



# FY24/03 Financial Results Presentation

CELM Inc. | TSE Standard:7367

May 14, 2024

# Activate Your Potential

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01

# Consolidated Financial Results for FY24/03

# Highlight of FY24/03 Consolidated Financial Results

- **Sales:**97.5% achieved. Although all mega PJs that were envisioned at the beginning of FY were recorded in 2<sup>nd</sup> half, sales of few PJs (apart from above) were suspended for the entire FY due to sudden deterioration of financial performance of the clients. (Such PJs are gradually restarting from FY25/03 and impact on the FY onward is limited.)
- **EBITDA:** 105.4% versus plan and reached 1.3billion level, which was originally expected in the final year of three-year Mid-term plan but had achieved in 2<sup>nd</sup> year.

(JPY millions)	FY23/03	FY24/03		
	Full-year	Full-year	YoY	Achievement Ratio <sup>(2)</sup>
<b>Sales</b>	7,265	7,504	+3.3%	97.5%
<b>EBITDA<sup>(1)</sup></b>	1,156	1,317	+13.9%	105.4%
<b>Operating Profit</b>	936	1,037	+10.8%	100.7%
<b>Ordinary Profit</b>	919	1006	+9.5%	98.8%
<b>Net Income</b>	542	631	+16.3%	95.4%

Note : (1)EBITDA = Operating Profit + Depreciation + Amortization + Share-based compensation expenses

(2)Rate of achievement of forecast announced on 2023/11/10

# FY24/03 Sales by Business Segment

- **Executives & Middle** : Previously mentioned (p.4) **delay of Sales into 25/03** had impacted Major Client Market, which resulted **in flat growth YoY**. (Such PJs are gradually restarting from FY25/03 and impact on the FY onward is limited.)
- **First Career** : **Expanding demand** not only for implementing training programs for junior employees, but also for **designing overall HR process and consulting service for client’s HR department**, which drove consolidated performance this year.
- **Human Strategies** : Due to M&A, **quarterly amount has been recorded from Q4** (Full year from FY25/03)

(JPY millions)

		FY24/03 Actual	YoY
<b>Executives &amp; Middle</b> <sup>(1)</sup>		6,102	-0.9%
<b>【Market】</b> < Major Client <sup>(2)</sup> >		5,081	-0.2%
< Semi-major Client <sup>(2)</sup> >		1,021	-3.9%
<b>First Career</b> <sup>(3)</sup>		1,353	+28.9%
<b>Human Strategies</b> <sup>(4)</sup> (Consulting based on competency evaluations)	<u>Human Strategies</u> Japan	49	(Consolidated from Q4 FY24/03)

Note (1) CELM Inc, CELM Corporate Management and Consulting (Shanghai) Co., Ltd., CELM ASIA Pte. Ltd (2)Semi-major client : sales size less than 500billion

Major client: sales size greater than Semi-major client (3)Target: Employee candidate & 1 – 5<sup>th</sup> year employee, FIRST CAREER, Inc

(4) Human Strategies Japan Co. Ltd.

# Summary of SG&A

- **Non-cash expenses** (Share-based compensation expenses from performance-linked stock options and amortization amount from M&A) had increased. On the other hand, **effective review of business operations and acceleration of DX had reduced regularly expected SG&A (and sales ratio) in 2<sup>nd</sup> half.**

(JPY millions)	FY23/03				FY24/03			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,469	1,794	2,206	1,795	1,527	1,903	2,256	1,816
SG&A	592	606	768	853	625	633	703	854
<i>Sales Ratio (%)</i>	40.4%	33.8%	34.8%	47.5%	40.9%	33.3%	31.2%	47.0%
(Amortization <sup>(1)</sup> )	47	47	47	47	47	47	47	55
(Share-based compensation expenses)	-	-	-	-	-	0	15	47

Note :

(1) Of the goodwill amortization amount, the amount derived from the acquisition of Human Strategies Japan is calculated based on tentative assumption. As of FY24/03, the identifiable assets and liabilities as of the business combination date have not been determined and allocation of acquisition costs has not been completed.

# Business KPI (FY24/03 Full-year)

	23/03 (Actual)	24/03 (Plan)	FY24/03 Comment
1 Average annual sales of Top 150 (client as non-consolidated basis) companies <sup>(1)</sup> (Millions)	35.9	38.0	Current Definition : 35.2million/flat growth due to delayed PJ. If this KPI changes it definition to “transaction with client group as consolidated basis”, #1 client is 0.4 billion annual transaction and number of clients over 0.1 billion are 13 clients. We intend to redefine this KPI to above since updated definition clearly expresses our group account strategy
2 Number of succession plan support	101	107	24.03 : 100 (Not achieved)
3 Business with department other than HR <sup>(2)</sup>	136	144	24.03 : 155 (Achieved)
4 Number of semi-major clients <sup>(3)</sup>	71	75	24.03 : 78 (Achieved)
5 Consolidated headcount	174	187 or more	24/03 : 187 employees (achieved) As of 05/14/2024 : 193

Note : (1)CELM’s sales as non-consolidated basis (2)Business transaction more than 3million sales other than HR department  
(3)Counted semi-major client (client’s sales size less than 500billion ) that had sales transaction FY24/03

- In order to improve capital efficiency and to execute a flexible capital policy in response to changes in the business environment, announcement has been made regarding share repurchase. Board meeting held today has decided to conduct share repurchase of maximum 47 million JPY, in consideration of current distributable amount, from May 15 2024 to May 24 2024 (“This Share Repurchase”)
- Aside from This Share Repurchase, CELM is planning to conduct another share repurchase, which will be approved during another board meeting to be held in late May 2024. Another share repurchase is intended to change the criteria of This Share Repurchase by applying new amount that can be included in calculation of distributable amount through approval of consolidated financial documents and financial documents planned to be reported during 8<sup>th</sup> annual general meeting of shareholders. Tentative plans of change from This Share Repurchase are; maximum repurchase amount to be 0.7 billion JPY; maximum number of shares to be repurchased to be 0.63million (5.4% of outstanding shares, excluding treasury shares); repurchase period to be extended up to August 30, 2024. Details shall be announced after official process and these plans have already taken into account the amount of appropriation of retained earning to be approved during 8<sup>th</sup> annual general meeting of shareholders.
- In addition, CELM is putting emphasis on strategic M&A as means to achieve further ROE and EPS to achieve business growth. As potential consideration of such M&A strategy, CELM is intending to keep 10% of outstanding shares as treasury share, and share repurchase mentioned above (excluding amounts appropriated to share-based compensation) are planned to be canceled.



