



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	<a href="https://www.wash-house.jp/">https://www.wash-house.jp/</a>

## Stock Information

Share Price	Shares Outstanding	Total market cap	ROE Act.	Trading Unit	
¥304	6,925,400 Shares	¥2,285million	-	100 Shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥0.00	-	¥6.31	52.3x	¥243.19	1.4x

\*The share price is the closing price on March 8. All figures were taken from the financial statements for FY 12/23.

## Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 Act.	1,914	13	26	-33	-4.83	0.00
Dec. 2024 Est.	2,505	36	26	43	6.31	0.00

\*Unit: million yen.

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

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## Key Points

- The sales in the fiscal year ended December 2023 were 1,914 million yen, down 0.4% year on year. In the FC division, they first planned to open 35 new laundromats, but the actual number of laundromats opened was 2. On the other hand, renovation progressed as planned as a whole. In the store operation division, they conducted active laundromat operation, resuming continuous sales promotion campaigns, which were suspended during the COVID-19 pandemic. Weather conditions were unfavorable for the company because the number of sunlight-less days was small, but the sales of existing laundromats increased 8% year on year. The target number of app downloads was achieved about 2 months earlier than expected. Operating income was 13 million yen (a loss of 54 million yen in the previous fiscal year). In terms of profit, they moved into the black, as gross profit margin improved and SG&A expenses decreased.
- For the fiscal year ending December 2024, sales are expected to grow 30.9% year on year to 2,505 million yen and operating income is projected to rise 177.5% year on year to 36 million yen. They plan to further grow “the self-service laundry business as a platform.” In the FC division, they plan to install new laundry equipment, which would lead to a big leap in the media business, in new laundromats in the second half. In the store operation division, they plan to hold greater sales promotion campaigns than those in the previous fiscal year. In the first half of the fiscal year, they will engage in mainly marketing activities, and in the second half, they will open new laundromats at an accelerated pace.
- In the fiscal year ended December 2023, the company faced difficulty in securing real estate for opening laundromats, and revised the forecast downwardly in November. In that situation, the sales of existing laundromats increased steadily, securing an operating income. The number of app downloads was achieved earlier than forecast. Namely, the company is not struggling, despite the downward revision to the forecast. Under these circumstances, it is likely that their efforts will finally pay off in the fiscal year ending December 2024. As the installation of original laundry equipment and the business operation in China would significantly change the revenue structure of the company, we would like to pay attention to the status of opening of laundromats. Since 2017, the company’s share price has been low for a long period of time, but if their revenue structure changes as expected through the installation of original laundry equipment, the evaluation in the stock market will change considerably. Firstly, we would like to pay attention to the status of development of prototypes, which is scheduled to be conducted in the first half, and the progress toward subsequent presentations.

## 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 December 2023, 597 laundromats (533 franchised ones and 64 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】

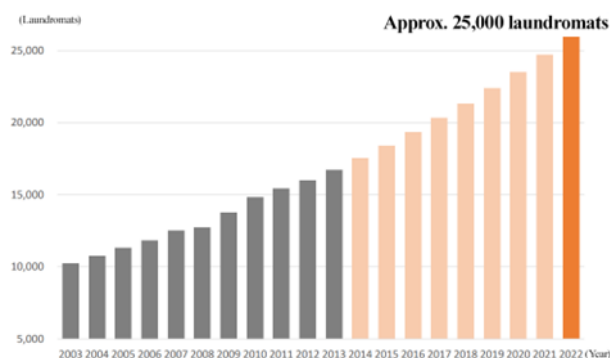
The ethos of WASHHOUSE is “to think about all matters from the viewpoint of customers and keep being demanded by society.”

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

The number of laundromats in Japan in fiscal 2013 was 16,693 (“Survey on coin-operated laundry facilities” by the Ministry of Health, Labour and Welfare). According to the surveys of the Ministry of Health, Labour and Welfare, the number of laundromats is increasing by around 5% per year. After the listing of the company in 2016, a trend of opening self-service laundromats emerged, so the number of laundromats reached around 25,000 in 2022, and has been increasing. This indicates that an increasing number of people make a habit of using a self-service laundry.



(From 2014 onwards, estimates by WASHHOUSE)

#### ◎ 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

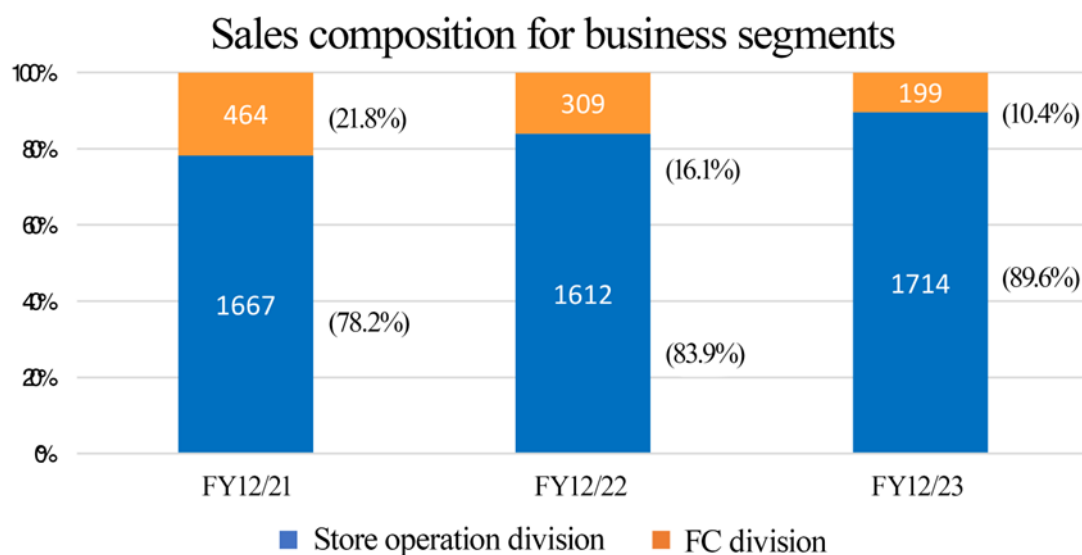
It is difficult to obtain detailed information, but the number of main players in the self-service laundry market is said to be 4 to 5. WASHHOUSE has the largest number of laundromats with the same brand, and is the only listed company in this field.

