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May 14, 2024

Consolidated Financial Results for the Six Months Ended March 31, 2024 (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: May 15, 2024
 Scheduled date to commence dividend payments: June 21, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended March 31, 2024 (from October 1, 2024 to March 31, 2024)

(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	%
Six months ended								
March 31, 2024	9,135	22.8	507	112.5	520	93.2	323	59.6
March 31, 2023	7,439	39.4	238	—	269	372.4	202	410.9

Note: Comprehensive income For the six months ended March 31, 2024: ¥343 million [56.7%]
 For the six months ended March 31, 2023: ¥219 million [782.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
March 31, 2024	64.79	64.19
March 31, 2023	40.60	40.23

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	6,459	2,638	40.8
September 30, 2023	5,700	2,346	41.2

Reference: Equity
 As of March 31, 2024: ¥2,638 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: Yes

For the revisions to the forecast of cash dividends, please refer to “Notice of the distribution of the dividend of surplus (interim dividend) and the revisions to the forecast of the year-end dividend due to the payment of anniversary dividend” released today (May 14, 2024).

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: Yes

For the revisions to the consolidated earnings forecasts, please refer to “Notice regarding the difference between earnings forecasts and actual results for the six months ended March 31, 2024, and the revisions to the earnings forecasts for the fiscal year ending September 30, 2024” released today (May 14, 2024).

*** 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 March 31, 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 March 31, 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)

Six months ended March 31, 2024	4,994,630 shares
Six months ended March 31, 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 March 31, 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 six months ended March 31, 2024, and 125,600 shares for the six months ended March 31, 2023).

* 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 5 of the attached material.

Attached Material

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

During the six months ended March 31, 2024, the Japanese economy continued to recover at a moderate pace while social economic activities were getting back to normal after the turmoil of the COVID-19 pandemic. Due to the depreciation of the yen, the demand for inbound tourism is steady, and overtourism has become an issue in some areas. Global economic concerns that stem from the worldwide energy and food price hikes and the financial policies of European countries and the U.S. still exist, and some worrying factors are observed with the environment surrounding the Japanese economy. Affected by high prices, the depreciation of the yen, the employment environment and foreign labor force, the outlook remains opaque.

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 six months ended March 31, 2024, since all segments including the Steward Business, the Food Service Business and the Space Management Business worked aggressively on sales activities and the improvement of profitability, we achieved incredibly successful results exceeding the levels expected from a favorable turn in the economy and business environment.

As a result, consolidated net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the six months ended March 31, 2024, were ¥9,135 million (up 22.8% year on year), ¥507 million (up 112.5% year on year), ¥520 million (up 93.2% year on year), and ¥323 million (up 59.6% year on year), respectively.

A summary of operating results by segment for the six months ended March 31, 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 six months ended March 31, 2024, domestic and foreign travelers have maintained a high level of demand for sightseeing in Japan since last year, and hotel rooms and restaurants have maintained high operating rates. Banquet demand by corporations fully recovered from the effect of the COVID-19 pandemic although the size and frequency are not the same as those of the pre-COVID-19 era. In addition, theme parks also retained high operation rates with active promotional events. In addition to existing leisure and sightseeing facilities, many luxury hotels or accommodation-focused hotels opened mostly with foreign investment. Inquiries about our outsourcing services are steadily increasing. We added a new customer, bringing the number of new customers to seven in the first half of the year.

To respond to the sudden increase in operating rates and openings of new business locations, it is becoming increasingly important to consistently provide quality services and maintain a safe labor environment. More than ever, we are reinforcing careful onsite inspections, sharing information, and necessary and adequate escalation procedures. On April 1, we had 35 new graduates as new employees. We plan to assign them in the Kansai, Tokai and Kyushu areas as well as the Tokyo metropolitan area.

At the beginning of the second quarter, a huge earthquake occurred in the Noto region of Ishikawa Prefecture. We provide steward and housekeeping services in that area. The region is still recovering. The impact on our total business performance is insignificant. We are helping to restore the employment situation by closely exchanging information with our customers.

As a result, net sales were ¥4,200 million (up 35.9% year on year) and operating profit was ¥321 million (up 133.2% year on year).

In the second half, we aim to create new business value by increasing the efficiency of administrative operations through reviewing and systemizing hiring and labor tasks workflow together with CSS Business Support, Ltd., which provides a shared service as a group, and improving human resource development and employee job satisfaction with the revision of training manuals and human resource measures.

