

Tanabe Management Consulting Co., Ltd.9644 Tokyo Stock Exchange
Second Section

26-Aug.-16

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
Yuzuru Sato

■ Realizing Sustainable Growth Through Promotion of the Consulting & Conglomerate Strategy

Tanabe Management Consulting Co., Ltd. <9644>, founded in 1957, is a pioneer and major presence in management consulting for mid-sized and smaller businesses in Japan. It supplies new consulting value to customers and pursues sustainable growth, along with customers, through promotion of the Consulting & Conglomerate Strategy (C&C Strategy; which diversifies and expands the consulting field). The corporate mission is being the “First Call Company” that is 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. Key strengths include solid management, debt-free operations, and a sturdy financial standing based on an equity ratio of more than 80%.

Tanabe reported higher net sales and ordinary income for a sixth straight fiscal year in FY3/16 with sales up 5.5% YoY to ¥8,297mn and ordinary income up 9.6% to ¥886mn, and sales reached an all-time high. Profit improved with help from higher sales in loyal-customer services (team-consulting management cooperation, education and human resource training, and strategic domain and management workshops), seminars, and other activities in the management consulting business and cost savings in the sales promotion (SP) consulting business.

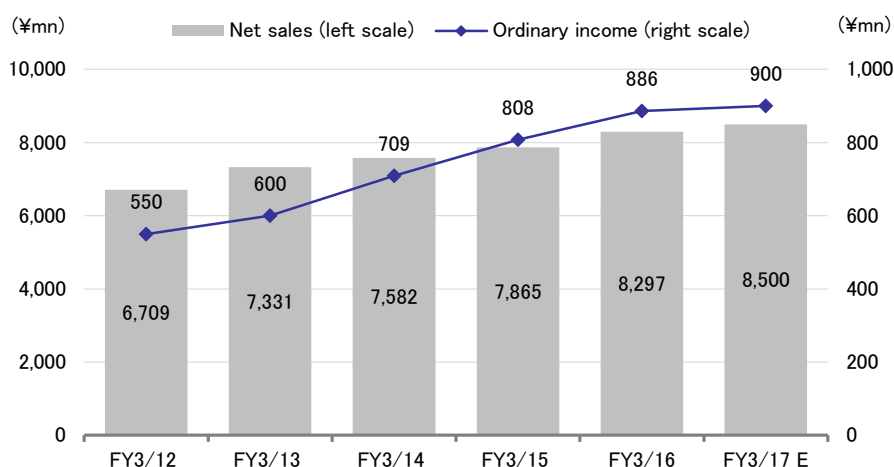
The FY3/17 guidance calls for stable growth with increases of 2.4% YoY to ¥8,500mn in net sales and 1.6% to ¥900mn in ordinary income. Tanabe aims to increase sales and profits, despite the mounting downside risk in the global economy and the prospect of tough conditions for corporate earnings in Japan, because of ongoing robust demand for consulting mainly amongst mid-sized companies for medium-term vision (business strategy) formulation, development of next-generation management operations (business succession), and human resource hiring and training. Tanabe plans to establish six new themes and thereby increase total theme volume from 14 themes to 20 themes for strategic domain and management workshops that have attracted a growing number of participating companies over the past few years and utilize the expansion to recruit contracts for team-consulting management cooperation.

Tanabe's core strengths include provision of a uniform level of service quality nationwide based on successful strategic methods for domains (business strategy), functions (management strategy), and regions (regional strategy) cultivated in its 59-year history, an alliance network with 155 partners, including various regional financial institutions, and its ability to supply comprehensive consulting services, including SP consulting. We see significant business opportunities for Tanabe, which primarily caters to mid-sized and smaller companies amid growing emphasis on invigorating regional companies in adherence with a theme of “regional revitalization.” Tanabe moved its stock from the JASDAQ market to the Tokyo Stock Exchange Second Section market in March 2016 and aims to strengthen its consultant hiring through brand enhancement. The shareholder return policy targets dividends at a 60% payout ratio, and we expect dividend growth along with earnings advances.

