

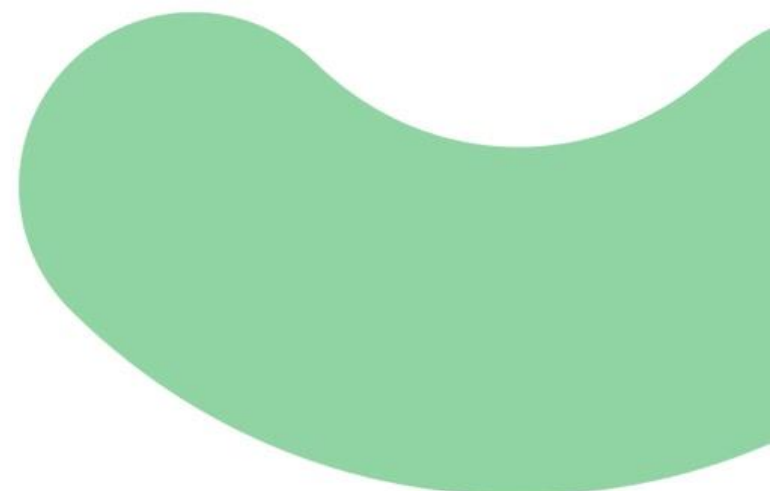


Results of Operations

for the Second Quarter of the Fiscal Year Ending March 2019 (2Q FY3/19)

Welbe, Inc.

Securities Code: 6556



- 1 . Corporate and Business Overview
- 2 . FY3/19 2Q Financial Results Highlights

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 **27,540,000**

No. of shareholders **3,579**

Business(No. of operating bases)

Disability Welfare Service Business

① Employment Transition Support Business :

Operation of

63 employment transition support offices

4 employment retention support offices (*1)

2 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 :

21 child development support classrooms

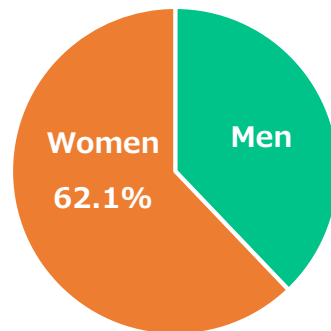
3 after-school day care service classrooms

Employees

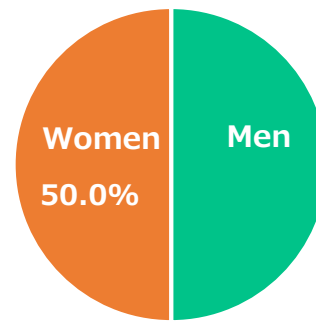
610

(excluding temporary employees)

Gender ratio of employees



Gender ratio of managers



Target of "30% by 2020"

Liaison Conference for the Promotion of Gender Equality

For all leadership positions, increase the percentage of women to at least 30% by 2020 in every sector of society.

Pct. of women in department manager or higher positions at private-sector companies: **10.9%**

Source: Progress Toward Targets of the Fourth Basic Plan for Gender Equality (Gender Equality Bureau Cabinet Office, June 15, 2018)

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

Dec. 2011



Established

Apr. 2012



Began **Employment Transition Support Business**

Opened welbe Nishifunabashi Ekimae Center

Nov. 2012



Opened **3 centers**

welbe Kokukoen Ekimae Center, Shinkoshigaya Ekimae Center, and Matsudo Center

June 2014



Began **Habilitation Business for pre-school children** (Child development support business)

Opened Habii Kawagoe

Began Employment Support Business **specialized for people with developmental disabilities**

Opened Job Center Soka

Apr. 2015



Began operations outside the **Kanto area**

Opened welbe Nagoya Ekimae Center

June 2015



Exceeded **30 locations**

Sept. 2016



Exceeded **50 locations**

Nov. 2016



Began **Habilitation Business for elementary, junior and senior high school students** (After-school day care service)

Opened habii plus Kawagoe

Oct. 2017



Listed on the TSE Mothers Market

Apr. 2018



Began **Employment Retention Support Business**

Opened Shin-Osaka center and Ogikubo Ekimae center

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

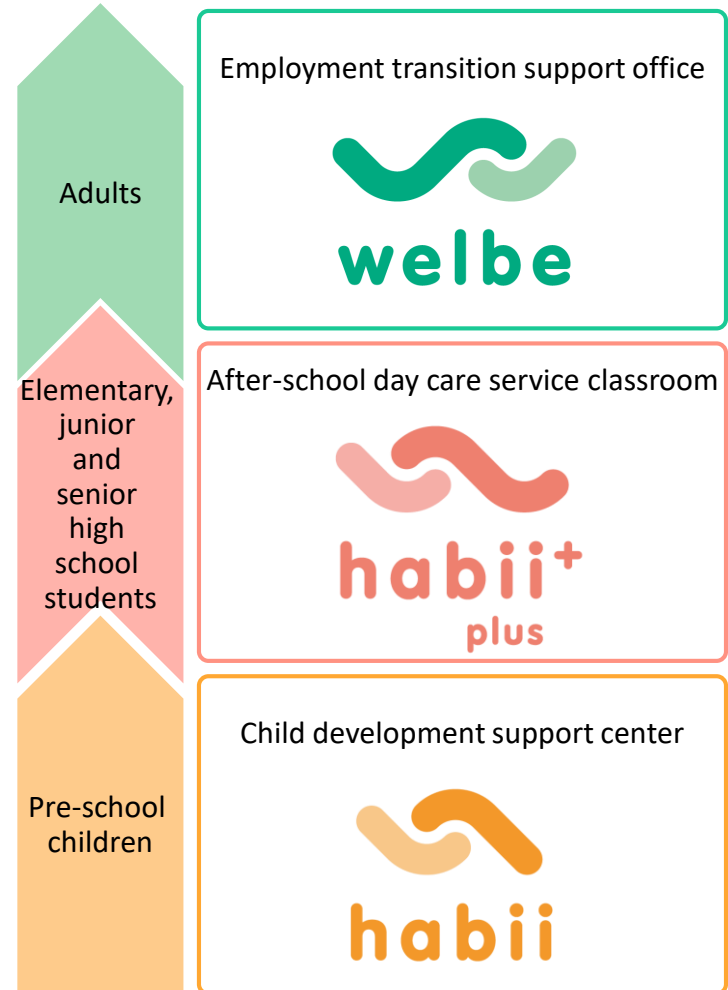
- **welbe**
Provision of services based on the Act on the Comprehensive Support for the Daily and Social Life of Persons with Disabilities
Operation of employment transition support offices
- **Others**
Operation of employment retention support offices, specific consultation support offices, Job Centers and Welbe Challenge



