

[With QA] Kosaido Holdings cleared its Medium-Term Business Plan challenge of increasing profit in FY03/24. With a full year of sales for the increased number of expanded funeral halls, earnings are expected to be maximized in this fiscal year.

[LEAD]

The following is a transcript of the Kosaido Holdings Co., Ltd. financial results presentation for FY03/24, released on May 15, 2024.

[Speaker]

Mr. Hiroshi Kurosawa, representative director and president, Kosaido Holdings Co., Ltd.

[Text]

FY03/24 Financial Results Presentation

Hiroshi Kurosawa (hereinafter, “Kurosawa”): Hello everyone, I am Hiroshi Kurosawa, a representative director of Kosaido Holdings. Today I will be presenting information on the financial results for the previous fiscal year, which we worked hard on through March, as well as on the various announcements disclosed today.

Among today’s disclosures, there is a notice of changes in specified subsidiaries. Although the Company had ample net assets, due to capital reductions during the COVID-19 pandemic, its capital became 100 million yen.

Therein, Kosaido Finance in the asset consulting business segment with a capital of 20 million yen; and Kosaido Engineering with a capital of 40 million yen, which was established in order to inhouse the management of cremation furnaces and which started engaging in the maintenance of two of six funeral halls in April this year, became consolidated subsidiaries for which disclosure must be provided if there was a change in their status, but due to clerical errors, we failed to disclose this information.

We apologize that the hurried preparations on our part resulted in the disclosure of this information just prior to this presentation. We will thoroughly re-develop our management system to prevent this from happening in the future, and humbly ask for your forgiveness.

I will explain the changes. In a previous financial results presentation, we had discussed what we wanted to work on with these two companies, which were originally established as unconsolidated subsidiaries. As these efforts had begun being implemented and having judged that their importance had increased, we made the decision to change them to consolidated subsidiaries. Other than the omission of disclosure, there were no particular negatives per the change in their statuses, and, in fact positively, our initiatives are moving forward as planned.

In addition, a notice of a change in representative directors was disclosed. I have served as president for three years. Kosaido Holdings has a one-year term of office for its directors. The reason for my resignation is that my term of office as stipulated will expire on June 27, and so I am resigning with the conclusion of my term.

It is true that I had the option of serving a little longer, and was presented with such an offer. However, I am proud to say that I was able to put into place reforms that required a strong will, such as a planning system to improve our operations, including the funeral hall expansion we are announcing today.

In addition, in our Medium-Term Business Plan to date, we have achieved an operating profit of approximately 6.9 billion yen, excluding stock compensation expenses. In addition to this, with the operations of the expanded funeral halls, we will be in a position to achieve our sales plan targets for the following fiscal year. I am not sure if this is an appropriate statement, but I think that this situation is low in terms of management difficulty. I am truly convinced that we will be able to achieve these numbers no matter who manages the Company.

However, in addition to the plans we are presently announcing, we are also engaged in many other corporate activities that will plant seeds for future growth. Therefore, it is not possible to say that things will definitely happen one way or another. However, I believe that we are close to reaching to the goal of what I have been telling our shareholders and investors, “this is what Kosaido will do”.

In managing such a large, Prime Market-listed company, I have made changes, such as taking the risk of switching our main business from the printing that was our founding business to funeral services, and engaging in funeral hall expansion. I also worked on our subsidiaries, which had been operating under old industry conventions, making the decision that in light of not only the law but also the perspective of what is right that it would be better to reform their management, no matter what constraints there are.

Through measures such as these, I engaged in management reforms that could potentially anger our stakeholders, and engendered risks which did not exist for us before.

Accordingly, I have worked hard over these three years to achieve commensurate profits, growth potential, and the creation of a vision for the future that all can agree with, keenly aware of my responsibility as the one who pulled the trigger on these reforms. I believe that I have achieved these, and that is why I have made this decision.

4-01 Change of representative

4-01 Change of Representative

Message from the President-Elect (planned)



[Name]

Masahiko Maekawa

[Greetings]

Greetings to all shareholders and investors.

My name is Masahiko Maekawa, and I will be joining the Kosaido Group in June.

After starting my career as a banker, I gained an experience as an economist and analyst, and then established a venture investment business in the Japan Post Group with the aim of achieving medium- to long-term growth. I have also worked to support start-ups related to the senior and end-of-life businesses.

I am very happy to have had the opportunity to accept this great responsibility. I look forward to your continued support as I apply my experience and devote myself wholeheartedly to the Kosaido Group's continued growth.

[Biography]

Graduated from Kyoto University, Faculty of Economics in 2001, and joined Sanwa Bank (currently MUFG Bank).

Joined Japan Post in 2014 after working for Morgan Stanley MUFG Securities, Asset Management One, and Nomura Securities, etc.

Managing Director and Chief Investment Officer of Japan Post Capital in 2017.

Director and CIO of DG Incubation in 2021.

Senior Executive Officer of the Company in 2024 (planned). He is 46 years old and from Tokyo, Japan.

My successor as the representative director and president will be Masahiko Maekawa. At the same time, Yiwen Luo, who is currently the chairperson of the Board, will assume the position of the representative director and chairperson.

Luo has worked with me to set the direction of Kosaido Holdings. Luo and I are of the same opinion that we would like to do what we are presenting today for the future. Therefore, the policies and strategies of Kosaido Holdings will be passed on to the two succeeding representative directors.

Maekawa will join the Company as an executive officer on June 1. After that, he will work with me for one month, and after the conclusion of the annual shareholders meeting on June 27, he will serve as a representative director of Kosaido Holdings in tandem with Luo to achieve our various visions for the future. For information on their career histories, please refer to our written disclosures and financial results materials.

1-01 FY03/24 full-year summary

1-01 FY03/24 Summary

1. Further improve business performance

Expansion of the funeral hall was completed!
Steady growth in capacity utilization



Income from Profit-Generating Funeral Services Segment

Full-year segment income	YoY Rate of Change (%)
4.13 bn yen	+84.8%

2. Invest for long-term growth

Make the Asset Consulting Segment profitable in a short timeframe



Income from Asset Consulting Segment

Full-year segment income	YoY Rate of Change (%)
0.29 bn yen	—

3. Further enhance shareholder returns

Raise the dividend payout ratio above the originally planned 30.0%



Dividend payout ratio

Full-year dividend payout ratio	YoY Change
35.0%	+20.0 pt



KOSAIDO HOLDINGS

Copyright © KOSAIDO Holdings Co., Ltd. All Rights Reserved.

