



# Results of Operations

for the Second Quarter of the Fiscal Year  
Ending March 2023  
(2Q FY3/23)

Welbe, Inc.

Securities Code : 6556

## Consolidated financial results for the second quarter of the fiscal year ending March 2023

Net sales rose and profits fell. Despite a rise in unit price and steady growth in user numbers in the disability welfare business, costs expanded with an increase in facility openings.

Meanwhile, extraordinary losses (a loss on liquidation of business) was recorded after the withdrawal of the healthcare business.

### Topics

#### Disability welfare business

- Eleven employment transition support centers newly launched
- Five child development support classrooms newly launched
- Shares of Happiness Comes Co., Ltd. (with six child development support classrooms) acquired

#### Healthcare business

- Shares of Welbe Healthcare Inc. transferred
- Loan receivables from Welbe Healthcare Inc. transferred
- 5-ALA ingredient and supplement products transferred (to be reflected in results for 3Q and later)

#### Shareholder return

- Purchase of treasury shares determined and implemented (from August 22, 2022 to October 31, 2022)

## Revision of full-year consolidated earnings forecast for the fiscal year ending March 2023 and the mid-term management plan

The earnings forecast and the mid-term management plan were revised again in light of the withdrawal of the healthcare business, the current situation of the disability welfare business and the acquisition of shares of Happiness Comes Co., Ltd.

- 01** — **Consolidated financial results for the second quarter of the fiscal year ending March 2023**
- 02** — **Full-year consolidated earnings forecast for the fiscal year ending March 2023 and revision of the mid-term management plan**
- 03** — **Sustainability of the Welbe Group**
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# 01

## **Consolidated financial results for the second quarter of the fiscal year ending March 2023**

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## Summary of financial results

As a result of the withdrawal of the healthcare business, extraordinary losses were posted. They consist of a loss on valuation of inventories (cost of sales) in this business recorded in 1Q and a loss on liquidation of business, which reflects the cost incurred in connection with the business withdrawal.

The transfer of products will be incorporated into accounting for 3Q and later. The earnings forecast was again revised from the revised figures announced in August 2022.

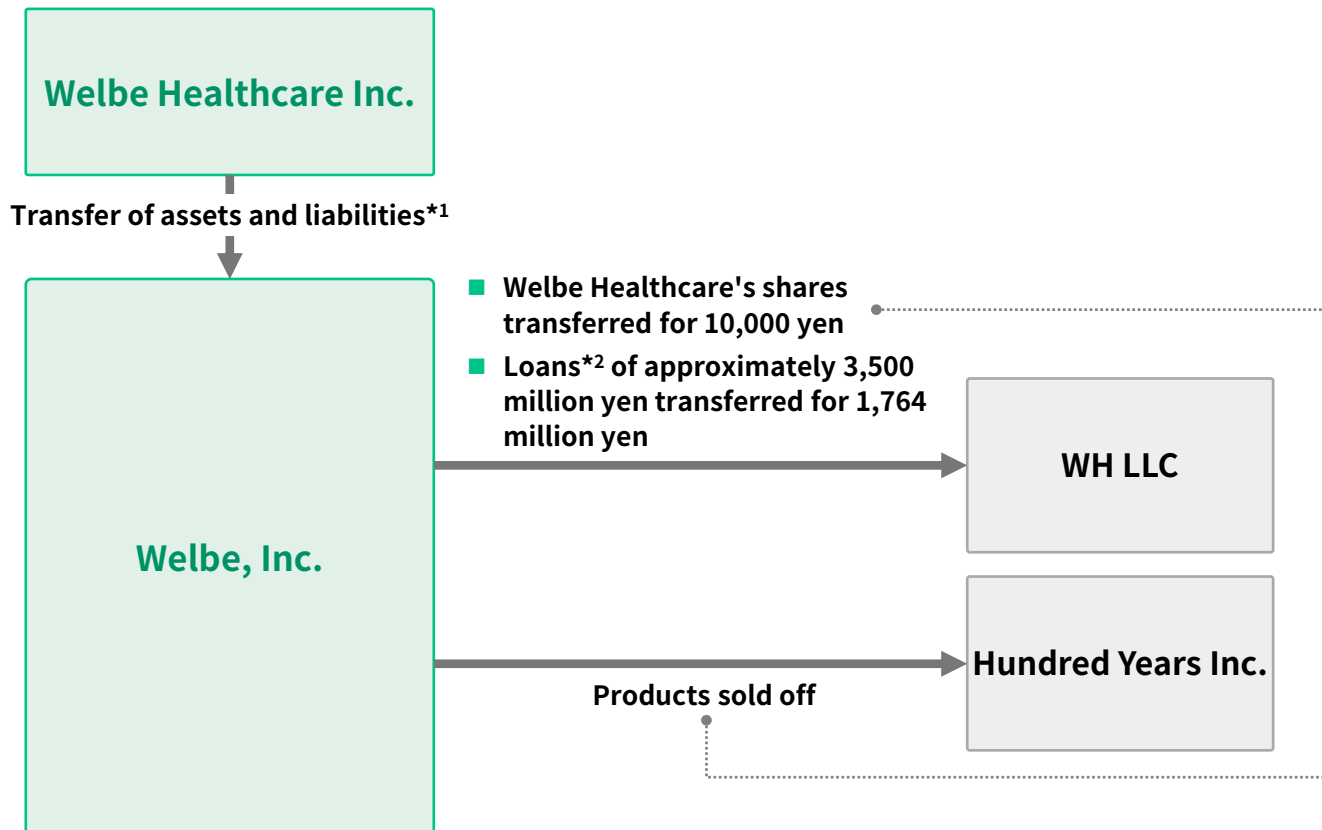
	2Q FY3/22		2Q FY3/23		YoY change	Change from forecast 2Q (Revised in Aug. 2022)	(Million yen)			
	Results	Ratio to net sales	Results	Ratio to net sales			FY3/23	FY3/23	FY3/23	Progress
							Forecast (initial forecast)	Forecast (revised in Aug, 2022)	Forecast (revised in Nov, 2022)	
Net sales	4,688	-	5,274	-	+586 (+12.5%)	-202 (-3.7%)	11,486	11,167	10,626	49.6%
Operating profit	1,202	25.6%	933	17.7%	-268	+1,750	2,529	495	1,903	49.0%
Ordinary profit	1,245	26.6%	967	18.4%	-277	+1,760	2,586	530	1,929	50.2%
Profit attributable to owners of parent	866	18.5%	-1,162	-22.0%	-2,029	+18	1,856	-171	261	-

# Transfer of healthcare business

We have closed down our healthcare business by transferring shares and receivables of Welbe Healthcare Inc. to WH LLC and all the 5-ALA products to Hundred Years Inc.

As a result of the share transfer, loans of 1.7 billion yen to NPJ were also transferred outside the Group.

## Overview of transfer



## Impact on financial results

■ A gain on the sale of shares of 1,768 million yen and a loss on transfer of loans of 1,799 million yen posted as a loss on

■ A gain on sale worth 455 million yen was not recorded for 2Q. It will be recorded for 3Q or later.

\*1: Excluding loans to NPJ worth 1,700 million yen, accrued interest, raw materials, advance payments to suppliers and borrowings from Welbe

\*2: Loans to Welbe Healthcare

# Change in cost of sales and extraordinary losses due to transfer of the healthcare business

As a result of the withdrawal of the healthcare business, the loss on valuation of inventories, which was posted as cost of sales in 1Q, a loss on transfer of Welbe Healthcare's shares and loans and others were posted as a loss on liquidation of business as part of extraordinary losses.

(Million yen)

	Results for FY3/23		
	1Q	2Q	Cumulative
Cost of sales	3,645	-159	3,485
(Loss on valuation of inventories)	(1,961)	(-1,961)	(-)
⋮			
Extraordinary losses			
Loss on liquidation of business	-	2,082	2,082

As a result of the business withdrawal, the loss on valuation of goods posted as cost of sales in 1Q was recorded as extraordinary losses (loss on liquidation of business).\*

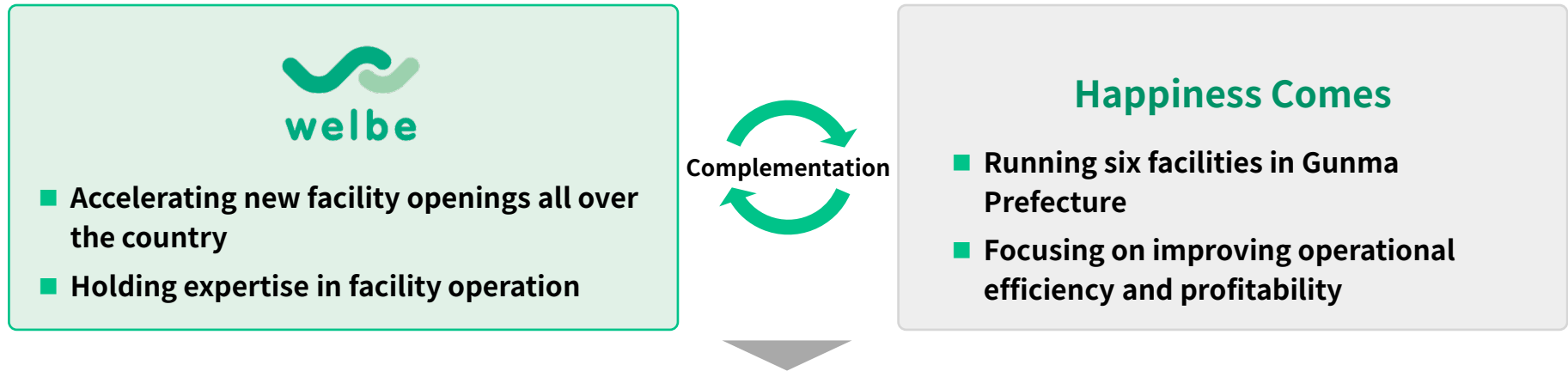
(1)