02

# Mid-term Management Plan from FY25/03

# Review of Current Mid-term Plan (23/03-25/03)

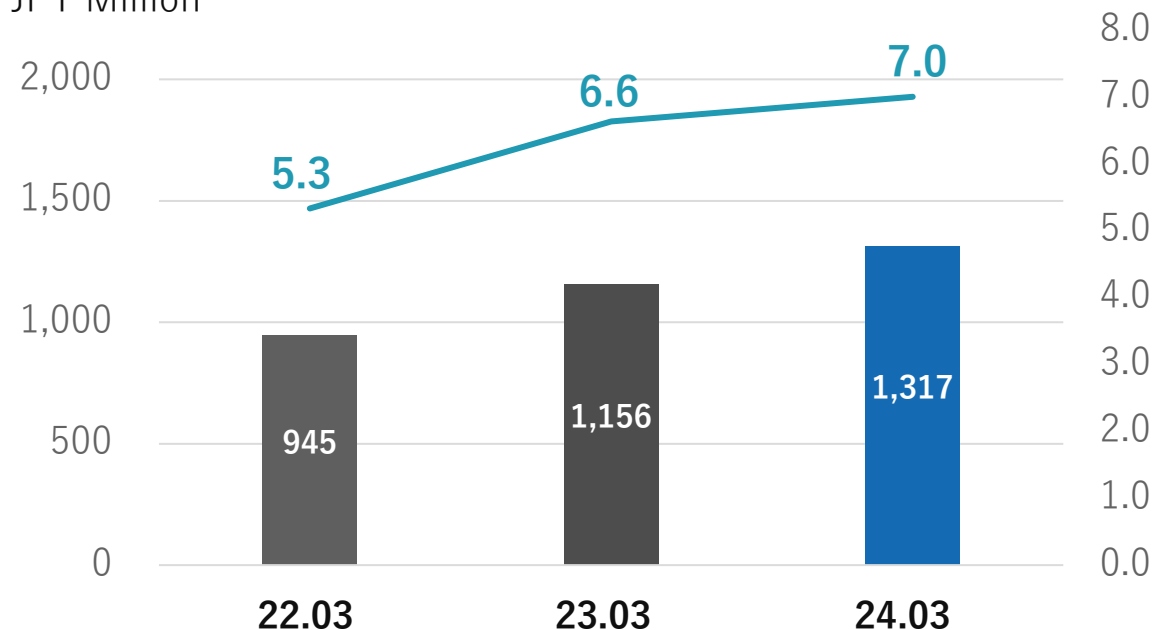
Theme	Agenda	Current Understanding as of 2024	Conditions
1 External environment	Client trends	✓ Due to the uncertain macro environment, there are numbers of cautious stance toward human capital investment, <b>polarizing the group with large companies that are highly motivated to invest</b>	○~△
	Major client market		
2 Growth strategies of current business	Semi-major client market	✓ <b>Slow unit price growth. Assuming the timeline of actual contribution to business results will be pushed back</b>	△
	Shanghai/ASEAN	✓ <b>Certain financial recovery is evident, but its pace is slow when compared with budget due to Chinese macro environment</b>	△
	First Career Segment	✓ <b>Clients' expectation is becoming clearly higher, with booming trends of early exit of junior employee across Japanese companies</b>	○
3 Reorganization of business portfolio	Discontinuation	✓ <b>Discontinuation of RISE JAPAN in 03/2023, prioritizing profit growth as top management policy</b>	○
	M&A strategy	✓ <b>Completion of group's 1<sup>st</sup> M&amp;A (HSJ) . CELM has included new business (competency testing), and it will contribute to further growth in human capital consulting business</b>	◎

# Sustainable Growth of Profit Generation per Headcount

- Concurrent with constant improvement of EBITDA margin, consolidated headcount's net increase was **13 employees (total 187 headcounts)**. Since IPO, CELM had worked on improving profit generation (EBITDA per headcount) and this will also be the key metrics going forward

## EBITDA<sup>(1)</sup>/EBITDA per headcount

JPY Million



■ EBITDA    — EBITDA per headcount

	22.03	23.03	24.03
<b>Headcount</b>	177	174	187

## How we grew profit generation per headcount

### ① Increased unit price per client

Unit price and gross profit has increased through not only executive /middle segment, but also through First Career and other CELM group

### ② Reformation of business portfolio

Discontinuation as of 23/03 had decreased fixed cost

### ③ Fundamental review of business operation

Corporate operation including recruiting department has been under fundamental review which has increased productivity

### ④ Acceleration of ROI improvement measure

Prioritization of all investment criteria and organizational measure had improved ROI

### ⑤ M&A

Commenced profit generation through different business from CELM <sup>(2)</sup>

Note: (1) EBITDA = Operating Profit + Depreciation + Amortization + Share-based compensation expenses

(2) 100% Acquisition of Human Strategies Japan

# Growth Plan for FY25/03 to FY29/03 (Ordinary Profit Target)

- Setting ordinary profit goal which is one of the requirement for TSE Prime (Aggregated profits over the last 2 years 2.5 billion)
- 29/03 Ordinary Profit Plan:1,879mil. Accelerates Human capital Investment, growth & M&A

Ordinary Profit  
(JPY millions)



23/03  
Actual

24/03  
Actual

25/03  
Forecast

29/03 Plan

# (Reference) Initial Listing Criteria for TSE Prime

	List of Criteria	Requirement	CELM	Current Status
1	Number of Shareholders	800 or more	1,389 (as of 24.03)	Achieved
2	Market Capitalization	JPY 25 billion or more	9billion (as of 24.03)	Not achieved
3	Profits	Aggregated profits over the last two years are JPY 2.5 billion or more	2.0billion <sup>(1)</sup>	Not achieved
4	Amount of Net Assets	5.0 billion	3.1billion (as of 24.03)	Not achieved

Note: (1) Combined figures of ordinary profit of 24/03(Actual) and 25/03(Forecast)

## Organizational/Sales Strategy for mid-term growth

### Expanding Demand/Management Issues

- ✓ Demand for “top-management-led organizational investment continues to be strong
- ✓ Quality of CELM’s front office that could propose clients intrinsic management issues is the key for further growth



### Human Capital Investment and Strategy

- ✓ (3year total:0.1billion) Improving the quality of front office through human capital investment
- ✓ 25.03:focus on our middle manager and above to improve management skills etc.