■ Check Point

- Pioneer in management consulting for mid-sized and smaller companies
- Posted upbeat FY3/16 results that significantly exceeded period-start targets and sales and profit gains for a sixth straight year
- Aiming for sustainable growth through promotion of a Consulting & Conglomerate Strategy

Performance Trends



Business Overview

Tanabe Management Consulting started disclosing business results with two segments from FY3/16 – management consulting business (integrates the existing consulting business and network business) and sales promotion (SP) consulting business (existing SP business). While the two segments are roughly on par with each other in terms of sales with management consulting business at 54.2% and SP consulting business at 45.8% (FY3/16 values), management consulting business generates more than 90% of overall operating profit and is the company's primary earnings source.

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 being the “First Call Company” that is selected first even 100 years from now.

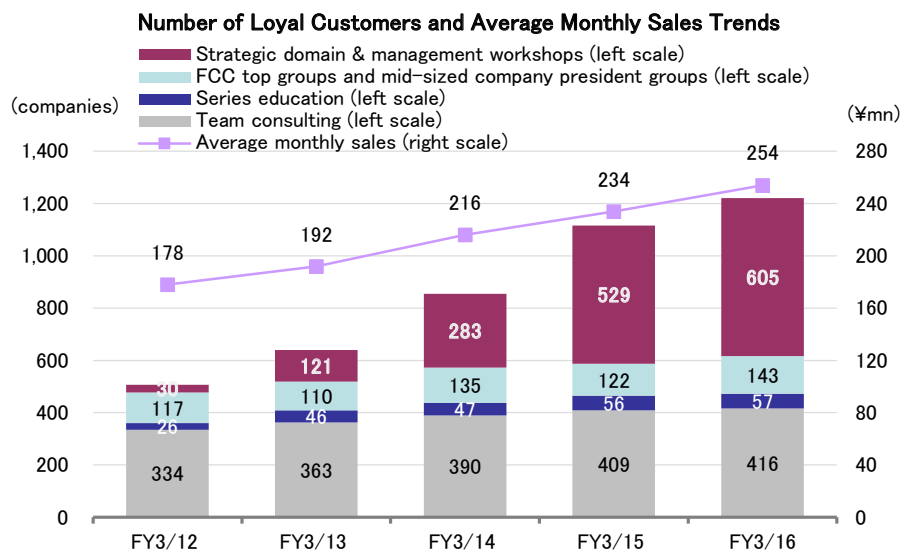
Criteria for becoming a first call company

- 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)

(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's course, First Call Company Forum, Grooming management school, and others), and various groups (strategic domain & management workshops and first call company (FCC) executive groups), and alliances & members. The mainstay team-consulting management cooperation area accounts for just over 50% of segment sales. Seminars and strategic domain & management workshops play a major role in feeding business to team-consulting management cooperation services. This segment also includes the Strategy Research Institute that provides commentary and shares information with companies and society by planning and producing various consulting services, compiling clinical research and knowledge from consulting sites, and publishing the FCC REVIEW (management information magazine) and FCC Management Letter (e-mail magazine).

Tanabe refers to customers to whom it provides these consulting services for a contract period of a half year or longer as “loyal customers” and uses company volume and sales in this category as KPIs. It reported 1,221 loyal customers at the end of March 2016, marking a steady expansion with an increase of 105 companies from the previous year. Looking at the breakdown, we find a major increase in strategic domain & management workshop service that Tanabe launched in 2011. While the sales contribution is small because of the service price, participation in these workshops is leading to contracts for team-consulting management cooperation service in a growing number of cases, and we think this service is sufficiently fulfilling a role as a feeder business. Additionally, monthly average sales from loyal customers are steadily rising and reached ¥254mn in FY3/16. Tanabe has been sustaining a trend of sales and profit growth since FY3/11, and we believe the loyal customer expansion strategy is making a large contribution.



In the alliances & membership area, Tanabe increased alliance partners by 16 sites YoY to 155 sites at the end of FY3/16, mainly consisting of regional financial institutions. It conducts level-specific training services, primarily for branch managers at financial institutions, and dispatches consultants as teachers for “management classes” that serve as workshops for successor executives at partner customer companies. Tanabe is utilizing this service to acquire contracts for its team-consulting management cooperation service. Membership service supplies various types of management information for a fee, including Eagle Club and New Leaders Club services. Tanabe had over 10,000 members at the end of March 2016.

(2) Sales promotion (SP) consulting business

The sales promotion (SP) consulting business consists of SP consulting for planning and promotion of sales promotion plans for customer companies and provision of promotional tools, sales of SP tools (promotional products), wholesale supply of business schedulers and calendars, and merchandising service that plans and develops original brand products for customer firms and assists in development of sales routes.

