



Results of Operations

for the Third Quarter of
the Fiscal Year Ending March 2022
(3Q FY3/22)

Welbe, Inc.

Securities Code : 6556

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01

Consolidated financial results for the third quarter of the fiscal year ending March 2022



Summary of financial results

Both sales and profit increased due to the initiation in 2Q of consolidation of Welbe Healthcare Inc., which engages in the healthcare business, in addition to steady performance of the disability welfare business. High profitability was also maintained.

(Million yen)

	FY3/21 3Q		FY3/22 3Q		YoY change
	Results	Ratio to net sales	Results	Ratio to net sales	
Net sales	6,106	-	7,415	-	+1,308 (+21.4%)
Operating profit	1,664	27.3%	1,955	26.4%	+290 (+17.5%)
Ordinary profit	1,713	28.1%	2,033	27.4%	+320 (+18.7%)
Profit attributable to owners of parent	1,184	19.4%	1,388	18.7%	+203 (+17.2%)

Progress against earnings forecast

Cumulative Q3 results are on track to meet the full-year forecast.

(Million yen)

	FY3/22 3Q		FY3/22 Full year		Progress
	Results	Ratio to net sales	Forecast	Ratio to net sales	
Net sales	7,415	-	9,551	-	77.6%
Operating profit	1,955	26.4%	2,658	27.8%	73.6%
Ordinary profit	2,033	27.4%	2,659	27.8%	76.5%
Profit attributable to owners of parent	1,388	18.7%	1,910	20.0%	72.7%

Changes to reportable segments

Health care business, a new business, has been added to the existing disability welfare business, resulting in two reportable segments in total.

Previous reportable segment

Disability welfare business

- Employment Transition Support Business
- Habilitation Business



Welbe, Inc.



ILIS Inc.



Welbe Healthcare Inc.



New reportable segments

FY3/22 2Q -

Disability welfare business

- Employment Transition Support Business
- Habilitation Business



Welbe, Inc.



ILIS Inc.

Healthcare business

- Sales of 5-aminolevulinic acid acid (5-ALA) product

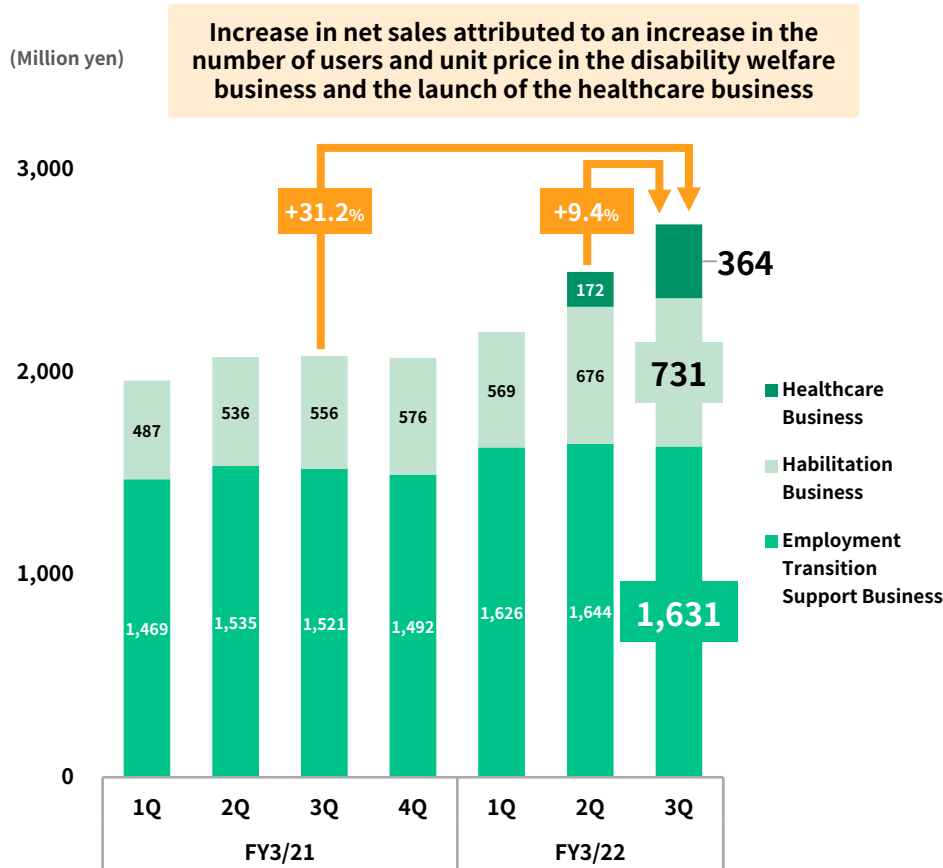


Welbe Healthcare Inc.

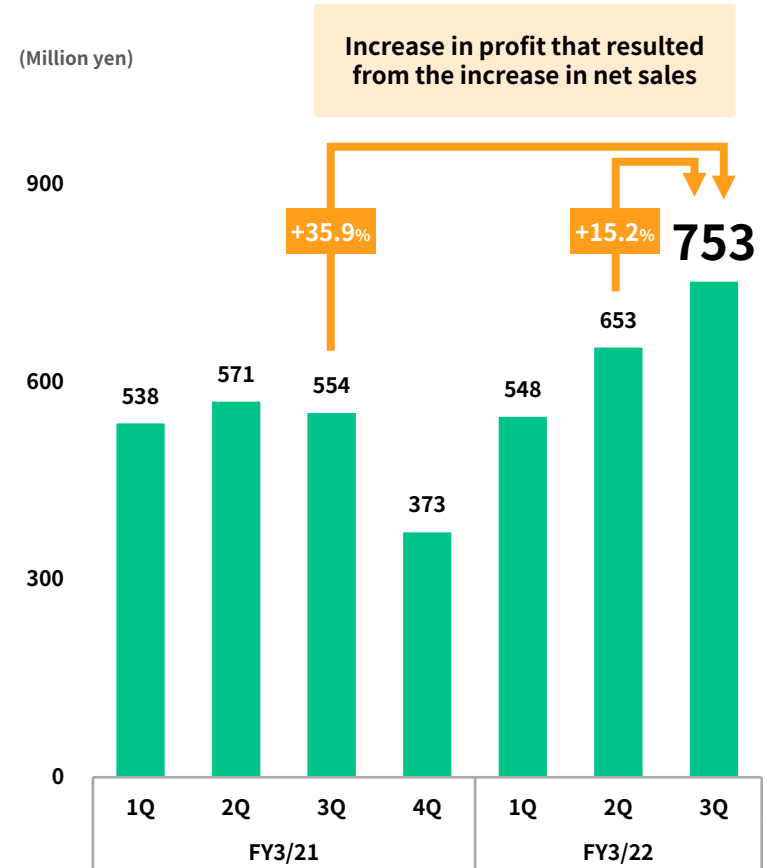
Quarterly comparisons

Net sales and operating profit increased significantly from the 2Q of FY3/22 due to steady growth in the disability welfare business and the steady launch of the healthcare business, resulting in record-high quarterly results.

