

**For the Six Months Ended September 30, 2019**

---

**Annual Select® 2020**

**1st  
half**

# TANABE CONSULTING CO., LTD.

---

**3-3-41 Miyahara, Yodogawa-ku, Osaka**

**Tekko Building 9th Floor, 1-8-2 Marunouchi,**

**Chiyoda-ku, Tokyo**

**(Securities Code: 9644)**

**+81-6-7177-4000**

---

“At Tanabe Consulting, we love our corporate clients,  
advance together with them, and contribute to their prosperity.

We aim to benefit the broad society  
as a first-rate pillar of trust.

With international perspective, we overcome the infinite challenges of change,  
and always the pioneer, we open up paths to the world.”

## **Corporate Profile**

Tanabe Consulting Co., Ltd. was established in Kyoto in 1957 as the Tanabe Management Consulting Office. The Company’s headquarters are presently located in Osaka and Tokyo. Following the management philosophy of “love our corporate clients, advance together with them, and contribute to their prosperity,” its operating units—the Management Consulting Business and the SP (Sales Promotion) Consulting Business—mutually coordinate together. The Company boasts an office network covering 10 cities throughout Japan, from the northernmost island of Hokkaido to Okinawa in the south. Based on company-wide team consulting underpinned by a customer-oriented approach, the Company will continually assist in the creation of “first call companies that will be the first choice even 100 years in the future.”

## I. Summary of Selected Financial Data

	First half of 57 <sup>th</sup> term Six months ended September 30, 2018	First half of 58 <sup>th</sup> term Six months ended September 30, 2019	57 <sup>th</sup> term Fiscal year ended March 31, 2019
Net sales (Thousands of yen)	4,083,913	4,145,053	9,046,587
Ordinary profit (Thousands of yen)	461,989	360,326	1,003,877
Profit (Thousands of yen)	320,329	276,414	694,736
Equity in earnings of affiliates (Thousands of yen)	–	–	–
Share capital (Thousands of yen)	1,772,000	1,772,000	1,772,000
Total number of shares issued (Shares)	8,754,200	8,754,200	8,754,200
Net assets (Thousands of yen)	10,318,592	10,668,570	10,715,516
Total assets (Thousands of yen)	12,485,453	12,679,200	12,769,774
Basic earnings per share (Yen)	37.04	32.09	80.48
Diluted earnings per share (Yen)	36.97	–	80.40
Dividend per share (Yen)	–	–	42.00
Equity ratio (%)	82.6	84.0	83.8
Net cash provided by (used in) operating activities (Thousands of yen)	16,928	76,014	403,791
Net cash provided by (used in) investing activities (Thousands of yen)	(140,711)	469,328	(280,826)
Net cash provided by (used in) financing activities (Thousands of yen)	(455,547)	(365,455)	(460,422)
Cash and cash equivalents at end of period (Thousands of yen)	4,414,882	4,836,642	4,656,754

	Second quarter of 57 <sup>th</sup> term Three months ended September 30, 2018	Second quarter of 58 <sup>th</sup> term Three months ended September 30, 2019
Profit per share (Yen)	22.98	26.63

- Notes:
1. The Company does not prepare consolidated financial statements.
  2. Net sales do not include consumption taxes.
  3. Equity in earnings of affiliates is not presented because there are no significant affiliates.
  4. Diluted earnings per share for the first half of the 58<sup>th</sup> term is not presented because there are no potentially dilutive shares.

## II. Interview with CEO



Takahiko Wakamatsu  
President and Chief Executive Officer

Takahiko Wakamatsu

### Q. How were the Company's results in the first half (from April 1, 2019 to September 30, 2019)?

- A. Amid the prevailing environment of economic uncertainty, we have been continuing efforts to expand and strengthen our team consulting menu. This has involved promoting both our “C&C (Consulting & Conglomerate) Strategy” (diversifying fields of consulting) which acts as the Company’s Medium-term Business Strategy, and our consulting platform strategy (see page 6 for more details), while concurrently strengthening and enhancing functions of our organizational and human resources framework. In so doing, we aim to achieve sustainable growth in conjunction with our client companies from 2020 onward, thereby helping those companies address their increasingly diversifying and specialized managerial needs.

In the Management Consulting Business, we gained additional management consulting contracts under themes that include: personnel recruitment, training and utilization; formulating and promoting medium-term business plans (visions); business succession and developing post-succession frameworks; marketing and branding strategies; junior boards (next-generation management team development); and, establishment of the FCC Academy (in-house corporate university). We have also been promoting tours of overseas corporations involving our respective industry-specific and managerial challenge-specific management workshops, while expanding and renewing the number of themes available in those workshops.

