

Financial Results Briefing Materials for the First Nine Months of the Fiscal Year Ending December 31, 2024

September 13, 2024

Management Solutions Co., Ltd.

Security Code : 7033

As a result of the change to the Company's fiscal year-end, the current fiscal year is irregular, reflecting business results for the 14-month period from November 1, 2023 through December 31, 2024. Therefore, the fifth quarter of the year is a two-month period from November 1, 2024 through December 31, 2024.

1. Executive Summary
2. Performance Highlights for Q3 FY2024
3. Full-Year Forecasts and Shareholder Returns Policy for Q3 FY2024

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Executive Summary for Q3 FY2024

Net sales

¥14,275 million

Progress rate **63.2%^{*1}**

YoY **+15.7%** 

Operating income

¥1,595 million

Progress rate **59.1%^{*1}**

YoY **+15.6%** 

Hiring

Cumulative number of
Group employees

1,338

Hiring Costs (total)

¥790 million

Cumulative number of
recruited consultants

239 (excl.111 new graduates)

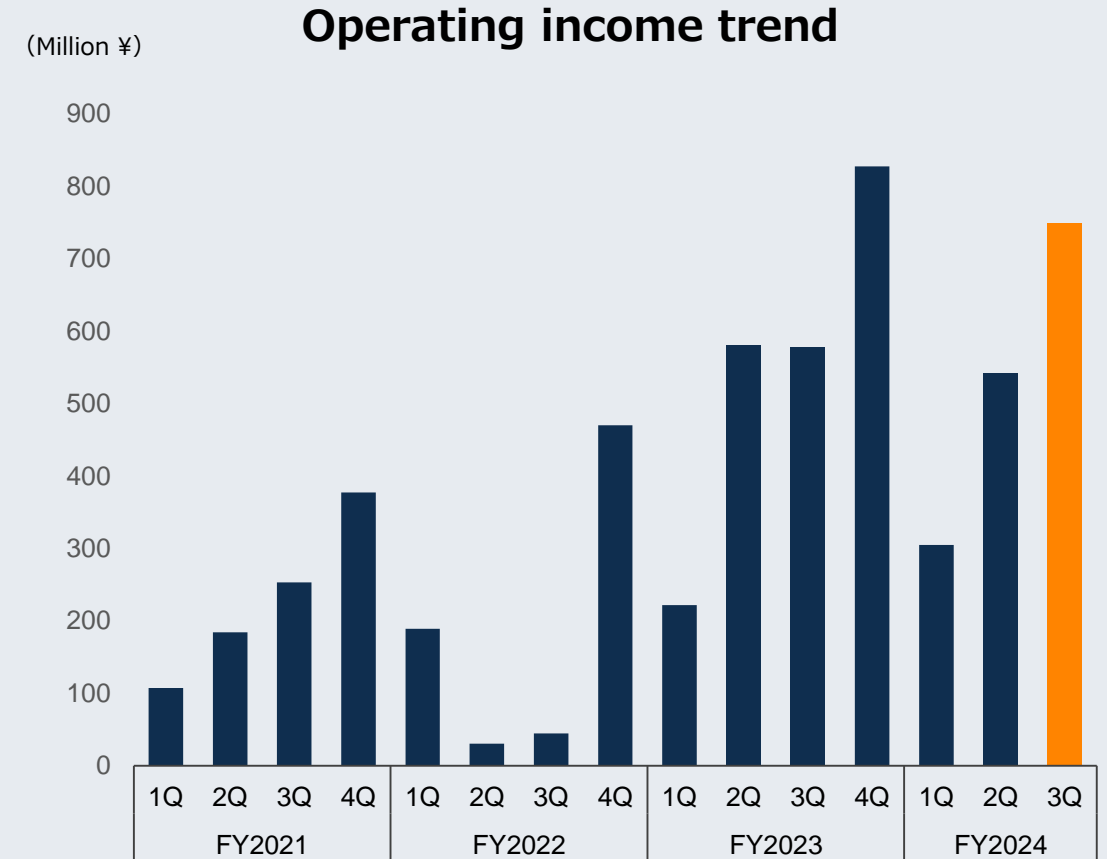
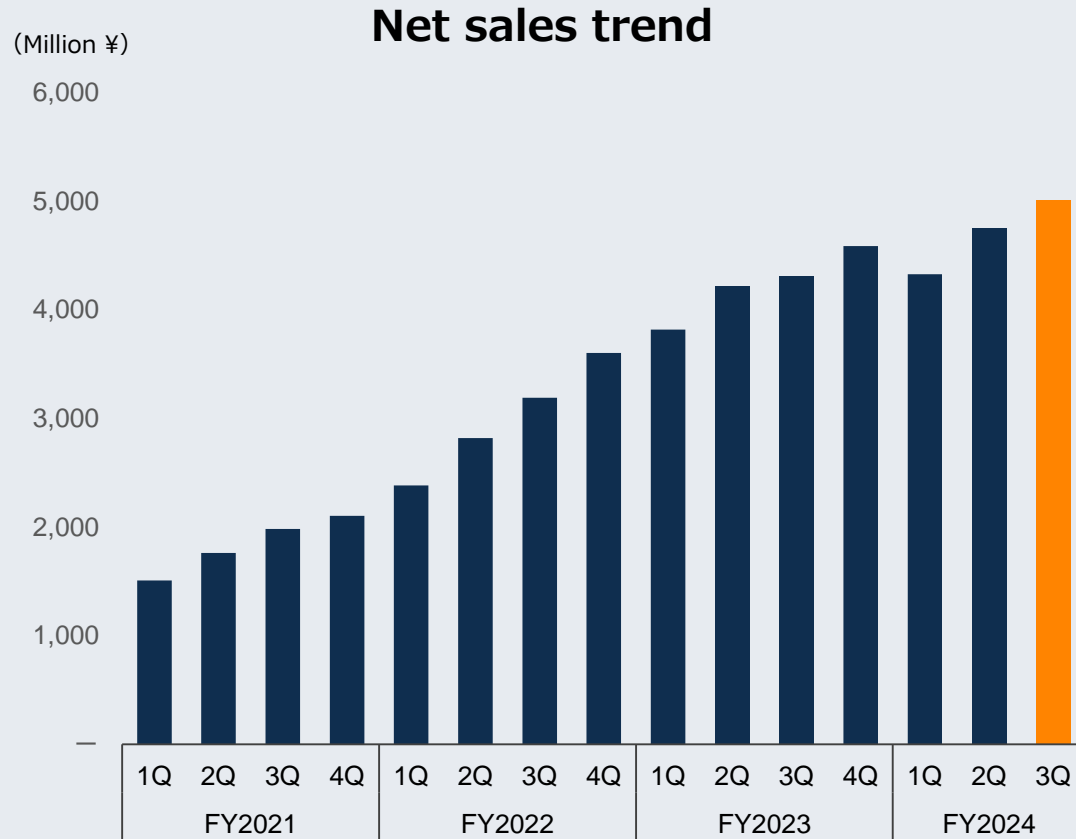
Hiring Costs (YoY)

