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August 9, 2024

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (Based on Japanese GAAP)

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Securities code: 7367	URL: https://www.celm.co.jp/en
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Scheduled date to commence dividend payments:	-
Preparation of supplementary material on quarterly financial results:	Yes
Holding of financial results briefing:	Yes

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures indicate year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter ended										
June 30, 2024	1,624	6.4	293	21.2	219	14.3	212	16.2	124	20.6
June 30, 2023	1,527	3.9	242	(4.4)	192	(4.1)	182	(7.0)	103	(7.7)

Note: Comprehensive income For the first quarter ended June 30, 2024: 128 million yen [21.6%]
For the first quarter ended June 30, 2023: 105 million yen [(11.1)%]

	Basic earnings per share	Diluted earnings per share
First quarter ended	Yen	Yen
June 30, 2024	10.81	10.62
June 30, 2023	8.72	8.49

Note: EBITDA = Operating profit + Depreciation + Amortization of goodwill + Share-based payment expenses

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
As of	Million yen	Million yen	%
June 30, 2024	4,339	2,892	64.5
March 31, 2024	4,869	3,120	62.4

Reference: Total shareholders' equity
As of June 30, 2024: 2,798 million yen
As of March 31, 2024: 3,038 million yen

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	8.00	-	11.00	19.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		10.00	-	8.00	-

Notes:

- Revisions to the forecast of cash dividends most recently announced: Yes
- Concerning fiscal year-end dividend per share for the fiscal year ending March 31, 2025 (Forecast) CELM Inc. (“the Company”) plans to conduct a 2-for-1 share split of its common stock with the effective date of October 1, 2024. The fiscal year-end dividend per share for the fiscal year ending March 31, 2025 (Forecast) indicates the amount after taking the impact of the share split into consideration, and the total amount of annual dividends per share is thus indicated as “-.” In case the impact of share split is not taken into consideration, the fiscal year-end dividend per share for the fiscal year ending March 31, 2025 (Forecast) will be 16 yen and the annual dividends per share will be 26 yen. For details, please refer to “Explanation regarding appropriate use of earnings forecasts, and other notes.”

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentage figures indicate year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	8,008	6.7	1,406	6.7	1,100	6.0	1,074	6.7	720	14.0	32.35

Notes:

- Revisions to the earnings forecast most recently announced: No
- EBITDA = Operating profit + Depreciation + Amortization of goodwill + Share-based payment expenses
- Basic earnings per share for the full-year financial forecast for the fiscal year ending March 31, 2025, takes the impact of the share split into consideration. For details, please refer to “Explanation regarding appropriate use of earnings forecasts, and other notes.”

* Explanatory notes

- Significant changes in scope of consolidation during the period: No
- Application of accounting treatments specific to the preparation of quarterly consolidated financial statements: Yes
- Changes in accounting policies, changes in accounting estimates, and restatement
 - Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - Changes in accounting policies other than those in (i) above: No
 - Changes in accounting estimates: No
 - Restatement: No
- Number of issued shares (common shares)
 - Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	12,909,400 shares
As of March 31, 2024	12,909,400 shares

- Number of treasury shares at the end of the period

As of June 30, 2024	1,627,276 shares
As of March 31, 2024	1,342,376 shares

(iii) Average number of shares outstanding during the period
(cumulative from the beginning of the fiscal year)

First quarter ended June 30, 2024	11,498,617 shares
First quarter ended June 30, 2023	11,816,730 shares

* Review conducted by certified public accountants or an audit corporation on the quarterly consolidated financial statements attached: No

* Explanation regarding appropriate use of earnings forecasts, and other notes

Forecasts of future performance and other forward-looking statements in this material are based on assumptions judged to be rational and information available to the Company's management at the time the material was prepared, and are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for various reasons.

(Concerning cash dividends after the share split and financial forecasts)

The Company plans to conduct a 2-for-1 share split of its common stock with the effective date of October 1, 2024, based on the resolution on the share split passed at the Board of Directors' meeting held on August 9, 2024. Accordingly, the forecasts on dividends and consolidated earnings for the fiscal year ending March 31, 2025, converted to the level before taking the share split into consideration will be the following.

1. Forecasts on cash dividends for the fiscal year ending March 31, 2025

Cash dividends per share at the end of second quarter: 10 yen (Note 1)

Cash dividends per share at the fiscal year-end: 16 yen (Note 2)

Annual dividends per share for the fiscal year ending March 31, 2025 (before taking share split into consideration) is 26 yen.