In the SP (Sales Promotion) Consulting Business, we have generated growth through our monthly contract-type sales promotion consulting and web promotion consulting. This growth was achieved as a result of our having made it possible to provide more highly specialized consulting services to a large number of clients which has involved accelerating efforts to coordinate services with the Management Consulting Business and our external partner companies. The SP Consulting Business has also achieved growth with respect to its highly specialized and original SP design promotional tools as a result of having launched a large design team and coordinated efforts with the Design Lab in the Strategic Laboratory.

In addition, our corporate strategy has involved boosting investment in human resources (recruitment of recent graduates and mid-career professionals) necessary for the Company to achieve sustainable growth and undertaking digital investment in order to heighten productivity.

Through the above initiatives, we managed to exceed our initial targets despite having generated higher revenue but lower profit year on year. Net sales was ¥4,145 million (up 1.5% year on year),

operating profit was ¥345 million (down 22.6% year on year), ordinary profit was ¥360 million (down 22.0% year on year), and profit was ¥276 million (down 13.7% year on year).

**Q. What are your forecasts for the full year (from April 1, 2019 to March 31, 2020) and the medium-term vision?**

- A. We will keep promoting our C&C strategy and consulting platform strategy from a “domain (industries) × function (managerial challenges) × region perspective. One aspect of promoting this strategy has involved Tanabe Consulting bringing Leading Solutions Co., Ltd., a provider of professional digital marketing services for BtoB companies, into the Group (see page 4 for more details). We will be able to expand and enhance our team consulting menu and strengthen our client acquisition capabilities going forward by coordinating with Leading Solutions.

Meanwhile in terms of our industry-specific and managerial challenge-specific consulting, from this fiscal year forward we will work to redefine our 12 categories of consulting methods focused on achieving high added value and developed over many years as our “Team Consulting Brands (TCB).” This will encompass a focus particularly on consulting in areas such as development of medium- to long-term visions looking past the year 2020, productivity reforms, brand development, establishment of holding company management, and business succession. We will engage in a co-creation approach to developing new “Consulting Tech” (consulting × technology) team consulting services with respect to these TCBs by actively coordinating with our external partner companies.

Additionally, in our Management Consulting Business, we will promote various forms of consulting. This includes: human resources and development consulting lending total, one-stop support for human resources training and utilization needs of client companies drawing on the “FCC Academy (in-house corporate university)” concept; growth M&A consulting coordinated with alliance partners including financial institutions and other such entities throughout Japan to support growth of client companies; and, consulting for financial institutions that involves training regional successor managers and financial institution personnel. We will also strengthen our support for startup companies nationwide

In the SP (Sales Promotion) Consulting Business, we will strengthen a framework capable of lending total, one-stop support to promotions and branding of our client companies by overhauling work processes while enhancing our expertise from an “industry × promotion function” perspective. With respect to promotional merchandise, the Company’s direction and design divisions will expand their fields of specialty in coordination with our external partner companies. We will also enhance the brand strengths of our Blue Diary which marks its 60th anniversary this year.

As our corporate strategy, we will pursue improvement in terms bringing about sustainable corporate value by promoting Diversity & Inclusion and creating workplaces where employees are able to work more effectively.

Through the above initiatives, we aim to achieve net sales of ¥9,300 million (up 2.8% year on year), operating profit of ¥1,000 million (up 3.1% year on year), ordinary profit of ¥1,020 million (up 1.6% year on year) and profit of ¥700 million (up 0.8% year on year) for the fiscal year ending March 31, 2020.

## **Q. What is your message to shareholders?**

A. In the fiscal year under review, the second year of our medium-term management plan Tanabe Vision 2020 (2018-2020), we intend to continue meeting shareholders' expectations by aiming for growth in sales, profits and dividends, in order to soundly achieve our earnings targets and provide stable shareholder returns.

In addition, we will continue to contribute to social and regional development through guiding our client companies toward becoming "first call companies (FCC) that will be the first choice even 100 years in the future." At the same time, we will realize sustainable growth and medium- and long-term improvement in corporate value as we aim for a FCC.

I would like to thank you in advance for your continued support and encouragement of our efforts.