3

Our Medium-Term Management Plan 3.0 set forth three basic policies. Regarding further improvement of business performance, we believe we were able to generate a solid profit for the full year. We were also able to make a decent profit in our newly started asset consulting business.

I would like to discuss the further enhancement of shareholder returns. In order to move toward bolder shareholder returns in the future, we believed that we needed to invest in the kind of growth so that most shareholders and investors would think, “if you are going to invest there, please retain internal reserves instead of paying dividends”.

And we had conveyed that we wanted to first make solid plans before announcing them, and that until then we would not be able to boldly raise shareholder returns, but we intended to do so as soon as possible. The ultimate result was that we have been able to increase our dividend payout ratio more or less as we had discussed.

In addition, we developed a plan to maximize the potential of our assets. As I will explain today, I would also like you to know the approximate cumulative amount of the growth investments we are considering right now.

I believe that we have achieved a reasonable degree of success in the three goals of our Medium-Term Business Plan 3.0, namely, to increase profits, to show growth potential through new businesses, and to further increase shareholder returns.

1-02 FY03/24 full-year consolidated financial results

1-02 FY03/24 Consolidated Financial Results

The Company cleared the most difficult hurdle of Medium-Term Business Plan 3.0, which was to increase profit for the fiscal year ending March 31, 2024!

- Full-year sales declined , while full-year operating profit increased significantly.
- Profit attributable to owners of parent also increased.

	FY03/24 FY results	FY03/23 FY results	YoY change		(Millions of yen)			*Reference	
					FY03/24 Full Year Earnings Forecast (2024/1/31)	Compared to forecast		FY03/24 Q4	YoY change
			Change	Change (%)		Change	Change (%)		
Net sales	36,203	36,668	(465)	(1.3)	39,841	(3,638)	(9.1)	11,127	6.3
Operating profit	6,133	4,280	1,853	43.3	6,128	5	0.1	2,502	34.2
Ordinary profit	6,121	4,185	1,936	46.3	6,081	40	0.7	2,471	36.5
Profit attributable to owners of parent	4,895	4,042	853	21.1	4,900	(5)	(0.1)	1,964	(8.2)

* A clerical error on the forecast for income taxes. Stock compensation expenses are not deductible for income tax purposes, but not factoring them in caused the difference.



As disclosed earlier, here are the full-year consolidated financial results for FY03/24. Although current net profit for the period was 5 million yen less than our earnings forecast, we believe that with this figure we were able to generally achieve our plan, which was the most difficult and which was the subject of much concern from outside observers.

As I have repeatedly stated, we were able to engage in funeral hall expansion and make sales with our planned capacity utilization in the previous fiscal year.

1-03 FY03/24 full-year financial results summary by business segment

1-03 FY03/24 Financial Results Summary by Business Segment

	(Millions of yen)											
	Net sales				YoY change				Operating profit			
	FY03/24	FY03/23	Change	Change (%)	Consolidated Financial Forecast for FY03/24 (2024/1/31)	Change	Change (%)	FY03/24	FY03/23	Change	Change (%)	Consolidated Financial Forecast for FY03/24 (2024/1/31)
Public Funeral Services	5,536	5,559	(23)	(0.4)	5,808	(272)	(4.7)	1,102	913	189	20.8	1,130
Profit-Generating Funeral Services	9,284	6,384	2,900	45.4	8,667	617	7.1	4,130	2,235	1,895	84.8	3,382
Asset Consulting	459	—	459	—	537	(78)	(14.5)	286	(0)	286	—	311
Information	15,168	18,047	(2,879)	(16.0)	18,282	(3,114)	(17.0)	311	303	(82)	(20.9)	900
HR	5,755	6,677	(922)	(13.8)	6,544	(789)	(12.1)	59	(20)	85	—	227
Adjustments, etc.			0	—	0	—	—	241	784	(523)	(66.4)	179
Total	36,203	36,668	(465)	(1.3)	39,841	(3,638)	(9.1)	6,133	4,280	1,853	43.3	6,128

↑ ↓ ... YoY change

- Funeral Services: Cremation volume declined YoY (97.0% for the full year), but revenues increased significantly due to an expansion of the funeral hall to be completed in September 2023
- Information: Despite a decline in printing demand, the Company secured earnings through cost reductions and other measures, but struggled due to the postponed orders of BPO projects
- HR: Sales decreased YoY due to a slow recovery of demand for human resources in the Tohoku and Hokuriku areas, the main areas of business

Our results by business segment are as shown on this slide.


Although our plans to further grow the printing and human resources businesses were not fulfilled as promised, we were able to achieve our overall forecast because our profit-generating funeral services performed better than planned.

1-04 Shareholder return | dividend

1-04 Shareholder Return | Dividend

Dividend for FY03/24

- ✓ The year-end dividend has been revised (payout ratio 35%) due to the full-year consolidated performance results

Increase in dividend payout ratio		15.0% FY03/23 results		35.0% FY03/24 forecast
Record date	Dividend per share			
	End of Q2	End of FY	Total	
FY03/23 results	7.75 yen	13.50 yen	21.25 yen	
FY03/24 initial forecast May 12, 2023	23.65 yen	23.65 yen	47.30 yen	
FY03/24 previous forecast March 12, 2024	(29.47 yen) (Completed)	6.41 yen* (29.47 yen)	— (61.52 yen)	
FY03/24 revised forecast May 15, 2024	(29.47 yen) (Completed)	6.60 yen* (33.0 yen)	— (62.47 yen)	

Figures in parentheses represent pre-split conversion. * Dividend per share after stock split effective December 1, 2023

Note: The FY03/24 year-end dividend will be approved at the Company's annual shareholders meeting on June 27.



The amount of dividends is calculated based on the dividend payout ratio.

