



Yasutaka Kodama President

WASHHOUSE Co., Ltd.(6537)



Company Information

Market	TSE Growth, FSE Q-Board
Industry	Service business
President	Yasutaka Kodama
HQ Address	86-1, Shinei-cho, Miyazaki-shi, Miyazaki prefecture
Year-end	End of December
HOME PAGE	https://corporate.wash-house.jp/en/

Stock Information

Share Price	Shares Outstanding	Total market cap	ROE Act.	Trading Unit	
¥301	6,919,400 Shares	¥2,082million	0.7%	100 Shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥0.00	0.0%	¥6.86	43.9x	¥247.45	1.2x

*The share price is the closing price on August 29. Number of outstanding shares, DPS and EPS were taken from the financial statements for the second quarter of FY12/23. ROE and BPS were taken from the financial results for the previous term.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Dec. 2019 Act.	2,188	-174	-159	-179	-26.20	8.00
Dec. 2020 Act.	2,182	-124	-90	-128	-18.65	0.00
Dec. 2021 Act.	2,132	-140	-142	-176	-25.62	0.00
Dec. 2022 Act.	1,921	-54	61	11	1.70	0.00
Dec. 2023 Est.	2,481	54	53	47	6.86	0.00

*Unit: million yen, yen. Consolidated values have been used from the term ended December 2018.

This Bridge Report presents earnings results for the second quarter of the fiscal year ending December 2023 of WASHHOUSE Co., Ltd

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Key Points

- In the second quarter of the term ending Dec. 2023, sales were 913 million yen, down 6.2% year on year. The company opened 1 new franchised (FC) laundromat and renovated 7 laundromats. While gross profit grew in the laundromat management division, it declined 2.7% year on year in the FC division as the number of newly opened laundromats decreased by 4 year on year, leading to a drop in profit margin. SG&A expenses decreased 5.2% due to effective cost curtailment. Operating loss was 24 million yen, down 10 million yen year on year.
- In the term ending Dec. 2023, sales are expected to increase 29.1% year on year to 2,481 million yen, and operating income is expected to turn positive as it will increase 108 million yen to 54 million yen, unchanged from the previous announcement (May 11, 2023). The FC business plans to open 35 new laundromats, mainly in Kyushu. The company will continue to focus on improving the profit structure by strengthening the “coin-operated laundry business platform,” such as the advertising business on the WASHHOUSE app and the in-house production of detergents. Dividends will not be paid as in the previous term.
- The company continues to view the term ending Dec. 2023 as the year of change in the revenue structure based on the WASHHOUSE App and we would like to keep an eye on it. The number of the WASHHOUSE App downloads has exceeded 430,000 as of the end of June 2023. If the number of downloads keeps growing at this pace, it will exceed the forecast 500,000 and reach 530,000 to 550,000. App ads, which make use of waiting time at laundromats, are also starting to prove effective. Overseas business operation, which was suspended due to COVID-19, has been restarted, and we would like to expect from their border-crossing e-commerce utilizing the app.

1. Company Overview

WASHHOUSE operates laundromats mainly based on the franchise system, with the aim of creating the global standard in the self-service laundry industry.

The company has developed an unprecedented franchise chain (FC) business system, which unifies the quality of stores by managing and operating all stores concurrently, so that both the FC headquarters and franchised shops can thrive. As a great advantage, the company has a stable earning structure with recurring revenue.

It made inroads into Osaka and Tokyo, embarking on nationwide business on a full-scale basis. It also plans to expand its business outside Japan. As of June 2023, 608 laundromats (543 franchised ones and 65 directly managed ones) are in operation in Tokyo, Osaka and 23 other prefectures.

【1-1 Corporate History Until listing】

When starting up this business, President Kodama pondered over how to keep increasing sales and profit eternally in the age that will certainly witness the decreased birthrate and aging and declining population, whether the business has social meanings, whether there are any forerunners, whether the company can survive competitions, whether the business can be imitated easily, whether it is possible to achieve recurring revenue, and so on from various aspects, and decided to do the laundromat business.

For expanding the scale of business, the FC system is effective, but the FC business is accompanied by the problem of the conflict

between the FC headquarters and franchised stores. In order to solve this problem, the company immediately introduced a call center that is in operation 24 hours a day all year round and the “system for managing and operating all stores at the same time,” which is composed of the swift support based on management webcams and remote control, etc. and reduced the burdens of franchised stores considerably. Its business grew steadily, partially thanks to the expansion of needs due to the increase in the number of working females. From the Kyushu area, including Miyazaki Prefecture, where the business was launched, the company expanded its sales territory, entering Osaka in Dec. 2015 and Tokyo in Jul. 2016.

Then, in Nov. 2016, WASHHOUSE got listed on Mothers of Tokyo Stock Exchange and Q-Board of Fukuoka Stock Exchange. The company moved to the TSE Growth Market in April 2022.

【1-2 Management Philosophy】

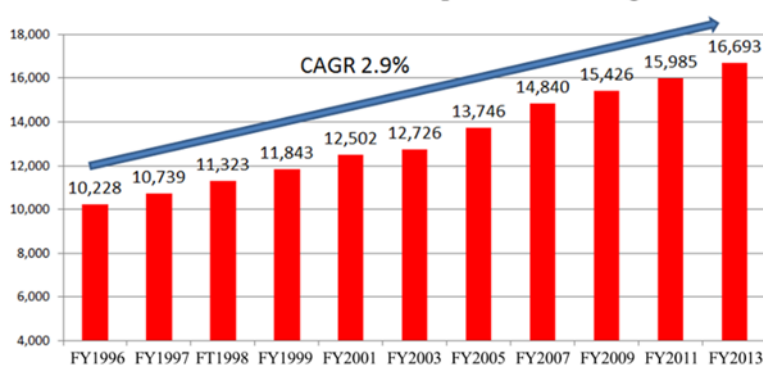
The ethos of WASHHOUSE is “to think about all matters from the viewpoint of customers and keep being demanded by society.” Under this ethos, the company is working on “creation of global standards in the laundromat industry” with the aim of continuously offering satisfactory services to users on behalf of store owners by fully managing laundromats after the opening of the store rather than “just selling self-service laundry equipment and instructing owners to operate it.”