+¥200 million

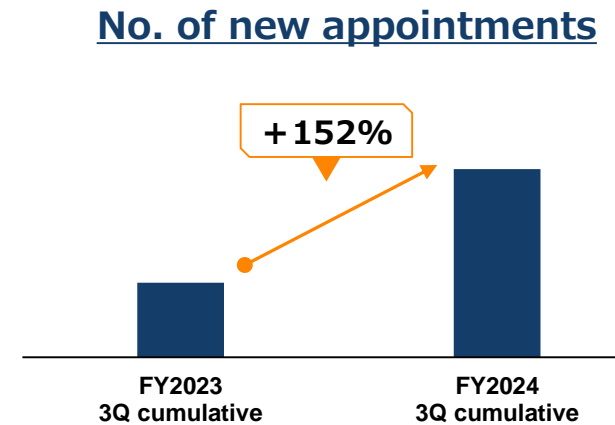
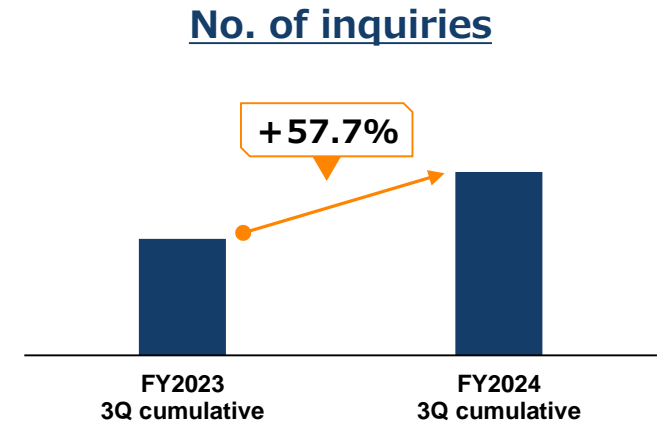
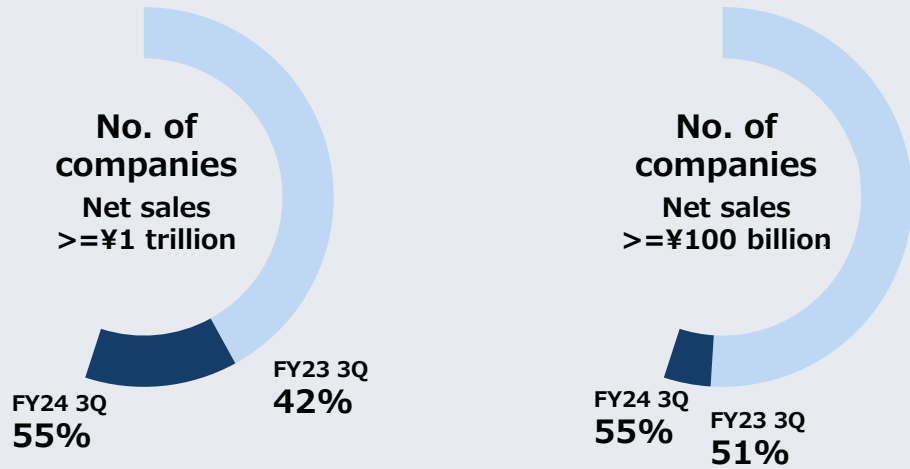
***The rate measures progress for the 14-month period from November 1, 2024 through December 31, 2024 due to the irregular accounting period (figures in this report cover the first nine months of the period)**

Review of Operations

- Net sales rose firmly over the period, as 2Q and 3Q sales overcame a YoY decline in 1Q
- Operating income increased YoY, as gross profit margin improved and hiring and training expenses were controlled effectively



