

(Translation)



CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING
December 31, 2024
(November 1, 2023 to July 31, 2024)

September 13, 2024

Company name: Management Solutions co., ltd.

Listing: Tokyo Stock Exchange Prime
Market

Securities code: 7033

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

(for analysts and institutional investors)

(Millions of yen rounded down)

1. Consolidated Operating Results for the Nine-Month Period of Fiscal 2024 (November 1, 2023 to July 31, 2024)

(1) Consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2024 Nine-Month	14,275	15.7	1,595	15.6	1,605	12.8	1,074	12.6
FY 2023 Nine-Month	12,342	47.0	1,380	422.2	1,422	415.7	954	508.6

(Note) Comprehensive income:

FY 2024 Nine-Month 1,084 million yen (13.9%)

FY 2023 Nine-Month 952 million yen (436.4%)

	Net Income Per Share	Net Income Per Share (Diluted)
	Yen	Yen
FY 2024 Nine-Month	64.78	—
FY 2023 Nine-Month	57.59	57.56

(Note) Diluted net income per share for the nine-month period of the fiscal year ending December 31, 2024 is not provided because there are no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets
	Millions of yen	Millions of yen	%
As of July 31, 2024	7,666	5,101	65.3
As of October 31, 2023	7,032	4,302	59.8

(Reference) Shareholders' equity:

As of July 31, 2024 5,002 million yen

As of October 31, 2023 4,206 million yen

2. Dividends

	Cash Dividends Per Share of Common Stock					
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen	Yen
FY 2023	—	0.00	—	—	18.00	18.00
FY 2024	—	0.00	—			
FY 2024 (planned)				—	30.00	30.00

(Note) Revision to the most recently announced cash dividend forecast: None

3. Forecast of Consolidated Operating Results for FY 2024 (November 1, 2023 to December 31, 2024)

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Fiscal Year	22,600	—	2,700	—	2,710	—	1,940	—	116.90

(Notes) 1. Revision to the most recently announced operating results forecast: None

2. By a resolution of the 19th Annual General Meeting of Shareholders held on January 30, 2024, the Company changed its fiscal year-end from October 31 to December 31. The change in the fiscal year-end arising from this resolution will result in the fiscal year under review being a transitional period of 14 months running from November 1, 2023 to December 31, 2024, so year-on-year changes are not provided.

* Notes

- (1) Significant changes in scope of consolidation during the period: None
Newly added: - companies
Excluded: - companies
- (2) Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
- (i) Changes in accounting policies due to revisions to accounting standards: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None
- (4) Number of shares issued (common stock)
- (i) Number of shares issued at the end of the period (including treasury stock)

As of July 31, 2024	16,822,700 shares
As of October 31, 2023	16,816,800 shares
 - (ii) Number of treasury stock at the end of the period

As of July 31, 2024	228,441 shares
As of October 31, 2023	226,541 shares
 - (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended July 31, 2024	16,592,835 shares
Nine months ended July 31, 2023	16,581,099 shares

* Review of attached quarterly financial statements by a certified public accountant or an audit firm: None

* Explanation concerning the Proper Use of Operating Results Forecasts and Other Relevant Specific Items
(Note on the forecasts for the consolidated financial results)

The forecasts of operating results and other items concerning the future contained in this document are based on management's assumptions and beliefs that are determined to be reasonable in light of currently available information, and are not intended as a guarantee that these targets will be achieved. Actual results may differ significantly from forecasts due to a variety of factors. For assumptions underlying the operating results forecasts and notes on their use, please refer to "(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements in 1. Qualitative Information on Quarterly Results" on page 3 of the Appendix. Of note, the sales of consultants newly hired during the period will contribute to the Company's overall net sales and earnings in the second half of the fiscal year under review and in following fiscal years, as consultants' sales accrue with their tenure.

* In case of any inconsistency between the English version and the Japanese version, the Japanese version shall prevail.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

In the first nine months of the fiscal year ending December 31, 2024, Japan's economy demonstrated a moderate recovery tone, driven by sustained firmness in capital investment demand and other factors which offset the further weakening of the yen and stagnant personal consumption.