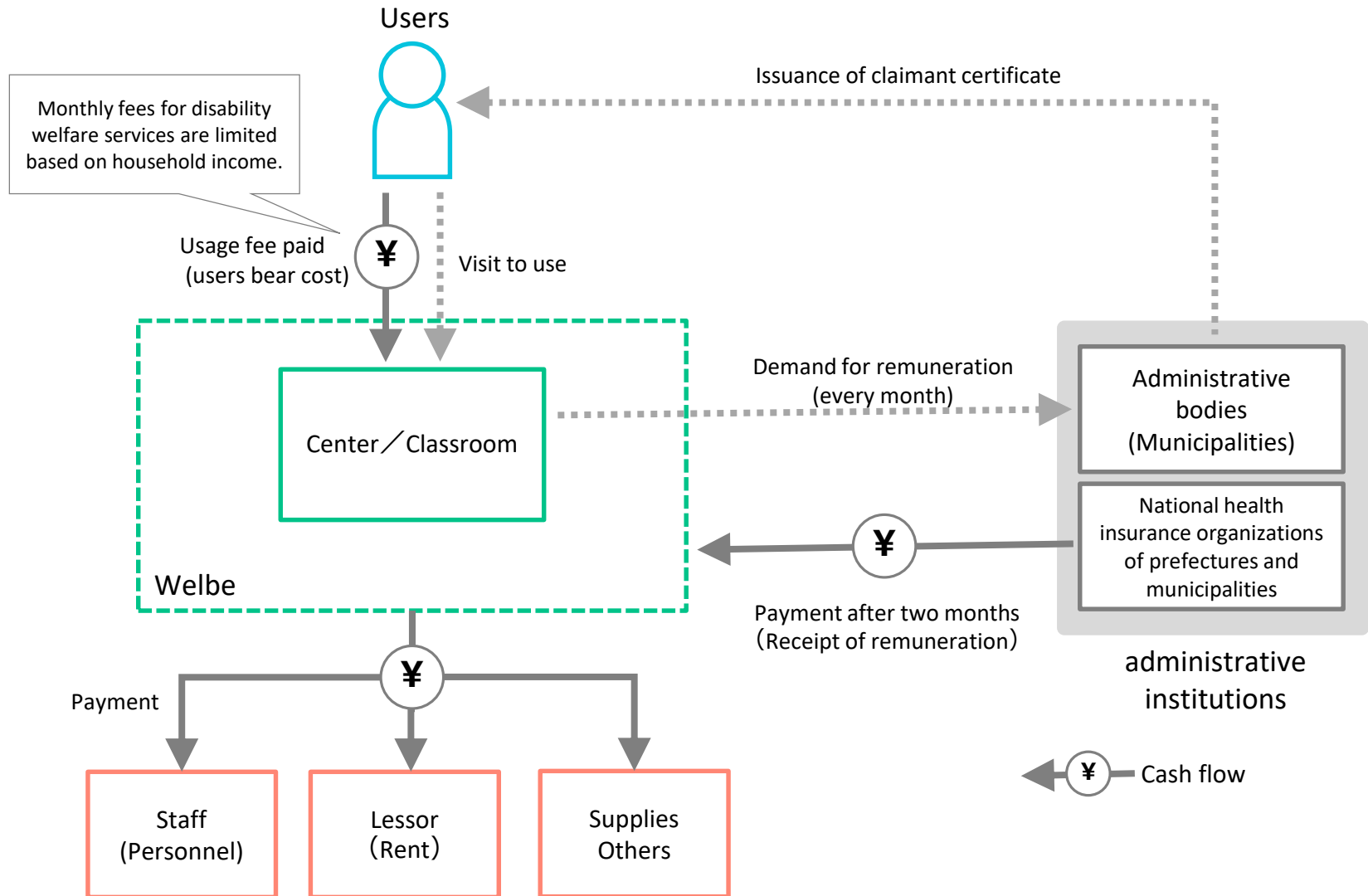
Habilitation Business (Up to age 18)

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



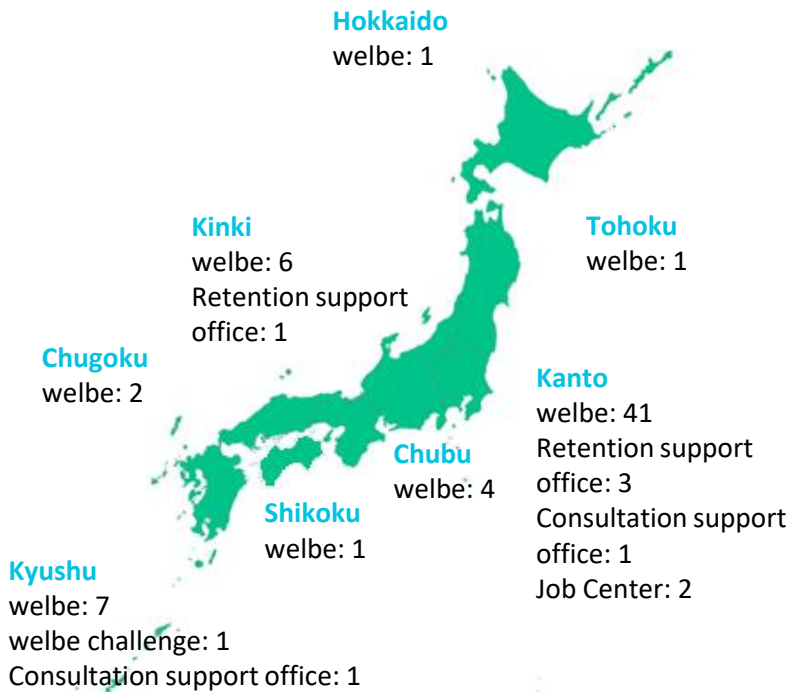
Users pay for part of the cost of services and the remaining balance of the cost is covered by the national health insurance organizations or other public-sector sources.



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

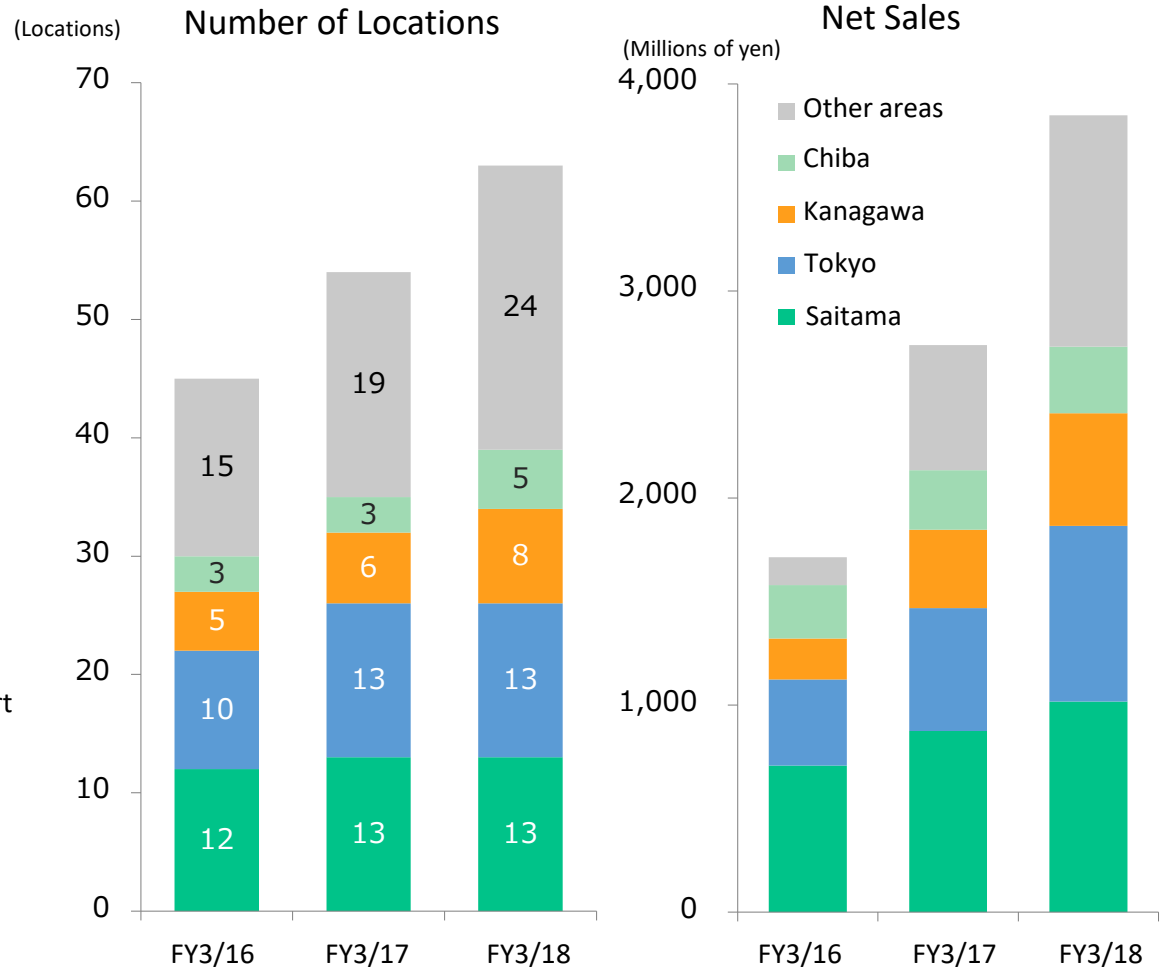
Number of **welbe**, etc. locations from Hokkaido to Kyushu **72**