Specifically, Tanabe’s SP consultants contribute to marketing and product branding for customer firms from the management consulting business and assist in sales promotions at stores and other sales locations, product development by planning and conducting interview groups with end users, and overseas sales channel development.

The sales breakdown for this segment in FY3/16 was roughly 60% from SP tools and SP consulting, about 30% from business schedulers, and the remaining just under 10% from merchandising. Tanabe supports a wide range of customers from smaller companies to large companies and has about 3,500 customers.

Provides team SP consulting to support growth acceleration covering promotion and branding strategies to design and production of sales promotion tools and products for sales

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
- Diary (scheduler) planning 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

Posted upbeat FY3/16 results that significantly exceeded period-start targets and sales and profit gains for a sixth straight year

(1) Review of business performance in FY3/16

Tanabe reported FY3/16 results on May 13 with net sales up 5.5% YoY to ¥8,297mn, operating income up 12.3% to ¥856mn, ordinary income up 9.6% to ¥886mn, and net income up 84.5% to ¥582mn. It increased net sales, operating income, and ordinary income for a sixth straight fiscal year, and net sales reached an all-time high. This was an upbeat outcome with sales and earnings beating period-start guidance.



Tanabe Management Consulting Co., Ltd.

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FY3/16 Results

(unit: ¥mn)

	FY3/15		FY3/16				
	Results	Ratio to sales	Company outlook	Results	Ratio to sales	YoY change	Versus the plan
Sales	7,865	100.0%	8,050	8,297	100.0%	5.5%	3.1%
Gross profit	3,598	45.8%	3,696	3,852	46.4%	7.0%	4.2%
SG&A expenses	2,836	36.1%	2,901	2,996	36.1%	5.6%	3.3%
Operating income	762	9.7%	795	856	10.3%	12.3%	7.7%
Ordinary income	808	10.3%	830	886	10.7%	9.6%	6.8%
Extraordinary income	-227	-	-	-4	-	-	-
Net income	315	4.0%	570	582	7.0%	84.5%	2.2%

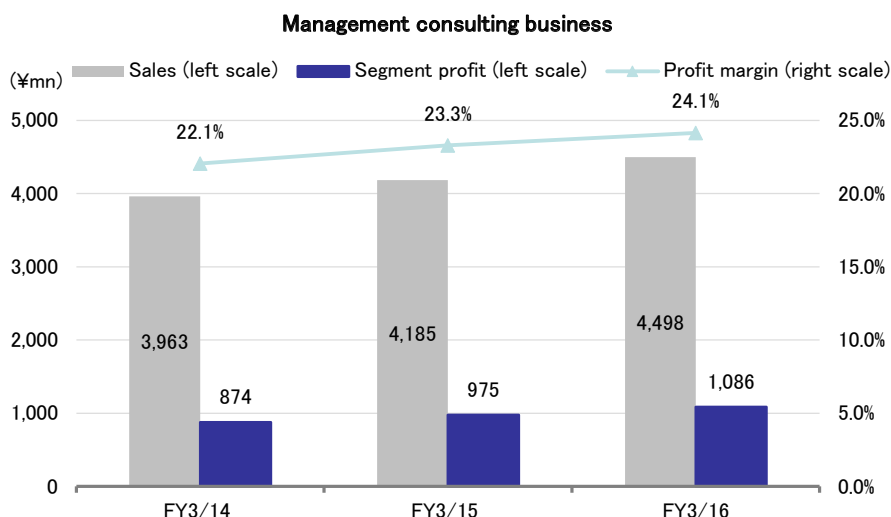
Note: Outlook presents the period-start plan

Net sales rose in both segments with a 7.5% increase for the management consulting business primarily led by mainstay team-consulting management cooperation and a 3.3% gain by the SP consulting business thanks to healthy trends in SP consulting and SP tools. Operating income had a double-digit increase and operating margin climbed 0.6pp YoY to 10.3% on higher sales, an increase in the value-added ratio for management consulting business, and cost savings in the SP consulting business. While net income increased sharply, this gain largely reflects removal of a ¥224mn impairment loss booked as an extraordinary loss in the previous fiscal year.

