



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	
¥240	18,504,000 shares	¥4,440million	7.2%	100 shares	
DPS(Est.)	Dividend yield (Est.)	EPS(Est.)	PER(Est.)	BPS(Act.)	PBR(Act.)
¥6.00	2.5%	¥20.54	11.7 x	¥313.88	0.8 x

*The share price is the closing price on Nov 12th. Number of shares issued, DPS and EPS are from the financial results for the second quarter of fiscal year ending March 2022. ROE and BPS are from the previous fiscal year.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
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 Act	19,749	404	646	405	21.92	5.00
March 2022 Est	20,500	600	578	380	20.54	6.00

*Unit: Million yen. Forecasts are based on company estimates. 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 financial results for the second quarter of Fiscal Year ending March 2022 and other information about TAC.

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Key Points

- In the second quarter of the term ending March 2022, sales and profit increased year on year. Sales on a cash basis recovered from the drop in the same period of the previous year caused by the spread of the novel coronavirus, and stood at 10,997 million yen, up 11.1% year on year. Sales on an accrual basis increased 10.0% year on year to 11,156 million yen. The year-on-year increase rates of cost of sales and SG&A were only 9.7% and 2.4%, respectively, so operating profit on an accrual basis grew 22.4% year on year to 1,111 million yen. Net profit rose 5.7% year on year to 775 million yen.
- There is no change in the full-year earnings forecast. While both sales and operating profit are expected to grow in the term ending March 2022, the company projects that ordinary profit and net profit will shrink because there will be no temporary factor associated with non-operating profit or loss. Sales on a cash basis, sales on an accrual basis, and operating profit are forecasted to rise 4.2% year on year to 20,650 million yen, 3.8% year on year to 20,500 million yen, and 48.3% year on year to 600 million yen, respectively. The company plans to increase sales by generating sales through new channels and breaking fresh ground into a new business field, and boost profit significantly through policies, such as appropriate control of rent. It, however, forecasts that ordinary profit and net profit will drop because it is expected to record no income from subsidies as in the previous fiscal year. A dividend is to be 6.00 yen/share, up 1.00 yen/share year on year. The dividend payout ratio will be 29.2%.
- Regarding the impact of the spread of the novel coronavirus, vaccination rate reached the order of 70%. Some examinations were postponed or cancelled due to the novel coronavirus in the previous years, but they were resumed this fiscal year, so it can be expected that they will improve business performance.

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 Co., 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 September 2021.

【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. 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.

【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 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21
ROE(%)	4.9	4.8	10.3	8.6	5.7	1.9	7.2
Net profit Margin (%)	1.06	1.07	2.40	2.11	1.51	0.51	2.05
Asset Turnover	0.98	0.93	0.94	0.96	0.95	0.97	0.97
Leverage	4.68	4.81	4.60	4.27	4.00	3.81	3.60

Return on Equity (ROE) improved for the first time in four fiscal years thanks to the significant profitability increase. The company forecasts that net profit margin will fall to 1.9% because there will be no transient factor, reducing ROE to 6.4% this fiscal year.

2. Second Quarter of the Fiscal Year ending March 2022 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 "advances received." These advances received 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 post-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. This fiscal year, the company started applying the Accounting Standard for Revenue Recognition, so the estimated amount of product returns in the publishing business was taken into account, increasing sales by 200 million yen.

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

	2Q FY 3/21	Share	2Q FY 3/22	Share	YoY Change
Sales on a cash basis	9,889	97.6%	10,997	98.6%	+11.1%
Sales on an accrual basis	10,144	100.0%	11,156	100.0%	+10.0%
Gross profit	4,469	44.1%	4,758	42.7%	+6.5%
SG&A	3,561	35.1%	3,647	32.7%	+2.4%
Operating profit	907	8.9%	1,111	10.0%	+22.4%
Ordinary profit	1,062	10.5%	1,154	10.4%	+8.7%
Quarterly net profit	733	72%	775	7.0%	+5.7%

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

Sales and profit grew.

Sales on a cash basis recovered from the drop in the same period of the previous year caused by the spread of the novel coronavirus, and stood at 10,997 million yen, up 11.1% year on year. Every segment saw a sales growth. Sales on an accrual basis increased 10.0% year on year to 11,156 million yen. The year-on-year increase rates of cost of sales and SG&A were only 9.7% and 2.4%, respectively, so operating profit on an accrual basis grew 22.4% year on year to 1,111 million yen. Net profit rose 5.7% year on year to 775 million yen. This fiscal year, the company started applying the Accounting Standard for Revenue Recognition, so the estimated amount of returns in the publishing business was taken into account, increasing sales by 200 million yen and cost of sales by 84 million yen. On the other hand, a reserve for sales returns was posted for gross profit, so this does not affect net gross profit and other profits.