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 ended 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.**

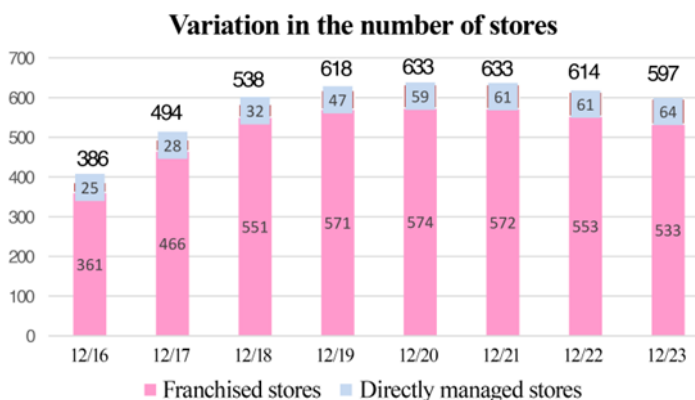
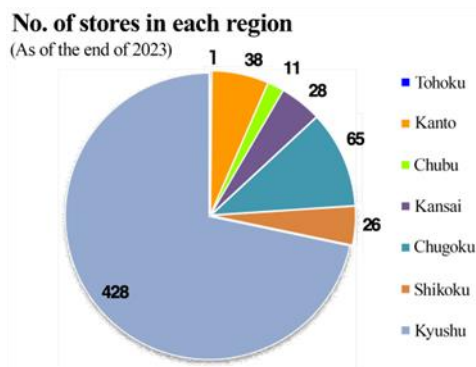
The company directly manages some of “WASHHOUSE” laundromats, receiving the charges for washing and drying machines from users.

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 December 2023, WASHHOUSE operates 533 franchised stores and 64 directly managed stores, that is, a total of 597 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 now.

**(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)

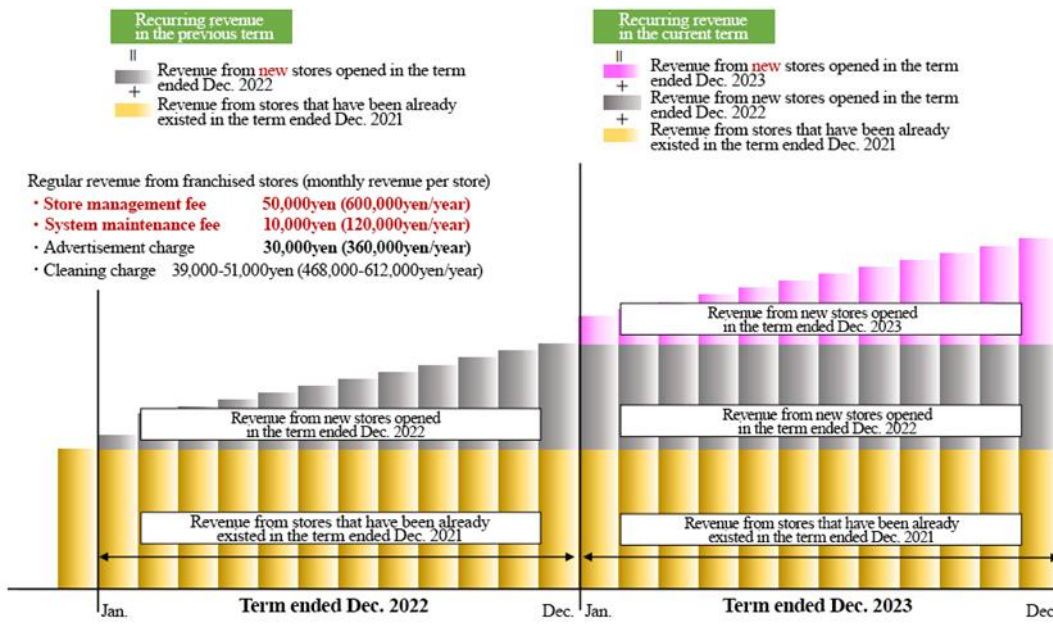
The company also indicates the components of detergents and the temperature in each dryer, to dispel the worries of consumers. In order to keep stores clean, the company cleans stores every day, including the cleaning of the filters of dryers and the sterilization of washing machines.

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.
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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.).

**【1-6 Business developments】**

After the listing of WASHHOUSE in 2016, there emerged a trend of opening self-service laundromats.

The number of laundromats has increased from 20,000 to 25,000, indicating clearly that the habit of using a self-service laundry is spreading.

Under these circumstances, the company has been insisting “We have no intention of being a mere laundry business operator,” since the inauguration of business, because they had a vision of offering “charge-free” laundry and drying services. Then, they conducted experiments of charge-free services and finally succeeded in monetization with ads.

Customers can wash and dry clothes “free of charge,” drink coffee “free of charge,” and get Miyazaki Beef or eels by lottery!! Customers can wash clothes at a lower cost than washing at home! Furthermore, customers can get useful information and purchase products at affordable prices!

The concept of laundry will be changed.