(2) Segment trends

○ Management consulting business

Management consulting business sustained sales and profit increase trends with sales up 7.5% YoY to ¥4,498mn and segment profit up 11.4% to ¥1,086mn. Segment profit margin improved from the previous year's 23.3% to 24.1%. Investment interest at mid-sized and smaller companies, which are Tanabe's core customers, has been picking up amid a moderate recovery in domestic economic activity, and sales were healthy in all regions. Tokyo, Tohoku, and Nagoya area were particularly robust, and we think sales gains in all industries stood out.



Note: Operating profit shows the value prior to deduction of headquarters management costs

Next, we review sales trends by specific products and services. Strategic consulting (including team-consulting management cooperation + surveys and management diagnosis) sales were up 8.0% YoY. Tanabe has been increasingly securing orders from participants in strategic domain & management workshops and seminars, and average contract volume for team-consulting management cooperation rose by seven contracts to 416 contracts. By theme, consulting contracts were added for “medium-term business plan and vision formulation,” “domain-oriented (business field) consulting,” “reinforcement of human resources frameworks and hiring,” “junior boards (assistance for next-generation management operations), and “business succession.”

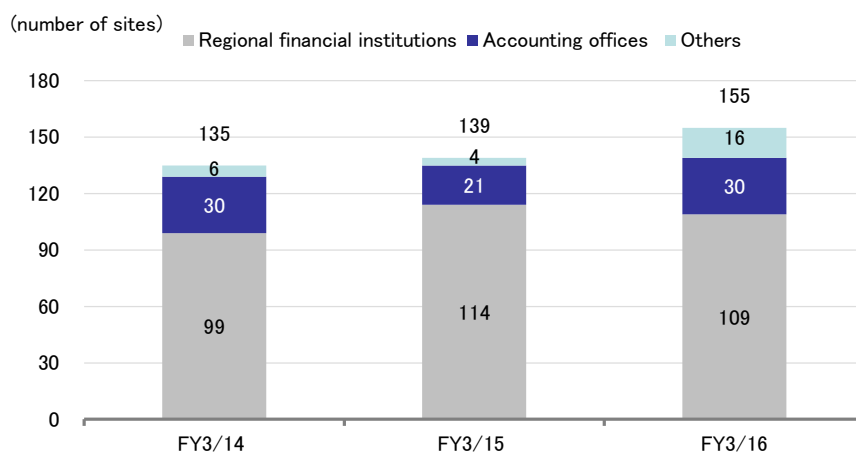
Education and human resource training sales expanded 10.7% YoY. Positive trends included upbeat educational services for mid-sized companies and level-specific (from branch managers to young employees) training for alliance-partner financial entities.

Seminar sales were up 7.9% YoY. Tanabe held seminars, such as Management strategy seminars, First Call Company Forums, and Executive assistant school, in 10 major cities nationwide and the rise in seminar participant volume by 539 people YoY to 7,396 people lifted sales.

Workshop and FFC top group sales climbed by a robust 26.1% YoY. Strategic domain & management workshops adhere to a narrower theme, such as management strategy or organizational strategy, and this area has been substantially increasing sales as a service that directly addresses management and strategy issues at customers. The workshop business added two themes (tourism business growth strategy and strategic logistics) in February 2016, raising the number of workshops to 14 themes.

Alliance & membership sales were flat YoY. Alliance partners climbed by 16 sites from the end of the previous fiscal year to 155 sites, and sales improved thanks to upbeat training for alliance partners and participation in the “management school” for successor executives at partner customer firms. Eagle Club and other membership services, meanwhile, incurred a slight decline in sales because of a drop in member volume. The alliance partner breakdown shows a decline of five sites to 109 sites for regional financial institutions (though this was not a decline in real terms because it reflects business consolidation at financial entities) and increases of nine sites for accounting offices and 12 sites for others (various unions and organizations).