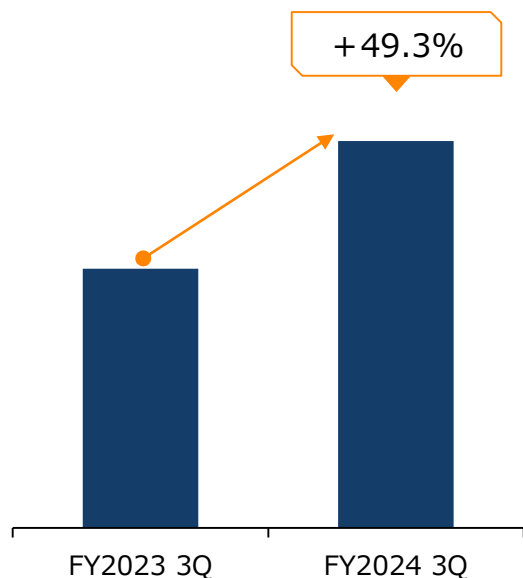
- Our solid customer base, centered on larger companies, continued to grow in Q3, and the number of inquiries increased steadily



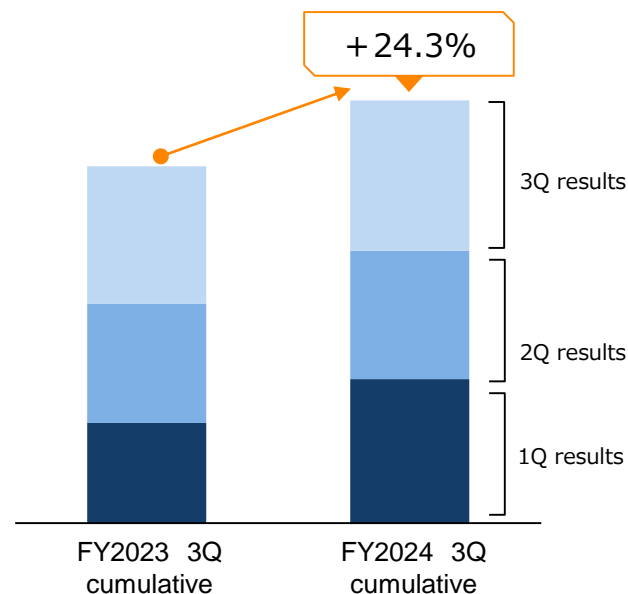
Status of Digital Unit (MSOL Digital)

- Became a consolidated subsidiary in January 2024, with the aim of “Creating the future through the transformative power of Digital ∞ Management”
- Net sales surged more than +24% YoY, supported by market position as large companies’ best partner for collaborative DX
- Inquiries regarding platform renewal/DX promotion are increasing. Concept planning consulting and DX technology support are also rising steadily
- We are receiving more applications from candidates with strengths in technical areas, and hiring is proceeding according to plan
- Objective is to establish new business mainly in the solutions area, expanding beyond the consulting domain, which relies heavily on consultant utilization

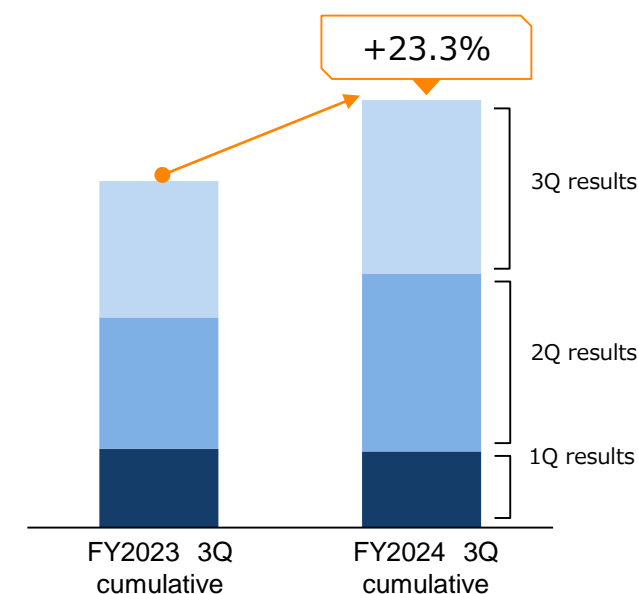
Change in/outlook for no. of employees



Change in/outlook for net sales (billion ¥)



Change in/outlook for no. of projects ordered



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Performance Highlights for Q3 FY2024

Consolidated Income Statement (3Q Cumulative Comparison)

- Net sales increased +15.7% YoY, driven by higher orders, and gross profit margin rose 4.5 points
- Under SG&A, personnel expenses increased due to transfers from the COGS to bolster sales structure and an increase in new graduate recruitment (total of 111 new personnel)
- Some recruiting was postponed to the 2H hiring campaign, and operating income rose +15.6% YoY amid efforts to control hiring expenses

(Million Yen)	FY2023.3Q cumulative 2022.11-2023.7	FY2024.3Q cumulative 2023.11-2024.7	YoY
Net sales	12,342	14,275	+15.7%
Gross profit	4,514	5,866	+30.0%
	36.6%	41.1%	
SG&A	3,134	4,271	+36.3%
	25.4%	29.9%	
Personnel	857	1,572	+83.4%
Hiring and training	665	842	+26.6%
Advertising	76	85	+11.7%
Other	1,534	1,770	+15.4%
Operating income	1,380	1,595	+15.6%
	11.2%	11.2%	
Profit attributable to owners of parent	954	1,074	+12.6%
Net income per share	57.59	64.78	+12.5%
Dividend per share	0.0	0.0	+0.0%

Consolidated Income Statement (Q3 Comparison)

- Orders increased firmly. Gross profit margin increased +6.1 points despite transfers of some expenses to SG&A
- As a result, operating profit increased +29.6% YoY

