

 Toshio Tada, President	TAC Co., Ltd. (4319)
	

Company Information

Exchange	TSE Standard Market
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	
231 yen	18,504,000 shares	4,274million yen	7.4%	100 shares	
DPS(Est.)	Dividend yield (Est.)	EPS(Est.)	PER(Est.)	BPS(Act.)	PBR(Act.)
6.00 yen	2.6%	21.62 yen	10.7 x	333.22 yen	0.7 x

*The share price is the closing price on May 27th. Each number is from the financial results for the fiscal year ended March 2022.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 Act	20,471	413	442	444	24.05	6.00
March 2023 Est	20,450	650	608	400	21.62	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 Fiscal Year ended March 2022 and other information about TAC.

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Key Points

- **In the term ended March 2022, both sales and operating profit increased year on year. Sales on a cash basis stood at 20,146 million yen, up 1.7% year on year, while the business activities were carried out in the midst of the lingering novel coronavirus pandemic. Sales on an accrual basis reached 20,471 million yen, up 3.7% year on year. Cost of sales increased 4.9% year on year, however, the increase rate of SG&A was only 1.1% year on year, resulting in an operating profit of 413 million yen on an accrual basis, up 2.2% year on year. Net profit was 444 million yen, up 9.7% year on year.**
- **In the term ending March 2023, sales are forecast to decrease slightly, and operating profit is expected to increase significantly. Sales on a cash basis is projected to reach 20,550 million yen, up 2.0% year on year, sales on an accrual basis are projected to decrease 0.1% year on year to 20,450 million yen, and operating profit is expected to increase 57.3% year on year to 650 million yen. A significant increase in profit is expected through the efforts to cut rents by optimizing the classroom floor space and actively running online marketing. The company plans to pay a dividend of 6.00 yen/share, like in the previous fiscal year. The expected payout ratio is 27.8%.**
- **The state of emergency was lifted, and the novel coronavirus pandemic has been subsiding. The company is expected to see effects of their initiatives for the post-pandemic period and the society for leading a daily life while coping with the novel coronavirus by strengthening the online learning environment, for example, by establishing various participation methods for corporate training courses, and optimizing the floor space in TAC-owned schools in connection with the escalating number of people taking classes online.**

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 (8 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.	School classroom building contracts, maintenance work Dalian operation center (Administrative task, instruction material monitoring check) Online instruction membership system over the Internet
		TAC INFORMATION TECHNOLOGY (Dalian) Co., Ltd.	
		Online School Co., Ltd.	
	Corporate Training	LUAC Co., Ltd.	Insurance related corporate training
	Publishing	Waseda Management Publishing 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 March 2022.

【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 yen, 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 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22
ROE(%)	4.8	10.3	8.6	5.7	1.9	7.2	7.4
Net profit Margin (%)	1.07	2.40	2.11	1.51	0.51	2.05	2.17
Asset Turnover	0.93	0.94	0.96	0.95	0.97	0.97	0.98
Leverage	4.81	4.60	4.27	4.00	3.81	3.60	3.49

2. Fiscal Year ended March 2022 Earnings Results

Regarding Sales

In the certification and qualification acquisition support business conducted by the company, students applying for courses pay the entire amount of tuition fees (sales on a cash basis), which are booked on the liabilities side of the balance sheet as tuition advance. Then, these tuition advances are switched to sales every month that the educational services were provided to the student (sales on an accrual basis). Sales booked on the balance sheet represents sales on an accrual basis, and the company gives priority to the increase in sales on a cash basis 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 72 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

	FY 3/21	Share	FY 3/22	Share	YoY Change
Sales on a cash basis	19,816	100.3%	20,146	98.4%	+1.7%
Sales on an accrual basis	19,749	100.0%	20,471	100.0%	+3.7%
Gross profit	7,725	39.1%	7,814	38.2%	+1.2%
SG&A	7,320	37.1%	7,401	36.2%	+1.1%
Operating profit	404	2.0%	413	2.0%	+2.2%
Ordinary profit	646	3.3%	442	2.2%	-31.5%
Net profit	405	2.1%	444	2.2%	+9.7%

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

Sales and profit grew.