For 22 years, WASHHOUSE has been preparing for charge-free services and pursued thoroughgoing cost reduction, while assuming that price-cutting wars will break out in the fields of detergent factories, in-house washing and drying machines, and mission-critical systems. While looking ahead to global business operation, they researched and developed washing and drying machines and systems unique to WASHHOUSE, and strove to install digital signages in them.

Policy of expanding a single item multiple times in a derivative manner based on the self-service laundry (platform business)

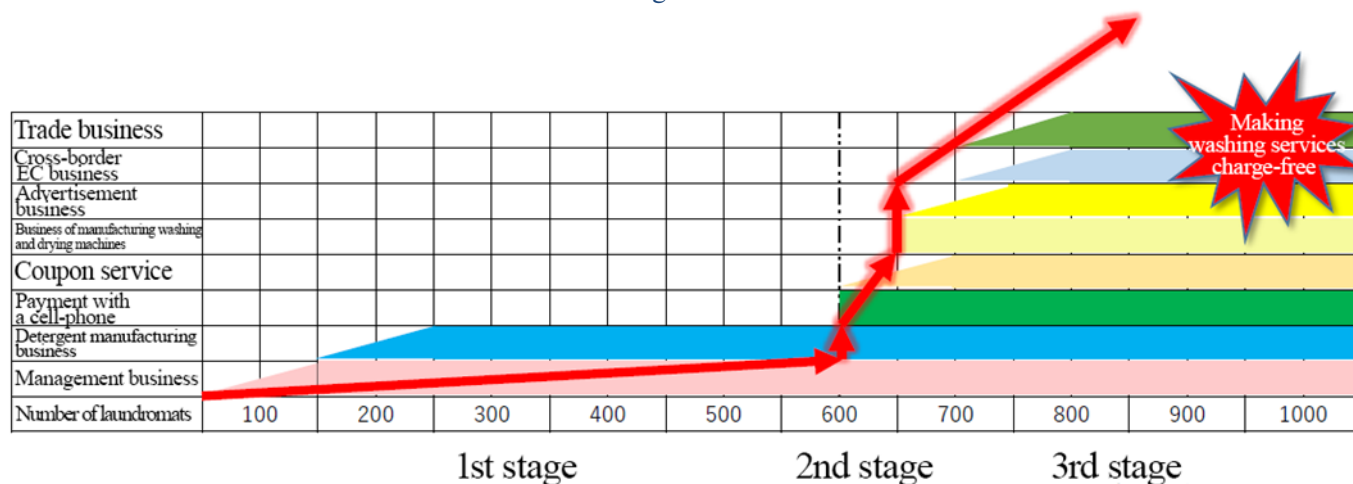
- Employment of non-Japanese employees, and response to consumption and needs
- Foray into overseas markets!
- Cross-border EC and livestream e-commerce
- Distribution and trade



(Taken from the reference material of the company)

1 <sup>st</sup> stage	Expansion of the network of laundromats for distribution information as the media and the growth of the revenue base
2 <sup>nd</sup> stage	Development of software, hardware, etc. for realizing the ideal state
3 <sup>rd</sup> stage	Advertisement, cross-border EC, distribution, and trade businesses

True DX to change the revenue structure



(Taken from the reference material of the company)

## 2. Fiscal Year ended December 2023 Earnings Results

### (1) Business Results

	FY 12/22	Ratio to Sales	FY 12/23	Ratio to Sales	YoY	The company's forecasts	Compared with the forecasts
Sales	1,921	100.0%	1,914	100.0%	-0.4%	1,974	-3.1%
Gross profit	668	34.8%	732	38.2%	+9.5%	-	-
SG&A	723	37.6%	718	37.5%	-0.7%	-	-
Operating Income	-54	-	13	0.7%	-	3	+321.4%
Ordinary Income	61	3.2%	26	1.4%	-57.3%	15	+74.1%
Net Income	11	0.6%	-33	-	-	8	-

\*Unit: million yen.

### Sales declined slightly, and operating income turned positive.

Sales declined 0.4% year on year to 1,914 million yen.

In the FC division, the company faced difficulty in securing real estate for opening laundromats with high cost performance, as the number of new business establishments opened in other industries, including restaurants, increased considerably in the wake of the lifting of restrictions on activities through the reclassification of COVID-19 into Class-5 infectious diseases. Accordingly, the number of new franchised laundromats opened was only 2 (6 in the previous fiscal year) although the company first planned to open 35 laundromats. On the other hand, the renovation of laundromats for increasing washing and drying machines, etc. at existing laundromats progressed as planned as a whole, while the sales at laundromats increased. In the store operation division, they conducted active laundromat operation, resuming continuous sales promotion campaigns, which were suspended during the COVID-19 pandemic. The company implemented a large number of charge-free campaigns, including the nationwide campaign for presenting Miyazaki Beef to a total of 500 customers using the app of WASHHOUSE, and charge-free operation exclusively for users of the app of WASHHOUSE, and kept providing customers with value other than laundry services. As a result, the sales at existing laundromats grew considerably by 8% year on year. In the fiscal year ended December 2023, there were many fine days, and the ratio of the number of sunlight-less days (on which sunshine duration is less than 0.1 hours) to the average was 78%, as this weather condition influences sales at laundromats significantly.