(2) Business Segment Trends

Sales on a cash basis by Business Segment

	2Q FY 3/21	Share	2Q FY 3/22	Share	YoY Change
Personal Education	5,977	60.4%	6,110	55.5%	+2.2%
Corporate Training	2,009	20.3%	2,306	21.0%	+14.8%
Publishing	1,659	16.8%	2,306	21.0%	+39.0%
Manpower Business	278	2.8%	302	2.8%	+8.6%
Companywide Eliminations	-24	-	-28	-	-
Consolidated Sales	9,899	100.0%	10,997	100.0%	+11.1%

*Units: Million yen

Operating profit on a cash basis by Business Segment

	2Q FY 3/21	Share	2Q FY 3/22	Share	YoY Change
Personal Education	37	0.6%	235	3.9%	+530.4%
Corporate Training	504	25.1%	612	26.6%	+21.5%
Publishing	637	38.4%	654	28.4%	+2.5%
Manpower Business	59	21.4%	73	24.4%	+24.0%
Companywide Eliminations	-576	-	-624	-	-
Consolidated Operating profit	662	6.7%	952	8.7%	+43.7%

*Units: Million yen

【Personal Education】

Sales grew, and profit increased six times.

Sales increased	Bookkeeping, etc.
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Regarding the course for Certified Public Accountant, which is one of their major courses, a short-answer exam was held in May as usual (in the previous year, it was held in August), causing a difference in the timing for applying for products targeted at those who have the experience of taking that exam for the next fiscal year, and sales on a cash basis increased in the first quarter, but declined year on year in the second quarter, so cumulative sales in the second quarter dropped slightly year on year. Regarding the Bookkeeping course, examinations have been held as scheduled this year (in the previous year, the exams in June were cancelled), so the number of applications for the course of TAC remained healthy in the second quarter. Regarding the Public Officer courses, when the second quarter of the previous year, which was in the wake of lifting of the state of emergency, is compared with the second quarter of this year, it can be understood that the activities of college students, who are major attendees of TAC's courses, were sluggish, and college students took a wait-and-see stance because they faced difficulty leading a campus life while taking TAC's course and wondered whether to work in the private sector or the public sector. In that situation, cumulative sales on a cash basis in the second quarter dropped from the previous year. Regarding costs, total operating expenses, including remunerations for lecturers, outsourcing expenses for producing teaching materials, and rents, were 5,875 million yen, down 1.1% year on year.

【Corporate Training】

Sales grew, and profit rose considerably.

Sales increased	University seminars, Content Provision, Outsourcing Training, etc.
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The demand for training in enterprises was healthy as a whole, mainly in the IT and International and Financial Services & Real Estate fields. Regarding in-college seminars, colleges were temporarily closed last year, but this year, in addition to online classes, face-to-face classes were resumed little by little while taking anti-infection measures. Accordingly, the sales in the six months from April to September increased 17.4% year on year. The sales of affiliated schools, whose major customers are local individuals, decreased 3.7% year on year. The sales of provision of contents to local vocational schools increased 26.4% year on year. The sales from training programs entrusted by local municipalities grew 11.8% year on year.

Regarding costs, operating expenses, including remunerations for lecturers and marketing personnel costs, were 1,693 million yen, up 12.5% year on year.

【Publishing】

Sales and profit increased

Sales increased	Bookkeeping, IT Specialist, Financial Planner (FP), Securities Analyst, Licensed Strata Management Consultant, Licensed Electrical Engineer, etc.
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In addition to the demand from housebound consumers amid the novel coronavirus pandemic, many bookstores were in business in the first quarter this year unlike in the first quarter of the previous year and books were published as scheduled this year while publications were put off last year in response to the postponement of exams. Accordingly, sales grew considerably.

In terms of costs, production costs, including outsourcing and consignment expenses, augmented due to the sales growth, and the company conducted some sales promotion activities, so total operating expenses were 1,652 million yen, up 61.7% year on year. The application of the Accounting Standard for Revenue Recognition, etc. increased sales by 200 million yen, but did not affect operating profit.

【Manpower Business】

Sales grew, and profit rose considerably.

Amid the lingering novel coronavirus infection, the demand for accounting personnel is strong, job seekers are increasing, and an increasing number of job seekers get a job in a short period of time. These trends indicate a change in the job switching market. The medical manpower business of Medical Office Staffing Kansai Co., Ltd. performed well in the second quarter, as sales increased steadily thanks to the increase of clients through the enhancement of its marketing capability. Consequently, sales and profit grew.