1-05 Status of new businesses

1-05 Status of New Businesses

Funeral Business

* ... 2 companies: Kosaido Lifewell, Gran Ceremo Tokyo

- FY03/24 Performance (2 companies* total)

(Millions of yen)

	Q1					Q2					Q3					Q4					Full year				
	Actual	Plan	Diff. from plan	Prior year	Diff. from prior year	Actual	Plan	Diff. from plan	Prior year	Diff. from prior year	Actual	Plan	Diff. from plan	Prior year	Diff. from prior year	Actual	Plan	Diff. from plan	Prior year	Diff. from prior year	Actual	Plan	Diff. from plan	Prior year	Diff. from prior year
Net sales	329	343	(14)	44	285	383	360	23	209	174	507	387	120	376	131	619	402	217	382	237	1,838	1,492	346	1,013	825
Operating profit	45	20	25	(59)	104	35	31	4	(39)	74	68	43	25	15	53	81	54	27	46	35	230	150	80	(37)	267

Primary cause

[Difference from plan] Sales activities and expenditures for advertising led to an increase in the scale of sales

[Difference from the prior year] There were upfront costs because the previous fiscal year was the first year for the newly launched funeral business

Asset Consulting Business

- The number of inheritance procedures and inheritance tax returns continued to grow steadily from Q3.
- Although some deals were delayed, and earnings forecasts were slightly below expectations, the Company succeeded in generating earnings quickly.

Furnaces

- Started performing maintenance in-house. The design of the cremation furnace is also well underway.



KOSAIDO HOLDINGS

Copyright © KOSAIDO Holdings Co., Ltd. All Rights Reserved.

7

Here is the status of new businesses. Kosaido Lifewell and Gran Ceremo Tokyo, two subsidiaries directly engaged in the funeral business, achieved better results than planned for the full year.

About two years ago, we explained to you that we expected these two subsidiaries to grow at a slower pace. Businesses such as funerals that made the gathering of people their product experienced a setback and lost steam at the start due to COVID-19 pandemic, but they were able to fully engage in business post-COVID-19.

Although the asset consulting business fell slightly short of the earnings forecast due in part to a partial postponement of its results, we believe that the numbers are better than those in the Medium-Term Business plan. We have previously stated that we wanted to first grow the business to an operating profit of around 500 million yen, and then to grow it into a business that can generate profits at the level of 1 billion yen.

Because the asset consulting business makes its profits as projects accumulate, it does not generate sales profit from the start. Although its start was right at the same time as the beginning of the fiscal year, its operating profit for FY03/24 reached about 290 million yen. If it continues at the same pace, we believe it is certain to exceed 500 million yen.

Regarding our subsidiary for inhousing crematorium operation, we decided to make it a consolidated subsidiary because there was a growing sentiment within the company that it had clearly become more important and that it should be made a consolidated subsidiary.

As we have reported, this subsidiary has been contracted to perform maintenance at our funeral homes from April 1. We believe this will contribute somewhat to our performance in the period currently underway.

2-01 Financial forecast for FY03/25

2-01 Consolidated Financial Forecast for FY03/25

FY03/25

(Millions of yen)				
	Full-year forecast	Prior FY results (recently announced)	YoY	
			Change	Change (%)
Net sales	39,700	36,203	3,497	9.7
Operating profit	8,000	6,133	1,867	30.4
Ordinary profit	7,750	6,121	1,629	26.6
Profit attributable to owners of parent	5,240	4,895	345	7.0

Sales for the funeral hall completed its expansion in September 2023 are now reported for the full year.

Maximize revenues by maintaining and managing capacity utilization



We have formulated a new Medium-Term Business Plan starting in FY03/25. The financial forecast for the following fiscal year, the first year of the plan, is shown on this slide.

The point is that the forecast is very straightforward unlike the beginning of the previous period. The funeral halls expanded in September will operate for the full year of the period currently underway. In addition, combined with the growth of the new businesses of our subsidiaries and other matters, we are anticipating the figures shown here.

2-02 Financial forecast for FY03/25 by segment

2-02 Financial Forecast for FY03/25 by Segment

FY03/25

	Financial forecast	Prior FY results	(Millions of yen)	
			YoY	
			Change	Change (%)
Net sales	39,700	36,203	3,497	9.7
Public Funeral Services Segment	6,200	5,536	664	12.0
Profit-Generating Funeral Services Segment	10,450	9,284	1,166	12.6
Asset Consulting Segment	700	459	241	52.5
Information Segment	15,750	15,168	582	3.8
HR Segment	6,600	5,755	845	14.7
Operating profit	8,000	6,133	1,867	30.4
Public Funeral Services Segment	1,330	1,102	228	20.7
Profit-Generating Funeral Services Segment	4,410	4,130	280	6.8
Asset Consulting Segment	500	286	214	74.8
Information Segment	600	311	289	92.9
HR Segment	290	59	231	391.5
Adjustments	870	241	629	261.0

In FY03/24, adjustments declined due to stock compensation expenses (812M) incurred for stock options, but no such expenses are expected to be incurred in FY2025.



Here is our financial forecast by business segment. Basically, we are taking advantage of what we reflected on with regard to the previous year's plan.

In the information segment, I have explained how we will develop BPO to make up for the shrinking printing industry and solidly grow profits. In retrospect, however, BPO during the pandemic was nothing more than COVID-19-related special demand, and we did not get as many projects as we had hoped. Therefore, we reworked our plan based on our reflections on this point.

In the period currently underway, profits from the profit-generating funeral services segment have been much larger than expected. This will be carried over in the following fiscal year's forecast, supplementing the information segment so that we will not have to lower our previous forecast.

2-03 Dividend forecast for FY03/25

2-03 Dividend Forecast for FY03/25

FY03/25

Record date	Dividend per share		
	End of Q2	End of FY	Total
FY03/24 results	(29.47 yen)	6.60 yen [*] (33.0 yen) (Planned)	— (62.47 yen) (Planned)
FY03/25 forecast	6.37 yen	6.37 yen	12.74 yen

^{*} Dividend per share after stock split effective December 1, 2023 Figures in parentheses represent pre-split conversion.

By achieving the profit growth indicated in Medium-Term Business Plan 4.0, we expect to be able to maintain a dividend payout ratio of 35%



The slide shows dividend forecast for the following fiscal year and beyond when the dividend payout ratio remains at 35 percent.

