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February 13, 2024

Consolidated Financial Results for the Three Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: CSS Holdings, Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2304
 URL: <http://www.css-holdings.jp> (in Japanese)
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 Scheduled date to file quarterly securities report: February 14, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended December 31, 2023 (from October 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended December 31, 2023	4,205	27.2	133	529.4	148	231.3	105	204.3
December 31, 2022	3,307	26.3	21	–	44	(45.2)	34	(56.8)

Note: Comprehensive income For the three months ended December 31, 2023: ¥94 million [129.4%]
 For the three months ended December 31, 2022: ¥41 million [(38.8)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2023	21.19	20.99
December 31, 2022	6.96	6.90

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	6,033	2,389	39.6
September 30, 2023	5,700	2,346	41.2

Reference: Equity
 As of December 31, 2023: ¥2,389 million
 As of September 30, 2023: ¥2,346 million

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 September 30, 2023	–	7.00	–	10.00	17.00
Fiscal year ending September 30, 2024	–				
Fiscal year ending September 30, 2024 (Forecast)		10.00	–	10.00	20.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending March 31, 2024	8,402	12.9	263	10.5	272	1.0	182	(10.1)	36.51
Fiscal year ending September 30, 2024	16,221	9.3	352	27.8	370	18.2	270	17.3	54.06

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	5,285,600 shares
As of September 30, 2023	5,285,600 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023	290,970 shares
As of September 30, 2023	290,970 shares

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

Three months ended December 31, 2023	4,994,630 shares
Three months ended December 31, 2022	4,994,630 shares

The number of treasury shares at the end of the period includes the shares of CSS Holdings, Ltd. (the “Company”) held by the Board Benefit Trust (125,600 shares as of December 31, 2023 and 125,600 shares as of September 30, 2023). The Company’s shares held by the Trust are included in the treasury shares deducted in the calculation of the average number of shares outstanding during the period (125,600 shares for the three months ended December 31, 2023 and 125,600 shares for the three months ended December 31, 2022).

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for the forecast of financial results and cautions concerning the use thereof, please refer to the section of “(3) Explanation of consolidated financial results forecasts and other forward-looking statements” of “1. Qualitative information on quarterly financial results” on page 3 of the attached material.

Attached Material

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

During the three months ended December 31, 2023, while rising prices and complicated financial conditions affected the Japanese economy in varying ways, a mild recovery trend was reported due to various policies and an improving employment and income environment.

In the environment surrounding the Company group (the “Group”) as well, a full-fledged and powerful recovery trend from the COVID-19 pandemic can be felt: demand for year-end banquets has recovered from the effects of the pandemic, the number of foreign visitors to Japan has recovered to pre-pandemic levels, and the hotel and tourism industry is able to set strong unit prices per guest, benefitting from the weak yen. In private-sector appetite for capital investment also, business negotiations and orders are accelerating in response to these conditions.

The Group is promoting a three-year Medium-Term Management Plan, “Value Innovation 2024,” in preparation for the 40th anniversary in 2024, and is working to rebuild its management base in response to the drastically changed business environment caused by the COVID-19 pandemic, with a focus on “improving profitability by strengthening core businesses” and “creating new value through group synergies.” In the current fiscal year, the final year of the plan, the Group is targeting net sales of ¥16.2 billion, profit attributable to owners of parent of ¥270 million, and ROE of 10% or more, which are significantly higher than initially planned, and financial results for the three months ended December 31, 2023 have gotten off to a good start.

As a result, consolidated net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the three months ended December 31, 2023 were ¥4,205 million (up 27.2% year on year), ¥133 million (up 529.4% year on year), ¥148 million (up 231.3% year on year), and ¥105 million (up 204.3% year on year), respectively.

A summary of operating results by segment for the three months ended December 31, 2023 is as follows.

(i) Steward Business

This segment is the core of the Group’s business, providing consigned kitchen management and cleaning services, including dishwashing, and housekeeping services, such as accommodation cleaning among others, to business customers in the hotel, restaurant, and theme park industries.

During the three months ended December 31, 2023, six new business locations were opened, and the Group achieved 19% of its budgeted new opening sales plan. This can be considered extremely solid progress, as the number of new business openings will continue to accumulate toward the end of the fiscal year. Although costs for recruiting and retaining human resources are on an upward trend, the operating profit margin is improving, thanks to the understanding of our customers accepting price pass-throughs and our cost reduction efforts.

In addition, the base level of business volume has risen as we move on from the COVID-19 pandemic, which has led to an increase in the base level for basic contracts. Although there is still some temporary order work during peak periods, the total value of basic contracts for major clients, which is used as a monitoring indicator, is up 18.7% compared to a year ago.

