

For the Six Months Ended September 30, 2021

Annual Select[®] 2022

1st
half

TANABE CONSULTING CO., LTD.

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We love companies
Walk together with companies
And work for company prosperity.

Based on first-class trust
We contribute broadly to society.
Guided by an international perspective
We embrace unlimited changes.

As a ceaseless pioneer
We clear a path 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. The Company in conjunction with its Group companies, Leading Solutions Co., Ltd. and Growin' Partners Inc., mutually coordinate together, following the management philosophy of "love companies, walk together with companies and work for company prosperity." 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 (Consolidated)

	First half of 59 th term Six months ended September 30, 2020	First half of 60 th term Six months ended September 30, 2021	59 th term Fiscal year ended March 31, 2021
Net sales (Thousands of yen)	3,993,954	4,536,670	9,213,533
Ordinary profit (Thousands of yen)	169,597	300,258	771,820
Profit attributable to owners of parent (Thousands of yen)	146,629	216,716	498,469
Comprehensive income (Thousands of yen)	149,611	192,817	672,315
Net assets (Thousands of yen)	10,731,438	11,274,256	11,430,591
Total assets (Thousands of yen)	12,503,657	13,206,751	13,405,911
Basic earnings per share (Yen)	8.51	12.57	28.94
Diluted earnings per share (Yen)	–	12.57	–
Equity ratio (%)	85.2	83.3	83.1
Net cash provided by (used in) operating activities (Thousands of yen)	(281,128)	133,106	223,570
Net cash provided by (used in) investing activities (Thousands of yen)	1,415,017	571,971	1,426,787
Net cash provided by (used in) financing activities (Thousands of yen)	(376,024)	(399,529)	(408,204)
Cash and cash equivalents at end of period (Thousands of yen)	6,294,428	7,084,265	6,778,716

	Second quarter of 59 th term Three months ended September 30, 2020	Second quarter of 60 th term Three months ended September 30, 2021
Basic earnings per share (Yen)	5.85	9.24

- Notes:
1. The summary of selected non-consolidated financial data is not described as the Company prepares consolidated financial statements.
 2. The Company implemented a two-for-one common share split, effective October 1, 2021. Basic earnings per share and diluted earnings per share have been calculated assuming that the share split was conducted at the beginning of the previous fiscal year (the 59th term).
 3. Diluted earnings per share for the first half of the 59th term and the 59th term are not presented because there were no potentially dilutive shares.
 4. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year (the 60th term), and the selected financial data for the first half of the 60th term and the second quarter of the 60th term are those after applying the accounting standard and relevant ASBJ regulations.

II. Interview with CEO



Takahiko Wakamatsu
President and Chief Executive Officer

Q. How were the overall results of the Company in the first half (from April 1, 2021 to September 30, 2021)?

A. The Tanabe Consulting Group (TCG) consists of the Company (Tanabe Consulting Co., Ltd.), a pioneer of management consulting in Japan, Leading Solutions Co., Ltd. and Growin' Partners Inc. Together, as a team of more than 500 professionals, we are actively providing consulting to our main customers, the top management (CEOs, COOs, etc.) of large corporations to medium-sized enterprises (net sales of ¥5-100 billion). As social and economic activity is recovering amid the mass vaccination rollout against COVID-19 implemented from September onward, the consulting agenda for our client corporations has become clearer. During the first half of the current fiscal year, across the entire Group, we have been continuing to develop the consulting services and methods to help society and customers while remaining conscientious of the safety and health of our stakeholders, including our clients and employees, and promoting infection prevention measures. Our “Business Doctors” (consultants) permanently stationed, and intimately in touch with local needs, at their respective office in 10 major cities nationwide have been working closely with numerous business and other leaders and contributing to problem-solving for companies and local communities. In the operating results of the Group in the first half, net sales were ¥4,536 million (up 13.6% year on year), operating profit was ¥296 million (up 89.2%), ordinary profit was ¥300 million (up 77.0%), and profit attributable to owners of parent was ¥216 million (up 47.8%). TCG provides a diverse range of consulting services that are carried out multifacetedly, and in order to present the business results in a way that appropriately reflects the transactional nature of these services, we have changed from presenting the two reportable segments of “Management Consulting Business” and “Marketing Consulting Business” to presenting a single segment. In accordance with this change, the following new classification is made inside the segment. In “Strategic Consulting,” the number of contracts grew in all regional locations for “Domain (Industry/Business Specific) Consulting” in which we provide support mainly for formulating medium- to long-term visions and management plans,