3-01 Medium-Term Business Plan 4.0 basic policy

3-01 Medium-Term Business Plan 4.0 Basic Policy

1. Further improve business performance

- Maximize revenue from funeral halls expanded in FY2023
- Grow revenues from the Asset Consulting Business

2. Invest for long-term growth

- Begin taking concrete steps to expand funeral halls on existing sites
- Plan and study further measures that contribute to sustainable growth

3. Further enhance shareholder returns

- Pay a progressive dividend during the period of Medium-Term Business Plan 4.0
(maintain and improve the dividend level)
- Consider raising the target dividend payout ratio to 40%



I would like to explain our Medium-Term Business Plan 4.0. This is the area in which we have received the most inquiries from investors. We have repeatedly discussed that the six crematoriums and funeral homes we own have available floor-area ratio space, which would allow us to add even more floor space. This is nothing less than growth potential for the Company.

Furthermore, we also tell you that as we are currently already generating solid profits, this is a field in which we can invest, grow, and expand with extremely low risk. We have received questions from all of you regarding the specific amounts of investment and profit contribution. I think these are obvious questions.

Nevertheless, to date we have not answered these obvious questions, stating that we were in the process of calculating these figures and that we would report on them at the announcement of the financial results in May of the following year. As promised, we would like to announce our predictions in our Medium-Term Business Plan 4.0, albeit rough ones.

Our basic policy remains the same as before, and we will grow as a corporate entity centered on the public funeral services segment and the profit-generating funeral services segment. In addition to improving our business performance, we will continue to put a firm focus on promising new businesses to ensure their growth potential under Medium-Term Business Plan 4.0. This policy is not surprising because we also have plans to expand the floor space in the future.

We ambitiously promote growth, instead of saying, “Growth stops here, and we proceed with stable operation and low costs, so please watch over the phase where profits gradually increase”. This policy

was written in the second part of Medium-Term Business Plan 3.0 and will be continued in the Medium-Term Business Plan 4.0, which starts in the current fiscal year.

The same is true for further enhancement of shareholder returns. Until the overall prospects of our investments become a little clearer, the Board of Directors will continue to discuss dividend with a large dividend payout ratio, but I would like to make it clear that we will at least aim for a progressive dividend.

Also, although the Board of Directors has not yet fully discussed and reached a conclusion of what period of time to implement this, we would like to set a firm goal of a 40% dividend payout ratio as our quota.

These are the basic policies of Medium-Term Business Plan 4.0.

3-02 Medium-Term Business Plan 4.0 performance targets

3-02 Medium-Term Business Plan 4.0 Performance Targets

(Millions of yen)

	FY03/22 results	FY03/23 results	FY03/24 results	Medium-Term Business Plan 4.0		
				FY03/25 plan	FY03/26 plan	FY03/27 plan
Net sales	35,361	36,668	36,203	39,700	41,930	44,000
Operating profit	3,729	4,280	6,133	8,000	8,800	9,400
Ordinary profit	3,610	4,185	6,121	7,750	8,600	9,200
Profit before income taxes	3,627	4,071	7,075	7,750	8,600	9,200
Income taxes	17	29	2,180	2,510	2,600	2,760
Profit attributable to owners of parent	3,643	4,042	4,895	5,240	6,000	6,440



The figures shown on this slide are performance targets calculated based on this basic policy.

3-03 Medium-Term Business Plan 4.0 performance targets by segment

3-03 Medium-Term Business Plan 4.0 Performance Targets by Segment

(Millions of yen)

		FY03/23 results	FY03/24 results	Medium-Term Business Plan 4.0		
				FY03/25 plan	FY03/26 plan	FY03/27 plan
Public Funeral Services	Net sales	5,561	5,536	6,200	6,380	6,570
	Operating profit	1,015	1,102	1,330	1,380	1,430
Profit-Generating Funeral Services	Net sales	6,382	9,284	10,450	10,800	11,150
	Operating profit	2,139	4,130	4,410	4,580	5,000
Asset Consulting	Net sales	0	459	700	1,400	1,400
	Operating profit	(0)	286	500	1,000	1,000
Information	Net sales	18,048	15,168	15,750	16,350	17,130
	Operating profit	392	311	600	620	680
HR	Net sales	6,677	5,755	6,600	7,000	7,750
	Operating profit	(27)	59	290	320	370
Adjustments		761	241	870	900	920
Total	Net sales	36,668	36,203	39,700	41,930	44,000
	Operating profit	4,280	6,133	8,000	8,800	9,400



Here are the performance targets by segment for Medium-Term Business Plan 4.0.

3-05 Growth strategy | Long-term investment plan (funeral hall expansion)

3-05 Growth strategy | Long-term investment plan (funeral hall expansion)

Outline of Expansion Plan for Funeral Halls

Construction process will begin in **October 2024**. Increase of the total **117** halls



Kirigaya Funeral Home
(Shinagawa-ku, Tokyo)

Completed in 2025 [5 halls added]



Ochiai Funeral Home
(Shinjuku-ku, Tokyo)

Completed in 2026 [7 halls added]



Yotsugi Funeral Home
(Katsushika-ku, Tokyo)

Completed in 2027 [16 halls added]



Machiya Funeral Home
(Arakawa-ku, Tokyo)

Completed in 2029 [48 halls added]



Yoyohata Funeral Home
(Shibuya-ku, Tokyo)

Completed in 2030 [28 halls added]



Horinouchi Funeral Home
(Suginami-ku, Tokyo)

Completed in 2033 [13 halls added]



