# Results of Operations

for the Third Quarter of the Fiscal Year Ending March 2020 (3Q FY3/20)

**Welbe, Inc.**

Securities Code: 6556

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※Announced on Feb. 13,2020

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# Corporate Overview (As of December 31, 2019)

## Welbe Corporate Philosophy

Dedicated to the pursuit of self-fulfillment and happiness for all employees and the creation of a society where everyone can have big dreams

## No. of shares issued / No. of shareholders

| | |
|---|---|
| No. of shares issued | **27,795,000** |
| No. of shareholders | **4,373** |

## Business(No. of operating bases)

Disability Welfare Service Business

① Employment Transition Support Business：

Operation of

**69** employment transition support offices

**57** employment retention support offices (*1)

**3** specific consultation support offices (*1)

**2** employment support centers for people with developmental disabilities operated on consignment from Saitama Prefecture(*2)

**1** self-reliance training (lifestyle training) center (*3)

② Habilitation Business：

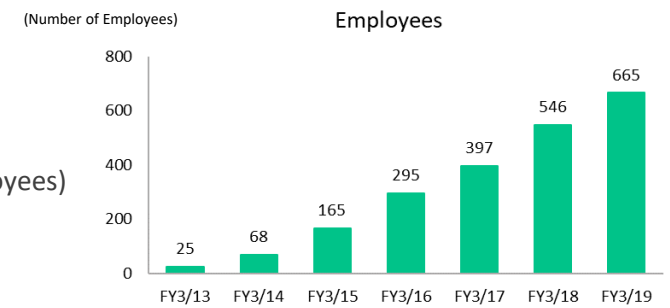
**22** child development support classrooms

**6** after-school day care service classrooms

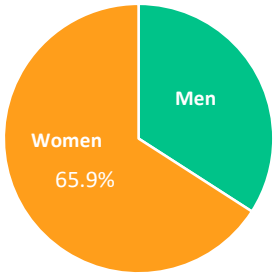
## Employees

**724**

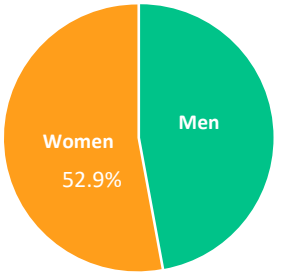
(excluding temporary employees)




Gender ratio of employees




Gender ratio of managers




*1: Employment retention support offices and specific consultation support offices are located at employment transition support offices *2: "Job Centers" *3: "Welbe Challenge"

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# Board Member



**Makoto Ohta　President**

1996　Joined Musashino Bank, Ltd.
2002　Joined TAC Corporation
2004　Director, Tella, Inc.
2007　Director & Vice President, Tella, Inc.
2010　President, Biomedica Solution Co., Ltd.
2011　Founded Welbe, Inc.  President (to present)



**Yuki Hamachi　Director, Executive Vice President**

2006　Joined Tella, Inc.
2012　Joined Welbe, Inc.
2016　Director, Welbe, Inc.
2018　Director, Executive Vice President, Welbe, Inc. (to present)

(Other positions)
President, Welbe Link Inc.
President, ILIS Inc.



**Koichi Ito　Director**

1997　Joined TOKYO BUSINESS SERVICE CO.,LTD.
2001　Joined WDB Holdings Co., Ltd.
2002　Joined Celestar Lexico-Sciences, Inc.
2007　Joined Tella, Inc.
2012　Joined Welbe, Inc.
2019　Director, the Company. (to present)



**Mitsuyoshi Komatsu　External Audit & Supervisory Board Member**

2003　Joined Deloitte Touche Tohmatsu LLC
2009　Joined Koyano C.P.A. Office
2016　External Audit & Supervisory Board Member, Welbe , Inc. (to present)



**Masafumi Sato　External Audit & Supervisory Board Member**

2005　Joined Numata Low Office
2008　Partner Attorney, TGS Partners Law Office
2016　External Audit & Supervisory Board Member, Welbe , Inc. (to present)

(Other positions)
Partner Attorney, Legal Strategy Low Office



**Takao Senga　Director, Senior Executive Vice President**

1998　Joined TAC Corporation
2001　Joined KPMG AZSA LLC
2005　Executive Vice President, Spiralll & Company Inc.
2009　External Audit & Supervisory Board Member, JINS HOLDINGS Inc.
2016　Director, Head of Management Division, Welbe, Inc.
2018　Director, Senior Executive Vice President , the Company. (to present)



**Hideyuki Nakazato　Director**

1995　Joined Musashino Bank, Ltd.
2013　Joined Welbe, Inc.
2016　Director, the Company. (to present)



**Shigenobu Kanba　External Director**

1980　Joined Keio University Hospital Neuropsychiatry
1996　Professor, Department of Neuropsychiatry, University of Yamanashi
2004　Professor, Department of Neuropsychiatry Graduate School of Medical Sciences, Kyushu University
2019　Professor Emeritus, Kyushu University (to present)
2019　External Director, Welbe, Inc. (to present)

(Other positions)
President, The Japanese Society of Psychiatry and Neurology



**Yasutoshi Kita　Audit & Supervisory Board Member**

1984　Joined Mizuho Bank, Ltd.
1994　Joined Mizuho Securities Co., Ltd.
2008　President, Kita Yasutoshi Office (to present)
2016　External Director, Welbe, Inc.
2019　Audit & Supervisory Board Member, Welbe , Inc. (to present)

(Other positions)
Supervisory director, Keihan Private REIT, Inc.
Advisor, 100nen Keiei no Kai

※ The company name is written in the current name.

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# Progress and Growth

| | |
|---|---|
| Dec. 2011 | **Established** |
| Apr. 2012 | Began **Employment Transition Support Business**<br>Opened welbe Nishifunabashi Ekimae Center |
| Nov. 2012 | Opened **3 centers**<br>welbe Kokukoen Ekimae Center, Shinkoshigaya Ekimae Center, and Matsudo Center |
| June 2014 | Began **Habilitation Business for pre-school children** (Child development support business)<br>Opened Habii Kawagoe<br>Began Employment Support Business **specialized for people with developmental disabilities**<br>Opened Job Center Soka |
| Apr. 2015 | Began operations outside the **Kanto area**<br>Opened welbe Nagoya Ekimae Center |
| Nov. 2016 | Began **Habilitation Business for elementary, junior and senior high school students** (After-school day care service)<br>Opened habii plus Kawagoe |
| Oct. 2017 | **Listed on the TSE Mothers Market** |
| Apr. 2018 | Began **Employment Retention Support Business**<br>Opened Shin-Osaka center and Ogikubo Ekimae center |
| Apr. 2019 | Established wholly-owned subsidiary "**Welbe Link Inc.**"<br>to provide total consulting services with respect to employment of people with disabilities. |
| Feb. 2020 | Acquired all the issued shares of " **ILIS Inc.** "<br>that provide Habilitation Business and made it a consolidated subsidiary. |
| | Operation of **108** offices (total amount of **welbe**, **habii** , **habii plus** and **ILISCLUB**) |

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# Business Overview

**Seamless disability welfare services** for all ages from pre-school children to adults

## Employment Transition Support Business (Age 18 to 65)

Job training, job hunting support, post-employment support for people with disabilities who want to work

- **welbe**
  Provision of services based on the Act on the Comprehensive Support for the Daily and Social Life of Persons with Disabilities
  Operation of employment transition support offices



- **others**
  Operation of employment retention support offices, specific consultation support offices, Job Centers and Welbe Challenge

## Habilitation Business (Up to age 18)

Support and guidance for growth and development of children with disabilities

- **habii**
  Provision of services based on the Child Welfare Act
  Operation of child development support centers for pre-school children
- **habii plus**
  Provision of services based on the Child Welfare Act
  Operation of after-school day care service classrooms for elementary, junior and senior high school students



Adults

Elementary, junior and senior high school students

Pre-school children

Employment transition support office

welbe

After-school day care service classroom

habii+ plus

Child development support center

habii

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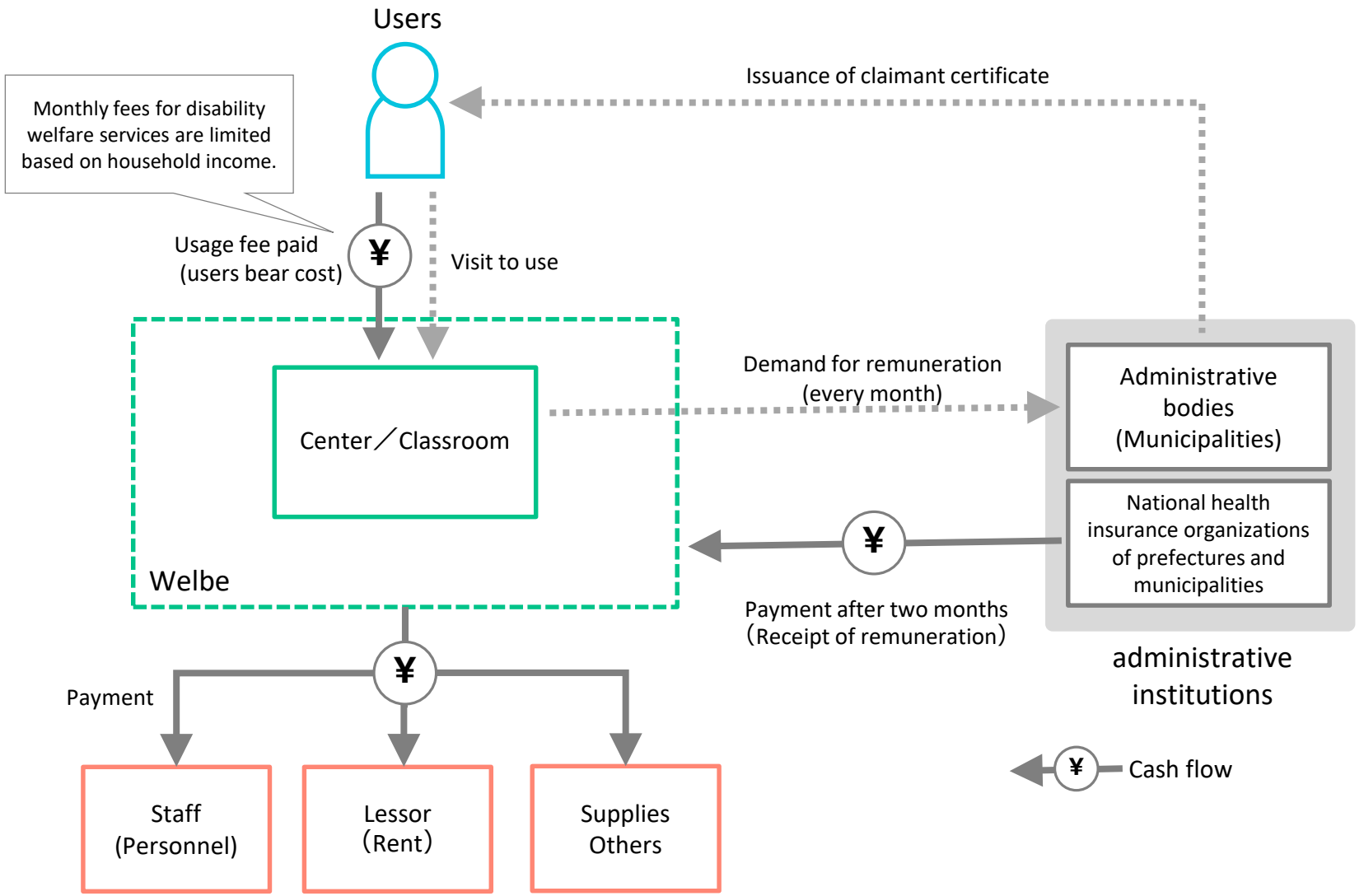
# Business Model

Users pay for part of the cost of services and the remaining balance of the cost is covered by the national health insurance organizations or other public-sector sources.