<b>Breakdown of loss on liquidation of business</b>	(1) Loss on valuation of inventories: .....	-1,997*
	(2) Loss on transfer of receivables from WH LLC (loans to Welbe Healthcare): .....	-1,799
	(3) Gain on sales of Welbe Healthcare's shares to WH LLC: .....	1,768
	(4) Other expenses for business withdrawal: .....	-53

\* The products transferred in October 2022 is expected to produce a gain on transfer worth 455 million yen, in comparison with their book value after the loss on valuation in 1Q. It is not recorded for 2Q and will be for 3Q or later.

# The acquisition of shares in Happiness Comes Co., Ltd. (to Make It a Subsidiary)

On October 4, 2022, we reorganized Happiness Comes Co., Ltd., an operator of habilitation services in Gunma Prefecture, into a subsidiary in order to accelerate facility openings and to expand service areas. The acquisition amount was 279 million yen. It will be included in our consolidated accounting from 3Q onwards.



## Profile of Happiness Comes Co., Ltd.

- **Location:** Maebashi, Gunma Prefecture
- **President:** Naoyuki Shibata
- **Business:** After-school day services pursuant to the Child Welfare Act

- **Capital:** 3,000,000 yen
- **Date of establishment:** April 5, 2016



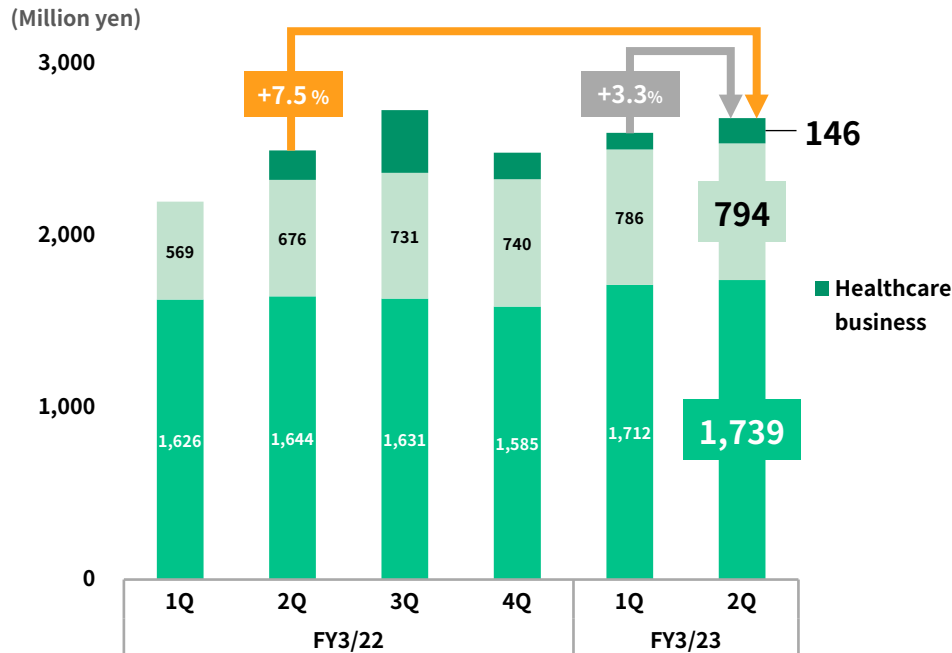
# Quarterly comparisons

Net sales climbed firmly.

In 1Q, a loss on valuation of inventories in the healthcare business was recorded as cost of sales. In 2Q, it was transferred from cost of sales to extraordinary losses. Consequently, operating profit rose markedly.

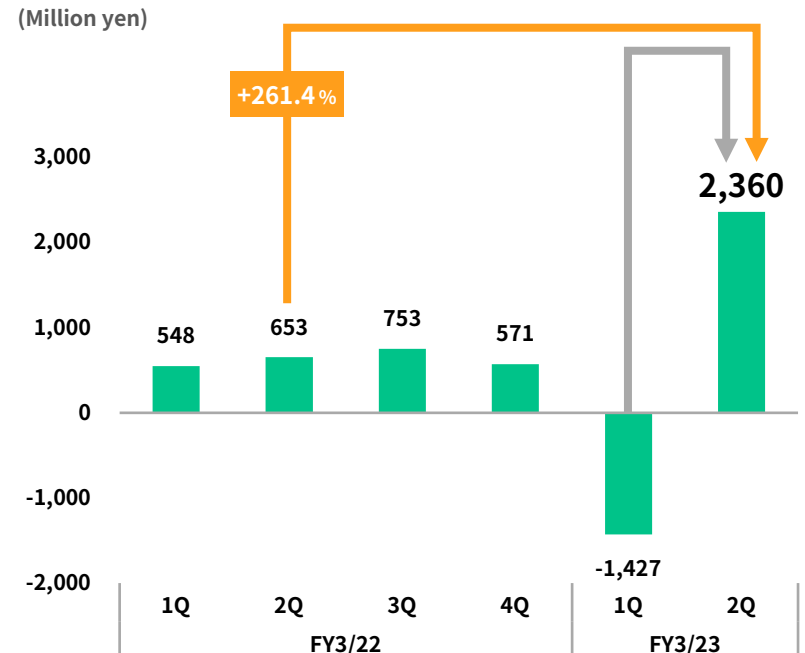
## Net sales

(YoY) The disability welfare business attained a sales rise after an increase in users and a hike in unit price.  
 (QoQ)

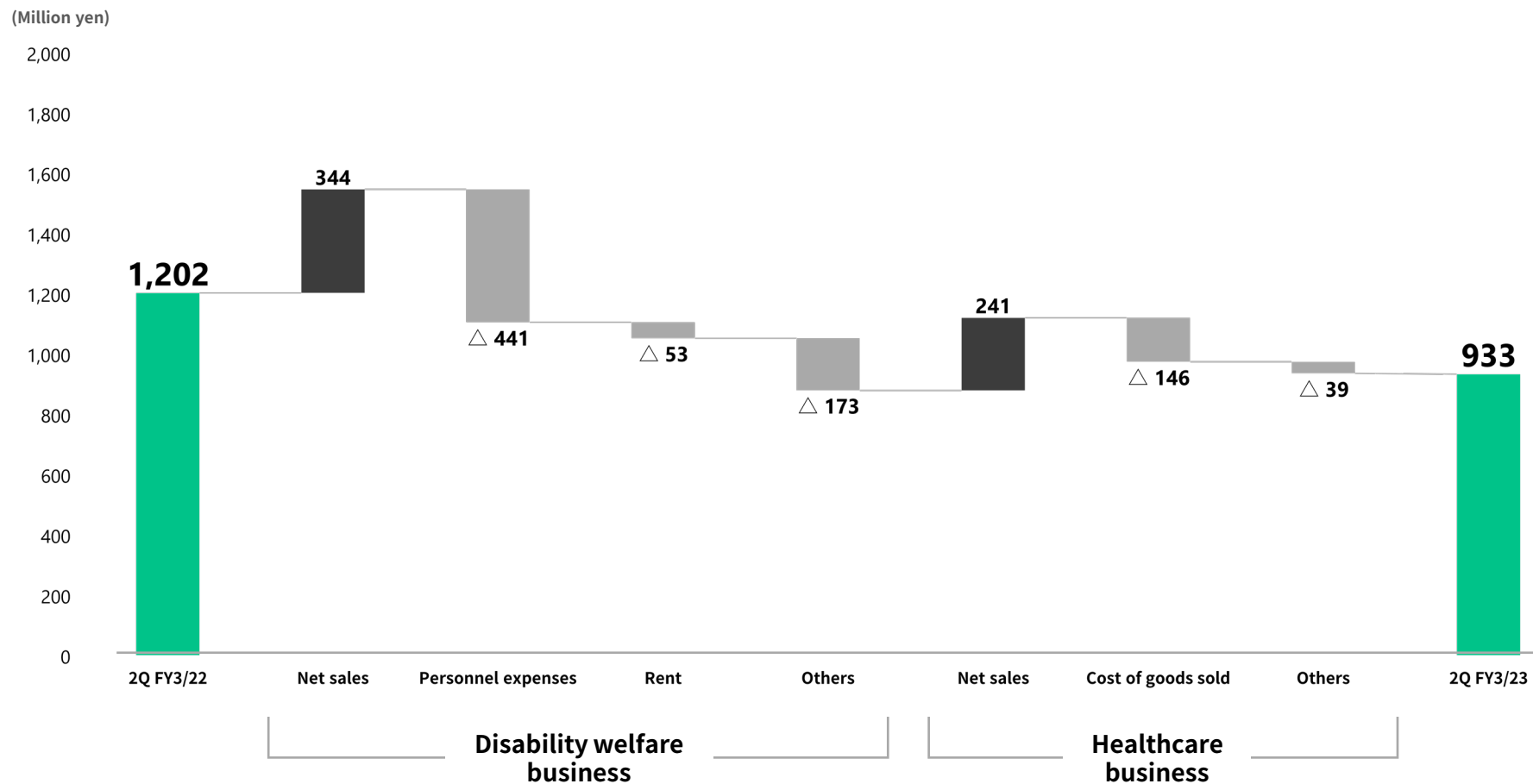


## Operating profit

(YoY) A loss on valuation of inventories that was once posted as cost of sales was transferred to extraordinary losses.  
 (QoQ) Operating profit rose hugely.