(3) Trend by Certification Category

At the beginning of the first quarter of the term ending March 2022, the company started applying the Accounting Standard for Revenue Recognition, etc., so the net amount of possible product returns in the publishing business (the inclusion of product returns posted at the end of the previous fiscal year in sales and the deduction of product returns as of the end of the second quarter of this fiscal year from sales) was taken into account when calculating sales. For reasonably estimating the amount of product returns, the company adopted an overall estimation method based on actual product returns in the past, without prorating it among business domains. Accordingly, the sum of quarterly sales in respective domains in the second quarter (the figure written in the “consolidated sales” cell of the table below) is not equal to the sales in the quarterly consolidated profit-and-loss statement.

Sales on an accrual basis by Certification Category

	2Q FY 3/21	Share	2Q FY 3/22	Share	YoY Change
Finance, Accounting	1,878	18.5%	2,180	19.9%	+16.0%
Management, Taxation	1,694	16.7%	1,694	15.5%	+0.0%
Financial Service, Real Estate	2,424	23.9%	2,771	25.3%	+14.3%
Law	667	6.6%	649	5.9%	-2.7%
Public Officer, Labor	2,345	23.1%	2,271	20.7%	-3.1%
IT, International	682	6.7%	778	7.1%	+14.0%
Medical, Welfare	141	1.4%	148	1.4%	+5.4%
Others	310	3.1%	460	4.2%	+48.2%
Consolidated Sales	10,144	100.0%	10,955	100.0%	+8.0%

*Unit: Million yen

【Market Overview】

In fiscal 2020, some exams were cancelled due to the spread of the novel coronavirus, so applicants decreased considerably. In fiscal 2021, most of the certification exams, etc. are to be held as scheduled.

【Overview of each domain】

(Finance and Accounting Area)

Regarding Bookkeeping Exams, the Official Business Skills Test in Bookkeeping in June 2020 was cancelled, but unified tests (in the paper format) were held in February and June 2021. The number of applicants in February and June was 73,745 for the second class and 128,818 for the third class. The number of takers of online exams during the period from December 2020 to June 2021 was 49,411 for the second class and 96,062 for the third class.

Regarding Certified Public Accountants, the number of applicants in 2021 was 14,192, up 961 from the previous year, showing the growth for the sixth consecutive year.

Regarding Certified Public Tax Accountants, the number of applicants in 2021 was 35,774, up 639 from the previous year.

(Public Officer and Labor Area)

Due to the novel coronavirus pandemic, the Public Officer examinations in fiscal 2020 were postponed, but most of the exams in fiscal 2021 were conducted as scheduled.

There is a trend of choosing a job in the private sector, so would-be civil servants are decreasing.

(Law Area)

The number of applicants for the preliminary bar exam in 2021 was 14,317, down 1,001 or 6.5% from the previous year.

The number of applicants for the exam for Judicial Scriveners in 2021 was 14,988, up 557 or 3.9% from the previous year. The number of applicants for the exam for Patent Attorneys in 2021 was 3,859, up 458 or 13.5% from the previous year.

(4) Student Number Trends

	2Q FY 3/21	Share	2Q FY 3/22	Share	YoY Change
Individual	75,802	59.4%	78,258	59.6%	+3.2%
Corporate	51,853	40.6%	53,156	40.4%	+2.5%
Total	127,655	100.0%	131,414	100.0%	+2.9%

*Units: Person

Number of students by Certification Category

	2Q FY 3/21	Share	2Q FY 3/22	Share	YoY Change
Finance and Accounting	19,212	15.0%	19,469	14.8%	1.3%
Management and Taxation	15,504	12.1%	17,348	13.2%	11.9%
Financial Service and Real Estate	38,414	30.1%	38,856	29.6%	1.2%
Law	6,364	5.0%	6,456	4.9%	1.4%
Public Officer and Labor	32,117	25.2%	31,308	23.8%	-2.5%
IT and International/ Medical and Welfare/ Others	16,044	12.6%	17,977	13.7%	12.0%
Total	127,655	100.0%	131,414	100.0%	+2.9%

*Units: Person

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

	End of March 2021	End of September 2021		End of March 2021	End of September 2021
Cash, Equivalents	5,149	6,237	Payables	633	414
Receivables	3,792	4,350	Returns, Disposal Loss Reserves	727	272
Inventories	894	765	Advances Received	6,294	6,213
Current Assets	10,501	12,125	Asset Retirement Obligation	106	231
Tangible Fixed Assets	4,760	5,087	Interest Bearing Liabilities	4,446	5,336
Intangible Fixed Assets	233	199	Liabilities	14,602	15,670
Investments, Others	4,922	4,816	Net Assets	5,815	6,558
Fixed Assets	9,915	10,103	Total Liabilities, Net Assets	20,417	22,228

*Units: Million yen

Current assets increased 1,623 million yen from the end of the previous fiscal year, due to the growth of cash, equivalents, etc. Fixed assets rose 187 million yen from the end of the previous fiscal year, due to the increase of tangible fixed assets, etc.