Net sales

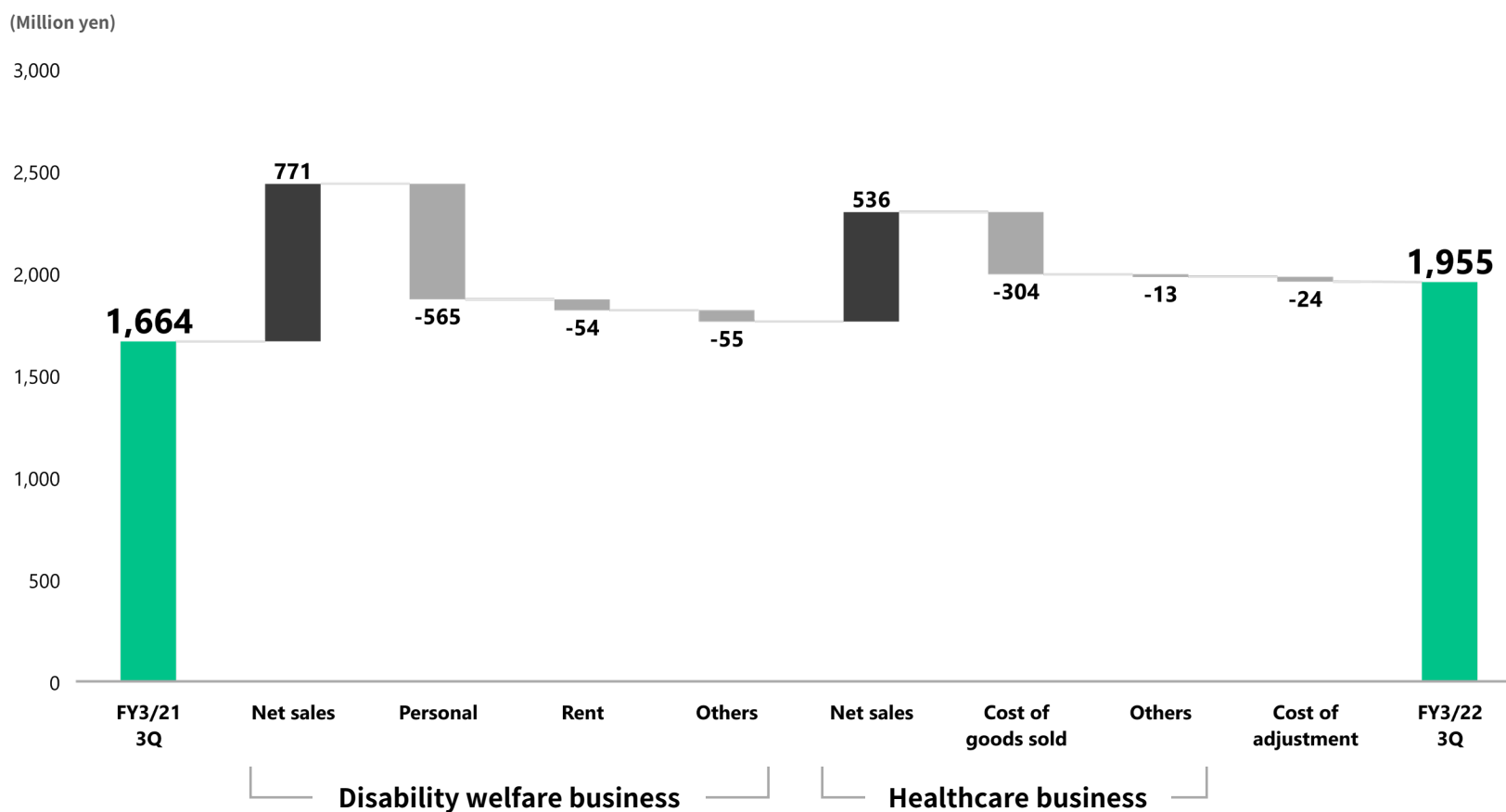


Operating profit



Analysis of change in operating profit

In the disability welfare business, contribution of net sales increase to the profit surpassed the increase in expenses associated with opening of new bases. In the healthcare business, increase in net sales attributed to the release of 5-ALA product boosted the profit.



* Each one of the above values in the analysis of change in operating profit is the sum of the cost of sales and selling, general and administrative expenses.

Summary of the disability welfare business

Net sales from both the employment transition support business and the habilitation business increased due to an increase in the number of users and the unit price. Profit in the segment increased slightly due to the increase in sales, offsetting an increase in personnel expenses and rent.

(Million yen)

	FY3/21 3Q		FY3/22 3Q		YoY change
	Results	Ratio to net sales	Results	Ratio to net sales	
Net sales	6,106	-	6,878	-	+771 (+12.6%)
Employment Transition Support Business	4,526	74.1%	4,901	71.3%	+375 (+8.3%)
Habilitation Business	1,580	25.9%	1,976	28.7%	+396 (+25.1%)
Segment profit	1,664	27.3%	1,761	23.8%	+96 (+5.8%)

Major factors for the changes

- Employment Transition Support Business
 - ✓ Increase in the number of users at new bases
 - ✓ Employee retention record exceeding that of the same period of the previous year
 - ✓ Increase in unit price due to increase in basic remuneration from April 2021
- Habilitation Business
 - ✓ Increase in the number of users at new bases
 - ✓ Unit price increased due to acquisition of new additions (additional pay of special support and additional pay of individual support).
 - ✓ Increase in the number of users of child development support services with high unit price increased at bases operated by ILIS Inc.

Number of bases

Employment transition support business: **88** bases
YTD: +8 / Initial opening plan: 10 bases

Habilitation business: **51** bases
YTD: +5 / Initial opening plan: 4 bases

Summary of the healthcare business

Release of 5-ALA product in the 2Q of FY3/22. Smooth start contributes to increase in consolidated net sales and operating profit.

(Million yen)

	FY3/22 3Q	
	Results	Ratio to net sales
Net sales	536	-
Segment profit	218	40.7%



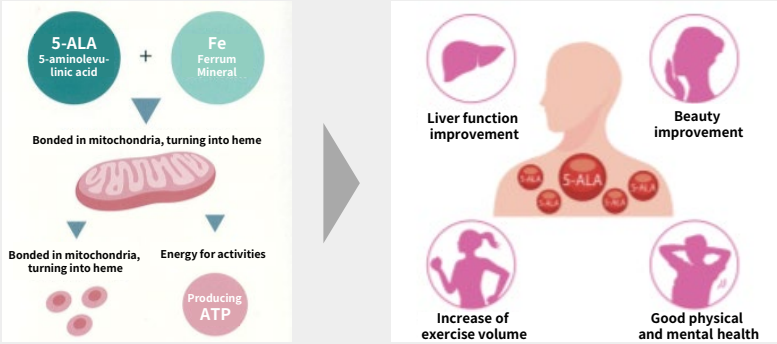
■ 5-ALA ingredient



■ Fukuroi Factory of Neopharma Japan Co., Ltd. (Shizuoka)

What is 5-aminolevulinic acid (5-ALA)?

5-ALA is a natural amino acid as the source of energy production in animals and photosynthesis in plants. Combined with a mineral such as Fe (iron), it turns into hemoglobin or ATP as a source of energy, thus contributing to good health and beauty. Concerning the effects of 5-ALA, research and development are under way in various fields. Fukuroi Factory of Neopharma Japan has its unique fermentation method. It is the only facility in the world that is capable of mass-producing 5-ALA. In addition, 5-ALA produced with this unique fermentation method is the only 5-ALA that is approved as a food material in Japan.



■ Effects of 5-ALA

* For details, see "Effects and mechanisms of 5-ALA" on page 16.

Current assets increased due to the launch of the healthcare business. Equity ratio declined due to an increase in loans and bonds, but a level above 50% was maintained.

(Million yen)

	End of FY3/21	End of 3Q of FY3/22	YTD
Current assets	4,080	8,870	+4,789
Cash and deposits	2,601	2,544	-57
Merchandise	-	1,765	+1,765
Loans receivable	-	1,700	+1,700
Non-current assets	1,392	1,557	+164
Total assets	5,473	10,427	+4,954
Current liabilities	678	1,329	+650
Non-current liabilities	44	3,544	+3,500
Total liabilities	723	4,874	+4,150
Loans and bonds	73	4,167	+4,094
Total net assets	4,750	5,553	+803
Equity ratio	86.8%	53.2%	-33.6%

Major factors for the changes

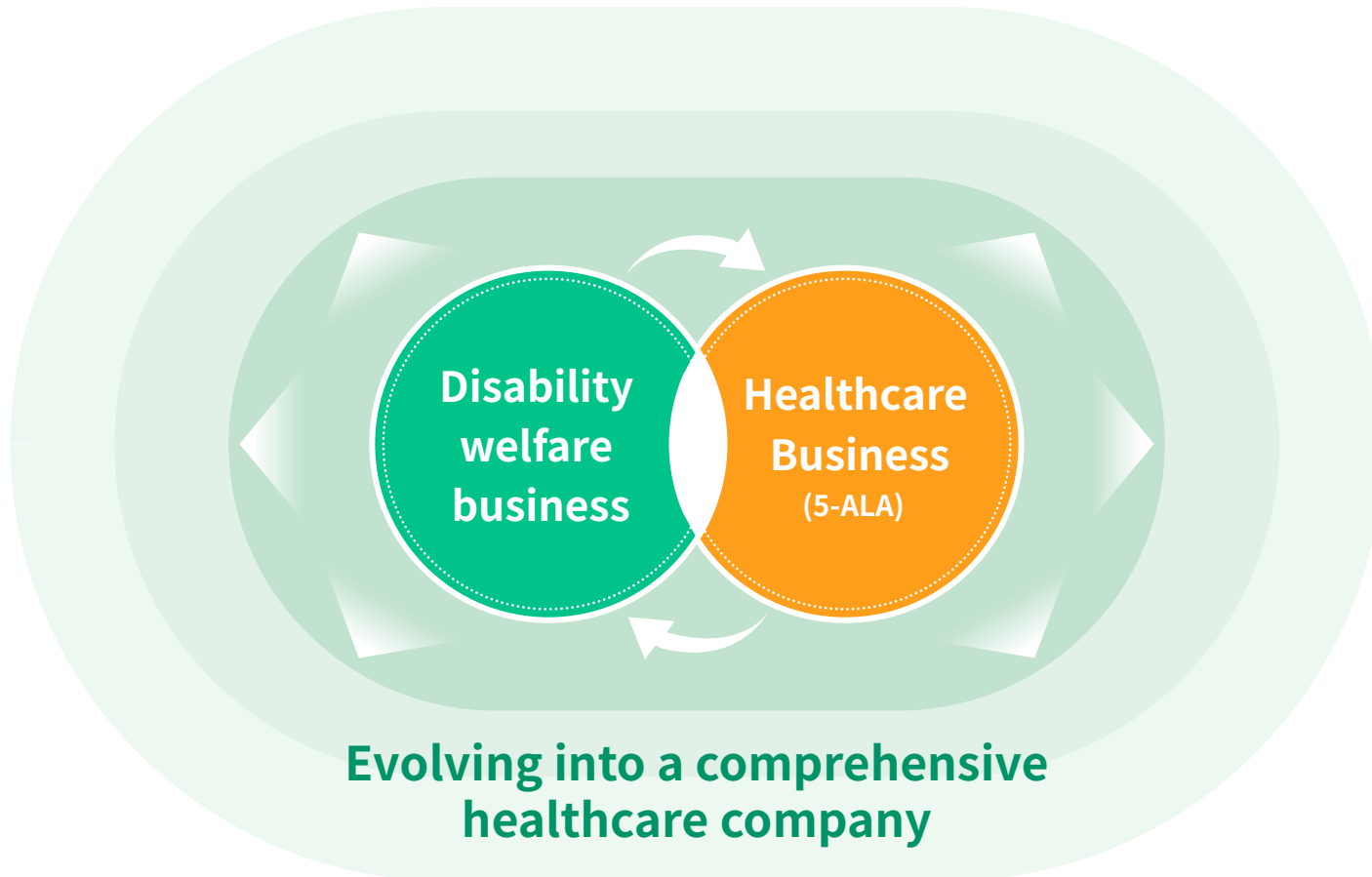
- Merchandise (+1,765)
 - ✓ Acquisition of 5-ALA product from Neopharma Japan Co., Ltd. (NPJ)
- Loans receivable (+1,700)
 - ✓ Loan to NPJ
- Loans and bonds (+4,094)