### Previous Strategic Assumption

- ✓ Classification of “major” & “semi-major client” based on customer’s size, which led to ineffecient distribution of resources



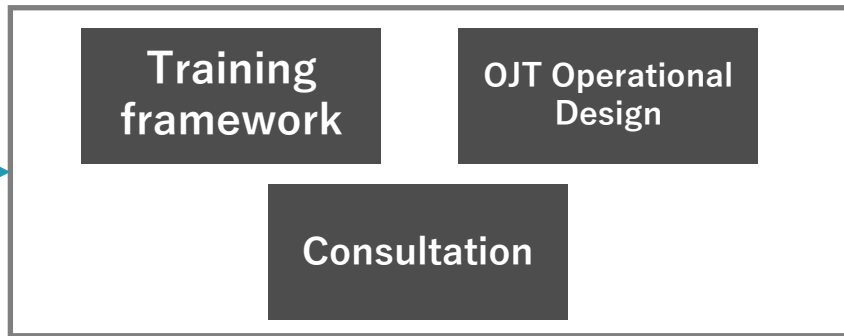
### Updated Strategy Going Forward

- ✓ Instead of client size strategic assumption, strategy will be built with prioritization of those clients with higher demand for organizational investment
- ✓ Reformation of sales organization, which will improve quality of account management and improve unit price for each client

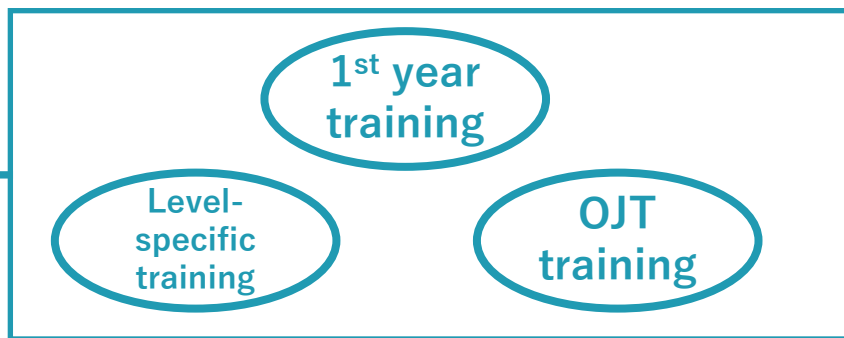
# Mid-term Strategy (2) First Career Segment

Developing multilayered business starting HR support with increasing demand

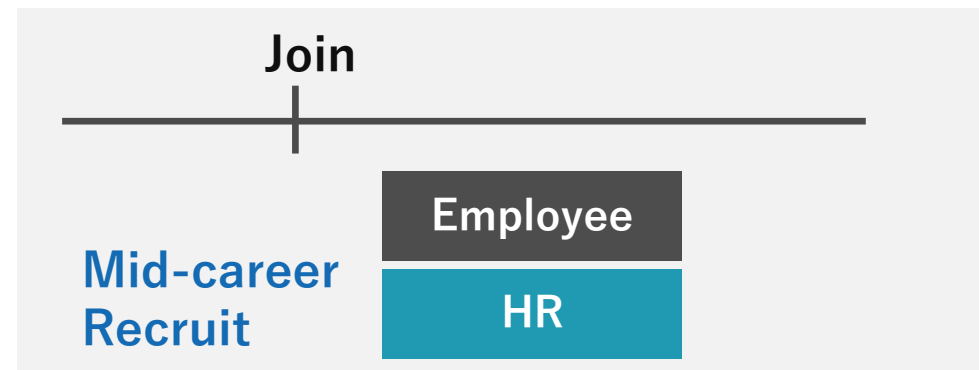
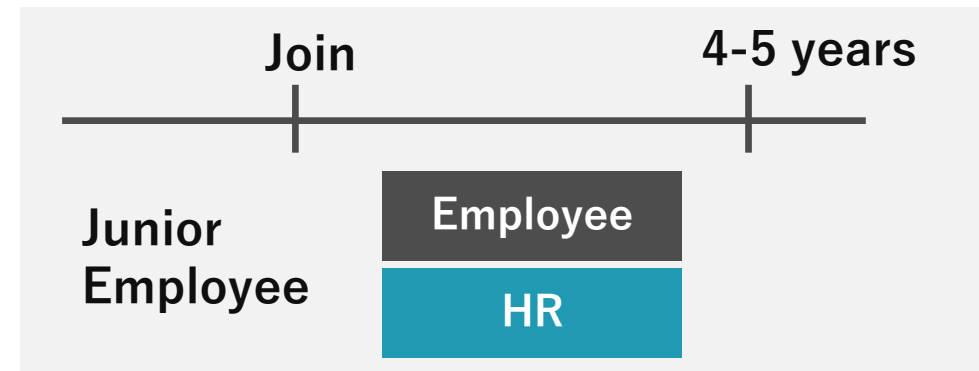
## Support to HR



## Support to trainee



Enhancing business domain to “Mid-career Recruit” with increasing demand



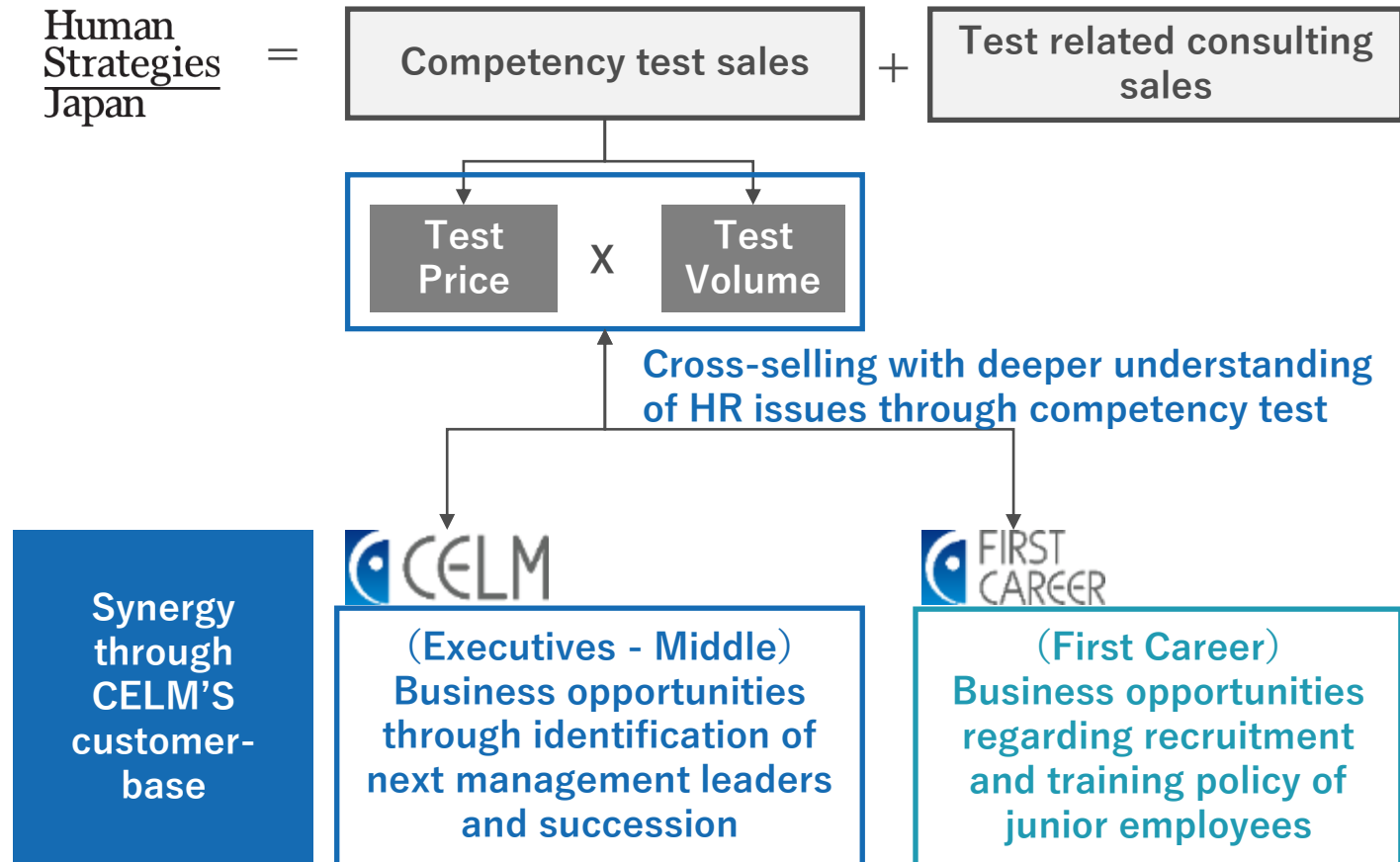
# Mid-term Strategy (3) Human Strategies Segment

