

Tanabe Management Consulting Co., Ltd.

9644 Tokyo Stock Exchange
 First Section

1-Mar.-17

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FISCO Ltd. Analyst
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■ Accelerating the promotion of the C&C strategy and creating new consulting value

Tanabe Management Consulting Co., Ltd. <9644> (hereafter, also “the Company), founded in 1957, is a pioneer and major presence in management consulting for mid-sized companies and SMEs in Japan. It supplies new consulting value to customers and pursues sustainable growth, alongside its customers, through promoting its Consulting & Conglomerate (C&C) strategy to diversify and expand the consulting field. Its corporate mission is to “be the first call company that will be selected first even 100 years from now.” As a strategic partner, Tanabe provides consulting services nationwide for the full scope of management needs, from formulating business strategies to organizational design, building management systems, and developing next-generation management operations, as well as human resource training consulting for executives, strategic leaders, and local successors, and sales promotion (SP) consulting. Its key strengths include solid management, debt-free operations, and a sturdy financial standing based on an equity ratio of more than 80%. In September 2016, its listing was transferred from the Tokyo Stock Exchange (TSE) 2nd Section to the 1st Section.

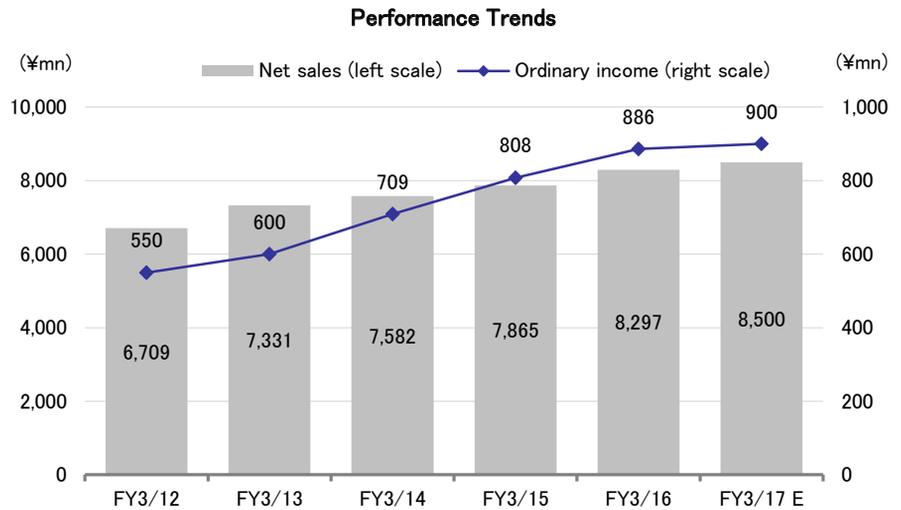
In the FY3/17 1H (April to September 2016) results, net sales increased 1.5% year-on-year (YoY) to ¥3,692mn and ordinary income rose 2.8% to ¥431mn, for higher sales and profits that exceeded the initial forecasts. In the management consulting business, the average number of contracts during the period for the mainstay team consulting management cooperation service steadily increased, from 413 in the same period in the previous fiscal year to 434, while the improved profitability of the SP consulting business was also a factor behind the higher sales and profits.

The initial forecasts for FY3/17, of net sales to increase 2.4% YoY to ¥8,500mn and ordinary income to rise 1.6% to ¥900mn, have been left unchanged. Issue for companies, particularly for mid-sized companies, include designing business models that can realize sustainable growth and developing strategy leaders, and in the Company’s management consulting business, there is significant demand for consulting in areas such as business strategy and organizational strategy, next generation management support (business succession), and recruitment and training. The Company is working to meet these needs by holding various workshops and seminars and using these events to acquire team consulting contracts. In addition, in the SP consulting business, it is targeting “the children and child-rearing families market” and is working to increase orders for high value-added projects, while also aiming to strengthen profitability by reducing costs and improving management efficiency.

The Company has set and is implementing its C&C strategy as its medium-term business strategy and is pursuing diversification through domains (business strategy) & functions (organizational strategy) & regions (regional strategy), while also including M&A and business alliances among its management options. The consultants are the source of the Company’s growth, and in addition to strengthening mid-career recruitment, in April 2016 it established the Consultant Academy as an in-house business school, and it is working to train its consultants so they acquire the required consultant skills at an early stage. The Company is aiming for steady growth while actively investing in human resources and is targeting net sales of ¥9,000mn and ordinary income of ¥960mn in FY3/19. As its shareholder return policy, it pays dividends with a targeted payout ratio of 60% and in FY3/17, it plans to increase the dividend per share for the fifth consecutive year, up ¥1.0 YoY to ¥39.0 (for a dividend payout ratio of 57.3%).

■ Check Point

- Sales and profits are forecast to increase in FY3/17
- Is implementing its C&C (Consulting & Conglomerate) strategy
- Going forward, it will increase human resources with strong expertise in business strategy and is aiming for a company-wide structure of 350 consultants



■ Business overview

A new consulting model for extensive support, from management strategy planning through to promotions strategy

The Company discloses information on two business segments, the management consulting business and the SP consulting business. In FY3/16, the management consulting business contributed 54.2% of total sales and the SP consulting business 45.8%, so they are more or less equal in terms of sales.

