



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	<a href="https://www.tac-school.co.jp/">https://www.tac-school.co.jp/</a>

## Stock Information

Share Price	Number of shares issued		Total market cap	ROE(Act.)	Trading Unit
201 yen	18,504,000 shares		3,719 million yen	3.5%	100 shares
DPS(Est.)	Dividend yield (Est.)	EPS(Est.)	PER(Est.)	BPS(Act.)	PBR(Act.)
6.00 yen	3.0%	11.58 yen	17.4 x	341.58yen	0.6 x

\*The share price is the closing price on May 26th. Number of shares issued, DPS, EPS, BPS and ROE are from the financial results for the fiscal year ended March 2023.

## Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 Act	19,711	319	324	214	11.69	6.00
March 2024 Est	19,620	380	330	210	11.58	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 2023 and other information about TAC.

## Index

- [1. Company Overview](#)
- [2. Fiscal Year ended March 2023 Earnings Results](#)
- [3. Fiscal Year ending March 2024 Earnings Estimates](#)
- [4. Conclusions](#)
- [<Reference: Regarding Corporate Governance>](#)

## Key Points

- Sales and operating profit declined year on year in the term ended March 2023. Sales on a cash basis declined 4.2% year on year to 19,295 million yen. Sales on an accrual basis decreased 3.7% year on year to 19,711 million yen. Cost of sales dropped 5.4% year on year, but SG&A expenses rose 0.2% year on year, resulting in a 22.8% YoY decline in operating profit on an accrual basis to 319 million yen. Net profit fell 51.7% year on year to 214 million yen.
- For the term ending March 2024, the company forecasts an increase in sales and profit. They forecast sales of 19,720 million yen, up 2.2% year on year, on a cash basis, sales of 19,620 million yen, down 0.5% year on year, on an accrual basis, and an operating income of 380 million yen, up 19.1% year on year. They will compensate for the decrease of attendees of the Public Accountant, Public Officer and other courses with recently popular qualifications (such as Certified Public Tax Accountant and IT-related qualifications). As needs for distance learning are high due to the diversification of lifestyles, they will continue the reduction of floor area, relocation, etc. of school buildings to match the actually used space. The company plans to pay a dividend of 6.00 yen/share, unchanged from the previous term. The estimated payout ratio is 51.8%.
- The learning environment will transform into a new one in the term ending March 2024 as COVID-19 has been recategorized into Class 5. It comes down to whether the company can take advantage of such changes of the environment to boost their business. We would like to pay attention especially to whether they can differentiate between classroom and distance learning. Above all, we would like to keep an eye on whether they can efficiently utilize online learning, which became standard during the COVID-19 crisis, in distance learning, and expand their revenues through it.

## 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. 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.	“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 2023.

### 【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 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23
<b>ROE(%)</b>	<b>10.3</b>	<b>8.6</b>	<b>5.7</b>	<b>1.9</b>	<b>7.2</b>	<b>7.4</b>	<b>3.5</b>
Net profit Margin (%)	2.40	2.11	1.51	0.51	2.05	2.17	1.09
Asset Turnover	0.94	0.96	0.95	0.97	0.97	0.98	0.93
Leverage	4.60	4.27	4.00	3.81	3.60	3.49	3.41

**2. Fiscal Year ended March 2023 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.

**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 3/22	Share	FY 3/23	Share	YoY Change
Sales on a cash basis	20,146	98.4%	19,295	97.9%	-4.2%
Sales on an accrual basis	20,471	100.0%	19,711	100.0%	-3.7%
Gross profit	7,814	38.2%	7,732	39.2%	-1.0%
SG&A	7,401	36.2%	7,413	37.6%	0.2%
Operating profit	413	2.0%	319	1.6%	-22.8%
Ordinary profit	442	2.2%	324	1.6%	-26.7%
Net profit	444	2.2%	214	1.1%	-51.7%

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

**Decrease in sales and profit**

Sales and operating profit declined year on year in the term ended March 2023. Sales on a cash basis declined 4.2% year on year to 19,295 million yen. Sales on an accrual basis decreased 3.7% year on year to 19,711 million yen. Cost of sales dropped 5.4% year on year, but SG&A expenses rose 0.2% year on year, resulting in a 22.8% YoY decline in operating profit on an accrual basis to 319 million yen. Net profit fell 51.7% year on year to 214 million yen.