(Million Yen)	FY2023.3Q 2023.5-2023.7	FY2024.3Q 2024.5-2024.7	YoY
Net sales	4,309	5,008	+16.2%
Gross profit	1,575 36.6%	2,140 42.7%	+35.9%
SG&A	997 23.1%	1,391 27.8%	+39.6%
Personnel	318	570	+79.4%
Hiring and training	132	182	+38.1%
Advertising	29	40	+38.9%
Other	518	598	+15.5%
Operating income	578 13.4%	749 15.0%	+29.6%
Profit attributable to owners of parent	395	512	+29.4%
Net income per share	23.87	30.88	+29.4%
Dividend per share	—	—	—%

Consolidated Balance Sheet

- The ratio of current assets to total assets, including accounts receivable and cash and deposits, increased further due to higher profits (maintaining high liquidity)
- Equity ratio increased +5.5 points to 65.3%

(Million Yen)	FY2023.4Q 2023.10.31	FY2024.3Q 2024.7.31	Change
Total assets	7,032	7,666	+634
.....			
Current assets	4,976	5,800	+824
.....			
Noncurrent assets	2,056	1,866	△189
Liabilities	2,730	2,564	△165
.....			
Current liabilities	2,061	2,421	+359
.....			
Noncurrent liabilities	668	143	△524
Net assets	4,302	5,101	+799
Equity ratio	59.8%	65.3%	+5.5%

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Full-year Forecasts and Shareholder Returns Policy for FY2024

Full-year Forecast

Reprint same
as previous



- Full-year earnings revision announced with 2Q earnings announcement
- As previously announced, sales and profits are forecast to increase on a 12-month and 14-month basis in comparison with FY2023

(Million Yen)	FY2023 2022.11-2023.10	12 Months (Reference) FY2024 2023.11-2024.10	14 Months FY2024 2023.11-2024.12
Net sales	16,931	19,200	22,600
Gross profit	6,337 37.4%	7,800 40.6%	9,300 41.2%
SG&A	4,130 24.4%	5,500 28.6%	6,600 29.2%
Operating income	2,207 13.0%	2,300 12.0%	2,700 11.9%
Ordinary income	2,246 13.3%	2,310 12.0%	2,710 12.0%
Profit attributable to owners of parent	1,620	1,650	1,940

■ Ranges for 4Q (August to October 2024) and 5Q (November to December 2024)

	<u>Net sales</u>	<u>Operating income</u>	<u>Notes</u>
4Q	¥5.0B–¥5.2B	¥650M–¥725M	*Possible impact on 5Q depending on how expenses are recorded
5Q	¥3.325B–¥3.7B	¥455M–¥480M	*Irregular period of two months (November–December)

Approach

■ Factors when estimating operating income range

- (1) Changes to gross profit margin influenced by consultant unit prices and change in resignations ($\pm 1 \sim 3\%$)
- (2) Recording of recruitment expenses as investment for next FY

■ Overview of share repurchase

- No. of shares to be repurchased: Maximum of 405,000 shares (2.4% of shares issued and outstanding*1)
- Repurchase cost: Maximum of 500 million yen
- Repurchase period: September 14, 2024 through November 30, 2024

*1 Figure excludes treasury shares

Reprint same
as previous

■ Dividend for FY2024

- Forecast year-end dividend of 30 yen per share

Appendix

(Reference) Non-Financial KPIs

(People)	FY2021				FY2022				FY2023				FY2024		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
No. of consolidated employees^(*1)	381	453	493	490	598	754	862	867	944	1,063	1,070	1,084	1,171	1,341	1,338
No. of consultants^(*1, *2, *3)	343	419	451	449	476	638	729	735	791	897	894	901	936	980	1,062
Mid-Career hires^(*2, *4)	–	–	–	141	62	186	291	305	85	157	189	214	108	197	239

*1: Headcount at the end of each quarter (not including temporary employees)

*2: In addition to those at the Company, the number of consultants includes those employed by MSOL Digital and in China, but not those employed by Tetra Communications (the number of new graduates excluded from 2Q but included in 3Q).

*3: At the start of the fiscal year we moved the total of 40 individuals to the Company's newly established Sales division, the sales and administration department of the Company and MSOL Digital (which was spun off in January 2024), and others

*4: Cumulative figures for the fiscal year are shown.

(Reference) Key Figures by Quarter

(Million Yen)	FY2021				FY2022				FY2023				FY2024		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	1,510	1,762	1,983	2,103	2,383	2,821	3,190	3,604	3,817	4,215	4,309	4,588	4,513	4,753	5,008
Gross profit	550	682	786	864	932	1,037	1,048	1,210	1,338	1,600	1,575	1,823	1,791	1,934	2,140
SG&A	442	498	533	487	743	1,007	1,004	740	1,118	1,018	997	996	1,486	1,393	1,391
Personnel	100	113	120	119	142	174	184	190	257	282	318	275	462	539	570
Hiring and Training	97	131	127	36	181	442	385	95	339	193	132	99	426	233	182
Advertising	13	21	22	24	72	54	42	31	29	17	29	34	16	29	40
Non-cash expenses	12	13	15	20	23	37	41	45	40	59	63	85	65	67	68
Operating income	107	184	252	377	189	30	44	470	220	581	578	827	304	541	749
Profit	70	130	179	304	127	14	25	364	153	411	398	671	193	370	516

(Reference) Quarterly Performance of Each Strategy

(Million Yen)	FY2023				FY2024		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	3,817	4,215	4,309	4,588	4,513	4,753	5,008
PMO area	3,322	3,626	3,714	3,914	3,903	4,165	4,390
Digital area	508	598	628	716	641	625	649
Other area	9	11	12	12	12	20	27
Consolidation elimination	▲23	▲20	▲45	▲55	▲43	▲58	▲59
Gross profit	1,338	1,600	1,575	1,823	1,791	1,934	2,140
PMO domain	1,258	1,488	1,463	1,651	1,680	1,822	1,984
Digital domain	84	119	124	178	118	139	152
Other domain	▲4	▲4	▲1	8	0	2	7
Consolidation elimination	0	▲3	▲10	▲15	▲7	▲29	▲3

