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February 12, 2025

Consolidated Financial Results for the Three Months Ended December 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 commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of 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, 2024 (from October 1, 2024 to December 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	%
Three months ended December 31, 2024	4,936	17.4	233	73.9	244	65.1	151	43.1
December 31, 2023	4,205	27.2	133	529.4	148	231.3	105	204.3

Note: Comprehensive income For the three months ended December 31, 2024: ¥171 million [81.4%]
 For the three months ended December 31, 2023: ¥94 million [129.4%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2024	30.29	30.14
December 31, 2023	21.19	20.99

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	6,489	2,744	42.3
September 30, 2024	5,931	2,674	45.1

Reference: Equity

As of December 31, 2024: ¥2,744 million
 As of September 30, 2024: ¥2,674 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, 2024	–	10.00	–	20.00	30.00
Fiscal year ending September 30, 2025	–				
Fiscal year ending September 30, 2025 (Forecast)		15.00	–	15.00	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, 2025 (from October 1, 2024 to September 30, 2025)

(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, 2025	9,700	6.2	404	(20.3)	409	(21.4)	265	(17.8)	53.23
Fiscal year ending September 30, 2025	19,018	7.9	600	0.7	613	(2.7)	453	5.8	90.86

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: Yes
 - (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, 2024	5,285,600 shares
As of September 30, 2024	5,285,600 shares

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

As of December 31, 2024	270,008 shares
As of September 30, 2024	291,008 shares

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

Three months ended December 31, 2024	4,999,614 shares
Three months ended December 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 December 31, 2024, and 125,600 shares as of September 30, 2024). 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, 2024, and 125,600 shares for the three months ended December 31, 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. Qualitative information on quarterly financial results” on page 4 of the attached material.

Attached Material

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results for the period

During the three months ended December 31, 2024, although there was a risk that a downturn in overseas economic conditions could dampen business in Japan, in the context of a continued uncertain outlook including increasing geopolitical risk as well as steep increases in raw materials and labor prices, Japan's economy made a moderate recovery against the backdrop of an improving employment and income environment, partly due to various policies.

Under these circumstances, the Group started a new three-year Medium- to Long-Term Management Plan, its fifth, from this fiscal year and announced the "2025-27 Medium-Term Management Plan Go Beyond! Next 20" in December 2024. With target consolidated financial results for the fiscal year ending September 30, 2027 of net sales of ¥27.0 billion, operating profit of ¥950 million, and ROE of 15% or more, we are pursuing goals on two axes that are mutually related but independent: strengthening of the foundations of our existing business organization and improving profitability, and the activities of the X-value unit, which is tasked with creating new value. This is being done as part of our business development strategy under a theme of "strengthening investment to improve capital efficiency."

In this first quarter, which marks the start of the plan, with the tourism industry continuing to enjoy favorable conditions, we agreed to a strategic partnership with TechMagic Inc. (Headquarters: Koto-ku, Tokyo, Founder & CEO: Yuji Shiraki), which creates a new food infrastructure using cutting-edge technologies such as machine learning of artificial intelligence and robotics. The aim of that partnership is to achieve future-oriented hotel and accommodation industry operations, and it will carry out demonstration experiments on automation and labor saving in kitchen, cooking, and other operational areas in hotels.

As a result, consolidated net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the three months ended December 31, 2024 were ¥4,936 million (up 17.4% year on year), ¥233 million (up 73.9% year on year), ¥244 million (up 65.1% year on year), and ¥151 million (up 43.1% year on year), respectively.

A summary of operating results by segment for the three months ended December 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, restaurants and theme parks.

During the three months ended December 31, 2024, the Group opened six new business locations. The opening of large hotels continues as a result of aggressive market entry, centered on foreign brands, and the Company is working as one to support their launch, with quality maintenance as the top priority. In line with this, the outlook for sales results relative to the budget in the three months ended December 31, 2024 attributed to newly consigned projects that will begin this fiscal year is over 80%, and progress is going smoothly.

We also made proactive prior investments in initiatives to increase profitability by strengthening our business foundation through improvement of the workplace environment and workflows. This is done by means such as by hiring full-time local employees overseas, strengthening employee engagement through the introduction of SaaS, and restructuring shift work and labor-related work processes.