# Analysis of change in operating 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 in the employment transition support business and in the habilitation business surged following a unit price increase and growth of users.

Segment profit dropped. It is due to a cost hike after increased facility openings and posting of consumption tax levied on products that were temporarily acquired by Welbe from Welbe Healthcare as taxes and dues. In 3Q and later, the taxes and dues will not be involved. If the consumption tax is excluded, business results were almost as planned.

(Million yen)

	2Q FY3/22	2Q FY3/23	YoY change	Change from forecast 2Q (initial)	FY3/23	FY3/23	Progress
	Results	Results			Forecast (initial)	Forecast (Revised in Nov. 2022)	
Net sales	4,516	5,032	+517 (+11.5%)	+9 (+0.2%)	10,478	10,385	48.5%
Employment transition support business	3,270	3,451	+181 (+5.5%)	-80 (-2.3%)	7,337	7,030	49.1%
Habilitation business	1,246	1,581	+336 (+27.0%)	+89 (+6.0%)	3,140	3,354	47.1%
Segment profit	1,128	877	-250 (-22.2%)	-90 (-9.3%)	2,114	1,848	47.5%
Segment profit ratio	25.4%	17.4%	-7.9%	-1.8%	20.2%	17.8%	-

Number of bases

**Employment transition support business: 100 bases**  
YTD: +11/Initial opening plan: 11 bases

**Habilitation business: 56 bases**  
YTD: +5/Initial opening plan: 9 bases

## 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 2022
- Increase in expenses attributed to the acceleration of facility openings (+11 facilities as of November 2022)
- A temporary increase in expenses due to consumption tax levied on products temporarily acquired from Welbe Healthcare (expected to be no longer in place in 3Q and later)

### ■ 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.)

\* Matters regarding segment difference adjustment described in the Summary of Financial Results (segment information, etc.) is included in segment profit in the disability welfare business for the sake of simplicity.

## Summary of the healthcare business

Although a loss on valuation of inventories (cost of sales) was posted to result in a major profit slide in 1Q of the fiscal year ending March 2023, it was transferred to extraordinary losses in light of the decision on business withdrawal in 2Q.

In addition, the earnings forecast for 2Q and later was beyond.

(Million yen)

	2Q FY3/22	2Q FY3/23	YoY change	Change from forecast 2Q (Revised in Aug. 2022)	FY3/23	FY3/23	Progress
	Results	Results			Forecast (Revised in Aug. 2022)	Forecast (Revised in Nov. 2022)	
Net sales	172	241	+69 (+40.3%)	-211 (-46.7%)	689	241	100%
Segment profit	74	55	-18 (-24.6%)	+1,841	-1,618	55	100%

### Major factors for the changes

- Net sales rose with growth in sales of supplements.
- Segment profit fell due to a slide in the unit price for sales.

Merchandise, raw materials, advance payments to suppliers and loans were liquidated after the transfer of shares and products of Welbe Healthcare.

The equity ratio dropped as a result of a loss on liquidation of business and purchase of treasury shares.

(Million yen)

	End of FY3/22	End of 2Q FY3/23	YTD
<b>Current assets</b>	<b>9,658</b>	<b>6,709</b>	<b>-2,949</b>
Cash and deposits	2,845	1,890	-954
Merchandise	1,869	1,088	-781
Raw materials and supplies	248	5	-242
Advance payments to suppliers	1,127	-	-1,127
Short-term loans receivable	1,700	-	-1,700
Accounts receivable - other	19	1,888	+1,869
<b>Non-current assets</b>	<b>1,585</b>	<b>1,764</b>	<b>+178</b>
<b>Total assets</b>	<b>11,244</b>	<b>8,473</b>	<b>-2,770</b>
<b>Current liabilities</b>	<b>1,493</b>	<b>1,018</b>	<b>-475</b>
<b>Non-current liabilities</b>	<b>3,751</b>	<b>3,435</b>	<b>-316</b>
<b>Total liabilities</b>	<b>5,245</b>	<b>4,453</b>	<b>-791</b>
Loans and bonds	4,374	4,060	-314
<b>Total net assets</b>	<b>5,998</b>	<b>4,019</b>	<b>-1,978</b>
<b>Equity ratio</b>	<b>53.3%</b>	<b>47.4%</b>	<b>-5.9pt</b>

## Major factors for the changes

- **Merchandise (-781)**
  - Valued on the basis of the amount of decrease in valuation in 1Q There will be nothing left to transfer in 3Q and beyond.
- **Raw materials and supplies (-242)**
  - After the stock transfer, no amount is recorded for raw materials.
- **Advance payments (-1,127)**
  - No amount is recorded after the stock transfer.
- **Loans receivable**
  - No amount is recorded after loans of 1,700 million yen to NPJ were transferred on the occasion of the stock transfer.
- **Accounts receivable - other**
  - Price of 1,760 million yen for transfer of the receivables to WH LCC
- **Equity ratio (-5.9pt)**
  - Loss on liquidation of business posted at 2,082 million yen
  - Purchase of treasury shares 574

## Cash flows

For 2Q of the fiscal year ending March 2023, free cash flows are higher year on year since expenditures for the healthcare business were stopped. It will further increase in the second half and beyond.

Cash flows from financing activities involve 574 million yen for the purchase of treasury shares, 233 million yen for dividends paid and 250 million yen for the repayment of borrowings.

(Million yen)

	FY3/22	FY3/22	YoY change
	2Q	2Q	
Cash flows from operating activities	-1,289	571	1,860
Cash flows from investing activities	-2,083	-403	1,679
Free cash flows	-3,372	168	3,540
Cash flows from financing activities	2,047	-1,122	-3,169

# Quarterly comparisons (overall profits and losses)

(Million yen)

	FY3/22					FY3/23					Year-on-year change	Quarter-on-quarter change
	1 Q	2 Q	3 Q	4 Q	Cumulative	1 Q	2 Q	3 Q	4 Q	Cumulative	(2Q vs 2Q)	(1Q vs 2Q)
												Change
<b>Net sales</b>	2,196	2,492	2,726	2,479	9,894	2,594	2,680			5,274	+187	+85
<b>Employment transition support business</b>	1,626	1,644	1,631	1,585	6,486	1,711	1,739			3,451	+95	+27
Compensation for employment transition support included in the above	1,523	1,547	1,525	1,483	6,080	1,600	1,632			3,233	+85	+32
Compensation for retention support included in the above	87	84	91	87	351	95	95			191	+11	+0
<b>Habilitation business</b>	569	676	731	740	2,717	786	794			1,581	+118	+7
<b>Healthcare business</b>	-	172	364	154	690	95	146			242	+70	+50
<b>Cost of sales</b>	1,358	1,519	1,651	1,545	6,074	3,645	-159			3,485	-1,678	-3,804
<b>Gross profit</b>	838	973	1,075	933	3,820	-1,050	2,839			1,788	-1,866	+3,890
<b>Selling, general and administrative expenses</b>	289	319	322	362	1,293	376	478			855	+159	+102
<b>Operating profit</b>	548	653	753	571	2,527	-1,427	2,360			933	+1,707	+3,787
<b>Ordinary profit</b>	581	663	788	625	2,659	-1,410	2,378			967	+1,715	+3,789
<b>Profit before income taxes</b>	581	663	768	492	2,506	-1,401	296			-1,104	-367	+1,697
<b>Profit</b>	395	471	521	440	1,828	-1,584	421			-1,162	-49	+2,005

Gross profit: Gross profit rose significantly, after the loss on valuation of inventories was transferred from cost of sales to extraordinary losses.

Loss on liquidation of business: 2,082 million yen was posted for 2Q. A gain on sale of products is expected to be posted for 3Q and later.