Despite the unfavorable weather condition for self-service laundry operation, the sales at existing laundromats grew 8%. This is because of the resumption of active sales promotion campaigns and the improvement in the rate of use of the WASHHOUSE app, which enables direct marketing with the function to distribute coupons. In terms of the functions of the WASHHOUSE app, the company developed and released a new function to “book a washing or drying machine” at any laundromat in Japan. This function improves the convenience for customers by enabling them to book a washing machine before visiting a laundromat to use a laundry service without fail, and significantly helps reduce the congestion in each laundromat. In the fiscal year ended December 2023, the target cumulative number of downloads of the WASHHOUSE App was set at 500,000, but it was achieved on November 3, about 2 months earlier than expected, as many customers used it (the cumulative number of downloads as of the end of fiscal year ended December 2023 was 540,000). At this milestone, the media business department started offering the new advertisement plan “JACK at all WASHHOUSE laundromats,” in which clients can exclusively use all laundromats of WASHHOUSE as advertising sites, to develop a system for offering high added value to advertisers as a media business operator. Through such active laundromat operation, the users of the WASHHOUSE app increased steadily, and the sales at laundromats grew, in parallel with the steady increases in ad income from the app and the income from the business related to self-service laundry, which can be obtained from the in-house production of detergents.

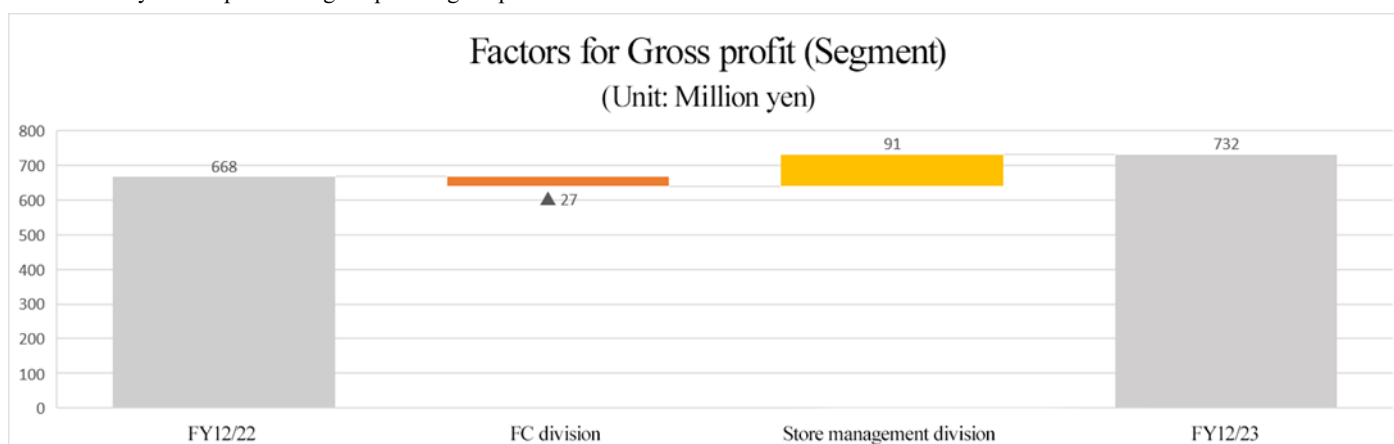
Operating income was 13 million yen (a loss of 54 million yen in the previous fiscal year). In terms of profit, gross profit margin rose from 34.8% in the previous fiscal year to 38.2%, and their business moved into the black, as SG&A expenses decreased.

At the beginning of the fiscal year, it was forecast that sales would be 2,481 million yen and operating income would be 54 million yen. These forecasts were revised downwardly in November last year.

## (2) Sales trend in each business segment

	FY12/22	Ratio to Sales	FY12/23	Ratio to Sales	YoY
Sales					
FC division	309	16.1%	199	10.4%	-35.5%
Store operation division	1,612	83.9%	1,714	89.6%	+6.4%
<b>Total</b>	<b>1,921</b>	<b>100.0%</b>	<b>1,914</b>	<b>100.0%</b>	<b>-0.4%</b>
Gross profit					
FC division	90	29.4%	63	31.6%	-30.0%
Store operation division	577	35.8%	668	39.0%	+15.8%
<b>Total</b>	<b>668</b>	<b>34.8%</b>	<b>732</b>	<b>38.2%</b>	<b>+9.5%</b>

\*Unit: million 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

Sales were 199 million yen (down 35.5% year on year), and gross profit was 63 million yen (down 30.0% year on year).

The company opened two new franchised laundromats and renovated 16 laundromats. As the number of new laundromats opened decreased by 4 from the previous consolidated accounting period to 2, sales declined, but gross profit margin rose 2.2 points from the previous fiscal year to 31.6%.

## ② Store operation division

Sales were 1,714 million yen (up 6.4% year on year), and gross profit was 668 million yen (up 15.8% year on year).

Incomes grew, thanks to the continuous growth of sales at laundromats. Gross profit margin increased 3.2 points from the previous fiscal year to 39.0%, due to cost reduction, etc.

## (3) Financial standing and cash flows

### ◎Main BS

	End of Dec. 22	End of Dec. 23		End of Dec. 22	End of Dec. 23
<b>Current Assets</b>	2,488	2,405	<b>Current liabilities</b>	1,245	1,246
<b>Cash</b>	1,097	1,013	<b>Deposits received</b>	406	401
<b>Receivables</b>	124	139	<b>Noncurrent liabilities</b>	1,248	1,118
<b>Operating loans</b>	969	923	<b>Guarantee deposited</b>	798	770
<b>Noncurrent Assets</b>	1,794	1,723	<b>Borrowing Balance</b>	865	834
<b>Tangible Assets</b>	1,251	1,156	<b>Total Liabilities</b>	2,494	2,365
<b>Intangible Assets</b>	132	141	<b>Net Assets</b>	1,788	1,764
<b>Investment, Others</b>	409	425	<b>Shareholder's Equity</b>	1,688	1,654
<b>Total Assets</b>	4,282	4,129	<b>Total Liabilities and Net Assets</b>	4,282	4,129