constructing business models, “Function (Business Function Specific) Consulting” in which we provide support mainly for corporate finance (revenue structural reform, group management, business succession, etc.), and “HR (Human Resource) Consulting” in which we provide support mainly for organizational (work-style) reform, constructing HR systems, and establishing in-house corporate universities (FCC Academy). In addition, “M&A Alliance Consulting” grew across the entire Group, including the Company and Growin’ Partners Inc. In “DX (Digital Transformation) Consulting,” business grew significantly with the expansion of the Company’s business process reform consulting, Leading Solutions, Co., Ltd.’s support with digital technologies from formulation of marketing strategies to their improvement/implementation, and Growin’ Partners Inc.’s support for the digital shift regarding back office operations (mainly the introduction of ERP/RPA). In “Branding & Design Consulting,” the number of contracts grew for marketing, branding, web promotions, and sales-related DX consulting for specific promising industries that have been targeted since the previous fiscal year amid the ongoing cancellations and postponements of events, while support for design and creative requirements for those industries has also grown. In “Sales Promotion Products,” revenues declined significantly as there were a reduction due to the swing-back effect of the extraordinary demand for infection prevention products in the same period of the previous fiscal year, and a decline in promotion products overall accompanying the cancellation of various events, etc. However, with the reform of consulting business models and the transition to new revenue structures also contributing, increases in both revenue and profit year on year were achieved for the Group as a whole, exceeding initial plan targets.

Q. What are your forecasts for the full year (from April 1, 2021 to March 31, 2022) and the medium term vision?

- A. In order to accelerate sustainable growth and the enhancement of corporate value in preparation for 2030, the Company has been promoting the “TCG Future Vision 2030” medium-term management plan for 2021-2025, announced on May 14, 2021, under the slogan “One & Only – Creation of TCG, the New Globally Unrivaled Consulting Group.” For the current fiscal year, we seek to achieve overall Group net sales of ¥10,200 million, operating profit of ¥900 million, and profit attributable to owners of parent of ¥570 million. In terms of business strategy, we are promoting “Group C&C strategy” (diversifying consulting services for the overall Group), and updating the strategy formulation support functions (upstream processes) in management consulting, which is the Group’s core strength, while at the same time, strengthening the on-site implementation/execution support function (midstream to downstream processes) as a “professional DX Services” utilizing digital technology, in order to build a “consulting value chain” unlike any other that is capable of providing integrated support for corporate management.

In terms of marketing strategy, in order to further improve long-term business results with client corporations over decades with a consulting continuation rate of more than 70%, and further increase customer lifetime value (LTV), our customer relation management (CRM) officers at each office in 10 major cities nationwide are strengthening the points of interaction with client companies, and the follow-up system with client companies is also being reinforced through the use of the Strategic Laboratories. In addition, we have launched dedicated websites for management strategies and management functions, including those for HR, business succession, and M&A. By working to further strengthen these activities, we will work to improve CX (customer experience).