# Quarterly comparisons: Cost of sales

(Million yen)

	FY3/22						FY3/23						Year-on-year change (2Q vs 2Q)	Quarter-on-quarter change (1Q vs 2Q)
	1 Q	2 Q	3 Q	4 Q	Cumulative	Ratio to total cost of sales	1 Q	2 Q	3 Q	4 Q	Cumulative	Ratio to total cost of sales		
Net sales	2,196	2,492	2,726	2,479	9,894		2,594	2,680			5,274		+187	+85
Total cost of sales	1,358	1,519	1,651	1,545	6,074	100.0%	3,645	-159			3,485	100.0%	-1,678	-3,804
Personnel expenses	989	1,063	1,073	1,109	4,235	69.7%	1,203	1,244			2,448	70.2%	+181	+41
Rent	144	146	149	153	594	9.8%	166	174			340	9.8%	+27	+8
Supplies expenses	68	54	60	65	248	4.1%	72	76			149	4.3%	+22	+4
Transportation expenses	43	45	48	47	184	3.0%	56	57			114	3.3%	+12	+1
Depreciation	31	35	38	50	156	2.6%	36	40			76	2.2%	+5	+4
Cost of goods sold	-	97	207	22	327	5.4%	2,000	-1,853			146	4.2%	-1,951	-3,853
Others	81	75	72	97	327	5.4%	110	99			210	6.0%	+23	+11
Cost of sales margin	61.8%	60.9%	60.6%	62.4%	61.4%		140.5%	-5.9%			66.1%		-66.9%	-62.6%
Gross profit	838	973	1,075	930	3,820		-1,050	2,839			1,788		+1,866	+3,890

Cost of goods sold: The cost of goods sold plunged considerably after the loss on valuation of inventories was transferred from cost of sales to extraordinary losses.



# Quarterly comparisons: Selling, general and administrative expenses (SG&A expenses)

(Million yen)

	FY3/22						FY3/23						Year-on-year change (2Q vs 2Q)	Quarter-on-quarter change (1Q vs 2Q)
	1 Q	2 Q	3 Q	4 Q	Cumulative	Ratio to the total SG&A expenses	1 Q	2 Q	3 Q	4 Q	Cumulative	Ratio to the total SG&A expenses		
Net sales	2,196	2,492	2,726	2,479	9,894		2,594	2,680			5,274		+187	+85
Gross profit	838	973	1,075	930	3,817		-1,050	2,839			1,788		+1,866	+3,890
Total selling, general and administrative expenses	289	319	322	362	1,293	100.0%	376	478			855	100.0%	+159	+102
Personnel expenses	119	121	125	131	497	38.8%	143	146			292	34.2%	+25	+2
Taxes and dues	60	67	64	65	258	20.0%	75	151			226	26.4%	+83	+75
Advertising expenses	37	40	39	57	174	13.5%	58	67			125	14.7%	+27	+8
Commission expenses	29	41	33	39	143	11.1%	35	59			95	11.2%	+18	+23
Rent	16	17	17	17	68	5.3%	18	19			37	4.4%	+2	+1
Others	25	31	37	37	139	10.8%	42	34			77	9.0%	+3	-7
SG&A expense ratio	13.2%	12.8%	11.8%	14.6%	13.1%		14.5%	17.9%			16.2%		+5.0%	+3.4%
Operating profit	548	653	753	571	2,527		-1,427	2,360			933		+1,707	+3,787
Operating profit margin	25.0%	26.2%	27.6%	23.0%	25.5%		-55.0%	88.1%			17.7%		+61.9%	+143.1%

Taxes and dues:  
Consumption tax on products temporarily acquired from Welbe Healthcare was posted as taxes and dues. (It will no longer be involved in 3Q and subsequent terms.)

Commission expenses:  
A commission for the purchase of Happiness Comes' shares was recorded.

# 02

**Full-year consolidated earnings forecast for the fiscal year ending March 2023 and revision of the mid-term management plan**

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# Full-year consolidated earnings forecast and revision of the mid-term management plan

In 2Q, Welbe Healthcare's shares, receivables and products were all transferred for the withdrawal of the healthcare business. Accordingly, the earnings forecast and the targets in mid-term management for the Healthcare Business have been revised.

For the disability welfare business as well, the plan and the mid-term management plan targets for the second half have been revised in consideration of the purchase of Happiness Comes' shares and the number of users in the existing facilities until the end of 2Q. We judged that the loss on liquidation of business could be included in deductible expenses in tax procedures. The tax burden decreased for the current fiscal year.

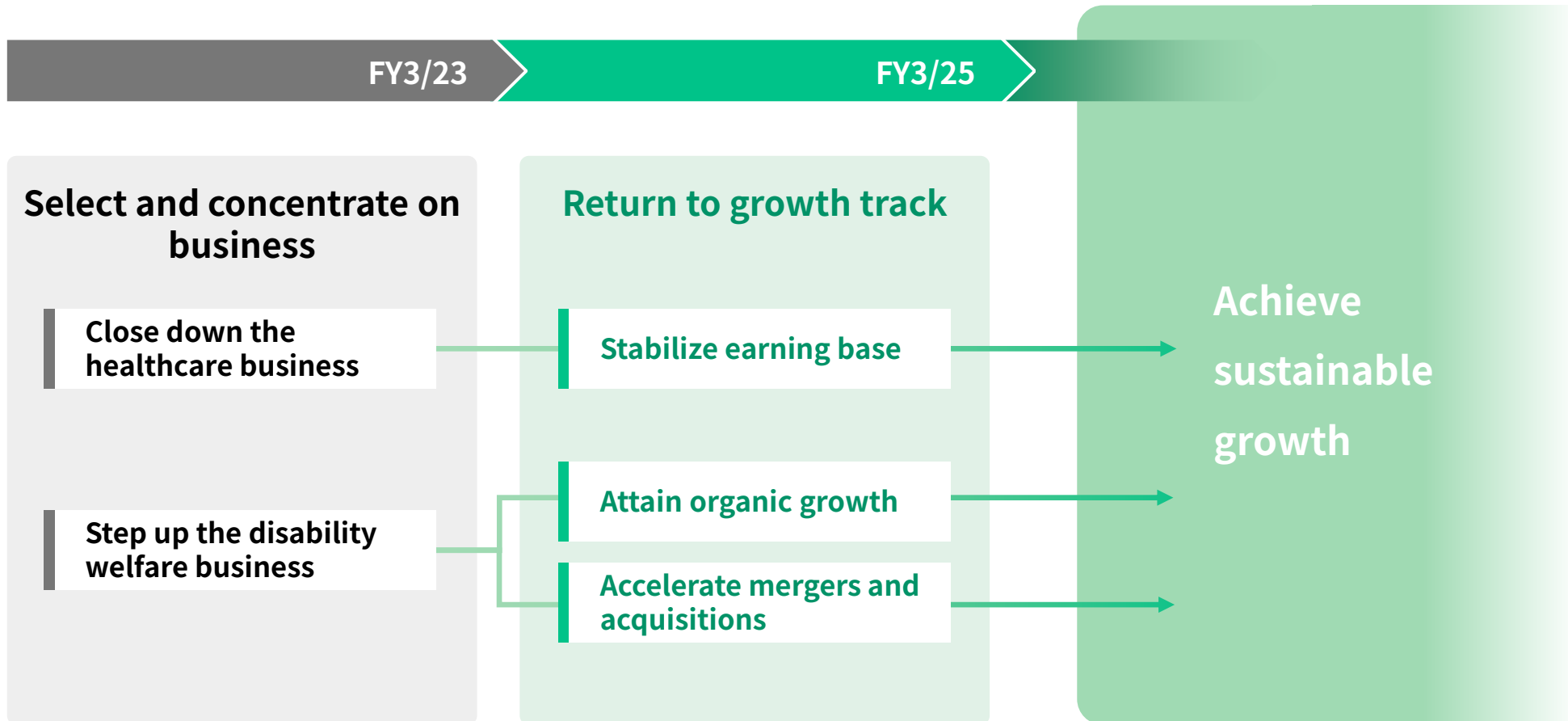
(Million yen)

	FY3/22	FY3/23	FY3/24	FY3/25
	Results	Forecast*	Plan*	Plan*
Net sales (YoY)	9,894	10,626 (+732,+7.4%)	11,808 (+1,181,+11%)	13,217 (+1,408,+12%)
Operating profit (YoY)	2,527	1,903 (-623,-24.7%)	2,138 (+234,+12%)	2,584 (+445,+21%)
Ordinary profit (YoY)	2,659	1,929 (-730,-27.5%)	2,120 (+191,+10%)	2,566 (+445,+21%)
Profit attributable to owners of parent (YoY)	1,828	261 (-1,567,-85.7%)	1,487 (+1,226,+469%)	1,816 (+329,+22%)

\* The figures were corrected on November 11, 2022.

# Future directions

We will concentrate management resources on our mainstay Disability Welfare Business to stabilize the earnings base. We will push ahead with new facility openings and step up support for children and adults with disabilities in a bid to return to growth track.



# Disability welfare business: Full-year earnings forecast and medium-term management plan

- Forecast for the fiscal year ending March 2023 Revised downwards for the employment transition support business following poorer results than initially forecast.