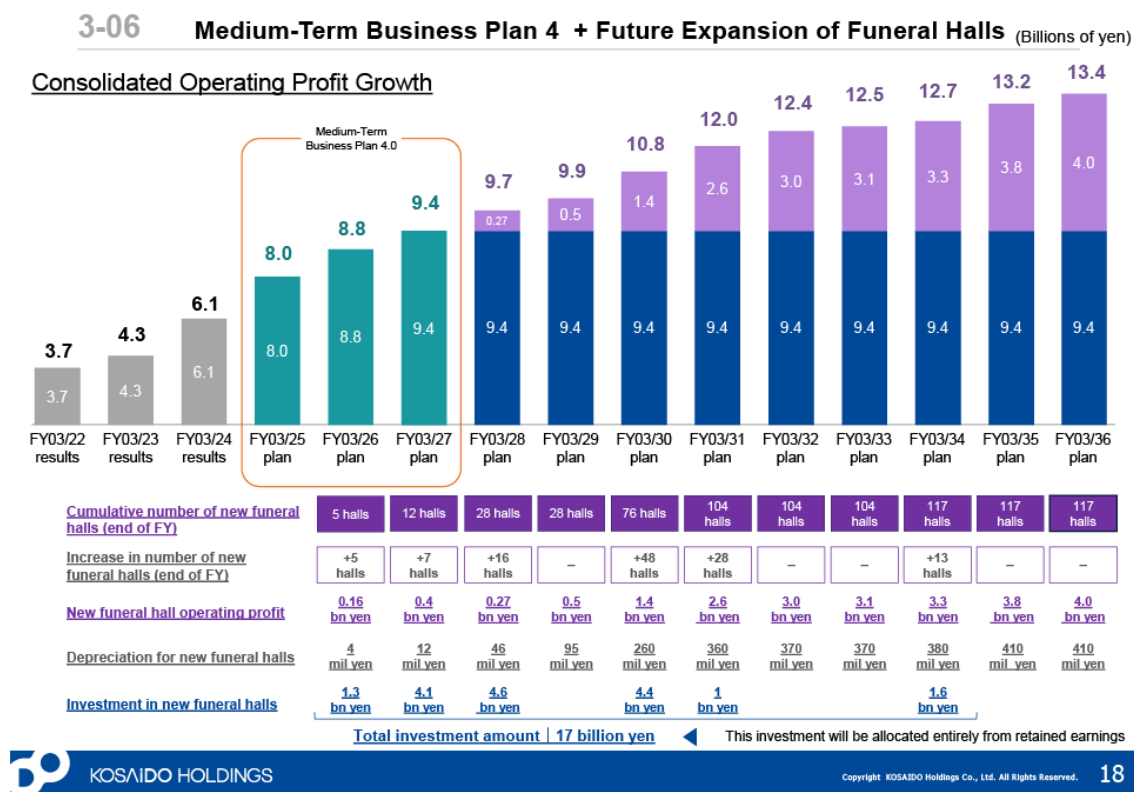
KOSAIDO HOLDINGS

Copyright © KOSAIDO Holdings Co., Ltd. All Rights Reserved.

17

I believe that what we are going to do in Medium-Term Business Plan 4.0 is fundamental and the most important part, and this is what you all are interested in. To get to the point, we will be adding 117 funeral halls. A breakdown by funeral home is shown on the slide.

3-06 Medium-Term Business Plan 4.0 + Future expansion of funeral halls



This slide concerns future funeral hall expansions. The number of new funeral halls will not significantly increase during the period of Medium-Term Business Plan 4.0. The funeral hall expansion conducted during the previous period involved interior work, converting existing rooms for a new purpose to increase the number of funeral halls. Accordingly, the construction was able to be completed in a short period of time, and the results were immediately reflected in our profits. However, we will be constructing buildings this time, including their foundations, which will take a certain amount of time.

At the same time, as we are increasing the number of funeral halls, various additional investments will be required to add waiting areas for monks, parking lots, and other facilities so as to avoid inconvenience to users. Although this is a rough calculation, we estimate that a total of about 17 billion yen will need to be invested. I believe you will understand from the profits this will generate, but these investments will basically be made using retained earnings.

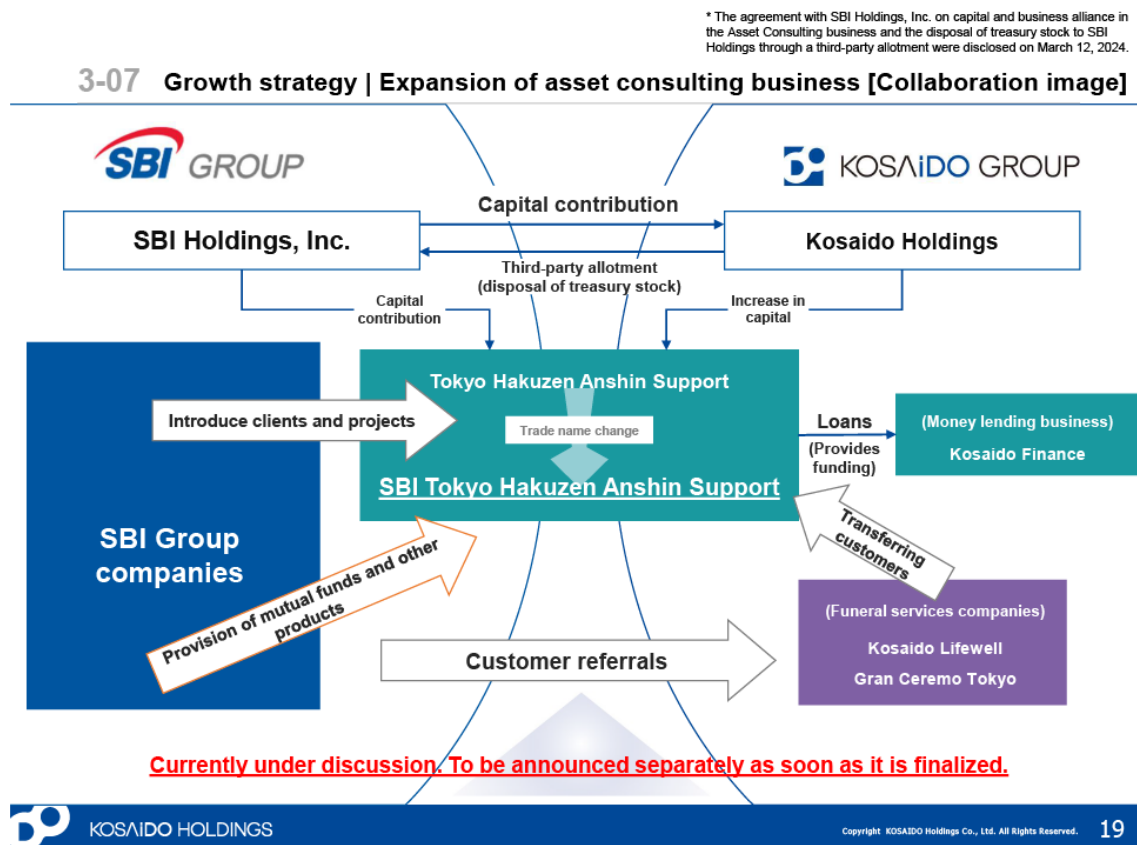
That is our plan for funeral hall expansion based on our actual drawings. In this plan, we expect to initially operate at about 50 percent capacity. In terms of the external environment in the first place, we are not expecting that the number of cremations in Tokyo as a whole will increase to such an extent that this number of funeral halls, increased all at once, will fill up quickly.

