%	-13.7%
Sales on an accrual basis	11,025	100.0%	10,144	100.0%	-8.0%
Gross profit	4,896	44.4%	4,469	44.1%	-8.7%
SG&A	3,739	33.9%	3,561	35.1%	-4.8%
Operating profit	1,157	10.5%	907	8.9%	-21.6%
Ordinary profit	1,253	11.4%	1,062	10.5%	-15.3%
Quarterly net profit	771	7.0%	733	7.2%	-4.9%

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

Sales and profit were down

The sales on a cash basis declined 13.7% year on year to 9,899 million yen due to the impact of the spread of the novel coronavirus and the last-minute demand before the consumption tax hike in the second quarter of the previous year. Sales dropped except for Publishing. Sales on an accrual basis fell 8.0% year on year to 10,144 million yen. Cost of sales decreased 6.6% year on year, and SG&A expenses fell 4.8% only. Thus, operating profit on an accrual basis went down 21.6% year on year to 907 million yen. Net profit declined 4.9% year on year to 733 million yen.

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

	FY 3/20 2Q	Share	FY 3/21 2Q	Share	YoY Change
Personal Education	7,010	61.1%	5,977	60.4%	-14.7%
Corporate Training	2,535	22.1%	2,009	20.3%	-20.7%
Publishing	1,619	14.1%	1,659	16.8%	+2.5%
Manpower Business	339	3.0%	278	2.8%	-17.8%
Companywide Eliminations	-30	-	-24	-	-
Consolidated Sales	11,473	100.0%	9,899	100.0%	-13.7%

*Units: ¥mn

Operating profit on a cash basis by Business Segment

	FY 3/20 2Q	Share	FY 3/21 2Q	Share	YoY Change
Personal Education	788	11.3%	37	0.6%	-95.3%
Corporate Training	831	32.8%	504	25.1%	-39.4%
Publishing	462	28.6%	637	38.4%	+37.8%
Manpower Business	85	25.2%	59	21.4%	-30.2%
Companywide Eliminations	-562	-	-576	-	-
Consolidated Operating profit	1,605	14.0%	662	6.7%	-58.7%

*Units: ¥mn

【Personal Education】

Sales and profit declined

Sales decreased.	Courses for Government Officials in the Regular Service and Senior Officials of Local Governments, Certified Public Tax Accountant, S&M Enterprise Mgt. Consultants, the Bar Exam, Labor and Social Security Attorney, etc.
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Due to the spread of the novel coronavirus, it cannot be estimated when the pandemic will subside. Under these circumstances, some of the exams related to courses in preparation for various licenses and certifications such as examinations for Certified Public Accountant, Public Officer, IT Specialist, Real Estate Transaction Agent, Bar Examination, and Judicial Scrivener have been postponed or canceled. The courses' application is in "a wait and see" mode, and the start time for the courses was pushed back. As for the Public Officer courses, the company's main courses, in addition to the recent downward trend, due to the influence of the spread of the novel coronavirus, universities which students, who were the targets of the courses, attend were closed for a certain period and the employment tests conducted by each local government were postponed.

In terms of costs, instructor fees decreased due to the suspension of lectures in the classroom for a certain period from April to May, and outsourcing costs for creating teaching materials and rents also dropped, resulting in a decline in the operating expenses of 4.5% year on year.

【Corporate Training】

Sales and profit decreased

Sales decreased.	university seminars, Content Provision, affiliated schools, correspondence training, etc.
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Due to the spread of the novel coronavirus, the training content was reduced, and the implementation period was postponed or canceled. Operating costs, including instruction fees and personnel expenses for operation, increased 11.7% year on year

【Publishing】

Sales and profit increased

Sales increased	Real Estate Transaction Agent, Certified Administrative Procedures Legal Specialist, Financial Planners, Licensed electrical engineer, and Licensed Strata Management Consultant, etc.
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Sales increased due to the increase of book purchases through EC sites due to the spread of the novel coronavirus.

Operating expenses decreased 11.7% due to a decline in production costs, such as outsourcing costs and the net provision for return adjustments.

【Manpower Business】

Sales and profit declined

In the introduction of accounting personnel and dispatch business, sales of recruitment services decreased, but temporary staffing sales increased. Advertising recovered in the second quarter following the increase of classified ads on the Internet.

