

For the Six Months Ended September 30, 2018

Annual Select[®] 2019

**1st
half**

Tanabe Management Consulting Co., Ltd.

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(Securities Code: 9644)

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“At Tanabe Management, 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 Management 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 56 th term Six months ended September 30, 2017	First half of 57 th term Six months ended September 30, 2018	56 th term Fiscal year ended March 31, 2018
Net sales (Thousands of yen)	3,947,453	4,083,913	8,797,973
Ordinary profit (Thousands of yen)	442,913	461,989	965,156
Profit (Thousands of yen)	303,353	320,329	675,259
Equity in earnings of affiliates (Thousands of yen)	–	–	–
Capital stock (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)	10,062,969	10,318,592	10,434,394
Total assets (Thousands of yen)	12,332,604	12,485,453	12,804,062
Basic earnings per share (Yen)	35.02	37.04	77.95
Diluted earnings per share (Yen)	–	36.97	77.91
Dividend per share (Yen)	–	–	41.00
Equity ratio (%)	81.6	82.6	81.4
Net cash provided by (used in) operating activities (Thousands of yen)	15,927	16,928	735,050
Net cash provided by (used in) investing activities (Thousands of yen)	138,268	(140,711)	225,605
Net cash provided by (used in) financing activities (Thousands of yen)	(346,984)	(455,547)	(350,210)
Cash and cash equivalents at end of period (Thousands of yen)	4,190,980	4,414,882	4,994,213

	Second quarter of 56 th term Three months ended September 30, 2017	Second quarter of 57 th term Three months ended September 30, 2018
Profit per share (Yen)	18.45	22.98

- 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 56th 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, 2018 to September 30, 2018)?

- A. We have been promoting our “C&C (Consulting & Conglomerate) Strategy” (expansion of the consulting menu and development of platforms for consulting; see page 4 for more details), which also acts as the Company’s Medium-term Business Strategy, and strengthening our consulting menu to help our client companies resolve increasingly sophisticated and specialized managerial challenges, with the aim of transforming them into “FCC (first call companies) that will be the first choice even 100 years in the future.”

In the Management Consulting Business, our client companies’ growth needs are increasing and they face more severe labor shortages. To address those challenges, we focused on a range of consulting themes, including “formulating and promoting medium-term business plans (visions),” “business models and growth strategies,” and “branding strategies,” as well as “FCC Academy (in-house corporate university),” “personnel recruitment, training and utilization,” and “workstyle and productivity reforms.” We also expanded and renewed the number of themes available in industry-specific and managerial challenge-specific workshops.

In the SP (Sales Promotion) Consulting Business, we worked with external partners and utilized the functions of the “Design Lab” in our Strategic Laboratory to strengthen and expand our menu of consulting services, including Web promotion and SP design. We also proposed solutions that offer high added-value on a nationwide basis by coordinating with the Management Consulting Business to provide company-wide team consulting.

As a result of the above initiatives, we managed to realize year-on-year increases in both revenue and profit. Net sales was ¥4,083 million (up 3.5% year on year), operating profit was ¥446 million (up 4.6% year on year), ordinary profit was ¥461 million (up 4.3% year on year), and profit was ¥320 million (up 5.6% year on year).

Q. What are your forecast for the full year and the medium-term vision?

- A. With the fiscal year under review marking the start of our new medium-term management plan Tanabe Vision 2020 (2018-2020), we will promote our “C&C Strategy,” mentioned previously. Under the slogan of “From Change to Growth,” we will develop platforms for consulting nationwide.

To such ends, we will continue to expand and strengthen our consulting menu from the perspective of Domain (industries) and Function (managerial challenges). We will also strengthen the consulting functions and human resources frameworks of our regional offices (Regions) beyond our Osaka Headquarters and Tokyo Headquarters. This will enable us to enhance our client acquisition capabilities and expand our client base.