02

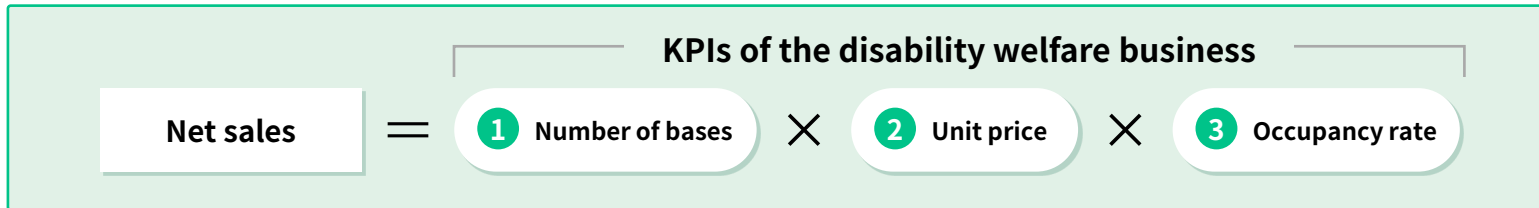
Growth strategies



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



Implementing two strategies to increase net sales and achieve high growth potential.



Strategy 1

Enhancing our strengths further to increase (1) Number of bases, (2) Unit price, and (3) Occupancy rate

Strengths of the Welbe Group

- [(1) Number of bases] Expertise and capabilities of recruiting and developing human resources, which enable a continued increase in the number of bases
- [(2) Unit price]
 - (Employment transition support) Obtaining a high level of basic compensation with an industry-leading level of the number of persons who gain employment and retention rate
 - (Habilitation) Promoting assignment of specialists such as physical therapists
- [(3) Occupancy rate] Securing users stably by building relationships with medical institutions, etc.

Strategy 2

Remuneration revision takes place every three years. Taking actions in accordance with the revision, so as to increase [(2) Unit price] sustainably

Taking specific actions in response to the remuneration revision in April 2021

- [Employment transition support] Counting method for work retention record has been changed. There is scope to increase the unit price in the following fiscal year and onward by responding to the change.
- [Habilitation] Additional pay, which can be acquired by assigning specialists, was newly established. We will promote acquisition of the additional pay through internal transfers and new employment.

* See pages 39 to 41 for the remuneration revision.

Disability welfare business: Foundations supporting the growth strategies

Forming a team of a sufficient number of qualified personnel and specialists, such as disability services managers, child development managers, and physical therapists, with high capabilities of recruiting and developing human resources.

Capabilities of recruiting and developing human resources that help increase the number of bases continuously

Mid-career employment
Average monthly number of applicants

738

Employment of new graduates
Number of applicants

430

Number of disability services managers who have yet to be assigned

69

Number of child development managers who have yet to be assigned

28

Extensive track record that helps increase the unit price

■ Employment Transition Support Business

Six-month retention rate for the last one year

89.3%

* Percentage of those who remained employed for six months or longer among users who gained employment by using our bases between October 2019 and September 2020

Employment record for the last one year

664 people

* Number of users who gained employment by using our bases between April 2020 and March 2021

Employment record since establishment

4,040 people

* As of March 31, 2021

■ Habilitation Business

Number of specialists* defined in the habilitation business

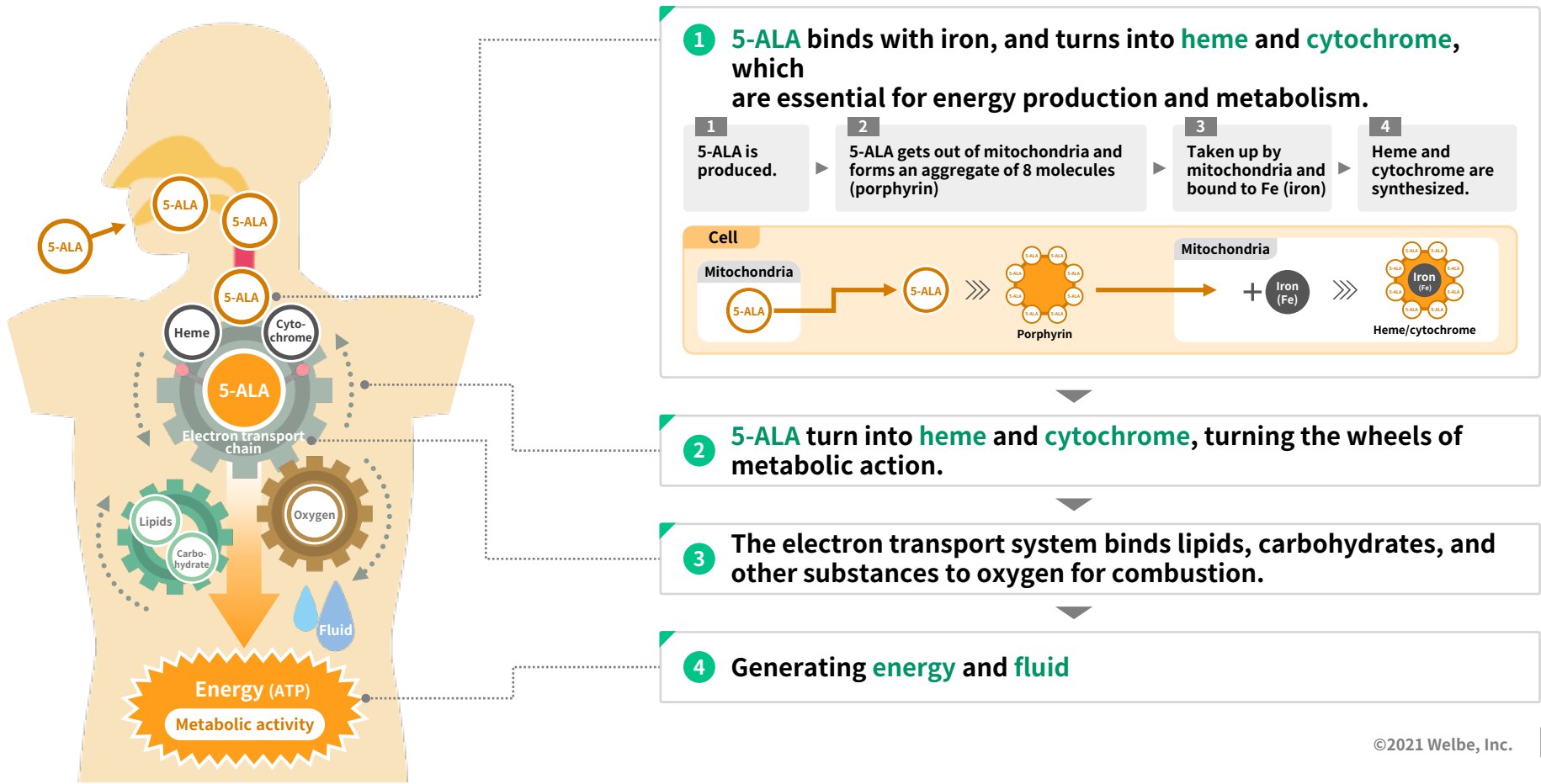
50 or more

* Physical therapists, occupational therapists, speech therapists, psychotherapists, nursery teachers and child guidance workers who have been engaged in child welfare services for five years or longer (child development support only)

5-ALA increases the efficiency of energy production by mitochondria in cells and activates metabolism*.