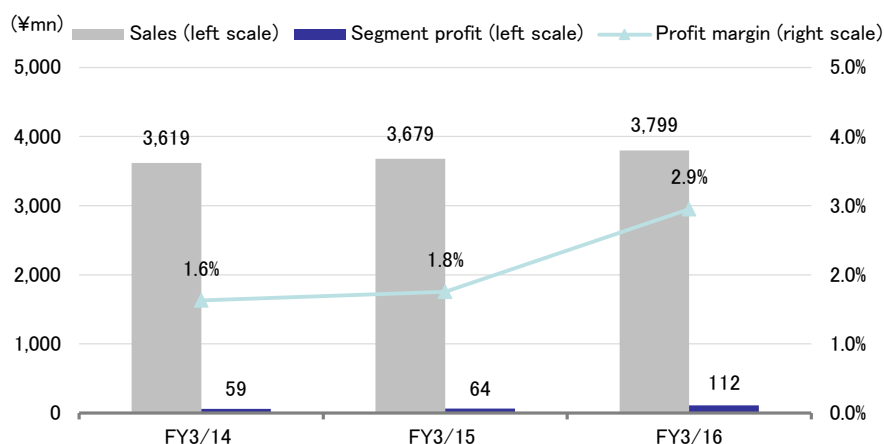
Number of Alliance Partners



(3) Sales promotion consulting business

The sales promotion consulting business increased sales by 3.3% YoY to ¥3,799mn and posted a 73.9% rise in segment profit to ¥112mn. Next, we review sales trends by products and services. SP consulting sales grew by a healthy 37.6% YoY thanks to expansion of the customer base that benefited from making proposals that addressed customer needs, such as team sales targeting young women and nursery school and child-rearing markets.

Sales promotion (SP) consulting business



Note: Operating profit shows the value prior to deduction of headquarters management costs

Sales of SP tools were up by a solid 2.2% YoY. Key drivers were ongoing orders from existing customers and progress in recruitment of new large and mid-sized corporate customers utilizing industry-specific team sales. Merchandising sales were on par with the previous year thanks to ongoing orders from existing customers and merchandising support in development of original products, wholesale distribution, and OEM product planning and production. Business scheduler and calendar sales rose by a solid 1.7% YoY with support from ongoing orders from existing customers and an increase in new orders.

■ Results Outlook

Sustainable growth and human resource and regional branding investments

(1) Outlook for FY3/17 results

Tanabe guides for ¥8,500mn in net sales (up 2.4% YoY), ¥865mn in operating income (up 1.0%), ¥900mn in ordinary income (up 1.6%), and ¥590mn in net income (up 1.3%). It expects mid-sized and smaller companies to continue to exhibit robust needs for domain (business strategy) consulting, medium-term plan formulation, holding management consulting (business succession and organizational strategy), personnel and hiring consulting, and three-board consulting and academy (in-house university) design to train strategic leaders in order to realize sustainable growth amid concerns about weaker corporate earnings due to slowdown in the global economy, a shift to yen appreciation, and other trends. While it projects a modest decline in operating margin, this reflects the impact of investing in human resources and higher costs related to moving the Kyushu Head Office (Fukuoka) in May and Chubu Head Office (Nagoya) in July as part of the regional branding strategy. It forecasts a 26.0% YoY drop in operating income for 1H mainly due to booking office moving costs.

Tanabe expects the moves to more convenience office locations to facilitate hiring of better human resources and enhance branding. In fact, the move and consolidation of Tokyo offices in January 2016 (to an office in the Tekko Building near JR Tokyo Station) is having a favorable impact on hiring and also benefiting sales activities through faster information sharing and easier arrangement of joint sales visits by management consulting and sales promotion consulting businesses, which have been at separate sites, on the same floor. The Nagoya move will integrate management consulting and sales promotion consulting businesses too, just as in Tokyo.

FY3/17 Results Outlook

(unit: ¥mn)

	FY3/16 results		FY3/17			
	Full year	YoY change	1H	YoY change	Full year	YoY change
Net sales	8,297	5.5%	3,650	0.4%	8,500	2.4%
COGS	3,852	7.0%	-	-	4,038	4.8%
SG&A expenses	2,996	5.6%	-	-	3,173	5.9%
Operating income	856	12.3%	300	-26.0%	865	1.0%
Ordinary income	886	9.6%	320	-23.8%	900	1.6%
Net income	582	84.5%	210	-33.6%	590	1.3%

Note: Outlook presents the period-start plan

Segment Earnings Outlook

(unit: ¥mn)

	FY3/16	FY3/17 (E)	YoY change
Sales	8,297	8,500	+2.4%
Management consulting business	4,498	4,540	+0.9%
Sales promotion (SP) consulting business	3,799	3,960	+4.2%
Operating income	856	865	+1.0%
Management consulting business	1,086	1,105	+1.7%
Sales promotion (SP) consulting business	112	140	+25.0%
Headquarters management costs	-342	-380	-

Tanabe projects steady results in the management consulting business with a 0.9% YoY increase in sales and a 1.7% gain in segment profit. In an effort to acquire loyal customers, it plans to launch six new workshops for its strategic domain & management workshop service that has been well received, raising the total number to 20 workshops. Tanabe intends to focus on recruitment of mid-sized corporate customers by strengthening promotion investments in individual regions via its network of 10 sites nationwide.