In our Management Consulting Business, we will promote domain and function consulting as well as various other forms of consulting. This includes: human resources development consulting comprehensively lending support for personnel training and utilization needs of client companies; M&A and alliance consulting coordinated with nationwide financial institutions and other such entities; consulting for financial institutions that lends support for building business models and personnel training for regional financial institutions and other such entities, and; consulting for growth-stage transitions lending support mainly to small and medium-sized businesses nationwide.

In the SP (Sales Promotion) Consulting Business, we will promote efforts aimed at overhauling work processes and forming teams from the perspective of Domain (industries) and Function (promotion themes), expand specialized fields in coordination with external partners, and heighten client value using web promotions and design functions. Through these initiatives, we will provide total support while comprehensively involving sales promotions of client companies. Moreover, we will also strengthen the coordination among our teams of professional consultants in our respective consulting businesses, and accordingly make an effort to further strengthen promotion of a consulting model that leverages the Company's unique strengths to provide comprehensive support for corporate management from the three perspectives of "Domain, Function and Region."

Through the above initiatives, we aim to achieve net sales of ¥9,000 million (up 2.3% year on year), operating profit of ¥970 million (up 3.6% year on year), ordinary profit of ¥990 million (up 2.6% year on year) and profit of ¥680 million (up 0.7% year on year) for the fiscal year ending March 31, 2019.

Q. What is your message to shareholders?

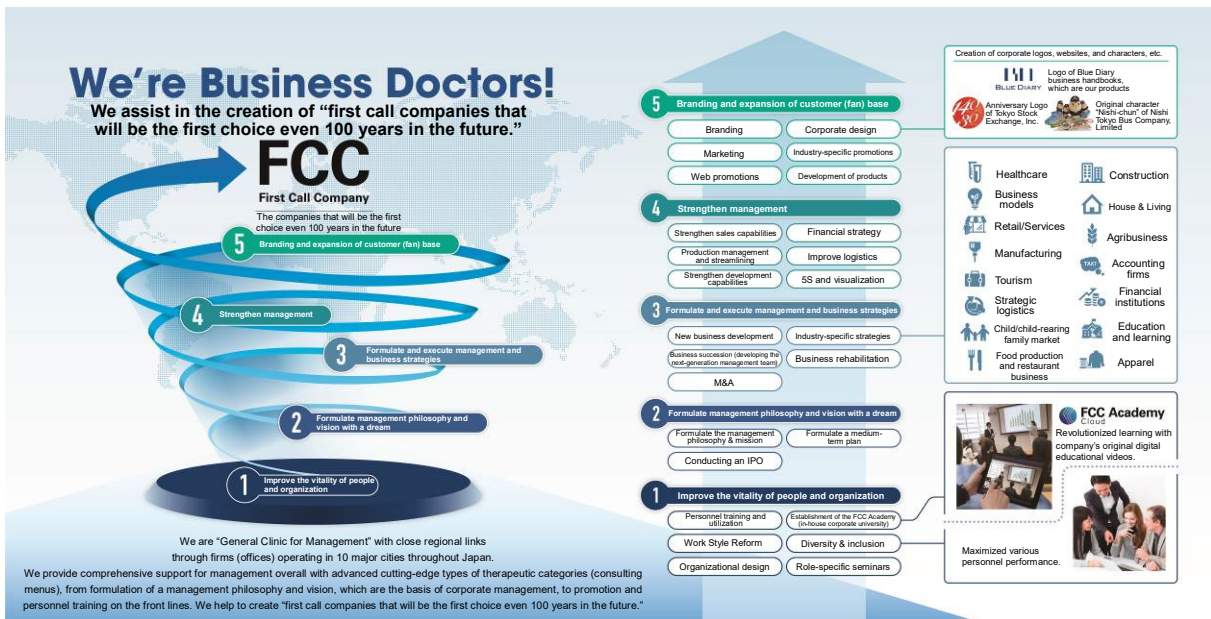
A. In the fiscal year under review, the crucial first year of our new medium-term management plan Tanabe Vision 2020 (2018-2020), we intend to continue meeting shareholders' expectations by aiming for growth in sales, profits and dividends, in order to achieve our earnings targets and provide stable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

Moreover, we will continue to contribute to social and regional development through the creation of numerous "first call companies that will be the first choice even 100 years in the future." Through these efforts, we will realize sustained growth and medium- to long-term improvement in corporate value as we aim for "making our 100th anniversary."