Revisions to Forecast (14 months)

Reprint same
as previous



Consolidated Net Sales of ¥22,600 million, Operating Income of ¥2,700 million

Intensifying competition for Talent

- PM Job Opening-to-application ratio **TRIPLED***
- Soaring Personnel expenses due to Base Increases

Impact on Rapid Organizational Expansion

- CAGR 51.7% (From October 2021 to October 2023)

Transformation in Sales Division

- Proactive Sales Strategies Looking Towards 2030 and Beyond
- Personnel Transfer from Consulting Div. to Sales Div.

Improvement aspects

Optimization of
Mid-Career Recruitment Plans and Utilization Efficiency

Optimization of Business Partner Ratio
(Improving Gross Margin)

Positive aspects

Continuation of New Graduate Recruitment Strategy
- 111 new hires joined in 2024
- Retention rate of new hires since 2012 stands at 86%

Expansion of the Project Management Market Size

Enhancement of Service Quality

Building Stronger Relationships with Clients
(Leading to Increased Unit Prices, etc.)

Company Profile

Company Name	Management Solutions Co., Ltd. (TSE Prime: 7033)
Company Abbr.	MSOL
Date Established	July 2005
Nature of Business	Management Consulting, Project Management Execution Support, Project Management Training
HQ Location	Midtown Tower 29F, 9-7-1 Akasaka, Minato-ku, Tokyo
Branch Office	<Chubu Branch> JP Tower Nagoya 15F, 1-1-1 Meieki, Nakamura-ku, Nagoya, Aichi <Kansai Branch> JP Tower Osaka 18F, 3-2-2 Umeda, Kita-ku, Osaka, Osaka
Subsidiary Companies	MSOL Digital Co., Ltd. TETRA communications Inc. MSOL Inc. (US) Management Solutions (Shanghai) Co., Ltd.
Group Employees	1,338 employees (as of July 31, 2024)
Professional Memberships	Japan Business Federation (Keidanren), PMI Japan Branch, Japan Users Association of Information Systems
Corporate Website	https://www.msols.com



Brand Purpose

Drive the world through management

Mission

**Contribute to the happiness of
society through management**

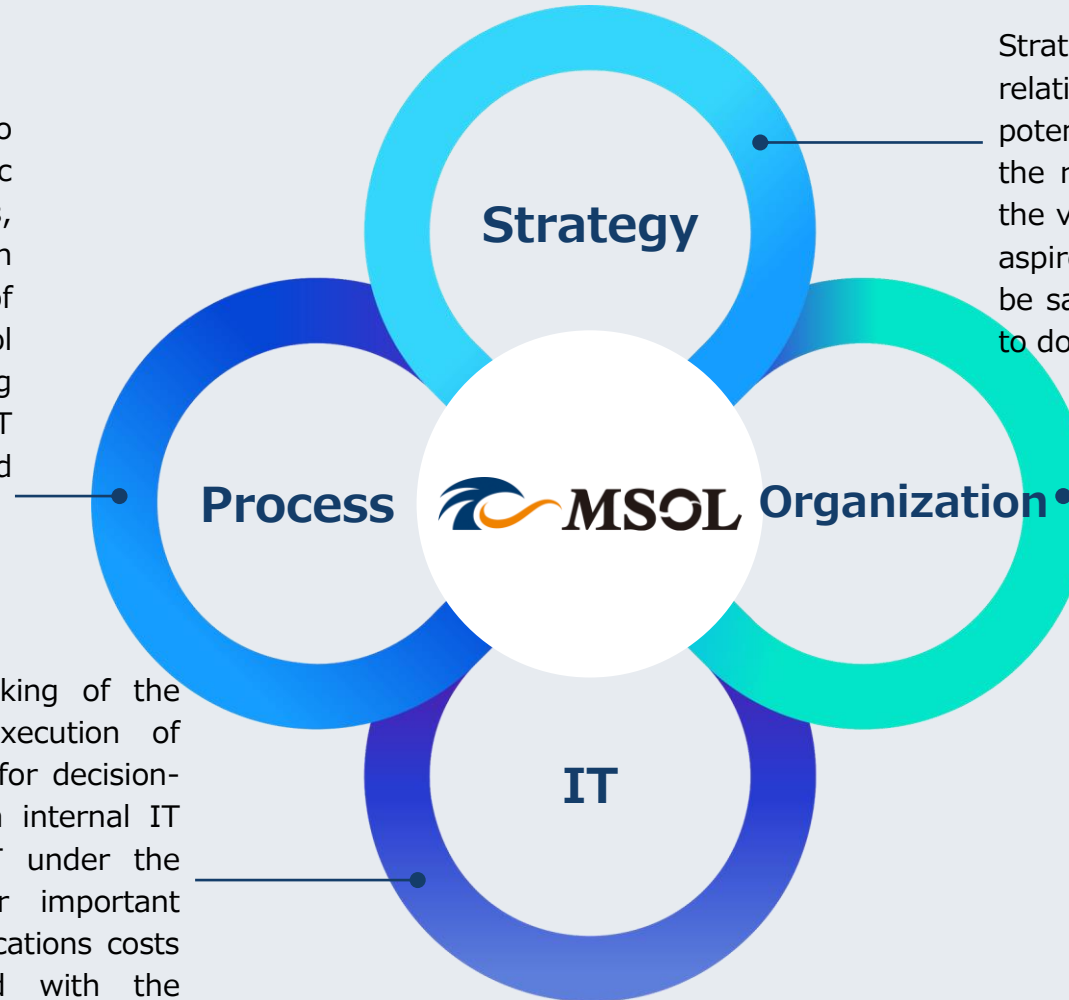
Vision

**Become a management platform for
society that promotes organizational
change and personal growth**

Close interaction between “Strategy”, “Process”, “Organization”, and “IT” functions accelerates the growth of corporate organizations