In the introduction and dispatch business of Medical office staffing and nurse, the number of tasks such as making receipts declined due to a decrease in dentistry and clinics' use, because of the spread of the novel coronavirus. However, sales increased because of the requests for the tasks related to the revision of medical fees carried out once every two years and efforts to strengthen marketing.

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

	FY 3/20 2Q	Share	FY 3/21 2Q	Share	YoY Change
Finance, Accounting	1,912	17.3%	1,878	18.5%	-1.7%
Management, Taxation	1,871	17.0%	1,694	16.7%	-9.4%
Financial Service, Real Estate	2,513	22.8%	2,424	23.9%	-3.5%
Law	745	6.8%	667	6.6%	-10.6%
Public Officer, Labor	2,519	22.9%	2,345	23.1%	-6.9%
IT, International	807	7.3%	682	6.7%	-15.5%
Medical, Welfare	133	1.2%	141	1.4%	+5.5%
Others	521	4.7%	310	3.1%	-40.4%
Consolidated Sales	11,025	100.0%	10,144	100.0%	-8.0%

*Units: ¥mn

【Market Overview】

The number of applicants for various certification tests offered by TAC in 2019 declined from 2.514 million in the previous year to 2.512 million. It dropped for three consecutive years, but has remained stable after a significant decline from 2010 to 2014.

【Overview of each domain】

(Finance and Accounting Area)

As for the Bookkeeping course, examinations were canceled in June and will be held after the November. However, the course start is in a wait and see mode, applying for higher levels is postponed, and the number of attendees has declined. As for the Certified Public Accountant course, examinations are postponed or canceled, so the course application is delayed.

(Public Officer and Labor Area)

As for the Government Officials course, the employment examinations of all local governments were postponed. Thus, the application was delayed leading to a drop in sales.

(IT and International Area)

The Information-Technology Specialists Examination in spring has been postponed from April to October and that in fall was postponed. Sales decreased due to these facts.

(Medical and Welfare Area)

The number of tasks, such as making receipts, declined due to a decrease in the use of dentistry and clinics because of the spread of the novel coronavirus. However, sales increased because of the requests for the tasks related to the revision of medical fees that is carried out once every two years and efforts to strengthen marketing.

(4) Student Number Trends

	FY 3/20 2Q	Share	FY 3/21 2Q	Share	YoY Change
Individual	85,743	63.1%	75,802	59.4%	-11.6%
Corporate	50,070	36.9%	51,853	40.6%	+3.6%
Total	135,813	100.0%	127,655	100.0%	-6.0%

*Units: Persons

Number of students by Certification Category

	FY 3/21 2Q (Number of Students)	Share	YoY Change
Finance and Accounting	19,212	15.0%	-9.3%
Management and Taxation	15,504	12.1%	-18.7%
Financial Service and Real Estate	38,414	30.1%	+7.1%
Law	6,364	5.0%	-12.3%
Public Officer and Labor	32,117	25.2%	-11.2%
IT and International/ Medical and Welfare/ Others	16,044	12.6%	-1.5%
Total	127,655	100.0%	-6.0%

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

<Increases>

Licensed Strata Management Consultant course, Financial Planner course and Government officials (MCT&MOFA) * courses, etc.

* Main Career Track & Ministry of Foreign Affairs of Japan

<Declines>

Bookkeeping course, Real Estate Transaction Agent course, Labor and Social Security Attorney, Government officials (RS&LG) *courses, etc.

* Regular Service & Local Government

The number of corporate trainees increased with new orders for outsourced training, but declined for correspondence training, university seminars and affiliated schools.