## **III. Topic**



Leading Solutions Co., Ltd

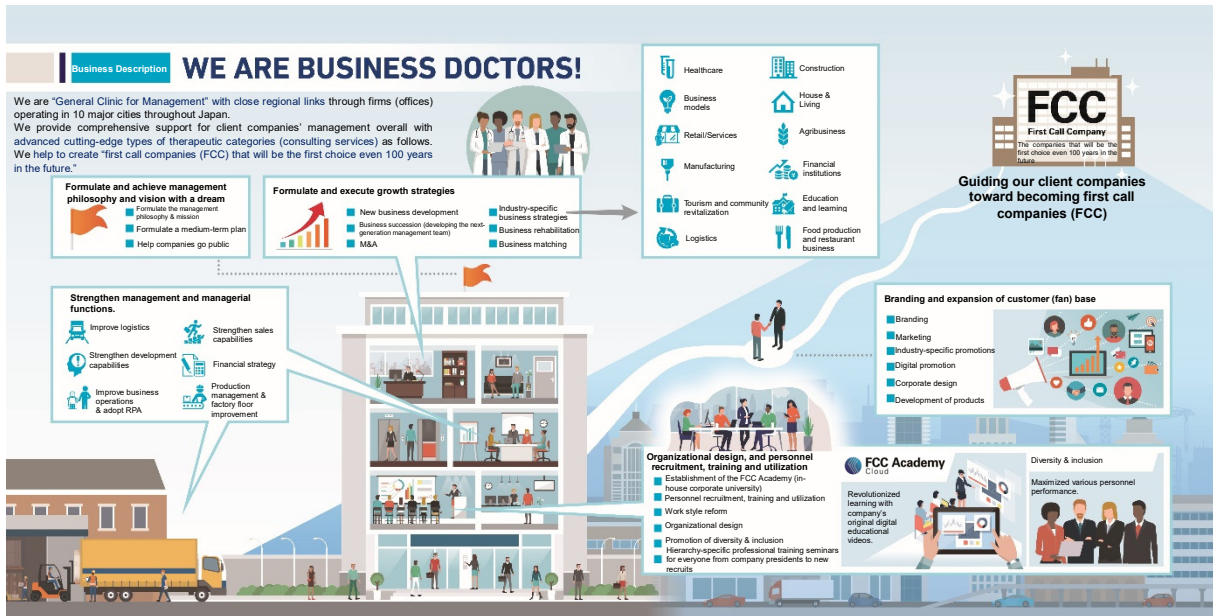
### **Partnering with Leading Solutions Co., Ltd.**

On October 31, 2019, the Company made Leading Solutions Co., Ltd. a subsidiary upon having acquired a majority of its issued shares, and entered into a capital and business alliance agreement with Leading Solutions.

Leading Solutions specializes in providing services that support digital marketing for BtoB businesses, which notably include its Knowledge Process Outsourcing (KPO) services that involve handling everything from drawing up digital marketing strategies to the planning, implementation and plan-do-check-act (PDCA) follow-up regarding such initiatives. The KPO services have earned high marks from entities ranging from large corporations to medium-sized companies encountering challenges in relation to digital marketing.