There are four main categories for consulting firms - "comprehensive firms" covering the full range of management, "functional specialists" for expert consulting in IT, financial, production, and other specific areas, "industry specialists" that offer specialized knowledge in medical and other fields, and think tanks with research and analysis expertise. Tanabe is a comprehensive consulting firm and implements consulting services with a mission of creating the "first call company" that will be selected first even 100 years from now.

Criteria for becoming a first call company

- Constantly pursue customer value
(management that cultivates modesty to identify customer value and strengths)
- Create a number-one brand business
(number-one strategy model for creating brand business)
- Determination to establish robust corporate capabilities
(ordinary income margin of 10% or more with debt-free operations)
- Free and broadminded organization
(teams that can self-reform and organization that leverages development capabilities)
- Management technique for business succession
(100-year management that passes along corporate spirit to the next generation)



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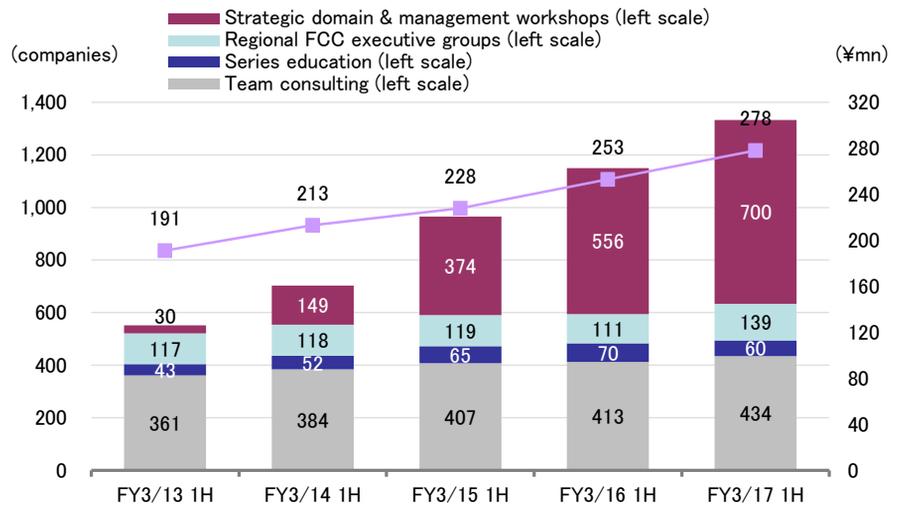
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(1) Management consulting business

Sales in the management consulting business are grouped by service content into the following areas: team-consulting management cooperation, human resource training and education, seminars (president workshop, First Call Company Forum, succession training for executives, and others), and various groups (strategic domain & management workshops and first call company (FCC) executive groups), and alliances & members. Just over 50% of this segment’s sales are from the mainstay team-consulting management cooperation service. Seminars and strategic domain & management workshops also play the role of feeding business to the team-consulting management cooperation service. This segment also includes the Strategic Comprehensive Institute that plans and produces various consulting services, provides commentary and disseminates information to companies and society by, compiling research findings and knowledge created at consulting sites, and publishing the FCC REVIEW (a management journal for members) and the FCC Management Letter (an e-mail magazine for members).

The Company call customers to whom it provides these consulting services for a contract period of a half year or longer “loyal customers” and uses the number of customer companies and sales in this category as KPIs. It had 1,333 loyal customers at the end of FY3/17 Q2, marking a steady expansion, of an increase of 183 such companies from the same period in the previous fiscal year. Breaking this down, we see a major increase in customers for the strategic domain & management workshop service that the Company launched in 2011. While its contribution to sales is small because of the service price, in a growing number of cases participation in these workshops is leading to contracts for the team-consulting management cooperation service, and we think it is playing a major role as a feeder business. Additionally, monthly average sales from loyal customers are steadily rising and reached ¥278mn in FY3/17 1H. The Company’s sales and profits have been continuously growing since FY3/11, and we believe the strategy to increase loyal customers is making a significant contribution to this sustainable growth.

Number of Loyal Customers and Average Monthly Sales Trends



In the alliances and membership area, at the end of FY3/17 Q2 the Company had 148 alliance partners, mainly regional financial institutions. It mainly provides level-specific training services, primarily for branch managers at financial institutions, and also dispatches consultants as teachers for “management classes” that serve as workshops for executives who will succeed the business at partner customer companies. The Company’s strategy is to utilize this service to acquire contracts for its team-consulting management cooperation service. Membership services supply various types of management information for a fee, and they had over 10,000 members at the end of September 2016, as the total of the Company’s direct members and indirect members at its alliance partners.