- Maximizing the value of CELM’s customer base is the key for Human Strategies’ (joined through M&A) business. Currently in the middle of PMI, targeting upsell and cross sell synergies with CELM’s executive/middle business segment and First Career segment.

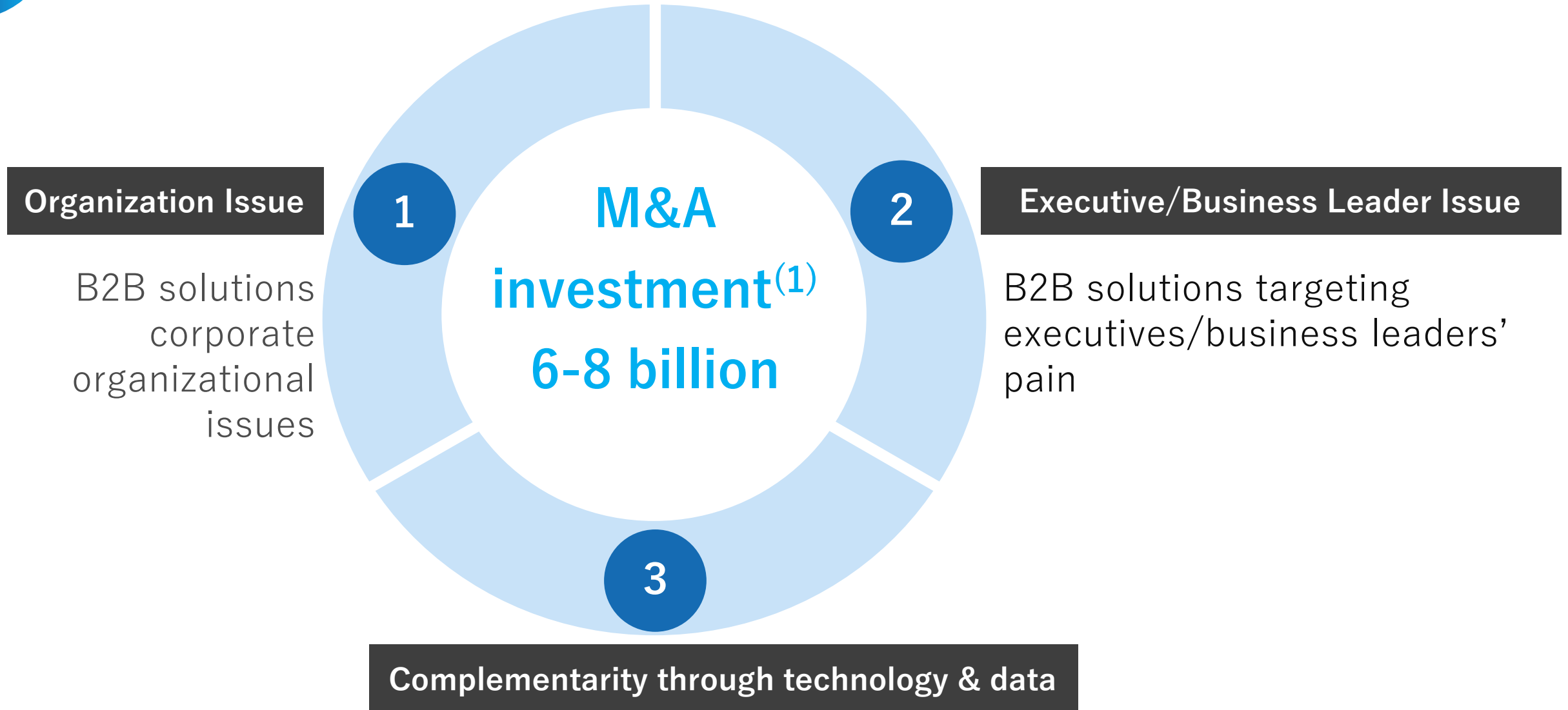
## Outline

<b>Name</b>	Human Strategies Japan Co., Ltd. (Previously Caliper Japan, changed its corporate name as of 01/29/2024)
<b>Business</b>	Human resources evaluation/ personnel consulting
<b>Establishment</b>	03/1993
<b>Headquarter</b>	7-12, Fujimi 1 – chome, Chiyoda ku Tokyo 102-0071

## Creation of enterprise value through synergies







Note: (1) Depending on the size of M&A, bank loan will be main source of fund

## Shareholder Return Policy from FY25/03

- ✓ The Company believes that through execution of strategic investment including M&A, achieving sustainable profit growth and improving enterprise value will contribute to the common interest of shareholders.
- ✓ Taken into account the earnings in the Company for future use, Company intends to conduct stable dividend payment (approximate dividend pay ratio from 35% to 40%). In addition, Company will take into consideration of Target ROE at the end of FY 2029/03 as 25% or more, to enhance shareholder return.
- ✓ Company may also conduct share repurchase for earnings retained for certain period of time, with consideration of capital market, financial condition, shareholder return, consideration of M&A, recruiting strategies, and incentive for employees.