Revised upwards for the habilitation business in view of a brisk number of users.

In addition to what is mentioned above, the figures of Happiness Comes Co., Ltd. will be taken into account from the second half onwards.

- Mid-term Management Plan Because of the revision to the forecast for the fiscal year ending March 2023, the plan was also modified. However, we will retain our policy of accelerating new facility openings, tackling soaring expenses for strengthening the organizational foundations that supports multi-facility operation in an effort to return to a growth path.

(Million yen)

		FY3/22	FY3/23	FY3/24	FY3/25
		Results	Forecast	Plan	Plan
Net sales (YoY)		9,203	10,385 (+1,181,+13%)	11,808 (+1,423,+14%)	13,217 (+1,408,+12%)
Employment transition support business		6,486	7,030 (+544,+8%)	7,916 (+885,+13%)	8,680 (+764,+10%)
Habilitation business		2,717	3,354 (+637,+23%)	3,892 (+538,+16%)	4,536 (+644,+17%)
Segment profit (YoY)		2,212	1,848 (-364,-16%)	2,138 (+290,+16%)	2,584 (+445,+21%)
Facility openings (plan)	Employment	9	11	13	15
	Habilitation	5	9	10	10

\* The decrease of 8 million yen in "Matters regarding segment difference adjustment" described in the Summary of Financial Results (segment information, etc.) is included in Segment profit in the disability welfare business for the sake of simplicity.

## Healthcare business: Revision of full-year earnings forecast and mid-term management plan

No performance will be involved in 3Q and beyond since this business was withdrawn in 2Q. We will be returning to a state in which we have a single segment, namely the disability welfare business.

(Million yen)

	FY3/22	FY3/23	FY3/24	FY3/25
	Results	Forecast	Plan	Plan
<b>Net sales</b> (YoY)	<b>690</b>	<b>241</b> (-449, -65%)	-	-
<b>Segment profit</b> (YoY)	<b>314</b>	<b>55</b> (-258, -82%)	-	-

## Shareholder returns: Purchase of treasury shares

We will set a sub-budget for the purchase of treasury shares with an upper limit of 1 billion yen and implement it in an effort to raise the level of shareholder returns and to carry out flexible capital policies according to changes in business circumstances.

### Details about the pool

Number of shares to purchase

**Up to 1,550,000**

Total value of purchase

**Up to 1,000,000,000 yen**

Purchase period

**August 22, 2022 to October 31, 2022**

### Cumulative total of treasury shares purchased

Number of shares purchased

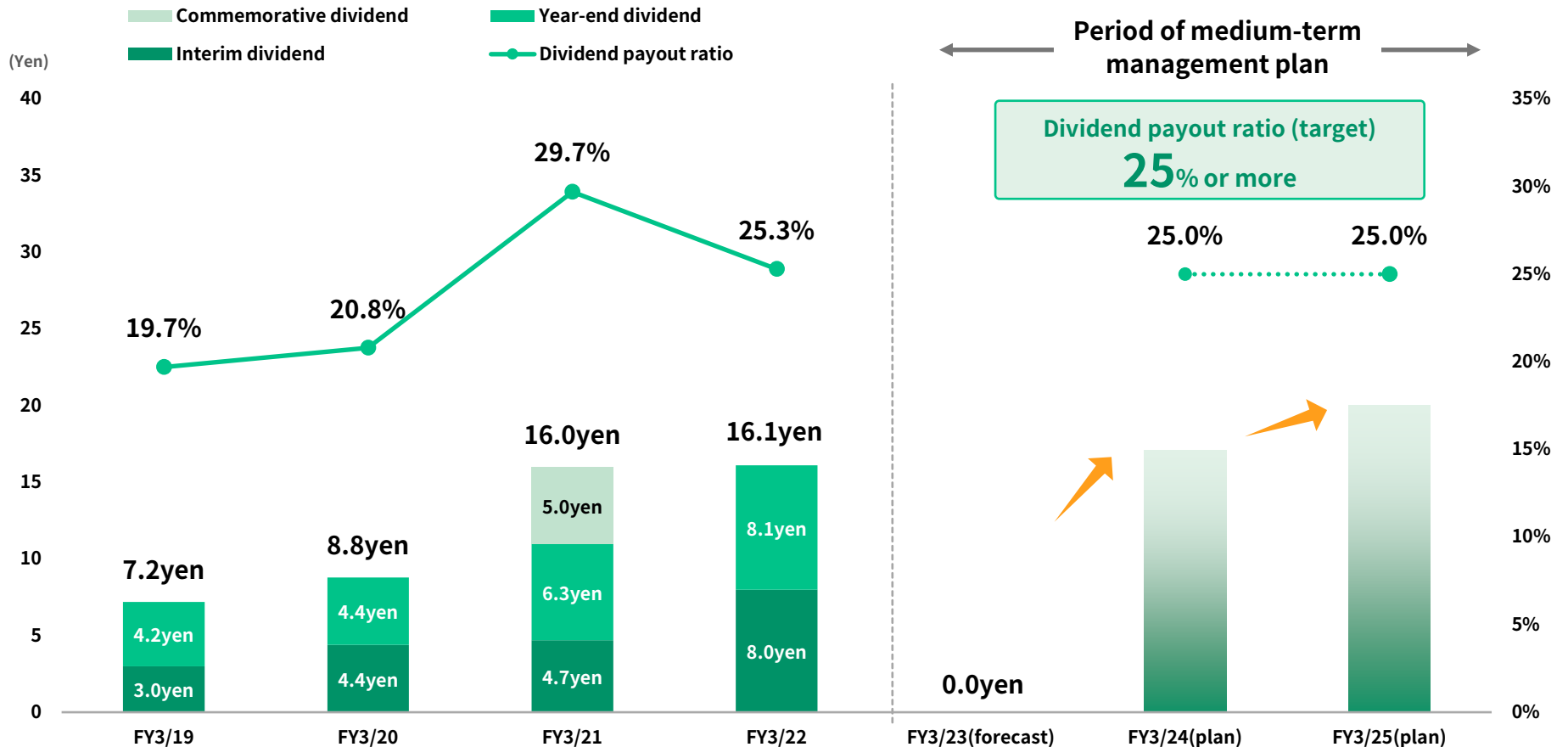
**1,227,100**  
(762,300 as of the end of September 2022)

Total value of purchase

**999,935,400 yen**  
(574 million yen as of the end of September 2022)

# Financial policy: Review of shareholder returns

- FY3/23 forecast: No dividends as a result of a revision to the dividend forecast on August 12, 2022
- Mid-term management plan: The plan is to pay dividends at a payout ratio of 25% or higher from FY4/24 onward because the Company expects to post a profit.