【1-3 Market Environment】

◎ Growing laundromat market

According to the “Survey on coin-operated cleaning facilities” by the Ministry of Health, Labor, and Welfare, although it is somewhat out of date, the number of laundromats in Japan in fiscal year 2013 was 16,693, and that in fiscal 1996 was 10,228, indicating a compound annual growth rate (CAGR) of 2.9%. If it keeps growing at a rate of 3%, it will exceed 18,000 stores in fiscal year 2016, which also exceeds the number of the stores (17,656) of Family Mart ranking second in the convenience store field (as of the end of Nov. 2017) and is approaching the number of stores (19,970) of Seven-Eleven, which ranks first (as of the end of Nov. 2017).

Variation in the number of coin-operated cleaning facilities



Source: “Survey on coin-operated cleaning facilities” by the Ministry of Health, Labour and Welfare

◎ Growth factors

In the background of such growth, there are:

- *Women’s needs for “the reduction in cleaning time” due to the increase of dual-earner households,
- *Measures against allergies, such as the allergy to pollen,
- *Decrease in the use of cleaning services due to the increase of low-priced high-quality clothes,
- *Enhancement of awareness of cleanliness, and so on.

In addition to these external factors, enterprises, including WASHHOUSE, started offering a variety of services considering the convenience for users, and so “users have increased” and then “the number of laundromats has grown.”

According to president Kodama, “rate of utilization,” which indicates how many households use laundromats among all households living within 2 km from a store, was about 3% on national average 10 years ago, but it is now 5-8%, and expected to increase further.

◎ Market players

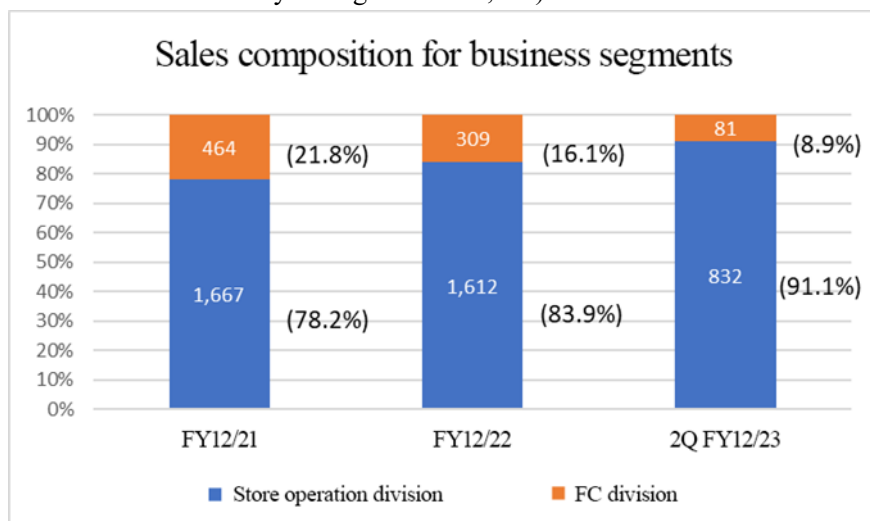
It is difficult to obtain detailed information, but the number of main players in the self-service laundry market is said to be 4 to 5. WASHHOUSE has the largest number of laundromats with the same brand, and is the only listed company in this field.

Although many enterprises carry out the FC business for growth (increasing in the number of stores), WASHHOUSE possesses an unparalleled “system for managing and operating all stores at the same time,” which was developed in pursuing the streamlining of business operation and unification of quality. (For details, see “1-5 Characteristics and Strengths.”)

【1-4 Business Description】

1. Composition

In the term ending Dec. 2022, the number of divisions will change from three (FC Division, Store Management Division, and Directly Managed Division, etc.) to two ((1) FC Division (former FC Division) and (2) Store Operation Division (Former Store Management Division + former Directly Managed Division, etc.).



(1) FC division

WASHHOUSE created a unique operation-supported FC division.

The company selects candidate places for opening laundromats, sells “a set of WASHHOUSE laundromat systems,” which contains the design, interior finish work, equipment installation, etc. in a WASHHOUSE brand store, to franchisees, and receives the preparation fees for opening store, including advertisements, and fees for franchise rights.

For increasing franchisees, the company adopts the division system where sales staff visit possible franchisees, with which telephone staff set up an appointment, so that sales staff can concentrate on more active sales activities without the mental burden of sales calls. In addition, business simulation, contract production, etc. are conducted by other staff, so that sales staff can devote themselves to “footwork.” Furthermore, by concluding business matching contracts with financial institutions, etc., the company is accumulating information on sites for building laundromats and candidate owners and developing a “system” for increasing laundromats.

WASHHOUSE designs a plan to open new laundromats for each term based on the accumulated data on correlative relations of “the number of years of career of sales staff and achievements of opening franchised stores.”

(2) Store operation division

The company is entrusted with store management for all FC stores and reports the operational status, including store income and expenditure, to the FC owners monthly. The company operates the former store management division, which receives coin laundry management income from FC owners by deducting it from monthly sales, and the coin laundry “Wash House” as directly managed stores and receives a fee from store users for the use of washing machines and dryers. This division also includes the revenue from the Wash House Application.

●Former Store Management Division

In order to keep each store “reliable, safe, and clean,” WASHHOUSE provides franchisees with such services as

- * 24/7 Call centers
- * Swift support based on management webcams and remote control

- * Daily inspection and cleaning
- * Replenishment of detergents
- * Maintenance patrol
- * Advertisement

Sales are composed of the fees for store management and system maintenance, sales of detergents, cleaning fees, advertising charges, etc.