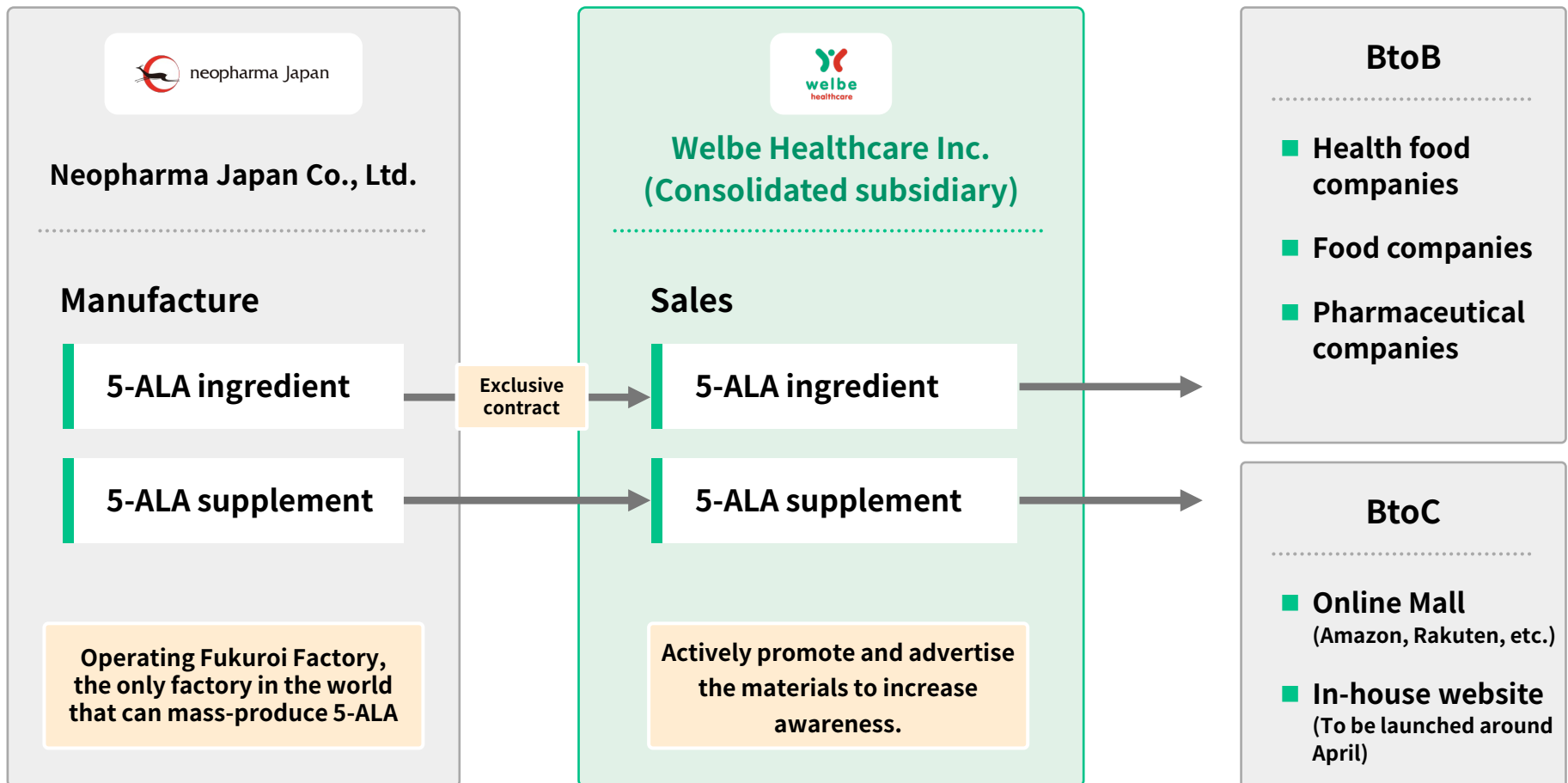
※ A general term for all material changes in a living body.

Mechanisms through which 5-ALA contributes to efficient energy production



Healthcare business: Business model

Selling 5-ALA ingredient produced by Neopharma Japan Co., Ltd. (NPJ) as the exclusive agency in Japan
We have also started online sales and will focus on BtoC business in the future.

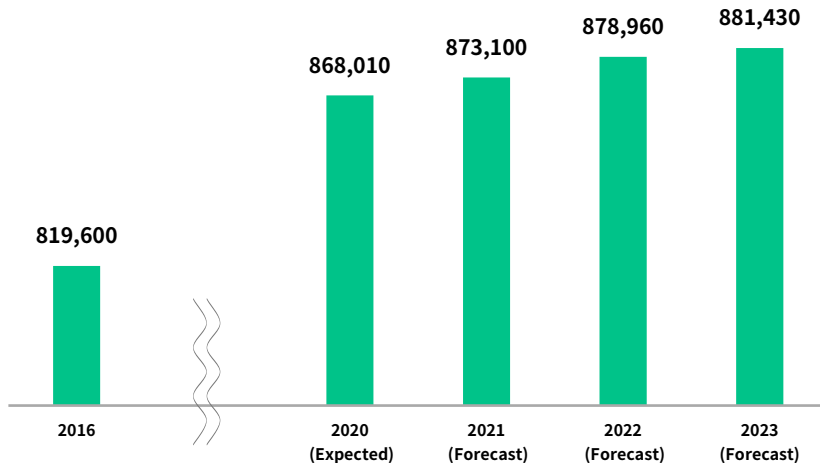


The health food market is growing due to the growing awareness of anti-aging and young people's interest in fitness, health, and beauty. We aim to expand the market into ten-billion yen level.

Healthcare market is growing

Size of the health food market

(Million yen)



* Source: Created by Welbe, Inc. based on Yano Research Institute Ltd., *2021-nen-ban kenko shokuhin-no shijo jittai to tembo* (Current status and prospect of health food market, 2021 edition)

We aim to develop the 5-ALA market into the same size

Popular food ingredients with market size of around 10.0 billion yen

- Chlorella **13.7** billion yen
- Placenta **13.3** billion yen
- Turmeric **12.3** billion yen
- Coenzyme Q10 **8.9** billion yen

We will promote research and development related to mental disorders and developmental disorders, which uses 5-ALA. In the medium to long term, we will plan original products containing 5-ALA based on research achievements.

Property of 5-ALA and the field where it is promising

- 5-ALA has a property of acting on mitochondria and supporting the production of ATP, an energy source. It is therefore expected to produce effects on diseases related to mitochondria.
- It is likely that some mental disorders and developmental disorders are related to mitochondria (ATP insufficiency).

Growth strategies

- Planning original products which could contribute to the health of all people, regardless of the presence or absence of disabilities, by combining the Welbe Group's knowledge on disability welfare with research achievements on 5-ALA
- Accelerating commercialization of research achievements by strengthening cooperation with the research adviser



Research advisor
Professor Naohide Yamashita

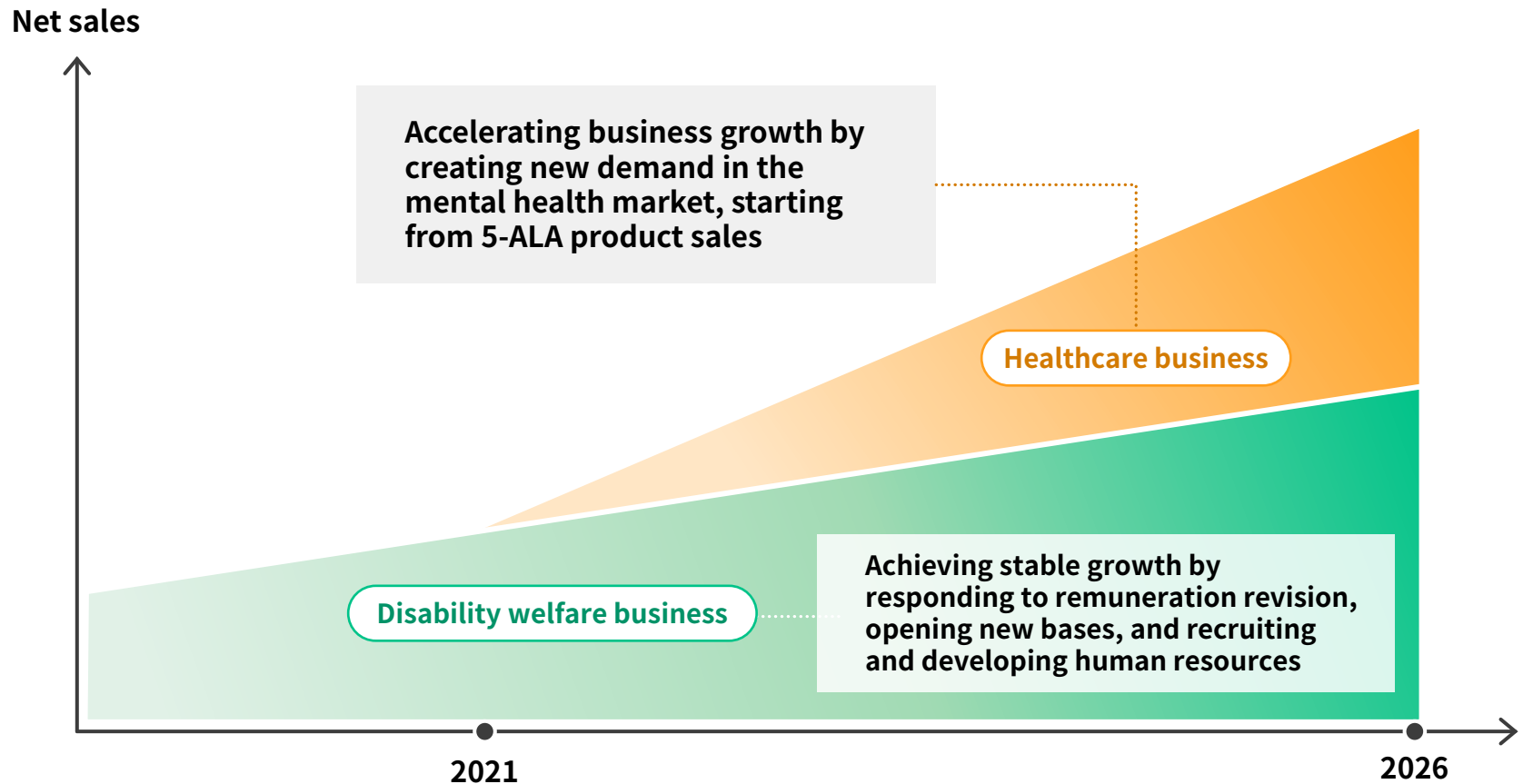
Honorary professor of the University of Tokyo
Former director of IMSUT Hospital -- The Institute of
Medical Science, The University of Tokyo

Medium- to long-term prospect

Aim to create new demand in the mental health market

Medium- to long-term roadmap

Increasing net sales by aggressively investing stable revenue from the disability welfare business in research and development, product planning, etc. in the healthcare business.



03

**Full-year consolidated earnings forecast for
the fiscal year ending March 2022 (Announced on August 13, 2021)**



Full-year earnings forecast (Announced on August 13, 2021)

The values announced on August 13, 2021 have remained unchanged. We aim to increase sales and profit by achieving growth of both the disability welfare business and the healthcare business.