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(2) SP consulting business

The sales promotion (SP) consulting business consists of consulting for the planning and promotion of sales promotions plans for customer companies, in addition to SP design tools for the planning and development of original and novelty items and OEM products from the Company's designers. It also consists of sales of SP tools (promotional products) and wholesales of BD (business schedulers and calendars). From among these products and services, the Company is promoting SP consulting and SP design tools that have high added value and profitability. It has around 3,500 customer companies, ranging from small- and medium-sized enterprises (SMEs) to major companies.

Specifically, the Company provides extensive support for sales promotions at stores and sales outlets, from marketing and product branding for customer companies through to support for product development by planning and implementing interviews with end users. Recently, it had been particularly focusing on consulting targeting "the children and child-rearing families markets," and from the viewpoints of the possibilities for this market in which customers can be expected to be found in the future and also CSR, the needs of customer companies are great.

The Company is also progressing alliances in its management consulting business, and its management consultants support its customer companies' business and organizational strategies. There have also been cases where its SP consultants have been requested to provide support for the development of a product's overseas sales channels. While management consulting remains the mainstay business, a strength of the Company is that unlike other consulting companies, it is equipped with design functions and sales functions and so is able to provide SP consulting.

In the SP consulting business, BD sales, which constitute approximately 30% of total sales, are concentrated in Q3, so the quarterly revenue trend in a typical year peaks in Q3.

SP strategy consulting



- Promotion strategy proposal and promotion
- Merchandising planning and promotion
- Branding and PR strategy planning and promotion
- Event/Internet promotion planning and promotion

60 SP consultants nationwide provide optimal promotions that address company issues and aims. They deliver total solutions that range from SP strategy formulation to promotion.

SP design tools



- Premium and novelty planning and production
- Communication tool planning and production (catalogs, store SP, POP, etc.)
- Planning and production of products for sale

Makes tools and products needed for sales promotion activities with ideal planning and design and provides them to over 3,000 companies per year. Handles over 100,000 items through alliances with 800 domestic and overseas companies.

Blue Diary (BD)



- Diary (scheduler) planning and production
- Calendar planning and production
- Original scheduler and calendar planning and production

Sells 3mn copies per year as prizes for season sales promotion campaigns and introduction gifts. Planned, designed, and produced a total of more than 180mn schedulers and calendars in the 57 years since beginning sales.

Creative design



- Design and production of sales promotion tools and products for sale
- Website design and production

"SP Design Lab" design-team experts research sales promotion strategies and share successful examples with SP consultants. Produces effective creative designs for over 2,000 promotional activities a year.

■ Business Performance Trends

Results exceeded the initial Company forecasts in FY3/17 Q2

(1) FY3/17 1H results overview

In the FY3/17 1H results, net sales increased 1.5% YoY to ¥3,692mn, operating income rose 0.3% to ¥406mn, ordinary income climbed 2.8% to ¥431mn, and net income decreased 6.7% to ¥295mn. Each result exceeded the initial Company forecast.

FY3/17 1H results

	FY3/16 1H		FY3/17 1H				(¥mn)
	Results	Ratio to sales	Company outlook	Results	Ratio to sales	YoY change	Versus the plan
Net sales	3,636	100.0%	3,650	3,692	100.0%	1.5%	1.2%
Gross profit	1,797	49.4%	1,815	1,835	49.7%	2.1%	1.1%
SG& A expenses	1,392	38.3%	1,515	1,428	38.7%	2.6%	-5.7%
Operating income	405	11.1%	300	406	11.0%	0.3%	35.5%
Ordinary income	420	11.6%	320	431	11.7%	2.8%	35.0%
Net income	316	8.7%	210	295	8.0%	-6.7%	40.5%

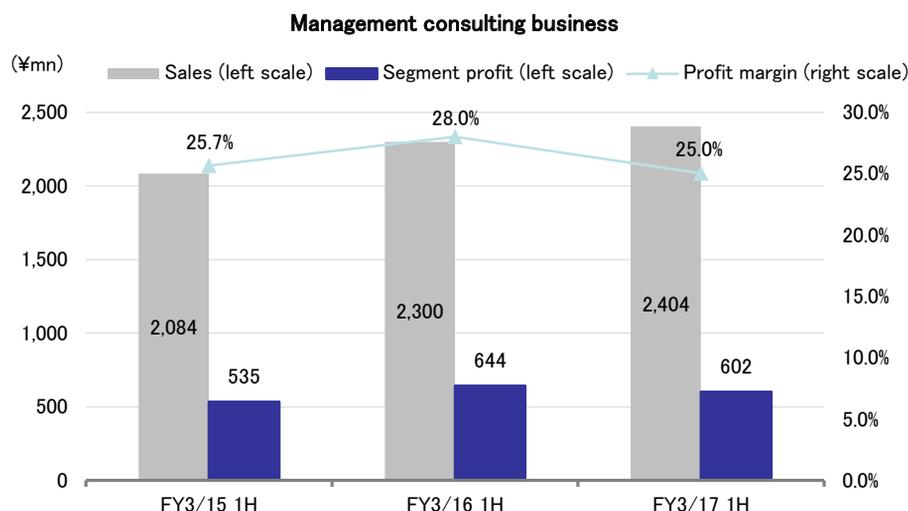
Note: Outlook presents the initial Company forecast