Sales and operating income increased from the previous fiscal year for the fiscal year ended March 2022. Sales on a cash basis increased 1.7% year on year to 20,146 million yen, despite business activities in the midst of a new coronavirus outbreak that has yet to be contained. Sales on an accrual basis increased 3.7% year on year to 204,71 million yen. The year-on-year increase rates of cost of sales was 4.9% however, SG&A was only 1.1% increase, so operating profit on an accrual basis grew 2.2% year on year to 413 million yen. Net profit rose 9.7% year on year to 444 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 72 million yen and cost of sales by 32 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**

	FY 3/21	Share	FY 3/22	Share	YoY Change
Personal Education	11,273	56.9%	10,798	53.6%	-4.2%
Corporate Training	4,113	20.8%	4,372	21.7%	+6.3%
Publishing	4,000	20.2%	4,514	22.4%	+12.8%
Manpower Business	480	2.4%	512	2.5%	+6.8%
Elimination of intersegment transactions	-51	-	-51	-	-
Consolidated Sales	19,816	100.0%	20,146	100.0%	+1.7%

*Units: Million yen

Operating profit on a cash basis by Business Segment

	FY 3/21	Profit ratio	FY 3/22	Profit ratio	YoY Change
Personal Education	-565	-	-897	-	-
Corporate Training	1,011	24.6%	1,043	23.9%	3.2%
Publishing	1,139	28.5%	1,116	24.7%	-2.0%
Manpower Business	35	7.4%	65	12.8%	85.4%
Corporate expenses	-1,151	-	-1,241	-	-
Consolidated Operating profit	470	2.4%	87	0.4%	-81.4%

*Units: Million yen

【Personal Education】

Decreased revenues and widening deficit.

Sales increased	Certified Public Tax Accountant, Real Estate Appraiser, Architects and Building Engineers, and Property Manager, Small and Medium Enterprise Management Consultant, IT Specialist, etc..
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Even though many of the measures such as postponement and cancellation of examinations by the certifications and qualifications exam organization in the previous fiscal year were ceased, the year went by with the novel coronavirus pandemic being unstable, which impacted the social activities among college students and working adults who account for a majority of students of the company's courses, resulting in its year-round sales on a cash basis dropping from the previous fiscal year. Sales of the Certified Public Tax Accountant course, one of their mainstay courses, exceeded that of the previous fiscal year, which assisted the performance in recovering to the pre-pandemic level, and the company started showing the signs of cessation of declines. Moreover, sales from the courses on Real Estate Appraiser, Architects and Building Engineers, and Property Manager developed a favorable trend, and exceeded the sales in the previous two fiscal years, and additionally, courses like Small and Medium Enterprise Management Consultant, which are attended by mainly working adults, and IT Specialist, which was driven by the growing demand for DX, also exceeded the sales in the previous fiscal year. On the other hand, Public Officer courses, one of the company's core courses, was sluggish throughout the year, and the number of signups mainly for the beginner course on Certified Public Accountant was stagnant after the second quarter.

Regarding costs, total operating expenses, including remunerations for lecturers, outsourcing expenses for producing teaching materials, and rents were 11,695 million yen, down 1.2% year on year.

【Corporate Training】

Sales grew, and profit rose.

Sales increased	Corporate Training, University seminars, Content Provision etc.
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Corporate training programs showed a favorable trend because the training programs utilizing online conference systems became common in many companies which brought benefits such as an ability to take courses during the pandemic and to save traveling time and costs to a training site. By area, there was larger demand in the IT and International areas because of the trend promoting DX in companies, and the Finance Service and Real Estate areas also trended favorably. University seminars gradually resumed in-person classes during this fiscal year comparing to the previous fiscal year when measures such as cancellation were taken, and performed well throughout the year and exceeded the results in the previous fiscal year. Affiliated school business whose primary customers are local individuals fell 9.9% year on year, however, the provision of contents to local vocational schools grew 21.3% year on year. Training programs on consignment from local municipalities remained at the same level as the previous fiscal year.

In terms of cost, overall operating cost such as personnel expenses related to sales activities stood at 3,328 million yen in total (up 7.3% year on year).