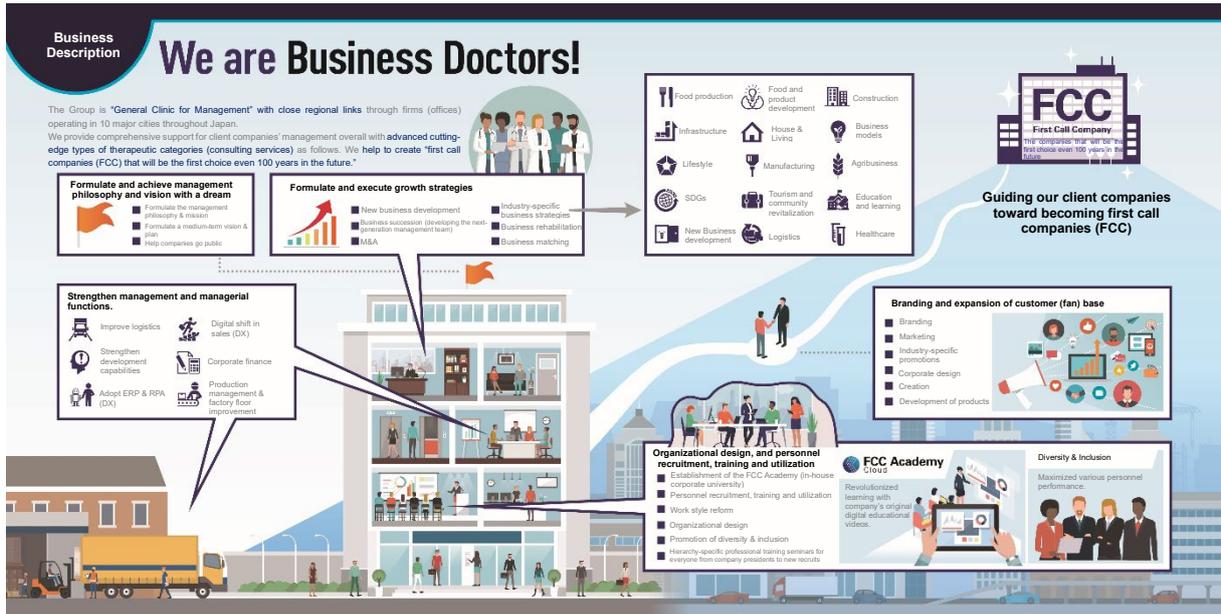
In terms of corporate strategy, in order to strengthen our hiring of professional personnel while speeding up their training and development, we are expanding the cloud curriculum for “TCG Academy” our internal Group company university. Moreover, in addition to continuing to actively invest in DX and taking steps to raise productivity while mitigating risk of infection, we will step up work-style reforms by promoting TD&I (Tanabe Diversity & Inclusion), as well as our ESG/SDGs initiatives.

Q. What is your message to shareholders?

- A. In the current fiscal year too, which is the first year of the “TCG Future Vision 2030” medium-term management plan for 2021-2025, we are aiming to achieve business results that provide “increased revenues, increased profit, and increased dividends” through steadily achieving business targets and realizing stable shareholder return.

Moreover, as the capital and share policy, the Company upholds a policy of responding to the expectations of shareholders by implementing appropriate returns to shareholders commensurate to each shareholder’s shareholdings mainly through increasing dividends and determining interim dividends in place of a shareholder benefit program; and promoting measures aimed at improving share liquidity such as share splits, and strengthening corporate communications. 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, TCG will also realize sustainable growth and medium- and long-term improvement in corporate value as we promote sustainability management. I would like to thank you in advance for your continued support and encouragement of our efforts.