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

III. Business Description

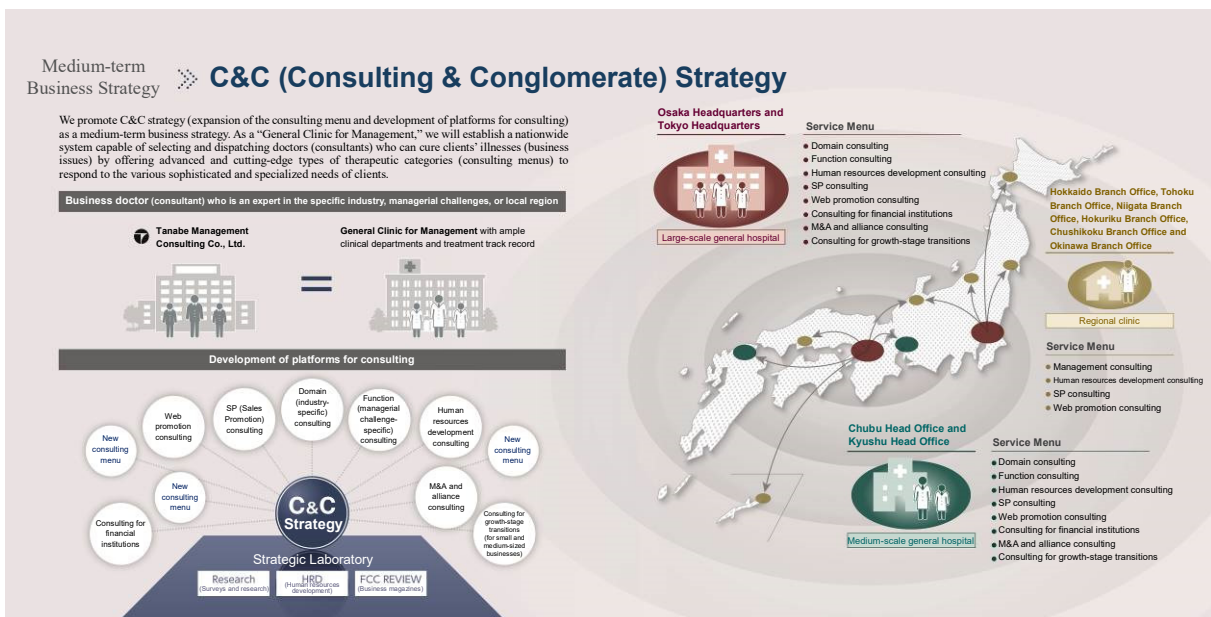
We assist in the creation of “first call companies that will be the first choice even 100 years in the future.”