Net sales maintained their increase, up 4.5% YoY, from the steady expansion of sales in the management consulting business, particularly from the mainstay team consulting management cooperation service. In terms of profits, in addition to the effects of the higher sales in the management consulting business, in the SP consulting business also, profitability was improved through the measures to acquire orders with a focus on high value-added projects and the improvement to management efficiency, and gross profit also increased 2.1%. Operating income rose only slightly, up 0.3%, but this was due to the recording of SG&A expenses of around ¥40mn to ¥50mn following the relocation of the Kyushu head office in May 2016 and the relocation and integration of the Chubu head office, which is part of the management consulting business, and the Nagoya office, which is part of the SP consulting business in July of the same year. It is considered that the increase in profitability would be slightly higher if this factor is excluded. Net income declined, but this was because income taxes in the same period in the previous fiscal year were reduced following the recording of deferred tax assets relating to land.

(2) Segment trends

a) Management consulting business

In this business, net sales increased 4.5% YoY to ¥2,404mn, but segment income decreased 6.6% to ¥602mn. The increase in net sales was particularly from the team consulting management cooperation service, while the main reasons for the decline in profits were the increases in personnel expenses due to the strengthening of the recruitment and training of consultants and in temporary expenses related to the relocation of the Kyushu and Chubu head offices. However, both results trended above the initial forecasts, net sales by 1.2% and segment profit by 7.5%.



Looking at the sales trends by product and by service, net sales in the mainstay team consulting management cooperation service increased steadily, up 10.5% YoY. There was a rise in cases of contracts being concluded through participation in strategy domain & management workshops and seminars, and the average number of contracts during the period rose from 413 in the same period in the previous fiscal year to 434. In addition, net sales per customer trended upward thanks to the enhancement of the service menu. The Company increased its consulting themes, and in addition to the previous themes like “medium-term management plan and vision formulation,” “domain (business strategy) & function (organizational strategy) consulting,” and “next generation management support (junior boards) consulting (business succession),” it newly added themes such as “academy (in-company business school) design support” and “strategy camp.” “Strategy camp” is a service to provide company managers and executives with a short-term, concentrated training camp in which the Company’s consultants provide instruction on formulating medium-term management plans and visions.

In sales for human resources training and education, although the training services according to level for alliance partner financial institutions trended favorably, due to the effects of the strengthening of proposals for team consulting management cooperation, sales for order-made education (training) for mid-sized companies declined, and as a result, net sales decreased 16.5% YoY.

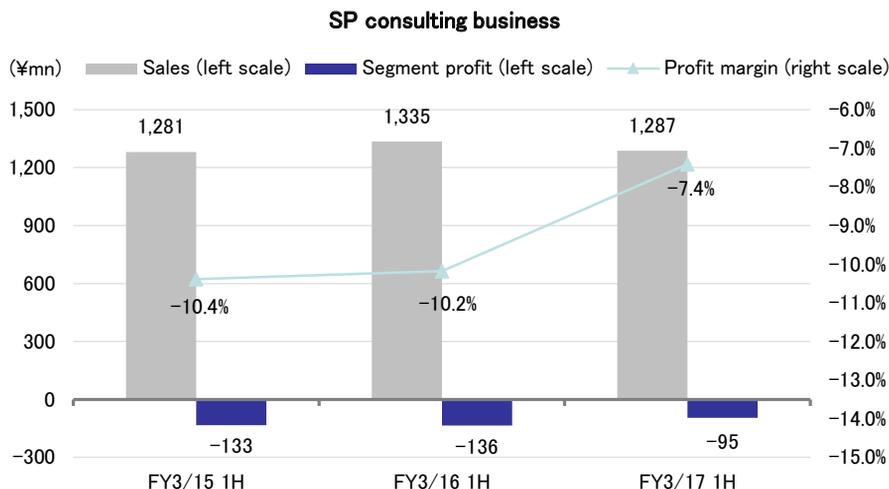
Seminar net sales increased 6.1% YoY from the rise in the number of people attending events such as the “Executive Candidates School” and “New Employees Education and Practical Training Seminar” that were held in 10 major cities nationwide.

In sales for the workshops, for the “strategic domain & management workshop,” since September 2016 five themes have been newly added, of “strategic agriculture innovation,” “wellness innovation,” “overseas business growth strategy,” “accountant firms’ business model innovation,” and “companies that utilize and develop people,” for a total of 20 themes. The number of times they were held increased, while the fact that the nationwide first call company business model can be inspected was favorably received. As a result, the number of participants rose and net sales grew significantly, up 58.8% YoY.

Alliance & members net sales decreased 2.7% YoY, mainly because at the end of September, the number of alliance partners was basically unchanged YoY at 148, while the number of members for membership services decreased.

b) SP consulting business

In this business, net sales decreased 3.6% YoY to ¥1,287mn and the segment loss was ¥95mn (compared to a loss of ¥136mn in the same period in the previous fiscal year). Sales declined because of the focus on acquiring orders for high value-added projects to improve profitability, but the extent of the loss was reduced due to the improvements in the gross margin and management efficiency. In addition, while net sales were 3.2% below their initial forecast, the loss was reduced by ¥34mn.