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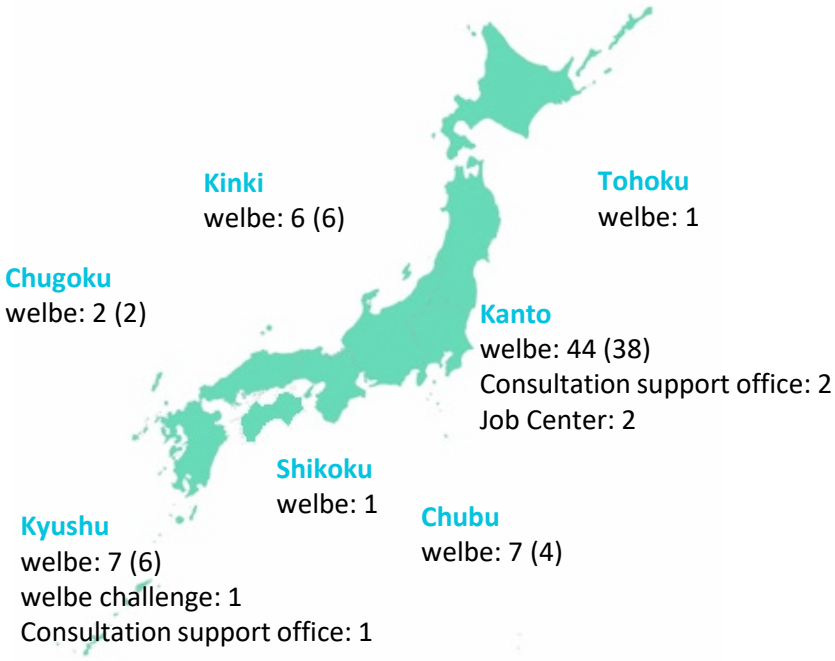
# Employment Transition Support Business Overview

With operations centered in the Tokyo area, this business is expanding with the goal of establishing a nationwide network

Number of **welbe** locations from Hokkaido to Kyushu **69**

(As of December 2019)



**Hokkaido**
welbe: 1 (1)

**Tohoku**
welbe: 1

**Kinki**
welbe: 6 (6)

**Chugoku**
welbe: 2 (2)

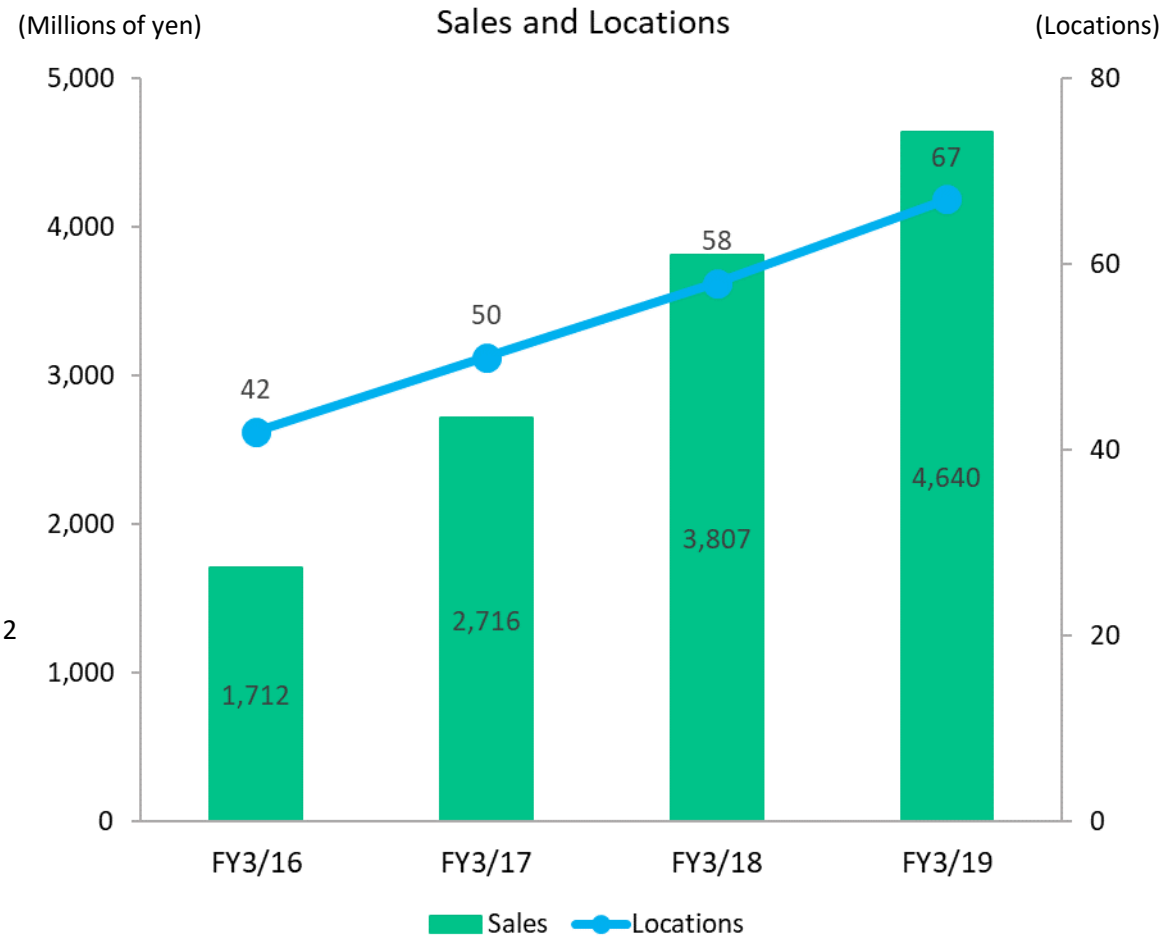
**Kanto**
welbe: 44 (38)
Consultation support office: 2
Job Center: 2

**Shikoku**
welbe: 1

**Chubu**
welbe: 7 (4)

**Kyushu**
welbe: 7 (6)
welbe challenge: 1
Consultation support office: 1

* Numbers in parenthesis show the number of welbe centers with retention support office.




*Source: Welbe website

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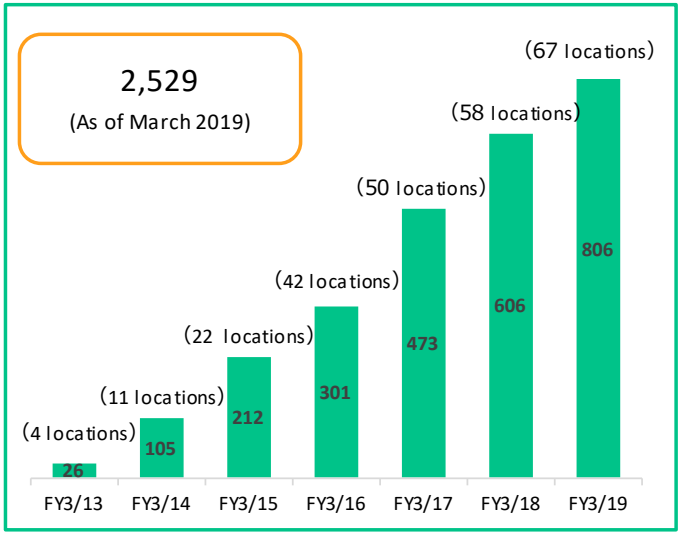
# Employment Transition Support Business Performance

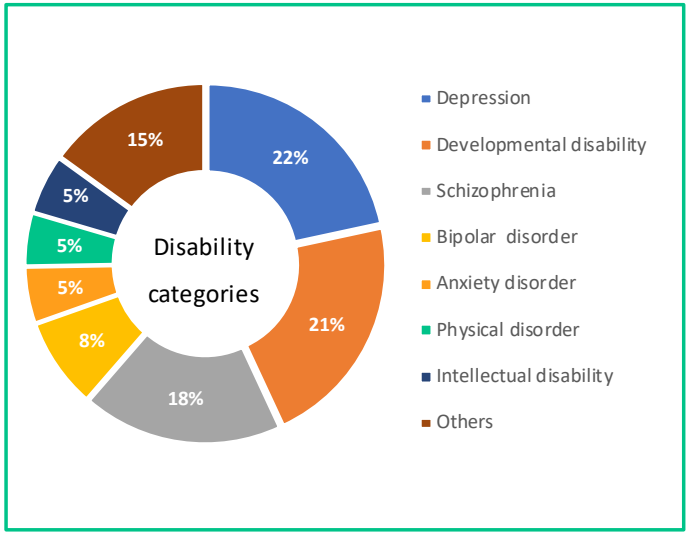
Periodic communications and consultations with employers to help people remain in a job

(Advice for developing workers' skills, such as methods to deal with specific disabilities and other needs and help for employers about interacting with and giving directions to people with special needs)

## Number of People with Jobs

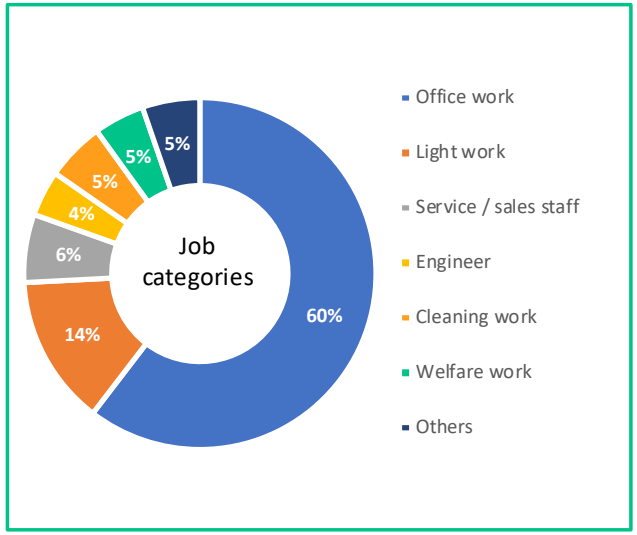



## Job Placements by Disability Category




* Mentalare diseases are 74%,
going from depression to anxiety disorder.

## Job Placement Categories




* More than 70% are in jobs
where they had no experience, primarily office work.

Latest **six-month job retention success rate:** **87.2%**

* Rate of people placed in jobs by Welbe between October 2017 and September 2018 who remained in their jobs for at least six months

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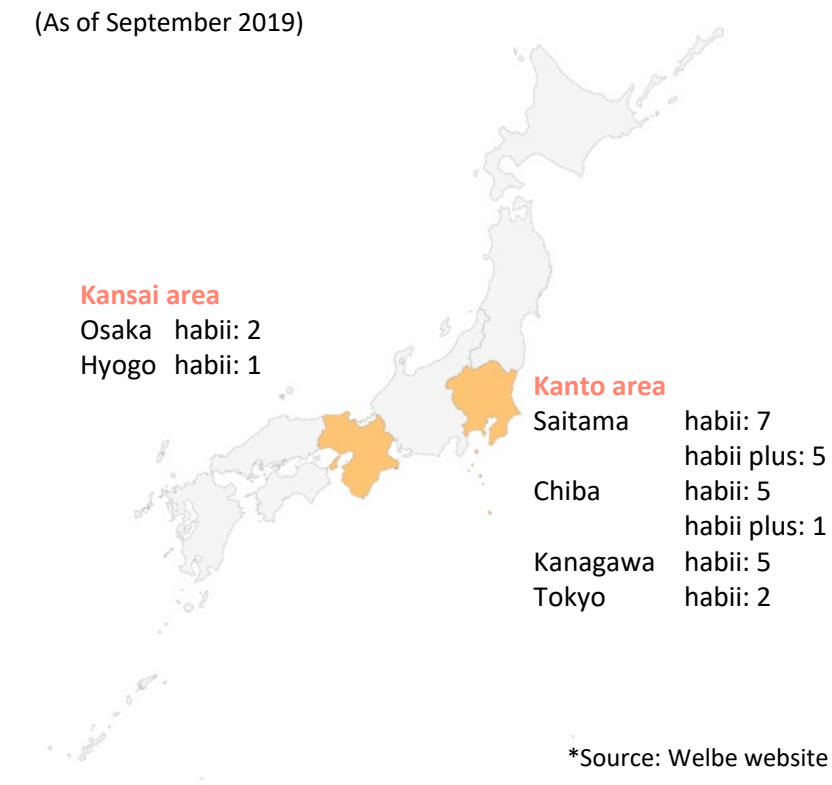
# Habilitation Business Performance