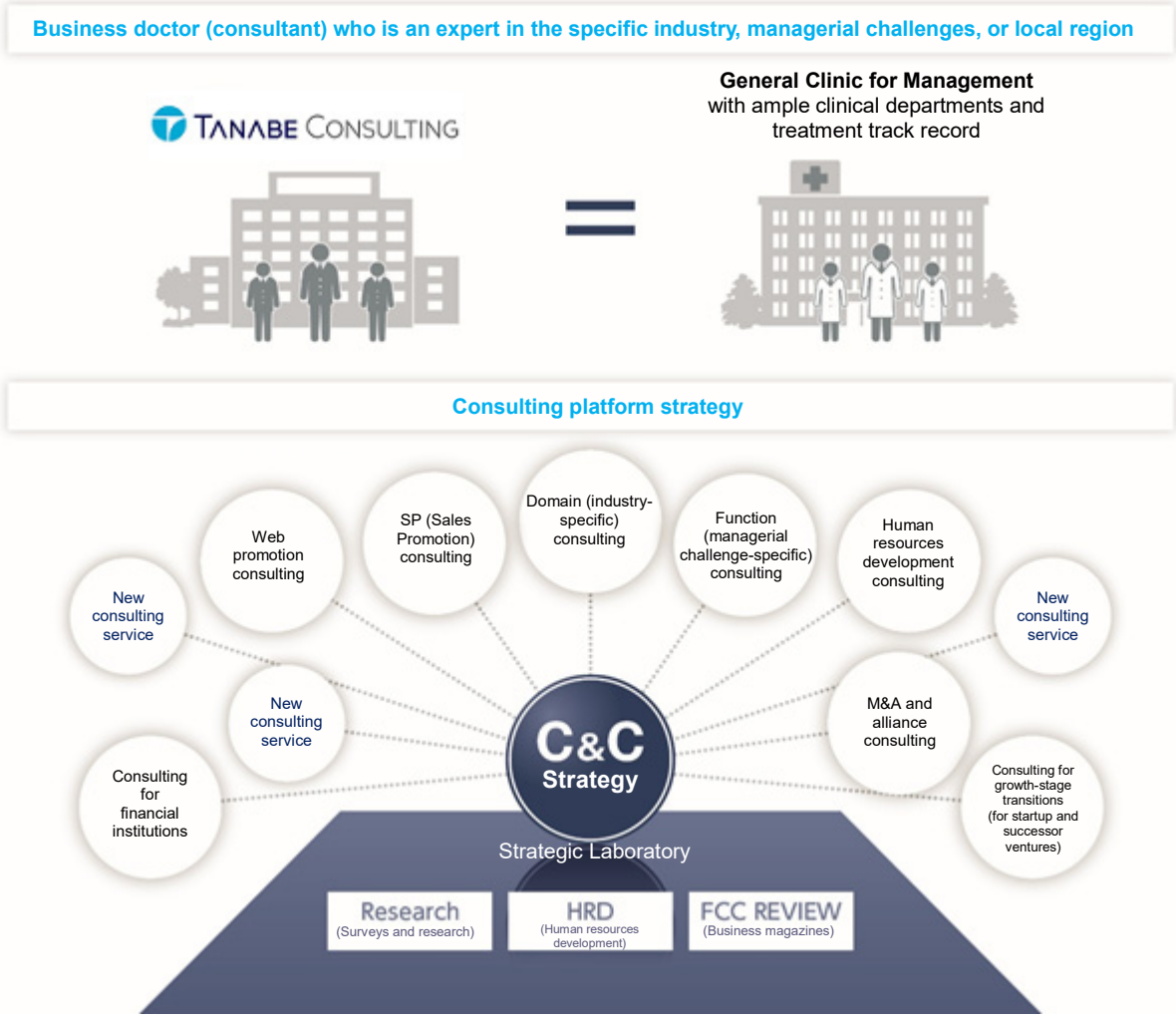
We will work to increase the corporate value of both Tanabe Consulting and Leading Solutions in part by developing new businesses that combine our knowledge of consulting amassed over many years with our knowledge related to BtoB digital marketing support.