Strategic Domain & Management Workshops Program

Strategic domains (business strategy)	Function (organizational strategy)
Construction solution	Management visibility
Foods and food services	Human resource management
Healthcare	Branding strategy
Business model	Strategic finance
Web and mail-order commerce	
Home and lifestyle	
Car life	
Manufacturing	
Strategic logistics	
Tourism	

New workshops from September 2016

Strategic domains (business strategy)	Function (organizational strategy)
Strategic agriculture	Companies that motivate and train people
Wellness	
Global business	
Accountant's firms	
Children and child-rearing families	

Tanabe expects sales promotion consulting business to increase sales by 4.2% YoY and segment profit by 25.0%. It aims to enhance SP consulting with industry teams and pursue sales initiatives in children and child-rearing markets, just as in the previous fiscal year. It intends to launch the "Children and Child-rearing Family Market Growth Strategy Workshop" in September 2016 and cultivate participant companies in this workshop as potential customers.

Tanabe has also started a service that assists in entry to cross-broader EC in China as part of overseas sales assistance service this fiscal year. Specifically, it formed a business alliance with TOKYO MX and offers sales assistance for customer products at the TOKYO MX site that operates at a major Chinese marketplace. Tanabe will use a business model of making SP consulting proposals and obtaining consulting fees for services that range from advance research on regulations and other matters to production of product PR videos and sales sites, conducting test sales, and analyzing sales results data. This activity deserves attention in light of robust demand among mid-sized and smaller companies in cross-border EC opportunities and Tanabe's progress already in concluding contracts with a few companies.

Tanabe also intends to launch an SP Design Lab at its Tokyo office for SP tools and business schedulers, calendars, and other materials and increase orders through improvements in product quality and proposal capabilities with enhanced design features and added value.

Promoting the Consulting & Conglomerate Strategy (C&C Strategy)

(2) Medium-term business plan

Tanabe updates its medium-term business plan each year. It raised goals through FY3/18 in light of beating guidance in FY3/16 and added FY3/19 goals of ¥9,000mn in net sales and ¥960mn in ordinary income this time. It aims to achieve sustainable growth while keeping ordinary income margin at 10% or more and forecasts stable growth with three-year average growth rates in net sales and ordinary income at 2.7%.

Medium-term business goals

(unit: ¥mn)

	FY3/16	FY3/17		FY3/18		FY3/19	Average growth rate
		Previous announcement	Latest announcement	Previous announcement	Latest announcement		
Net sales	8,297	8,300	8,500	8,600	8,750	9,000	+2.7%
Management consulting strategy headquarters	4,498	4,400	4,540	4,620	4,750	4,950	+3.2%
Sales promotion (SP) consulting headquarters	3,799	3,900	3,960	3,980	4,000	4,050	+2.2%
Operating income	856	830	865	870	895	925	+2.6%
Ordinary income	886	860	900	900	930	960	+2.7%
Net income	582	583	590	610	635	660	+4.3%
Ordinary income margin	10.7%	10.4%	10.6%	10.5%	10.6%	10.7%	
ROE	6.0%	6.1%	6.2%	6.4%	6.4%	6.4%	

As a business strategy, it intends to promote the Consulting & Conglomerate Strategy (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 realize changes and growth. Tanabe holds a unique position as a consulting firm with 10 offices nationwide stretching from Hokkaido to Okinawa and catering to mid-sized and smaller companies and plans to continue utilizing its strength in provision of uniform consulting services and seminars as a regional strategy partner. We think Tanabe has major business opportunities amid efforts to invigorate regional companies in the government's "regional revitalization" growth strategy.

The growth strategy assigns specialists in the three areas of domains (business strategy), functions (organizational strategy), and regions (regional strategy) as a team of "three strategic partners" to address customer issues, and this company-wide team consulting that leverages advanced integration of high-level expertise supports growth. Domains (business strategy) refer to "social issues and future themes," such as food products, healthcare, home and lifestyle, and manufacturing. Tanabe helps customer company embed these themes into their operations and assists in creation of new markets and businesses toward realizing sustainable growth.