Total assets grew 1,811 million yen from the end of the previous fiscal year to 22,228 million yen.

Total liabilities augmented 1,068 million yen from the end of the previous fiscal year to 15,670 million yen, due to the rise in interest bearing liabilities, etc.

Net assets grew 742 million yen from the end of the previous fiscal year to 6,558 million yen, due to the rise in retained earnings, etc.

As a result, capital-to-asset ratio rose 1.1% from the end of the previous fiscal year to 29.5%.

3. Fiscal Year ending March 2022 Earnings Estimates

(1) Consolidated Earnings

	FY 3/21 Act.	Share	FY 3/22 Est	Share	YoY Change
Sales on a cash basis	19,816	100.3%	20,650	100.7%	+4.2%
Sales on an accrual basis	19,749	100.0%	20,500	100.0%	+3.8%
Gross profit	7,725	39.1%	-	-	-
SG&A	7,320	37.1%	-	-	-
Operating profit	404	2.0%	600	2.9%	+48.3%
Ordinary profit	646	3.3%	578	2.8%	-10.6%
Net profit	405	2.1%	380	1.9%	-6.3%

*Units: Million yen. Estimates are those of the company.

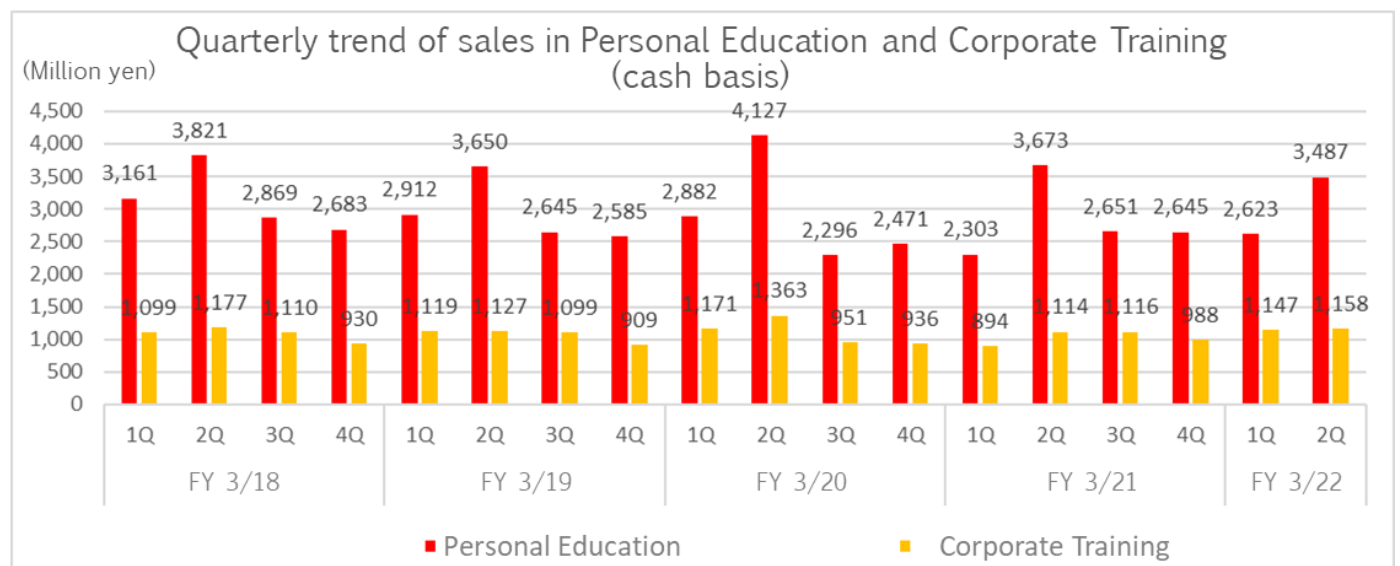
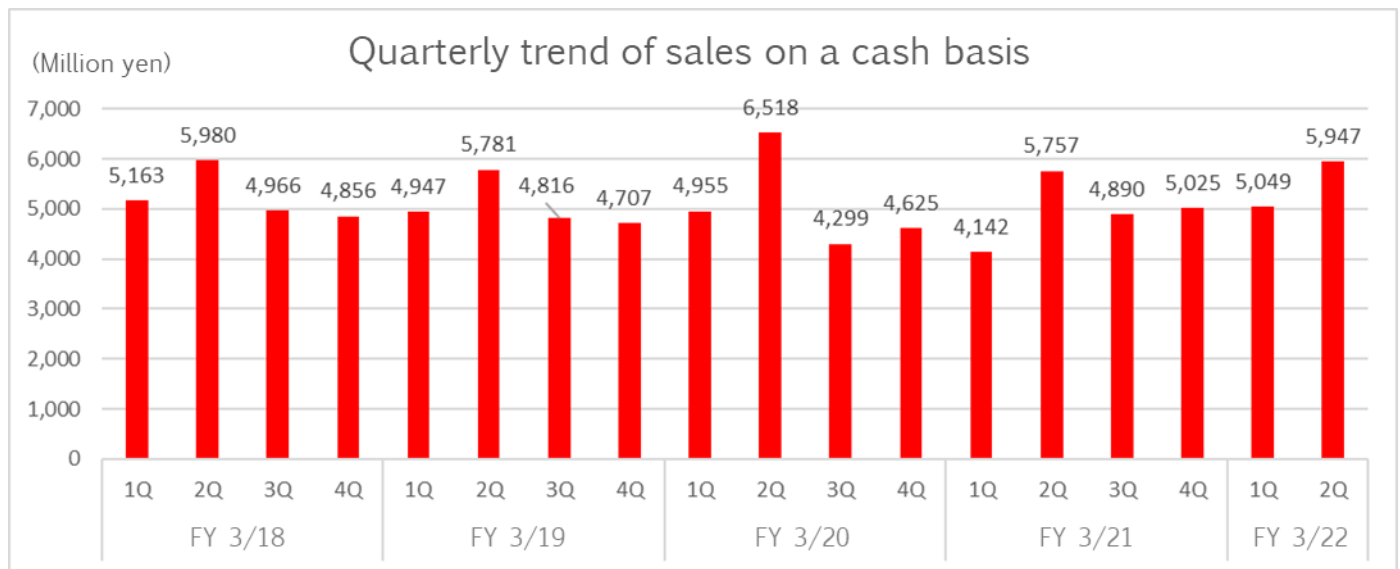
No change in earnings forecast.