# IV. Business Description

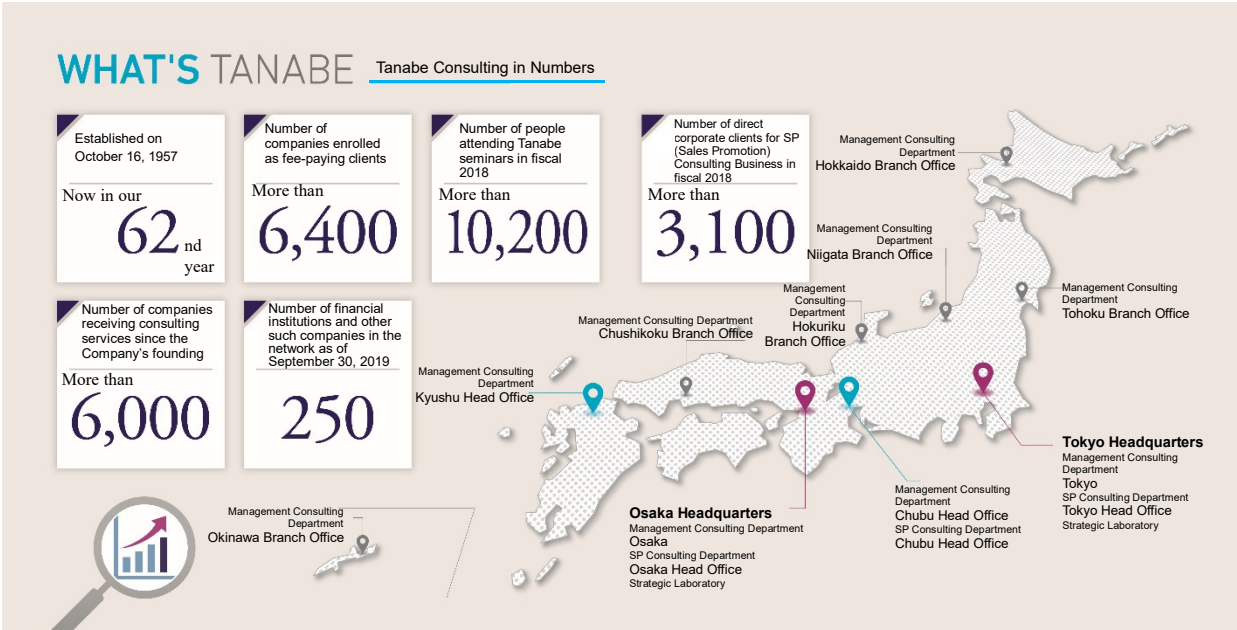


## V. Medium-term Business Strategy

We promote “C&C (Consulting & Conglomerate) Strategy” (diversifying fields of consulting) and consulting platform strategy as a medium-term business strategy. As a “General Clinic for Management,” we will establish a nationwide system capable of selecting and dispatching doctors (consultants) who can cure clients’ illnesses (business issues) by offering various advanced and cutting-edge types of therapeutic categories (consulting menus) to respond to the diverse and specialized needs of clients.



# VI. Tanabe Consulting in Numbers





## VII. Financial Statements

### (1) Balance Sheets

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	4,656,754	4,836,642
Notes and accounts receivable - trade	676,688	589,764
Securities	1,481,789	1,483,421
Merchandise	47,662	66,496
Raw materials	11,072	33,631
Other	153,468	298,701
Allowance for doubtful accounts	(432)	(182)
Total current assets	7,027,004	7,308,475
Non-current assets		
Property, plant and equipment		
Buildings, net	640,320	622,387
Land	1,527,477	1,527,477
Other, net	82,711	69,225
Total property, plant and equipment	2,250,509	2,219,090
Intangible assets	55,256	53,179
Investments and other assets		
Investment securities	953,871	964,410
Long-term time deposits	1,500,000	1,500,000
Other	983,132	634,044
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	3,437,003	3,098,454
Total non-current assets	5,742,770	5,370,725
Total assets	12,769,774	12,679,200
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	343,230	312,092
Income taxes payable	141,519	155,546
Provision for bonuses	244,900	206,530
Other	949,617	977,012
Total current liabilities	1,679,268	1,651,181
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	360,034	348,966
Other	14,955	10,482
Total non-current liabilities	374,989	359,448
Total liabilities	2,054,257	2,010,630

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Share capital	1,772,000	1,772,000
Capital surplus	2,402,847	2,402,847
Retained earnings	6,583,894	6,498,557
Treasury shares	(137,182)	(137,182)
Total shareholders' equity	10,621,559	10,536,223
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	79,986	114,421
Total valuation and translation adjustments	79,986	114,421
Share acquisition rights	13,969	17,926
Total net assets	10,715,516	10,668,570
Total liabilities and net assets	12,769,774	12,679,200

## (2) Statements of Income

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	4,083,913	4,145,053
Cost of sales	2,164,367	2,172,773
Gross profit	1,919,545	1,972,280
Selling, general and administrative expenses	1,473,223	1,626,710
Operating profit	446,322	345,569
Non-operating income		
Interest income	2,713	2,650
Dividend income	8,631	9,015
Other	4,534	3,122
Total non-operating income	15,879	14,788
Non-operating expenses		
Loss on cancellation of insurance policies	132	–
Other	80	31
Total non-operating expenses	212	31
Ordinary profit	461,989	360,326
Extraordinary income		
Gain on sales of investment securities	–	31,198
Surrender value of insurance policies	–	4,333
Gain on sales of non-current assets	0	–
Gain on reversal of share acquisition rights	166	–
Total extraordinary income	166	35,532
Extraordinary losses		
Loss on sales and retirement of non-current assets	–	217
Total extraordinary losses	–	217
Profit before income taxes	462,156	395,640
Income taxes	141,827	119,226
Profit	320,329	276,414