As a result, net sales were ¥2,119 million (up 35.5% year on year) and operating profit was ¥179 million (up 91.4% year on year), a significant increase in both sales and profit.

(ii) Food Service Business

This segment comprises food business, which is engaged in the operation of employee cafeterias and restaurants in hotels on a consignment basis nationwide.

This segment is comprised of food business, consisting of the operation of restaurants in hotels, focused mainly on breakfast service, and the operation of employee cafeterias and life care facility meals, on consignment throughout Japan.

During the three months ended December 31, 2023, the Group opened four new business locations. In particular, outsourcing demand for breakfast service restaurants has remained strong, and is at the core of our new opening plan for the full year. The ratio of consigned restaurant operations to total sales is steadily increasing, accounting for 65.8% of total sales in the three months ended December 31, 2023.

The cost of hiring human resources is on an upward trend as well, and this segment has also been significantly affected by the rising cost of food ingredients, but the operating profit margin is on an improving trend, and as with the Steward Business, this is due to the understanding of customers accepting price pass-throughs and success of our efforts to reduce costs.

As a result, net sales were ¥954 million (up 25.4% year on year) and operating profit was ¥31 million (up 53.6% year on year), with increases in both sales and profit.

(iii) Space Production Business

This segment includes providing design, construction/installation, sales, management, and maintenance related to video, audio, broadcasting, and security applications, as well as background music (BGM) and fragrances.

During the three months ended December 31, 2023, equipment sales revenue grew on the back of firm demand, mainly from the financial industry, for the replacement of security cameras and audio equipment as momentum for capital investment grew in response to the mild recovery trend in the economy. Wholesale sales of large audio equipment also showed signs of a recovery in demand, as the backlog of orders continued to grow. We are increasing the frequency of conferences, exhibitions, demonstrations, training sessions, and manufacturer meetings for the purpose of information sharing and technical cooperation with franchisees, and we are also promoting sales by uncovering new projects. We have reached the stage of planning the promotion and horizontal development of new initiatives, such as the introduction of AI security cameras, adding plant foliage and lighting solutions for space production, and the promotion of technology-integrated green walls, as concrete projects.

As a result, net sales were ¥1,132 million (up 15.4% year on year) and operating loss was ¥7 million (compared with an operating loss of ¥47 million in the same period of the previous fiscal year), an improvement in profitability due to the increase in sales.

(2) Explanation of financial position

Total assets at the end of the first quarter under review were ¥6,033 million, an increase of ¥333 million compared to the end of the previous fiscal year. This was mainly due to a ¥107 million increase in cash and deposits, a ¥69 million increase in notes and accounts receivable - trade, and contract assets, a ¥198 million increase in merchandise and finished goods, and a ¥12 million increase in raw materials and supplies.

Liabilities increased ¥289 million from the end of the previous fiscal year to ¥3,644 million. This was mainly due to a ¥400 million increase in short-term borrowings, a ¥93 million increase in accounts payable - other, a ¥109 million decrease in accrued consumption taxes, and a ¥109 million decrease in provision for bonuses.

Net assets increased ¥43 million to ¥2,389 million.

(3) Explanation of consolidated financial results forecasts and other forward-looking statements

The current consolidated earnings forecasts for the current fiscal year remain unchanged from those announced on November 14, 2023. (These forecasts have been prepared based on currently available information and contain uncertainties. Therefore, actual results may differ from these forecasts due to changes in various factors, including the business environment.)

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	807,275	914,939
Notes and accounts receivable - trade, and contract assets	1,943,905	2,013,695
Merchandise and finished goods	562,614	761,270
Work in process	26,196	18,234
Raw materials and supplies	21,095	33,422
Accounts receivable - other	10,123	5,480
Income taxes refund receivable	36,188	50,825
Other	95,439	84,329
Allowance for doubtful accounts	(6,110)	(153)
Total current assets	3,496,728	3,882,044
Non-current assets		
Property, plant and equipment		
Buildings and structures	966,381	966,381
Accumulated depreciation	(576,897)	(584,013)
Buildings and structures, net	389,484	382,368
Land	951,628	951,628
Other	199,002	206,235
Accumulated depreciation	(167,604)	(171,401)
Other, net	31,398	34,833
Total property, plant and equipment	1,372,511	1,368,831
Intangible assets		
Goodwill	19,700	18,103
Other	60,416	56,524
Total intangible assets	80,117	74,627
Investments and other assets		
Investment securities	532,365	516,859
Deferred tax assets	47,107	23,874
Other	171,811	167,561
Allowance for doubtful accounts	(47)	(47)
Total investments and other assets	751,237	708,247
Total non-current assets	2,203,866	2,151,706
Total assets	5,700,595	6,033,751