【Publishing】

Sales increased and profit decreased

Sales increased	Bookkeeping, IT Specialist, Financial Planner (FP), Licensed Strata Management Consultant, Licensed Electrical Engineer, etc.
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In the company's publishing business, there was a need for textbooks to start studying initially and it performed well throughout the year, due to the demand from housebound consumers and the unforeseen end of the pandemic. Sales of textbooks for qualification examinations were healthy, including textbooks published by TAC covering Bookkeeping, IT Specialist, Financial Planner, Licensed Strata Management Consultant, and Licensed Electrical Engineer, and those published by W Publishing dealing with Certified Administrative Procedures Legal Specialist and Patent Attorney. Also, sales of the adopted high school textbooks which the company has newly entered from 2021 contributed from this fiscal year. On the other hand, a decline in travel demand considerably reduced sales of general book Harukana, a guidebook for overseas travel, through bookstores, and the company conducted a review for the adequate appraisal value with respect to inventories held at the end of the fiscal year because no major improvement in the situation was expected.

In terms of cost, because of an increase in production cost such as subcontracting cost and outsourcing cost resulting from increased sales as well as an increase in sales and promotion costs, operating cost was 3,397 million yen in total (up 18.8% year on year). Furthermore, because of an application of the Accounting Standard for Revenue Recognition, etc., the company had 72 million yen increase in sales compared with the conventional method, however, there was no impact seen in operating profit.

【Manpower Business】

Sales grew, and profit rose considerably.

In terms of the company's manpower business for accounting staff, a large demand for accounting personnel in certified public tax accounting firms, audit firms, and general corporations continues to exist, and because the registration and securing of jobseekers advanced smoothly during this fiscal year, compared with the previous fiscal year when the company struggled with the registration and securing of jobseekers in the midst of the novel coronavirus pandemic, sales from the staffing services and advertising exceeded those in the previous fiscal year. On the other hand, their staff dispatch business experienced a fierce market environment and its sales dropped from the previous fiscal year. Respect to the medical related manpower business operated by Medical Office Staffing Kansai Co., Ltd., it exceeded the performance in the previous fiscal year, because of an increased amount of business amid the novel coronavirus pandemic, together with an effect of an initiative to expand business partners on which the company has been working for the past several years.

(3) Trend by Certification Category

At the fiscal year ended 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 this consolidated 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 sales in respective domains in this fiscal year is not equal to the sales in the consolidated profit-and-loss statement.

Sales on an accrual basis by Certification Category

	FY 3/21	Share	FY 3/22	Share	YoY Change
Finance, Accounting	3,996	20.2%	4,304	21.1%	+7.7%
Management, Taxation	3,072	15.6%	3,115	15.3%	+1.4%
Financial Service, Real Estate	4,454	22.6%	4,809	23.6%	+8.0%
Law	1,346	6.8%	1,287	6.3%	-4.4%
Public Officer, Labor	4,497	22.8%	4,214	20.7%	-6.3%
IT, International	1,426	7.2%	1,574	7.7%	+10.4%
Medical, Welfare	253	1.3%	277	1.4%	+9.3%
Others	702	3.6%	817	4.0%	+16.4%
Total	19,749	100.0%	20,399	100.0%	+3.3%

*Unit: Million yen

【Market Overview】

In 2020, due to the impact of the novel coronavirus pandemic, examinations for some qualifications were cancelled, and the number of applicants for qualification examinations went down significantly. However, in the fiscal year 2021, most of the qualification examinations were carried out as usual, and more qualification examinations were available on the CBT, the number of applicants recovered to the pre-pandemic level, and the number of applicants for some qualification examinations increased.

【Overview of each domain】

(Finance and Accounting Area)

For qualification examinations in Bookkeeping, a standard examination was conducted as usual in 2021 in which applicants take the examination in paper form at an examination site. An increased number of applicants are taking online examinations (for level 2 and level 3 only) that have been offered since December 2020.

Regarding Certified Public Accountants, the number of applicants in 2021 was 14,192, up 7.3% from the previous year, showing the growth continuously.

Regarding Certified Public Tax Accountants, the number of applicants in 2021 was 35,774, up 1.8% 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 year 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 law examinations were down 27,231 from 2012 (down 42.4% year on year).