However, we have estimated that we can expect additional operating profit growth if we factor in the additional 50 percent occupancy of the new funeral halls and the higher capacity utilization due to the increased number of funeral services at subsidiaries. Depreciation for the new funeral halls is also shown at the bottom of the slide.

This is our growth potential, which is expected to be solid. In reality, the architecture has not yet been put into a detailed design and submitted to the relevant government office for approval. We must also coordinate with the relevant health department.

Accordingly, there is still work to be done before this plan can be put into practice, but that work will be properly implemented by the Company's next management.

3-07 Growth strategy | Expansion of asset consulting business [collaboration image]



Let's discuss our asset consulting business. The recently announced business alliance agreement with SBI Holdings is well on their way to reaching their conclusion. The details of this joint venture will be explained and disclosed in the near future, led by Maekawa, who will be the new representative.

Originally, I would have liked for Maekawa to introduce himself today, but due to a conflict with the regulations of his previous position, he is not here today. He will be focusing on the management of the Company from June, so along with his introduction, we would like to make a presentation on the future direction of our asset consulting business, our new company and personnel structures, although it is not quite a blue map.

3-08 Recognizing challenges | Expanding the business of the asset consulting segment

3-08 Recognizing Challenges | Expanding the Business of the Asset Consulting Segment

Performance Plan for the Asset Consulting Segment

(Millions of yen)

	FY03/24 results	FY03/25 plan	FY03/26 plan	FY03/27 plan
Net sales	459	700	1,400	1,400
Operating profit	286	500	1,000	1,000

The business of this segment is recognized as having already reached the 500 million yen annual operating profit stage.

Through this partnership, we will resolve current issues and increase the certainty of achieving an annual operating income of 1 billion yen

“Current issues” in this segment

(1) Opportunity loss

When a customer with cash in hand inquires about a financial product, we forfeit sales opportunities due to a lack of financial products in our Group

(2) Speed of business expansion

We feel the need for additional measures to expand the scale of our business at an accelerated pace



Basically, with this business alliance we would like to see instant growth in our project acquisition base, expanding our scale and bringing us up to a mature first phase.

3-9 Shareholder return

3-09 Shareholder Return

Dividend plan

Secure a dividend payout ratio of about 35%, with a future target of 40%.

(Millions of yen)

		FY03/22 results	FY03/23 results	FY03/24 results (planned)	FY03/25 plan	FY03/26 plan	FY03/27 plan
Current net profit		3,643	4,042	4,895	5,240	6,000	6,440
Dividend amount	End of Q2	-	221	796	917	1,050	1,127
	End of FY		385	950	917	1,050	1,127
	Total		606	1,746	1,834	2,100	2,254
Dividend payout ratio		-	15%	35%	<u>Aiming to further increase the dividend payout ratio</u>		

Other measures for shareholder return

We will consider implementing flexible shareholder returns, including share buybacks.



The dividend payout ratio is stated as 35%, and we believe that by doing what we have discussed so far, we can at least keep the dividend amount at this level. We intend to further improve our dividend payout ratio during the period of Medium-Term Business Plan 4.0.

Message from Mr. Kurosawa

At the beginning of this presentation, I spoke about my course of action. For my part, I have been working for the past three years with the intention of developing Kosaido Holdings into a company that can generate solid profits and grow no matter who manages it.

As I said, I believe I have been able to bring the Company to a point where it will end up growing with a plan which has a degree of persuasiveness and probability.

I am giving today's presentation because I was the one to manage the Company over the past fiscal year, but I assure you that my successors, Luo and Maekawa, will continue to promote what I have presented today from June 27 onward. I hope that Maekawa will eventually have the opportunity to communicate this directly to you all.

That concludes our financial results presentation. Thank you very much.

Q&A: Factors behind information segment profit decline and postponement of BPO projects

Moderator: The question is, “With regard to the information segment, which was 800 million yen short of the plan as of the third quarter, full-year operating profit is now about 3.1 billion yen. Please explain the factors behind this. Also, am I correct in my understanding that the postponement of BPO project orders means they will be shifted to the current period?”

Kurosawa: Basically, the largest sales and profit figures in the printing business are achieved in the fourth quarter. Therefore, when things do not go well, the impact becomes correspondingly greater.

Rather than being a particular outlier, we think it is more a matter of not being able to receive BPO orders. The slide says “postponed orders”, but in fact, we did not manage to receive orders for the projects that we had discussed with government officials in anticipation of receiving orders, mainly for public works projects.

We are not in a situation that we will certainly receive orders in the future for the projects we did not receive. The term “postponement” sounds like such projects have been shifted into the current period, which means that they will eventually reappear soon, but that is not the case. However, since these projects haven’t actually been cancelled, we are calling it “postponed”.

Therefore, the performance forecast for the period currently underway is projected by dropping the figures for the information segment at the beginning of the previous period, when growth was expected from BPO.

Q&A: Factors that will enable the Company to secure profits even with decreased sales in FY03/25

Moderator: The question is, “Comparing the performance forecast for the current fiscal year with FY03/25 in Medium-Term Business Plan 3.0, sales have decreased but profits have remained almost the same. Please explain the factors for this.”