(As of Sept. 2018)



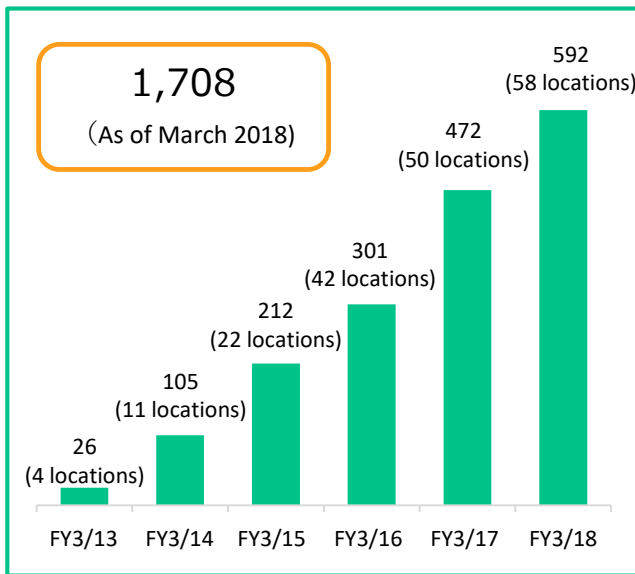
Source: Welbe website

Locations and Sales by Region

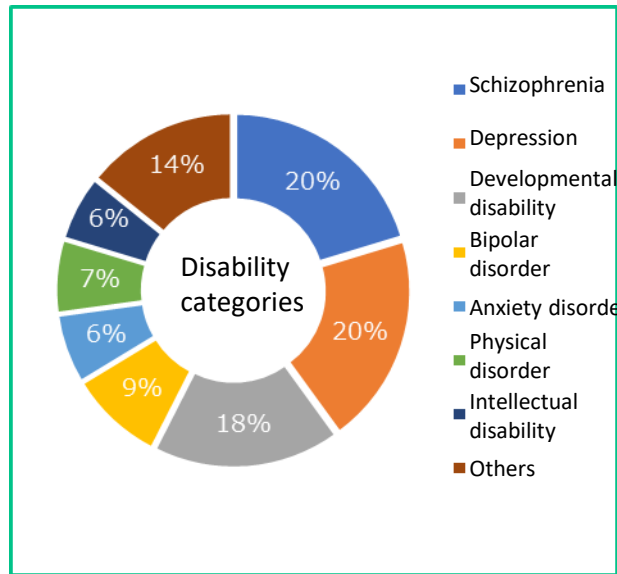


Periodic communications and consultations with employers to help people remain in a job
 (Advice for developing workers' skills, such as methods to deal with specific disabilities and other needs and help for employers about interacting with and giving directions to people with special needs)

Number of People with Jobs

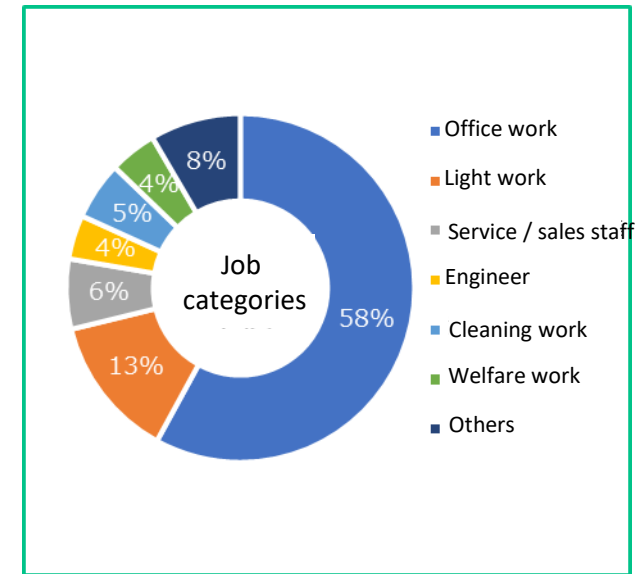


Job Placements by Disability Category



* Mental diseases are 70%, going from schizophrenia 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: **86.1%**

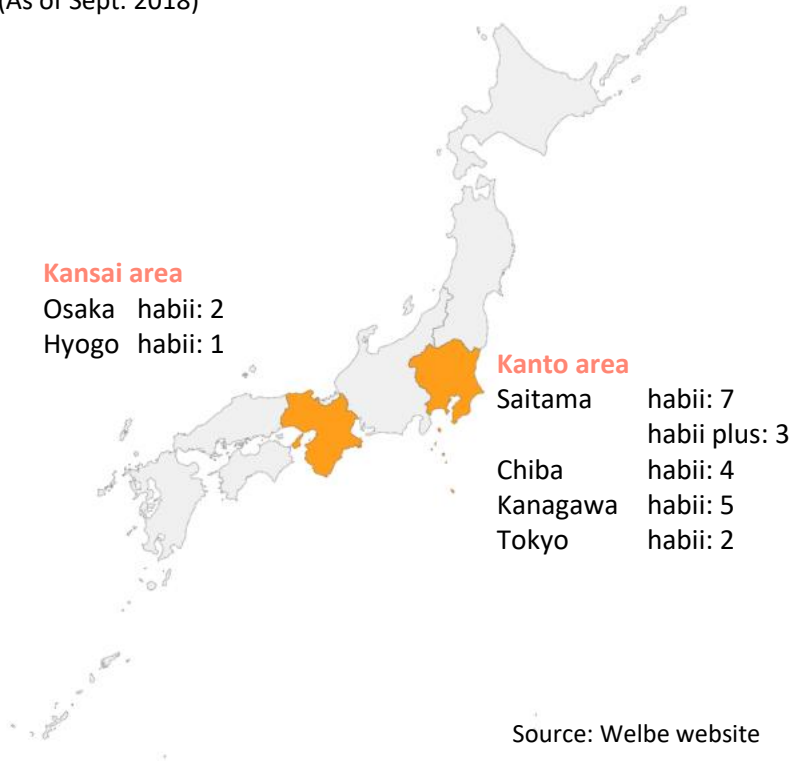
* Rate of people placed in jobs by Welbe between April 2017 and March 2018 who remained in their jobs for at least six months