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

(4) Student Number Trends

	FY 3/21	Share	FY 3/22	Share	YoY Change
Individual	120,068	57.6%	118,238	57.6%	-1.5%
Corporate	88,519	42.4%	86,973	42.4%	-1.7%
Total	208,587	100.0%	205,211	100.0%	-1.6%

*Units: Person

Number of students by Certification Category

	FY 3/21	Share	FY 3/22	Share	YoY Change
Finance and Accounting	32,733	15.7%	30,414	14.8%	-7.1%
Management and Taxation	22,122	10.6%	23,768	11.6%	+7.4%
Financial Service and Real Estate	58,960	28.3%	58,187	28.3%	-1.3%
Law	10,755	5.1%	10,811	5.3%	+0.5%
Public Officer and Labor	52,473	25.2%	48,653	23.7%	-7.3%
IT and International/ Medical and Welfare/ Others	31,544	15.1%	33,378	16.3%	+5.8%
Total	208,587	100.0%	205,211	100.0%	-1.6%

*Units: Person

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

	End of March 2021	End of March 2022		End of March 2021	End of March 2022
Cash, Equivalents	5,149	5,716	Payables	633	515
Receivables	3,792	3,581	Returns, Disposal Loss Reserves	727	302
Inventories	894	796	Advances Received	6,294	5,943
Current Assets	10,501	11,679	Asset Retirement Obligation	785	776
Tangible Fixed Assets	4,760	5,113	Interest Bearing Liabilities	4,446	5,095
Intangible Fixed Assets	233	202	Liabilities	14,602	15,209
Investments, Others	4,922	4,389	Net Assets	5,815	6,174
Fixed Assets	9,915	9,705	Total Liabilities, Net Assets	20,417	21,384

*Units: Million yen

Current assets increased 1,117 million yen from the end of the previous fiscal year, due to the growth of cash, equivalents, etc. Tangible Fixed Assets rose however, fixed assets decreased 210 million yen from the previous year due largely to a decrease in investment assets. Total assets grew 966 million yen from the end of the previous fiscal year to 21,384 million yen.

Total liabilities augmented 607 million yen from the end of the previous fiscal year to 15,209 million yen, due to the rise in interest bearing liabilities, etc. Net assets grew 359 million yen from the end of the previous fiscal year to 6,174 million yen, due to the rise in retained earnings, etc. As a result, capital-to-asset ratio rose 0.4% from the end of the previous fiscal year to 28.8%.

◎Cash Flow

	FY 3/21	FY 3/22	Increase and Decrease
Operating Cash Flow	1,443	484	-958
Investing Cash Flow	270	-414	-685
Free Cash Flow	1,713	70	-1,643
Financing Cash Flow	-864	509	+1,373
Cash and Equivalents	5,118	5,716	+597

*Unit: million yen

Operating cash flow worsened due to a decrease in provision for sales returns and a significant decrease in payables. Free cash flow worsened drastically due to investing cash flow turning negative. Financing cash flow improved because of an increase in long-term debt. The cash position improved.

3. Fiscal Year ending March 2023 Earnings Estimates

(1) Consolidated Earnings

	FY 3/22 Act.	Share	FY 3/23 Est	Share	YoY Change
Sales on a cash basis	20,146	98.4%	20,550	100.5%	+2.0%
Sales on an accrual basis	20,471	100.0%	20,450	100.0%	-0.1%
Gross profit	7,814	38.2%	-	-	-
SG&A	7,401	36.2%	-	-	-
Operating profit	413	2.0%	650	3.2%	+57.3%
Ordinary profit	442	2.2%	608	3.0%	+37.4%
Net profit	444	2.2%	400	2.0%	-10.1%