2. Consolidated financial forecasts for the full year of the fiscal year ending March 31, 2025

Basic earnings per share at the end of the fiscal year: 64.70 yen

(Note 1) Cash dividends at the end of the second quarter will be paid for the number of shares before the share split.

(Note 2) This is the amount of cash dividends converted to the level before taking the share split into consideration.

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1. Qualitative Information on the Financial Results for the Period under Review

(1) Explanation of Operating Results

Under the vision of “expanding the possibilities of people and enterprises and making the world affluent,” CELM Inc. (“the Company”) and its group of companies (“the Group”) are engaged in the business of providing long-term support for the continuous strategic and organizational issues faced by its client companies.

As for the business environment during the first quarter of the fiscal year ending March 2025, the importance of matching management strategies with human resources and organizational strategies has increased as domestic companies’ interest in human capital management grew. As the business environment surrounding client companies becomes increasingly complex, solutions in the area of human resources and organizational development need to constantly evolve in response to changes in the environment. The Group works with professional talents with experience in corporate management and at consulting firms to support tailor-made human resource and organizational development by leveraging their knowledge in a variety of areas. When solving client issues and the business issues behind them, we do not attempt to do so using only our own resources and know-how, but always combine the talents of multiple external professionals who are close to achieving the solution for the issues. In this way, we have been able to win the trust of our clients by responding well to their issues, which are becoming increasingly complex, and meeting their expectations on service quality, which is becoming increasingly demanding. The Company believes that the complex business environment in which Japanese companies are operating today is a business environment in which our differentiation strategy to provide tailor-made solutions customized for each client can be easily used, and therefore recognizes that the growth potential of the Group is increasing. While net sales increased year-on-year in the first quarter of the current fiscal year, recruitment costs and personnel expenses increased as a result of hiring front office personnel, who are familiar with all the needs of client companies and are capable of handling new transactions, ahead of initial schedule.

As a result, for the first quarter of the current fiscal year, the Company posted net sales of 1,624,471 thousand yen (up 6.4% year-on-year), EBITDA (operating profit + depreciation + amortization of goodwill + share-based payment expenses) of 293,629 thousand yen (up 21.2% year-on-year), operating profit of 219,624 thousand yen (up 14.3% year-on-year), ordinary profit of 212,104 thousand yen (up 16.2% year-on-year), and profit attributable to owners of parent of 124,288 thousand yen (up 20.6% year-on-year).

(2) Financial Position

(Assets)

Total assets at the end of the first quarter under review amounted to 4,339,198 thousand yen (down 530,619 thousand yen from the end of the previous fiscal year). Current assets totaled 2,181,524 thousand yen (down 510,509 thousand yen from the end of the previous fiscal year). This was mainly due to a decrease of 665,313 thousand yen in cash and deposits. Non-current assets amounted to 2,157,673 thousand yen (down 20,110 thousand yen). This was mainly due to a decrease of 55,563 thousand yen by amortization of goodwill, while other intangible assets increased by 27,404 thousand yen.

(Liabilities)

Total liabilities at the end of the first quarter under review amounted to 1,447,066 thousand yen (down 302,408 thousand yen from the end of the previous fiscal year). Current liabilities totaled 1,420,938 thousand yen (down 304,288 thousand yen from the end of the previous fiscal year). This was mainly due to decreases of 153,096 thousand yen in other current liabilities, 75,530 thousand yen in accounts payable -trade and 60,712 thousand yen in current portion of long-term borrowings. Non-current liabilities amounted to 26,128 thousand yen (up 1,880 thousand yen from the end of the previous fiscal year). This was mainly due to a decrease of 2,898 thousand yen in asset retirement obligations, while other non-current liabilities increased by 4,779 thousand yen.

(Net assets)