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

	FY 3/22	Share	FY 3/23	Share	YoY Change
Personal Education	10,798	53.6%	9,974	51.7%	-7.6%
Corporate Training	4,372	21.7%	4,423	22.9%	1.2%
Publishing	4,514	22.4%	4,426	22.9%	-1.9%
Manpower Business	512	2.5%	517	2.7%	1.0%
Elimination of intersegment transactions	-51	-	-46	-	-
Consolidated Sales	20,146	100.0%	19,295	100.0%	-4.2%

\*Units: Million yen

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

	FY 3/22	Profit ratio	FY 3/23	Profit ratio	YoY Change
Personal Education	-897	-	-1,074	-	-
Corporate Training	1,043	23.9%	966	21.8%	-7.4%
Publishing	1,116	24.7%	1,216	27.5%	9.0%
Manpower Business	65	12.8%	70	13.5%	6.5%
Corporate expenses	-1,241	-	-1,275	-	-
Consolidated Operating profit	87	0.4%	-97	-0.5%	-

\*Units: Million yen

**【Personal Education】**

## Decrease in sales and widening deficit

Increase in sales	Certified Public Tax Accountant courses, IT Specialist courses, Judicial Scrivener courses, Licensed Strata Management Consultant courses, Architects and Building Engineers courses, Electricity-related qualifications courses, etc.
-------------------	--

The Certified Public Tax Accountant course, which is the mainstay, performed favorably throughout the year, due to the fact that requirements for taking the examination will be less strict from the next examination on, and exceeded the sales in the previous year. However, overall sales fell short of those in the previous year, as especially applications for the Certified Public Accountant and Public Officer courses, which are attended mainly by students, were sluggish throughout the year and sales of the Bookkeeping course, Labor and Social Security Attorney course, Real Estate Transaction Agent course, etc. dropped from the previous year. In terms of costs, operating expenses such as the lecture fee, outsourcing expenses for producing learning materials and rent amounted to 11,048 million yen (down 5.5% year on year).

Consequently, sales of Personal Education on a cash basis stood at 9,974 million yen (down 7.6% year on year) and there was an operating loss of 1,074 million yen on a cash basis (operating loss was 897 million yen in the previous year).

**【Corporate Training】**

## Increase in sales and decrease in profit

Increase in sales	IT and International fields, university seminars, commissioned training, etc.
-------------------	---

The performance of training for enterprises remained steady owing to the favorable demand for IT-related training. Regarding performance in each field, the performance of the Financial Services and Real Estate field fell slightly short of that in the previous year, but the performance of the IT and International Field was healthy owing to the trend of enterprises focusing on DX. The performance of university seminars was favorable, better than that in the previous year, as face-to-face classes were restarted. In addition, the sales of the affiliated school business, whose main clients are individuals in the countryside, declined 16.3% year on year, the sales from provision of content to vocational schools in the countryside dropped 12.9% year on year and the sales from commissioned training for local governments grew 7.3% year on year. Overall, the performance was better than that in the previous year.

In terms of costs, operating expenses, mainly the training-related lecture fee, labor costs concerning marketing, etc. augmented to 3,457 million yen (up 3.9% year on year).

Consequently, sales of Corporate Training on a cash basis stood at 4,423 million yen (up 1.2% year on year) and operating income on a cash basis was 966 million yen (down 7.4% year on year).

**【Publishing】**

Decrease in sales and increase in profit

Increase in sales	Certified Public Tax Accountant, IT Specialist, Labor and Social Security Attorney, S&M Enterprise Mgt. Consultant, Certified Administrative Procedures Legal Specialist, Judicial Scrivener, etc.
-------------------	--

The corporate group's publishing business is conducted under two brands: "TAC Publishing" operated by the company and "W Seminar" ("W Publishing") operated by its subsidiary, Waseda Management Publishing, Co., Ltd. The performance of the Publishing business was sluggish until the second quarter as the demand from people staying at home diminished, but it reached the level of the previous year for most part as orders from bookstores, etc. gradually recovered from the third quarter. Regarding books that are used to prepare for qualification exams, TAC publications for Certified Public Tax Accountant, IT Specialist, Labor and Social Security Attorney, S&M Enterprise Mgt. Consultant and other qualifications performed favorably, while those for Bookkeeping, Real Estate Transaction Agent, FP, etc. did not sell well. In addition, the sales of travel guides were healthy, as the demand for leisure activities has recovered owing to the alleviation of restrictions on free movement, etc. Moreover, in regard to W Publishing, sales of publications for Certified Administrative Procedures Legal Specialist, Judicial Scrivener, etc. were favorable. In terms of costs, overall operating expenses reached 329 million yen (down 5.5% year on year).

