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August 13, 2024

Consolidated Financial Results for the Nine Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: CSS Holdings, Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2304
URL: http://www.css-holdings.jp (in Japanese)
Representative: Katsuhiro Mizuno, Representative Director and President
Inquiries: Yoshihiko Iwasaki, Executive Officer
Telephone: +81-3-6661-7840
Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: None
Holding of financial results briefing: None

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

1. Consolidated financial results for the nine months ended June 30, 2024 (from October 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	13,299	21.8	605	127.3	627	109.3	394	68.2
June 30, 2023	10,915	37.5	266	–	299	476.4	234	250.6

Note: Comprehensive income
For the nine months ended June 30, 2024: ¥416 million [50.3%]
For the nine months ended June 30, 2023: ¥276 million [326.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2024	78.94	78.21
June 30, 2023	46.93	46.50

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	5,870	2,659	45.3
September 30, 2023	5,700	2,346	41.2

Reference: Equity
As of June 30, 2024: ¥2,659 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	–	10.00	–		
Fiscal year ending September 30, 2024 (Forecast)			–	20.00	30.00

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
Fiscal year ending September 30, 2024	17,614	18.8	550	99.3	570	82.0	371	61.3	74.31

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: 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 June 30, 2024	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 June 30, 2024	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)

Nine months ended June 30, 2024	4,994,630 shares
Nine months ended June 30, 2023	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 June 30, 2024, 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 nine months ended June 30, 2024, and 125,600 shares for the nine months ended June 30, 2023).

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* 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. Overview of operating results, etc." on page 4 of the attached material.

Attached Material

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1. Overview of operating results, etc.

(1) Overview of operating results for the period

During the nine months ended June 30, 2024, Japan's economy made a moderate recovery against the backdrop of an improving employment and income environment, partly due to various policies, and in the context of increasing geopolitical risk as well as continued steep increases in raw materials and labor prices. In the hotel, tourism and leisure industry, conditions normalized with the absence of travel restrictions throughout the year and the weak yen also boosted activity. The Japan National Tourism Organization's statistics on visitor arrivals to Japan estimate 3,135,600 persons visited Japan in June 2024, a record for a single month, 51.2% up on June 2023 and 8.9% up on June 2019. In addition, demand for corporate banquets centered on the Tokyo metropolitan area recovered and demand for the Company's services overall expanded.

Under these circumstances, the Group is promoting a three-year Medium-Term Management Plan, "Value Innovation 2024," in preparation for its 40th anniversary in 2024. It is working to rebuild its management base with a focus on "improving profitability by strengthening core businesses," "strengthening human resource development," "promoting ESG initiatives" and "creating new value through group synergies and utilization of external resources."

During the nine months ended June 30, 2024, in all segments including the Steward Business, the Food Service Business and the Space Management Business, and in the consolidated results, the Company was able to achieve results far exceeding the prior year's results and budget in both net sales and operating profit.

As a result, consolidated net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the nine months ended June 30, 2024, were ¥13,299 million (up 21.8% year on year), ¥605 million (up 127.3% year on year), ¥627 million (up 109.3% year on year), and ¥394 million (up 68.2% year on year), respectively, with increases in both sales and profit.

A summary of operating results by segment for the nine months ended June 30, 2024, is as follows.

(i) Steward Business

This segment is the core of the Group's business, providing kitchen management and cleaning services, including dishwashing, to business customers that are mainly hotels and restaurants.

During the nine months ended June 30, 2024, foreign travelers have remained at a high level of demand for sightseeing in Japan since last year, and hotel rooms, restaurants and leisure facilities such as theme park have maintained high operating rates. In addition, demand for banquets, especially corporate demand in major cities, also has been gradually trending upwards. Enthusiasm for market development remains high following the opening of a series of new large hotels, and eight new hotels were opened, taking the total number of new hotel openings in the nine months ended June 30, 2024 to 15.

To respond to the sudden increase in operating rates and openings of new business locations, on top of consistently providing quality services and maintaining the safe labor environment that we have been enhancing for some time, we are working without delay in cooperation with group governance to increase opportunities for frontline-focused education and guidance, information gathering, and diverse communication, as well as responding to new risks and reviewing escalation and response flows in accordance with the human resources organization.