## Continuing to open new locations with emphasis on Tokyo area

Number of **habii** locations nationwide **22**

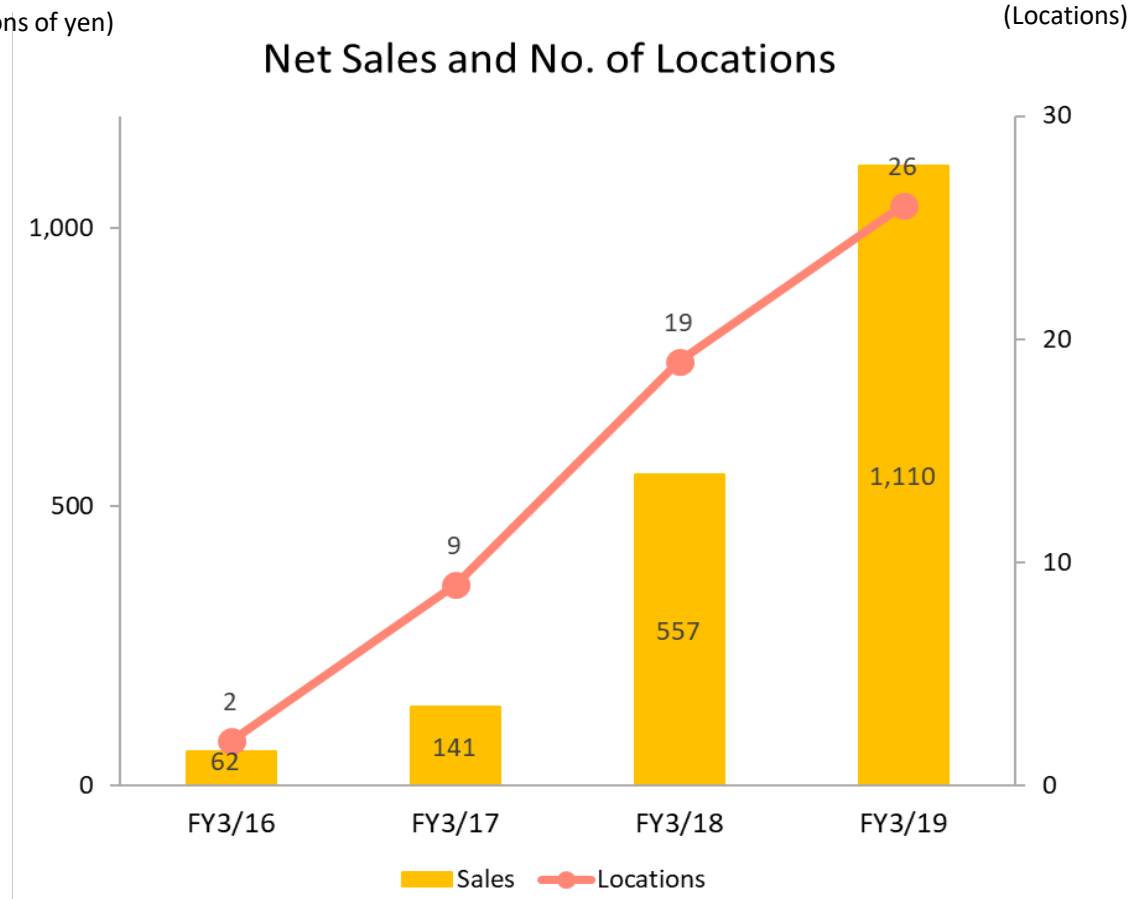
Number of **habii plus** locations nationwide **6**

(As of September 2019)



**Kansai area**
Osaka habii: 2
Hyogo habii: 1

**Kanto area**
Saitama habii: 7
habii plus: 5
Chiba habii: 5
habii plus: 1
Kanagawa habii: 5
Tokyo habii: 2




*Source: Welbe website

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# Key Strengths of Welbe

## 1. Operational manuals and internal audit

✓ Operational manuals for the provision of services of a consistently high quality

✓ Assessment of the operating effectiveness by internal auditors

## 2. Close ties with communities served

✓ Build a powerful local network by using collaboration with partners such as local public-service organizations, disability welfare institutions, hospitals and educational institutions.

## 3. A sufficient number of certified supervisors

✓ Acquiring the necessary certifications to become a supervisor will be extremely difficult(*1), which makes recruiting these people very challenging.

✓ There are many candidates in Welbe who can become certified supervisors..

(*1) If a base was newly designated by March 31, 2018, it would have been possible to appoint a person in charge during the 1 year period after the start of the base, even if the person had not completed the necessary training.

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# Major Activities

## (1) Announcements of Results of Research Projects

| Date | Event | Summary |
|---|---|---|
| Feb. 2019 | The 38th Japanese Society for Social Psyciatry | In-house mental health training using super-simple type cognitive-behavioral therapy – Aiming to improvement of the sense of coherence of employee – |
| Sep. 2019 | Journal of skills and technologies | For people with mental disabilities to continue working long – Efforts for employment support to develop confidence and deepen self understanding – |
| Nov. 2019 | Journal of skills and technologies | Employment transition support for people with mental disabilities by private companies – Focus on development of organizations and training– |
| Dec. 2019 | "ARNOVA"<br>The 48th annual conference | Comparative analysis about organizational behavior of Labor-integrated social enterprise in Japan – Case of Employment transition support business–<br>※Announcement by Professor Keiko Yokoyama at the Kansai University and Associate professor Yuichi Goto at the Onomichi City University |

## (2) The Wel-1cup Innovation Announcements

- Every welbe business site gave a presentation about innovative activities and examples of the accomplishments of these innovations.
- This event improves the ability to provide support by sharing the knowledge of each location with the entire welbe organization.




## (3) Holding forums and seminars

- Sep. 2019 The Employment Promotion Seminar in Fukuoka-ken
- Nov. The Labor Forum 2019 in Fukuoka-ken
- Nov. The 4th Welbe Labor Forum in Tokyo

## (4) Orders received from government agencies

- Aug.2019 "Work Supprt Station for the disabled(WSS)" received from The Chief Cabinet
- Dec. "Workplace retention support for persons with disabilities" received from The Ministry of Internal Affairs and Communications
- Dec. "Support for collaboration with welfare specialists" in employment support services for the needy received from Fuchu City

- We have received several other orders from central and local government agencies for advisory services related to recruitment and retention of people with disabilities.

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# Welbe Link

■ We established wholly-owned subsidiary “**Welbe Link**” on April 25, 2019 to provide total consulting services with respect to employment of people with disabilities. Welbe Link mainly plans to provide **enterprise-level** services.

The logo expresses Welbe Link’s presence of creating a virtuous cycle between companies and disabilities and continuing to grow.




## Company overview

| | |
|---|---|
| ■Name | Welbe Link Inc |
| ■Representative | Yuki Hamachi (Director of **Welbe**) |
| ■Capital | ¥5,000,000 |
| ■Established | April, 25 2019 |
| ■Website | https://www.welbe-link.co.jp/ |

## Business Overview

- ■Support of job extracting
- ■Training
- ■Individualized support for each disabled people
- ■Fee-charging placement
- ■Operation of Satellite offices

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# Population of People with Disabilities

■There are **2 million** people in Japan between the ages of 20 and 65 living at home who have a mental disability.

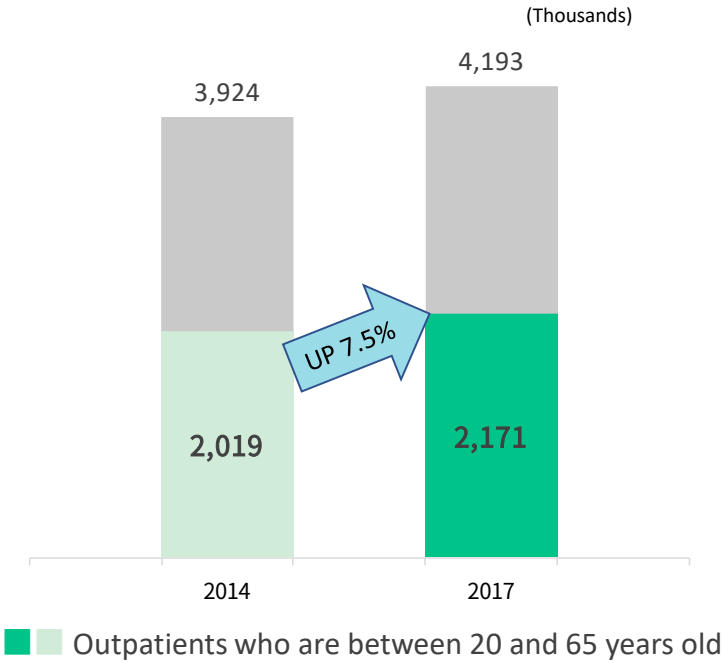
This is approximately **2.9%** of Japan's working age population.

(Thousands)

| | Total | People living at home/ Outpatient | Age 18 to 65* | People in institutions People with physical and mental disabilities at rehabilitation facilities and hospitals |
|---|---|---|---|---|
| Children/adults with physical disabilities | 4,360 | 4,287 | 1,013 | 73 |
| Children/adults with intellectual disabilities | 1,082 | 962 | 580 | 120 |
| **People with mental disabilities** | 4,193 | 3,891 | **2,171** (age 20 to 65) | 302 |
| Total | 9,635 | 9,140 | 3,764 | 495 |

*Japan's working age population: 75,114 thousand people (as of May. 2019)

**Increase in the number of people with mental disabilities**




Source: Prepared by Welbe based on 2019 Disabled People White Paper (Cabinet Office) and Population Estimates (Statistics Bureau, Ministry of Internal Affairs and Communications)

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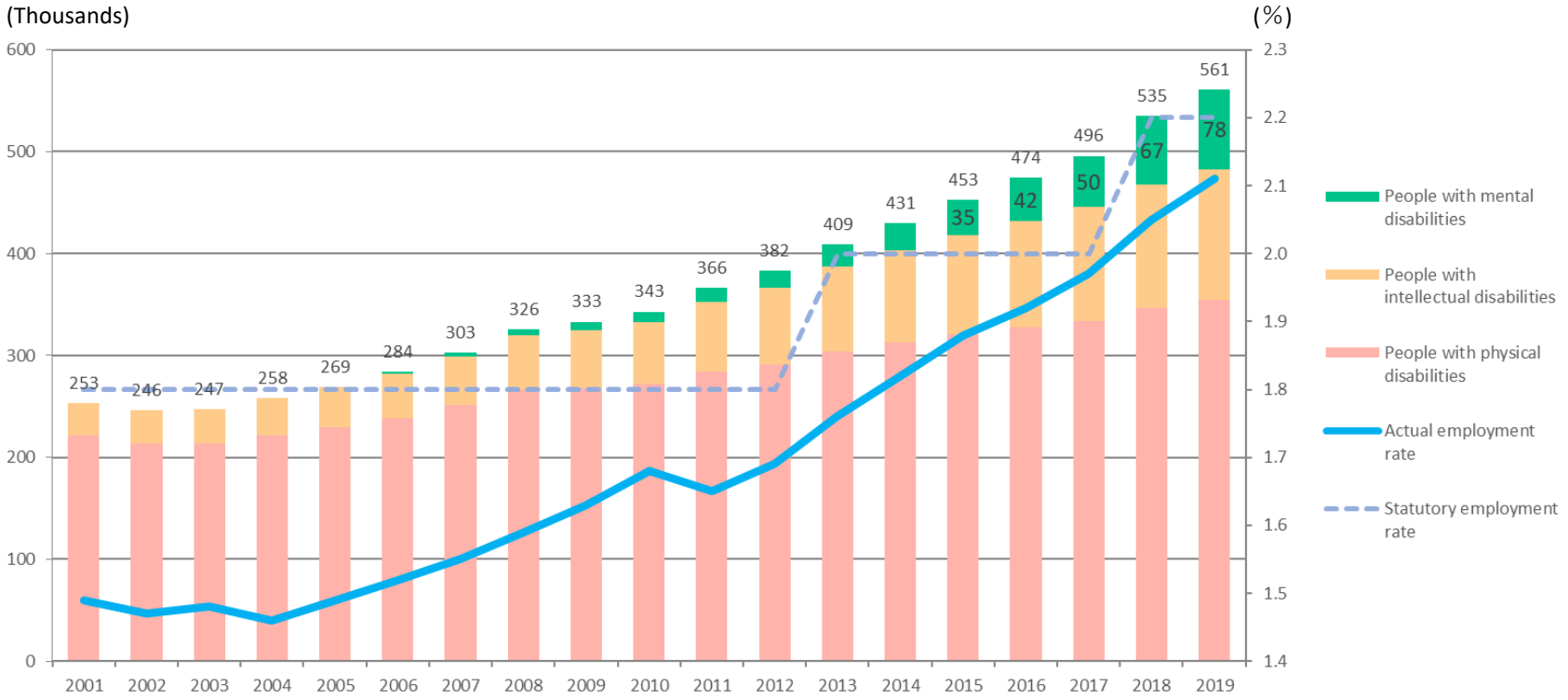
# Employment of People with Disabilities