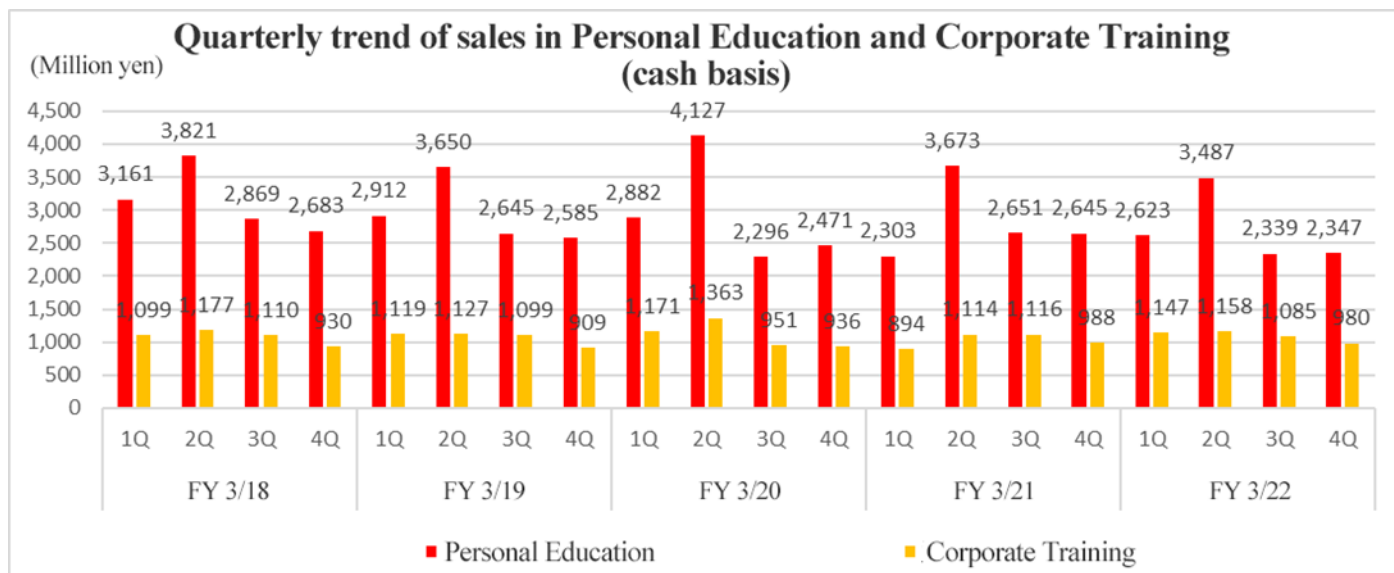
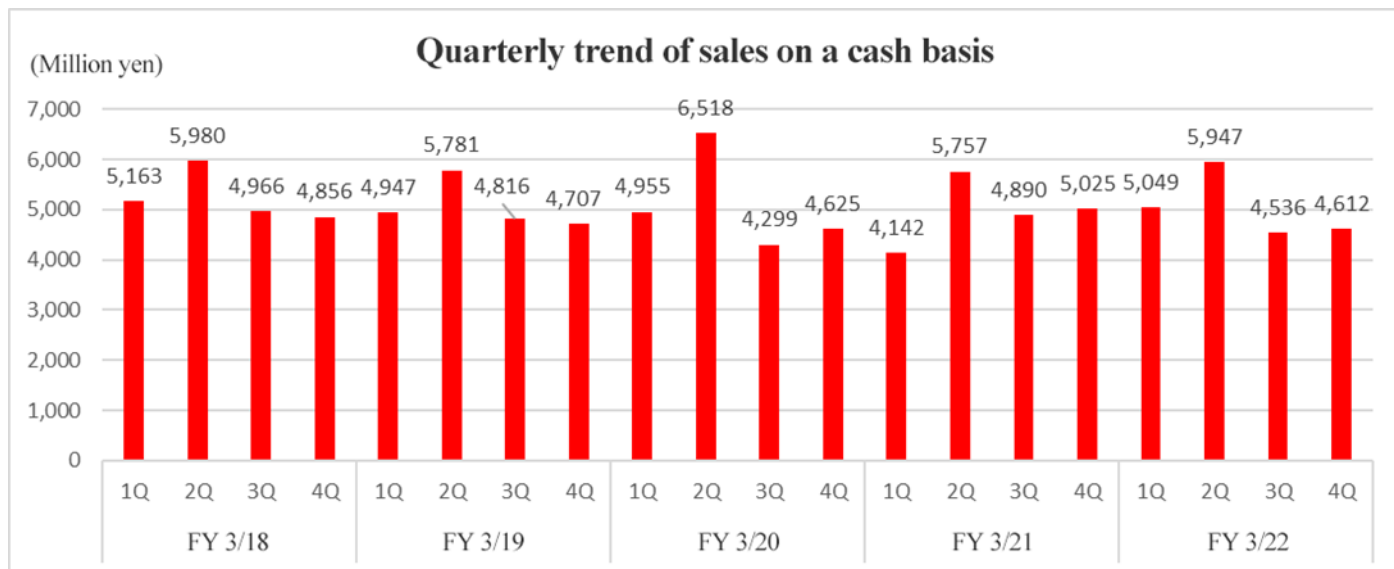
*Units: Million yen. Estimates are those of the company.