Consequently, the sales of Publishing stood at 4,426 million yen (down 1.9% year on year) and operating income was 1,216 million yen (up 9.0% year on year).

**【Manpower Business】**

Sales and profit rose

Accounting-related Manpower Business managed by the subsidiary TAC Profession Bank increased sales from the previous year owing to healthy advertising and personnel placement sales, as the demand for accounting-related personnel at tax accounting firms, audit corporations, general companies, etc. remained high. Although there was an increase in business operations, etc. due to a medical fee revision, which takes place once in two years in the medical care-related Manpower Business managed by Medical Office Staffing Kansai Co., Ltd., sales did not quite reach those in the previous year as there is now less work related to COVID-19.

Consequently, sales of the Manpower Business stood at 517 million yen (up 1.0% year on year) and operating income was 70 million yen (up 6.5% year on year).

**(3) Trend by Certification Category**

The company adopted the "Accounting Standards for Revenue Recognition" and other standards in the previous fiscal year, and in the term ended March 2023, the amount equivalent to expected product returns is directly deducted from net sales for transactions in the publishing business in which there is a possibility of return of goods. The amount equivalent to such returns is calculated based on an overall estimate based on past sales returns, etc., and the deductions for each field are not known. Therefore, the total sales in "FY 3/2022" and "FY 3/2023" in the table below do not match the sales in the quarterly consolidated profit-and-loss statements.

**Sales on an accrual basis by Certification Category**

	FY 3/22	Share	FY 3/23	Share	YoY Change
Finance, Accounting	4,304	21.1%	3,852	19.5%	-10.5%
Management, Taxation	3,115	15.3%	3,187	16.1%	2.3%
Financial Service, Real Estate	4,809	23.6%	4,615	23.4%	-4.0%
Law	1,287	6.3%	1,276	6.5%	-0.9%
Public Officer, Labor	4,214	20.7%	3,940	20.0%	-6.5%
IT, International	1,574	7.7%	1,627	8.2%	3.4%
Medical, Welfare	277	1.4%	266	1.3%	-3.6%
Others	817	4.0%	985	5.0%	20.4%
Total	20,399	100.0%	19,752	100.0%	-3.2%

\*Unit: Million yen



**【Market Overview】**

The number of students in the term ended March 2023 totaled 196,706 (down 4.1% from the previous consolidated fiscal year), of which 112,628 were individual students (down 4.7% or 5,610 students) and 84,078 were corporate students (down 3.3% or 2,895 students).

**Student Number Trends**

	FY 3/22	Share	FY 3/23	Share	YoY Change
Individual	118,238	57.6%	112,628	57.3%	-4.7%
Corporate	86,973	42.4%	84,078	42.7%	-3.3%
Total	205,211	100.0%	196,706	100.0%	-4.1%

\*Units: Person

**【Overview by Certification Sector】**

While the number of both individual and corporate course attendees rose 13.4% year on year in the Licensed Strata Management Consultant course, 4.3% year on year in the Architects and Building Engineers course, 7.9% year on year in the Public Officer course (Government officials in the Main Career Track and Special Personnel of MOFA), 27.8% year on year in IT courses, 6.3% year on year in the CompTIA course, etc., it fell 17.6% year on year in the Bookkeeping course, 8.2% year on year in the Certified Public Accountant course, 7.3% year on year in the S&M Enterprise Mgt. Consultant course, 10.9% in the Real Estate Transaction Agent course, etc. The number of corporate attendees grew 0.3% year on year in distance learning, while it declined 7.0% year on year at university seminars and 8.0% year on year at affiliated schools, and remained at the same level as in the previous year in commissioned training.

**Number of students by Certification Category**

	FY 3/22	Share	FY 3/23	Share	YoY Change
Finance and Accounting	30,414	14.8%	26,113	13.3%	-14.1%
Management and Taxation	23,768	11.6%	23,189	11.8%	-2.4%
Financial Service and Real Estate	58,187	28.3%	53,009	27.0%	-8.9%
Law	10,811	5.3%	10,481	5.3%	-3.1%
Public Officer and Labor	48,653	23.7%	46,670	23.7%	-4.1%
IT and International/ Medical and Welfare/ Others	33,378	16.3%	37,244	18.9%	11.6%
Total	205,211	100.0%	196,706	100.0%	-4.1%