Looking at the sales trends by product and by service, net sales declined 32.6% YoY in SP consulting. Focusing on “the children and the child-rearing families market,” the Company actively provided proposals such as for the “Kodomo ga Mannaka (Children in the Middle) PROJECT” for kindergarten- and childcare-related businesses and markets, and it worked to acquire orders prioritizing high value-added projects. As a result, profitability improved even though net sales declined.

Net sales of SP design tools, which the Company is advancing together with SP consulting, increased 3.1% YoY thanks to the fact the planning and design proposals provided by its designers, including for original and novelty items and OEM products, were favorably received.

Net sales of SP tools (sales promotion products) decreased 3.5% YoY, as although orders continued to be stable, the Company strengthened SP design tools in its customer development. In addition, because sales of BD (schedulers and calendars) are concentrated in Q3, their contribution to 1H sales was minimal.

■ Results Outlook

Sales and profits are forecast to increase in FY3/17

(1) Outlook for FY3/17 results

The initial forecasts for the FY3/17 results, of net sales to increase 2.4% YoY to ¥8,500mn, operating income to rise 1.0% to ¥865mn, ordinary income to climb 1.6% to ¥900mn, and net income to increase 1.3% to ¥590mn, have been left unchanged. The rates of progress up to Q2 were that 43.4% of the net sales forecast and 47.0% of the operating income forecast had been achieved. The rate of progress for the operating income forecast is high compared to the averages of the most recent three years (net sales, 43.1% and operating income, 43.7%). In 1H, the Company recorded temporary expenses in the range of ¥40mn to ¥50mn related to the relocation and integration of business offices, but in 2H, no expenses will increase, apart from personnel-related expenses. Therefore, at FISCO we think it is highly likely that the results will exceed the initial forecasts, on a profits basis.



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FY3/17 Results Outlook

	FY3/16 results		FY3/17 forecast			
	Full year	Ratio to sales	Full year	Ratio to sales	YoY change	Q2 rate of progress
Net sales	8,297	100.0%	8,500	100.0%	2.4%	43.4%
Gross profit	3,852	46.4%	4,038	47.5%	4.8%	45.4%
SG& A expenses	2,996	36.1%	3,173	37.3%	5.9%	45.0%
Operating income	856	10.3%	865	10.2%	1.0%	47.0%
Ordinary income	886	10.7%	900	10.6%	1.6%	48.0%
Net income	582	7.0%	590	6.9%	1.3%	50.0%

Segment Earnings Outlook

	FY3/17 forecast				
	FY3/14	FY3/15	FY3/16	FY3/17 E	YoY change
Sales	7,582	7,865	8,297	8,500	2.4%
Management consulting business	3,963	4,185	4,498	4,540	0.9%
Sales promotion business					
Consulting business	3,619	3,679	3,799	3,960	4.2%
Gross profit	3,336	3,598	3,852	4,038	4.8%
Management consulting business	2,311	2,514	2,738	2,853	4.2%
Sales promotion business					
Consulting business	1,025	1,083	1,114	1,185	6.4%
Operating income	673	762	856	865	1.0%
Management consulting business	874	975	1,086	1,105	1.7%
Sales promotion business					
Consulting business	59	64	112	140	25.0%
Headquarters management costs	-259	-276	-342	-380	-

In terms of the market environment, the future remains uncertain due to exchange rate fluctuations, the slowdown of the economies of emerging nations, and the reversal risk for the global economy due to political developments in the United States. In this situation, the Company is aiming to meet the consulting needs of mid-sized companies, which are its main market, and there would seem to be strong demand for projects on the themes of designing and building business models in order to realize medium- to long-term sustainable growth, and recruitment and training for the next generation of human resources.

In order to capture this demand, the Company is focusing on acquiring orders in areas including domain (business strategy) & function (organizational strategy) consulting and the strategy camp, next generation management support (junior boards) consulting (business succession), SP consulting, personnel and recruitment consulting, and human-resources training consulting.

In addition, the effects of the integration of offices in the management consulting business and the SP consulting business are starting to appear. Following the integration of the Tokyo office in January 2016, the Nagoya office was also integrated in July, and just like the Osaka office, integration has been achieved at all of the offices in the SP consulting business. This is facilitating the speedy sharing of information and joint proposals by the teams in this business, which can be expected to contribute to increased net sales per customer and improved profitability in the SP consulting business.

In the results forecasts by segment (initial forecasts), in the management consulting business, net sales are forecast to increase 0.9% and segment income to rise 1.7%. With the strategy domain & management workshops continuing to play a feeder role, the Company is focusing on increasing contract numbers for the team consulting management cooperation service. In particular, recently it has been furthering deepening and expanding the research themes and actively increasing the number of satellite seminars held. Its strategy is to focus-in on content according to the theme to improve the accuracy of acquiring consulting contracts with the participating customers.