Refers to the execution of operations to expand the business, such as strategic monitoring processes (BSC, KPI), sales, recruitment, training, and evaluation processes, as well as the execution of administrative and internal control processes aimed at strengthening governance. Promoting the adoption of IT also results in faster, more efficient, and less labor-intensive processes.

Internal IT is a strategic tool. Thinking of the important elements required for execution of strategy (timely visualization, support for decision-making), this requires establishing an internal IT organization and the adoption of IT under the leadership of management. Another important element is reducing swelling communications costs and administrative costs associated with the expansion of the business.



Strategy refers to the means of fighting and winning in relation to the expansion of the business in actual and potential markets based on a mission that demonstrates the raison d'etre of the corporate organization, and on the vision that shows the form to which the organization aspires over the medium to long term. Strategy can also be said to be decision-making that determines what not to do.

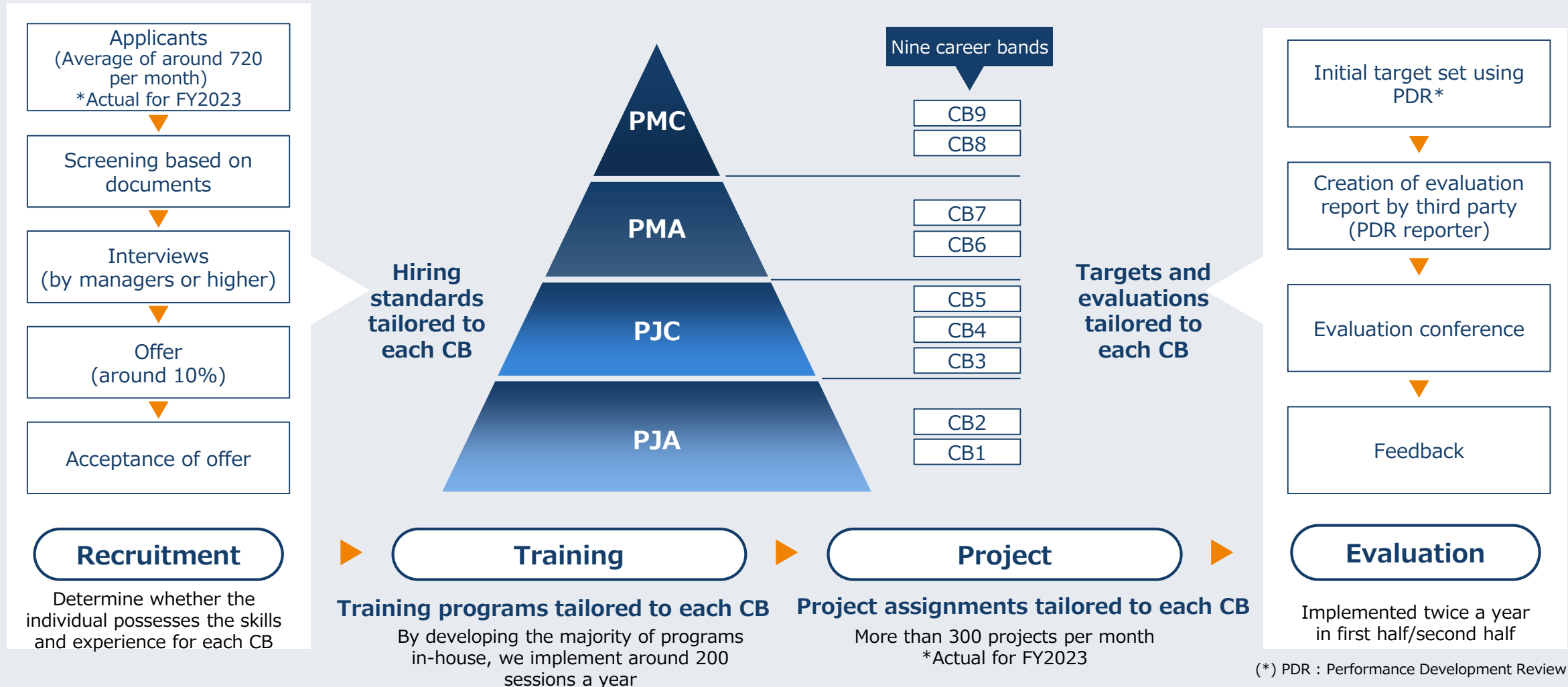
First, we think about organizational design from the perspective of how the organization follows strategy, then use the adoption of recruitment, training, and evaluation processes to expand the organization. From the perspective of strategy following the organization, we implement initiatives to foster an organizational culture that enables the smooth execution of strategy.

PMO business model: framework for developing human resources

Reprint same as previous



We break down four service levels into nine career bands (CBs), and provide detailed definitions of the skills required for each. Evaluations are also conducted for each band.



Project to use EPMO to drive transformation at major logistics company

Issue

Despite having drawn up a strategy for transformation to combat stagnation in its business, it lacked specificity and the client could not move forward.