There is a risk, however, that downturns in economies outside Japan will put downward pressure on the domestic economy. Factors outside Japan requiring close monitoring include rising prices, volatility in financial markets, tensions in the Middle East, and the U.S. presidential election.

In this environment, in the Group's sphere of business of project management, there is a rising need for value-added support, including support for organizational transformation in areas such as DX (Digital Transformation) that continue to be characterized by healthy demand. The level of inquiries about project management support is projected to remain high over the medium to long term.

The Company is pursuing a vision of becoming a platform for management in society, encouraging organizational transformation and the autonomous development of the individual. By introducing and creating proposals based on its project management techniques, the Company has steadily acquired new clients in a variety of industries and business categories.

In terms of initiatives to expand its area of business and continuously generate profit, the Company has also actively recruited human resources and put in place an educational system to secure a steady supply of consultants, and has promoted the development of account managers by strengthening its risk management.

As a result, net sales for the first nine months of the fiscal year increased by 15.7% year on year to 14,275,648 thousand yen, operating income increased by 15.6% to 1,595,583 thousand yen, ordinary income increased by 12.8% to 1,605,272 thousand yen, and profit attributable to owners of parent increased by 12.6% to 1,074,883 thousand yen.

Because the Group only has the single segment of the consulting business, it has omitted the presentation of results by segment.

(2) Explanation of Financial Position

(i) Current assets

Current assets at the end of the third quarter of the fiscal year amounted to 5,800,710 thousand yen, an increase of 824,021 thousand yen from the balance at the end of the previous fiscal year. This was due mainly to increases in cash and deposits of 499,550 thousand yen, and in notes and accounts receivable - trade of 308,072 thousand yen. As of the end of the third quarter, the ratio of current assets to total assets stood at 75.7%, attesting to the Company's high level of liquidity.

(ii) Noncurrent assets

Noncurrent assets at the end of the third quarter of the fiscal year amounted to 1,866,218 thousand yen, a decrease of 189,822 thousand yen from the balance at the end of the previous fiscal year. This was due mainly to decreases in goodwill, classified under intangible assets, of 48,504 thousand yen, and in the "other" item of investments and other assets of 84,328 thousand yen.

(iii) Current liabilities

Current liabilities at the end of the third quarter of the fiscal year amounted to 2,421,182 thousand yen, an increase of 359,505 thousand yen from the balance at the end of the previous fiscal year. This was due mainly to increases in short-term borrowings of 400,000 thousand yen and the current portion of long-term loans payable of 492,326 thousand yen, while income tax payable decreased by 328,140 thousand yen, and other current liabilities decreased by 152,668 thousand yen. The increase in borrowings was due to the increase in working capital required to support sales growth.

(iv) Noncurrent liabilities

Noncurrent liabilities at the end of the third quarter of the fiscal year amounted to 143,795 thousand yen, a decrease of 524,986 thousand yen from the end of the previous fiscal year. This was due mainly to a decrease in long-term loans payable of 522,586 thousand yen.

(v) Net assets

Total net assets at the end of the third quarter of the fiscal year amounted to 5,101,951 thousand yen, an increase of 799,679 thousand yen from the balance at the end of the previous fiscal year. This was due mainly to an increase in retained earnings of 776,258 thousand yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

For the period of August 1, 2024 to October 31, 2024, the Company forecasts net sales ranging from 5,000 million to 5,200 million yen and operating income ranging from 650 million to 725 million yen. For the period of November 1, 2024 to December 31, 2024, the Company forecasts net sales ranging from 3,325 million to 3,700 million yen and operating income ranging from 455 million to 480 million yen. There has been no change to the full-year figures announced in “Consolidated Financial Report First Half of the Fiscal Year Ending December 31, 2024,” dated June 14, 2024.