Since franchisees need not manage their laundromats, if they can bear initial investment costs, they can own multiple stores, increase revenue, and reduce the risk of revenue fluctuation with stores being operated in different regions.

●Former Directly Managed Division, etc.

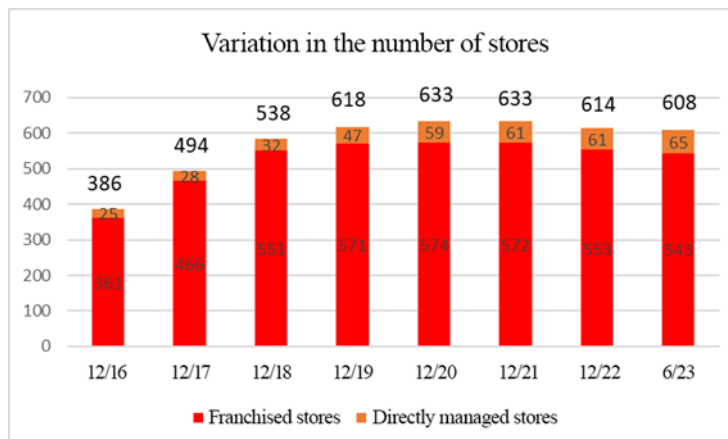
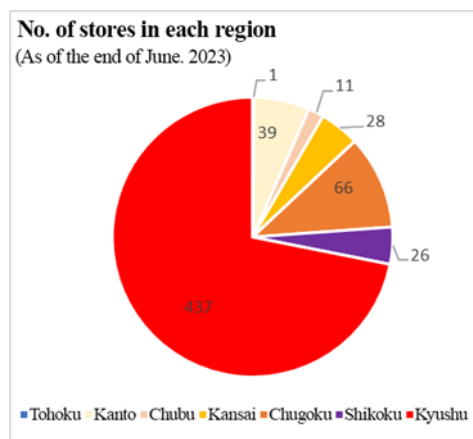
The company directly manages some of “WASHHOUSE” laundromats, receiving the charges for washing and drying machines from users. A directly managed store is opened mainly when entering a new area. It takes the roles as an antenna shop, such as popularizing the “WASHHOUSE” brand as a “reliable, safe, and clean” laundromat, promoting possible users to use it, and offering a store model to franchisees and landowners (individuals and corporations that are thinking of utilizing their real estate).

In addition, the company receives commission fees related to the calculation of expenses for laundromat operation, etc. from enterprises. Income from WASH House application, etc.

2. Store operation

As of June 2023, WASHHOUSE operates 543 franchised stores and 65 directly managed stores, that is, a total of 608 stores in Tokyo, Osaka and 23 other prefectures.

The company will continue nationwide business operations.



【1-5 Characteristics and strengths】

(1) Creation of a new FC business system

WASHHOUSE can be characterized most by its unique FC business model.

In ordinary FC business, a conflict between the FC headquarters and franchisees tends to emerge.

While franchisees pay franchise fees and royalties to the FC headquarters, the FC headquarters permit them to use a brand name, offer know-how to them and supply products to them, but store operation, staffing, etc. must be carried out by franchisees on their own responsibility.

For franchisees, the operation and management of stores are significant burdens. If their business performance is favorable, there are no problems, but if sales are sluggish, the franchisee complains, “the system of the headquarters is poor,” while the FC headquarters blames, “the education in the franchisee is poor,” and these complaints lead to a lawsuit in many cases.

Meanwhile, WASHHOUSE introduced the “system for managing and operating all stores at the same time.” As mentioned above, the company conducts all the necessary tasks for operating and managing franchised stores: As mentioned above, 24/7 Call centers, Swift support based on management webcams and remote control, Daily inspection and cleaning, Replenishment of detergents, Maintenance





patrol, Advertisement. As a consequence, franchisees are free from the burdens of store operation. In addition, since the company targets real estate that would have sales of over 1 million yen, it has meticulously surveyed the market, including local population, age distribution, income state, etc. and accumulated know-how for cultivating profitable property. Thanks to the combination of the system for fully managing stores and the capability of cultivating profitable real estate, the satisfaction level of franchisees is very high, contributing to outstanding results of no closing stores caused by poor performance up until the current 18th term.

(2) Bright, clean, easy-to-use stores

A laundromat generally reminds us of a “dimly-lit, eerie and dirty” place, but WASHHOUSE operates “reliable, safe, and clean” stores with the unified brand targeting women and families including children.



(Taken from the website of WASHHOUSE)

Clean, bright store	Webcam	Information station	Spot remover
			
The laundromats of WASHHOUSE are cleaned by specialized staff every day, so that customers can use them comfortably.	Each store is equipped with multiple webcams, which record the inside of the store.	Each store is equipped with a touch panel for checking how to use a laundromat, weather forecast, fortune-telling, etc.	Stores are equipped with a stain removing machine, which can be used free of charge. (Not available at some of its stores)

(Taken from the website of WASHHOUSE)

In the past, using a laundromat was considered as one of “sloppy acts in homemaking.” However, there is a growing interest in laundromats, which can wash and dry a larger amount of clothes in a shorter period of time than household washing machines, as the employment rate for women rose, high-rise condominiums increased, and the life-work balance changed. Especially, the washing of large items, such as futons and carpets, for removing ticks and allergens is attracting attention, due to the rising health consciousness. In addition, the needs for laundromats mounted with equipment for washing and drying kids’ sneakers are getting stronger.