03

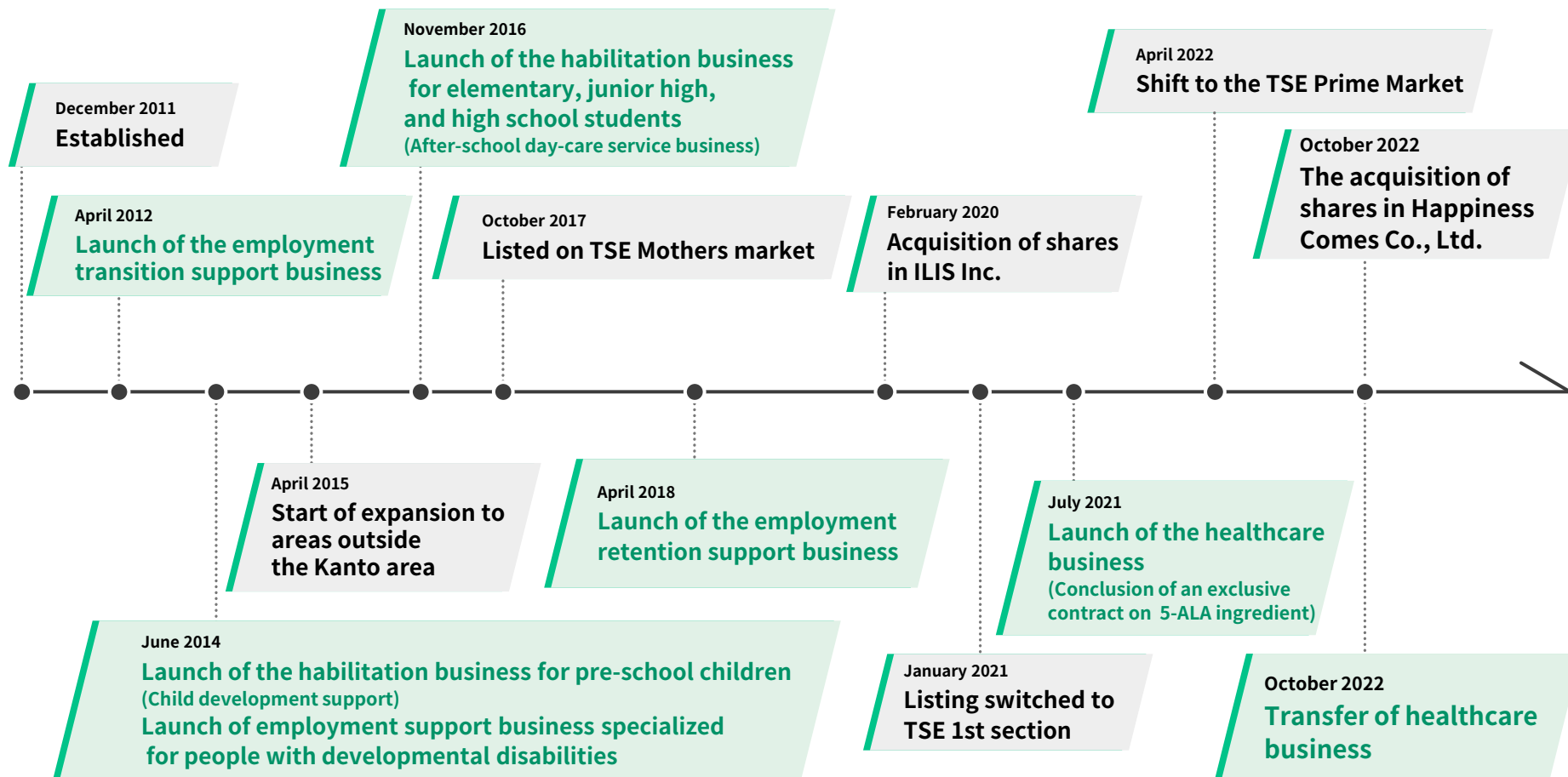
## Sustainability of the Welbe Group

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# 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)

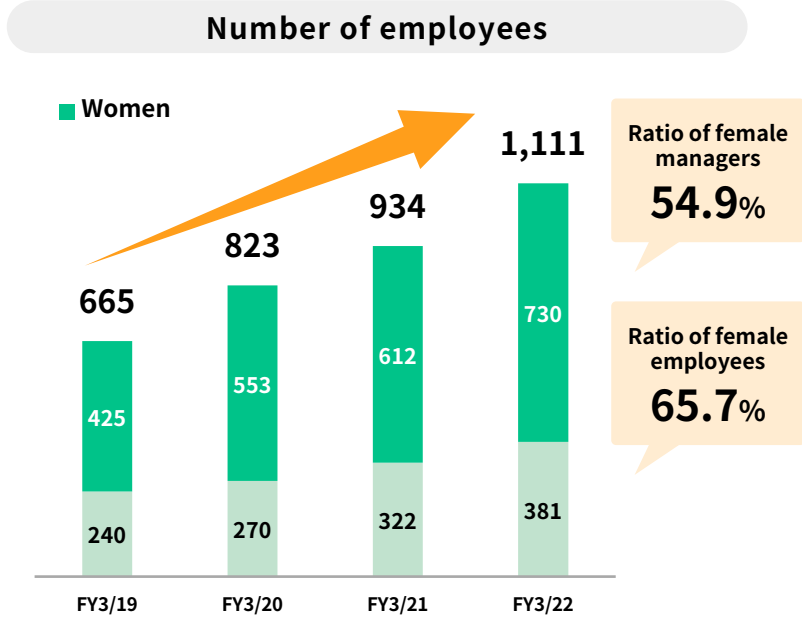
## Developing human resources with a wealth of educational and training programs

- 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.

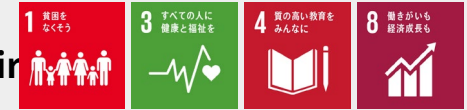
- The committee meets every week.
- Participants are responsible persons from sites and headquarters.
- The committee promotes improvement of on-site operations.

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.



# Initiatives to help achieve SDGs: Contributing to society through business activities

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, 2022

- Employment Transition Support Business
  - Number of contractors for our employment transition support service: 2,192
  - Employment record for the last one year: 876 people
  - Six-month retention rate for the last one year: 90.5%
  - Employment record since establishment: 5,032 people
- Habilitation Business
  - Number of contractors for our habilitation services: 2,963

## Employment of people with disabilities at Welbe \* As of March 31, 2022

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 <b>Makoto Ota</b>		Director Senior Executive Vice President <b>Takao Senga</b>		Director <b>Hideyuki Nakazato</b>
	Director <b>Koichi Itou</b>		Director <b>Takuo Touma</b>		External Director Independent officer <b>Shigenobu Kanba</b>
	Director Full-time Audit and Supervisory Committee member <b>Eri Watanabe</b>		External Director Audit and Supervisory Committee member / Independent officer <b>Yasutoshi Kita</b>		External Director Audit and Supervisory Committee member / Independent officer <b>Masafumi Sato</b>
	External Director Audit and Supervisory Committee member / Independent officer <b>Yumiko Noguchi</b>	<ul style="list-style-type: none"> <li>■ Number of external directors: 4 / Ratio of external directors: 40%</li> <li>■ Number of female officers: 2</li> </ul>			

## 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.

04

## Reference materials

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## 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.

- 100 bases for employment transition support business
- 75 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.



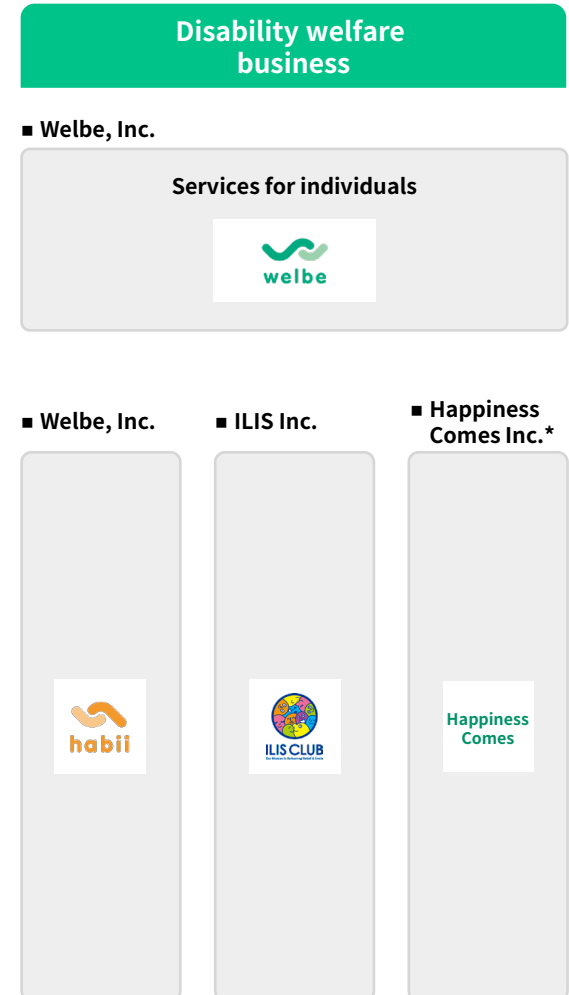
■ Interior view of a base for the employment transition support business