### (3) Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	462,156	395,640
Depreciation	39,323	41,391
Interest and dividend income	(9,888)	(10,356)
Interest income on securities	(1,545)	(1,309)
Loss (gain) on sales of property, plant and equipment	0	–
Increase (decrease) in allowance for doubtful accounts	6	(249)
Increase (decrease) in provision for bonuses	18,590	(38,370)
Increase (decrease) in provision for retirement benefits	(217,003)	–
Decrease (increase) in prepaid pension cost	124,834	(89,587)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(562)	(11,067)
Decrease (increase) in trade receivables	(28,847)	86,924
Decrease (increase) in inventories	(57,755)	(41,392)
Decrease (increase) in advance payments - trade	(166,174)	(141,815)
Increase (decrease) in trade payables	21,022	(31,138)
Increase (decrease) in accounts payable - other	(142,728)	(101,883)
Increase (decrease) in accrued consumption taxes	(10,840)	(31,170)
Increase (decrease) in advances received	142,018	180,408
Other, net	(31,651)	(37,330)
Subtotal	140,953	168,694
Interest and dividends received	11,625	11,802
Income taxes (paid) refund	(135,651)	(104,482)
Net cash provided by (used in) operating activities	16,928	76,014
<b>Cash flows from investing activities</b>		
Payments into time deposits	(100,000)	–
Purchase of securities	(2,499,873)	(2,799,850)
Proceeds from sales and redemption of securities	2,499,966	2,799,957
Proceeds from sales and redemption of investment securities	–	66,338
Purchase of property, plant and equipment and intangible assets	(32,099)	(26,311)
Payments of guarantee deposits	(757)	(1,670)
Proceeds from refund of guarantee deposits	115	599
Proceeds from cancellation of insurance funds	29,868	427,851
Other, net	(37,931)	2,413
Net cash provided by (used in) investing activities	(140,711)	469,328
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(97,600)	–
Dividends paid	(354,528)	(360,952)
Other, net	(3,418)	(4,502)
Net cash provided by (used in) financing activities	(455,547)	(365,455)
Net increase (decrease) in cash and cash equivalents	(579,330)	179,887
Cash and cash equivalents at beginning of period	4,994,213	4,656,754
Cash and cash equivalents at end of period	4,414,882	4,836,642

## VIII. Corporate Data

### Basic Information (as of September 30, 2019)

Trade name:	TANABE CONSULTING CO., LTD.
Founded:	October 16, 1957
Established:	April 1, 1963
Listed market:	The first Section of Tokyo Stock Exchange (Securities Code: 9644)
Listed:	September 28, 2016
Business year:	From April 1 to March 31
Share capital:	1,772 million yen
Number of employees:	383 persons
Osaka Headquarters:	3-3-41 Miyahara, Yodogawa-ku, Osaka
Tokyo Headquarters:	Tekko Building 9th Floor, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo
Telephone:	+81-6-7177-4000

### Directors (as of September 30, 2019)

Director and Chairman	Jiro Tanabe
President and Chief Executive Officer	Takahiko Wakamatsu
Executive Vice President	Yoshikuni Nagao
Managing Director	Masahiro Okawa
Managing Director	Toshiyuki Nakamura
Managing Director	Norihito Minamikawa
Director	Kazuo Nakahigashi
Director	Masanori Nakasone
Director	Masaru Warata
Director	Masahiro Matsunaga
Director	Kazuyoshi Shimada
Director* (Audit and Supervisory Committee Member)	Ryo Ichida
Director* (Audit and Supervisory Committee Member)	Hiroshi Kanbara
Director* (Audit and Supervisory Committee Member)	Maki Imura

\* Outside Director

**Stock Status** (as of September 30, 2019)

Total number of shares authorized:	35,000,000 shares
Total number of shares issued:	8,754,200 shares
Number of shareholders:	9,383

## Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands of shares)	Share-holding ratio (%)
Jiro Tanabe	1,210	14.0
Yoichiro Tanabe	1,030	11.9
Toki Narazaki	825	9.5
HIKARI TSUSHIN, INC.	366	4.2
Tanabe Consulting Client Share Ownership Scheme	258	2.9
Shinichi Ueda	258	2.9
Tanabe Consulting Employee Share Ownership Scheme	226	2.6
SMBC Trust Bank Ltd. Designated Securities Trust	202	2.3
Hitoshi Kimoto	159	1.8
The Master Trust Bank of Japan, Ltd.	137	1.5

\* In addition to shares described above, the Company holds 141,074 shares as treasury shares.

\* Annual Select is an English-language disclosure format developed by ZAIHON, INC. to increase the level of convenience of investors outside Japan based on Japanese-language statutory disclosure material, timely disclosure material prescribed by securities exchanges and voluntarily disclosed IR material. Annual Select is a registered trademark of ZAIHON, INC. Reproduction or copying without prior permission is prohibited.

\* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.