- The number of disabled people with employed and the actual employment rate are both at all-time highs. The number of disabled people employed has set a record for 16 consecutive years.
- The statutory employment rate will rise to **2.2%** in April 2018 and climb further to **2.3%** in FY2020.
- "The approval of the Action Plan for the Realization of Work Style Reform is a historical step for reform to change the work style in Japan"
  Goal of the Action Plan: Use employment transition support businesses and other resources to raise the shift of people with disabilities to regular employment to at least **50%** more than in FY2016 by no later than FY2020.
  (Excerpt from statement of the Prime Minister at the 10th meeting of the Council for the Realization of Work Style Reform, Mar. 28, 2017)




Source: Report on the "Status of Employment of Persons with disabilities" in 2019, Ministry of Health, Labour and Welfare

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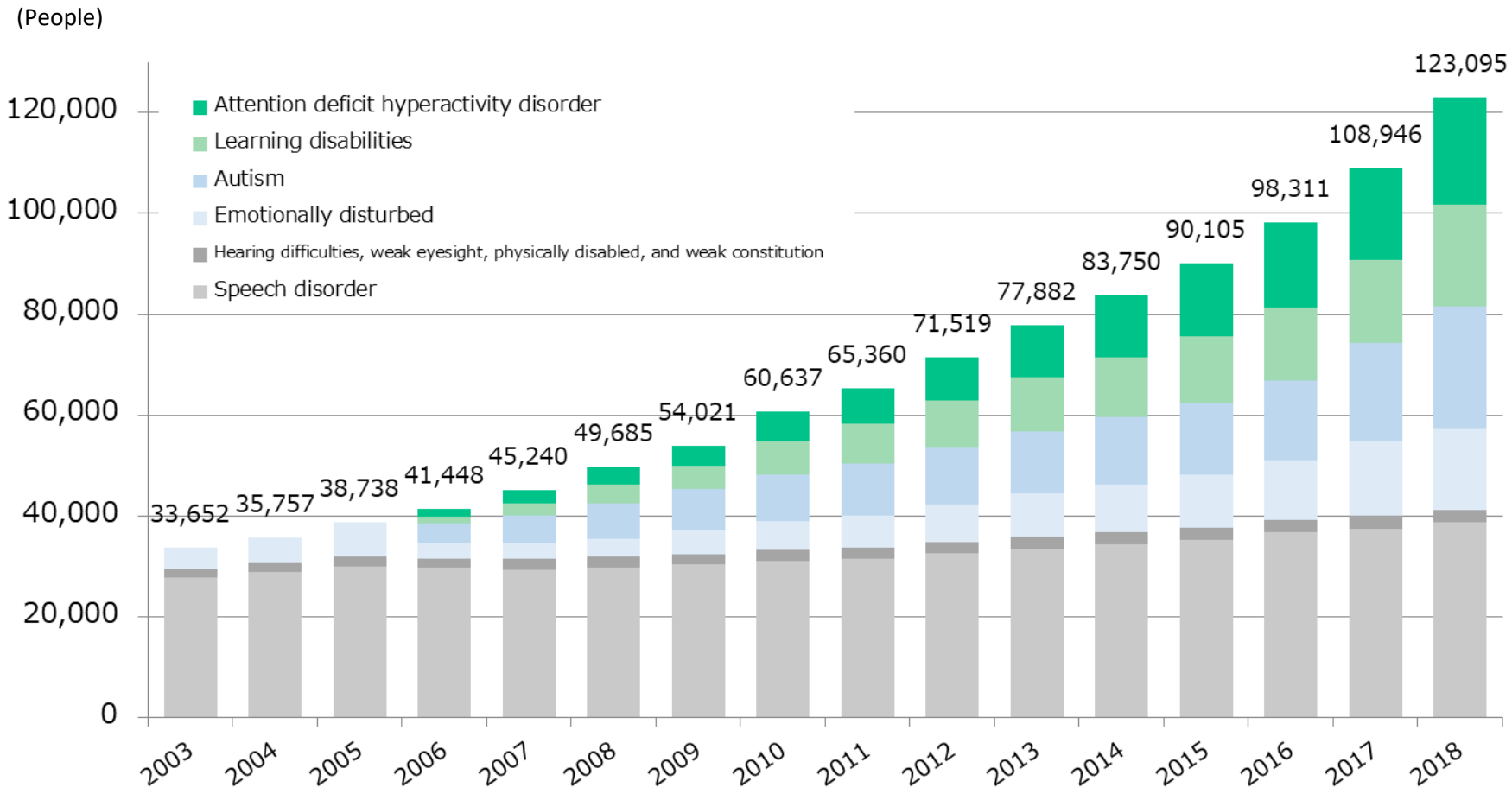
# Growth in the Number of Developmentally Disabled Children in Japan

- 6.5% of children who attend a regular school have the potential of developmental disorder.

  (Dec. 2012 survey by the Ministry of Education, Culture, Sports, Science and Technology)

- Steady increase in the number of children attending special classes to accommodate their disabilities.




Source: FY2018 Survey of Special Classes for Disabilities, Ministry of Education, Culture, Sports, Science and Technology

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※Announced on May 14,2019

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# 3Q highlights

## Result of operation

■Net sales: ¥5,040million; Operating profit: ¥1,463 million; Ordinary profit: ¥1,461 million; Profit: ¥937 million .

- ✓ Net sales up 17.0%, operating profit up 22.8%, ordinary profit up 22.8% and profit up 24.4% .
- ✓ Operating profit on sales : 29.0%, Ordinary profit on sales : 29.0% .

■Operating margin improved by 1.4% from the same period of the previous year.

- ✓ Net sales up 14.0% in the Employment Transition support business, up 30.6% in the Habilitation business mainly due to a steady increase in the number of users.
- ✓ Cost of sales up 16.3% (¥404 million) mainly due to an increase in personnel resulting from the growth of the number of location.
- ✓ SG&A expenses up 9.0%(¥56 million). SG&A to sales ratio improved by 1.0%.

## Business development

■New locations

- ✓ Initial FY3/20 Plan to open 6 welbe centers, 6 habilitation classrooms.
- ✓ At the present time (February 13, 2020), 6 welbe center (plan ± 0) and 7 habilitation classrooms (plan +1) are expected to open.

■**Welbe** Link : New subsidiary (April 2019)

- ✓ We made an investment of ¥10 million and established wholly-owned subsidiary "**Welbe Link**" on April 25, 2019.
- ✓ Plan to provide total consulting services with respect to employment of people with disabilities.

■Acquisition of "ILIS Inc." (February 2020)

- ✓ We aims to make a full-scale entry into habilitation business in the Kinki region and to create synergies with the employment transition support business.

## Start of Consolidated accounting from FY3/20

■ Acquired all the issued shares of " ILIS Inc. " that provide Habilitation Business in Osaka on February 5,2020.
Consolidated accounting will start from the full year ending March 2020 following the conversion to a consolidated subsidiary.

- ✓ Consolidated earnings forecasts:
  Net sales: ¥6,857million; Operating profit: ¥1,849 million; Ordinary profit: ¥1,844 million; Profit: ¥1,249 million .
  Compared to the full-year forecast announced on May 14, 2019, Ordinary profit +¥60 million, Profit +¥33 million
- ✓ The year-end dividend forecast remains unchanged.(Interim dividend ¥4.4, year-end dividend ¥4.4, annual ¥8.8)

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# Quarterly Results

## ■ In the 3rd quarter, net sales and each stage of profit grow steadily.

- ✓ From the same period of the previous year,
  Net sales up ¥733 million, operating profit up ¥272 million, ordinary profit up ¥270 million, profit up ¥183 million
- ✓ Steady progress compared to full-year earnings forecast (non-consolidated, announced on May 14, 2019)

| Items | 3Q FY3/20 Apr. - Dec. | | 3Q FY3/19 Apr. - Dec. | | YoY Change | | Forecast(stand-alone) FY3/20 Announced on May 14,2019 | |
|---|---|---|---|---|---|---|---|---|
| | Amount (Millions of yen) | Comp. | Amount (Millions of yen) | Comp. | Amount (Millions of yen) | Change | Amount (Millions of yen) | Achievement ratio(%) |
| Net sales | 5,040 | 100.0% | 4,307 | 100.0% | 733 | 17.0% | 6,737 | 74.8% |
| Gross profit | 2,144 | 42.5% | 1,815 | 42.2% | 328 | 18.1% | | |
| Operating profit | 1,463 | 29.0% | 1,191 | 27.7% | 272 | 22.8% | 1,788 | 81.8% |
| Ordinary profit | 1,461 | 29.0% | 1,190 | 27.6% | 270 | 22.8% | 1,787 | 81.8% |
| Profit | 937 | 18.6% | 753 | 17.5% | 183 | 24.4% | 1,216 | 77.1% |

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# Quaterly Results

■ In the 3rd quarter, net sales, operating and ordinary profit were higher than in the 2nd quarter.