The number of net new part-time employees, an important KPI, was 398 in the three months ended December 31, 2024, a level comparable to the previous fiscal year's results; and we will continue to focus on management that takes into account the communication, education and human resource development, and occupational health and safety, which support retention.

As a result, net sales were ¥2,413 million (up 13.9% year on year) and operating profit was ¥211 million (up 17.5% year on year), achieving increases in both sales and profit.

(ii) Food Service Business

This segment is engaged in the operation of employee cafeterias, restaurants in hotels, meal services in senior care facilities, and the like on a consignment basis nationwide.

During the three months ended December 31, 2024, the Group opened five new business locations. Notably, all five of these cases are in the nursing care food sector, which we have been focusing on developing in recent years, and more specifically, they are customers in the form of housing with services for the elderly and clinics. As a result, the share of sales made up by nursing care food increased from the previous 6% range to 7.5% in December.

As part of new initiatives, we have been working on developing menus in collaboration with industry and academia, preparing to offer them in actual restaurants, and promoting SDGs in cooking facilities, which we have been focusing on for some time. Through those and other initiatives, it has been a period of concrete and fruitful value creation in the context of relation with society.

We also felt the need to establish a system for receiving and following up on the increasing number of foreign employees we have been hiring, and we have started preparing to build a concrete system for that.

As a result, net sales were ¥1,095 million (up 14.8% year on year) and operating profit was ¥32 million (up 2.2% year on year), achieving increases in both sales and profit.

(iii) Space Management 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, 2024, performance was strong, exceeding the budget, thanks to contributions to sales and revenue that include demand for the replacement of surveillance cameras and LED signage in the financial industry (banks, life insurance companies, securities companies, etc.), and the replacement of AV and broadcasting equipment at manufacturers, shopping facilities, theme parks, luxury car showrooms, university facilities, and resort hotels. Ahead of the second quarter, where sales will be at their peak, we also felt a positive response in sales and promotional activities.

In addition, in industry-academia collaboration initiatives by Toyo Media Links, we handled equipment sales as well as tasks from planning and proposal to operation for the hands-on art projection VR theater at the “Gacha-fes” learning vacation event hosted by Tsukuba International University Harukaze High School. With a theme of “new learning and emotional experiences for students using hands-on technology,” it attracted attention as a cutting-edge event that promotes the revitalization of local communities.

As a result, net sales were ¥1,432 million (up 26.5% year on year) and operating profit was ¥52 million (compared with an operating loss of ¥7 million in the same period of the previous fiscal year), achieving increases in both sales and profit.

(2) Explanation of financial position for the period

Total assets at the end of the first quarter under review were ¥6,489 million, an increase of ¥558 million compared to the end of the previous fiscal year. This was mainly due to a ¥246 million increase in cash and deposits, a ¥358 million increase in notes and accounts receivable - trade, and contract assets, and a ¥24 million decrease in work in process.

Liabilities increased by ¥488 million from the end of the previous fiscal year to ¥3,744 million. This was mainly due to a ¥148 million increase in notes and accounts payable - trade, a ¥500 million increase in short-term borrowings, a ¥117 million increase in accounts payable - other, a ¥189 million decrease in income taxes payable, and a ¥87 million decrease in provision for bonuses.

Net assets increased by ¥69 million to ¥2,744 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 12, 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, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	906,589	1,152,678
Notes and accounts receivable - trade, and contract assets	2,040,173	2,398,371
Merchandise and finished goods	545,094	586,122
Work in process	27,254	2,567
Raw materials and supplies	17,587	29,874
Short-term loans receivable	10,161	10,161
Accounts receivable - other	5,539	27,269
Other	123,009	102,431
Allowance for doubtful accounts	(462)	(550)
Total current assets	3,674,946	4,308,926
Non-current assets		
Property, plant and equipment		
Buildings and structures	983,950	983,950
Accumulated depreciation	(604,923)	(612,286)
Buildings and structures, net	379,026	371,663
Land	951,628	951,628
Other	233,664	233,614
Accumulated depreciation	(178,684)	(183,804)
Other, net	54,979	49,809
Total property, plant and equipment	1,385,635	1,373,102
Intangible assets		
Goodwill	13,311	11,714
Other	58,570	57,101
Total intangible assets	71,881	68,815
Investments and other assets		
Investment securities	538,668	571,327
Deferred tax assets	104,920	17,027
Other	155,924	150,465
Allowance for doubtful accounts	(852)	(47)
Total investments and other assets	798,661	738,772
Total non-current assets	2,256,178	2,180,689
Total assets	5,931,124	6,489,616