Within the research themes, demand is particularly great for “foods and food services,” “healthcare,” and “home and lifestyle,” so from April 2017, the Company intends to establish specialist departments incubated from the workshops in the Tokyo head office, to increase the number of consultants, and to strengthen consulting on a nationwide scale.



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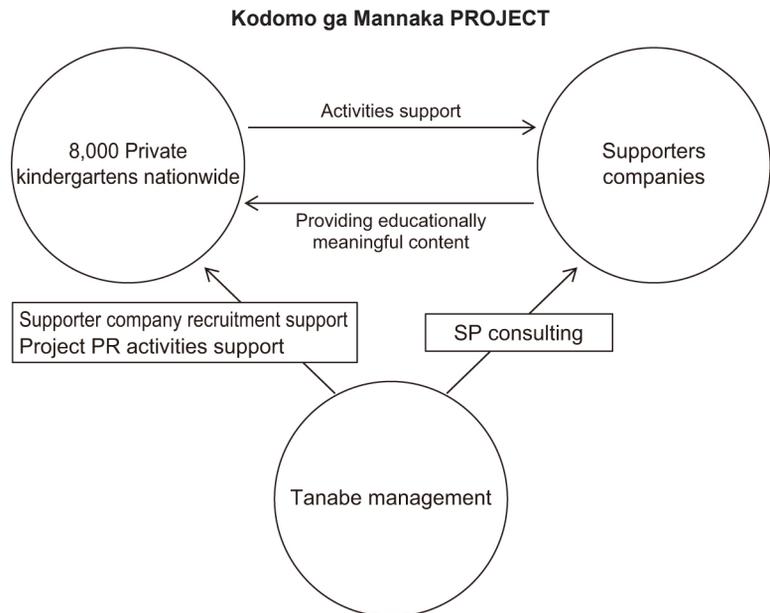
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Strategic Domain & Management Workshops Program

Strategic domains (business strategy)	Management (organizational strategy)
Foods and food services	Management visibility
Healthcare	Human resource management
Home and lifestyle	Branding strategy
Web	Strategic finance
Business model	Companies that motivate and train people
Construction solution	
Retail and stores	
Manufacturing	
Logistics	
Tourisms	
Agriculture	
Wellness	
Overseas business	
Accountant's firms	
Children and child-rearing families	

In the SP consulting business, net sales are forecast to increase 4.2% YoY and segment income to climb 25.0%. The Company will continue to strengthen activities to acquire SP consulting orders targeting “the children and child-rearing families market.” In September 2016, it held a workshop on the theme of “Growth strategies for the children and child-rearing families market,” and it is developing the companies that participated in this workshop as potential customers.

The Company is participating in the “Kodomo ga Mannaka (Children in the Middle) PROJECT” being promoted by the All Japan Private Kindergarten Federation, in which approximately 8,000 private kindergartens nationwide are participating. In addition to publishing various publications, holding forums, and conducting a range of PR activities, it is conducting SP consulting for supporter companies. The children and child-rearing market is large, with approximately 4 million people (around 1.3 million children in private kindergartens, approximately 2.6 million people in PTA, and around 90,000 teachers and staff), and while initially the project was centered on major companies, recently there has been an increase in participation by mid-sized companies and others as part of their marketing strategies. It is thought that going forward, the Company will expand its sales scale for SP consulting and for high-value added projects like SP design tools by furthering searching for and capturing demand.



Source: prepared by FISCO from the Company's briefing materials



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Is implementing its C&C (Consulting & Conglomerate) strategy

(2) Medium-term business plan

Against the backdrop of its favorable financial results, the Company updates its medium-term three year business plan each year.. The FY3/19 business targets are net sales of ¥9,000mn and ordinary income of ¥960mn. It is aiming for stable growth while keeping the ordinary income margin at a level of 10% or above, and the average growth rate from FY3/16 to FY3/19 is expected to be 2.7% for both net sales and ordinary income.

Medium-term business goals

	(¥mn)				
	FY3/16 results	FY3/17 Company target	FY3/18 Company target	FY3/19 Company target	Average growth rate
Net sales	8,297	8,500	8,750	9,000	+2.7%
Management consulting strategy headquarters	4,498	4,540	4,750	4,950	+3.2%
Sales promotion consulting headquarters	3,799	3,960	4,000	4,050	+2.2%
Gross profit	3,852	4,038	4,149	4,264	+3.4%
Operating income	856	865	895	925	+2.6%
Ordinary income	886	900	930	960	+2.7%
Net income	582	590	635	660	+4.3%
Ordinary income margin	10.7%	10.6%	10.6%	10.7%	
ROE	6.0%	6.2%	6.4%	6.4%	

In terms of management strategy, while including M&A and business alliances as management options, the Company intends to promote the Consulting & Conglomerate (C&C) strategy that expands coverage for consulting services, its founding business and core strength, to all companies and businesses, to create new consulting value and to realize changes and growth. It holds a unique position as a consulting firm with offices in 10 major cities nationwide stretching from Hokkaido to Okinawa that cater to mid-sized companies and SMEs, and it plans to continue utilizing its strength of providing uniform consulting services and seminars as a regional strategy partner. We think Tanabe has major business opportunities from the government's efforts to invigorate regional companies through its "regional revitalization" growth strategy.