(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 six months ended March 31, 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 four new customers, and the number of new customers amounted to eight in the first half of the year.

As the actual results largely surpassed the plans, we are keenly focusing on cost management to respond to a staff securement issue and food ingredient price hikes. As for the sharp price increases of food ingredients, it is not an environment factor unique to the Company. Therefore, we are transferring the higher costs on to prices by negotiating with our customers.

As a result, net sales were ¥1,877 million (up 24.4% year on year) and operating profit was ¥54 million (up 6.2% year on year).

Just like the Steward Business segment, to respond to the increase in operating rates, we are further maintaining safety and hygiene. On April 1, we had 17 new graduates as new employees. We plan to assign them in the Tokyo metropolitan, Kansai, Tokai and Chugoku areas. Particularly in the Tokyo metropolitan area, focusing on reinforcing the life care domain, we continuously work on diversifying the value provided to customers.

(iii) Space Management Business

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

During the six months ended March 31, 2024, we observed that our efforts, such as the alliance with construction vendors, which have been steadily seeing more business opportunities after the COVID-19 pandemic, large-scale business discussions including exhibitions and demonstration seminars, and frequent occasions to update our knowledge through manufacturer meetings and seminars, resulted in actual business negotiations and projects. During the period, due to the renewal of the work environment and personnel changes in the group, we felt there were changes in the environment in which our members execute their duties. Profitability increased dramatically because we facilitated and promoted management and internal discussions, focusing on securing final profitability rather than the top line, in consideration of the contribution of past projects to profitability.

Toyo Media Links Corporation observed continuously strong demand for the renewal of facilities related to industrial television (ITV), particularly surveillance cameras, from both financial institutions and corporate facilities. By adding new space production solutions, such as greenery and lighting coordination through working with external companies, we could expand the communication with construction vendors and increase the opportunities to gain interest from potential job candidates.

Onkyo Tokki Ltd. is receiving more orders for professional-grade audio equipment as the entertainment sector revitalizes. The construction of telecommunication spaces based on the design specifications of foreign companies is contributing to the increase in the number of projects.

Mood Media Japan Inc. is enjoying a high reputation for its sound space creating in the hotel, sightseeing and retail industries. Supported by lively conditions in the industries, it is contributing to the group synergy.

As a result, net sales were ¥3,062 million (up 7.9% year on year) and operating profit was ¥263 million (up 94.9% year on year). We shall continuously strive to improve each company's profitability by monitoring priority action items and updating measures and take on challenges from the perspective of total group value co-creation.

(2) Explanation of financial position

(i) Status of assets, liabilities and net assets

(Assets)

Total assets at the end of the second quarter under review were ¥6,459 million, an increase of ¥758 million compared to the end of the previous fiscal year. As for the breakdown, current assets increased ¥763 million. This was mainly due to a ¥691 million increase in notes and accounts receivable - trade, and contract assets. Non-current assets decreased ¥5 million. This was mainly due to a ¥30 million increase in investment securities, a ¥31 million decrease in deferred tax assets, and a ¥7 million decrease in other.

(Liabilities)

Total liabilities at the end of the second quarter under review posted ¥3,820 million, an increase of ¥466 million compared to the end of the previous fiscal year. As for the breakdown, current liabilities increased ¥456 million. This was mainly due to a ¥236 million increase in notes and accounts payable - trade, a ¥200 million increase in short-term borrowings, and a ¥74 million decrease in accounts payable - other. Non-current liabilities grew ¥9 million. This was mainly due to an ¥11 million increase in retirement benefit liability.

(Net assets)

Total net assets at the end of the second quarter under review were ¥2,638 million, an increase of ¥292 million compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings due to the recording of a ¥323 million in profit attributable to owners of parent, and a decrease in retained earnings associated with ¥51 million of dividends of surplus.

(ii) Status of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter under review came to ¥815 million, an increase of ¥37 million compared with the end of the previous fiscal year.

A summary of cash flows and the reasons therefor for the six months under review is as follows.

(Cash flows from operating activities)

Cash outflow from operating activities came to ¥74 million (cash inflow of ¥99 million during the same term of the previous year) due to profit before income taxes of ¥520 million, an increase in trade receivables of ¥691 million, increase in trade payables of ¥236 million, decrease in provision for bonuses of ¥51 million, and drop in accrued consumption taxes of ¥82 million, etc.