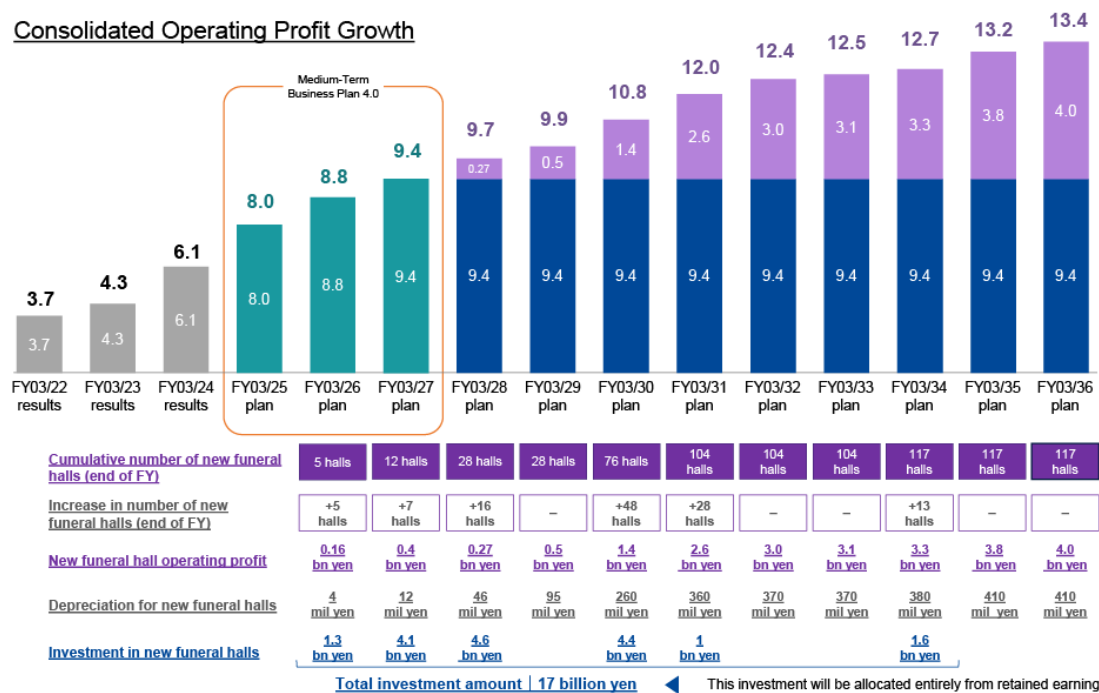
Kurosawa: The BPO business in the information segment is not a very profitable business, but in the forecast in Medium-Term Business Plan 3.0, its sales accounted for a large figure. As I discussed earlier, because we dropped this from the forecast for this fiscal year, forecast sales decreased considerably.

On the other hand, profits will not decline because profits in the profit-generating funeral services segment have been stronger than expected, and it results in making up more for this.

Q&A: Assumptions for the future funeral hall expansion plan

3-06 Medium-Term Business Plan 4 + Future Expansion of Funeral Halls (Billions of yen)

Consolidated Operating Profit Growth



This investment will be allocated entirely from retained earnings



KOSAIDO HOLDINGS

Copyright KOSAIDO Holdings Co., Ltd. All Rights Reserved.

18

Moderator: The question is, “Please tell us what the assumptions are for the future funeral hall expansion plan. You have disclosed operating profit and depreciation information, but could you please explain the completion month and depreciation period for each of funeral halls?”

Kurosawa: For the start of depreciation, while I don’t believe dividing the total investment of 17 billion yen by the number of halls yields the correct investment amounts, the figures should be generally close. The second item from the top on the bottom part of the slide is labeled “Increase in number of new funeral halls (end of FY),” and this is the number of halls to be completed.

There is a correlation between the floor space to be increased and the number of funeral halls, so if you estimate the timing of the start of depreciation from this, I think there will not be a big difference in the numbers. In addition, the depreciation period is 41 years, using the straight-line method.

Q&A: Future direction of company management

Moderator: The question is, “I am a little concerned because the handover period from President Kurosawa, who is quite familiar with both company management and the funeral services industry, to Mr. Maekawa seems short. You have put a lot of effort into meetings and tours in terms of IR, but do you think Mr. Maekawa will be able to fully serve in the role as president in this area?”

Kurosawa: Of course, I fully expect him to do so. You can rest assured that he will fully continue with the policies we currently promote, including our focus on IR.

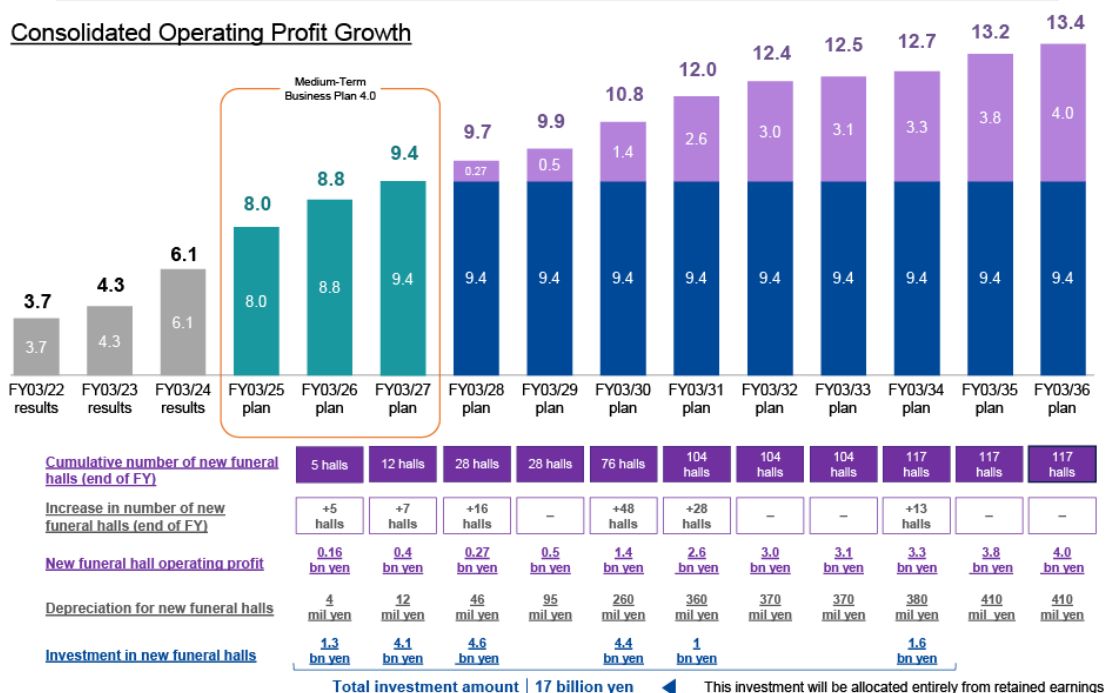
In addition, while I also take part in some areas of course with regard to some aspects of knowledge about matters such as funeral services, cremation, and local administration, the presidents of our subsidiaries and Tokyo Hakuzen’s executives as well as the employees at Kosaido Holdings’ headquarters all work together in all areas to systematically deal with these issues.