No change in earnings forecast.

While sales is expected to decline marginally, operating profit is expected to grow significantly in fiscal year ending March 2023. Sales on a cash basis are expected to increase 2.0% year on year to 20,550 million yen, Sales on an accrual basis are expected to decline 0.1% year on year to 20,450 million yen, and operating profit are expected to rise 57.3% year on year to 650 million yen, respectively. The company plans to increase sales by appropriate control of rent by optimization of classroom floor space and actively implementing web marketing. A dividend is to be 6.00 yen/share as previous fiscal year. The dividend payout ratio will be 27.8%.

4. Conclusions

With the lifting of the state of emergency declaration, the spread of the new coronavirus has begun to calm down. Against this backdrop, we look forward to the effects of the company's efforts to strengthen the online learning environment, including the development of various methods of corporate training and the optimization of floor space at directly managed schools to accommodate the increase in online courses, with a view to the "after Corona" and "with Corona" periods.



<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 December 24, 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)>

The company has not followed the following principles in the Corporate Governance Code for the reasons described in the table below.

The following are based on the Corporate Governance Code after the revision made in June 2021.

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.

Supplementary Principle 2-4 (1)	<p>Our company bases its assessments and appointments of core personnel on the individual's abilities, regardless of their personal attributes. Therefore, there are no numerical targets based on personal attributes.</p> <p>Moreover, most of our business activities are conducted in Japan, and we do not have any appointment history of foreigners for the management positions. However, in terms of the appointment of core personnel, our company bases its assessments and appointments on individuals' personal abilities, regardless of their attributes, thus, we consider an appointment whenever there is an appropriate person in accordance with our company's future business development.</p> <p>Our company is actively employing mid-career employees in addition to the new graduate, with the aim to develop diverse human resources and establish a vibrant organization.</p>
Supplementary Principle 4-11 (1)	<p>Our company, with the aim to execute our company group's management efficiently and effectively, to contribute to the company's sustainable growth, and to maximize its corporate value, follows its policy to have the Board of the directors composed of diverse members with different backgrounds in abilities, knowledge, and experience. Furthermore, the upper limit of the number of the Directors is set at 15, with up to four Directors who also serves as the member of the audit and supervisory committee, as stated in the Articles of Incorporation, for a quick decision-making process.</p> <p>Moreover, we will discuss a disclosure of the skills matrix as our task in the future.</p>

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Our company's policies pertaining to each principle whose disclosure is required by the Corporate Governance Code are as follows (except the principles stated in the above "Reasons for Non-compliance with the Principles of the Corporate Governance Code.")

The following are based on the Corporate Governance Code after the revision made in June 2021.

Principles	Disclosure
Supplementary Principle 3-1 (3)	<p>As initiatives for sustainability, our company is working on promoting paperless business operations, implementing Cool Biz and Warm Biz, and reducing CO₂ emissions through saving air conditioning energy, in terms of the environment. Further, in the social aspect, our company promotes acquiring accounting knowledge required for businesspersons, and carries out events such as Bookkeeping Championship Tournament with the aim to contribute to the development of companies and Japan's entire economy.</p> <p>Our company's management philosophy is to "contribute to the society through our development of profession."</p> <p>Our company runs educational service business to support students and working adults obtaining national qualifications, etc., and our development of educational contents including textbooks and development of curricula is nothing but an investment in intellectual properties. In addition, developing professions is indispensable for the educational content development, we require our employees to acquire the Official Business Skills Test in Bookkeeping, third grade, and encourage acquiring various qualifications, and proactively provide support for tuition for that purpose.</p>

BRIDGE REPORT



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 not intended for soliciting or promoting investment activities or offering any advice on investment or the like, but for providing information only. The information included in this report was taken from sources considered reliable by our company. Our company will not guarantee the accuracy, integrity, or appropriateness of information or opinions in this report. Our company will not assume any responsibility for expenses, damages or the like arising out of the use of this report or information obtained from this report. All kinds of rights related to this report belong to Investment Bridge Co., Ltd. The contents, etc. of this report may be revised without notice. Please make an investment decision on your own judgment.

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