\*Unit: million yen



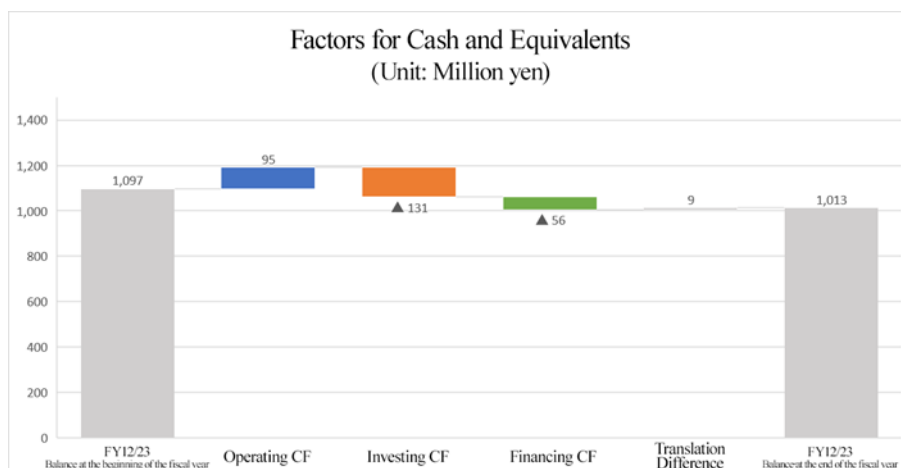
\*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

The total assets as of the end of fiscal year ended December 2023 stood at 4,129 million yen, down 153 million yen from the end of the previous fiscal year. This is mainly because cash & deposits, operating loans receivable, buildings of tangible fixed assets, and machinery & equipment decreased 83 million yen, 46 million yen, 62 million yen, and 46 million yen, respectively, while raw materials & supplies and construction in progress increased 25 million yen and 23 million yen, respectively. Regarding the fixed assets of 8 directly-managed laundromats, the company posted an impairment loss of 50 million yen. Total liabilities decreased 129 million yen to 2,365 million yen. This is mainly because long-term debt, customers' deposits, and long-term accounts payable decreased 80 million yen, 28 million yen, and 14 million yen, respectively, while short-term debt augmented 50 million yen. Total net assets dropped 24 million yen to 1,764 million yen. This is because a net loss of 33 million yen was posted.

## ◎Cash Flow

	FY 12/22	FY 12/23	Increase/decrease
<b>Operating Cash Flow</b>	-10	95	+105
<b>Investing Cash Flow</b>	-29	-131	-102
<b>Free Cash Flow</b>	-39	-36	+3
<b>Financing Cash Flow</b>	194	-56	-250
<b>Term End Cash and Equivalents</b>	1,097	1,013	-84

\*Unit: million yen.



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

The cash inflow from operating activities increased, but the cash outflow from investment activities grew, so free cash flow was unchanged. Due to the decrease in the increment in short-term debt, a cash outflow from financial activities was posted. The cash position declined.

### 3. Fiscal Year ending December 2024 Earnings Forecasts

#### Forecasts of Consolidated Business Results

	FY 12/23	Ratio to Sales	FY 12/24 Est.	Ratio to Sales	YoY
Sales	1,914	100.0%	2,505	100.0%	+30.9%
Operating Income	13	0.7%	36	1.4%	+177.5%
Ordinary Income	26	1.4%	26	1.0%	+1.1%
Net Income	-33	-	43	1.7%	-

\*Unit: million yen.

For the fiscal year ending December 2024, sales are expected to grow 30.9% year on year to 2,505 million yen, and operating income is forecast to rise 177.5% year on year to 36 million yen.

They plan to further grow “the self-service laundry business as a platform.” In the FC division, they plan to install new washing and drying machines (laundry equipment), which have been under development by the Chinese subsidiary WASHHOUSE (Shandong) Co., Ltd., in new laundromats in the second half of the fiscal year. The laundry equipment will be mounted with a large-sized touch-screen display, which will improve user-friendliness and provide a means for distributing ads. Accordingly, this equipment would enable the media business to make a great leap forward. In addition, owners would be able to reduce costs for opening new laundromats, so investment efficiency is expected to improve. In the store operation division, they plan to implement sales promotion campaigns exceeding those in the previous fiscal year. In addition to planning campaigns in which customers can get gifts or the like by lottery, they will provide tips for shopping while saving money. They will also offer value other than laundry services, to further improve the value

of laundromats. The trend of opening new business establishments, such as restaurants, emerged in the fiscal year ended December 2023, but it has subsided. Under these circumstances, they will engage in mainly marketing activities for developing real estate for opening laundromats in the first half of the fiscal year, and accelerate the opening of new laundromats with new laundry equipment in the second half.

They plan to open 30 franchised laundromats, and the number of laundromats is expected to reach 627, including 64 directly managed laundromats and 563 franchised ones, by the end of the fiscal year.

#### 4. Future Business Developments

##### ◎ Provision of support for people affected by the 2024 Noto Peninsula Earthquake

The company offered laundry equipment at the request of the Ministry of Land, Infrastructure, Transport and Tourism to people affected by the 2024 Noto Peninsula Earthquake. It meets the demand for laundry services in the region where water supply was cut off. Although the company initially planned to provide support for one month, it extended the period of support until March because of a delay in restoration of water supply.