Of note, the sales of consultants newly hired during the period will contribute to the Company’s overall net sales and earnings in the second half of the fiscal year under review and in following fiscal years, as consultants’ sales accrue with their tenure.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	Fiscal Year 2023 (As of October 31, 2023)	First nine months of Fiscal Year 2024 (As of July 31, 2024)
Assets		
Current assets		
Cash and deposits	2,640,389	3,139,939
Notes and accounts receivable - trade	2,189,331	2,497,404
Other	146,967	163,366
Total current assets	4,976,689	5,800,710
Noncurrent assets		
Property, plant and equipment	614,915	605,193
Intangible assets		
Goodwill	334,140	285,636
Other	437,868	422,456
Total intangible assets	772,008	708,093
Investments and other assets		
Lease deposits and guarantee deposits	472,230	440,373
Other	196,886	112,558
Total investments and other assets	669,117	552,932
Total noncurrent assets	2,056,041	1,866,218
Total assets	7,032,730	7,666,929
Liabilities		
Current liabilities		
Accounts payable	292,392	240,380
Short-term borrowings	-	400,000
Current portion of long-term loans payable	38,822	531,148
Income taxes payable	559,095	230,955
Other	1,171,366	1,018,698
Total current liabilities	2,061,676	2,421,182
Noncurrent liabilities		
Long-term loans payable	611,927	89,341
Other	56,855	54,454
Total noncurrent liabilities	668,782	143,795
Total liabilities	2,730,458	2,564,977
Net assets		
Shareholders' equity		
Capital stock	668,592	676,059
Capital surplus	549,570	557,037
Retained earnings	3,350,123	4,126,381
Treasury stock	(390,318)	(390,318)
Total shareholders' equity	4,177,967	4,969,160
Accumulated other comprehensive income		
Foreign currency translation adjustment	28,570	33,599
Total accumulated other comprehensive income	28,570	33,599
Non-controlling interests	95,734	99,191
Total net assets	4,302,272	5,101,951
Total liabilities and net assets	7,032,730	7,666,929

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(For the nine-month period)

(Thousands of yen)

	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)	Nine months ended July 31, 2024 (November 1, 2023 to July 31, 2024)
Net sales	12,342,958	14,275,648
Cost of sales	7,828,753	8,409,046
Gross profit	4,514,204	5,866,601
Selling, general and administrative expenses	3,134,053	4,271,017
Operating income	1,380,151	1,595,583
Non-operating income		
Interest income	336	1,398
Dividend income	2	-
Foreign exchange gains	2,970	-
Gain on sale of investment securities	14,999	-
Compensation income	12,587	-
Surrender value of insurance policies	10,595	11,589
Other	8,348	6,022
Total non-operating income	49,840	19,010
Non-operating expenses		
Interest expenses	6,981	6,418
Foreign exchange losses	-	840
Settlement payments	-	2,000
Other	67	62
Total non-operating expenses	7,049	9,321
Ordinary income	1,422,943	1,605,272
Income before income taxes	1,422,943	1,605,272
Income taxes - current	441,127	498,297
Income taxes - deferred	17,823	28,191
Total income taxes	458,951	526,488
Profit	963,991	1,078,783
Profit attributable to non-controlling interests	9,097	3,900
Profit attributable to owners of parent	954,893	1,074,883

(Quarterly Consolidated Statement of Comprehensive Income)
(For the nine-month period)

(Thousands of yen)

	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)	Nine months ended July 31, 2024 (November 1, 2023 to July 31, 2024)
Net income	963,991	1,078,783
Other comprehensive income (loss)		
Foreign currency translation adjustment	(11,652)	5,595
Total other comprehensive income (loss)	(11,652)	5,595
Comprehensive income	952,339	1,084,378
Total comprehensive income attributable to:		
Owners of parent	944,402	1,079,912
Non-controlling interests	7,936	4,465

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on Quarterly Consolidated Statements of Cash Flows)

The Company has not compiled quarterly consolidated statements of cash flows for the first nine months of the fiscal year ending December 31, 2024. Depreciation and amortization (including amortization of intangible assets other than goodwill) and amortization of goodwill for the first nine months of the fiscal year ending December 31, 2024 are as follows.

	(Thousands of yen)	
	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)	Nine months ended July 31, 2024 (November 1, 2023 to July 31, 2024)
Depreciation and amortization	142,790	178,325
Amortization of goodwill	48,504	48,504

(Notes on Segment Information, etc.)

[Segment Information]

Because the Group is engaged in only the single segment of the consulting business, segment information is of little importance and has been omitted.