For its growth strategy, the Company assigns specialists in the three areas of domains (business strategy), functions (organizational strategy), and regions (regional strategy) as a team of "strategic partners" to address customer issues. This company-wide team consulting that leverages advanced integration of high-level expertise is supporting its growth.

Domains (business strategy) refer to "future social issues," such as food products, healthcare, home and lifestyle, and the children and child-rearing market, and Tanabe helps customer company embed these themes into their operations and assists them in the creation of new markets and businesses toward realizing sustainable growth. It launches workshops with themes matched to each era, while in the future it will establish specialist departments incubated from the respective workshop to enhance expertise and provide customers with team consulting with even higher added value.

Functions (organizational strategy) refers to strategic consulting that improves corporate organizational capabilities, such as business succession, human resources, financial operations, and sales promotions. The shortage of personnel in mid-sized companies and SMEs, including of the managers to succeed the businesses, has become even more serious recently, so recruiting and training human resources is more important than ever as a management issue and the Company is focusing on consulting services in this field. It estimates that there are around 2 million mid-sized companies and SMEs with managers aged 60 years and over, and it is aiming to be the firm that they select first for next generation management support (junior boards) consulting (business succession), which is a field in which there is comparatively little competition. It will launch "FCC ACADEMY, a "Digital × Real" human-resources training program that combines digital education contents with seminars, workshops, and other such 'real' training. By establishing this educational infrastructure, the Company can provide high quality services as it is able to formulate educational programs tailor-made to customer needs, and sales are expected to increase in the future. The current membership services that provide various types of management information are scheduled to be integrated with the FCC ACADEMY from April 2017 (the membership fee will be the same as before).



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Regions (regional strategy) refers to the provision of optimal consulting services for specific regions to companies in various regions that leverage the strength of having specialists familiar with regional matters in 10 major cities nationwide. Tanabe intends to continue focusing on customer recruitment through regional financial institutions and accounting offices as alliance partners. In particular, it is estimated that there are approximately 1.5 million customer companies (financing companies) of alliance partner financial institutions, so it can be said that there remains considerable room for customer development, including for the FCC ACADEMY.

Companywide Team Consulting Optimized for Customers



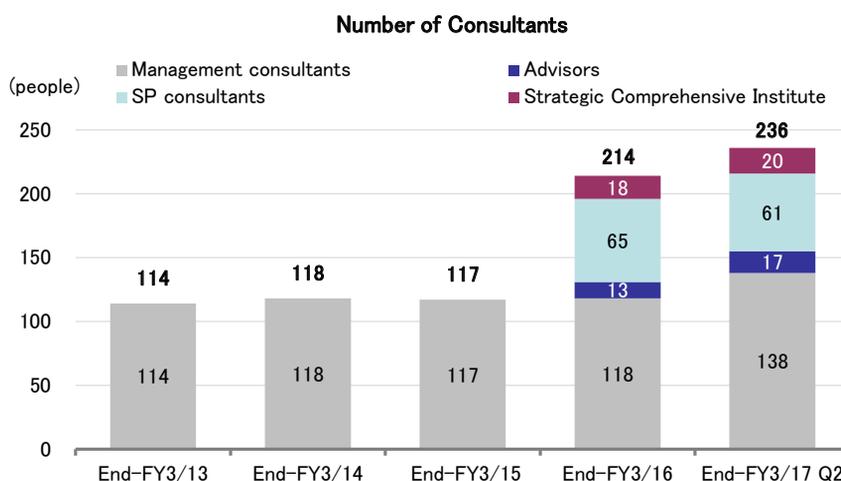
Going forward, Tanabe will increase its human resources with strong expertise in business strategy and is aiming for a company-wide structure of 350 consultants

(3) Human resources strategy

Additions to consultant human resources are a key issue. Human resources are the most important resource in the consulting business and play a vital role in income growth. In particular, Tanabe aims to increase human resources with strong expertise in domains (business strategy) and is reviewing adjustments to the wage structure and other compensation aspects with a goal of implementation by April 2017.

In addition, in April 2016 the Company launched the consultant academy as an in-house training system with the objectives of training consultants to have strong expertise and quickly preparing newly graduated staff as front line resources. From educational contents utilizing online video and an on-site experience-based educational program, it is expected that the training period to become full-fledged consultants, which previously lasted 5 years, can be reduced to around 3 years. Moreover, the Company is planning to increase researchers at the Strategic Comprehensive Institute, which is responsible for developing new consulting methods and various information dissemination functions.

The personnel goal at the current time is to achieve a Company-wide structure of 350 personnel (304 at the end of September 2016), and from among them, to train a large number of consultant human resources. As of the end of September 2016, the breakdown of consulting personnel was 138 management consultants, 17 advisors, 61 SP consultants, and 20 researchers at the Strategic Comprehensive Institute, for a total of 236 personnel. While the number of SP consultants is down YoY, this is due to factors including them being transferred to be management consultants.