In addition, to promote operations by improving productivity in the increasing volume of work at headquarters, we have commenced project work, with support from external knowledge, to confirm and organize the current status of the business infrastructure, including the status of the business platform and operational flow. The project work is revealing the full extent of business systems partially optimized over many years, and we are consolidating information to reconstruct the overall optimization, prioritizing the processes with the greatest impact.

Along with the X-value unit leading the creation of new value in holding company, we are progressing work with partners possessing different types of knowledge focused on areas such as the Sustainable Development Goals (SDGs), digital transformation (DX) and robotic process automation (RPA), to develop and plan the value we offer to the market, and also in parallel revising our human resources strategy.

As a result, net sales were ¥6,340 million (up 31.4% year on year) and operating profit was ¥470 million (up 100.0% year on year), with increases in both sales and profit.

(ii) Food Service Business

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

During the nine months ended June 30, 2024, as we observed in the Steward Business segment, domestic and foreign travelers have maintained a high level of demand for sightseeing in Japan since last year, and the demand is on an expansionary trend. The business performance significantly improved mainly for a consignment breakfast service for restaurants. Inquiries about our outsourcing services are steadily increasing. We gained one new customer, and the number of new customers amounted to nine in the first nine months of the fiscal year.

As the actual results largely surpassed the plans, we are still keenly focusing on cost management to respond to staff securement issues and food ingredient price hikes, transferring higher costs on to prices through negotiations with our customers. In addition, we are committed to promoting recruitment management taking into account regional characteristics and the degree of difficulty in each area in staff securement, as well as increasing employment retention rates through communication and other follow-up.

Furthermore, we are also progressing work on market development including market research in the life care industry, our third pillar, and commencing a proposal for effective utilization of hotel cooking facilities with lunch management services. At the same time, we are continuing to promote new initiatives from the perspective of business promotion, such as reviewing appropriate personnel, simplifying operations, and considering communication tools between managers and stores, and taking ongoing measures to address the increasing sense of scale.

As a result, net sales were ¥2,904 million (up 23.7% year on year) and operating profit was ¥94 million (up 37.8% year on year).

(iii) Space Management Business

The Space Management Business segment is comprised of three companies: Toyo Media Links Corporation, Mood Media Japan Inc., and Onkyo Tokki Ltd. Toyo Media Links and Mood Media Japan are engaged in space production such as background music (BGM), sound, lighting, signage, fragrances and greenery, and the design, construction/installation, sales, management and maintenance of equipment related to security applications such as surveillance cameras and broadcasting. Onkyo Tokki is engaged in trading company business focused on foreign brand equipment for business solutions such as large facilities, professional sound equipment, video and audio equipment for conference rooms and reservation systems.

During the nine months ended June 30, 2024, Toyo Media Links contributed significantly to the improvement in profitability, driving performance given renewed demand for ITV (surveillance cameras/industrial television) for the financial industry, and products such as peripheral equipment, business broadcasting equipment, and monitors. In addition, as a new initiative, “Memories of Light and Forest,” a video art production using wood from Tamagawa, was presented at Tamagawa University and picked up by many media outlets. We are also developing new sales routes and new products, which will connect to future results.

Similarly, Mood Media Japan is expanding business opportunities through unique sales promotion measures in Japan, working with Mood Media headquarters. The reputation of our seminars based on our achievements and case studies is spreading, especially in the hotel, food and beverage industries.

Onkyo Tokki, despite the weak yen environment, saw the ratio of sales of original foreign brand products to total sales favorably exceed plan, which significantly raised profitability. Construction companies have also demonstrated increased interest in unique and advanced products including business solutions such as meeting room reservation systems and sound masking systems, in-wall speakers (innovative speaker systems that do not sacrifice sound quality or affect the design when embedded in a wall). This has driven an increase in the frequency of training seminars. Furthermore, on June 3, 2024, we opened a showroom on the first floor of the CSS Building, where our Tokyo headquarters is located. We have been providing training and demonstrations on demand for our brands' products as well as experience with the latest audio equipment that we carry. In response to ongoing business opportunities, the showroom is designed to implement the latest conference room solutions and provides a space where visitors can experience solutions in areas that have been especially popular in recent years, including network audio, video, and control, sound masking effects, and wireless presentations.