\*Units: Person

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

	End of March 2022	End of March 2023		End of March 2022	End of March 2023
Cash and deposits	5,716	6,103	Notes and Accounts Payable - trade	515	495
Accounts Receivable - trade	3,581	3,835	Provision for Loss on Abandonment of Sales Return	302	333
Inventories	796	878	Advances Received	5,943	5,483
Current Assets	11,679	11,604	Asset Retirement Obligation	776	725
Property, Plant and Equipment	5,113	4,973	Interest Bearing Liabilities	5,095	5,298
Intangible Assets	202	231	Liabilities	15,209	14,591
Investments and Other Assets	4,389	3,986	Net Assets	6,174	6,203
Non-current Assets	9,705	9,190	Total Liabilities, Net Assets	21,384	20,795

\*Units: Million yen

Despite an increase in cash and deposits, etc., current assets decreased 75 million yen from the end of the previous term, due to the decrease in other assets. Fixed assets decreased 514 million yen year on year due largely to a decrease in guarantee deposits. Total assets decreased 589 million yen to 20,795 million yen.

Despite an increase in interest-bearing debt, total liabilities declined 617 million yen year on year to 14,591 million yen, largely due to a decrease in advances received.

Net assets grew 28 million yen to 6,203 million yen, due to the rise in retained earnings, etc. As a result, capital-to-asset ratio rose 1.0 points from the end of the previous fiscal year to 29.8%.

### 3. Fiscal Year ending March 2024 Earnings Estimates

#### (1) Consolidated Earnings

	FY 3/23 Act.	Share	FY 3/24 Est	Share	YoY Change
Sales on a cash basis	19,295	97.9%	19,720	100.5%	2.2%
Sales on an accrual basis	19,711	100.0%	19,620	100.0%	-0.5%
Gross profit	7,732	39.2%	-	-	-
SG&A	7,413	37.6%	-	-	-
Operating profit	319	1.6%	380	1.9%	19.1%
Ordinary profit	324	1.6%	330	1.7%	1.7%
Net profit	214	1.1%	210	1.1%	-2.2%