Continuing to open new locations with emphasis on Tokyo area

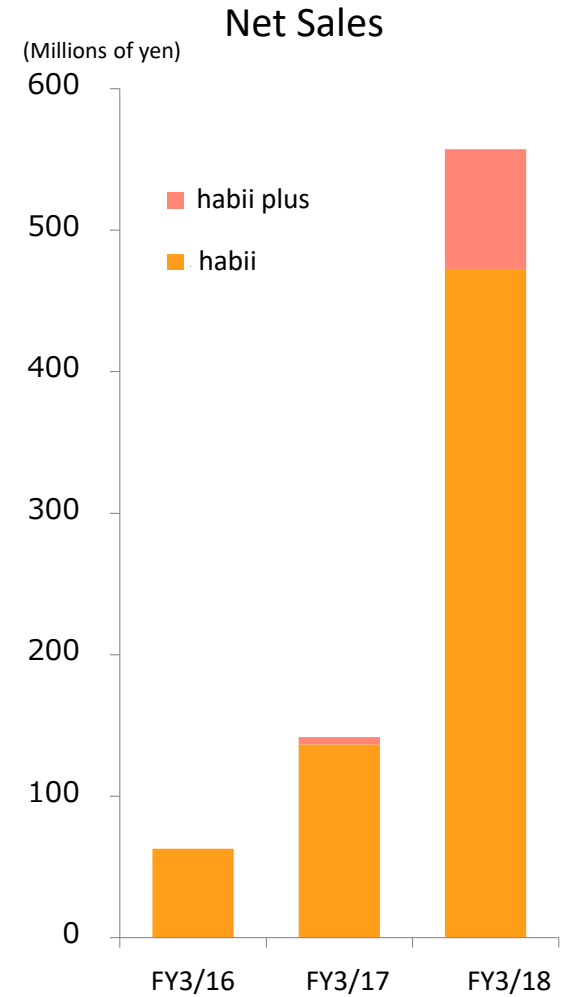
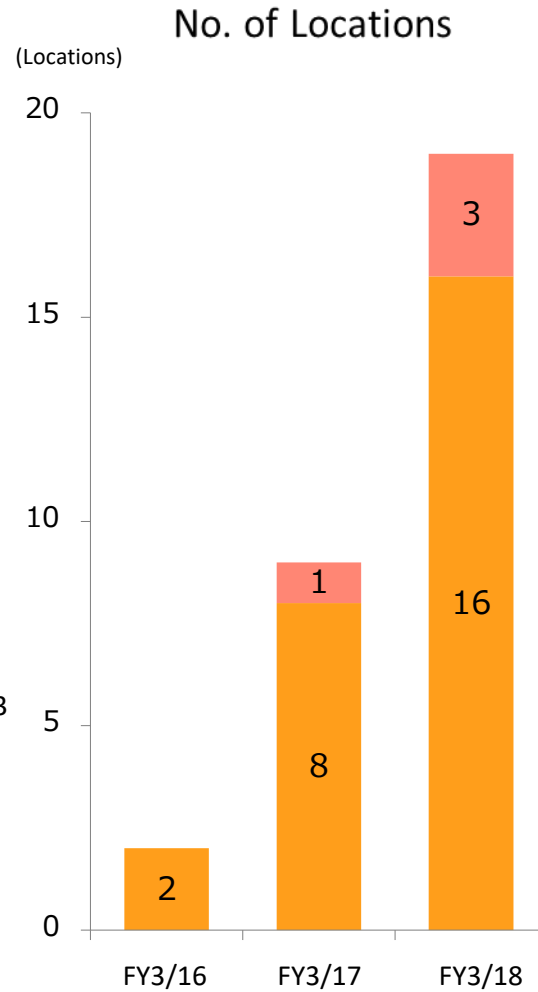
Number of **habii** locations nationwide **21**

Number of **habii plus** locations nationwide **3**

(As of Sept. 2018)



Source: Welbe website



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

The one-year temporary deferment of enforcing this rule will end in March 2019.

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

There are many candidates in Welbe who can become certified employees.

(1) Announcements of Results of Research Projects

Date	Event	Summary
Aug. 2016	The 57th annual meeting of the Japanese Society for Social Medicine	The role of employment transition support business – Overview and status and issues concerning actual support provided
Nov. 2016	The 24th Vocational Rehabilitation Research and Practical Application Announcements	Provision of support for job retention by employment transition support offices and studies and reports concerning issues
		Benefits of programs at employment transition support offices based on group cognitive behavioral therapy – Stability of symptoms, ways to prevent loss of motivation to receive training
Nov. 2017	The 25th Vocational Rehabilitation Research and Practical Application Announcements	Announcement of survey of trial corporate support performed by employment transition support offices for job retention of people with mental disabilities and developmental disabilities
		Benefits of programs at employment transition support offices based on group cognitive behavioral therapy (2) – Increasing motivation to participate in these programs
		Report on Job Center Soka of the Saitama prefectural employment support center for people with developmental disabilities – Proper assistance by starting with the possibility that an individual has a developmental disability
		Report of accomplishments of job retention support for disabled people at employment transition support offices – Activities of the welbe Takasaki Ekimae Center
	The 25th Japanese Association of Psychiatric Rehabilitation in Kurume	Announcement of survey of trial corporate support performed by employment transition support offices for job retention of people with mental disabilities and developmental disabilities
Dec. 2017	Labor Support Forum NIPPON 2017	Activities for continuous training of people with mental disabilities – Information about programs based on group cognitive behavioral therapy

(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) Labor Forum (once every year)

- ✓ A large event centered on how to find jobs for people with disabilities (more than 200 people participated in the 2017 forum).
- ✓ Participants include person in charge of support organizations, government agencies and companies, users of our services, former users, and other individuals.
- ✓ Forum includes a keynote address, panel discussion, events where people can experience programs themselves, and other activities.



就労フォーラム 2017
 障害のある方のための
 ーあなたのときめく未来へ向かってー

真下ますで発表のこと心よりお慶び申し上げます。
 平素は貴社のご支援を賜り、厚く御礼申し上げます。
 昨年ご参加いただきました就労フォーラムを本年も開催する運びとなりました。
 本気で就職を目指す障害のある方のための有意義な機会となれば幸いです。
 ご多忙中大変お察し存じますが、ぜひご高覧賜りますようお願い申し上げます。

日程 2017年12月2日(土)
 受付 9:30～ / イベント 10:00～17:00 (予定)
 会場 秋葉原UDX
(JR秋葉原駅南口徒歩4分)

対象となる方：障害者支援機関の方、教育機関の方、行政の方、企業のご担当者様
 障害のある方やそのご家族の方

Population of People with Disabilities

There are 2,023,000 people in Japan between the ages of 18 and 65 living at home who have a mental disability. This is approximately 2.6% of Japan's working age population.

(Thousands)

	Total	People living at home	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	3,924	3,611	2,023 (age 20 to 65)	313
Total	9,366	8,860	3,616	506

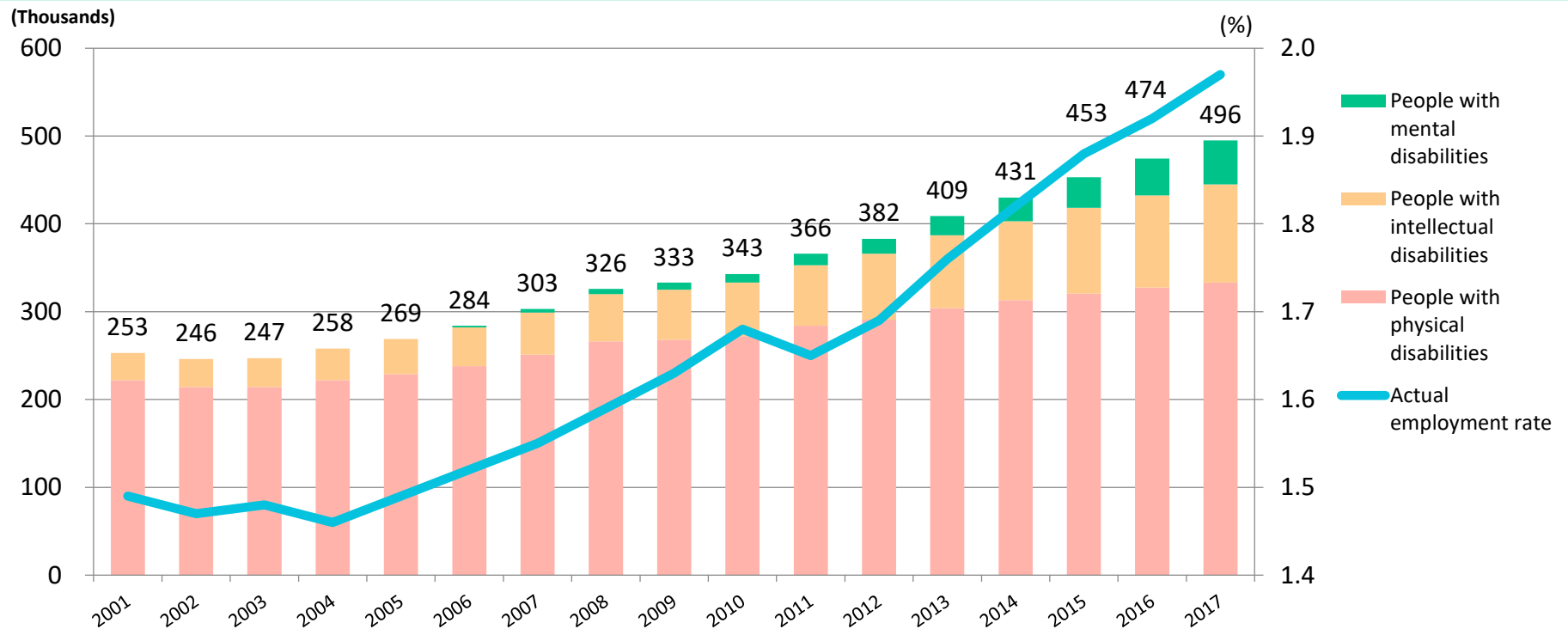
*Japan's working age population: 75,557,000 (as of May 2018)