My replacement will not result in any loss of this knowhow. Please be assured about our future.

Q&A: Background on the long time required for the funeral hall expansion and the degree of certainty of the plan

3-06 Medium-Term Business Plan 4 + Future Expansion of Funeral Halls (Billions of yen)

Consolidated Operating Profit Growth



Total investment amount | 17 billion yen

This investment will be allocated entirely from retained earnings

Moderator: The question is, “Can you give us some background on the considerable length of time required for the funeral hall expansions? In light of medium- to long-term demographics and the service life of the buildings, it seems more reasonable to do this more rapidly, but is there any reason for not doing so? Also, I assume that framework construction will also be necessary for the expansion, but will it not be necessary to temporarily close existing funeral halls?”

“In addition, I remember that there are some funeral halls which will require coordination with the local government and area residents, but can I assume that prospects are favorable and that the plan has a high degree of certainty?”

Kurosawa: The requirements for two of the six funeral homes are somewhat tricky because the municipal government’s restrictions are a little difficult, such as needing to provide explanations first to local residents. Therefore, their preparatory period is considerably longer than the other four funeral homes. In addition, although construction will begin as early as three years from now, each of the completion dates is different as we believe it is better to have a buffer in the plan.

Basically, we are making plans to minimize the need to suspend a portion of operations while doing construction. Accordingly, some furnaces and funeral halls will be closed during the construction but they will be shut down only during periods of low operation.

In addition, as we engage in the construction of one funeral home at a time, for the part of the work that requires shutting down furnaces, we are planning on taking a variety of measures, such as during

periods of low operation, we will not shut down all 10 of the furnaces that we have on average for each funeral home. Instead, for example, we will stop only two furnaces during periods of low operation, such as early spring, when the operation rate is about 30%.

In part because of these kinds of arrangements, even though we have been asked about the details of our expansion plan for nearly two years, we have been telling that we could not answer yet. However, we stated it this time as we were able to take enough time to formulate the plan.

In fact, it would be misleading to say that there are no definitive constraints that could conceivably prevent the construction, but I believe we will be able to do it. However, as of this day, we have not fully received approval.

We will be doing this in the future, and since even blueprints have not yet been drawn that could actually be used for construction, so we will start with the areas that can be addressed as quickly as possible.

Q&A: Feedback from the Nomination and Compensation Committee on personnel changes

Q: Regarding the personnel changes announced, what was the feedback from the Nomination and Compensation Committee, especially from members such as the outside directors?

Kurosawa: Although I hesitate to say it, I received many kind words despite my lack of talent, for which I am very grateful. I did my best to carry things out, and I believe I may have been recognized for that fact.

Q&A: On the futured direction of management

Q: Looking at Mr. Maekawa's background, he seems to be quite knowledgeable about capital markets. For example, is the Company planning to focus more on the capital market in the medium- to long-term in the future?

As an example, you have introduced progressive dividends this time, but did you pass the baton to someone with this background in part because of an intention to strengthen this kind of aspect? Please provide your commentary on this.

Kurosawa: It is somewhat as you say. Basically, after all, Luo, who is still the chairperson of the Board, will become the representative director and chairperson, which means that the direction of management will be maintained. With the subsidiary presidents at the center, President Wada of Tokyo Hakuzen will also keep a close eye on the overall management of the company.

With regard to such matters, Luo and the rest of the executives will take over going forward, but I believe I have put considerable effort into the IR aspect and took the lead in this area. In order not to create any holes with regard to this, we aimed to strengthen the Company's structure, having two representative directors.

In that sense, as you said in your question, it is an indication that we will continue to manage the Company with a firm focus on the market.

Q&A: Comments of the Nomination and Compensation Committee regarding the selection of the new president

Q: What comments did the Nomination and Compensation Committee make with regard to the appointment of Mr. Maekawa? In addition, since this appointment came from outside the Company, any additional comments regarding the process, etc. would be appreciated.

Kurosawa: After this change in personnel became a possibility, with Luo becoming the next representative director after me, I thought about the practical issues of how much time he could devote to Kosaido's work, as a practical matter. In the end, Luo himself believed that his responsibility would be fulfilled by reinforcing the Company and going with a two-person representative director structure.

Based on this, Luo invited Maekawa whom he had known before. After explaining this background, we consulted with the Nomination and Compensation Committee. Luo, who was in the position of having to take responsibility for accomplishing the plan, said, "Let us do it with this structure. It will be too hard otherwise." And that's how it went, more or less.

The Nominating and Compensation Committee has approved the plan in the sense that the management of the Company will be handed over to the next executive team in a responsible manner, as desired.

Q&A: Things left undone on stepping down as president

Moderator: The question is, “President Kurosawa, do you personally feel there is anything you have left undone or that you didn’t fully accomplish?”

Kurosawa: For the things I felt definitely had to be done, I take pride in the fact that I was able to accomplish them. On the other hand, if I had had more time, I believe there might have been some room to adjust the management of the printing business in the information segment.

In terms of the usage of my time, I spent it on increasing the number of funeral halls and creating plans to that end. In fact, with regard to improving Tokyo Hakuzen’s figures, there is no one in the Company who is opposed to this course of action now as the direction is completely clear and the numbers are provided.

Therefore, since everyone in the Company shares a common understanding that good things will come from this development, I believe that we will be able to continue to proceed without delay from June onward. However, this was not the case at the beginning.

Considering the fact that it was a management reform that required a certain amount of man-hours, if I had to balance the time spent with the increased profits, even if asked to do the same thing again, I would still allocate the same amount of time as I did originally. Accordingly, even if we did it all over again, I believe we would probably get similar results.

In that sense, I could say that there is nothing I have left undone.