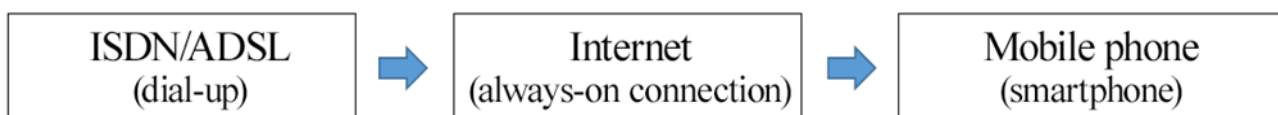
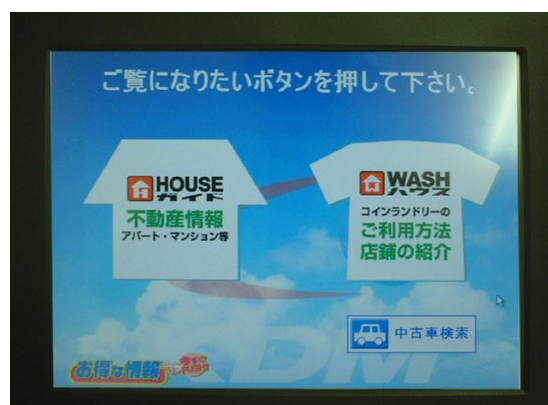
(Taken from the reference material of the company)

##### ◎ Original laundry equipment

The company is proceeding with development of its original laundry equipment, aiming to present it at an event in Tokyo and start mass production of it after final adjustment and system checks in March and completion of the development in July. Then, it will open model laundromats in Miyazaki and Fukuoka Prefectures.

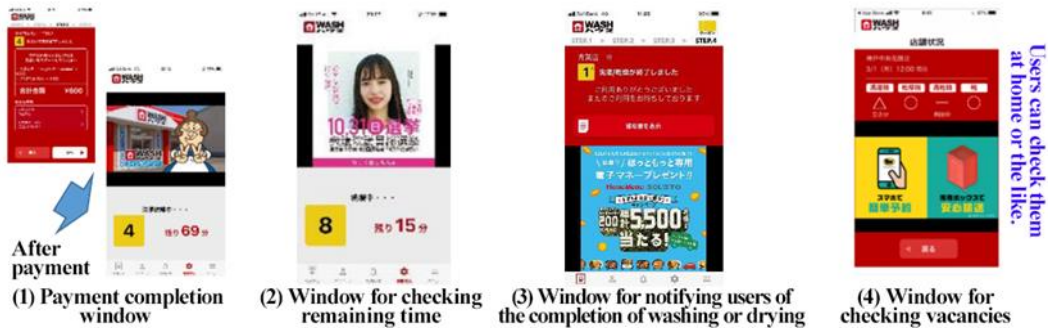
##### ◎ Status of advertising services

We create new media, with this touch screen!



System of the advertising service

Advertisements are displayed in the WASHHOUSE app at various times.

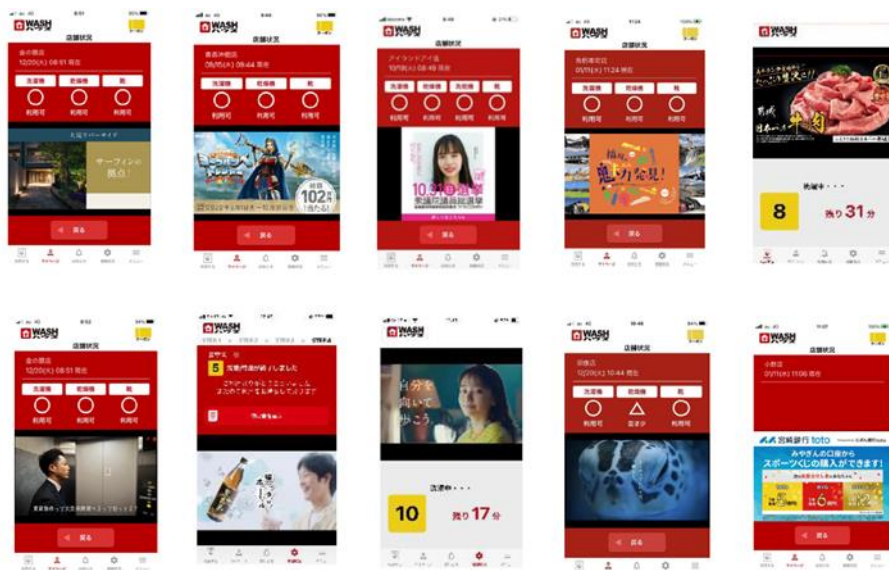


(Taken from the reference material of the company)

Advertisements with high hit rates are displayed during a waiting time that users cannot avoid when they wash and dry their clothes at self-service laundromats.

Examples of advertisements (app advertisements) placed at WASHHOUSE

A variety of sponsors have used the service for taking out advertisements suited for myriad scenes of the everyday lives of the users of self-service laundromats.



(Taken from the reference material of the company)

© Full-scale initiatives to provide laundry services free of charge

The company has performed a total of four experiments of offering its laundry services free of charge since 2021.

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App screen



Scenes from participating stores (Friday, 10:00 a.m., clear skies)



Free promotion poster

(Taken from the reference material of the company)

1st experiment: From November 19 to November 21, 2021 at 23 laundromats (in Miyazaki and Fukuoka Prefectures)

2nd experiment: From July 29 to July 31, 2022 at 84 laundromats (in Miyazaki, Fukuoka, and Kumamoto Prefectures)

3rd experiment: From April 21 to April 23, 2023 at 150 laundromats (in Tokyo and 16 other prefectures)

4th experiment: From September 22 to September 24, 2023 at 260 laundromats (in Tokyo, Osaka, and 19 other prefectures)

The company strives to offer its laundry services free of charge by continuously providing higher quality services and valuable information while taking full advantage of its management system, know-how, Internet technology, and media based on the strategy uniformly implemented at all of its laundromats.

To install digital signages in laundromats!!