Net assets at the end of the first quarter under review amounted to 2,892,131 thousand yen (down 228,211 thousand yen from the end of the previous fiscal year). This was mainly due to an increase in retained earnings resulting from profit attributable to owners of parent of 124,288 thousand yen, while there was a decrease of 240,697 thousand yen resulting from dividends of a surplus of 127,237 thousand yen and purchase of treasury shares.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto
(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (As of March 31, 2024)	First quarter of current fiscal year (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	1,971,549	1,306,236
Accounts receivable - trade	644,601	685,222
Work in process	2,712	11,500
Supplies	4,316	3,792
Other	68,853	174,772
Total current assets	2,692,033	2,181,524
Non-current assets		
Property, plant and equipment	60,768	68,782
Intangible assets		
Goodwill	1,573,335	1,517,771
Other	104,944	132,349
Total intangible assets	1,678,279	1,650,120
Investments and other assets	438,736	438,770
Total non-current assets	2,177,784	2,157,673
Total assets	4,869,817	4,339,198
Liabilities		
Current liabilities		
Accounts payable - trade	574,688	499,157
Short-term borrowings	500,000	500,000
Current portion of long-term borrowings	61,112	400
Income taxes payable	115,800	85,856
Provision for bonuses	29,807	65,849
Provision for bonuses for directors (and other officers)	24,000	-
Asset retirement obligations	-	2,951
Other	419,819	266,722
Total current liabilities	1,725,227	1,420,938
Non-current liabilities		
Asset retirement obligations	24,247	21,349
Other	-	4,779
Total non-current liabilities	24,247	26,128
Total liabilities	1,749,475	1,447,066
Net assets		
Shareholders' equity		
Share capital	1,026,685	1,026,685
Capital surplus	1,016,516	1,016,496
Retained earnings	2,031,494	2,028,545
Treasury shares	(1,066,499)	(1,307,196)
Total shareholders' equity	3,008,197	2,764,531
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,949	34,092
Total accumulated other comprehensive income	29,949	34,092
Share acquisition rights	81,705	93,008
Non-controlling interests	489	499
Total net assets	3,120,342	2,892,131
Total liabilities and net assets	4,869,817	4,339,198

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive IncomeQuarterly consolidated statement of income
(Cumulative)

(Thousands of yen)

	First quarter of previous fiscal year (April 1, 2023 – June 30, 2023)	First quarter of current fiscal year (April 1, 2024 – June 30, 2024)
Net sales	1,527,450	1,624,471
Cost of sales	709,831	732,722
Gross profit	817,619	891,748
Selling, general and administrative expenses	625,460	672,123
Operating profit	192,159	219,624
Non-operating income		
Interest income	22	17
Dividend income	250	250
Compensation income	1,110	480
Other	130	368
Total non-operating income	1,513	1,115
Non-operating expenses		
Interest expenses	439	1,053
Compensation expenses	568	302
Commission for purchase of treasury shares	7,600	4,722
Foreign exchange losses	1,330	2,150
Other	1,166	406
Total non-operating expenses	11,106	8,634
Ordinary profit	182,566	212,104
Profit before income taxes	182,566	212,104
Income taxes	79,495	87,826
Profit	103,071	124,278
Profit (loss) attributable to non-controlling interests	(10)	(10)
Profit attributable to owners of parent	103,081	124,288

Quarterly consolidated statement of comprehensive income
(Cumulative)

(Thousands of yen)

	First quarter of previous fiscal year (April 1, 2023 – June 30, 2023)	First quarter of current fiscal year (April 1, 2024 – June 30, 2024)
Profit	103,071	124,278
Other comprehensive income		
Foreign currency translation adjustment	2,513	4,142
Total other comprehensive income	2,513	4,142
Comprehensive income	105,585	128,420
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	105,595	128,430
Comprehensive income attributable to non-controlling interests	(10)	(10)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in the amounts of shareholder's equity)

The Company purchased 284,900 treasury shares based on the resolution passed at the Board of Directors' meeting held on May 14, 2024, and the resolution of partial change passed at the Board of Directors' meeting held on May 23, 2024. As a result, its treasury shares increased by 240,697 thousand yen in the first quarter of the current fiscal year, amounting to 1,307,196 thousand yen at the end of the quarter.

(Application of accounting treatments specific to the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the first quarter under review, and multiplying profit before income taxes for the quarter by the estimated effective tax rate. However, if the calculation of taxes using such estimated effective tax rate would lead to significantly unreasonable result, the statutory effective tax rate is used.

(Segment information, etc.)

[Segment information]

The Group's reportable segments include the human resource development and organizational development business, which mainly consists of the training business, and other businesses. However, segment information is omitted because the proportion of the human resource development and organizational development business is high and the information lacks significance for disclosure.

(Notes on statement of cash flows)

Quarterly consolidated statement of cash flows has not been prepared for the first quarter of the current fiscal year. The amount of depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first quarter of the current fiscal year are as follows.

	First quarter of previous fiscal year (April 1, 2023 – June 30, 2023)	First quarter of current fiscal year (April 1, 2024 – June 30, 2024)
Depreciation	3,046 thousand yen	4,979 thousand yen
Amortization of goodwill	47,056 thousand yen	55,563 thousand yen