(5) Financial Conditions and Cash Flow**◎Main Balance Sheet Items**

	End of March 2020	End of September 2020		End of March 2020	End of September 2020
Cash, Equivalents	4,287	5,342	Payables	495	406
Receivables	3,860	4,080	Returns, Disposal Loss Reserves	813	576
Inventories	865	755	Tuition advance	6,176	6,052
Current Assets	9,716	10,793	Asset Retirement Obligation	693	717
Tangible Fixed Assets	4,746	4,711	Interest Bearing Liabilities	5,187	5,350
Intangible Fixed Assets	300	261	Liabilities	14,775	14,799
Investments, Others	5,489	5,209	Net Assets	5,478	6,175
Fixed Assets	10,536	10,181	Total Liabilities, Net Assets	20,253	20,974

*Units: ¥mn

Current assets rose 1,076 million yen from the end of the previous term due to an increase in cash and deposits. Fixed assets decreased 354 million yen from the end of the previous term due to a drop in investment and other assets. Total assets increased 721 million yen from the end of the previous term to 20,974 million yen.

Total liabilities augmented 24 million yen from the end of the previous term to 14,799 million yen due to an increase in interest-bearing debt.

Net assets rose 697 million yen from the end of the previous term to 6,175 million yen due to an increase in retained earnings.

As a result, capital adequacy ratio improved 2.4% from the end of the previous term to 29.4%.

3. Fiscal Year ending March 2021 Earnings Estimates

(1) Consolidated Earnings

	FY 3/20 Act.	Share	FY 3/21 Est	Share	YY Change
Sales on a cash basis	20,398	100.3%	20,350	100.0%	-0.2%
Sales on an accrual basis	20,331	100.0%	20,350	100.0%	+0.1%
Gross profit	7,750	38.1%	8,210	40.3%	+6.0%
SG&A	7,588	37.3%	7,520	37.0%	-0.9%
Operating profit	162	0.8%	690	3.4%	+325.6%
Ordinary profit	260	1.3%	684	3.4%	+162.3%
Net profit	103	0.5%	410	2.0%	+296.8%

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

No change in the earnings forecast. Sales to be flat year on year, but profits are expected to increase significantly.

There is no change in the earnings forecast. The sales on a cash basis for the term ending March 2021 are expected to decline 0.2% year on year to 20,350 million yen, while sales on an accrual basis are estimated to increase 0.1% year on year to 20,350 million yen. Operating profit is projected to be 690 million yen, up 325.6% year on year. Sales are expected to be at the same level as the previous term, but gross profit margin is forecasted to improve 2.2% and SG&A ratio is expected to fall 0.3% due to the cost reduction. The company anticipates a significant growth in profit. The dividend is to be 5.00 yen/share, unchanged from the previous term. The estimated payout ratio is 22.6%.

The forecast for this term does not reflect the impact of shortened business hours of schools and partial postponement or suspension of corporate training programs and on-campus seminars caused by the spread of the novel coronavirus on earnings. The company will make a new announcement if it becomes necessary to revise its earnings forecasts and dividend forecasts as a result of compiling new earnings forecasts after the pandemic subsides.

(2) Topics

① Strengthening the provision of online services

The company will strengthen its ability to provide high-level content even during the novel coronavirus crisis.

<Personal Education>

- Strengthen online (e-reception) applications
- Expansion of the communication learning environment such as the enhancement of the server "TAC WEB SCHOOL"
- Improvement of student learning consultation system using a video conferencing system



(Taken from the reference material of the company)

<Corporate Training>

- Conducting customized training and seminars according to the requests of business partners.
- Expansion of content to meet e-learning and correspondence training demands



(Taken from the reference material of the company)

<Publishing>

- Development of products that accommodate the rise in demand for qualifications due to the economic downturn
- Prompt response to orders via the Internet such as direct sales sites (cyber book store) and Amazon



(Taken from the reference material of the company)

<Manpower Business>

- Holding job fairs in response to requests from business partners such as audit firms and accounting firms
- Conducting online job fairs



(Taken from the reference material of the company)

② **Following Licensed electrical engineer-class3, three scientific courses will start in the term ending March 2021.**

<Qualified Electrician-Class 2 preparatory course> Started in August 2020

National qualification required for handling electrical equipment at construction sites that receives power at 600V or less (general houses, small business establishments, etc.).

About 130,000 people apply for the written test each year.



(Taken from the reference material of the company)

<Licensed Electrical Engineer-Class2> scheduled to start in November 2020

Licensed Electrical Engineer-Class 2 is a license mainly for the maintenance and supervision of electrical equipment installed in power plants, substations, factories, and buildings with less than 170,000 volts.

About 8,000 people apply for the first stage examination.