## Capital Allocation Policy

	24/03	25/03 to 29/03
Target ROE	20% or more (FY25.03 Target)	<b>UPDATE</b> 25% or more (FY29.03 Target)
Dividend policy	30-35%	<b>UPDATE</b> 35-40%
M&A	(TBD)	<b>NEW!</b> Total 6-8billion Investment <sup>(1)</sup>

Note: (1) Depending on the size of M&A, bank loan will be main source of fund

# Full-year Forecast of FY25/03 and Image of Q1 Financials

- Only full-year consolidated earning forecasts are only announced due to changes of portfolio and seasonal fluctuation this year. **To increase transparency, image of consolidated performance of next quarter will be explained, at the announcement of every quarterly financial results.**
  - **Full-year forecast:** due to recommencement of delayed PJs and booming demand for company-wide PJs, “Executive & middle” segment is expected to drive consolidated performance. Human capital investment will gradually start from Q2 and **EBITDA is expected to reach 1.4billion**
  - **Image of FY25/03Q1 :** Q1 consolidated sales will be subdued as usual due to seasonality, however First Career segment continues to be strong this quarter and Human Strategies segment will also contribute to consolidation. **Sales is expected to increase YoY, as well as on EBITDA basis.**

(JPY millions)	FY24/03	FY25/03		
	Full-year	Full-year forecast	YoY	% vs mid-term plan announced on May 2022
<b>Sales</b>	7,504	8,008	+6.7%	93%
<b>EBITDA<sup>(1)</sup></b>	1,317	1,406	+6.7%	103%
<b>Operating Profit</b>	1,037	1,100	+6.0%	95%
<b>Ordinary Profit</b>	1,006	1,074	+6.7%	-
<b>Net Income</b>	631	720	+14.0%	-

# Business KPI of FY25/03 Reflecting New Mid-term Strategy

	25/03 (Plan)	(Unit)	Comment
1 <b>Average annual sales of top150 Client group (client on consolidated basis) <sup>(1)</sup></b>	<b>40.1</b>	Million	Further strengthen the strategy of narrowing down the group of clients with high motivation of investing in human capital. <b>(24.03 Actual: 38.0mil with updated definition of client as consolidated basis)</b>
2 <b>First Career: number of clients over 10mil annual sales</b>	<b>29</b>	Clients	Quality of First Career's service is gaining much attention with increasing demand for responding to problems of junior employee's early exit. <b>24.03 Actual is 27 clients</b>
3 <b>Human Strategies: sales from competency test</b>	<b>150</b>	Million	This KPI is positioned as <b>confirmation of group synergy since, Human strategies business is the key to create business opportunities of CELM/First Career</b> in terms of up-selling and cross-selling.
4 <b>EBITDA per headcount</b>	<b>7.0</b>	Million	<b>Assuming consolidated headcount as of 25.03 to be around 200, aggressive recruiting activity is the key and at the same time to keep EBITDA per headcount to be more than 7.0 million which was 24.03 actual figure.</b>

Note : (1)CELM's sale as non-consolidated figure

03

# Appendix

ヒューマネスの力で、  
ビジネスをより「らしく」、  
より「いきいき」と。  
More human, more powerful.



## Outline

- **Name** CELM Inc.
- **Domain** Comprehensive support for HR & Organizational Development tailored to business and management strategies
- **Headcount** 187 (as of 03.2024)
- **Establishment** 11/01/2016 (Founded in 12/22/1995)
- **Head Office** Ebisu, Shibuya-ku, Tokyo

## History

12/1995

Founded in Chuo-ku, Tokyo (Founders: Yoshitaka Matsukawa and Takuya Isono)

11/2016

CELM Group and Partners, Inc served as a wholly owing company to merge CELM Group Holdings, Inc. and CELM, Inc., and then renamed as CELM, Inc. (President and CEO: Teiji Kashima)

04/2021

Listed on JASDAQ of Tokyo Stock Exchange (securities code: 7367)

04/2022

Transition to Standard Market of the Tokyo Stock Exchange

## President and Representative Director

# Teiji Kashima

1990: Graduated from Sophia University (Faculty of Humanities), he joined Recruit Image (Eizou) and had served as sales-person and consultant

1998: Joined CELM Inc, which was in its 3<sup>rd</sup> year since foundation. He was appointed as member board of director in 2002

2010: Appointed as President and Representative Director 代表取締役社長に就任

2016: Established the current structure of CELM Inc through business restructuring and MBO

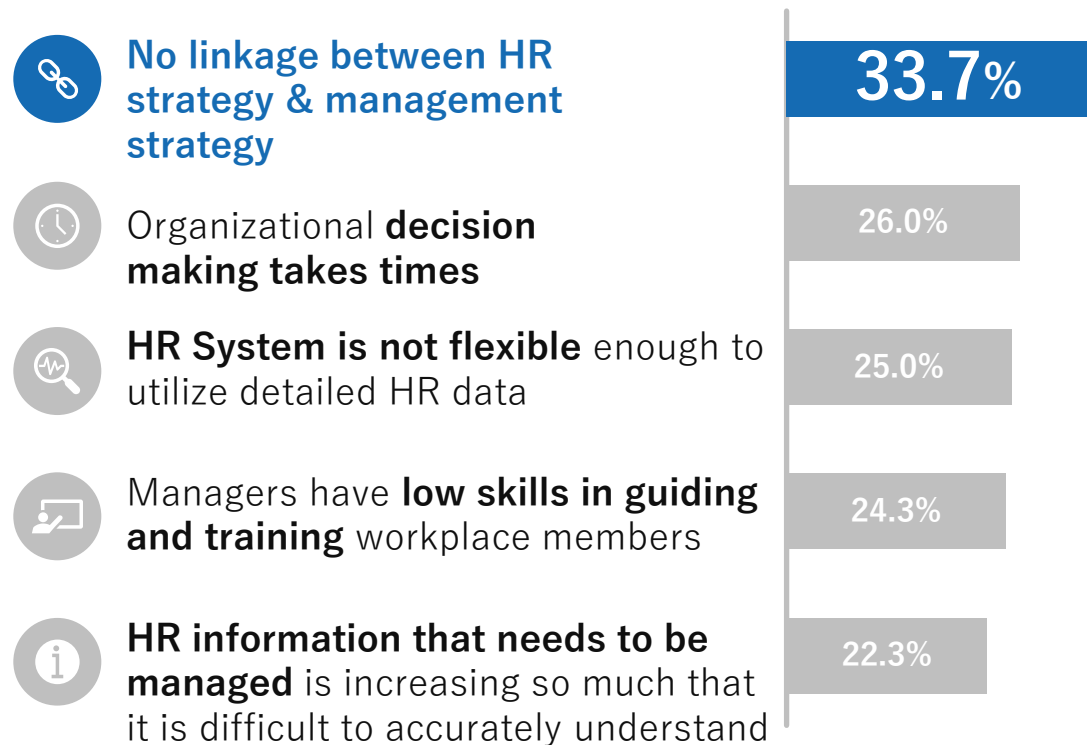


# Our Client's Issue : Linking Management Issues with Organizational Strategies

“Management issues” and “strategies related to HR and organizations” are inherently close, but many companies are aware of **the difficulty of linking the two.**

## Difficulty linking with real business strategy

Many companies have problems incorporating business issues into HR strategies <sup>(1)</sup>



## Various challenges

Many challenges to overcome before incorporating them into HR and organizational strategies