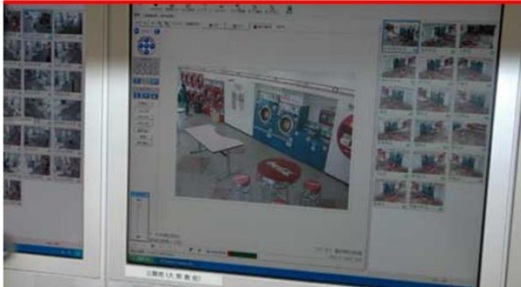
In these circumstances, the company installs the following equipment for meeting the needs of consumers:

- * Washing machines with a capacity of 22 kg, which can wash a full-sized futon, and dryers with a capacity of 25 kg (in standard stores),
- * Sneaker laundry equipment, which can wash sporting shoes, sneakers for commuting to school, etc.
- * Devices for removing stains free of charge (Spot remover)

Furthermore, all stores are monitored by management webcams 24 hours a day, and mounted with IoT laundry equipment, which can

be controlled remotely by the headquarters, so as to offer real-time support like manned stores, although the laundromats are unmanned. Like this, the company has established a system that can be used by users without worry.

Remote control



Even when a machine cannot be activated or stops while washing, it can be remotely controlled by WASHHOUSE. Accordingly, users can use the machine without worry.

Call center in operation 24 hours a day all year round



WASHHOUSE operates a call center 24 hours a day all year round, so that call center operators can deal with troubles by telephone.

(Taken from the website of WASHHOUSE)

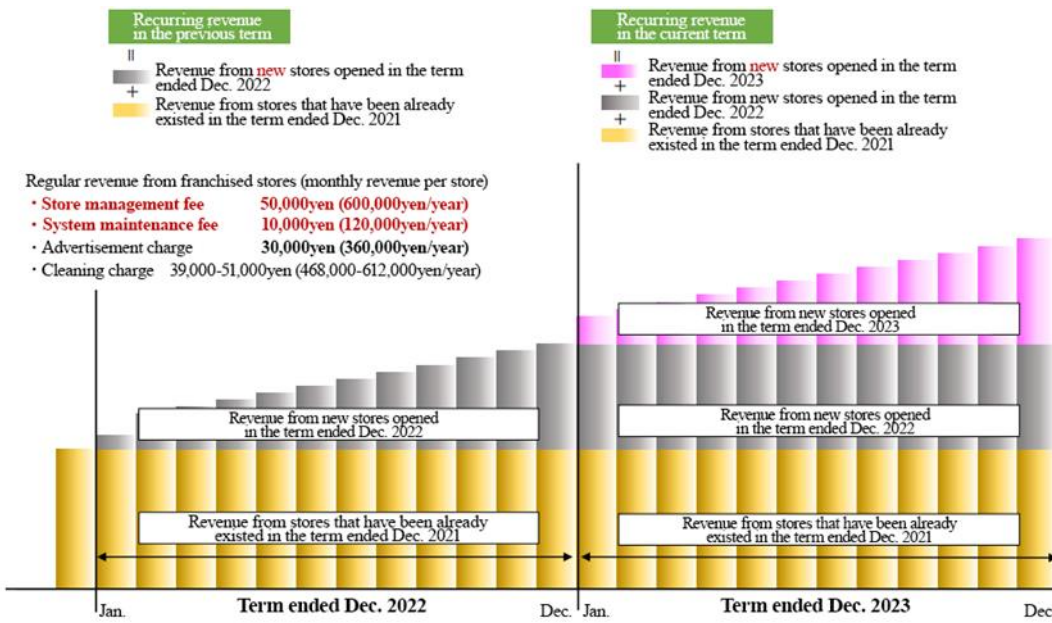
The company also indicates the components of detergents and the temperature in each dryer, to dispel the worries of consumers. In order to keep stores clean, the company cleans stores every day, including the cleaning of the filters of dryers and the sterilization of washing machines.

In addition, in April 2020, the company released the WASH House App, a smartphone payment application for coin laundries. The app is aimed at strengthening the coin laundry business as a platform and is equipped with cashless payment functions and information distribution functions such as special coupons, and it was installed in all WASH House stores at the end of May 2020. The company has also incorporated functions to create collaborations with a wide variety of other industries and will continue to work to create stores that are needed by users by providing them with meaningful information and highly convenient services that are closely related to their daily lives.

(3) Stable earning structure with recurring revenue

The sales from the store management business are composed of the monthly store management fee (50,000 yen per store), the fee for system maintenance (10,000 yen), ad charge (30,000 yen), cleaning charge (about 40,000 yen), etc., that is, a total of about 130,000 yen/month.

BRIDGE REPORT



(Taken from the website of WASHHOUSE)

Like this, sales from the store management business grow steadily, as the sales from new stores are added to those from existing stores, year by year.

Meanwhile, the satisfaction level of franchisees is very high, as seen by the fact that no stores have been closed because of poor performance up until now. Therefore, there is a low possibility that the number of stores will decrease.

The revenue from Washhouse Financial is stable and recurring. This fortifies the stable revenue structure of the company.

(4) Efforts for improving the soundness of the self-service laundry market

Although the laundromat market is growing, president Kodama mentioned that there remain a lot of problems, including the issue of compliance with the law.

For example, the dryers in a laundromat consume a large volume of gas, and so the Fire Service Act, the Building Standards Act, etc. specify the materials for exhaust ducts, how to install them, etc. in detail, for safety reasons. However, there are many illegal installations. Some laundromat operators try to reel in users by offering to wash clothes on behalf of customers as a measure for differentiating their services from competitors, but they are very likely to be violating the dry cleaning business law.

The dry cleaning business law enforced in 1950 set forth the following provisions from the viewpoint of maintaining public health.

(Excerpt from the dry cleaning business law)

Section	Provision	In other words
Article 2	2 In this law, a “dry cleaning business operator” means a person who operates dry cleaning business (including a person who does not wash clothes but receives and delivers the laundry).	A person who folds up clothes, too, is recognized as a dry cleaning business operator.
	3 In this law, a “dry cleaner” means a person who has obtained a license described in Article 6.	In order to conduct dry cleaning business, it is necessary to obtain a dry cleaner’s license.
	4 In this law, a “dry cleaning shop” means a facility of a dry cleaning business operator for handling, receiving, and delivering the laundry.	In order to open a dry cleaning shop, it is necessary to notify the governor of the prefecture. In addition, the dry cleaning shop needs to undergo the governor’s inspection before use. A dry cleaner need to be employed at each dry cleaning shop.