- **Habilitation Business**

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

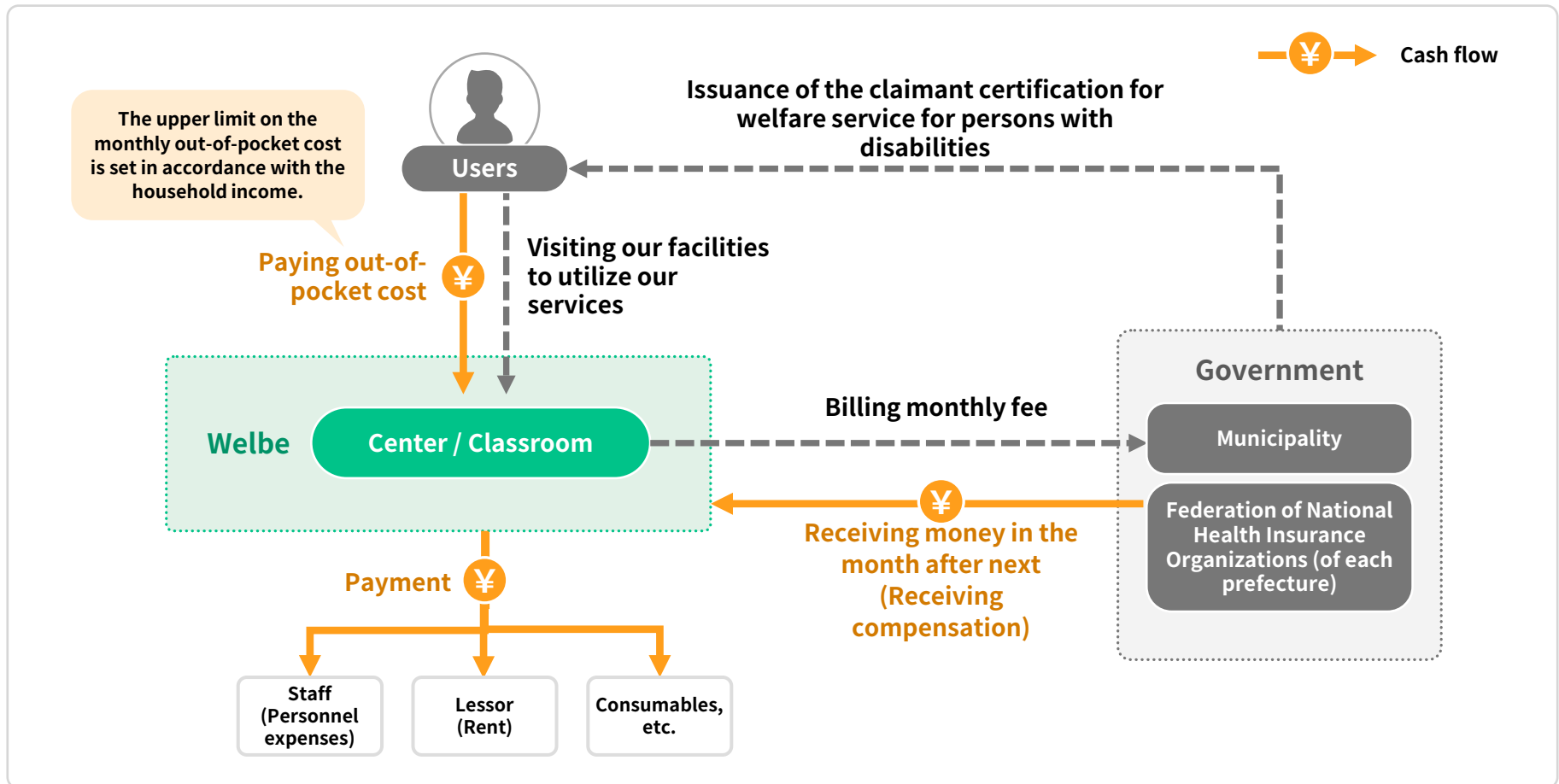


■ Interior view of the classroom of habii



\* Welbe, Inc. acquired shares in Happiness Comes Inc. and reorganized it into a subsidiary on October 4, 2022. It will be consolidated from 3Q of the fiscal year ending March 2023.

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

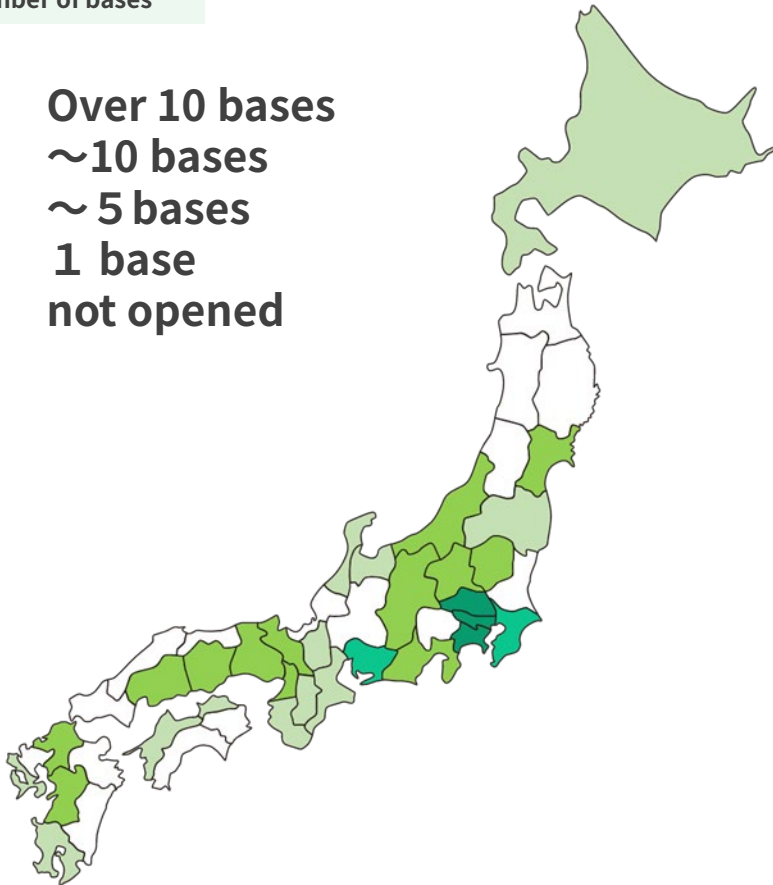




Number of **welbe** bases **100**

Number of bases

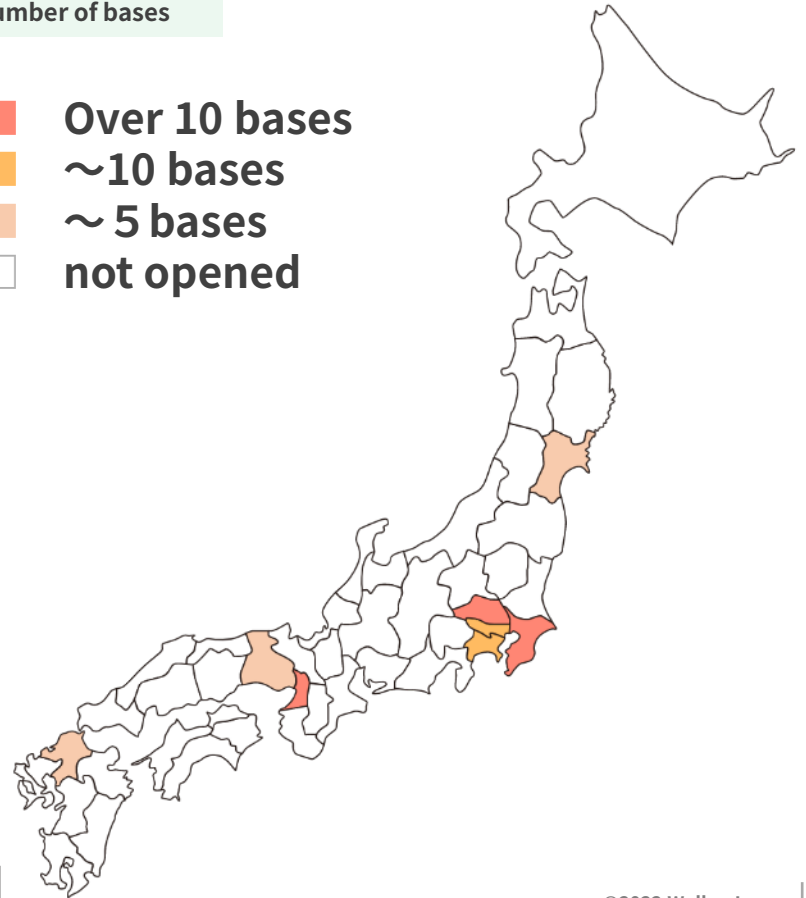
- Over 10 bases
- ~10 bases
- ~ 5 bases
- 1 base
- not opened



Number of **habii** bases **56**

Number of bases

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



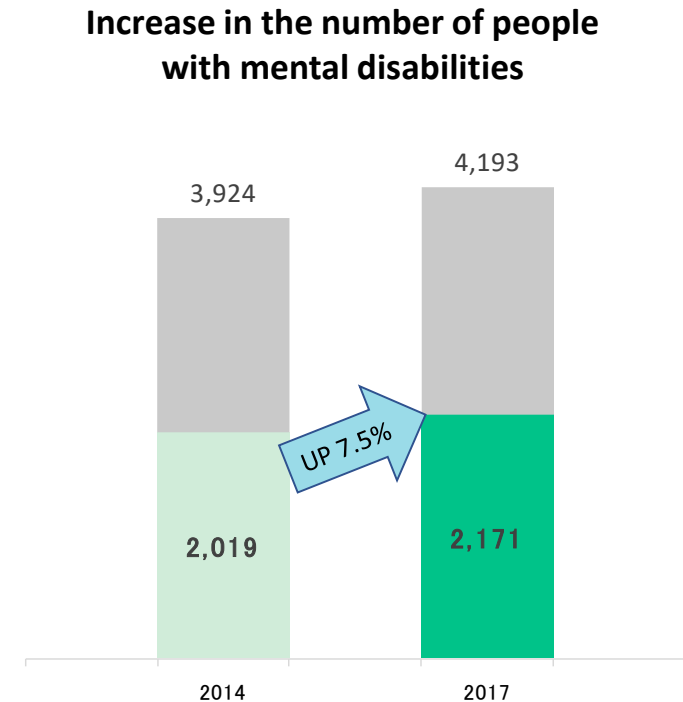
# Population of People with Disabilities

- 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
<b>Total</b>	<b>9,647</b>	<b>9,140</b>	<b>3,764</b>	<b>507</b>

\* Japan’s working age population: 74,458 thousand people (as of Nov. 2021)



Source: Prepared by Welbe based on 2021 Disabled People White Paper (Cabinet Office) and Population Estimates (Statistics Bureau, Ministry of Internal Affairs and Communications)