- ✓ Net sales were higher because of the number of users has been increased.
- ✓ Operating profit and Ordinary profit were higher according to the increase of net sales.
- ✓ 3Q of SG&A increase factors include consumption tax hike (October and after) and the implementation of company-wide social gathering (November)

| Items | 1Q FY3/20 Apr.- June | | 2Q FY3/20 July- Sept. | | 3Q FY3/20 Oct.- Dec. | | QoQ change (2Q vs 3Q) | |
|---|---|---|---|---|---|---|---|---|
| | Amount (Millions of Yen) | Comp. | Amount (Millions of Yen) | Comp. | Amount (Millions of Yen) | Comp. | Change (Millions of Yen) | Change(%) |
| Net sales | 1,593 | 100.0% | 1,693 | 100.0% | 1,753 | 100.0% | +60 | +3.6% |
| Sales of Employment Transition Support Business | 1,276 | 80.1% | 1,345 | 79.5% | 1,388 | 79.2% | +43 | +3.2% |
| (Transition support compensation) | (1,237) | (77.7%) | (1,301) | (76.8%) | (1,327) | (75.7%) | +26 | +2.1% |
| (Retention support compensation) | (39) | (2.5%) | (44) | (2.6%) | — | (3.5%) | +16 | +36.9% |
| Sales of Habilitation Business | 316 | 19.9% | 347 | 20.5% | 365 | 20.8% | +17 | +5.0% |
| Gross profit | 649 | 40.8% | 728 | 43.0% | 766 | 43.7% | +37 | +5.2% |
| Operating profit | 439 | 27.6% | 507 | 30.0% | 517 | 29.5% | +9 | +1.9% |
| Ordinary profit | 440 | 27.6% | 508 | 30.0% | 513 | 29.3% | +5 | +1.1% |
| Profit | 277 | 17.4% | 337 | 19.9% | 322 | 18.4% | -14 | - 4.3% |

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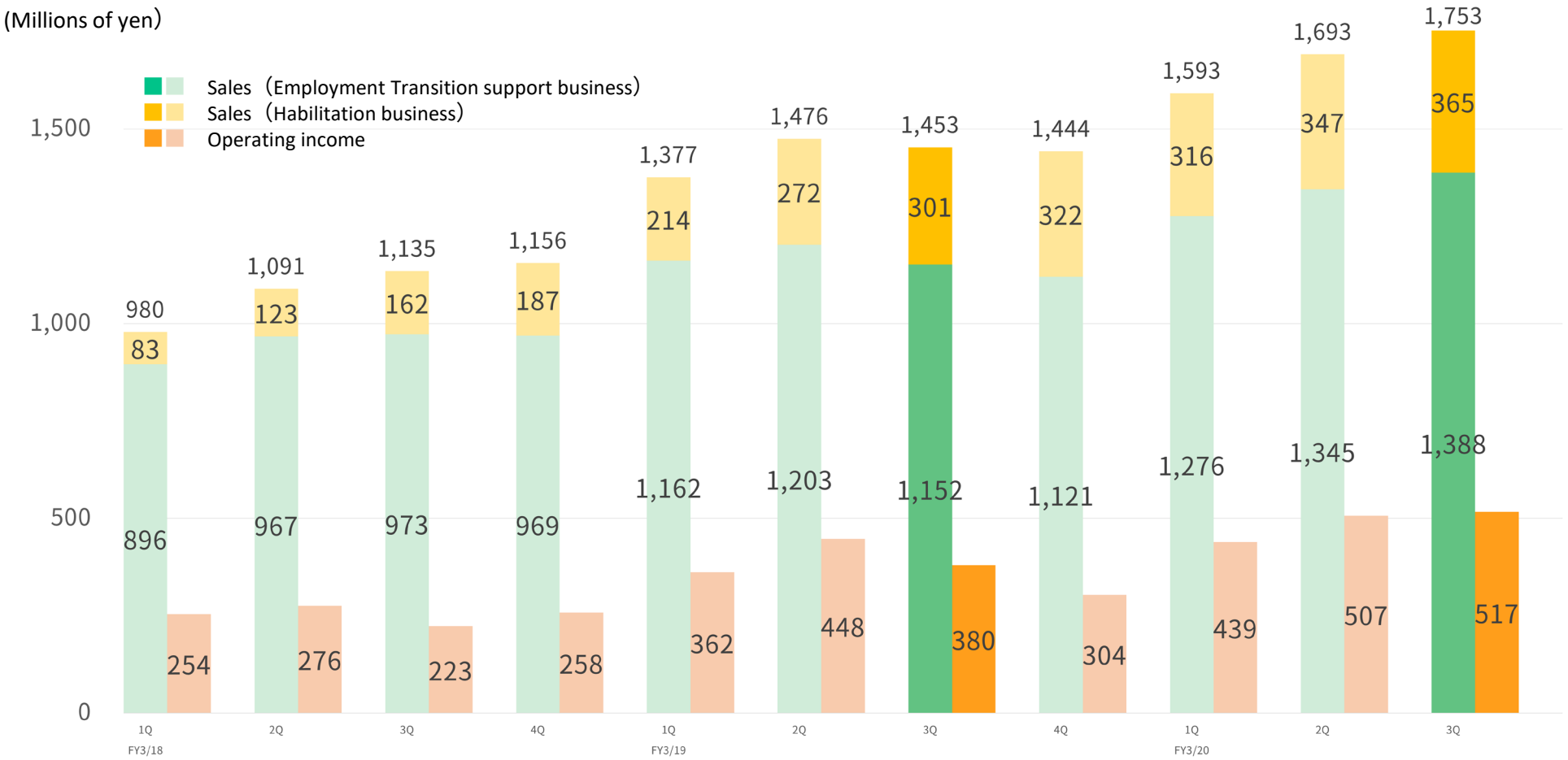
# Quarterly comparisons

■Achievement of record-high net sales and profits

✓ The number of users have increased steadily both in Employment Transition support business and Habilitation business.

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# Net sales

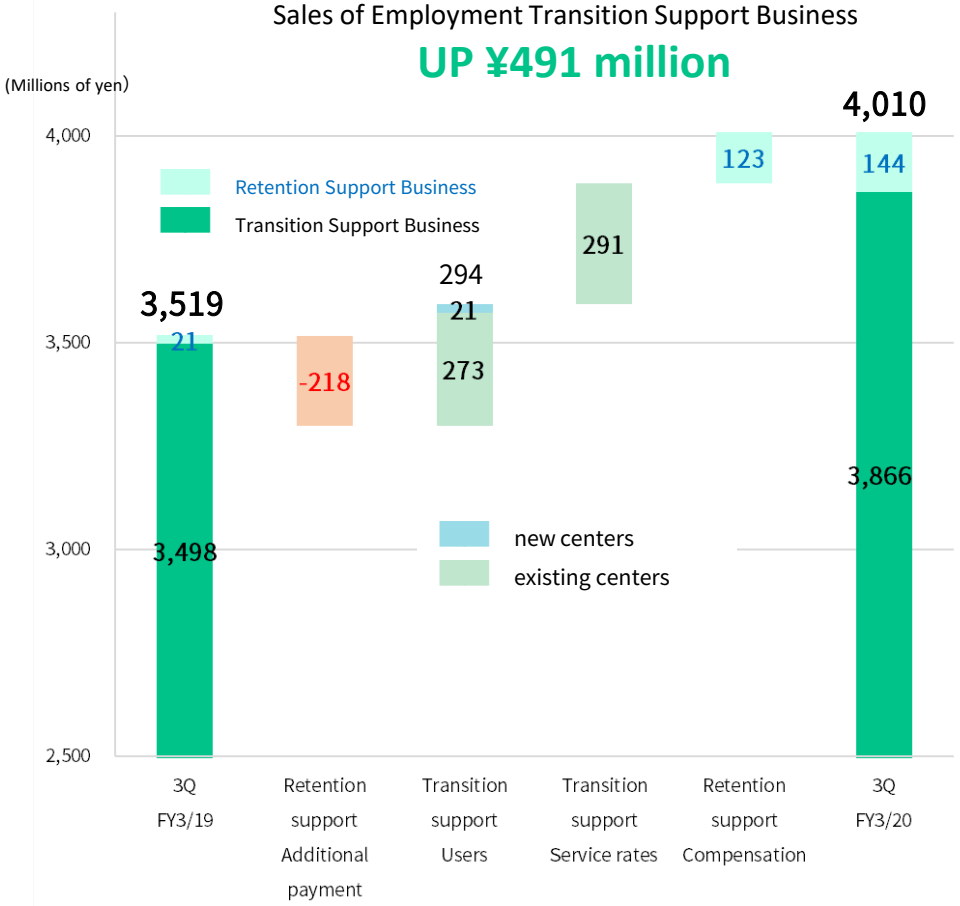
■ From the same period of the previous year,

Net sales **14.0% up** in the Employment Transition support business, **30.6% up** in the Habilitation business.

✓ The number of users have increased steadily.

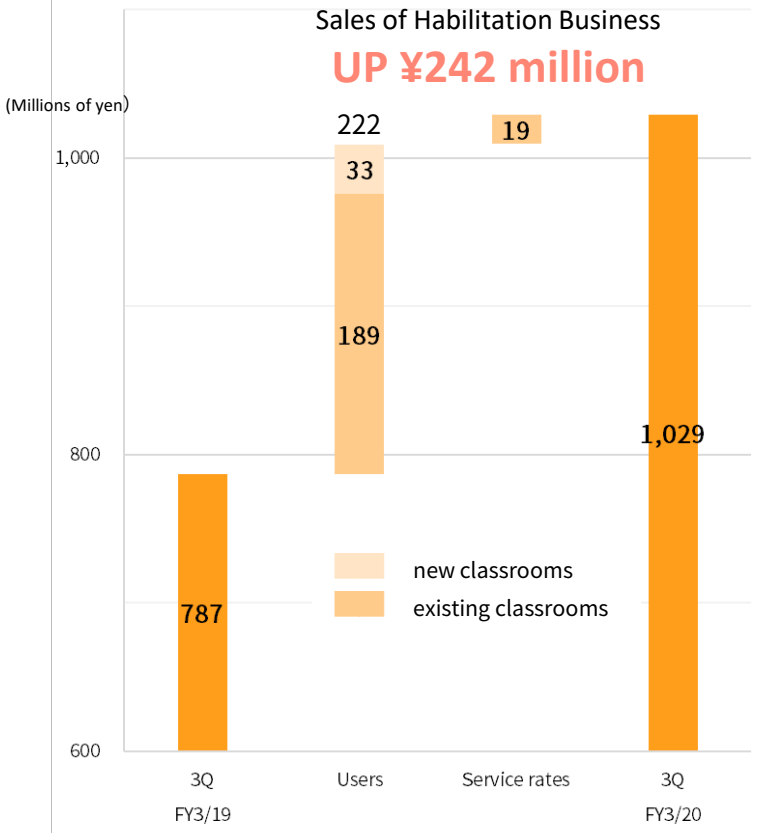
Sales of Employment Transition Support Business

**UP ¥491 million**




Sales of Habilitation Business

**UP ¥242 million**




※Components of changes in sales are reference figures based on approximations and used for internal management purposes.

※New center/classroom sales figures for the number of users are for sales at locations that were opened **after April 1, 2019**.

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# Cost of sales / SG&A expenses

■ From the same period of the previous year,
Cost of sales up ¥404 million, SG&A up ¥56 million. SG&A to sales ratio improved by 1.0%.

✓ The increase in the cost of sales was largely due to higher personnel expenses in line with increases in the number of bases.

✓ Cost of sales ratio decreased 0.4%. The ratio of SG&A expenses to net sales decreased 1.0%.

| Items | | 3Q FY3/20 Apr.-Dec. | | 3Q FY3/19 Apr.-Dec. | | YoY change |
|---|---|---|---|---|---|---|
| | | Amount (Millions of yen) | Comp. | Amount (Millions of yen) | Comp. | Change (Millions of yen) |
| Net sales | | 5,040 | | 4,307 | | +733 |
| Cost of sales | Personnel | 2,065 | 71.3% | 1,740 | 69.9% | +324 |
| | Rent | 295 | 10.2% | 255 | 10.3% | +39 |
| | Others | 535 | 18.5% | 494 | 19.8% | +40 |
| | Total | 2,896 | 100.0% | 2,491 | 100.0% | +404 |
| Cost of sales ratio | | | 57.5% | | 57.8% | - 0.4% |
| Gross profit | | 2,144 | | 1,815 | | +328 |
| SG&A | Personnel | 299 | 44.1% | 280 | 44.9% | +19 |
| | Tax and dues | 131 | 19.3% | 112 | 18.0% | +18 |
| | Others | 249 | 36.6% | 231 | 37.1% | +17 |
| | Total | 680 | 100.0% | 624 | 100.0% | +56 |
| SG&A to sales ratio | | | 13.5% | | 14.5% | - 1.0% |
| Operating profit | | 1,463 | | 1,191 | | +272 |
| Operating margin | | | 29.0% | | 27.7% | +1.4% |