In a nutshell,

- * Even if a laundromat operator obtains a dry cleaner's license, he/she cannot offer services of handling and folding up the laundry, etc. at a laundromat, which is not a dry cleaning shop.
- * The washing machines and dryers inside a facility registered as a dry cleaning shop is exclusively for dry cleaning business operators, and so they cannot be used by others (users of laundromats) from the viewpoint of hygiene.

Despite the existence of these laws, in order to avoid the guidance from a public health center, some business operators set a counter inside their stores, install washing machines, explain "We use this washing machine," but actually they wash the laundry of users with unregistered laundromat equipment outside the counter (not installed ones), and fold up the laundry.

In this situation, president Kodama considered that in order to promote the use of laundromats, it is indispensable to develop "reliable, safe, and clean" laundromats inside his company and improve the soundness of the self-service laundry industry, therefore established the National Association of Laundromat Operators in Dec. 2003.

This association specified the operation standards for equipment and hygienic management complying with laws, regulations, etc. At present, the directly managed stores and franchised laundromats of WASHHOUSE belong to this association, which takes the roles of improving the soundness of this industry and educating general consumers (about the usefulness of laundromats, etc.).

2. Second Quarter of the Year ending December 2023 Earnings Results

(1) Business Results (Cumulative)

	2Q of FY 12/22	Ratio to Sales	2Q of FY 12/23	Ratio to Sales	YoY
Sales	974	100.0%	913	100.0%	-6.2%
Gross profit	345	35.5%	336	36.8%	-2.7%
SG&A	380	39.0%	360	39.5%	-5.2%
Operating Income	-34	-	-24	-	-
Ordinary Income	8	0.9%	-11	-	-
Quarterly Net Income	2	0.2%	-14	-	-

*Unit: million yen.

Revenue decreased and deficit reduced

Sales decreased 6.2% year on year to 913 million yen. One new laundromats were opened in the FC business. Seven laundromats were renovated. Gross profit declined 2.7% year on year due to a decrease in the number of new franchise stores by 4 and a deterioration in profit margins, despite an increase in profits in the store operations division. SG&A expenses decreased 5.2% due to the effects of cost control. Although operating loss was 24 million yen, it improved by 10 million yen year on year.

(2) Sales trend in each business segment

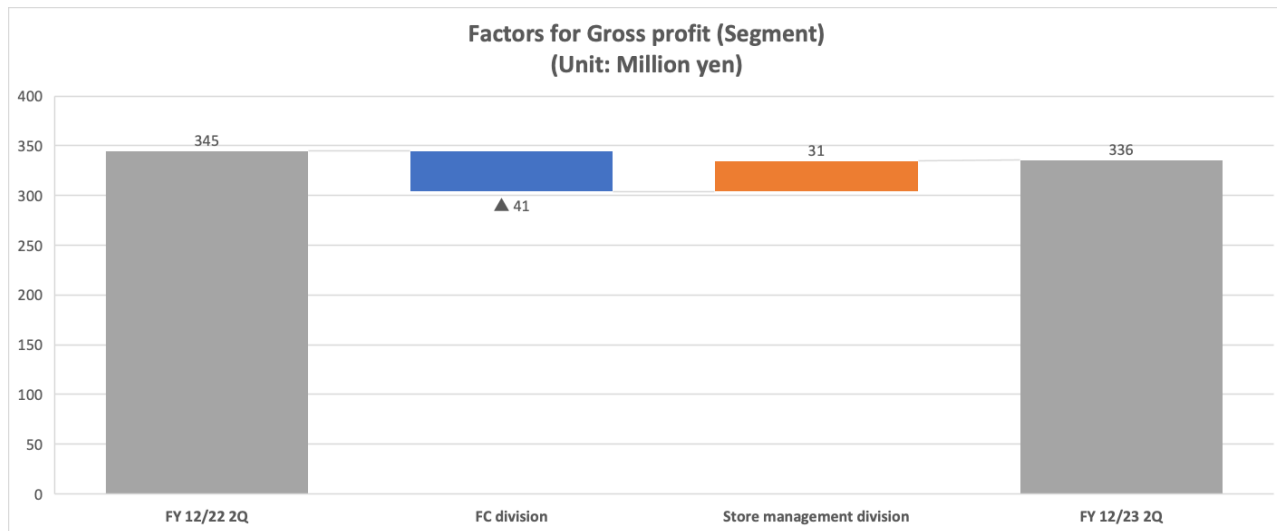
	2Q of FY12/22	Ratio to Sales	2Q of FY12/23	Ratio to Sales	YoY
Sales					
FC division	178	18.3%	81	8.9%	-54.7%
Store management division	795	81.6%	832	91.1%	4.6%
Total	974	100.0%	913	100.0%	-6.3%
Gross profit					

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FC division	58	32.5%	17	21.2%	-70.7%
Store management division	287	36.2%	318	38.3%	10.8%
Total	345	35.5%	336	36.8%	-2.6%

*Unit: millions of yen. Composition of gross profit is gross profit ratio.



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

① FC division

The number of new franchise stores opened during the period decreased by 6, resulting in 543 franchise stores at the end of June 2023. Despite the opening of 1 new laundromat, sales and profit declined as the category of 2 laundromats was changed (to directly managed ones) and 6 laundromats were closed due to owner circumstances as well as expiration of the contract and seizure of the land. Gross profit margin dropped 11.3 points due to the decrease in the number of laundromats.

② Store management division

Four franchise stores were converted to directly managed stores. Therefore, sales increased 4.6% year on year due to the increase in the number of managed laundromats.