(Cash flows from investing activities)

Cash outflow from investing activities amounted to ¥27 million (cash outflow of ¥15 million during the same term of the previous year) due to acquisition of property, plant and equipment of ¥23 million, etc.

(Cash flows from financing activities)

Cash inflow from financing activities came to ¥139 million (cash outflow of ¥103 million during the same term of the previous year) due to a net increase in short-term borrowings of ¥200 million, dividends paid of ¥51 million, etc.

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

For the revisions to the consolidated earnings forecasts as of today, please refer to “Notice regarding the difference between earnings forecasts and actual results for the six months ended March 31, 2024, and the revisions to the earnings forecasts for the fiscal year ending September 30, 2024” released today. (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 March 31, 2024
Assets		
Current assets		
Cash and deposits	807,275	845,639
Notes and accounts receivable - trade, and contract assets	1,943,905	2,635,396
Merchandise and finished goods	562,614	626,045
Work in process	26,196	28,004
Raw materials and supplies	21,095	19,092
Accounts receivable - other	10,123	815
Income taxes refund receivable	36,188	-
Other	95,439	105,524
Allowance for doubtful accounts	(6,110)	(260)
Total current assets	3,496,728	4,260,257
Non-current assets		
Property, plant and equipment		
Buildings and structures	966,381	974,792
Accumulated depreciation	(576,897)	(591,269)
Buildings and structures, net	389,484	383,523
Land	951,628	951,628
Other	199,002	215,534
Accumulated depreciation	(167,604)	(171,310)
Other, net	31,398	44,223
Total property, plant and equipment	1,372,511	1,379,375
Intangible assets		
Goodwill	19,700	16,506
Other	60,416	60,292
Total intangible assets	80,117	76,798
Investments and other assets		
Investment securities	532,365	563,027
Deferred tax assets	47,107	15,424
Other	171,811	164,276
Allowance for doubtful accounts	(47)	(47)
Total investments and other assets	751,237	742,679
Total non-current assets	2,203,866	2,198,853
Total assets	5,700,595	6,459,111

(Thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	538,792	774,934
Short-term borrowings	750,000	950,000
Lease liabilities	18,015	17,578
Accounts payable - other	751,586	826,126
Accrued consumption taxes	336,810	253,981
Income taxes payable	49,827	167,350
Provision for bonuses	141,566	89,873
Other	374,435	337,576
Total current liabilities	2,961,034	3,417,420
Non-current liabilities		
Lease liabilities	25,317	21,423
Deferred tax liabilities	7,827	10,700
Retirement benefit liability	324,906	336,821
Provision for share awards	3,394	3,394
Long-term accounts payable - other	22,777	21,577
Asset retirement obligations	8,038	8,069
Other	1,300	1,300
Total non-current liabilities	393,561	403,286
Total liabilities	3,354,595	3,820,707
Net assets		
Shareholders' equity		
Share capital	393,562	393,562
Capital surplus	279,271	279,271
Retained earnings	1,650,321	1,922,709
Treasury shares	(109,543)	(109,543)
Total shareholders' equity	2,213,612	2,485,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	132,387	152,404
Total accumulated other comprehensive income	132,387	152,404
Total net assets	2,346,000	2,638,404
Total liabilities and net assets	5,700,595	6,459,111

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

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Net sales	7,439,729	9,135,179
Cost of sales	6,162,426	7,538,170
Gross profit	1,277,302	1,597,009
Selling, general and administrative expenses	1,038,650	1,089,840
Operating profit	238,652	507,169
Non-operating income		
Interest income	797	994
Dividend income	4,332	6,519
Rental income	4,128	6,309
Purchase discounts	3,653	6,040
Subsidies for employment adjustment	15,159	–
Other	9,463	3,845
Total non-operating income	37,535	23,709
Non-operating expenses		
Interest expenses	4,078	4,382
Commission expenses	1,118	909
Foreign exchange losses	1,209	2,172
Other	396	2,855
Total non-operating expenses	6,803	10,321
Ordinary profit	269,384	520,557
Extraordinary income		
Gain on sale of non-current assets	16	–
Total extraordinary income	16	–
Extraordinary losses		
Loss on retirement of non-current assets	288	105
Total extraordinary losses	288	105
Profit before income taxes	269,112	520,451
Income taxes - current	61,680	170,755
Income taxes - deferred	4,629	26,106
Total income taxes	66,310	196,862
Profit	202,802	323,589
Profit attributable to owners of parent	202,802	323,589