(Thousands of yen)

	As of September 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	538,792	564,062
Short-term borrowings	750,000	1,150,000
Lease liabilities	18,015	18,655
Accounts payable - other	751,586	845,025
Accrued consumption taxes	336,810	227,117
Income taxes payable	49,827	11,914
Provision for bonuses	141,566	31,721
Other	374,435	397,016
Total current liabilities	2,961,034	3,245,513
Non-current liabilities		
Lease liabilities	25,317	25,086
Deferred tax liabilities	7,827	7,056
Retirement benefit liability	324,906	331,595
Provision for share awards	3,394	3,394
Long-term accounts payable - other	22,777	22,177
Asset retirement obligations	8,038	8,054
Other	1,300	1,300
Total non-current liabilities	393,561	398,663
Total liabilities	3,354,595	3,644,177
Net assets		
Shareholders' equity		
Share capital	393,562	393,562
Capital surplus	279,271	279,271
Retained earnings	1,650,321	1,704,947
Treasury shares	(109,543)	(109,543)
Total shareholders' equity	2,213,612	2,268,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	132,387	121,336
Total accumulated other comprehensive income	132,387	121,336
Total net assets	2,346,000	2,389,573
Total liabilities and net assets	5,700,595	6,033,751

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Net sales	3,307,030	4,205,965
Cost of sales	2,755,095	3,535,862
Gross profit	551,934	670,103
Selling, general and administrative expenses	530,644	536,113
Operating profit	21,290	133,989
Non-operating income		
Interest income	385	479
Dividend income	4,332	5,520
Rental income	2,070	3,228
Purchase discounts	1,881	3,836
Subsidies for employment adjustment	14,632	–
Other	2,940	3,441
Total non-operating income	26,243	16,505
Non-operating expenses		
Interest expenses	1,821	1,998
Commission expenses	615	374
Foreign exchange losses	381	–
Other	15	47
Total non-operating expenses	2,834	2,420
Ordinary profit	44,698	148,074
Extraordinary income		
Gain on sale of non-current assets	16	–
Total extraordinary income	16	–
Extraordinary losses		
Loss on sale and retirement of non-current assets	288	–
Total extraordinary losses	288	–
Profit before income taxes	44,426	148,074
Income taxes - current	7,069	13,209
Income taxes - deferred	2,574	29,037
Total income taxes	9,644	42,247
Profit	34,782	105,827
Profit attributable to owners of parent	34,782	105,827

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit	34,782	105,827
Other comprehensive income		
Valuation difference on available-for-sale securities	8,102	(11,051)
Deferred gains or losses on hedges	(1,562)	–
Total other comprehensive income	6,540	(11,051)
Comprehensive income	41,322	94,775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	41,322	94,775
Comprehensive income attributable to non-controlling interests	–	–

(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.

Segment information, etc.*Segment information*

I. Three months ended December 31, 2022 (from October 1, 2022 to December 31, 2022)

1. Disclosure of sales and profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Steward Business	Food Service Business	Space Production Business	Total				
Net sales								
(1) Sales to external customers	1,563,590	761,058	979,195	3,303,843	3,186	3,307,030	–	3,307,030
(2) Intersegment sales or transfers	390	85	2,428	2,903	75,828	78,731	(78,731)	–
Total	1,563,980	761,143	981,623	3,306,747	79,014	3,385,761	(78,731)	3,307,030
Segment profit (loss)	93,866	20,486	(47,335)	67,017	(2,782)	64,234	(42,944)	21,290

- Notes: 1. The “Other” classification is a segment for business that is not included in the reportable segments and includes general affairs, human resources and accounting management businesses, etc.
2. Adjustments of segment profit (loss) include company-wide profit and elimination of intersegment transactions, etc.
3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

II. Three months ended December 31, 2023 (from October 1, 2023 to December 31, 2023)

1. Disclosure of sales and profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Steward Business	Food Service Business	Space Production Business	Total				
Net sales								
(1) Sales to external customers	2,119,255	954,472	1,129,537	4,203,265	2,700	4,205,965	–	4,205,965
(2) Intersegment sales or transfers	390	100	2,828	3,318	83,195	86,513	(86,513)	–
Total	2,119,645	954,572	1,132,366	4,206,584	85,895	4,292,479	(86,513)	4,205,965
Segment profit (loss)	179,675	31,460	(7,849)	203,287	6,145	209,432	(75,442)	133,989

- Notes: 1. The “Other” classification is a segment for business that is not included in the reportable segments and includes general affairs, human resources and accounting management businesses, etc.
2. Adjustments of segment profit (loss) include company-wide profit and elimination of intersegment transactions, etc.
3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

Significant subsequent events

Not applicable.