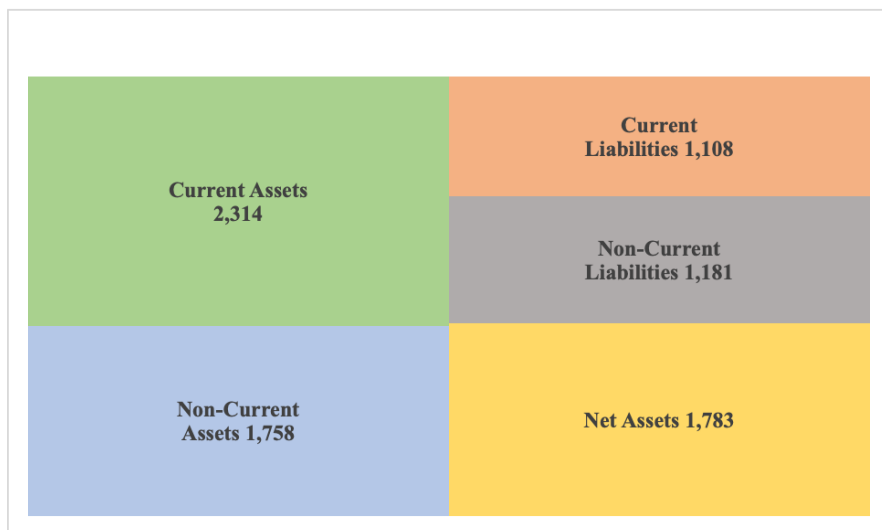
Gross profit margin increased by 2.2 points due to the effects of cost control.

(3) Financial standing and cash flows

◎Main BS

	End of Dec. 21	End of Jun. 23		End of Dec. 22	End of Jun. 23
Current Assets	2,488	2,314	Current liabilities	1,245	1,108
Cash	1,097	934	Deposits received	406	355
Receivables	124	124	Noncurrent liabilities	1,248	1,181
Operating loans	969	939	Guarantee deposited	798	785
Noncurrent Assets	1,794	1,758	Borrowing Balance	865	821
Tangible Assets	1,251	1,212	Total Liabilities	2,494	2,289
Intangible Assets	132	128	Net Assets	1,788	1,783
Investment, Others	409	417	Shareholder's Equity	1,688	1,673
Total Assets	4,282	4,072	Total Liabilities and Net Assets	4,282	4,072

*Unit: million yen



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

Due to a decline in cash, current assets decreased 173 million yen year on year from the end of the previous term. Total assets decreased 209 million yen year on year to 4,072 million yen due to a decrease of 35 million yen in tangible assets due to a decrease of directly managed stores.

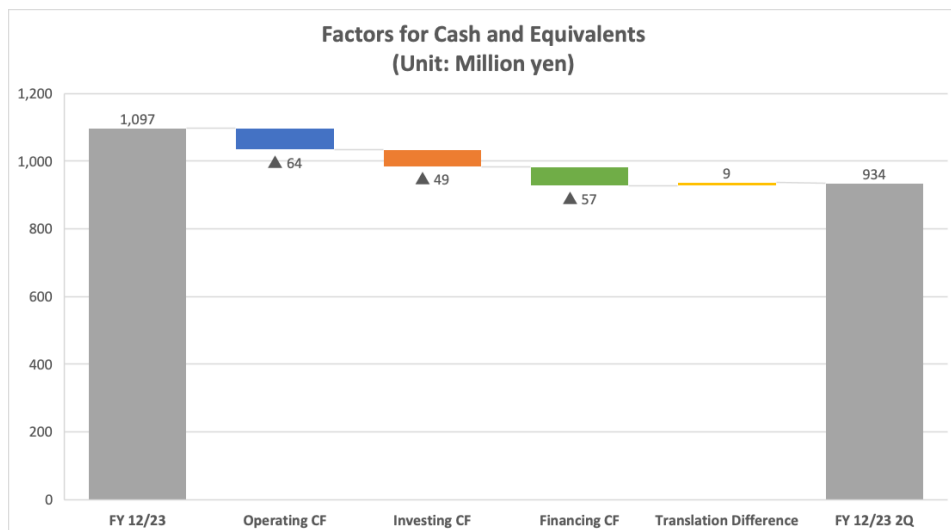
Total liabilities decreased by 204 million yen to 2,289 million yen due to decreases in deposits received and the balance of borrowing. Net assets decreased by 5 million yen to 1,783 million yen due to the expansion of the deficit of retained earnings.

As a result, the equity ratio was 41.8%, improved 1.8 points from the end of the previous period.

◎Cash Flow

	2Q of End of FY 12/22	2Q of End of FY 12/23	Increase/decrease
Operating Cash Flow	-190	-64	+126
Investing Cash Flow	28	-49	-77
Free Cash Flow	-162	-113	+49
Financing Cash Flow	244	-57	-301
Term End Cash and Equivalents	1,037	934	-103

*Unit: million yen.



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

Although the investing cash flow worsened, free cash flow improved as operating cash flow significantly improved. There were no short or long-term loans this term, leading to a cash outflow from financial activities. The cash position worsened.