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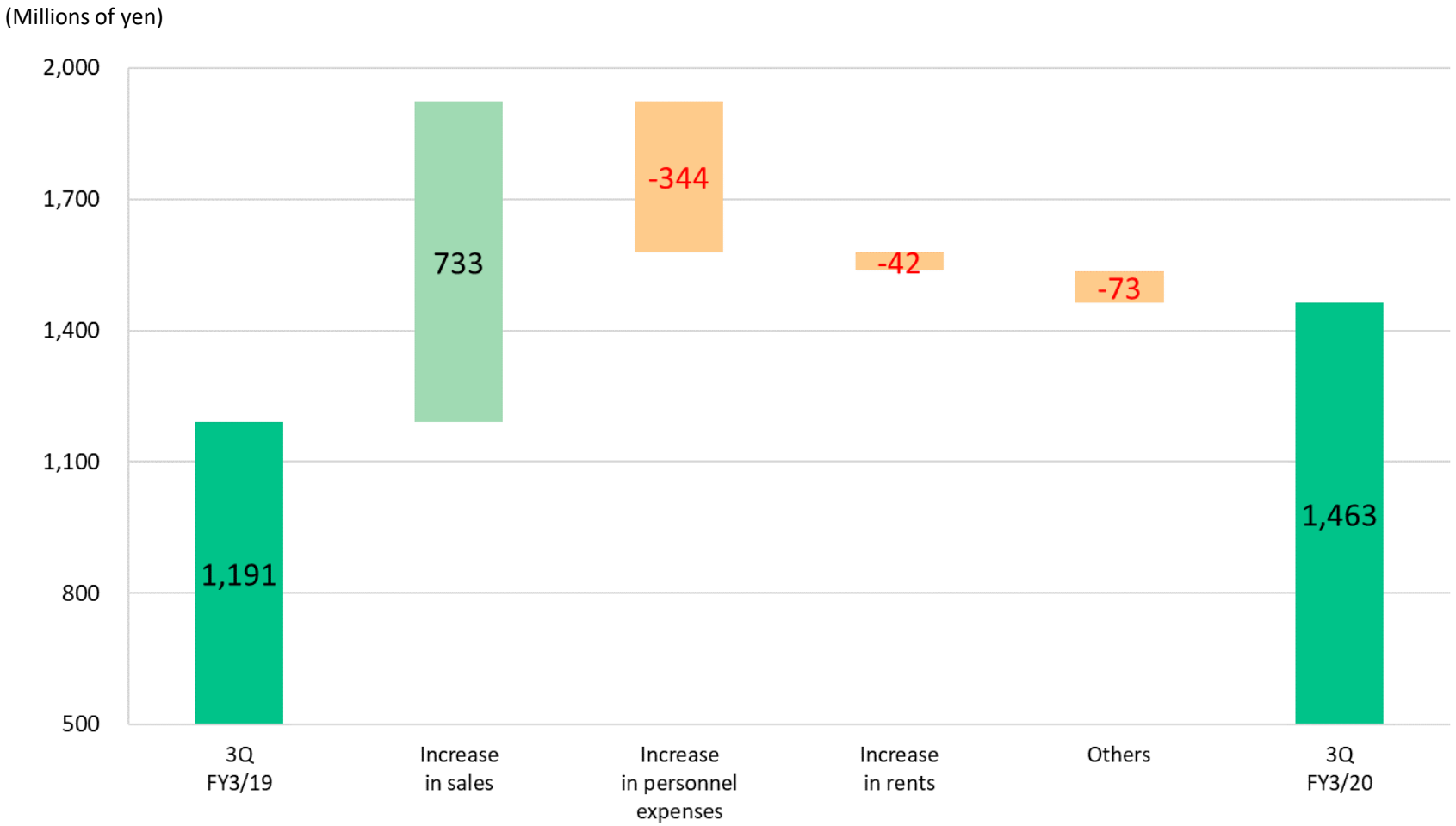
# Factors Impacted in an Increase in Operating Profit

■ Operating profit increased ¥272 million from the same period of the previous year.




* Above amounts are total for cost of sales and SG&A expenses

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# Balance Sheet

■ Total assets increased mainly due to an increase in accounts receivable resulting from an increase in sales and the acquisition of tangible fixed assets due to new openings.

■ Equity ratio moved up 11.5 points to 80.0%.

| Items | 3Q FY3/20 | | FY3/19 | | Change (Millions of yen) | Change (%) |
|---|---|---|---|---|---|---|
| | Amount (Millions of Yen) | Comp. | Amount (Millions of Yen) | Comp. | | |
| Current assets | 3,160 | 78.0% | 2,919 | 78.8% | +241 | 8.3% |
| Non-current assets | 890 | 22.0% | 787 | 21.2% | +102 | 13.0% |
| Total assets | 4,051 | 100.0% | 3,707 | 100.0% | +343 | 9.3% |
| Liabilites | 810 | 20.0% | 1,167 | 31.5% | -356 | -30.6% |
| (Of the above, loans and bonds) | (240) | (5.9%) | (383) | (10.3%) | (-143) | (-37.4%) |
| Net assets | 3,240 | 80.0% | 2,539 | 68.5% | +700 | 27.6% |
| Equity ratio | 80.0% | | 68.5% | | | 11.5% |

**Changes in current assets**

- Increase in cash and cash equivalents +52million
- Increase in accounts receivable by higher sales +185million

**Changes in current assets**

- Increase in property, plant and equipment +39million
- Increase in intangible assets +22million
- Increase in loans to subsidiary +30million

**Changes in liabilities**

- Decrease in loans and bonds -143million
- Decrease in accounts payable -79million

**Changes in net assets**

- Increase in retained earnings from profit +937million
- Decrease in retained earnings due to dividend payments -238million

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# Business development

■ New locations
- ✓ Initial FY3/20 Plan to open 6 welbe centers, 6 habilitation classrooms.
- ✓ At the present time (February 13, 2020), 6 welbe centers (plan ± 0) and 7 habilitation classrooms (plan +1) are expected to open.

■ Welbe Link
- ✓ Established in April 2019.
- ✓ Providing total consulting services with respect to the employment of people with disabilities.

■ ILIS
- ✓ Acquired shares in February 2020.
- ✓ Operating habilitation business in the Osaka prefecture. Aim for synergies with Employment Transition Support Business.

## New locations

**employment transition support office :**

| | |
|---|---|
| Apr.2019 | welbe Niigata center |
| Sep.2019 | welbe Soka-eki Higashiguchi center |
| Jan.2020 | welbe Kanazawa center |
| Feb.2020 | welbe Nara center |
| Mar.2020 | welbe Matsumoto Ekimae center(planned) |
| | welbe Yokkaichi center(planned) |

**Child development support center**

| | |
|---|---|
| Jun.2019 | habii Tsudanuma |
| Feb.2020 | habii Sendai |
| Mar.2020 | habii Hon-atsugi(planned) |

**After-school day care service center**

| | |
|---|---|
| Apr.2019 | habii plus Matsudo |
| Mar.2020 | habii plus Nishi-funabasi (planned) |
| | habii plus Nishi-kawaguchi (planned) |
| | habii plus Fujimino(planned) |

## Welbe Link

- ■ Established on April 25, 2019
- ■ Invested 10 million yen
- ■ Start to Fee-charging placement
- ■ Preparing to open a satellite
- ■ Plan to non-consolidate this fiscal year

## ILIS

- ■ Acquired shares on February 5, 2020
- ■ 8 Multifunctional offices : ILIS CLUB
  (pre-school children and school children)
  1 consultation support office : ILIS PLAN
- ■ Consolidated subsidiary
  (from FY3/20 settlement of results)

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   ※Announced on Feb. 13,2020

4. Appendix
   ※Announced on May 14,2019

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   b. Others


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# Acquisition the shares of “ILIS Inc.”

■ We have acquired the shares of “ILIS Inc.” which runs habilitation business in Osaka Prefecture.

We aims to make a full-scale entry into habilitation business in the Kinki region and to create synergies with the employment transition support business.

ILIS CLUB
Our Mission Is Delivering Relief & Smile

ILIS PLAN
Our Mission Is Delivering Relief & Smile

ILIS Inc. operates 8 offices (Multifunctional offices for pre-school children and school children) and 1 consultation support office in Osaka Prefecture based on the Child Welfare Law. ILIS provides services to a wide range of age groups, from infants to high school students.

Welbe group will make a full-scale entry into the habilitation business in the Kinki region, and the synergy effect with our employment transition support business will create an environment that provides consistent welfare services for the disabled.

## Company overview

| | |
|---|---|
| ■Name | ILIS Inc. |
| ■Representative | Yuki Hamachi (Director of **Welbe**) |
| ■Location | Osaka-shi,Osaka |
| ■Capital | ¥20,100,000 |
| ■Date of acquisition | February 5,2020 |

(Consolidated subsidiary from FY3/20 settlement of results)

| | |
|---|---|
| ■Sales | 400 million yen （FY3/19 results) |
| ■Employees | Approx. 80 |
| ■HP | https://ilisclub.com/ |

## Business Overview

■Operates habilitation business and consultation support office in Osaka Prefecture.

■Multifunctional offices ILIS CLUB：8 locations

- Locations／Imabayashi，Abeno， Naniwa， Yaominami，Matsubara， Izumiotsu， Kisiwada， Izumisano
- According to age, provide child development support service and after-school day care service with a maximum of 10 people
- 90% of users are after-school day care service users.

■ Consultation support office ILIS PLAN：1 location

- Location／Abeno

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※Announced on February 13, 2020

# Consolidated Earnings Forecast for the Fiscal Year Ending March 2020

■Consolidated accounting starts in FY 2020 following the conversion of “ILIS Inc. to a subsidiary.

■Consolidated earnings forecasts:

Net sales: ¥6,857million; Operating profit: ¥1,849 million; Ordinary profit: ¥1,844 million; Profit: ¥1,249 million .

■The year-end dividend forecast remains unchanged.

Interim dividend ¥4.4. Year-end dividend ¥4.4(forecast). Annual dividend ¥8.8(forecast).

| Items | FY3/20 Forecast Non-consolidated announced on May 14,2019 | | FY3/20 Forecast Consolidated announced on Feb. 13,2020 | | Change (Millions of yen) | |
|---|---|---|---|---|---|---|
| | Amount (Millions of yen | Comp. | Amount (Millions of yen | Comp. | | |
| Net Sales | 6,737 | 100.0% | 6,857 | 100.0% | 119 | Welbe<br>・Incorporating results up to 3Q (December), conservative estimates from January onward.<br><br>ILIS<br>・Taking into account the results up to 3Q (December), an estimate for 4Q. |
| Operating profit | 1,788 | 26.5% | 1,849 | 27.0% | 60 | Welbe<br>・ Incorporating results up to 3Q (December), an estimate after reviewing store opening plans from January onwards.<br><br>ILIS<br>・Taking into account the results up to 3Q (December), an estimate for 4Q.<br><br>Record expenses for consolidation<br>・Includes acquisition-related expenses. |
| Ordinary profit | 1,787 | 26.5% | 1,844 | 26.9% | 56 | |
| Profit | 1,216 | 18.1% | 1,249 | 18.2% | 33 | |

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# Forecast for the Fiscal Year Ending March 2020

## Forecast

- Forecast sales of ¥6,737 million, operating profit of ¥1,788 million, ordinary profit of ¥1,787 million and profit of ¥1,216 million in FY3/20.
- Plan to open **6** welbe centers, **6** habilitation classrooms.
- Forecast higher sales and earnings as the number of users in the Employment Transition Support Business and Habilitation Business are expected to increase steadily.
- Service rates of existing **welbe** centers are increased because almost all the centers achieved a higher number of users with six-month job retention compared to FY3/19.