(Million yen)

	FY3/21 Full year		FY3/22 Full year		YoY change
	Results	Ratio to net sales	Forecast	Ratio to net sales	
Net sales	8,176	-	9,551	-	+1,375 (+16.8%)
Operating profit	2,037	24.9%	2,658	27.8%	+621 (+30.5%)
Ordinary profit	2,104	25.7%	2,659	27.8%	+555 (+26.4%)
Profit attributable to owners of parent	1,523	18.6%	1,910	20.0%	+387 (+25.4%)

Full-year earnings forecast by segment: Disability welfare business (Announced on August 13, 2021)

We will increase net sales in both employment transition support business and habilitation business by responding to remuneration revision and advancing plan to open new bases. We will also achieve increase in segment profit by enhancing measures to respond to remuneration revision in an attempt to increase unit price.

(Million yen)

	FY3/21 Full year		FY3/22 Full year		YoY change
	Results	Ratio to net sales	Forecast	Ratio to net sales	
Net sales	8,176	-	9,144	-	+968 (+11.8%)
Employment Transition Support Business	6,018	73.6%	6,756	73.9%	+737 (+12.3%)
Habilitation Business	2,157	26.4%	2,387	26.1%	+230 (+10.7%)
Segment profit	2,037	24.9%	2,446	26.8%	+408 (+20.0%)

Full-year earnings forecast by segment: Healthcare business (Announced on August 13, 2021)



We aim to increase both net sales and segment profit by focusing our efforts on 5-ALA product sales.

(Million yen)

	FY3/22 Full year	
	Forecast	Ratio to net sales
Net sales	407	-
Segment profit	212	52.1%



Dividend forecast (Announced on August 13, 2021)

We plan to increase dividend for the fourth consecutive fiscal year while maintaining a sound financial structure and balancing dividend with internal reserve for future business expansion. We will continue our efforts to secure a stable management base over a long period and distribute profits appropriately in accordance with our business performance.

	FY3/19	FY3/20	FY3/21	FY3/22 Forecast
Dividend per share (yen)	7.2	8.8	16.0	16.1
Interim dividend included in the above	3.0	4.4	4.7	8.0
Year-end dividend included in the above	4.2	4.4	6.3	8.1
Commemorative dividend included in the above	-	-	5.0	-
Total amount of dividends (million yen)	198	244	454	463
Dividend payout ratio (%)	19.7%	20.8%	29.7%	24.2%

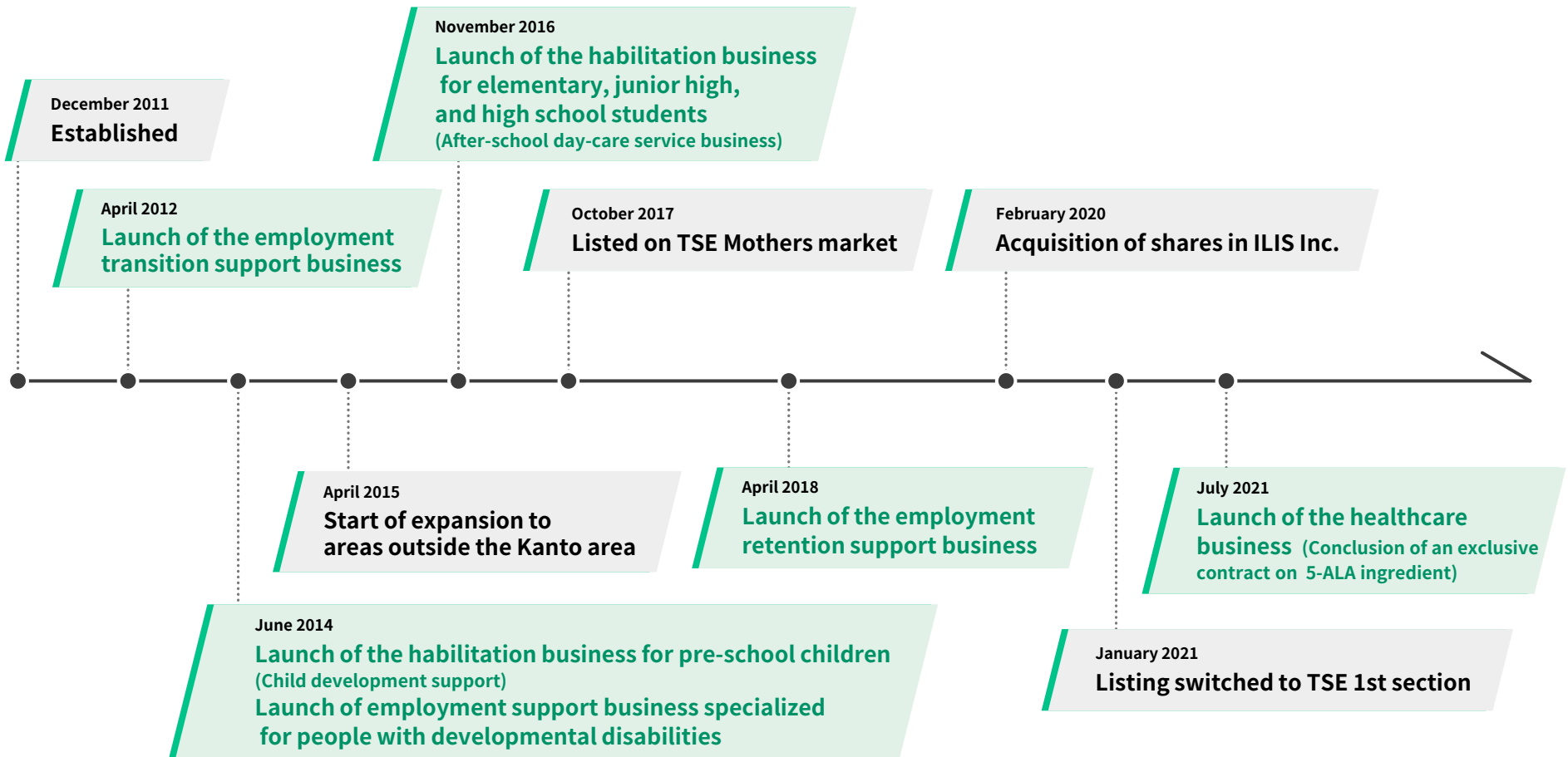
04

Sustainability of the Welbe Group



Our history

For ten years since our establishment, we have been operating the disability welfare business and the healthcare business under the Welbe Corporate Philosophy, which says, "Dedicated to the pursuit of self-fulfillment and happiness for all employees and the creation of a society where everyone can have big dreams."



At the Welbe Group, we believe that retention and development of human resources is directly connected to sustainable development of a business. We make recruited human resources industry-ready and realize their retention by creating detailed, practical business manuals and enhancing educational and training programs.



Initiatives to improve business manuals, which we have continued to take since our establishment

- Monthly updates
- Establishment of the Manual Review Committee
 - Responding to administrative directions and legislative amendments
- Giving a mini test to people working on site (once a year)

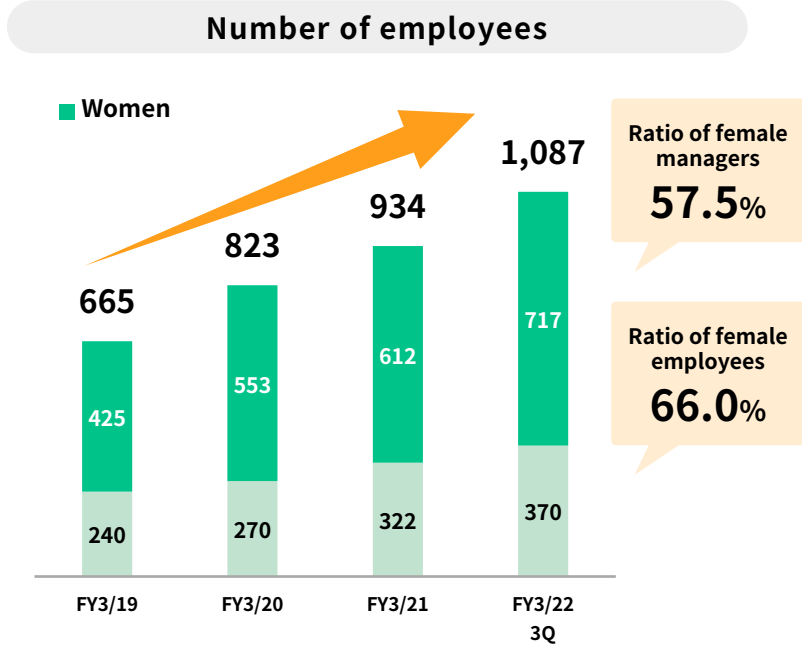
Developing human resources with a wealth of educational and training programs

- A large number of training programs that are specific to job classes (from new employees to managers)
- A wide range of content, including support, sales, and characteristics of disabilities
- The programs are updated as needed in the training project.

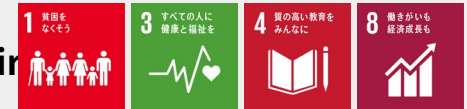
The ES Committee builds a comfortable workplace environment.

- The committee meets every week.
- Participants are responsible persons from sites and headquarters.
- The committee promotes improvement of on-site operations.

The number of employees has been increasing thanks to our strong capability in recruiting human resources and stable retention. We have built an environment that encourages women to play an active role.