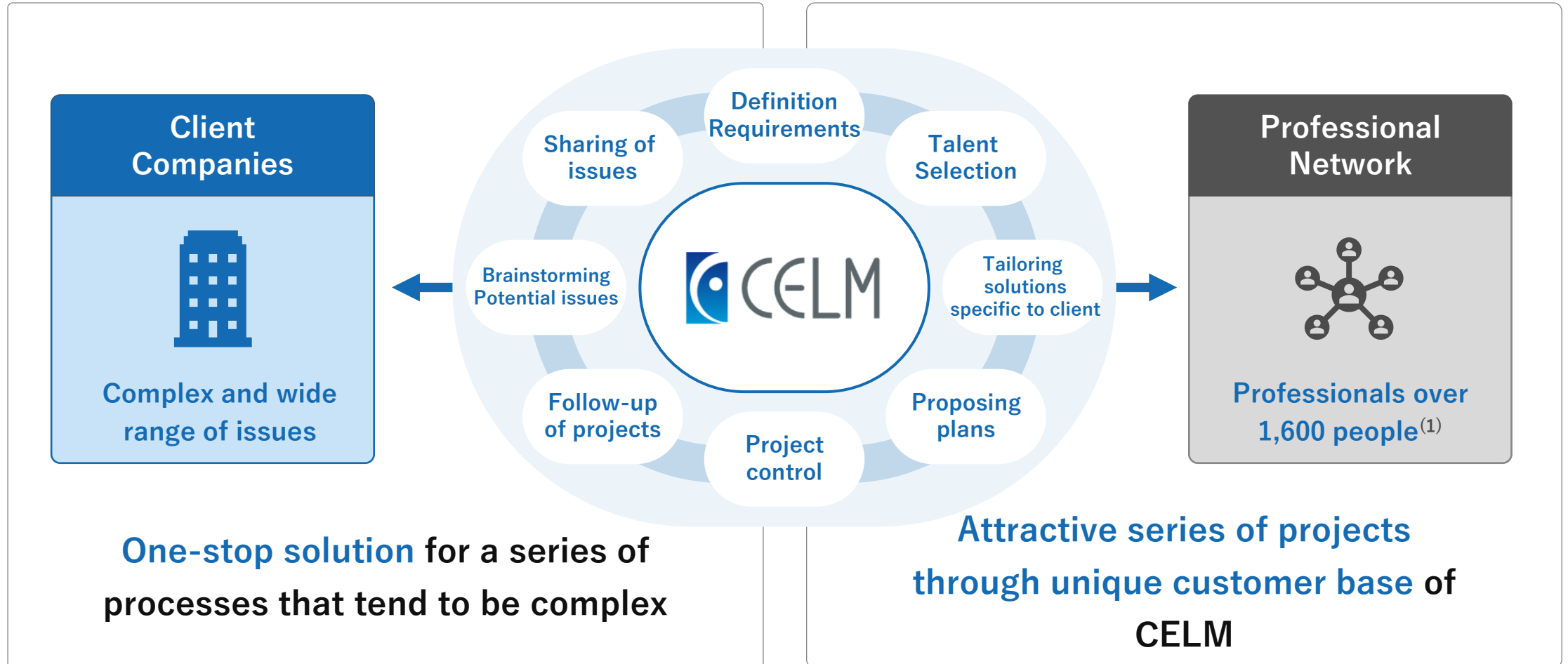
- Requirement definition for solving such issues**  
There are many company-specific factors and cannot be generalized. Especially difficult to identify large companies' problem due to its complex business structure
- Identification of issues specific to each company**  
Even if issues were identified, it is still difficult to decide on an appropriate policy on how to solve such issues
- Implementation of specific and effective solutions**  
It takes time to find a specific solution that perfectly matches the companies' situation and the problem
- Continuous updates in response to trend and environment**  
In response to the constantly changing environment, updates must be made at regular intervals

Note: (1) PERSOL RESEARCH AND CONSULTING CO., LTD “Survey on talent management” (HITO REPORT October 2019)



# Business Model of CELM

CEL M itself is dedicated to accurately grasp customer issues and project executions, and by utilizing external expert network CEL M is able to provide optimal program tailored to specific client's situation. Business model is able to develop under continuously changing environment



Note : (1) As of 24/03

# Strong Partnership with External Professional Talent

External professional talent network over 1600 people<sup>(1)</sup> allows CELM to provide wide range solutions and achieve variabilized financials at the same time, which is essential for solving client's high level issues

### Platformization of professional talents over 1600<sup>(1)</sup>



**Attractive network** that can be tailored to each company's unique challenges and issues

### A wide range of responses to constantly updated management issues

Corporate Governance	DX
ESG	Next Business Leaders
Career of Junior & Senior	Diversity

**CELM is constantly developing themes that meet the cutting-edge needs of recent trends, and able to respond to a wide range issues**

### Truely customer-oriented system with variabilization



**Payments to external professionals only occur when project is running<sup>(1)</sup>.** CELM's purpose is not about running projects for external talents but to solve high level client issues

**Providing wide range solutions**



**Variabilized cost management**

Note : (1)Of all professional talents, number of talents in operation with running projects are roughly 600 as of 24/03

# Business Domain

Covering wide range from management executives to junior employees.

CELM has competitive advantage for **executives & middle** where company specific issues are becoming increasing important for large companies.



24/03 Consolidated Sales

# Strength of CELM(1/3): High Recurring Business Structure

Since human capital investment is never-ending theme, we foster trusting relationships with clients and tend to be high recurring business structure. CELM'S sales comes from clients with long relationship (3years or more) which consists more than 50 % of sales<sup>(1)</sup>.

## CELM

Sales from clients who have been making transactions with CELM for 3 or more years account for more than 50% of sales<sup>(1)</sup>



**Front office covering top management & several department**

Planning, implementation, follow-ups are conducted by **same account manager who commit from very start till the end**

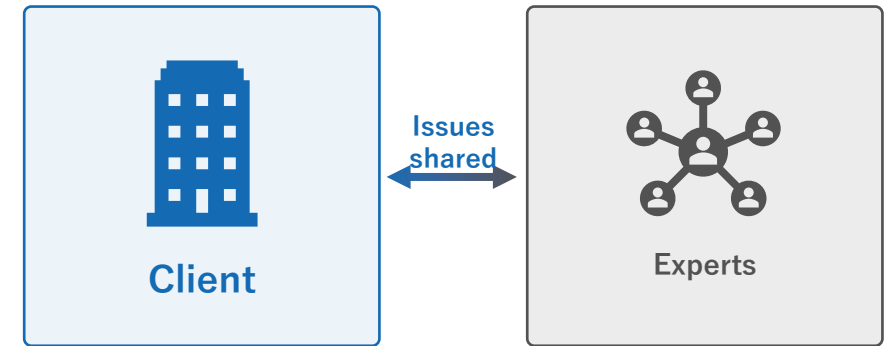
**Utilization of external professionals**