(Millions of yen)

| Item | FY3/20 Forecast | | FY3/19 Results | | Change | Change (%) |
|---|---|---|---|---|---|---|
| | Amount (Millions of Yen) | Comp. | Amount (Millions of Yen) | Comp. | | |
| Net sales | 6,737 | 100.0% | 5,751 | 100.0% | +986 | +17.2% |
| Operating profit | 1,788 | 26.5% | 1,495 | 26.0% | +293 | +19.6% |
| Ordinary profit | 1,787 | 26.5% | 1,471 | 25.6% | +315 | +21.5% |
| Profit | 1,216 | 18.1% | 991 | 17.2% | +224 | +22.6% |

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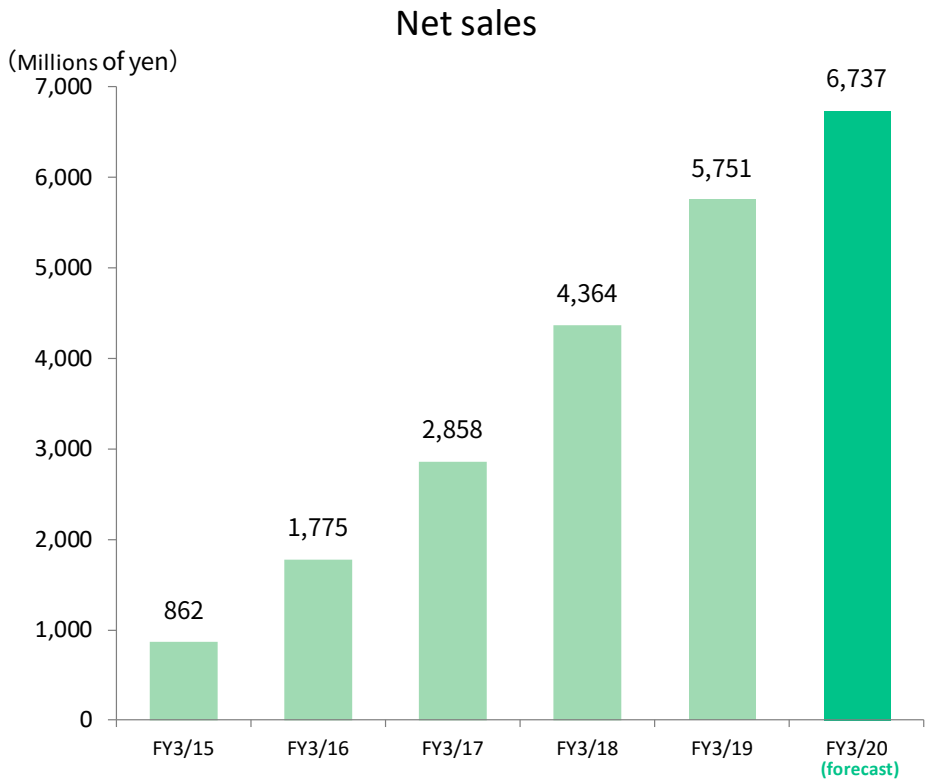
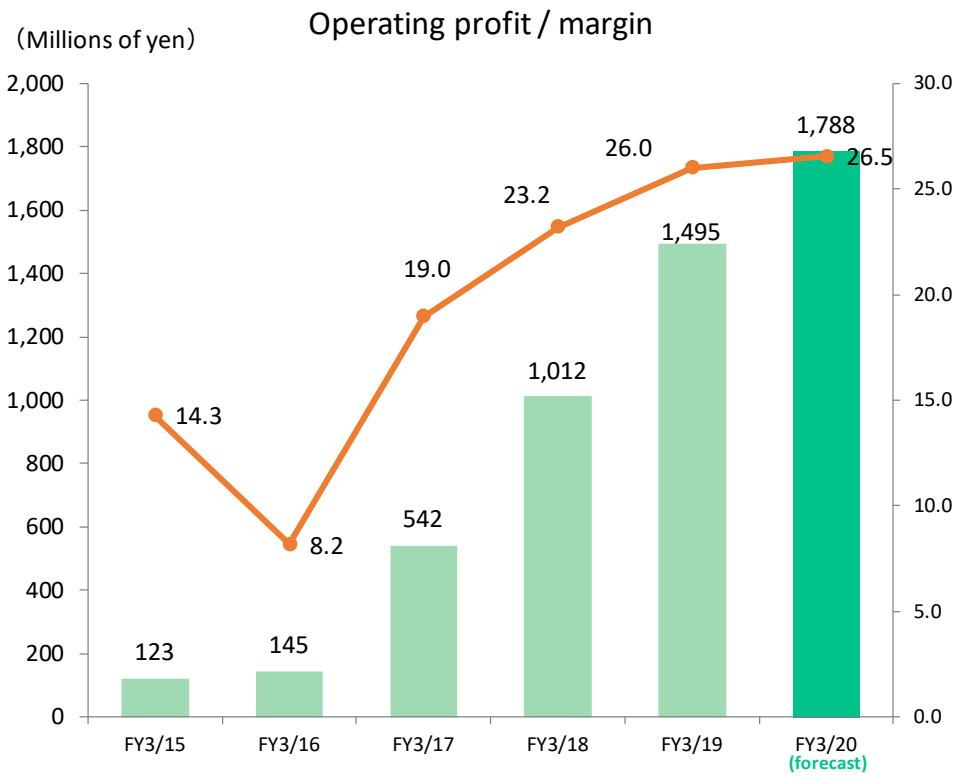
# Net Sales and Operating Profit

- Forecast net sales up 17.2% to ¥6,737 million, operating profit up 26.5% to ¥1,788 million, operating margin 26.5%
- Net sales and operating profit are expected to increase; flat in operating margin

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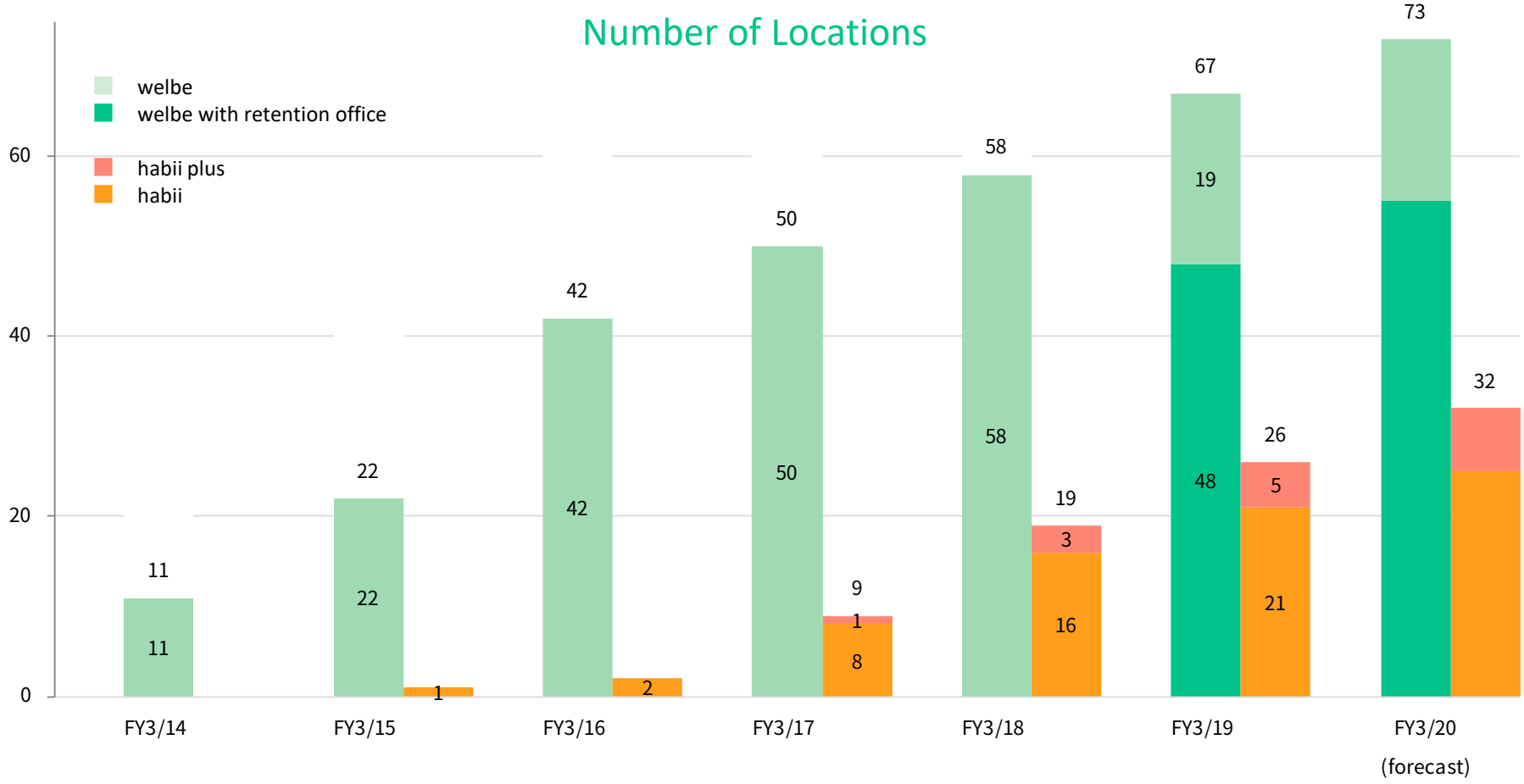
# Growth in the Number of Locations

- Plan to open **6 welbe centers**, **6 habilitation classrooms**.
- Operation forecast of 105 offices (total amount of **welbe**, **habii** and **habii plus**) as of March, 2020.
- Employment retention support offices will be opened sequentially as soon as the condition is set.

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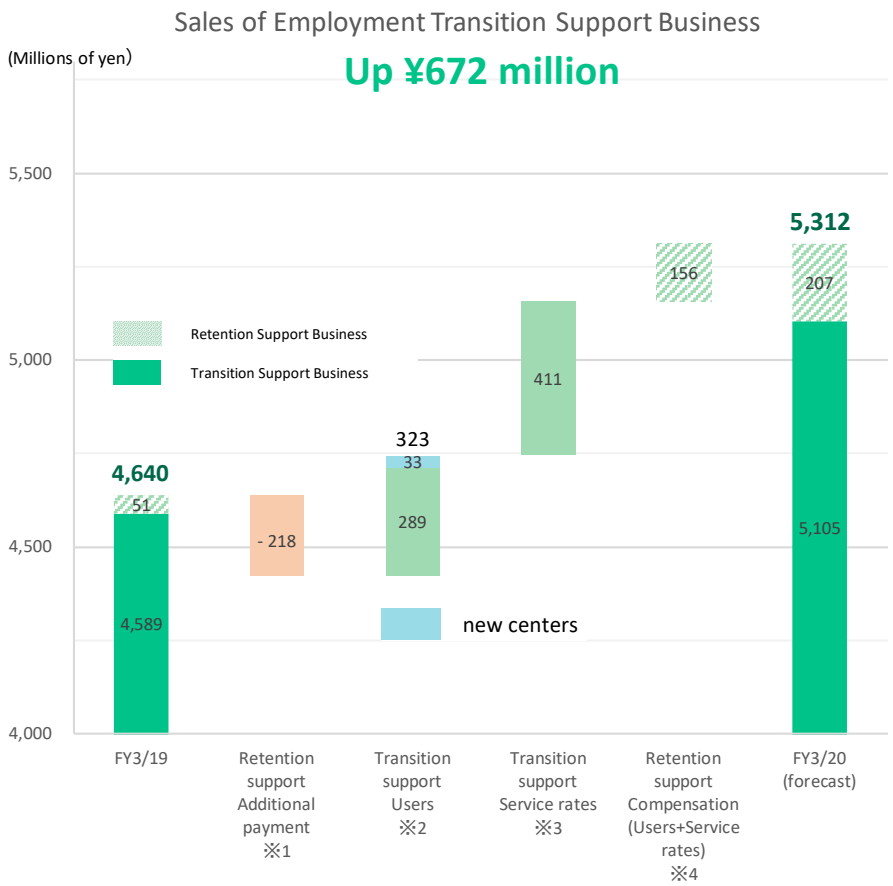
# Sales Forecast – Employment Transition Support Business –

■ Sales in **the Employment Transition Support Business** are expected to **increase by 14%** mainly because of the outlook for steady growth in the number of users. Service rates of almost all the existing **welbe** centers are increased because they achieved the higher number of users with six-month job retention compared to FY3/19.




※1 The FY3/19's first half (from April to September 2018) was a period to prepare for the start of the employment retention support business. During this period, half of the previous additional payment for job retention support could be received.
In FY3/20, this additional payment is **subtracted**.