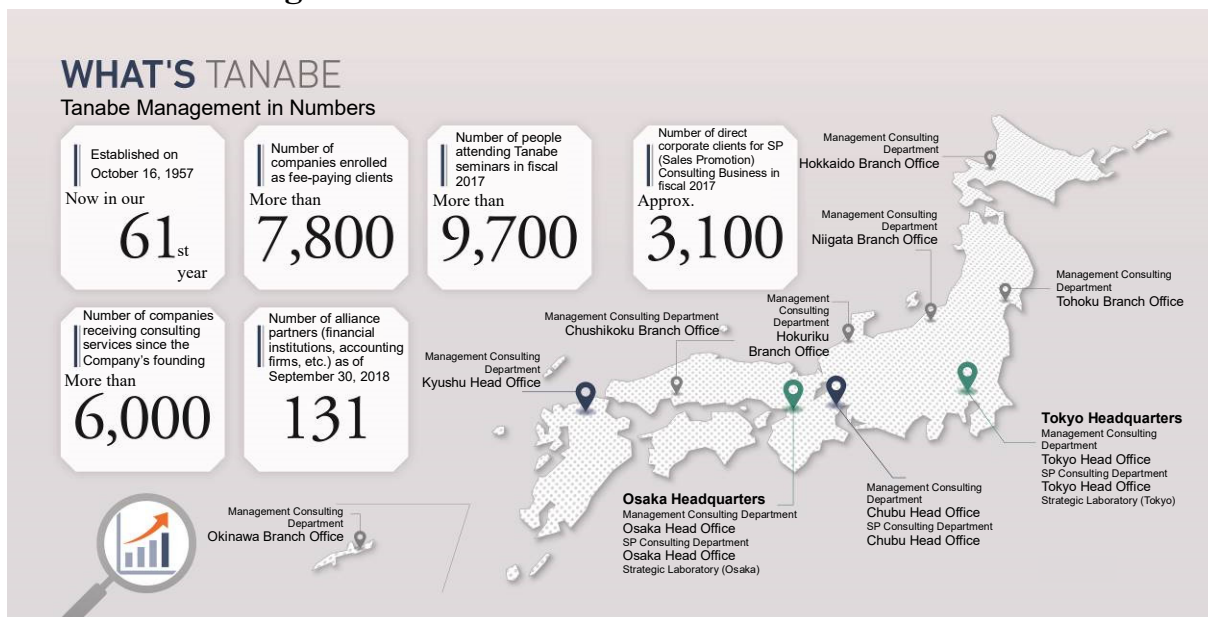
IV. Medium-term Business Strategy

C&C (Consulting & Conglomerate) Strategy

We promote C&C strategy (expansion of the consulting menu and development of platforms for consulting) 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 advanced and cutting-edge types of therapeutic categories (consulting menus) to respond to the various sophisticated and specialized needs of clients.



V. Tanabe Management in Numbers



VI. Financial Statements

(1) Balance Sheets

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	4,994,213	4,414,882
Notes and accounts receivable - trade	549,309	578,156
Securities	1,299,950	1,299,980
Merchandise	40,703	74,518
Raw materials	10,512	34,452
Other	112,005	320,679
Allowance for doubtful accounts	(322)	(329)
Total current assets	7,006,371	6,722,341
Non-current assets		
Property, plant and equipment		
Buildings, net	651,100	633,629
Land	1,527,477	1,527,477
Other, net	91,732	88,653
Total property, plant and equipment	2,270,309	2,249,760
Intangible assets	38,098	33,593
Investments and other assets		
Investment securities	996,960	1,012,127
Long-term time deposits	1,400,000	1,500,000
Other	1,092,322	967,629
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	3,489,283	3,479,756
Total non-current assets	5,797,691	5,763,111
Total assets	12,804,062	12,485,453
Liabilities		
Current liabilities		
Accounts payable - trade	293,265	314,288
Income taxes payable	159,762	173,358
Provision for bonuses	233,200	251,790
Other	1,092,289	1,047,985
Total current liabilities	1,778,517	1,787,422
Non-current liabilities		
Provision for retirement benefits	217,003	-
Provision for directors' retirement benefits	360,596	360,034
Other	13,550	19,404
Total non-current liabilities	591,150	379,438
Total liabilities	2,369,668	2,166,861

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	1,772,000	1,772,000
Capital surplus	2,402,847	2,402,847
Retained earnings	6,244,347	6,209,487
Treasury shares	(39,519)	(137,119)
Total shareholders' equity	10,379,675	10,247,215
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	48,443	61,197
Total valuation and translation adjustments	48,443	61,197
Share acquisition rights	6,275	10,179
Total net assets	10,434,394	10,318,592
Total liabilities and net assets	12,804,062	12,485,453

(2) Statements of Income

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	3,947,453	4,083,913
Cost of sales	1,983,545	2,164,367
Gross profit	1,963,907	1,919,545
Selling, general and administrative expenses	1,537,020	1,473,223
Operating profit	426,887	446,322
Non-operating income		
Interest income	4,173	2,713
Dividend income	8,345	8,631
Other	3,508	4,534
Total non-operating income	16,027	15,879
Non-operating expenses		
Loss on insurance cancellation	–	132
Other	1	80
Total non-operating expenses	1	212
Ordinary profit	442,913	461,989
Extraordinary income		
Gain on sales of non-current assets	–	0
Gain on reversal of share acquisition rights	–	166
Total extraordinary income	–	166
Extraordinary losses		
Loss on sales and retirement of non-current assets	385	–
Total extraordinary losses	385	–
Profit before income taxes	442,528	462,156
Income taxes	139,175	141,827
Profit	303,353	320,329