Source: Prepared by Welbe based on 2018 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 employed and the actual employment rate are both at all-time highs. The number of disabled people employed has set a new record for 14 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”

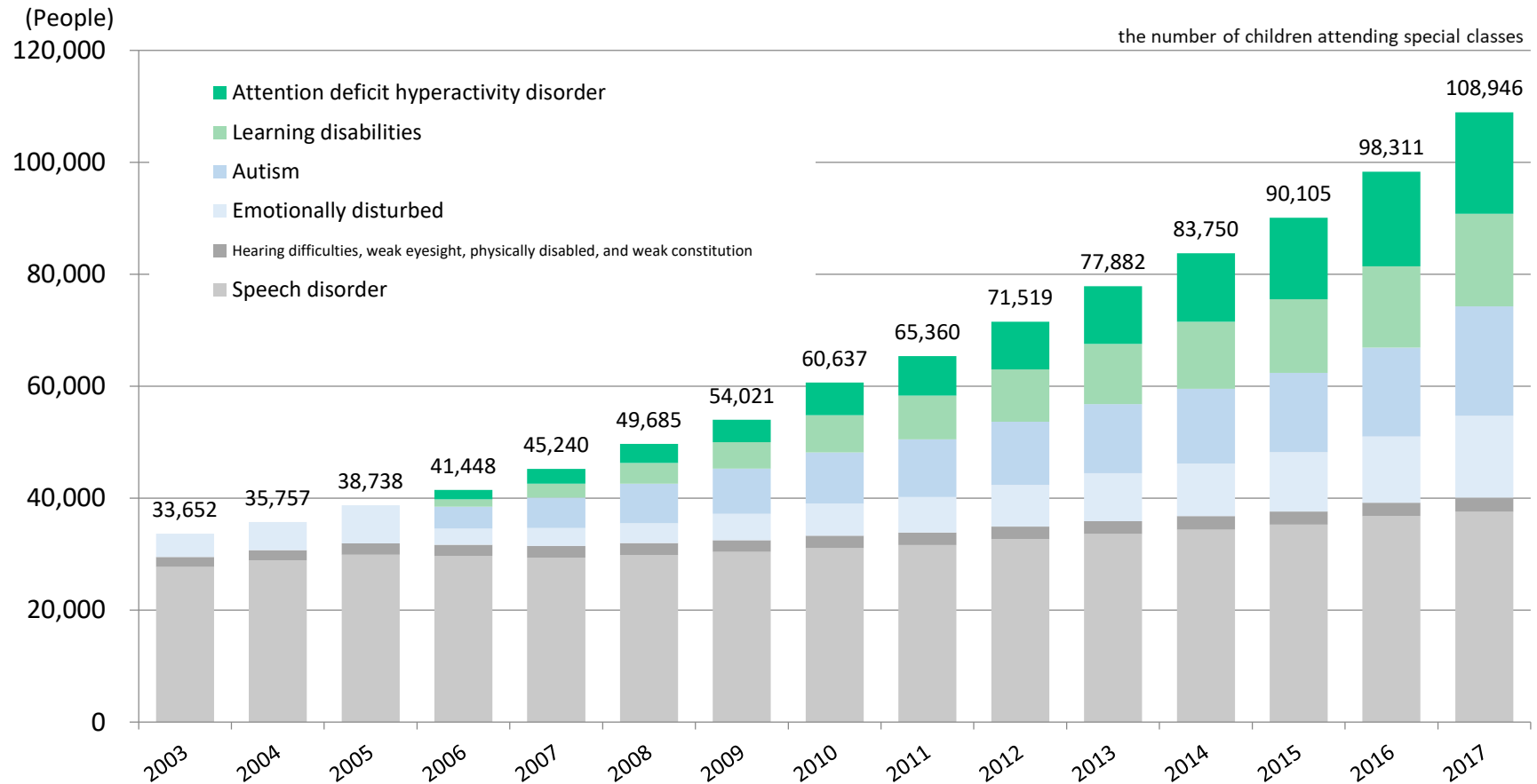
Goal of the Action Plan: Use employment transition support businesses and other resources to raise the shift of people with disabilities to regular employment to at least **50%** more than in FY2016 by no later than FY2020.
 (Excerpt from statement of the Prime Minister at the 10th meeting of the Council for the Realization of Work Style Reform, Mar. 28, 2017)



Source: Report on the "Status of Employment of Persons with disabilities" in 2017, Ministry of Health, Labour and Welfare

Growth in the Number of Developmentally Disabled Children in Japan

- 6.5% of developmentally disabled children have the potential to attend a regular school. (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: FY2015 Survey of Special Classes for Disabilities, Ministry of Education, Culture, Sports, Science and Technology

- 1 . Corporate and Business Overview
- 2 . FY3/19 2Q Financial Results Highlights**

Results of operations

- Net sales: ¥2,853 million; Operating profit: ¥810 million; Ordinary profit: ¥810 million; Profit: ¥517 million
 - ✓ Net sales up 37.7%, operating profit up 52.7%, ordinary profit up 53.2% and profit up 55.4%
 - ✓ Operating profit on sales : 28.4%, Ordinary profit on sales : 28.4%
 - ✓ Asset impairment losses (extraordinary loss) associated with the planned relocation of the welbe Kinshicho center and Job Center Kawagoe

Strategy of opening new locations

- Initial FY3/19 plan to open **7 welbe centers (employment transition support offices)**, **6 habii classrooms** and **1 habii plus classroom**
- **5 welbe centers**, **4** employment retention support offices and **5 habii classrooms** were opened
- The expanded employment retention support office network became fully operational in October as planned (opened 39 centers in October)
- **2 welbe centers** scheduled to open in December, resulting in 7 new centers in FY3/19 as initially planned; **currently making preparations to open more centers in the fourth quarter of FY3/19**, which will exceed the initial FY3/19 plan for new centers

FY3/19 forecasts

- FY3/19 forecast: Net sales: ¥5,565 million; Operating profit: ¥1,295 million; Ordinary profit ¥1,291 million; Profit ¥834 million
- First half sales were 51.3% of the forecast and operating profit was 62.6%, generally in line with the FY3/19 forecast
- **No change** in the FY3/19 forecast because higher expenses for opening more locations than initially planned are expected to offset the benefit of sales growth resulting from the further increase in the number of users in the fiscal year's second half

- In the second quarter, net sales and all the level of profits increased steadily.
- Compared with **2Q FY3/18 results**, net sales up ¥781 million, operating profit up ¥279 million, ordinary profit up ¥281 million and profit up ¥184 million.