As a result, net sales were ¥4,061 million (up 8.7% year on year) and operating profit was ¥219 million (up 100.1% year on year).

(2) Overview of financial position for the period

Total assets at the end of the third quarter under review were ¥5,870 million, an increase of ¥170 million compared to the end of the previous fiscal year. This was mainly due to a ¥122 million increase in cash and deposits, a ¥90 million increase in notes and accounts receivable - trade, and contract assets, a ¥20 million decrease in merchandise and finished goods, a ¥35 million decrease in income taxes refund receivable, and a ¥33 million increase in investment securities.

Liabilities decreased by ¥143 million compared to the end of the previous fiscal year to ¥3,211 million. This was mainly due to a ¥200 million decrease in short-term borrowings, a ¥107 million decrease in notes and accounts payable - trade, a ¥58 million increase in accounts payable - other, a ¥125 million increase in income taxes payable, a ¥73 million decrease in provision for bonuses, and a ¥69 million increase in other under current liabilities.

Net assets increased by ¥313 million to ¥2,659 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 May 14, 2024. (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 June 30, 2024
Assets		
Current assets		
Cash and deposits	807,275	930,183
Notes and accounts receivable - trade, and contract assets	1,943,905	2,034,689
Merchandise and finished goods	562,614	541,925
Work in process	26,196	16,406
Raw materials and supplies	21,095	17,842
Accounts receivable - other	10,123	5,217
Income taxes refund receivable	36,188	268
Other	95,439	108,025
Allowance for doubtful accounts	(6,110)	(180)
Total current assets	3,496,728	3,654,378
Non-current assets		
Property, plant and equipment		
Buildings and structures	966,381	980,807
Accumulated depreciation	(576,897)	(598,643)
Buildings and structures, net	389,484	382,164
Land	951,628	951,628
Other	199,002	221,860
Accumulated depreciation	(167,604)	(174,411)
Other, net	31,398	47,448
Total property, plant and equipment	1,372,511	1,381,241
Intangible assets		
Goodwill	19,700	14,908
Other	60,416	63,166
Total intangible assets	80,117	78,074
Investments and other assets		
Investment securities	532,365	566,229
Deferred tax assets	47,107	36,545
Other	171,811	154,456
Allowance for doubtful accounts	(47)	(47)
Total investments and other assets	751,237	757,183
Total non-current assets	2,203,866	2,216,500
Total assets	5,700,595	5,870,878

(Thousands of yen)

	As of September 30, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	538,792	431,376
Short-term borrowings	750,000	550,000
Lease liabilities	18,015	16,502
Accounts payable - other	751,586	809,879
Accrued consumption taxes	336,810	315,425
Income taxes payable	49,827	175,514
Provision for bonuses	141,566	67,821
Other	374,435	443,870
Total current liabilities	2,961,034	2,810,389
Non-current liabilities		
Lease liabilities	25,317	17,748
Deferred tax liabilities	7,827	8,669
Retirement benefit liability	324,906	341,365
Provision for share awards	3,394	3,394
Long-term accounts payable - other	22,777	20,977
Asset retirement obligations	8,038	8,085
Other	1,300	500
Total non-current liabilities	393,561	400,740
Total liabilities	3,354,595	3,211,129
Net assets		
Shareholders' equity		
Share capital	393,562	393,562
Capital surplus	279,271	279,271
Retained earnings	1,650,321	1,942,186
Treasury shares	(109,543)	(109,573)
Total shareholders' equity	2,213,612	2,505,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	132,387	154,302
Total accumulated other comprehensive income	132,387	154,302
Total net assets	2,346,000	2,659,748
Total liabilities and net assets	5,700,595	5,870,878

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Net sales	10,915,655	13,299,300
Cost of sales	9,074,181	11,039,985
Gross profit	1,841,474	2,259,315
Selling, general and administrative expenses	1,575,006	1,653,597
Operating profit	266,467	605,717
Non-operating income		
Interest income	1,241	1,545
Dividend income	6,626	9,955
Rental income	7,537	8,268
Subsidies for employment adjustment	15,159	–
Other	18,962	14,252
Total non-operating income	49,527	34,022
Non-operating expenses		
Interest expenses	6,198	6,787
Commission expenses	1,607	1,391
Foreign exchange losses	1,018	898
Special incentives for employee stock ownership association	5,344	–
Other	1,896	2,855
Total non-operating expenses	16,065	11,933
Ordinary profit	299,929	627,807
Extraordinary income		
Gain on sale of non-current assets	16	150
Total extraordinary income	16	150
Extraordinary losses		
Loss on retirement of non-current assets	692	121
Total extraordinary losses	692	121
Profit before income taxes	299,253	627,835
Income taxes - current	78,482	231,844
Income taxes - deferred	(13,624)	1,722
Total income taxes	64,858	233,566
Profit	234,395	394,269
Profit attributable to owners of parent	234,395	394,269