Various talents are assigned on project basis and even replaced to create competitive environment, **which creates high reputation for both CELM and experts**

Note : (1)24/03 non-consolidated figure

## Typical expert matching service

Since introduction of expert is the main expectation, **solving issues are untouched**




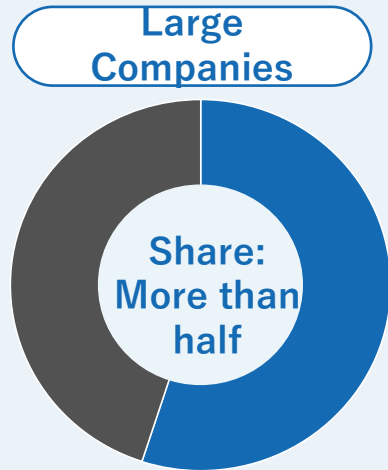
**Introduction of experts is the main role**

**Expert Matching Service**

## Strength of CELM(2/3): Strong Customer-base with Major Companies

CELM has high reputation because its service can provide “tailor-made support” to address the challenges faced by Japanese large companies that require a sense of speed in every moment.


**CELM has strong customer base with Japanese large companies with high reputation**



CELM has transaction with **more than half <sup>(1)</sup> of TOP 100 TSE Prime companies (by market cap)**

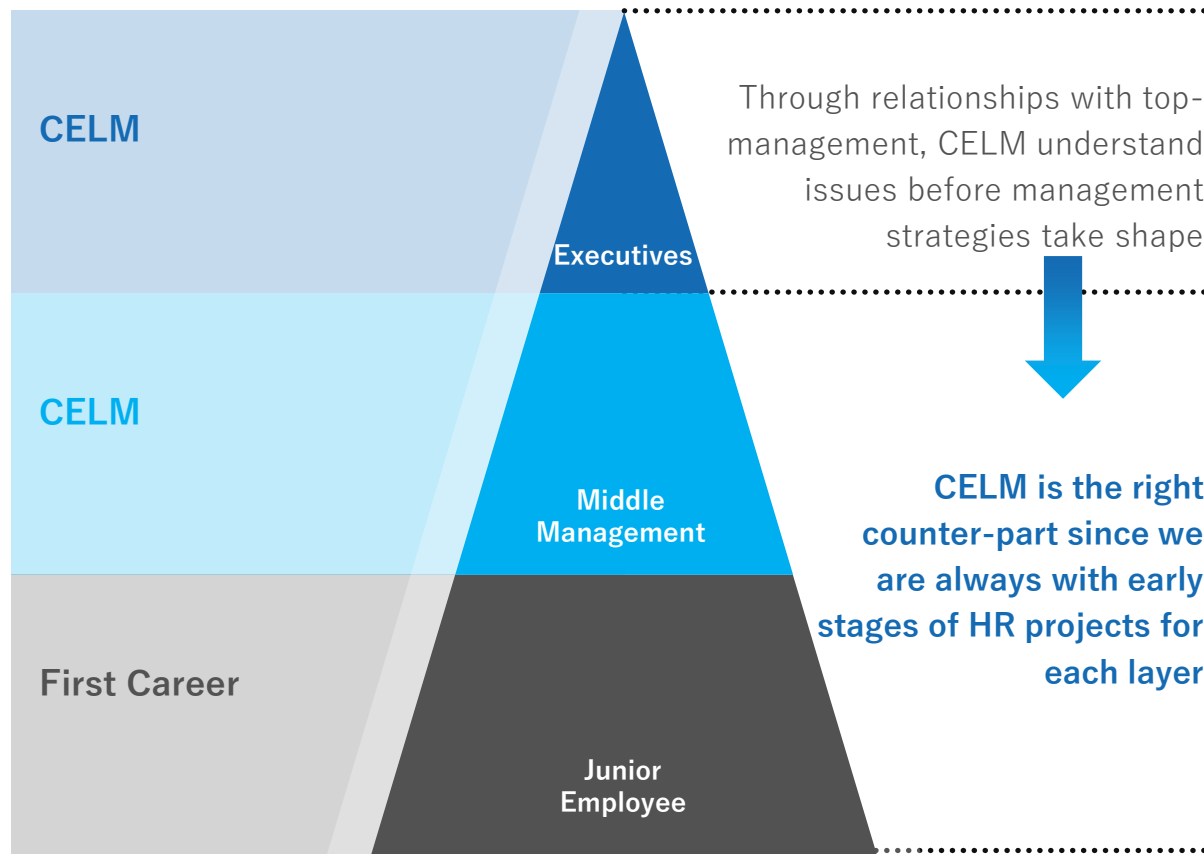
### Representative Clients of CELM

Kubota Corporation	KDDI
Sumitomo Rubber Industries	Sojitz
Sony Group	SOMPO Holdings
Daikin Industries	TANAKA Precious Metals
HONDA Motor	Murata Machinery
Yamato Holdings	etc

Note : (1) non-consolidated figure

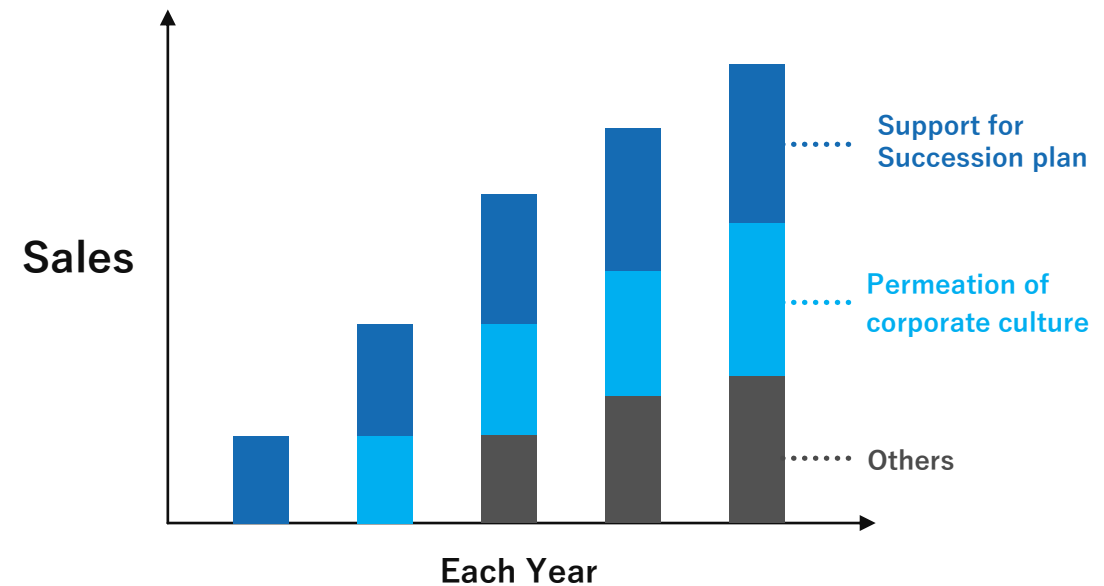
# Strength of CELM(3/3): Relationship with Client's Key Executives/Next Generation Executives & Lead-generation Abilities

Through contact with top management and next-generation executive candidates allow CELM to develop project form the earliest stage of client's potential strategy development. This positioning expands transaction scale for various layers of HR projects.