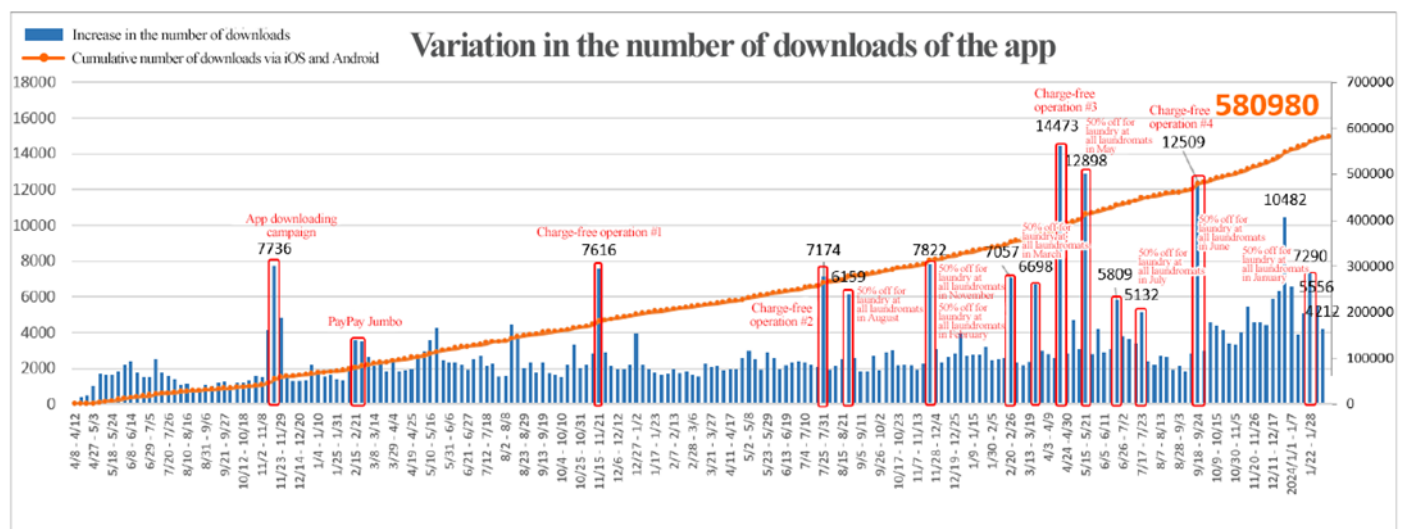
It endeavors to realize free-of-charge laundry services by putting advertisements that will produce favorable results and earning revenue from such advertisements.

The key to ad spaces (product inventory value) is the number of app downloads.

Changes in the number of downloads of the WASHHOUSE app

The app has been downloaded 580,000 times.

The app is downloaded about 16,000 times per month, and the company aims at 850,000 downloads.



(Taken from the reference material of the company)



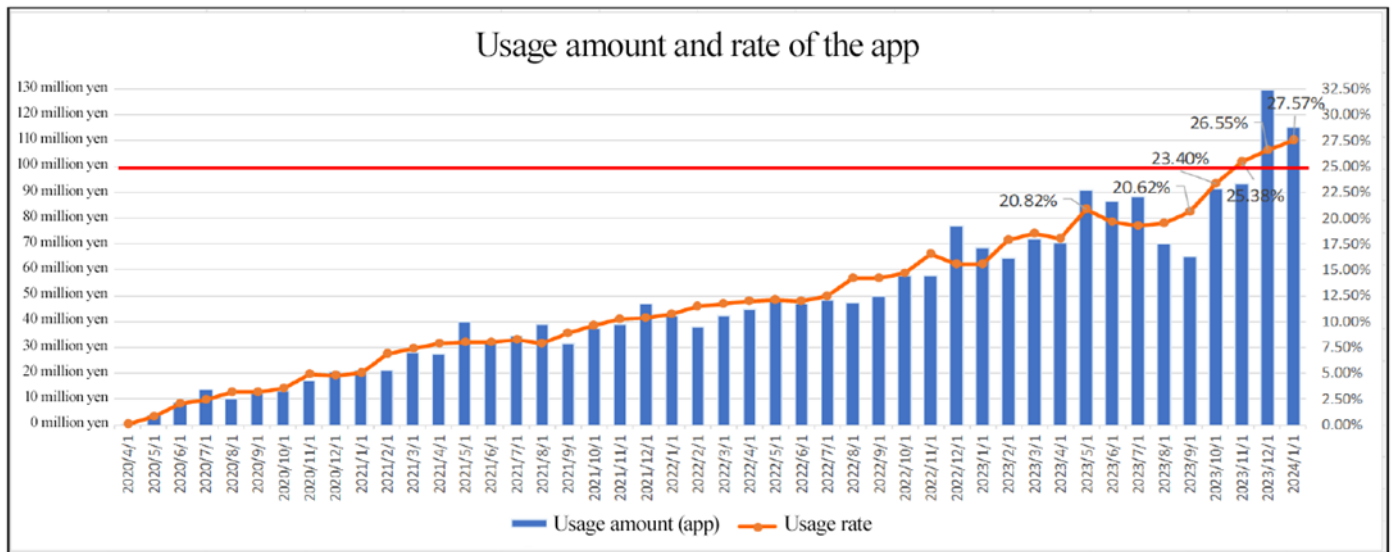
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## Variation in the amount paid via the WASHHOUSE app

The amount paid via the app per month reached **100 million yen!!**

The largest amount paid per month is **130 million yen!!**



(Taken from the reference material of the company)