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Profit	234,395	394,269
Other comprehensive income		
Valuation difference on available-for-sale securities	43,108	21,914
Deferred gains or losses on hedges	(655)	–
Total other comprehensive income	42,453	21,914
Comprehensive income	276,849	416,183
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	276,849	416,183
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to quarterly consolidated financial statements

Notes on segment information, etc.

Segment information

I. Nine months ended June 30, 2023 (from October 1, 2022 to June 30, 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 Management Business	Total				
Net sales								
(1) Sales to external customers	4,825,949	2,348,035	3,733,285	10,907,270	8,385	10,915,655	–	10,915,655
(2) Intersegment sales or transfers	1,170	208	3,830	5,209	227,484	232,693	(232,693)	–
Total	4,827,119	2,348,243	3,737,116	10,912,479	235,869	11,148,348	(232,693)	10,915,655
Segment profit (loss)	235,257	68,492	109,930	413,680	(3,478)	410,202	(143,735)	266,467

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) of ¥(143,735) thousand 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. Nine months ended June 30, 2024 (from October 1, 2023 to June 30, 2024)

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 Management Business	Total				
Net sales								
(1) Sales to external customers	6,333,956	2,903,709	4,053,954	13,291,620	7,680	13,299,300	–	13,299,300
(2) Intersegment sales or transfers	6,711	361	7,892	14,964	234,665	249,629	(249,629)	–
Total	6,340,667	2,904,071	4,061,846	13,306,585	242,345	13,548,930	(249,629)	13,299,300
Segment profit	470,586	94,367	219,973	784,927	22,846	807,774	(202,056)	605,717

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 of ¥(202,056) thousand include company-wide profit and elimination of intersegment transactions, etc.
3. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Notes on going concern assumptions

Not applicable.

Notes to quarterly consolidated statement of cash flows

Quarterly consolidated statement of cash flows for the nine months ended June 30, 2024 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first nine months of the fiscal year are as follows.

(Thousands of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Depreciation	47,166	47,781
Amortization of goodwill	4,792	4,792

Shareholders' equity, etc.

I. Nine months ended June 30, 2023 (from October 1, 2022 to June 30, 2023)

Dividends

Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on November 11, 2022	Common shares	76,803	15	September 30, 2022	December 19, 2022	Retained earnings
Board of Directors meeting held on May 12, 2023	Common shares	35,841	7	March 31, 2023	June 23, 2023	Retained earnings

Notes: 1. The total amount of dividends based on a resolution at the Board of Directors meeting held on November 11, 2022 includes dividends of ¥1,884 thousand paid for the Company's shares held by the Board Benefit Trust (BBT). The amount of dividends per share includes an anniversary dividend of ¥10.

2. The total amount of dividends based on a resolution at the Board of Directors meeting held on May 12, 2023 includes dividends of ¥879 thousand paid for the Company's shares held by the Board Benefit Trust (BBT).

II. Nine months ended June 30, 2024 (from October 1, 2023 to June 30, 2024)

Dividends

Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on November 14, 2023	Common shares	51,202	10	September 30, 2023	December 18, 2023	Retained earnings
Board of Directors meeting held on May 14, 2024	Common shares	51,202	10	March 31, 2024	June 21, 2024	Retained earnings

Notes: 1. The total amount of dividends based on a resolution at the Board of Directors meeting held on November 14, 2023 includes dividends of ¥1,256 thousand paid for the Company's shares held by the Board Benefit Trust (BBT).

2. The total amount of dividends based on a resolution at the Board of Directors meeting held on May 14, 2024 includes dividends of ¥1,256 thousand paid for the Company's shares held by the Board Benefit Trust (BBT).

Significant subsequent events

Not applicable.