(3) Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	442,528	462,156
Depreciation	37,776	39,323
Interest and dividend income	(9,596)	(9,888)
Interest income on securities	(2,922)	(1,545)
Loss (gain) on sales of property, plant and equipment	–	0
Increase (decrease) in allowance for doubtful accounts	–	6
Increase (decrease) in provision for bonuses	11,310	18,590
Increase (decrease) in provision for retirement benefits	(4,313)	(217,003)
Decrease (increase) in prepaid pension costs	(29,231)	124,834
Increase (decrease) in provision for directors' retirement benefits	10,426	(562)
Decrease (increase) in notes and accounts receivable - trade	69,536	(28,847)
Decrease (increase) in inventories	(52,821)	(57,755)
Decrease (increase) in advance payments	(170,793)	(166,174)
Increase (decrease) in notes and accounts payable - trade	(60,762)	21,022
Increase (decrease) in accounts payable - other	(148,583)	(142,728)
Increase (decrease) in accrued consumption taxes	(25,569)	(10,840)
Increase (decrease) in advances received	133,144	142,018
Other, net	(16,693)	(31,651)
Subtotal	183,433	140,953
Interest and dividend income received	12,947	11,625
Income taxes (paid) refund	(180,453)	(135,651)
Net cash provided by (used in) operating activities	15,927	16,928
Cash flows from investing activities		
Payments into time deposits	–	(100,000)
Proceeds from withdrawal of time deposits	100,000	–
Purchase of securities	(2,599,749)	(2,499,873)
Proceeds from sales and redemption of securities	2,699,839	2,499,966
Purchase of property, plant and equipment and intangible assets	(27,809)	(32,099)
Payments for guarantee deposits	(510)	(757)
Proceeds from collection of guarantee deposits	1,020	115
Other, net	(34,521)	(8,063)
Net cash provided by (used in) investing activities	138,268	(140,711)
Cash flows from financing activities		
Purchase of treasury shares	–	(97,600)
Cash dividends paid	(346,016)	(354,528)
Other, net	(967)	(3,418)
Net cash provided by (used in) financing activities	(346,984)	(455,547)
Net increase (decrease) in cash and cash equivalents	(192,787)	(579,330)
Cash and cash equivalents at beginning of period	4,383,768	4,994,213
Cash and cash equivalents at end of period	4,190,980	4,414,882

VII. Corporate Data (as of September 30, 2018)

Basic Information

Trade name:	Tanabe Management 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
Capital stock:	1,772 million yen
Number of employees:	347 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 and Corporate Auditors

Representative 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*	Ryo Ichida
Director*	Hiroshi Kanbara
Corporate Auditor (Standing)	Hiroaki Nakano
Corporate Auditor**	Yoshinori Tani
Corporate Auditor**	Haruhisa Yazaki

* Outside Director

** Outside Corporate Auditor

Stock Status

Total number of shares authorized:	35,000,000 shares
Total number of shares issued:	8,754,200 shares
Number of shareholders:	8,842

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands of shares)	Share-holding ratio (%)
Jiro Tanabe	1,210	14.0
Yoichiro Tanabe	1,050	12.1
Toki Narazaki	845	9.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	348	4.0
Tanabe Management Consulting Client Share Ownership Scheme	282	3.2
Shinichi Ueda	258	2.9
Tanabe Management Consulting Employee Share Ownership Scheme	238	2.7
SMBC Trust Bank Ltd. Designated Securities Trust	202	2.3
Hitoshi Kimoto	161	1.8
Mitsubishi UFJ Trust and Banking Corporation	129	1.5

* In addition to shares described above, the Company holds 141,039 shares as treasury shares.

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