Functions (organizational strategy) cover strategic consulting that improves corporate organizational capabilities, such as business succession, human resources, financial operations, and sales promotions. Mid-sized and smaller businesses have been facing tougher personnel shortages recently, and these conditions have increased the importance of hiring and in-house human resource development. Tanabe is putting efforts into consulting services for human resource training as well in light of these conditions. It promotes "three-board (next board, junior board, and vision board) consulting" to train strategic leaders and "academy (internal university) design" to accelerate training as a new theme in next-generation management. It has also created a "team leader school" and "female leader school" for young and mid-level employees as management seminars and aims to support a broad range of human resource training needs.

Regions (regional strategy) refer to provision of optimal consulting services for specific regions to companies in various regions leveraging 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.



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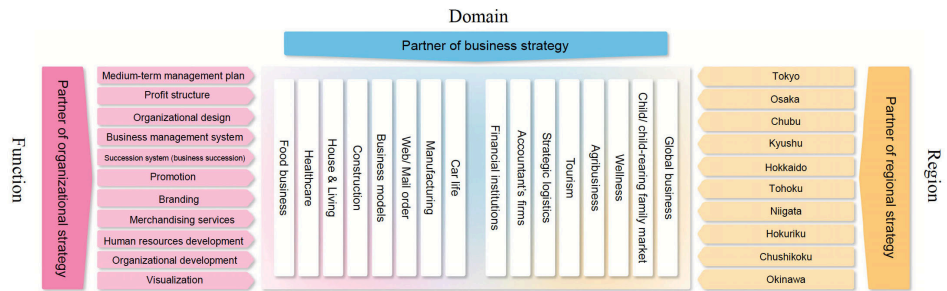
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As a customer creation process, Tanabe is promoting a strategy of increasing contracts for team-consulting management cooperation through strategic domain and management workshops, seminars, and other forums. It plans to add six new themes for workshops this fiscal year as mentioned above. Furthermore, FCC Forum seminars held in major cities in June and July attracted more 2,400 participants, or just under twice as many as the previous year, reflecting ongoing vibrant demand. Tanabe hopes to recruit participant companies as customers for its team-consulting management cooperation service.

Tanabe plans to expand SP consulting, which currently generates about 5% of sales in the sales promotion consulting business, by boosting collaboration with the management consulting business. It expects better segment profitability too as the percentage of SP consulting sales increases.

Companywide Team Consulting Optimized for Customers

Domain × Function × Region

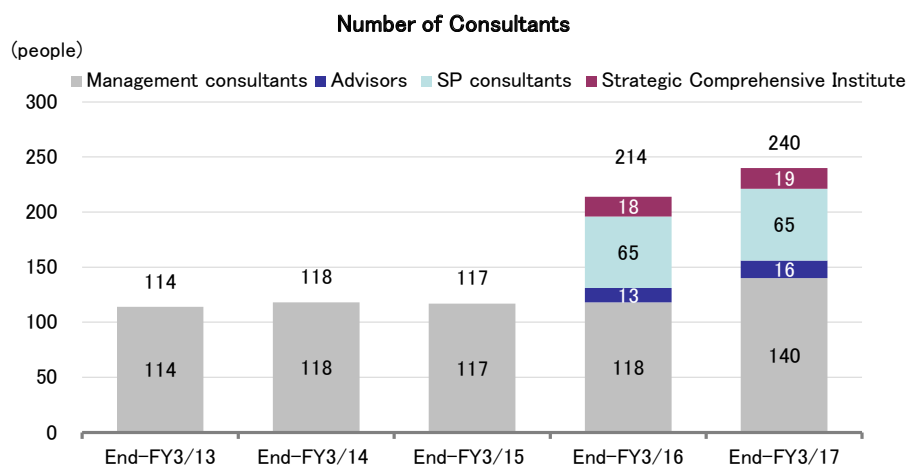


(3) Human resources strategy

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.