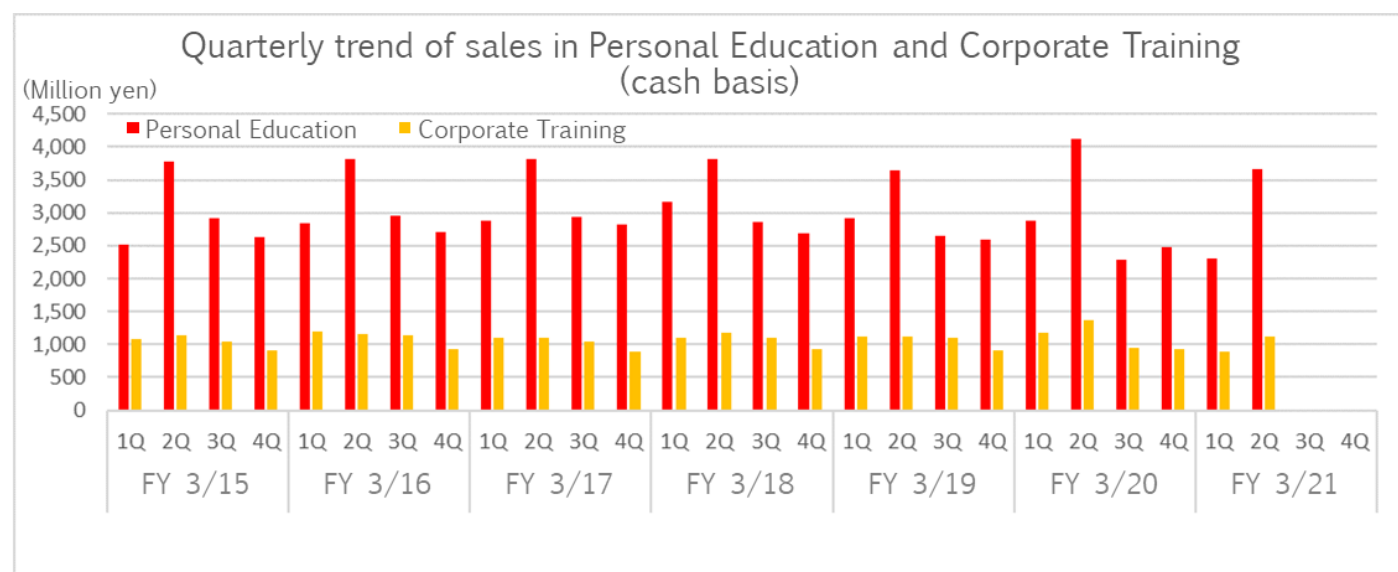
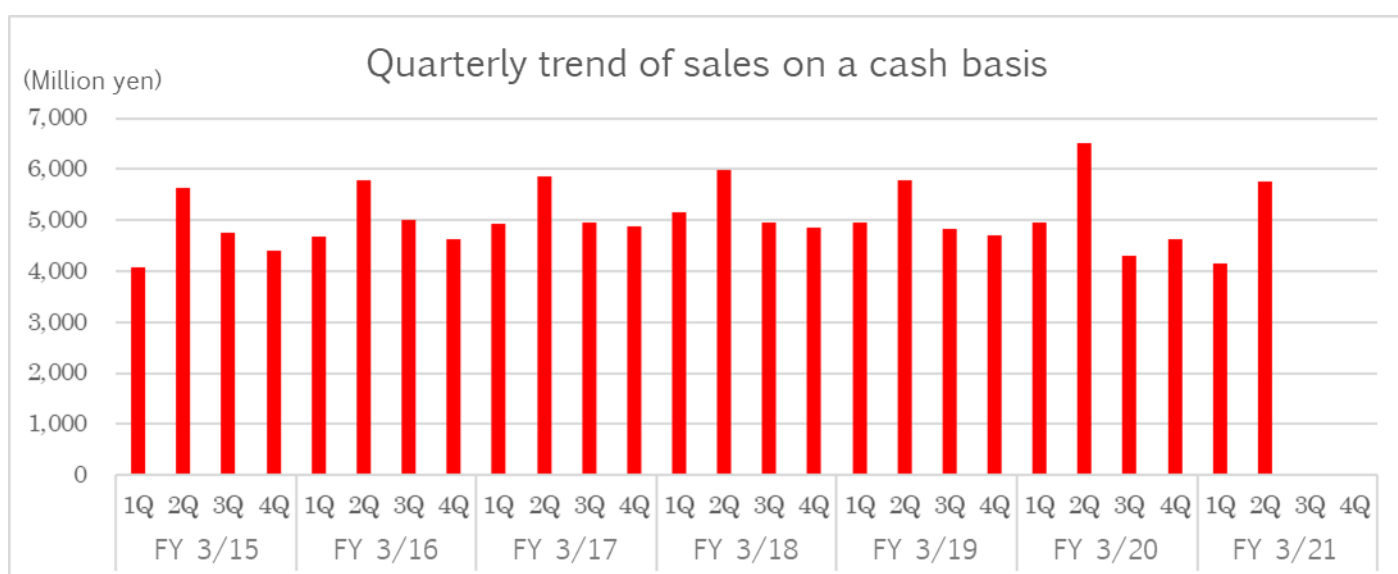
<First-Class Building Operation and Management Engineer examination preparatory course> scheduled to start in February 2021