※2 Outlook for **an increase in the number of users** is set based on expectations for new users at newly opened locations and measures at existing locations to maintain and improve the operating ratio

※3 Service rates of employment transition support office(**welbe**) are based on the number of users who remain in their jobs for six months.
**Service rates of almost all the existing centers are increased** because they achieved the higher number of users compared to FY3/19

※4 As of Mar 2019,we have operated **48** of employment retention support offices. Employment retention support offices will be opened sequentially as soon as the condition is set.
Users and service rates are estimated based on the results for FY3/19 at each offices.

* Components of changes in sales are reference figures based on approximations and used for internal management purposes.

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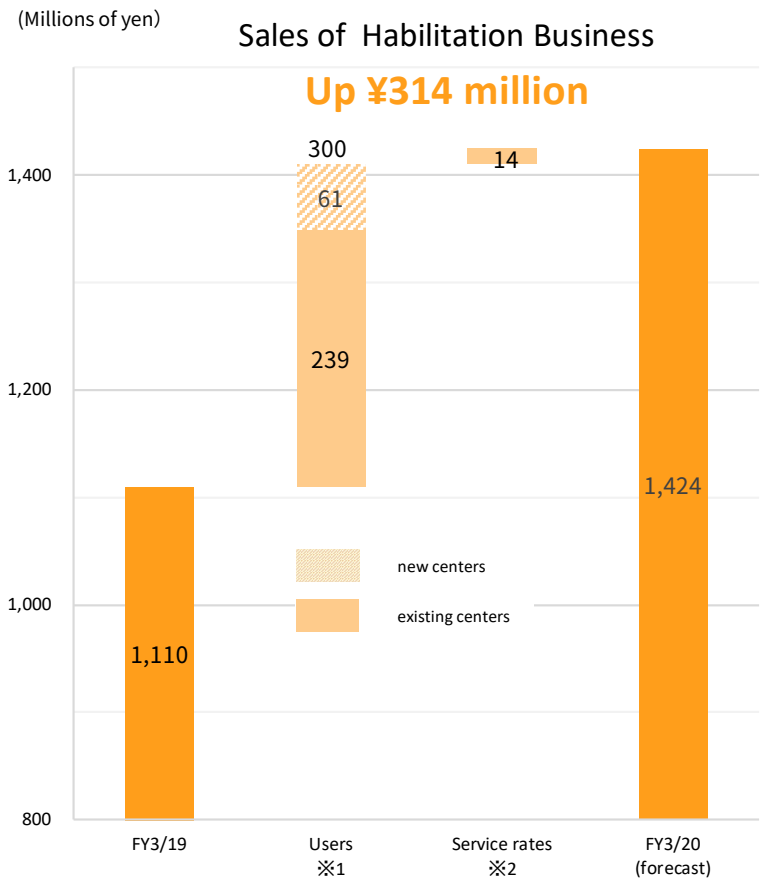
# Sales Forecast – Habilitation Business –

■ Sales in **the Habilitation Business** are expected to **increase by 28%** and account for 21% of total sales, mainly because of the outlook for an increase in the number of users.




*1 Outlook for **a steady increase in the number of users** is based on expectations for new users at newly opened locations and measures at existing locations to maintain and improve the operating ratio

For habii child development support centers, the additional guidance personnel has been increased for locations where more than the designated standard number of people in childcare positions requiring professional certifications are assigned. Now a number of units **up to the amount for two people is allowed**.

*2

| (Previous system) | |
|---|---|
| Child guidance, etc. personnel | **195 units** |
| Guidance personnel | **185 units** |

→

| (Since April 2018) | | |
|---|---|---|
| Specialists (nursery school teachers, etc.) | **209 units** | x2 |
| Child guidance, etc. personnel | **155 units** | **Maximum of 418 units** |
| Other employees | **91 units** | |

Utilization rates have been estimated for individual locations , taking plans for recruiting personnel for child guidance into consideration.

* Components of changes in sales are reference figures based on approximations and used for internal management purposes.

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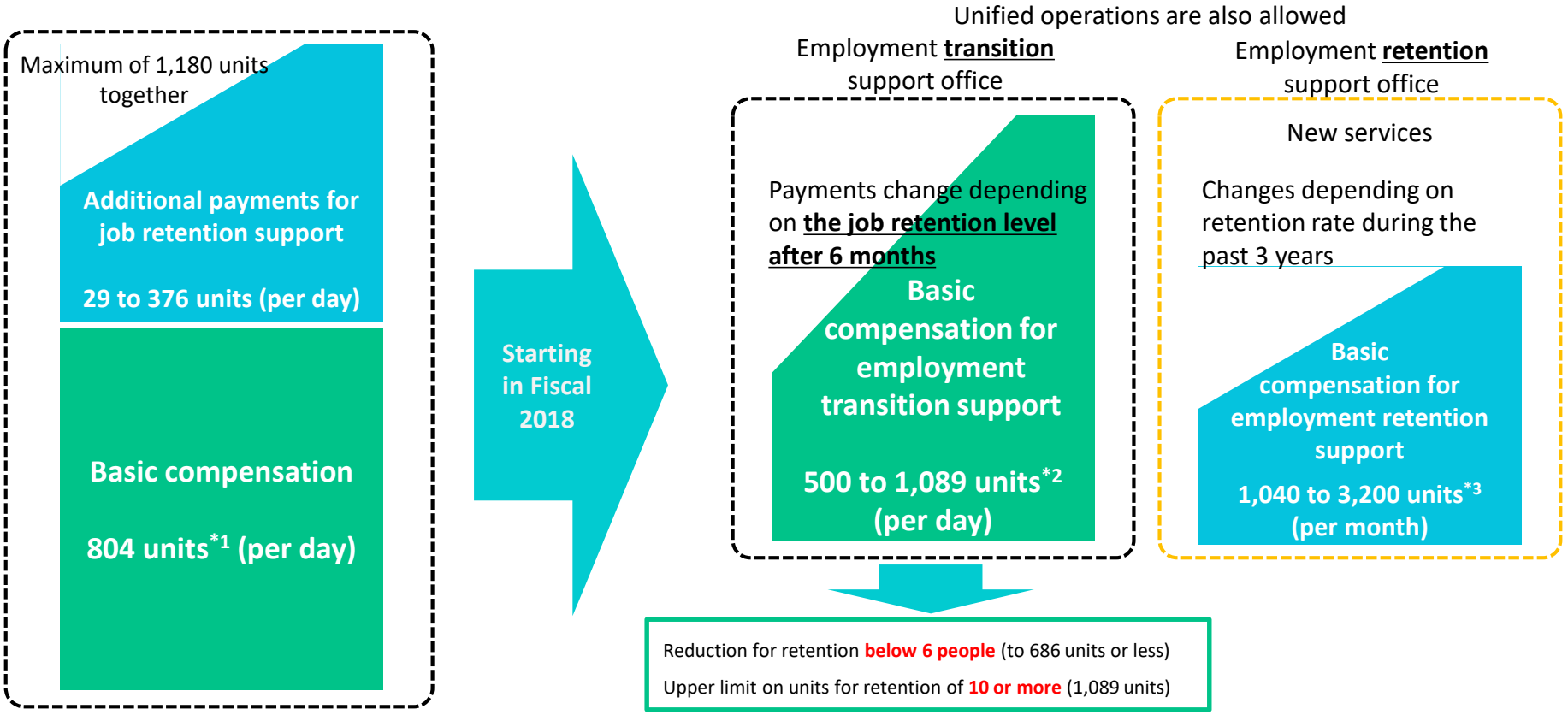
# Revisions to Disability and Welfare Service Compensation in Fiscal 2018

In April 2018, Japan replaced the system of additional payments for job retention support with the job retention support service system.
As a result, basic compensation for employment transition support changes depending on the level of job retention.




*1. Reduction of 15%-50% based on number of employment transitions and job retentions

*2. For up to 20 people

*3 . For up to 20 people

Source: Prepared by Welbe based on the Summary of Fiscal 2018 Revisions to Compensation for Disability and Welfare Services

At employment **transition** support offices, the priority is **constantly supplying** people who can remain in their jobs for at least 6 months.
At employment **retention** support offices, the priority is providing effective support that **raises the job retention ratio**.

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# Shareholder Distributions

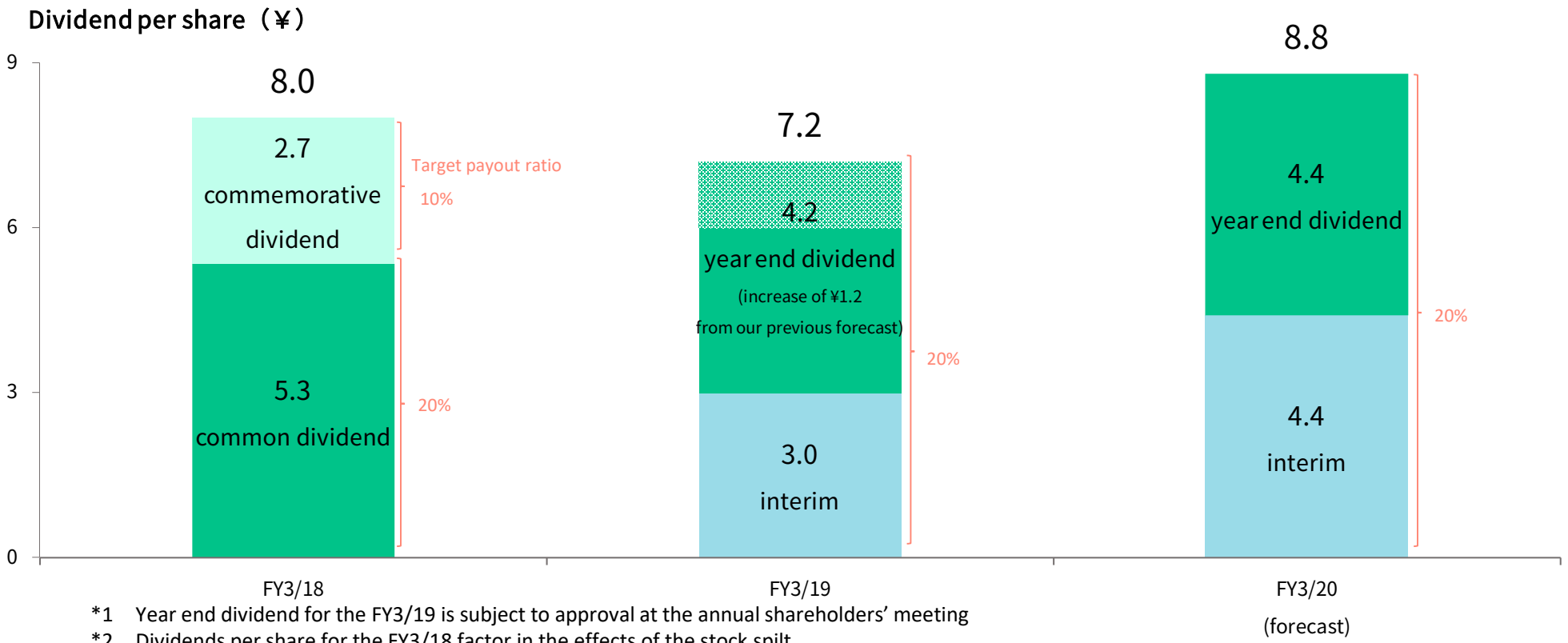
- For the FY3/19, Annual dividend of **¥7.2** per share. We increase the year end dividend par share by ¥1.2 from our most recent dividend forecast.
- For the FY3/20, We plans to pay a total dividend of **¥ 8.8** par share.

Welbe's policy is to make consistent earnings distributions that properly reflect results of operations while taking actions aimed at maintaining the long-term soundness of business operations

Increase retained earnings to maintain financial soundness and provide funds for future growth

Reflect results of operations and the financial position in shareholder distributions

**Dividend payout ratio target: 20%**




*1 Year end dividend for the FY3/19 is subject to approval at the annual shareholders' meeting

*2 Dividends per share for the FY3/18 factor in the effects of the stock spilt and include a ¥2.7 commemorative dividend (10% equivalent of dividend payout ratio) for the listing of welbe stock on the TSE Mothers Market.

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