Advisors: In charge of alliances and human resource training; Management consultants includes consultant candidates since FY3/17

(4) Regional branding strategy

The Company is implementing strategic investment in order to strengthen head office functions, including at the Tokyo headquarters, and to be “the first call consulting firm” as the company selected first in regions. In January 2016, it relocated its Tokyo head office to Marunouchi, and then in the current fiscal year, it also relocated its Chubu and Kyushu head offices. It is concentrating the management consulting business and SP consulting business in the Tokyo head office and the Chubu head office and raising brand value by providing value that is optimized for each customer. In April 2017, as part of a series of measures to strengthen headquarter functions, it plans to set the Tokyo head office as the Tokyo headquarters and establish within it IR, SR, PR, recruitment, M&A, and other functions. Also, awareness of the Company is improving, including due to its transfer from the TSE 2nd Section to the 1st Section in September 2016, and this can be expected to have positive effects on recruitment in the future.

■ Financial Standing and Shareholder Returns

Very healthy financial standing with the equity ratio at 82.8% and debt-free operations

(1) Financial standing

At the end of FY3/17 Q2, total assets were down ¥252mn on the end of the previous fiscal year to ¥11,834mn. The main factors behind this decline was that while current assets rose ¥212mn, mainly due to increases in cash and deposits and marketable securities, fixed assets fell ¥464mn from decreases in long-term deposits and investment securities.

Liabilities were down ¥214mn on the end of the previous fiscal year to ¥2,038mn. Current liabilities fell ¥182mn from the decline in accounts payable, while non-current liabilities were down ¥32mn. Net assets declined ¥37mn to ¥9,796mn. While net income (¥295mn) was recorded, retained earnings fell ¥34mn due to the payment of dividends (¥329mn).

The equity ratio was 82.8% and it continued to maintain a level of above 80%. Based on this and on the fact that the Company has no interest-bearing debt, we judge that it is maintaining a very healthy financial standing.



Tanabe Management Consulting Co., Ltd.

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1-Mar.-17

Balance Sheet

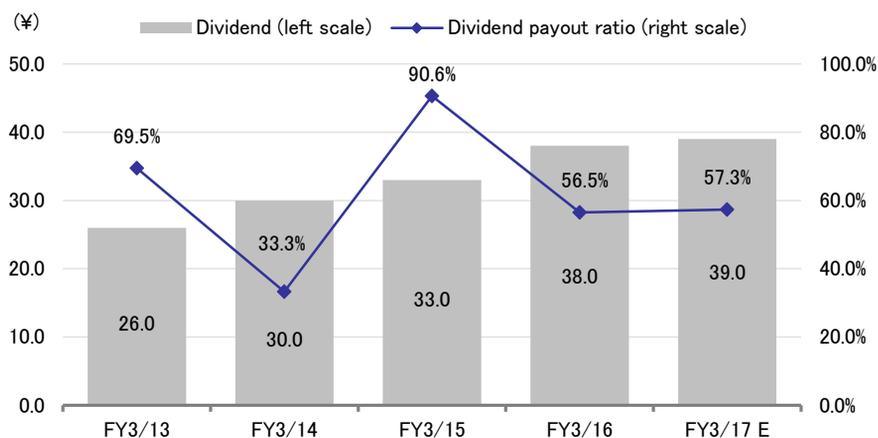
	End-FY3/14	End-FY3/15	End-FY3/16	End-FY3/17 Q2	From end of previous fiscal year
	(¥mn)				
Current assets	6,051	5,960	6,967	7,180	212
(Cash/deposits and marketable securities)	4,905	5,016	6,021	6,212	190
Fixed assets	5,338	5,832	5,118	4,654	-464
Total assets	11,389	11,792	12,086	11,834	-252
Current liabilities	1,484	1,697	1,682	1,499	-182
Non-current liabilities	562	542	570	538	-32
Total liabilities	2,046	2,240	2,253	2,038	-214
Net assets	9,343	9,552	9,833	9,796	-37
(Management indicators)					
Equity ratio	82.0%	81.0%	81.4%	82.8%	

(2) Shareholder return policy

Shareholder returns include dividends and shareholder gifts. Tanabe decides the dividend while taking into account earnings and other factors (excluding special items) with a goal of a 60% of dividend payout ratio. It plans to raise the dividend by ¥1.0 to ¥39.0 (57.3% payout ratio) in FY3/17, for a fifth straight fiscal year, and to continue lifting the dividend if profits expand.

It also provides a gift to shareholders on record as of end-September of its original Blue Diary scheduler (worth about ¥3,000). Dividend yield worked out to about 3% and investment return comes to roughly 5% including the shareholder gift, based on the share price from December 21 (¥1,281).

Dividend Per Share and Dividend Payout Ratio



Note: the dividend payout ratio on a net income basis excluding special factors was 62.2% in FY3/14 and 55.1% in FY3/15.

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