With the disability welfare business, we promote creation of employment opportunities for people with disabilities, their employment retention, and their social independence, thus contributing to sustainable development of society including revitalization of local communities. Growth of the business itself is social contribution.



Track record of our contributions to employment and independence of people with disabilities * As of March 31, 2021

- Employment Transition Support Business
 - Number of contractors for our employment transition support service: 2,062
 - Employment record for the last one year: 664 people
 - Six-month retention rate for the last one year: 89.3%
 - Employment record since establishment: 4,040 people
- Habilitation Business
 - Number of contractors for our habilitation services: 2,437

Employment of people with disabilities at Welbe * As of March 31, 2021

We employ people with disabilities at our business support center. We delegate clerical jobs, which are generated internally, to this center, so as to secure stable workplace environment.

Percentage of employees with disabilities:

3.1%*



■ Kinshicho center

We understand that prompt decision-making, appropriate business execution, and improvement of soundness and transparency of management are important for sustainable growth of the Welbe Group. We therefore focus our efforts on enhancement of corporate governance.

Directors and executive officers



President
Makoto Ota



Director
Senior Executive
Vice President
Takao Senga



Director
**Hideyuki
Nakazato**



Director
Koichi Itou



External Director
Independent officer
**Shigenobu
Kanba**



Director
Full-time Audit
and Supervisory
Committee member
Eri Watanabe



External Director
Audit and Supervisory
Committee member
/ Independent officer
Yasutoshi Kita



External Director
Audit and Supervisory
Committee member
/ Independent officer
Masafumi Sato

Other constituents of governance structure

■ Compensation Committee

Outside independent officers make up the majority and make disciplined decisions on director compensation.

■ Risk Compliance Committee

This committee meets every three months to ensure the appropriate management of various risks surrounding our businesses.

■ Abuse Prevention Committee

This committee meets every month, in principle, to ensure the safety of users and protection of their human rights.

■ Disaster Countermeasures Committee

This committee meets every three months, in principle, for the purpose of reducing damage from and taking prompt actions against natural disasters, the spread of COVID-19, and other events.

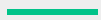
■ Whistleblowing and hotline systems

We have set up an office for accepting reports on acts that violate or may violate work rules and laws. We also have a hotline system for receiving opinions and requests from employees.

- Number of external directors: 3 / Ratio of external directors: 37%
- Number of female officers: 1

05

Reference materials



Disability welfare business

■ Employment Transition Support Business:

Provision of job training, job hunting support, and employment retention support for people with disabilities who want to work

Welbe, Inc.

- 88 bases for employment transition support business
- 69 bases for employment retention support business
- 3 bases for specific consultation support
- 1 self-reliance training (lifestyle training) center
- 3 employment support centers for people with developmental disabilities operated on consignment from Saitama Prefecture
- In addition to the above, we provide services in response to orders received from government agencies.



■ Interior view of a base for the employment transition support business

■ Habilitation Business

- 45 child development support classrooms
- 25 after-school day care service classrooms
- 4 multifunctional offices (ILIS CLUB)
- 3 specific consultation support offices
- Online classroom for general early childhood education and learning