3. Fiscal Year ending December 2023 Earnings Forecasts

Forecasts of Consolidated Business Results

	FY Dec. 22	Ratio to Sales	FY Dec. 23 Est.	Ratio to Sales	YoY
Sales	1,921	100.0%	2,481	100.0%	+29.1%
Gross profit	668	34.8%	-	-	-
SG&A	723	37.6%	-	-	-
Operating Income	-54	-2.9%	54	2.2%	-
Ordinary Income	61	3.2%	53	2.2%	-12.0%
Quarterly Net Income	11	0.6%	47	1.9%	+303.5%

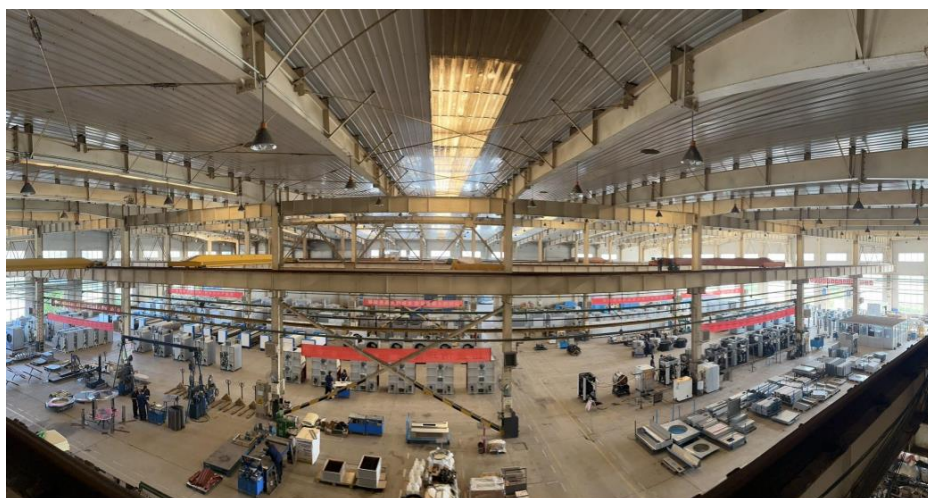
*Unit: million yen.

The forecast for the term ending Dec. 2023 remains unchanged from the previous announcement (May 11, 2023). Sales are expected to increase 29.1% year on year to 2,481 million yen, and operating income is expected to turn positive as it will increase 108 million yen to 54 million yen. The FC business plans to open 35 new laundromats, mainly in Kyushu. The company will continue to focus on improving the profit structure by strengthening the “coin-operated laundry business platform,” such as the advertising business on the WASHHOUSE app and the in-house production of detergents. Dividends will not be paid as in the previous term.

4. Topics

◎Travel to China for the first time in three and a half years

They traveled to China for the first time in three and a half years, as they suspended the travel to China and Thailand due to COVID-19. The prospects for original washing and drying machines now look brighter (the image below shows the production line in China). The company will aim for completion in November this year. If they complete it, they will be able to open laundromats in Japan, China, and Thailand.



(Taken from the company announcement)

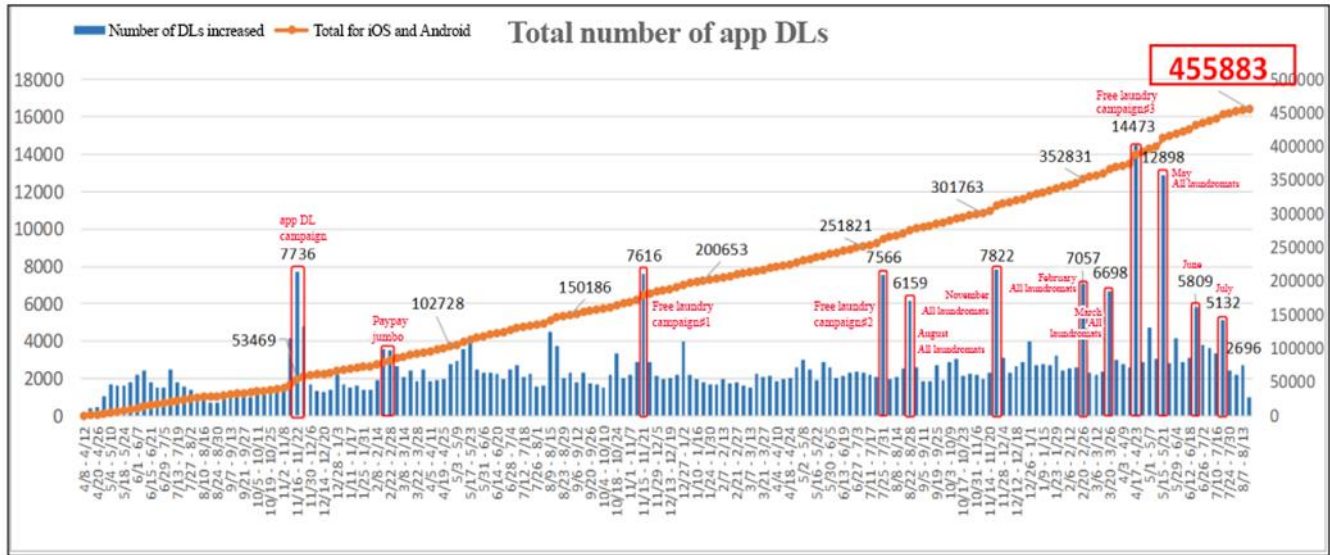
◎Restart of sales promotion campaigns

November 19th to 21st, 2021: First experiment of making WASHHOUSE charge-free in Miyazaki Prefecture and Fukuoka Prefecture (23 laundromats)

July 29th to 31st, 2022: Second experiment of making WASHHOUSE charge-free in Miyazaki Prefecture, Fukuoka Prefecture and Kumamoto Prefecture (84 laundromats)

April 21st to 23rd, 2023: Third experiment of making WASHHOUSE charge-free in Tokyo and 15 other prefectures (150 laundromats)

Number of app downloads (total as of August 15, 2023)



(Taken from the company announcement)

The number of app downloads is the key to ad spaces. The increase in advertisement fees will make it possible to provide washing and drying for free.

The company plans to organize the fourth experiment of making WASHHOUSE charge-free (September 22nd to 24th, 2023).

Furthermore, they are currently organizing “Event for Thanking Loyal Customers!”, a campaign where users can get Miyazaki beef by paying with the app, from August 1st to September 15th. Users can come to do laundry for free and 200 out of them win Miyazaki beef. Moreover, the company is planning the second “Event for Thanking Loyal Customers!” from October 1st to November 30th, where 300 users can get Miyazaki beef in the same way.