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

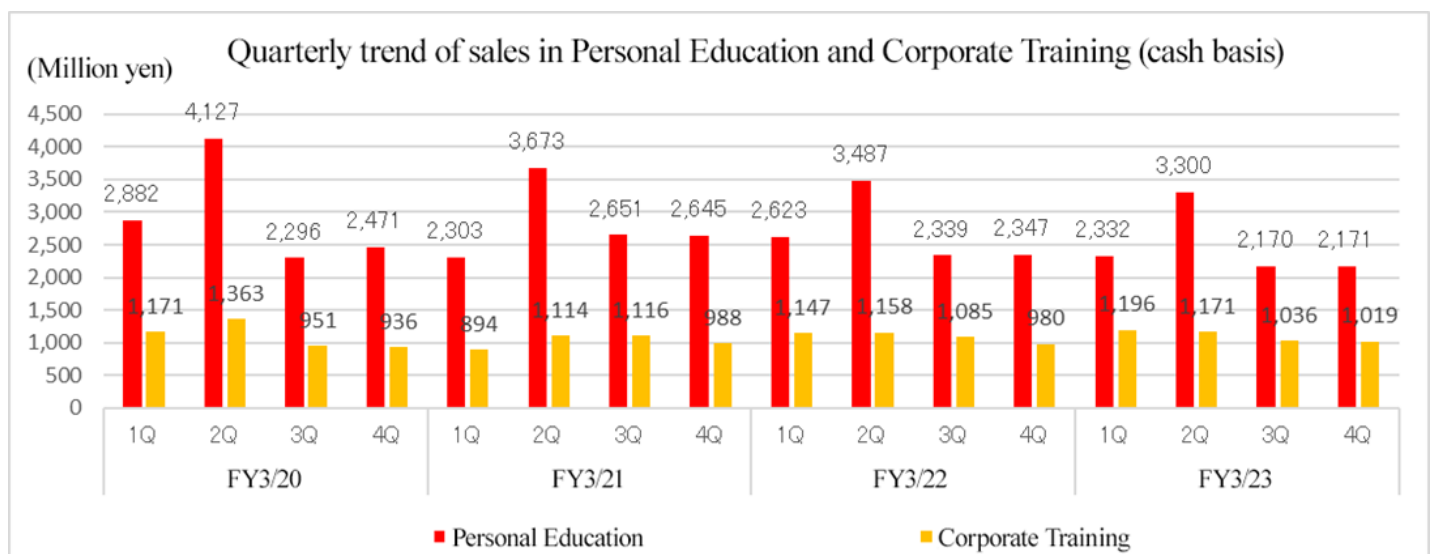
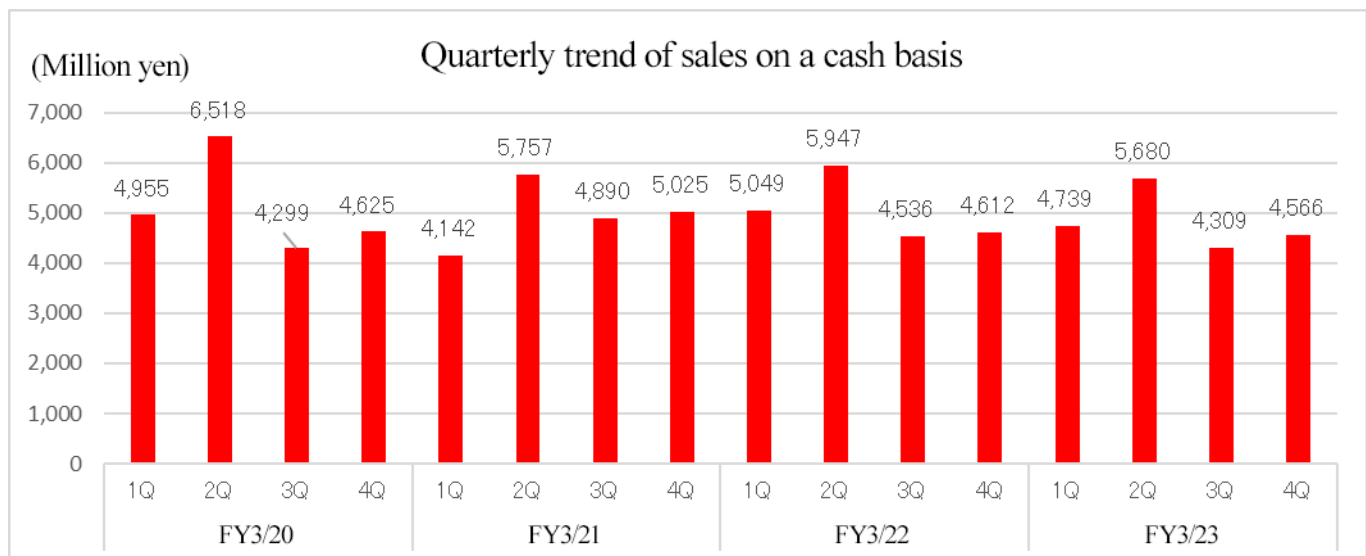
#### No change in earnings forecast

For the term ending March 2024, the company forecasts an increase in sales and profit. They forecast sales of 19,720 million yen, up 2.2% year on year, on a cash basis, sales of 19,620 million yen, down 0.5% year on year, on an accrual basis, and an operating income of 380 million yen, up 19.1% year on year. They will compensate for the decrease of attendees of the Public Accountant, Public Officer and other courses with recently popular qualifications (such as Certified Public Tax Accountant and IT-related qualifications). As needs for distance learning are high due to the diversification of lifestyles, they will continue the reduction of floor area, relocation, etc. of school buildings to match the actually used space. The company plans to pay a dividend of 6.00 yen/share, unchanged from the previous term. The estimated payout ratio is 51.8%.

### 4. Conclusions

The learning environment will transform into a new one in the term ending March 2024 as COVID-19 has been recategorized into Class 5. It comes down to whether the company can take advantage of such changes of the environment to boost their business. We would like to pay attention especially to whether they can differentiate between classroom and distance learning. Above all, we would like to keep an eye on whether they can efficiently utilize online learning, which became standard during the COVID-19 crisis, in distance learning, and expand their revenues through it.





## <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, 2022

#### <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.

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)	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. Moreover, most of our business activities are conducted in Japan, and we do not have any appointment history of foreigners for the

	<p>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.")

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 CO<sub>2</sub> 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>
Principle 5-1	<p>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.</p>

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.

Copyright(C) Investment Bridge Co.,Ltd. All Rights Reserved.

To view back numbers of Bridge Reports on TAC Co., Ltd. (4319) and other companies and to see IR related seminars of Bridge Salon, please go to our website at the following url: [www.bridge-salon.jp/](http://www.bridge-salon.jp/)