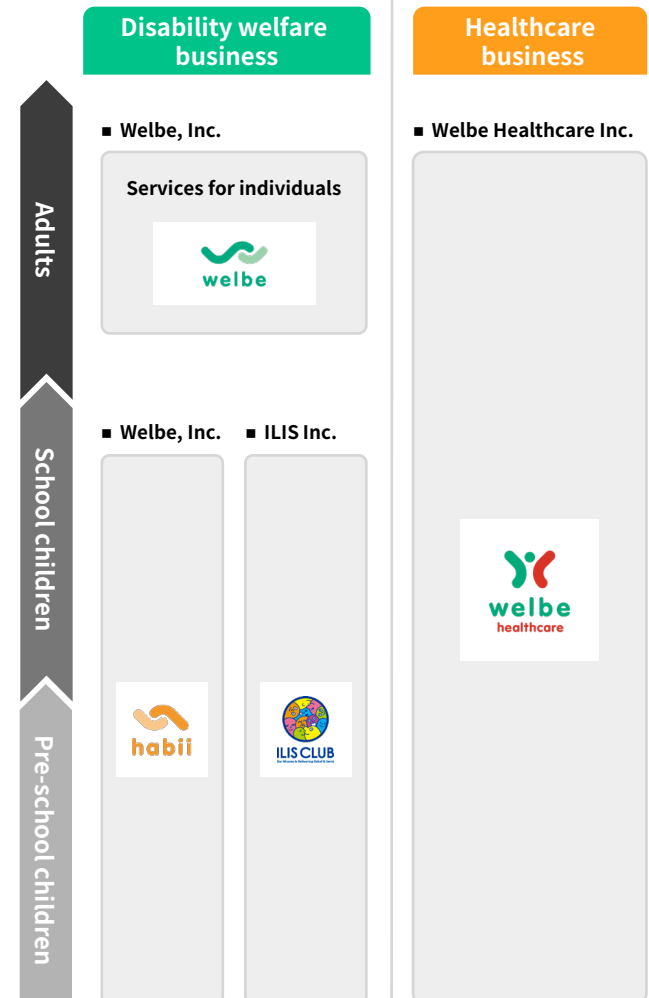


■ Interior view of the classroom of habii

Healthcare business

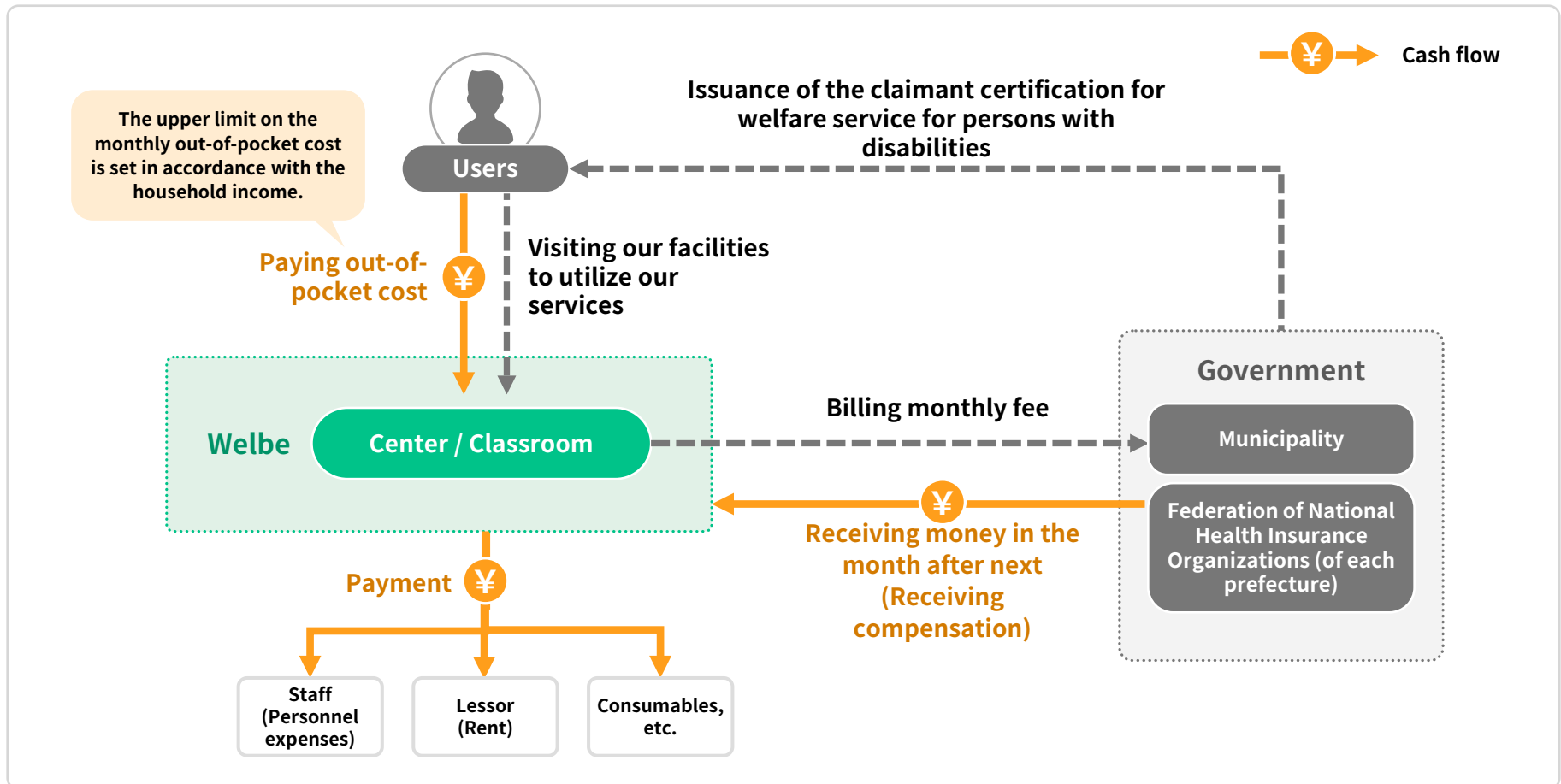
Welbe Healthcare Inc.*

- 5-ALA product sales

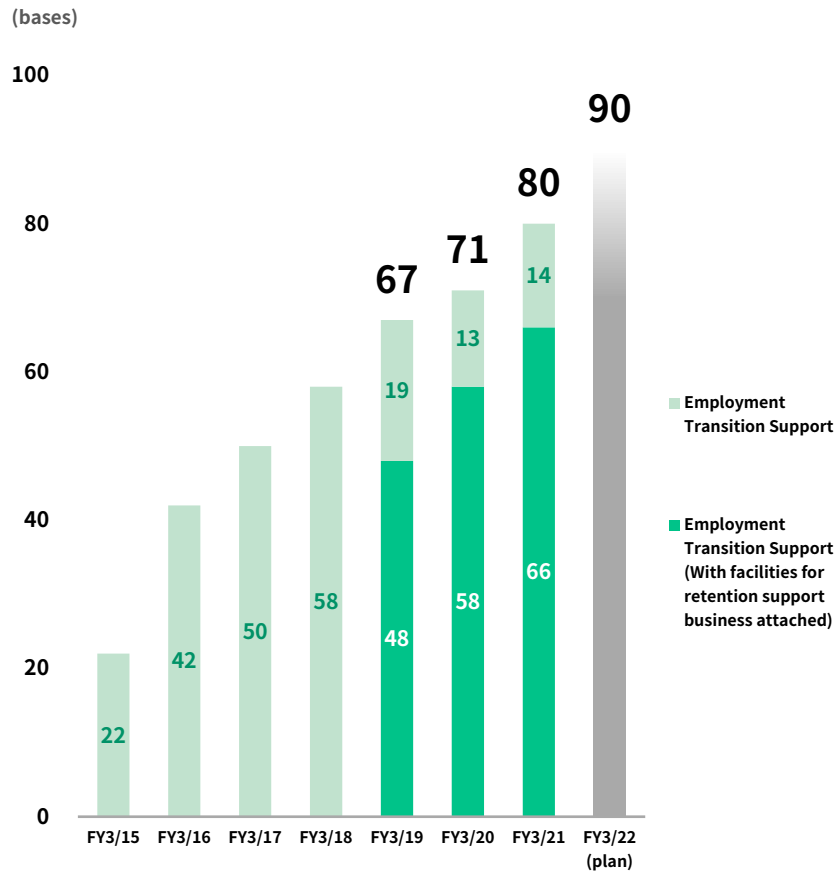


* Effective on August 13, 2021, Welbe Link Inc. was renamed Welbe Healthcare Inc.

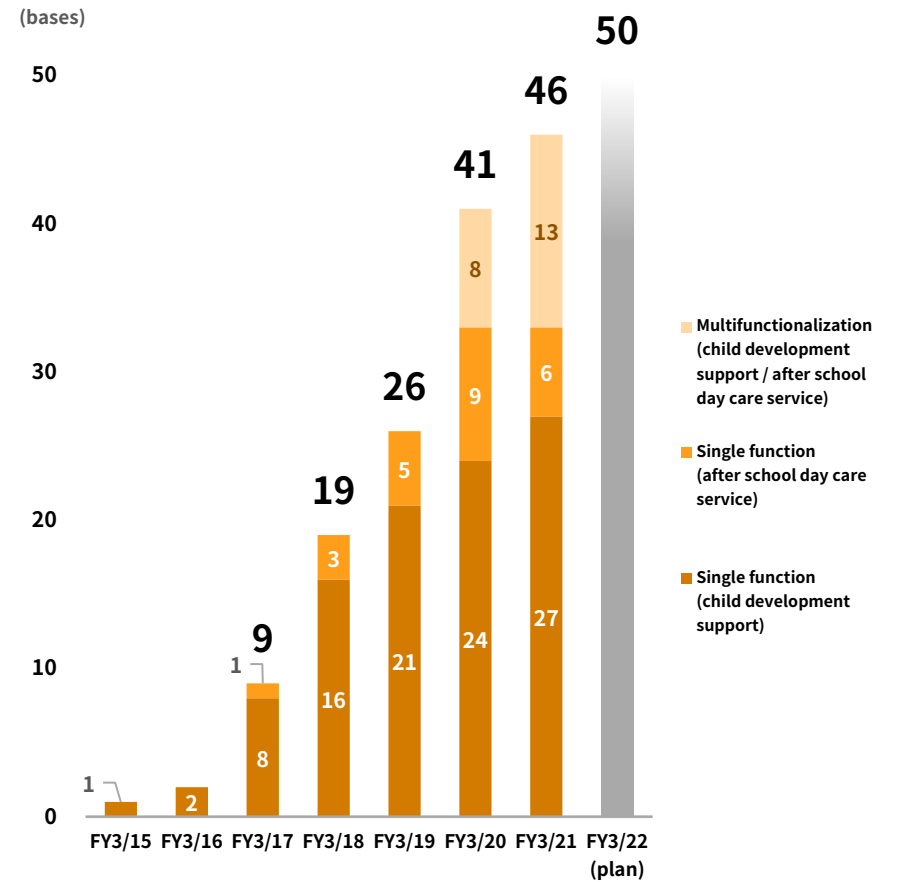
A business model in which we receive compensation from the government and users based on the number of days when they used our services



Employment Transition Support Business



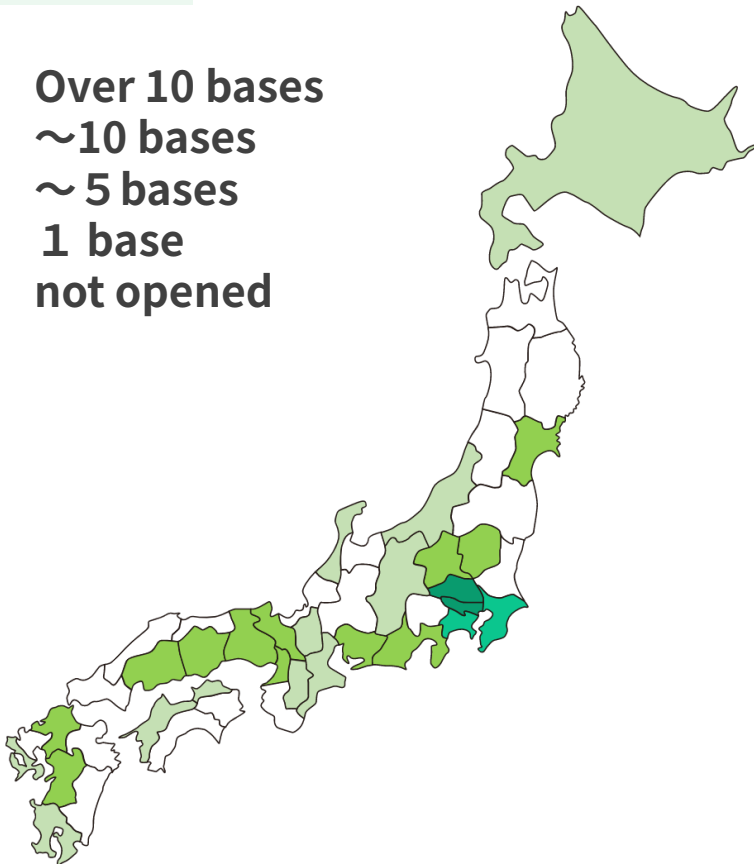
Habilitation Business



Number of **welbe** bases **88**

Number of bases

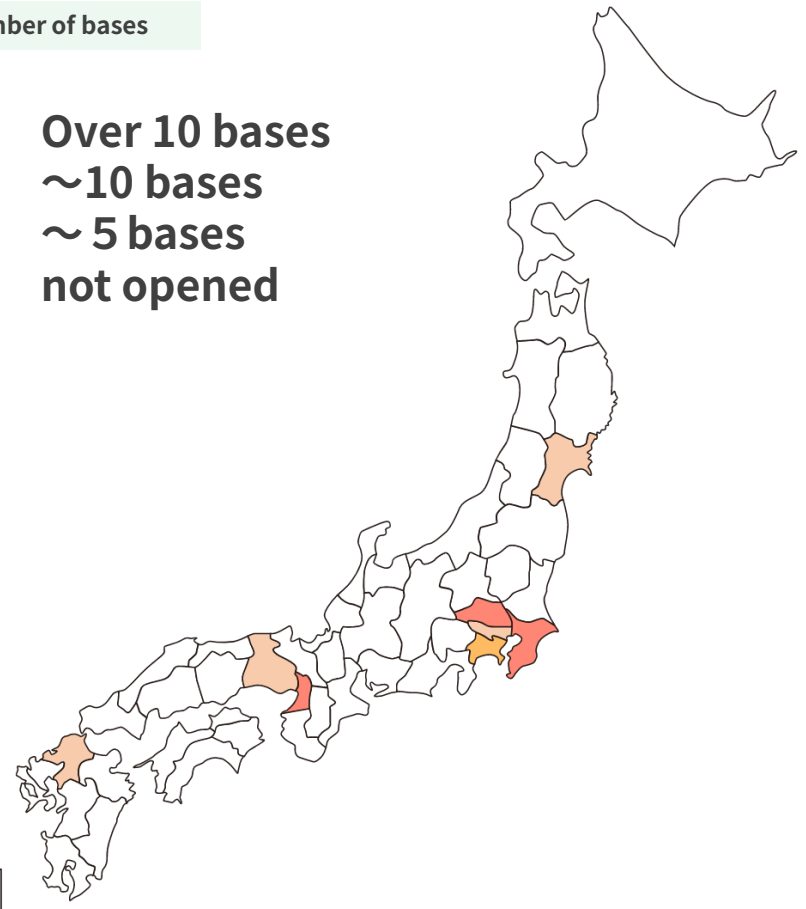
- Over 10 bases
- ~10 bases
- ~ 5 bases
- 1 base
- not opened