Item	2Q FY3/18		2Q FY3/19		YoY change	
	Apr. - Sept.		Apr. - Sept.		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	Comp.	Amount (Millions of yen)	Comp.		
Net sales	2,071	100.0%	2,835	100.0%	781	37.7%
Gross profit	845	40.8%	1,219	42.7%	373	44.2%
Operating profit	530	25.6%	810	28.4%	279	52.7%
Ordinary profit	528	25.5%	810	28.4%	281	53.2%
Profit	333	16.1%	517	18.1%	184	55.4%

- In the second quarter, net sales and earnings at all levels were higher **than in the first quarter**.
- Net sales up ¥99 million **from 1Q FY3/19**.
 - ✓ Steady growth in the number of users in the Employment Transition Support Business.
 - ✓ Big increase in the number of users in the Habilitation Business and rates for services increased due to additional payment for assigning more than the designated number of child guidance personnel and other certified professionals at certain locations.

Items	1Q FY3/19		2Q FY3/19		QoQ change	
	Apr.- June		July- Sept.		Change (Millions of Yen)	Change (%)
	Amount (Millions of yen)	Comp.	Amount (Millions of yen)	Comp.		
Net sales	1,377	100.0%	1,476	100.0%	99	7.2%
Gross profit	571	41.5%	647	43.9%	75	13.2%
Operation profit	362	26.3%	448	30.4%	86	23.8%
Ordinary profit	362	26.3%	448	30.3%	85	23.6%
Profit	224	16.3%	293	19.9%	68	30.6%

Forecast

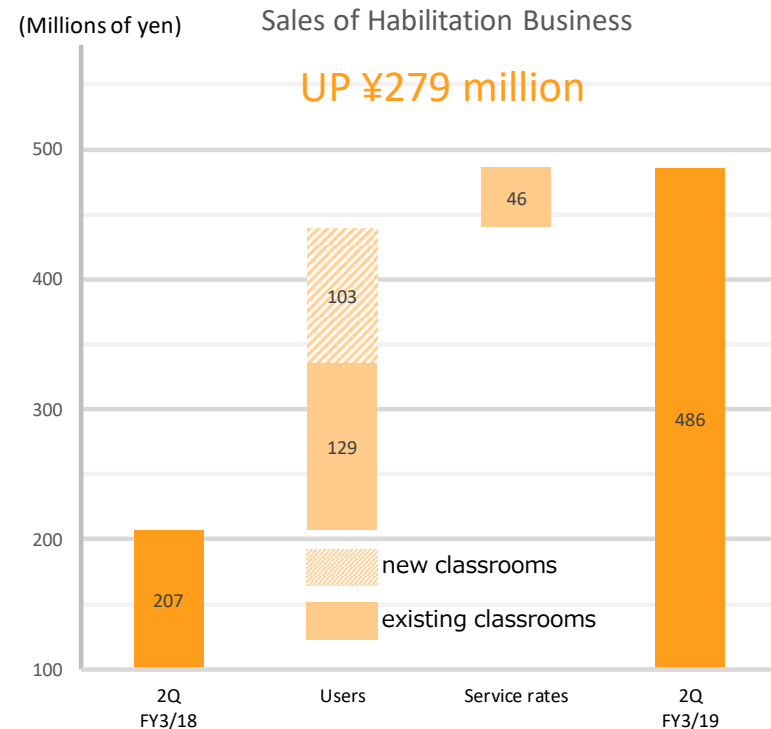
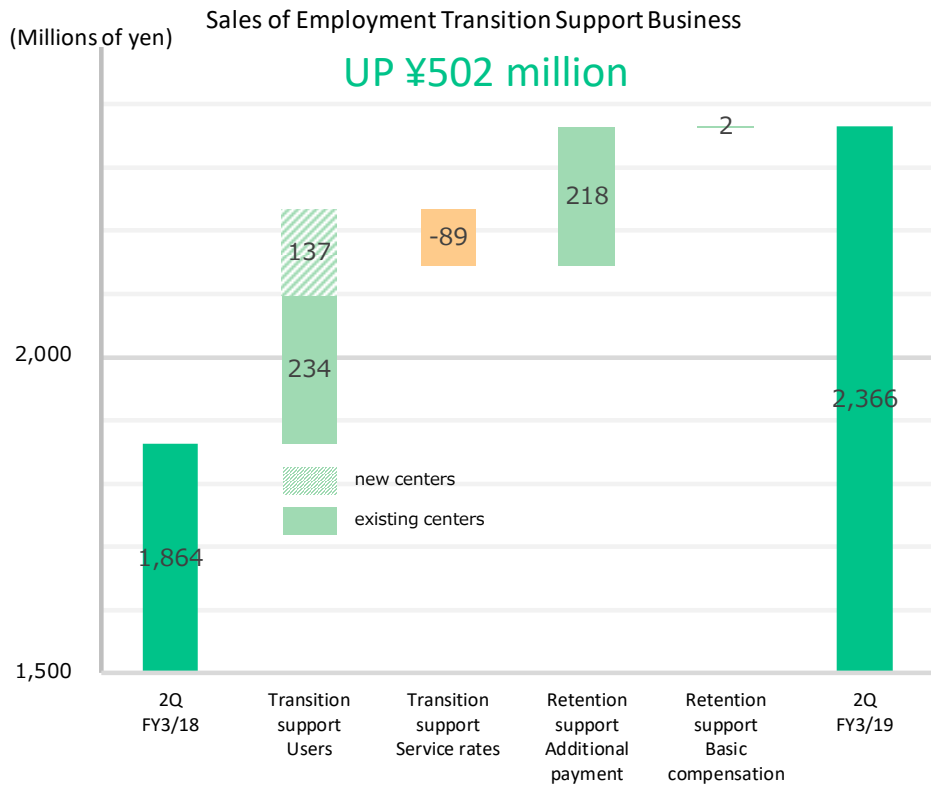
- Towards the 1H forecast, Net sales and operation profit achieved the rates of 103.6% (+¥100 mil) and 121.7% (+¥144 mil) respectively.
- Second quarter sales and earnings were in line with the FY3/19 forecast:
Net sales 51.3%; operating profit 62.6%; ordinary profit 62.8%; profit 62.0%

Item	FY3/18		FY3/19				2Q FY3/19		FY3/19	
	Results		Forecast				Results		1H forecast	
	Amount (Millions of yen)	Comp.	Amount (Millions of yen)	Comp.	Change (Millions of yen)	Change (%)	Amount (Millions of yen)	Progress (%)	Amount (Millions of yen)	Achievement ratio (%)*
Net sales	4,364	100.0%	5,565	100.0%	1,201	27.5%	2,853	51.3%	2,753	103.6%
Operating profit	1,012	23.2%	1,295	23.3%	282	27.9%	810	62.6%	666	121.7%
Ordinary profit	1,042	23.9%	1,291	23.2%	248	23.8%	810	62.8%	663	122.1%
Profit	704	16.1%	834	15.0%	129	18.4%	517	62.0%	442	116.8%

* Achievement ratio against 1H forecast

2Q Factors Impacted in an Increase in Net Sales

- Sales in **the Employment Transition Support Business** increased 27%.
 - Sales in **the Habilitation Business** increased 135%.
- The number of users and the operating ratio continued to increase at all locations.



* 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 September 2017 (11 Employment Transition Support Business bases and 9 Habilitation Business bases).

■ Cost of sales increased ¥ 408 million.

- ✓ The cost to sales ratio decreased despite growth in total costs caused by the increase in the number of locations.
- ✓ Personnel expenses increased mainly because of the larger number of locations, the establishment of a bonus system and more payments for workers with professional qualifications.