## ◎Annual campaign plan

January	February	March	April	May	June	July	August	September	October	November	December
Seasonal change of clothing, relocation, pollens			Busy period in the rainy season			Seasonal change of clothing, pollens			Year-end busy period		
<b>All laundromats</b> 50% off for laundry 50% off for laundry through payment with the app!		<b>All laundromats</b> Present campaign A total of 777 customers!! You may get Miyazaki Beef or Pork by lottery, after payment with the app!		<b>All laundromats</b> Download campaign You will get a 500-yen-off coupon if you sign up as a new member!		<b>All laundromats</b> Present campaign A total of XXX customers!! You may get XXXX through payment with the app!		<b>All laundromats</b> 50% off for laundry through payment with the app!		<b>All laundromats</b> 50% off for laundry through payment with the app!	
<b>All laundromats</b> 50%-off coupon for laundry A 50%-off coupon for laundry that can be used with the app will be presented.		<b>All laundromats</b> 50%-off coupon for laundry A 50%-off coupon for laundry that can be used with the app will be presented.		<b>All laundromats</b> 50%-off coupon for laundry A 50%-off coupon for laundry that can be used with the app will be presented.		<b>All laundromats</b> 50%-off coupon for laundry A 50%-off coupon for laundry that can be used with the app will be presented.		<b>All laundromats</b> 50%-off coupon for laundry A 50%-off coupon for laundry that can be used with the app will be presented.		<b>All laundromats</b> 50%-off coupon for laundry A 50%-off coupon for laundry that can be used with the app will be presented.	
<b>Limited to laundromats</b> Charge-free operation By using the app, you can wash and dry clothes free of charge!!			<b>Limited to laundromats</b> Charge-free operation By using the app, you can wash and dry clothes free of charge!!			<b>Limited to laundromats</b> Charge-free operation By using the app, you can wash and dry clothes free of charge!!			<b>Limited to laundromats</b> Charge-free operation By using the app, you can wash and dry clothes free of charge!!		

(Taken from the reference material of the company)

\*Subject to change without notice

Visit and do the laundry “free of charge”  
 and you may win Miyazaki Beef in a raffle!!  
 “WASHHOUSE laundry subscription plan”!?  
 Use “free-of-charge” WASHHOUSE laundry services over and over!!  
 Visit WASHHOUSE laundromats and get “something of great value”!!  
 Creation of overwhelming value!!

**WASH Value!!**

© Business expansion to China

The company established WASHHOUSE (Thailand) Co., Ltd. and WASHHOUSE (Shandong) Co., Ltd. in 2019. The first wave of the COVID-19 came in 2020, preventing people from travelling to China and Thailand, so the company could not open laundromats there; however, the company sent its employees to China for final design confirmation in July 2023 and confirmed the first prototypes of its original washing machine and drying machine in February 2024. It is making preparation for full-scale business operation in the country.

The self-service laundry market in China

No. of self-service laundromats

The company operates about 1,079 self-service laundromats (including dry cleaners) throughout China.

Situation

<b>No. of laundromats</b>	The number of laundromats that it operates is small for the market scale in China.	<b>Recognition</b>	WASHHOUSE’s services are available only in limited areas, so they are little known to customers.
<b>Values</b>	Chinese people think that clothes should be washed at home.	<b>Trust</b>	Chinese people do not feel comfortable about public things or places.

While self-service laundromats are growing in number in such areas as Shanghai and Beijing, the number of laundromats operated there is small for the population and it will take time to popularize self-service laundry services among people all over China.

Comparison between the world’s and Chinese self-service laundromat markets, and the potential of the Chinese market

No. of self-service laundromats in each country

Region	Population	No. of laundromats	No. of people per laundromat	Remarks
Japan	125 million people	25,000 laundromats	5,000 people per laundromat	
The U.S.	332 million people	40,000 laundromats	8,300 people per laundromat	The size of each laundromat is large (About 5 times)
UK	67 million people	3,000 laundromats	22,333 people per laundromat	
Korea	52 million people	2,000 laundromats	26,000 people per laundromat	
Thailand	72 million people	4,500 laundromats	16,000 people per laundromat	Rapidly expanding (Up 1,000 laundromats in 2023)

The current number of laundromats in China, and potential of the Chinese market

Under the assumption that the number of laundromats in China is equal to that in Japan

Region	Population	No. of laundromats	Assumed market scale
China	1.41 million people	1,000 laundromats	280,000 laundromats

280 times 

(Taken from the reference material of the company)

In the Chinese market, about 280,000 laundromats (11 times more than the number in Japan’s market) could be operated.

The company is expected to open “free-of-charge self-service laundromats” from the beginning in China. With the first prototypes of its original washing and drying machines that have just been completed, it aims to open 20 laundromats by the end of 2024 for test marketing and open 10,000 laundromats in 2025 or later.

China has a huge market in terms of users, apps, and advertisements, all of which are essential for free-of-charge laundry services. Electronic commerce between Japan and China will become available once a laundromat network has been completed in China, offering limitless potential.

## Scale of China's market



(Taken from the reference material of the company)

## 5. Conclusions

In the fiscal year ended December 2023, the company faced difficulty in securing real estate for opening laundromats, and revised the forecast downwardly in November. In that situation, the sales of existing laundromats increased steadily, securing an operating income. The number of app downloads was achieved earlier than forecast. Namely, the company is not struggling, despite the downward revision to the forecast. Under these circumstances, it is likely that their efforts will finally pay off in the fiscal year ending December 2024. In particular, they will install original laundry equipment one after another while opening new laundromats actively in the second half. In the fiscal year ending December 2025, it is likely that the business in China will become full-fledged, although it is a long way off. As the installation of original laundry equipment and the business operation in China would significantly change the revenue structure of the company, we would like to pay attention to the status of opening of laundromats. The company was listed in 2016, and since 2017, the company's share price has been low for a long period of time, and it is now around one fourth of the IPO price (1,150 yen after retroactive revision). However, if their revenue structure changes as expected through the installation of original laundry equipment, the evaluation in the stock market will change considerably. Firstly, we would like to pay attention to the status of development of prototypes, which is scheduled to be conducted in the first half, and the progress toward subsequent presentations.

### <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."

BRIDGE REPORT



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