## Image of increasing transaction

Transaction scale is expanding through various projects



Average sales of TOP 150 client group is **38million** (1)

Note : (1) 24/03 non-consolidated figure

# Revised CG Code and Momentum of Japanese Major Companies

Within the revised CG code in 2021, importance is placed on creating succession plan not only for CEO, but also for other management members, and there is a growing awareness of the HR issues directly related to management leaders

## Management & Organizational issues emerging with the revision of CG Code



All “HR” related issues are left to HR dept and business side while **top management team do not know the details of each management candidates**



**No consensus has been formed among directors** regarding the evaluation criteria for suitability as a management leader and ideal image for that company



When narrowing down candidates from the talent pool, it is hard to evaluate without biased view since **ability to evaluate leaders is not cultivated among Japanese top management teams.**

## Recent trend



**Management leaders have growing awareness of HR issues for next leader candidates**

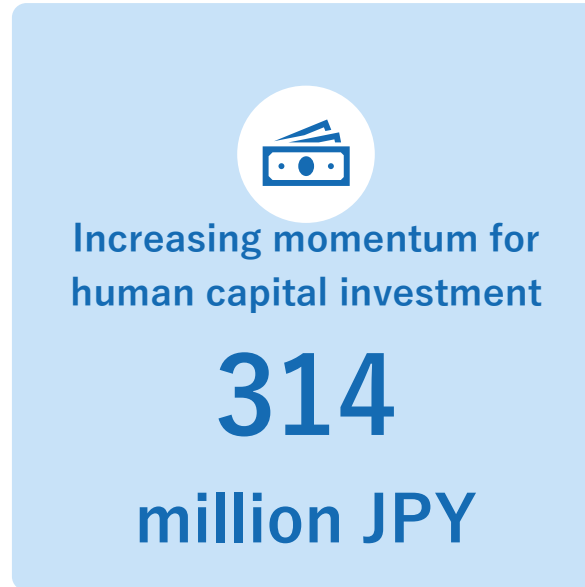
# Market Potential

CELM's Market Potential: 682 billion, arising from Japanese corporate governance reform and increasing demand for human capital investment

TSE listed companies appointing  
1/3 or more independent non-  
executives <sup>(1)</sup>



Annual Sales Potential per client  
of CELM<sup>(2)</sup>



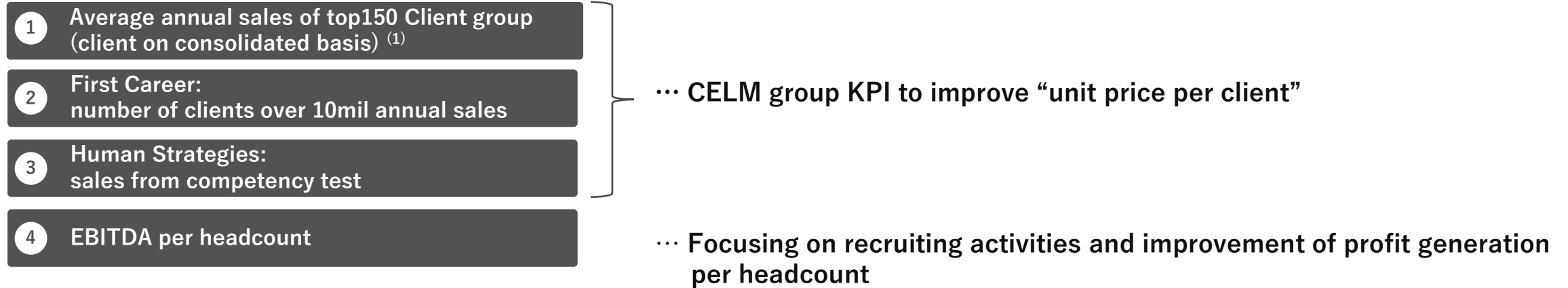
Note :

(1)08/02/2021 "Appointment of Independent Directors and Establishment of Nomination and Remuneration Committees by TSE-Listed Companies", Tokyo Stock Exchange

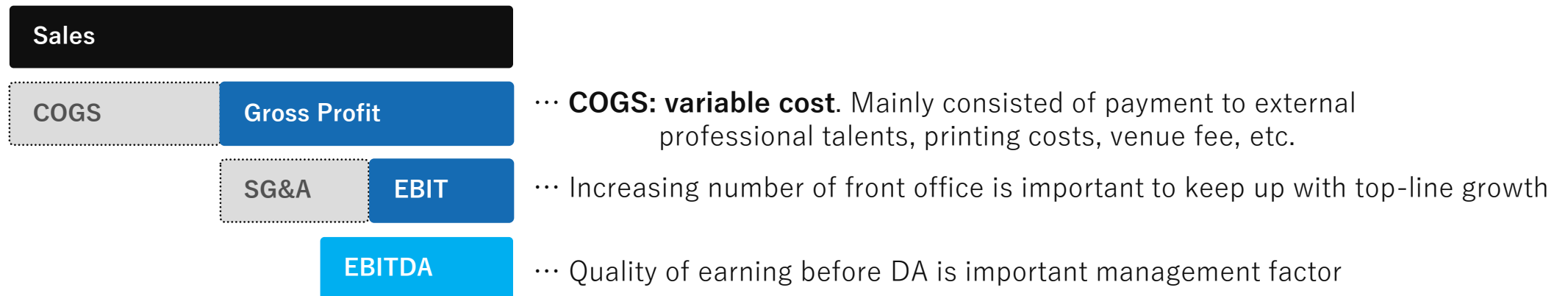
(2)11/2021 Cabinet Secretariat's New Form of Capitalism Realization Headquarters report "Data related to Wage/Human Capital" as reference. Current HR investment (excluding OJT) of Japanese companies is lower by 10-20times (as GDP-ratio base) when compared with the investment conducted by multinational companies in Europe and US. In response to the recent penetration of job-based employment and the momentum of human capital investment based on market value mechanism spreading across Japanese companies, CELM assumes investment to be 10 times from where we are now. CELMS annual sales per client in FY2021 is 31.4mil and CELM assumes market potential is 10 times this figure as mid-to-long term market potential.



## Main KPI



## Cost Structure



Note : (1) CELM’s sale as non-consolidated figure

## Disclaimer

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## Contact

CELM Inc.

Investor Relations

Tel: +81-3-3440-2003

Website: <https://www.celm.co.jp/en/inquiry/ir/>