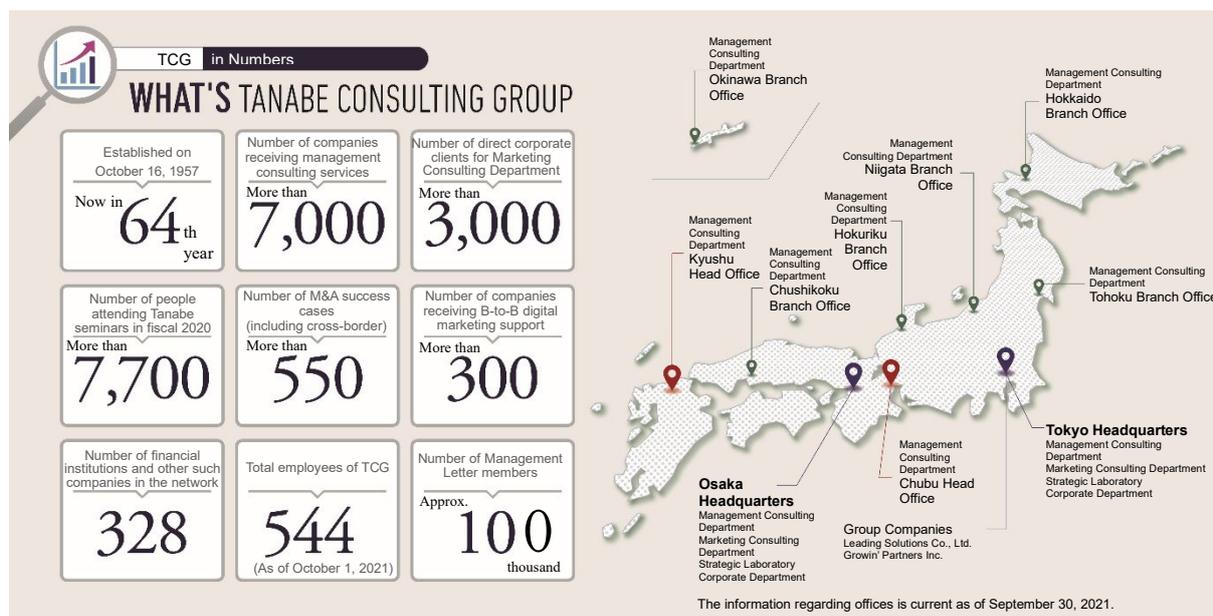
III. Business Description



IV. Medium-term Business Strategy



V. TCG in Numbers



VI. Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	6,778,716	7,084,265
Notes and accounts receivable - trade	620,945	–
Notes and accounts receivable - trade, and contract assets	–	617,175
Securities	1,299,850	800,000
Merchandise	36,685	63,677
Raw materials	11,998	7,262
Other	142,199	185,740
Allowance for doubtful accounts	(509)	(204)
Total current assets	8,889,885	8,757,916
Non-current assets		
Property, plant and equipment		
Land	1,527,477	1,527,477
Other, net	625,869	599,613
Total property, plant and equipment	2,153,346	2,127,091
Intangible assets		
Goodwill	709,044	681,436
Other	50,706	50,177
Total intangible assets	759,750	731,614
Investments and other assets		
Long-term time deposits	300,000	200,000
Other	1,321,928	1,409,129
Allowance for doubtful accounts	(19,000)	(19,000)
Total investments and other assets	1,602,928	1,590,129
Total non-current assets	4,516,025	4,448,834
Total assets	13,405,911	13,206,751
Liabilities		
Current liabilities		
Accounts payable - trade	311,795	333,652
Income taxes payable	95,611	159,748
Provision for bonuses	81,076	52,978
Other	930,331	1,069,599
Total current liabilities	1,418,815	1,615,980
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	333,211	124,737
Provision for loss on guarantees	28,012	24,016
Other	195,281	167,761
Total non-current liabilities	556,504	316,514
Total liabilities	1,975,320	1,932,494

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	1,772,000	1,772,000
Capital surplus	2,402,847	2,402,847
Retained earnings	7,046,688	6,893,050
Treasury shares	(137,511)	(116,759)
Total shareholders' equity	11,084,024	10,951,139
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,548)	(1,874)
Remeasurements of defined benefit plans	63,445	55,797
Total accumulated other comprehensive income	60,896	53,923
Share acquisition rights	14,270	14,720
Non-controlling interests	271,398	254,472
Total net assets	11,430,591	11,274,256
Total liabilities and net assets	13,405,911	13,206,751

(2) Consolidated Statement of Income

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	3,993,954	4,536,670
Cost of sales	2,274,094	2,395,338
Gross profit	1,719,860	2,141,331
Selling, general and administrative expenses	1,563,162	1,844,933
Operating profit	156,698	296,397
Non-operating income		
Interest income	2,232	1,539
Dividend income	6,217	–
Dividend income of life insurance	1,883	1,862
Other	2,651	1,428
Total non-operating income	12,985	4,830
Non-operating expenses		
Interest expenses	60	676
Other	25	293
Total non-operating expenses	86	969
Ordinary profit	169,597	300,258
Extraordinary income		
Gain on sale of investment securities	83,225	–
Reversal of provision for loss on guarantees	–	3,996
Other	332	334
Total extraordinary income	83,557	4,330
Extraordinary losses		
Loss on sale and retirement of non-current assets	168	4,445
Loss on redemption of investment securities	28,666	–
Other	–	9
Total extraordinary losses	28,834	4,455
Profit before income taxes	224,320	300,133
Income taxes	72,264	100,343
Profit	152,055	199,790
Profit (loss) attributable to non-controlling interests	5,426	(16,925)
Profit attributable to owners of parent	146,629	216,716