Item	2Q FY3/18		2Q FY3/19		YoY change
	Apr. - Sept.		Apr. - Sept.		
	Amount (Millions of yen)	Comp.	Amount (Millions of yen)	Comp.	Change (Millions of yen)
Personnel	830	67.7%	1,141	69.9%	310
Rent	128	10.4%	168	10.3%	40
Supplies	123	10.1%	134	8.2%	10
Travelling	50	4.1%	66	4.1%	15
Depreciation	29	2.4%	40	2.5%	10
Others	63	5.2%	82	5.1%	10
Total	1,225	100.0%	1,634	100.0%	408
Cost to sales ratio	59.2%		57.3%		

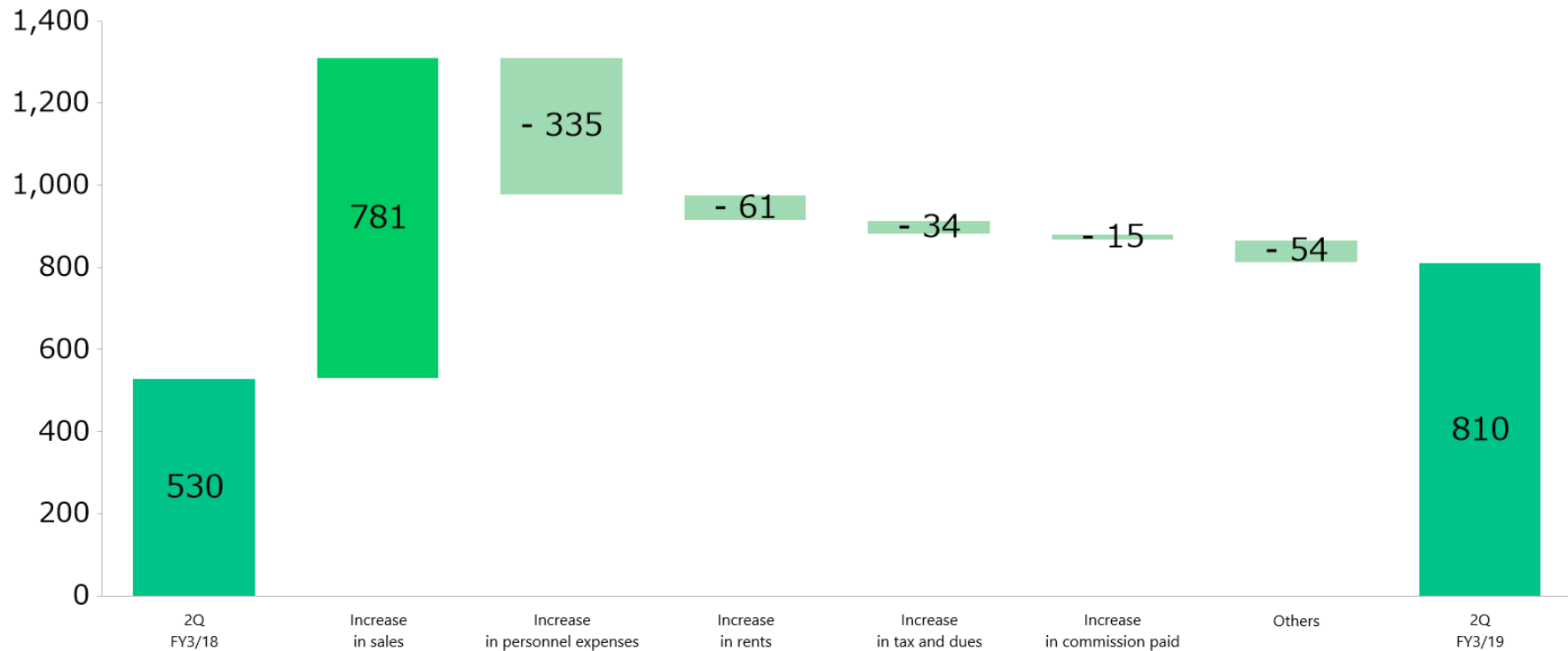
■ Selling, general and administrative expenses increased ¥93 million.

- ✓ The ¥24 million increase in personnel expenses was mainly due to upgrading of head office functions associated with the stock listing.
- ✓ Tax and dues increased ¥32 million due to higher consumption taxes resulting from an increase in taxable procurement activities and to the start of payments required by Japan's size-based business tax system.
- ✓ The ¥21 million increase in rent was mainly due to relocating headquarters.

Item	2Q FY3/18		2Q FY3/19		YoY change
	Apr. - Sept.		Apr. - Sept.		
	Amount (Millions of yen)	Comp.	Amount (Millions of yen)	Comp.	Change (Millions of yen)
Personnel	163	51.8%	187	45.9%	24
Tax and dues	41	13.2%	74	18.1%	32
Advertising/promotion	36	11.5%	47	11.6%	11
Commission paid	27	8.6%	36	9.0%	9
Rent	7	2.4%	28	7.1%	21
Travelling	9	3.2%	9	2.4%	0
Others	29	9.3%	24	5.9%	-5
SG&A expenses	314	100.0%	408	100.0%	93
SG&A/sales ratio	15.2%		14.8%		

■ Operating profit increased ¥279 million YoY.

(Millions of yen)



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

- Total assets increased due to increase in accounts receivable by higher sales.
- Liabilities decreased mainly due to repayment of loans and bonds.

Items	FY3/18		2Q FY3/19		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	Comp.	Amount (Millions of yen)	Comp.		
Current assets	2,433	79.5%	2,615	78.9%	182	7.5%
Non-current assets	626	20.5%	698	21.1%	72	11.5%
Total assets	3,059	100.0%	3,313	100.0%	254	8.3%
Liabilities	1,224	40.0%	1,166	35.2%	- 58	- 4.8%
(Of the above, loans and bonds)	(592)	(19.4%)	(488)	(14.7%)	(- 104)	(- 17.6%)
Net assets	1,835	60.0%	2,147	64.8%	312	17.0%
Equity ratio	60.0%		64.8%			4.8%

Changes in current assets	
• Increase in accounts receivable by higher sales	+ 203million

Changes in non-current assets	
• Increase in tangible fixed assets	+ 47million
• Increase in lease and guarantee deposits	+ 13million

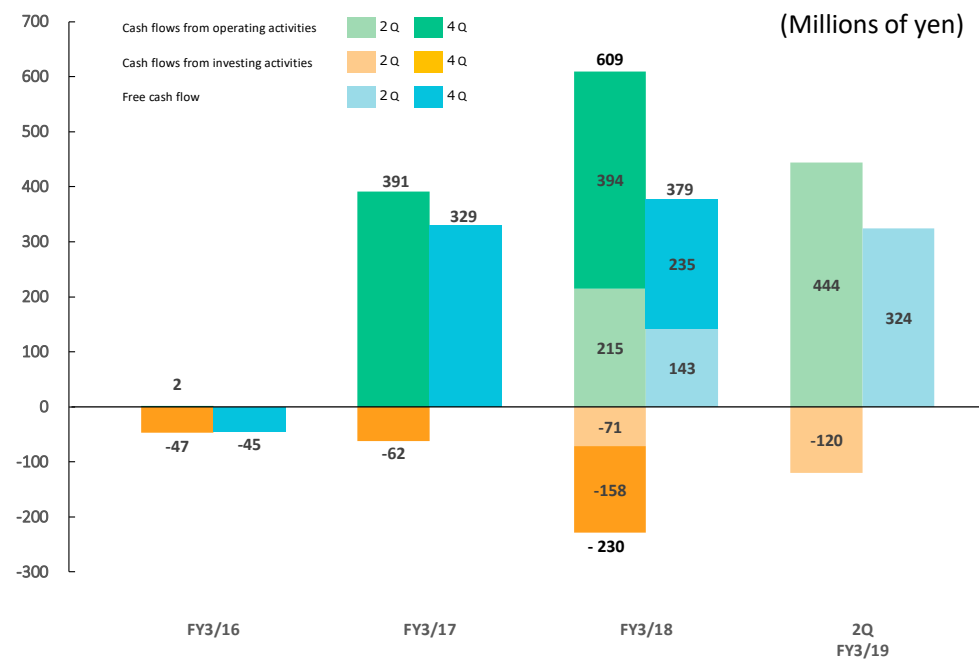
Changes in liabilities	
• Decrease due to repayment of loans and bonds	- 104million

Changes in net assets	
• Increase in retained earnings from profit	+ 517million
• Decrease in retained earnings due to dividend payments	- 212million

■ Cash flows from operating activities and Free cash flow increased steadily.