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Profit	202,802	323,589
Other comprehensive income		
Valuation difference on available-for-sale securities	17,306	20,016
Deferred gains or losses on hedges	(850)	–
Total other comprehensive income	16,455	20,016
Comprehensive income	219,258	343,606
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	219,258	343,606
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	269,112	520,451
Depreciation	31,335	30,604
Loss on retirement of non-current assets	288	105
Loss (gain) on sale of non-current assets	(16)	–
Amortization of goodwill	3,194	3,194
Increase (decrease) in allowance for doubtful accounts	932	(5,850)
Increase (decrease) in retirement benefit liability	15,644	11,915
Increase (decrease) in provision for bonuses	(39,684)	(51,693)
Interest and dividend income	(5,130)	(7,514)
Interest expenses	4,078	4,382
Foreign exchange losses (gains)	–	(549)
Commission expenses	1,118	909
Subsidy income	(15,159)	–
Decrease (increase) in trade receivables	(661,446)	(691,491)
Decrease (increase) in inventories	858	(63,235)
Increase (decrease) in trade payables	390,414	236,141
Increase (decrease) in accounts payable - other	121,050	71,650
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(4,970)	(82,829)
Increase (decrease) in accrued expenses	(2,253)	(37,044)
Other, net	(7,323)	188
Subtotal	102,044	(60,661)
Interest and dividends received	5,002	6,798
Interest paid	(4,284)	(4,395)
Subsidies received	15,159	–
Income taxes paid	(64,828)	(64,316)
Income taxes refund	46,096	47,693
Net cash provided by (used in) operating activities	99,190	(74,881)
Cash flows from investing activities		
Payments into time deposits	–	(366)
Purchase of short-term and long-term investment securities	(4,082)	(2,049)
Proceeds from sale and redemption of short-term and long-term investment securities	15,000	–
Proceeds from divestments	500	–
Purchase of property, plant and equipment	(15,141)	(23,041)
Proceeds from sale of property, plant and equipment	16	–
Purchase of intangible assets	(2,260)	(9,735)
Payments of leasehold and guarantee deposits	(7,907)	(805)
Proceeds from refund of leasehold and guarantee deposits	268	176
Proceeds from cancellation of insurance funds	–	10,046
Other, net	(2,059)	(1,882)
Net cash provided by (used in) investing activities	(15,667)	(27,657)

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	300,000	200,000
Repayments of long-term borrowings	(314,916)	–
Repayments of lease liabilities	(11,812)	(8,908)
Dividends paid	(76,563)	(51,103)
Net cash provided by (used in) financing activities	(103,292)	139,987
Effect of exchange rate change on cash and cash equivalents	–	549
Net increase (decrease) in cash and cash equivalents	(19,769)	37,997
Cash and cash equivalents at beginning of period	713,916	777,359
Cash and cash equivalents at end of period	694,147	815,357

(4) 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. Six months ended March 31, 2023 (from October 1, 2022 to March 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 Management Business	Total				
Net sales								
(1) Sales to external customers	3,090,512	1,508,474	2,834,577	7,433,564	6,165	7,439,729	–	7,439,729
(2) Intersegment sales or transfers	780	195	2,857	3,832	151,656	155,488	(155,488)	–
Total	3,091,292	1,508,669	2,837,434	7,437,396	157,821	7,595,217	(155,488)	7,439,729
Segment profit (loss)	137,931	51,710	134,982	324,624	(3,254)	321,369	(82,717)	238,652

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 (¥82,717) 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. Six months ended March 31, 2024 (from October 1, 2023 to March 31, 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	4,196,927	1,877,297	3,055,704	9,129,929	5,250	9,135,179	–	9,135,179
(2) Intersegment sales or transfers	3,315	103	7,052	10,470	158,930	169,400	(169,400)	–
Total	4,200,242	1,877,400	3,062,757	9,140,400	164,180	9,304,580	(169,400)	9,135,179
Segment profit	321,712	54,925	263,121	639,759	13,525	653,285	(146,116)	507,169

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 (¥146,116) 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.

Significant subsequent events

Not applicable.