Proposal and outcomes

We used an EPMO to prepare a strategy plan, fostered ownership among those in charge of promoting it, and strengthened project management to push reforms steadily forward.

Preparation of strategy plan

Strategy excessively abstract, could not be executed

- Strategy highly abstract, could not be executed
- Dependencies between different measures and priorities were unclear
- Uncoordinated promotion of measures by those in charge

Issues

Fostering of ownership among promoters

Approach reliant on individual expertise

- Burden of project work performed in parallel with routine operations was heavy
- Contribution to project work was not assessed as part of personnel evaluations
- Strong sense of being forced to do it, rather than owning it

Strengthening of program/project management

Dysfunctional project management

- No shared sense of overall strategy, team members acting on an individual basis
- Concept of project management itself was poorly understood, leading to low efficiency

Formulation of a practical and achievable strategy plan

- Clarified roles by creating a program for the strategy and defining targets and goals
- Made dependencies between programs visible
- Agreed program priorities with involved parties

Actions

Construction of framework to enable people to take the initiative in engaging

- Created visualizations of resource status, adjusted workloads
- Improved personnel evaluation system by incorporating assessment in accordance with level of contribution
- Fostered a sense of independence through group work and other measures

Enhancements to maturity of project management

- Created dashboard to visualize a sense of overall strategy
- Introduction of project management standards
- PMO participated in planning, promoted the launch of the project, and introduced project management processes

Project for supporting the creation of a new department at electric power company

Issue

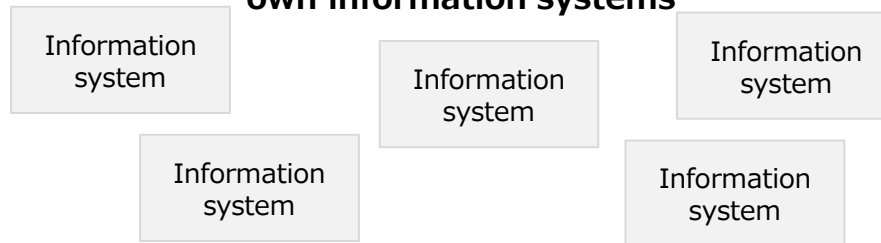
Establishing of a systems control department in preparation for business expansion, and planning and execution of IT governance

Proposal and outcomes

We provided systematic support for executing the project, from resolving issues before the establishing of the new department, and drafting plans for project management, to promoting implementation

Previously

Each division deployed and operated their own information systems

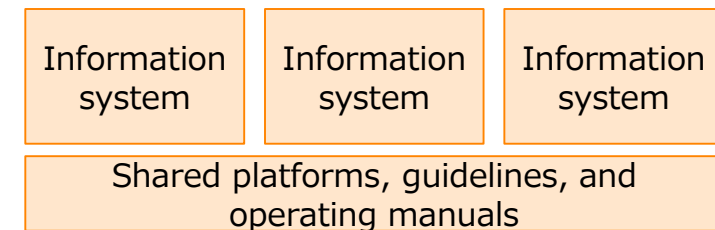


- Risks such as BCP/security countermeasures
- Vicious circle caused by data incompatibility between operational processes
- Confusion caused by controls on building and operating systems
- Impossible to get overall grasp of systems
- Shortage of personnel to create plans and drive project

Management decides to create new systems control department

After support

Information systems controlled by the information systems division



Project support

- Visualization of risks such as BCP/security countermeasures, formulation of plans to address them
- Drafting of medium- to long-term plan to resolve the issues with operations/systems
- Provision of project support to enable plans to be promoted smoothly

Issue

Integration of two project management departments with different objectives

Proposal and outcomes

We supported management decision-making through visualization of projects

Previously

- Two project management divisions with different objectives needed to be integrated
- Frequent project failures led to the establishing of a quality management department with the aim of visualizing the status of each project
- A project promotion office was also established with the aim of solving problems quickly through organized decision-making
- The quality management department became a group of commentators, diluting its ambition to make projects succeed
- Management lacked sufficient information on which to make decisions