It is a license for construction engineers responsible for construction planning, process control, quality control, and safety control in construction work.

For construction work with a contract amount of 35 million yen or more (70 million yen in the case of complete construction work), it is necessary to have a dedicated supervising engineer at the construction site. Acquiring this license qualifies first-class building operation and management engineers to be supervising engineers like first-class architects and building engineers.

4. Conclusions

Regarding the impact of the novel coronavirus pandemic, the company believes that it is likely to have a negative effect in the short term. The sales decreased and the performance in both the first quarter and the second quarter fell below that in the same period of the previous year. The company expects to achieve the full-year forecast of “sales on par with the previous fiscal year and a significant increase in profit” by enriching the contents of correspondence-type courses, mainly online ones, capturing demand for online and e-learning training, and improving book sales via the Internet. We would like to pay attention to how effective the measures the company is taking would be. Above all, following the Licensed electrical engineer-class3, three scientific courses (Qualified Electrician-Class 2 , Licensed Electrical Engineer-Class2, and First-Class Building Operation and Management Engineer) will start this term. We expect them to contribute to revenues.



<Reference: Regarding Corporate Governance>

◎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 29, 2019

<Basic Policy>

The company's basic policy regarding corporate governance is to put importance on prompt decision-making by a small number of directors. The company currently has six internal directors. On the other hand, the company also assigned two outside directors to properly maintain the corporate governance and the legal compliance system required as a public company, and it operates them to function efficiently.

Japan is rapidly shifting from a mature industrial society to a knowledge society. In the knowledge society, knowledgeable specialists (professionals) are required in various fields, and the areas of their participation are expanding. "Professional" is derived from the word "profess" = "declare in front of God." Thus, in medieval Europe, knowledgeable specialists such as priests, doctors, accountants, and teachers were professionals who made a vow to God when employed. Since the company started the business of training Certified Public Accountants, it has been in charge of training many professionals required in modern times on behalf of universities.

The group has received support from a wide range of customers (university students, working people, and corporations) through its bases and media, with the management philosophy of "cultivating the professionals that society needs" and "being deeply involved in personal growth." The company aims to be a strong player in the education services and human resource training and supply markets. It believes that the most basic proposition required of a joint-stock company, "increasing shareholder value," can be achieved only by having a support base by its customers, who are stakeholders.

That kind of professionals' self-discipline is part of the organizational culture in the group's corporate governance. The directors of the company themselves also aspire to regulate themselves as "management professionals." The term of office of directors is stipulated in the Articles of Incorporation as one year. In each term, the directors are evaluated by shareholders at a general meeting of shareholders whether or not they were "management professionals." The company also keeps director compensation relatively low. Companies with a committee system and companies with a nomination committee system are controlled by functional differentiation, but a considerable number of members are required. Therefore, considering the current business scale and profitability of TAC, it was decided that companies with a board of auditors is the appropriate system.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

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, Supplementary principle 1-4 (1) (2)	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.
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<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
Principle 5-1	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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