(Thousands of yen)

	As of September 30, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	490,732	639,297
Short-term borrowings	450,000	950,000
Lease liabilities	15,427	13,007
Accounts payable - other	835,075	952,847
Accrued consumption taxes	364,329	285,654
Income taxes payable	200,945	11,371
Provision for bonuses	124,966	37,634
Provision for bonuses for directors (and other officers)	11,866	2,490
Other	364,460	454,445
Total current liabilities	2,857,802	3,346,748
Non-current liabilities		
Lease liabilities	14,060	12,078
Deferred tax liabilities	7,141	10,202
Retirement benefit liability	344,792	344,168
Provision for share awards	3,394	3,394
Long-term accounts payable - other	20,377	19,777
Asset retirement obligations	8,101	8,117
Other	500	500
Total non-current liabilities	398,366	398,239
Total liabilities	3,256,169	3,744,987
Net assets		
Shareholders' equity		
Share capital	393,562	393,562
Capital surplus	279,271	271,384
Retained earnings	1,976,956	2,026,140
Treasury shares	(109,573)	(101,666)
Total shareholders' equity	2,540,216	2,589,421
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	134,738	155,207
Total accumulated other comprehensive income	134,738	155,207
Total net assets	2,674,954	2,744,628
Total liabilities and net assets	5,931,124	6,489,616

(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, 2023	Three months ended December 31, 2024
Net sales	4,205,965	4,936,138
Cost of sales	3,535,862	4,098,277
Gross profit	670,103	837,861
Selling, general and administrative expenses	536,113	604,808
Operating profit	133,989	233,052
Non-operating income		
Interest income	479	436
Dividend income	5,520	6,500
Rental income	3,228	1,744
Other	7,277	8,125
Total non-operating income	16,505	16,806
Non-operating expenses		
Interest expenses	1,998	2,482
Commission expenses	374	336
Foreign exchange losses	–	2,374
Other	47	129
Total non-operating expenses	2,420	5,323
Ordinary profit	148,074	244,536
Extraordinary losses		
Loss on sale and retirement of non-current assets	–	13
Total extraordinary losses	–	13
Profit before income taxes	148,074	244,522
Income taxes - current	13,209	11,797
Income taxes - deferred	29,037	81,269
Total income taxes	42,247	93,066
Profit	105,827	151,456
Profit attributable to owners of parent	105,827	151,456

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended December 31, 2023	Three months ended December 31, 2024
Profit	105,827	151,456
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,051)	20,469
Total other comprehensive income	(11,051)	20,469
Comprehensive income	94,775	171,925
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	94,775	171,925
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to quarterly consolidated financial statements**Note on changes in accounting policies**

Application of the “Accounting Standard for Current Income Taxes,” Etc.

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”), etc. from the beginning of the first quarter of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Guidance of 2022”). This change in accounting policies has no impact on the quarterly consolidated financial statements.

Notes on segment information, etc.*Segment information*

I. 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 Management 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.

II. Three months ended December 31, 2024 (from October 1, 2024 to December 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	2,408,350	1,095,514	1,429,558	4,933,423	2,715	4,936,138	–	4,936,138
(2) Intersegment sales or transfers	4,986	280	2,617	7,883	77,505	85,388	(85,388)	–
Total	2,413,336	1,095,795	1,432,175	4,941,306	80,220	5,021,527	(85,388)	4,936,138
Segment profit	211,077	32,164	52,516	295,758	10,488	306,246	(73,194)	233,052

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 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 three months ended December 31, 2024 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first three months of the fiscal year are as follows.

(Thousands of yen)

	Three months ended December 31, 2023	Three months ended December 31, 2024
Depreciation	14,706	16,760
Amortization of goodwill	1,597	1,597

Significant subsequent events

Not applicable.