There is no revision to the full-year earnings forecasts. While both sales and operating profit are expected to grow in the term ending March 2022, the company projects that ordinary profit and net profit will shrink because there will be no temporary factor associated with non-operating profit or loss. Sales on a cash basis, sales on an accrual basis, and operating profit are forecasted to rise 4.2% year on year to 20,650 million yen, 3.8% year on year to 20,500 million yen, and 48.3% year on year to 600 million yen, respectively. The company plans to increase sales by generating sales through new channels and breaking fresh ground into a new business field, and boost profit significantly through policies, such as appropriate control of rent. It, however, forecasts that ordinary profit and net profit will drop because it is expected to record no income from subsidies as in the previous fiscal year. A dividend is to be 6.00 yen/share, up 1.00 yen/share year on year. The dividend payout ratio will be 29.2%.

4. Conclusions

Regarding the impact of the spread of the new coronavirus infection, the vaccination rate has reached the 70% level. Various trials that were postponed or cancelled last year due to the impact of corona have returned this fiscal year, which is expected to be an upside factor.

BRIDGE REPORT



<Reference: Regarding Corporate Governance>

◎Operating type, and the composition of directors and auditors

Operating type	Company with Audit and Supervisory Committee
Directors who are not members of the Audit and Supervisory Committee	12 directors, including 2 external ones
Directors who are members of the Audit and Supervisory Committee	3 auditors, including 3 external ones

◎Corporate Governance Report

Updated on June 28, 2021

<Basic Policy>

The company's basic policy regarding corporate governance is to put importance on prompt decision-making. The company currently has ten internal directors. On the other hand, the company also assigned five 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 Companies Act stipulates that the term of each director shall be one year (two years for directors belonging to the audit and supervisory committee), and shareholders judge whether respective directors have served as "professionals in business administration" in each term at a general meeting of shareholders. Our company adopted the organizational structure as a company with an audit and supervisory committee, and strives to enhance the functions to oversee and audit business management and comply with laws and regulations thoroughly, with the aim of achieving highly transparent business management.

<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.

<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.

This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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