Number of **habii** bases **51**

Number of bases

- Over 10 bases
- ~10 bases
- ~ 5 bases
- not opened



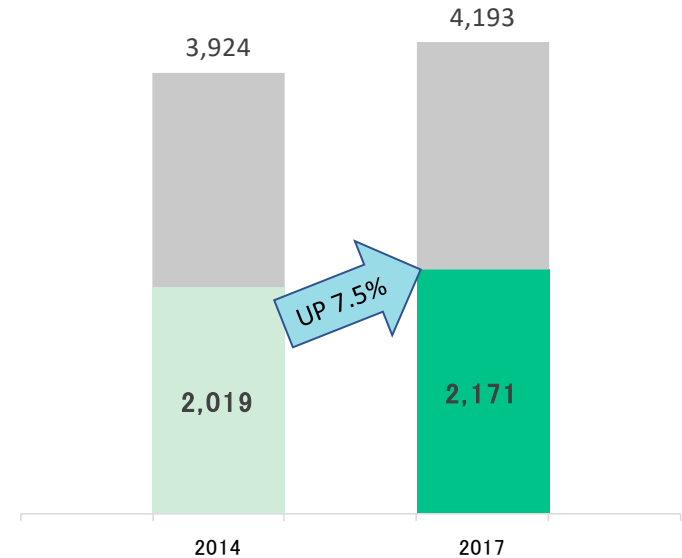
Population of People with Disabilities

- There are 2 million people in Japan between the ages of 20 and 65 living at home who have a mental disability.
- It 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	1,094	962	580	120
People with mental disabilities	4,193	3,891	2,171 (age 20 to 65)	302
Total	9,647	9,140	3,764	507

Increase in the number of people with mental disabilities

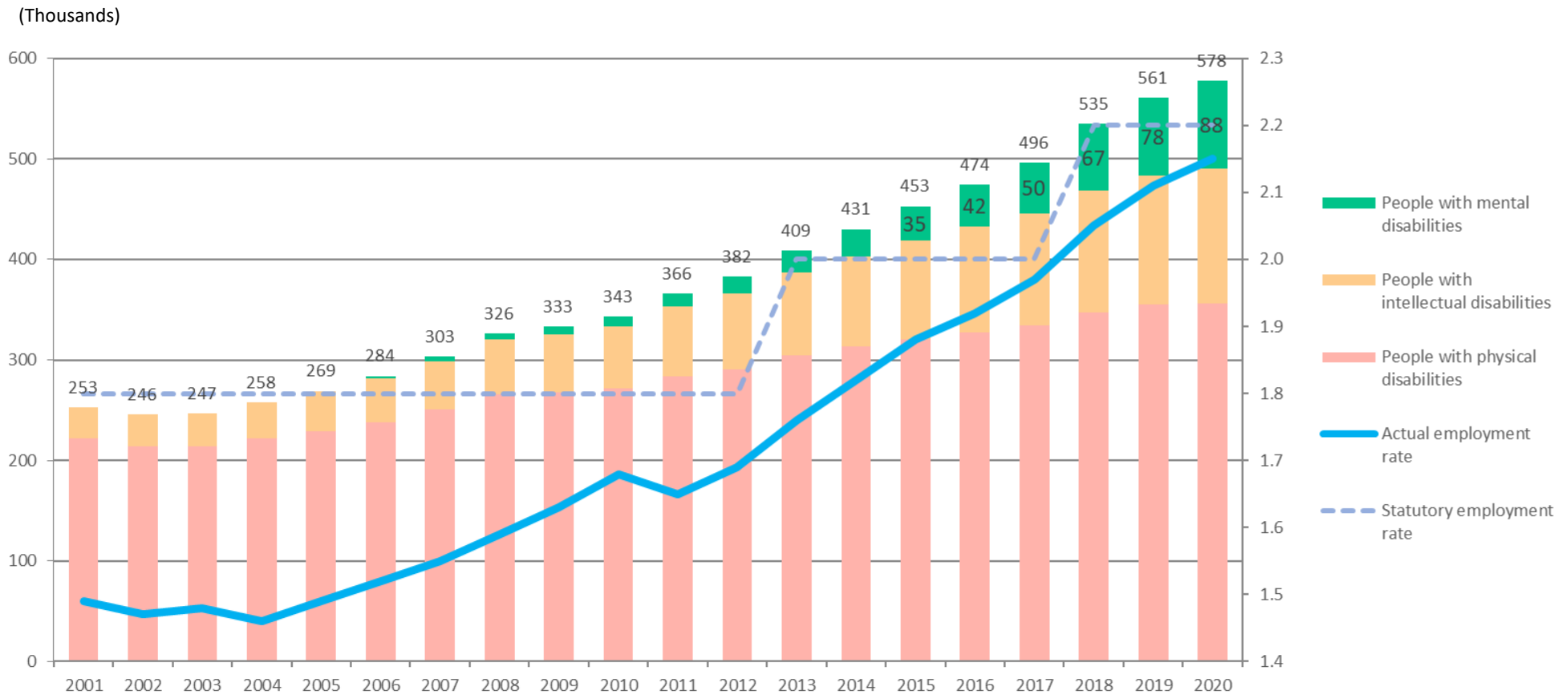


*Japan’s working age population: 75,059 thousand people (as of Nov. 2019)

Source: Prepared by Welbe based on 2020 Disabled People White Paper (Cabinet Office) and Population Estimates (Statistics Bureau, Ministry of Internal Affairs and Communications)

Employment of People with Disabilities

- The number of disabled people with job 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 March 2020.



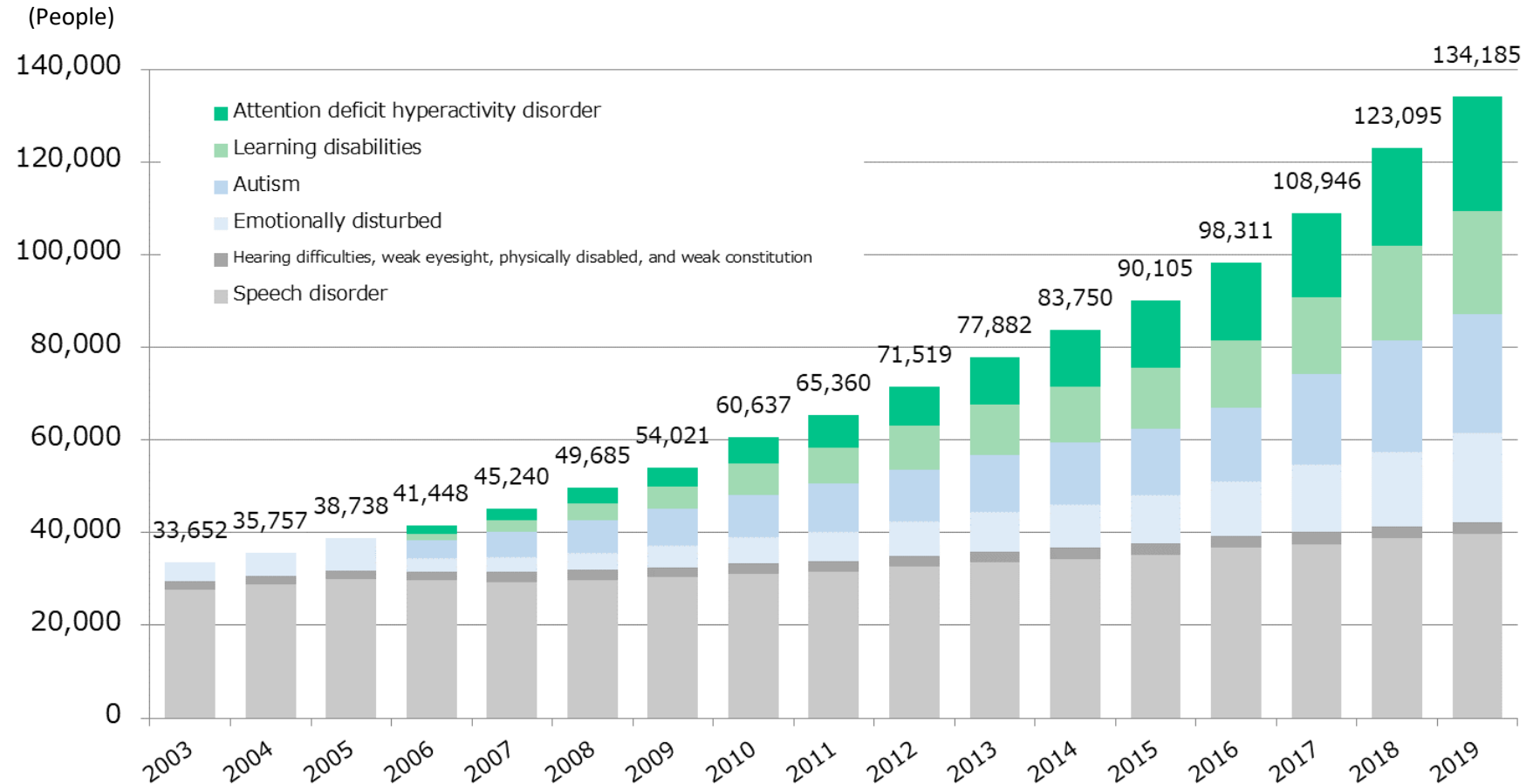
Source: Report on the "Status of Employment of Persons with disabilities" in 2020, Ministry of Health, Labour and Welfare

Growth in the Number of Developmentally Disabled Children in Japan

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

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

■ The steady increase in the number of children attending special classes to accommodate their disabilities.



Source: FY2019 Survey of Special Classes for Disabilities, Ministry of Education, Culture, Sports, Science and Technology

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