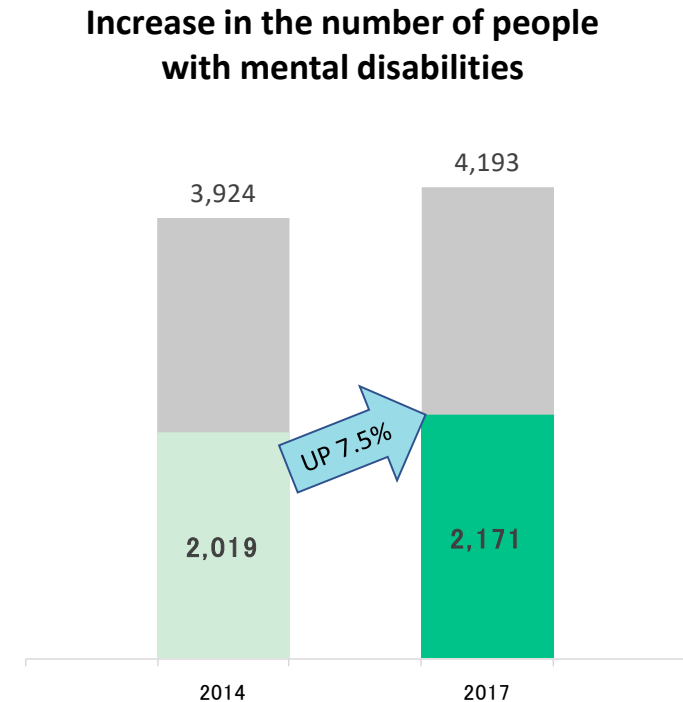
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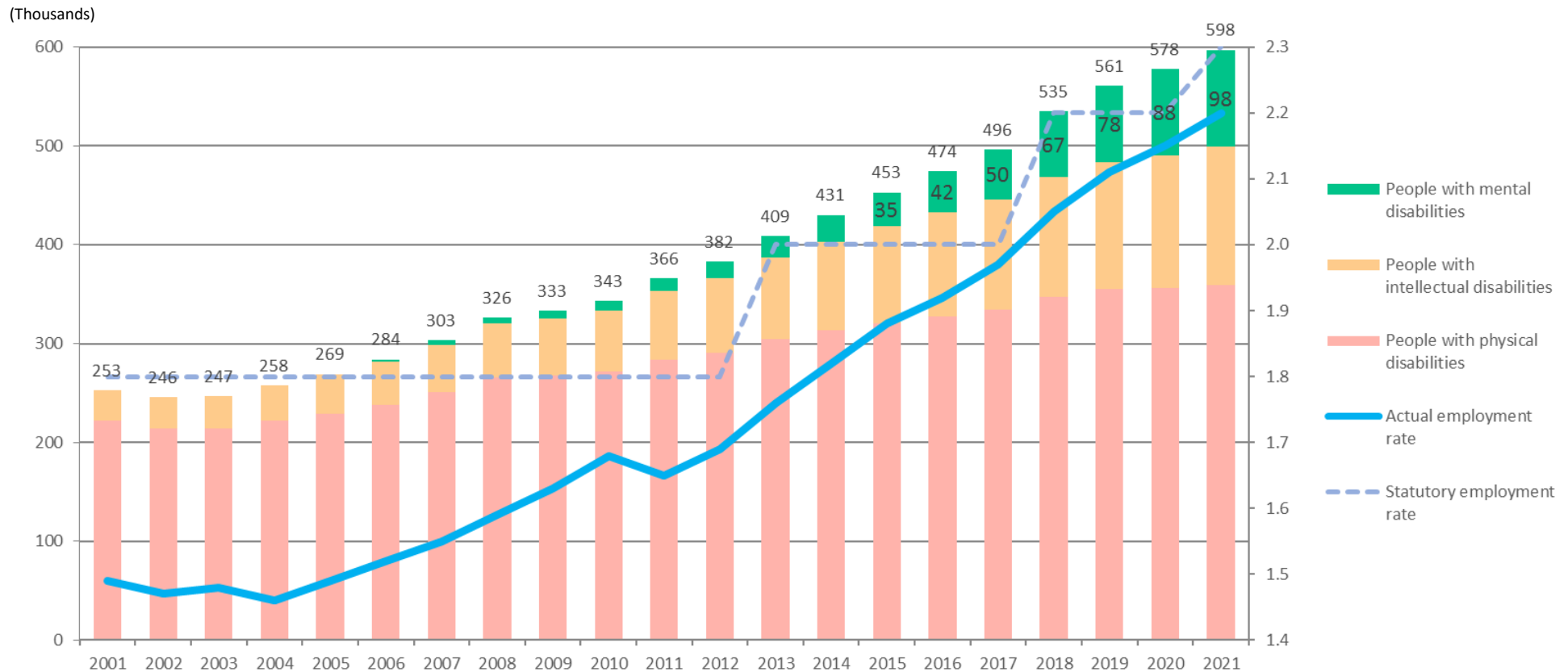
\* Japan’s working age population: 74,458 thousand people (as of Nov. 2021)



Source: Prepared by Welbe based on 2021 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 2021.



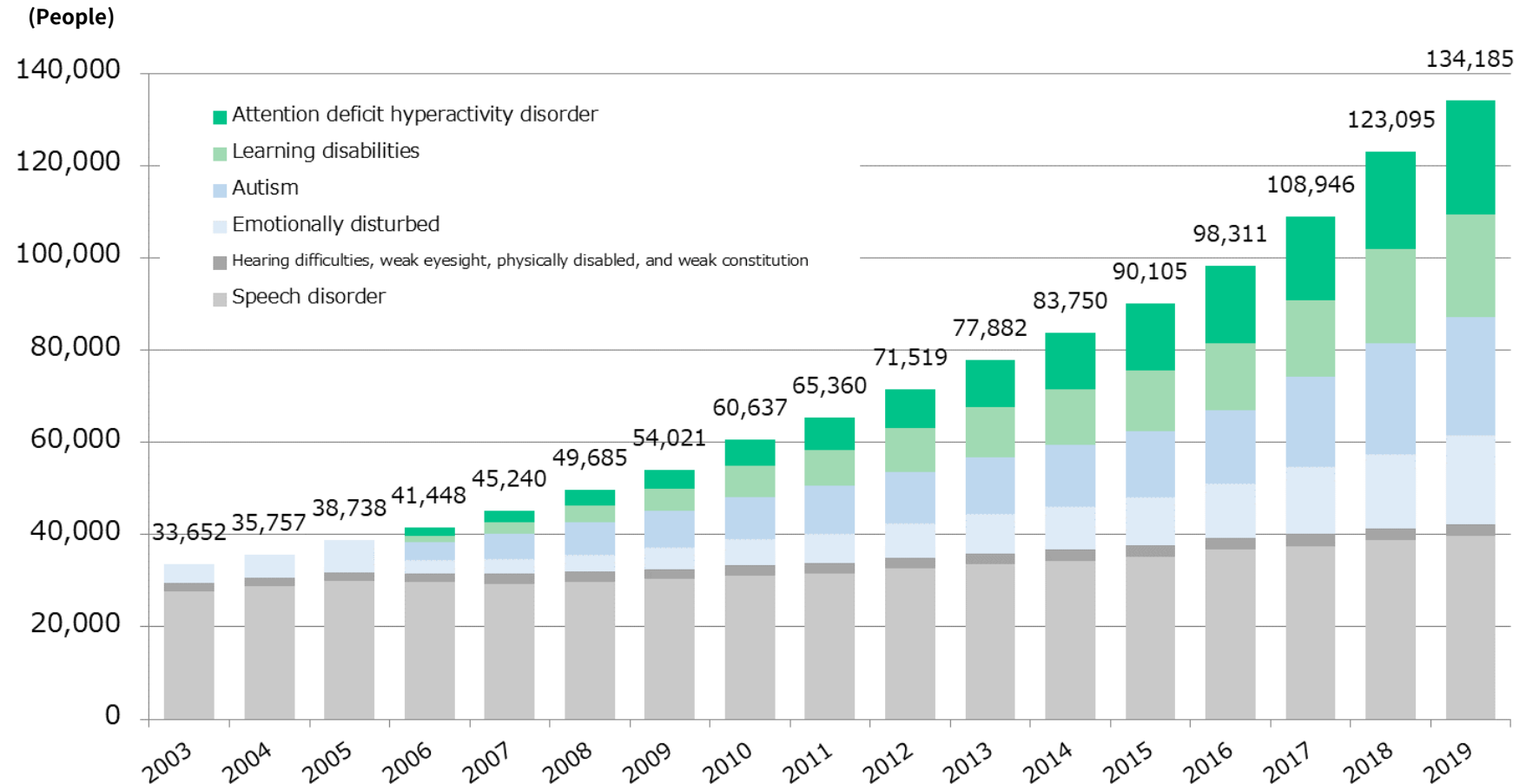
Source : Report on the “Status of Employment of Persons with disabilities” in 2021, Ministry of Health, Labour and Welfare

# 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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## Inquiries

Investor Relations, Welbe, Inc.

Telephone: +81-3-6268-9542

Fax: +81-3-6268-9543

e-mail: [ir@welbe.co.jp](mailto:ir@welbe.co.jp)

Website: <http://corporate.welbe.co.jp/>

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