(3) Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	152,055	199,790
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,285)	673
Remeasurements of defined benefit plans, net of tax	841	(7,647)
Total other comprehensive income	(2,444)	(6,973)
Comprehensive income	149,611	192,817
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	144,184	209,743
Comprehensive income attributable to non-controlling interests	5,426	(16,925)

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	224,320	300,133
Depreciation	41,372	41,145
Amortization of goodwill	8,430	27,607
Loss (gain) on sale and retirement of non-current assets	168	4,445
Loss (gain) on sale of investment securities	(83,225)	9
Loss (gain) on redemption of investment securities	28,666	–
Increase (decrease) in provision for bonuses	(57,050)	(28,097)
Increase (decrease) in allowance for doubtful accounts	(37)	(305)
Decrease (increase) in retirement benefit asset	(86,361)	(46,195)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(15,755)	(208,473)
Increase (decrease) in provision for loss on guarantees	–	(3,996)
Interest and dividend income	(8,450)	(1,539)
Interest expenses	60	676
Decrease (increase) in trade receivables	(12,210)	3,770
Decrease (increase) in inventories	(56,051)	(21,972)
Increase (decrease) in trade payables	(1,526)	21,857
Increase (decrease) in advances received	42,942	222,651
Other, net	(177,356)	(118,458)
Subtotal	(152,063)	193,258
Interest and dividends received	9,138	1,527
Interest paid	(60)	(676)
Income taxes refund (paid)	(138,142)	(61,004)
Net cash provided by (used in) operating activities	(281,128)	133,106
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	700,000	100,000
Purchase of securities	(2,599,846)	(2,099,906)
Proceeds from sale and redemption of securities	2,699,946	2,599,914
Proceeds from sale and redemption of investment securities	634,908	0
Purchase of property, plant and equipment and intangible assets	(20,931)	(12,877)
Proceeds from sale of property, plant and equipment and intangible assets	–	15
Payments for asset retirement obligations	–	(8,612)
Other, net	941	(6,561)
Net cash provided by (used in) investing activities	1,415,017	571,971
Cash flows from financing activities		
Purchase of treasury shares	(37)	(128)
Dividends paid	(368,696)	(369,191)
Other, net	(7,290)	(30,209)
Net cash provided by (used in) financing activities	(376,024)	(399,529)
Net increase (decrease) in cash and cash equivalents	757,865	305,548
Cash and cash equivalents at beginning of period	5,536,563	6,778,716
Cash and cash equivalents at end of period	6,294,428	7,084,265

VII. Corporate Data

Basic Information (as of September 30, 2021)

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:	544 persons (consolidated) (as of October 1, 2021)
Group companies:	Leading Solutions Co., Ltd. Growin' Partners Inc.
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, 2021)

President and Chief Executive Officer	Takahiko Wakamatsu
Executive Vice President	Yoshikuni Nagao
Senior Managing Director	Norihito Minamikawa
Managing Director	Toshiyuki Nakamura
Managing Director	Masaru Warata
Director	Masanori Nakasone
Director	Masahiro Matsunaga
Director	Kazuyoshi Shimada
Director	Itaru Okumura
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, 2021)

Total number of shares authorized:	35,000,000 shares
Total number of shares issued:	8,754,200 shares
Number of shareholders:	7,553

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands of shares)	Share-holding ratio (%)
Jiro Tanabe	1,120	12.9
Yoichiro Tanabe	990	11.4
Toki Narazaki	817	9.4
HIKARI TSUSHIN, INC.	511	5.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	418	4.8
Tanabe Consulting Employee Share Ownership Scheme	258	2.9
Shinichi Ueda	258	2.9
Tanabe Consulting Client Share Ownership Scheme	202	2.3
SMBC Trust Bank Ltd. Designated Securities Trust	202	2.3
Hitoshi Kimoto	160	1.8

- Notes: 1. The share-holding ratio is calculated after reduction of the number of treasury shares (126,904 shares).
2. The Company implemented a two-for-one common share split, effective October 1, 2021 and the above number of shares held is the number of shares held before the share split.

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