- ✓ Cash flows provided by operating activities were ¥444 million mainly due to profit
- ✓ Cash flows used in investing activities were ¥120 million mainly due to the purchase of property, plant and equipment
- ✓ Cash flows used in financing activities were ¥343 million yen due to the repayment of long-term loans of 90 million and cash dividend paid of 212 million.

	FY3/16	FY3/17	FY3/18	2Q FY3/19
Cash flows from operating activities	2	391	609	444
Cash flows from investing activities	- 47	- 62	- 230	- 120
(Free cash flow)	(- 45)	(329)	(379)	(324)
Cash flows from financing activities	338	- 23	447	- 343
Net increase (decrease) in cash and cash equivalents	293	305	826	- 19
Cash and cash equivalents at end of period	460	765	1,592	1,572



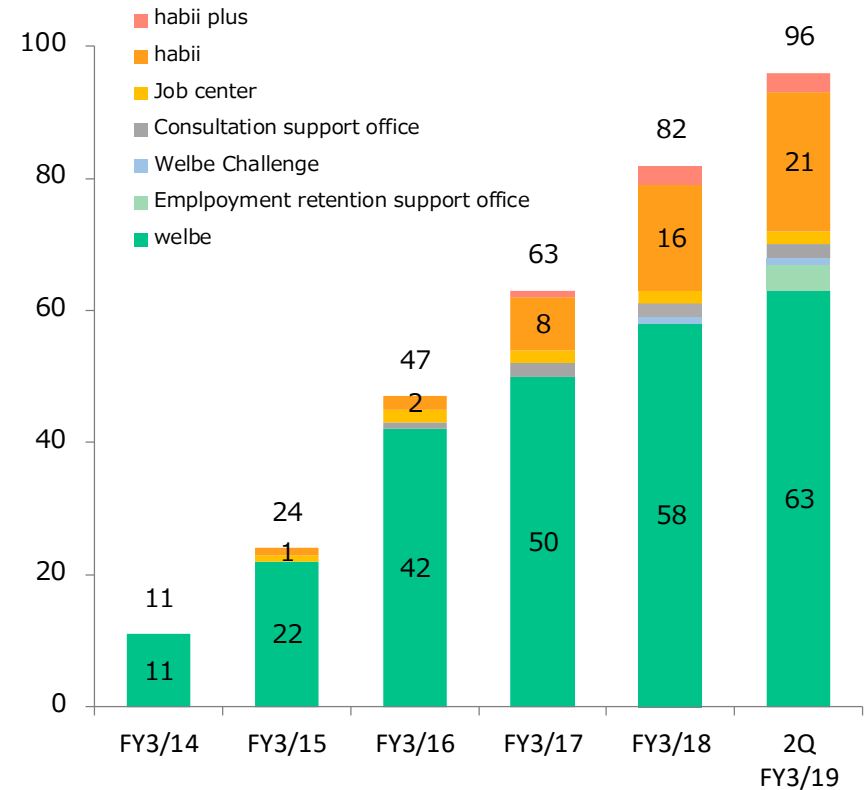
- During the second quarter, 5 welbe centers, 4 employment retention support offices and 5 habii classrooms were opened.
 - ✓ welbe started full-scale expansion of the employment retention support office network in October as planned.
 - ✓ Initial FY3/19 Plan to open 7 welbe centers (employment transition support offices), 6 habii classrooms and 1 habii plus classroom.
 - ✓ In December, the number of new welbe centers will reach the initial FY3/19 plan and more new centers are planned for the fourth quarter.

Employment Transition Support Business



employment transition support office : welbe (7 locations planned)	
Apr. 2018	welbe Takasaki Ekimae center II
May 2018	welbe Tokorozawa prope-dori center
Jun. 2018	welbe Hon-Atsugi Ekimae center II
Jun. 2018	welbe Sendai Ekimae center (1st in Tohoku)
Aug. 2018	welbe Matsuyama center (1st in Shikoku)
Dec. 2018	welbe Totsuka Ekimae center (planned)
	welbe Minami-Urawa center (planned)
Employment retention support office	
Apr. 2018	welbe Shin-Osaka center
Apr. 2018	welbe Ogikubo Ekimae center
Jul. 2018	welbe Kamiooka center
Aug. 2018	welbe Kasukabe center
Oct. 2018	39 centers opened
Nov. 2018	welbe Takasaki Ekimae center

Number of locations



* The numbers in this graph are for only welbe and habii locations.

Habilitation Business

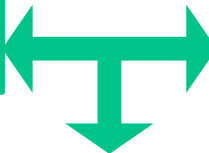


Child development support center : habii (6 locations planned)	
Apr. 2018	habii Shiki II
May 2018	habii Shonandai
May 2018	habii Kashiwa
Jun. 2018	habii Koshigaya
Sep. 2018	habii Kami-Itabashi

Shareholder Distributions

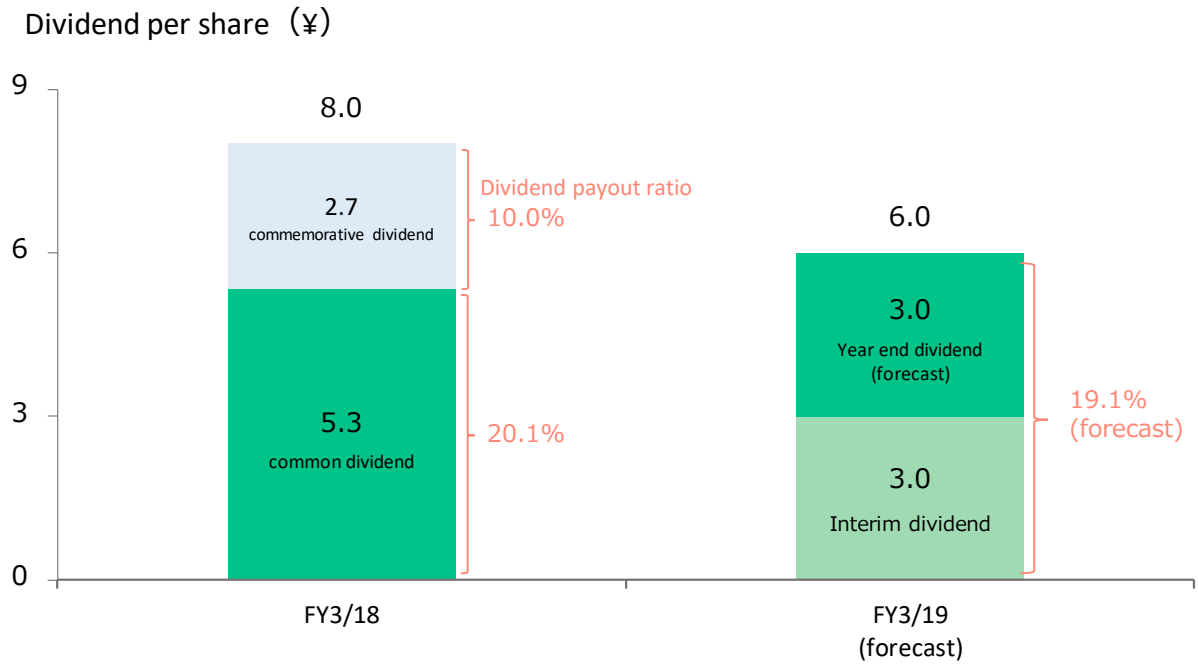
Welbe's policy is to make consistent earnings distributions that properly reflect results of operations while taking actions aimed at maintaining the long-term soundness of business operations

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 is subject to approval at the annual shareholders' meeting
 *2 Dividends per share for the FY3/18 factor in the effects of the stock split.
 *3 The FY3/18 dividend includes 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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