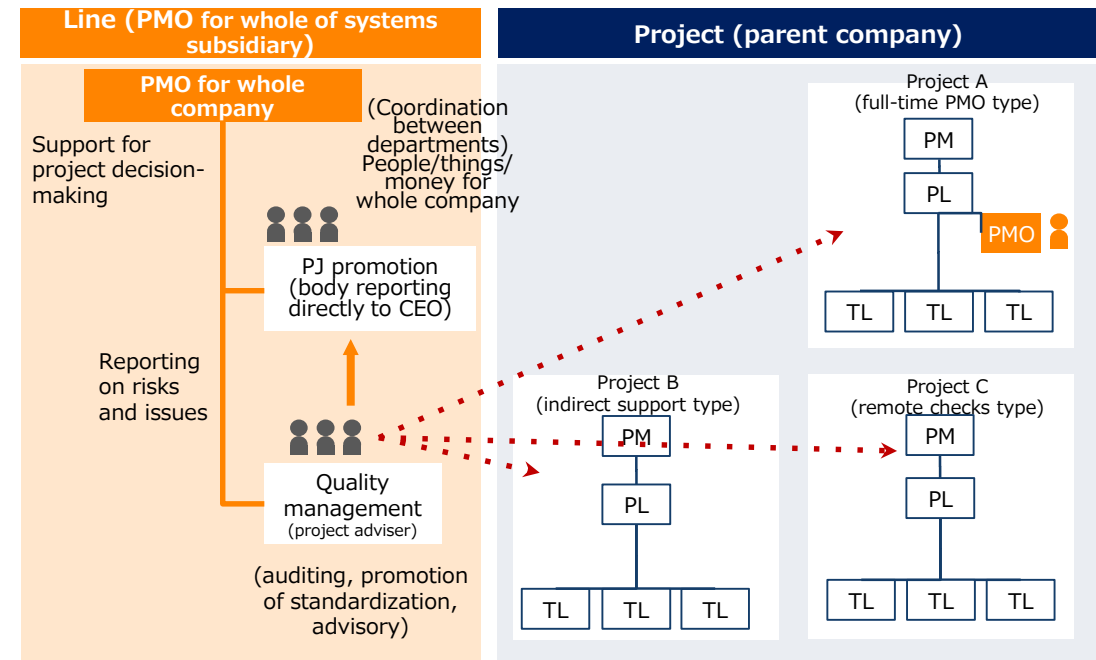


After support

Project support

- Company-wide project management
- Coordination between organizations/departments
- Promotion of standardization for audits and projects
- Full-time PMO for each project

Organizations/roles involved in support and planning

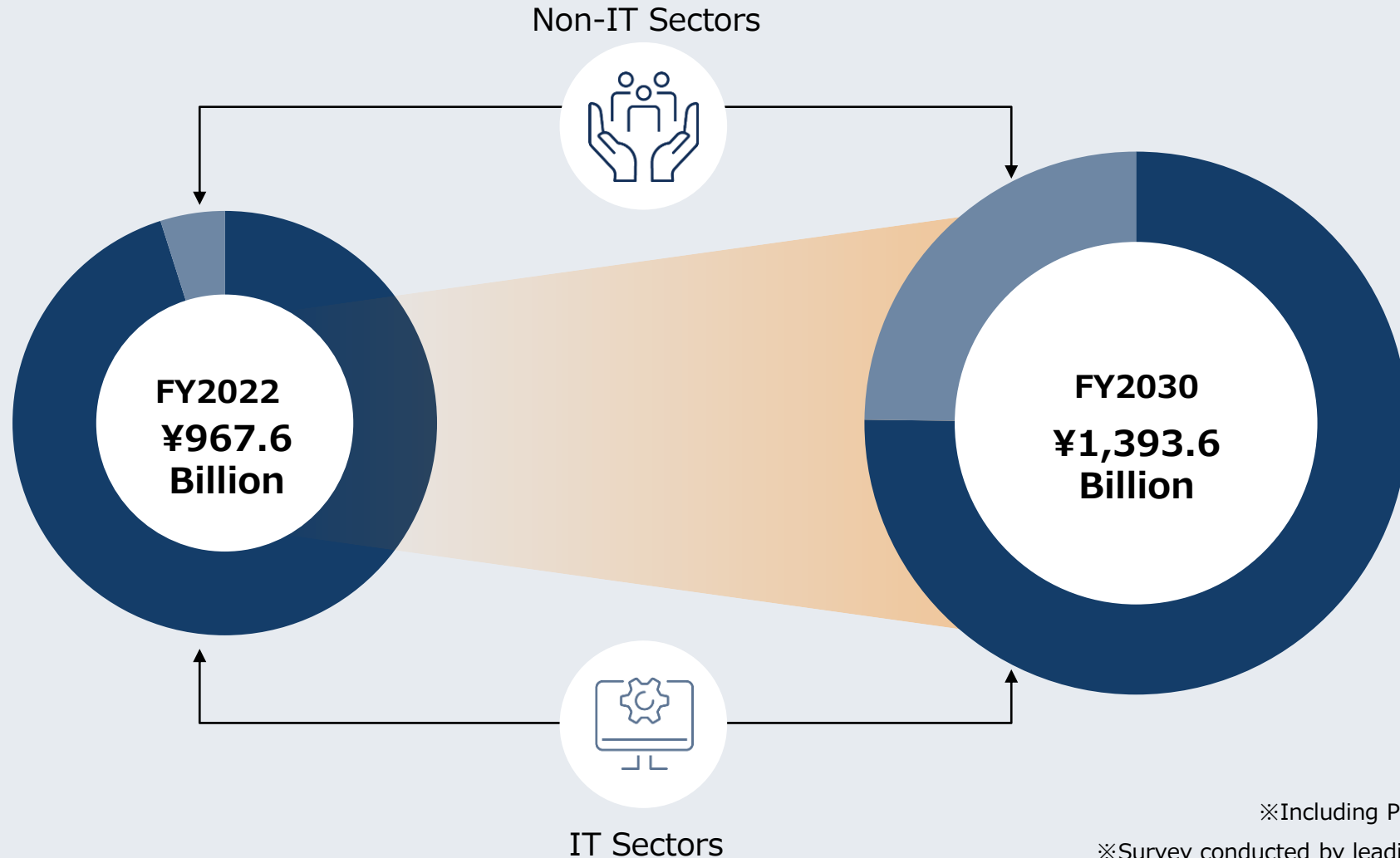


Domestic PMO Total Available Market

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"The PMO market is expected to continue to grow, with an increasing share of non-IT sectors."



※Including Potential and Existing Markets

※Survey conducted by leading market research agencies



Moving the world through management.

Cautionary Note Regarding Forward-Looking Statements

The materials and information provided in this announcement contain so-called "forward-looking statements." They are based on current expectations, forecasts and assumptions involving risks and involve uncertainties that could cause results to differ materially from these statements.

These risks and uncertainties include general industry and market conditions, general domestic and international economic conditions such as interest rate and currency exchange fluctuations.

We do not assume any obligation to update or revise the forward-looking statements contained in this announcement, even if new information or future events arise in the future.