It also launched the “consultant academy” as an internal training system in April 2016 with the aim of cultivating consultants with strong expertise and quickly preparing new university graduates as front-line resources. The program supports acquisition of consultant skills within three years using education content provided in Internet videos. Tanabe also plans to increase personnel at its strategic comprehensive institute, which develops new consulting methods and disseminates a variety of information. These efforts should support acceleration of the companywide strategy and growth engine.

The near-term personnel goal is 350 people for the entire company (up from 306 people on April 1, 2016), and Tanabe expects to train many of these consultants through the above-mentioned activities. The breakdown of its 240 consultants as of end-April 2016 was 140 management consultants, 16 advisors, 65 SP consultants, and 19 strategic comprehensive institute consultants.



Note: Advisors: In charge of alliances and human resource training; Management consultants includes consultant candidates since April 2016

■ Financial Standing and Shareholder Returns

Very healthy financial standing with the equity ratio at 81.4% and debt-free operations

(1) Financial standing

Tanabe reported a ¥294mn YoY increase in total assets to ¥12,086mn at the end of March 2016. Main changes were a gain of ¥1,005mn in cash and deposits and marketable securities under current assets and a ¥662mn decline in long-term deposits and investment securities under fixed assets. Tangible fixed assets dropped by ¥75mn due to the sale of the Nagoya Training Center.

Liabilities, meanwhile, rose ¥13mn YoY to ¥2,253mn. The level was roughly unchanged, despite increases in advances received and income taxes payable under current liabilities, because of declines in accrued consumption taxes and accounts payable. Net assets climbed by ¥281mn YoY to ¥9,833mn. Retained earnings expanded by ¥296mn, even with cash dividends paid (¥284mn), thanks to booking ¥582mn in net income.

Tanabe kept the equity ratio above 80% at 81.4%. We think it is sustaining very healthy financial conditions based on this level and the absence of interest-bearing debt. Profitability improved for all indicators (ROA, ROE, and operating margin) versus the previous fiscal year.

Balance Sheet

(unit: ¥mn)

	FY3/15	FY3/16	YoY change
Current assets	5,960	6,967	1,007
(Cash/deposits and marketable securities)	5,016	6,021	1,005
Fixed assets	5,832	5,118	-713
Total assets	11,792	12,086	294
Current liabilities	1,697	1,682	-15
Fixed liabilities	542	570	28
Total liabilities	2,240	2,253	13
Net assets	9,552	9,833	281
(Management indicators)			
Equity ratio	81.0%	81.4%	-
ROA	7.0%	7.4%	-
ROE	3.3%	6.0%	-
Operating margin	9.7%	10.3%	-



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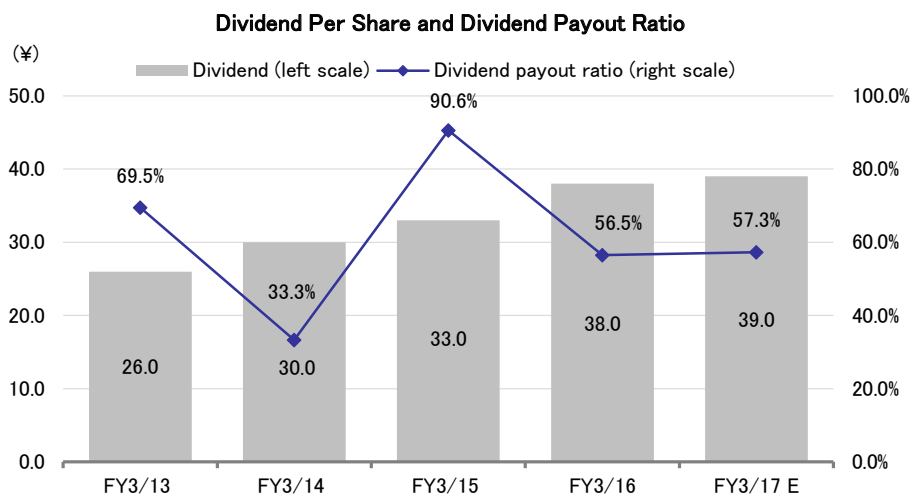
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(2) Shareholder return policy

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% dividend payout ratio. It plans to raise the dividend for a fifth straight fiscal year by ¥1.0 to ¥39.0 (57.3% payout ratio) and 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 4% and investment return comes to roughly 7% including the shareholder gift, based on the share price from July 13 (¥1,036).



Note: FY3/14 dividend payout ratio at 62.2% excluding special factors

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