Owing to these campaigns, the number of app downloads is growing at a pace exceeding the company’s forecast by about 10% and is forecast to reach the goal of 500,000 downloads by this October.

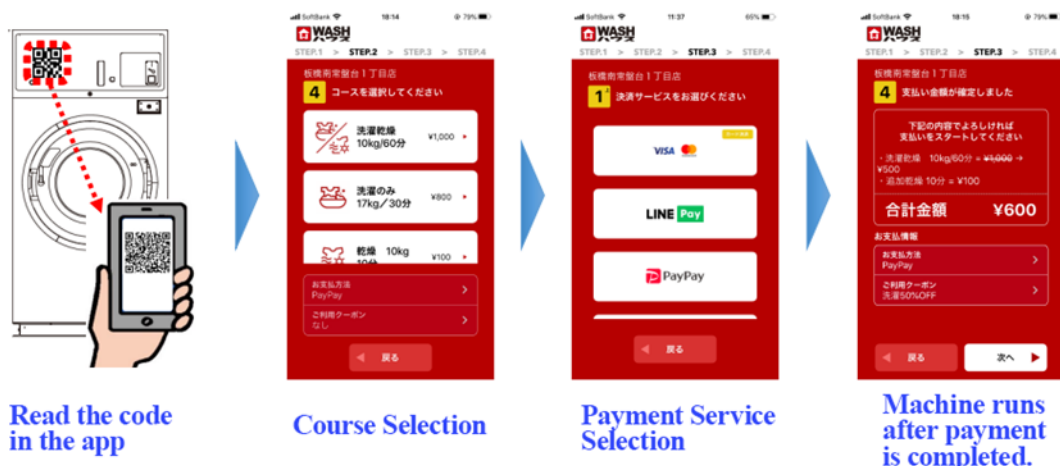
5. Conclusions

The company still views the term ending Dec. 2023 as the year in which its earning structure will change through the WASHHOUSE app, so we will continue to keep an eye on it. By the end of June 2023, the number of downloads of the WASHHOUSE app exceeded 430,000. If the pace continues at the current pace, the number is expected to exceed the planned 500,000 and reach 530,000-550,000. The app advertisements that utilize the waiting time at a laundromat are beginning to show results. Overseas expansion, which had been halted in Corona, has also resumed, and we look forward to more cross-border e-commerce utilizing the app.

The following three WASHHOUSE app characteristics are drawing attention.

① Cashless payment system

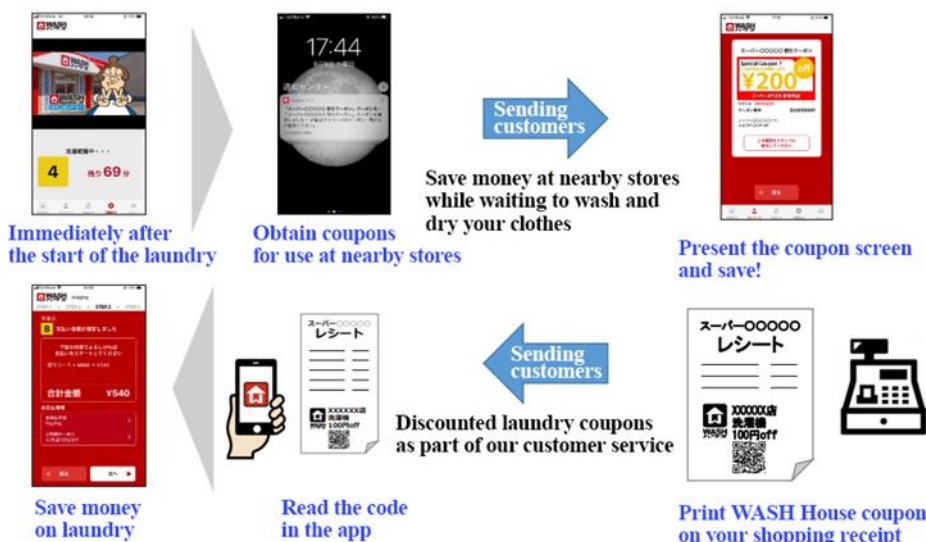
Compatible with multiple payment services allowing for cashless payment without using coins (currently compatible with 12 types of cashless services)



(Taken from the company announcement)

② System for mutual customer referral

Mutually guides customers to visit WASHHOUSE, nearby supermarkets, etc., aiming for reciprocal increase in the number of users and elevation of recognition.



(Taken from the company announcement)

③ Advertisement system

They started to accept advertisement submissions for ad spaces in November 2020. The income from the advertisement system will likely become a significant turning point for “changing the revenue structure” of the company.

Customers will see the ad within the app (video ads, banner ads, etc.) when they use the laundromat, check the end time and when their laundry ends, making it possible for the advertising party to post an ad which will get many hits.

A new behavioral pattern of “doing something during laundry waiting time” has emerged. Moreover, three-dimensional campaign promotion utilizing both the app and laundromats is now possible.

<Reference: Regarding Corporate Governance>

◎ Organization type and the composition of directors and auditors

Organization type	Company with an audit and supervisory board
Directors	6 directors, including 1 outside one
Auditors	3 auditors, including 2 outside ones

© Corporate Governance Report

Last update date: March. 30, 2023

<Basic policies>

Our company will comply with laws, carry out fair and transparent corporate activities, and contribute to the regional community by achieving growth. Additionally, we will strive to gain trust from all concerned stakeholders including shareholders, customers, clients, employees, and the regional community and plan to expand global corporate activities in the future.

Furthermore, we aim to maximize our corporate value by improving the management's fairness and transparency, making agile adaptation to environmental changes, strengthening our competitiveness, and striving to build a corporate governance structure according to our company's growth.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

The company mentioned, "We will implement all of the basic principles."

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