

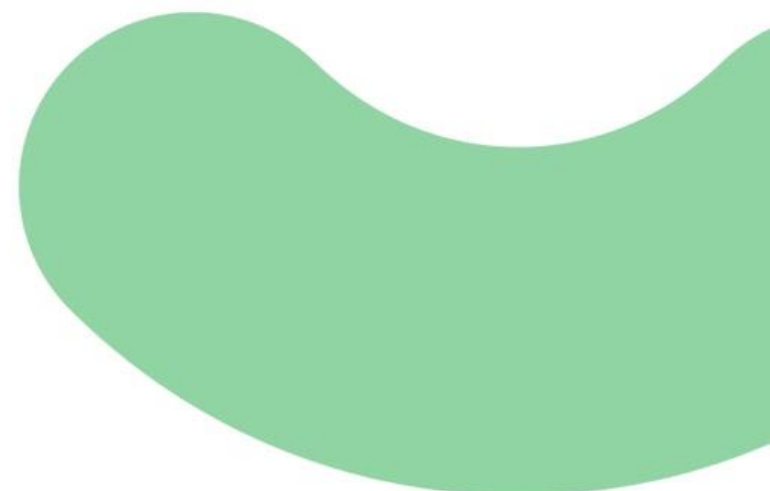


Results of Operations

for the Third Quarter of the Fiscal Year Ending March 2019 (3Q FY3/19)

Welbe, Inc.

Securities Code: 6556



- 1 . Corporate and Business Overview
- 2 . FY3/19 3Q 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 (As of Sept. 30, 2018)

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

65 employment transition support offices

44 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 :

21 child development support classrooms

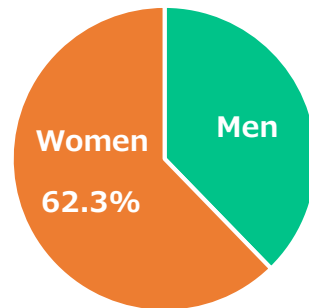
3 after-school day care service classrooms

Employees

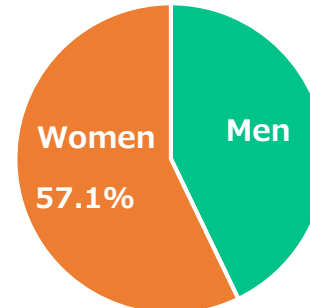
628

(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

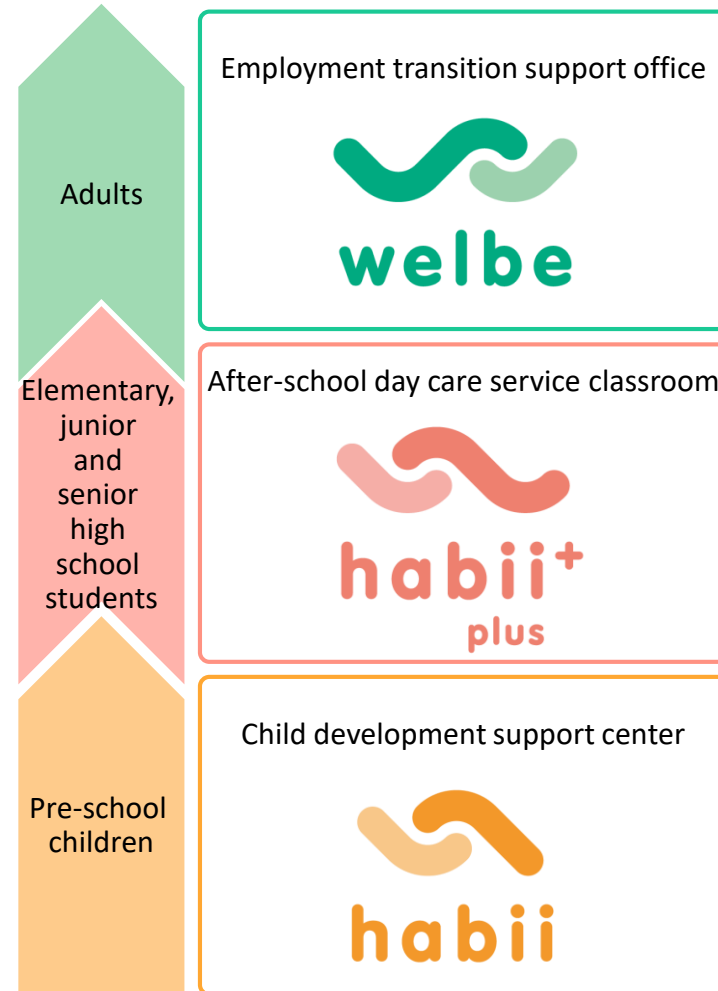
- **welbe**
Provision of services based on the Act on the Comprehensive Support for the Daily and Social Life of Persons with Disabilities
Operation of employment transition support offices
- **Others**
Operation of employment retention support offices, specific consultation support offices, Job Centers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



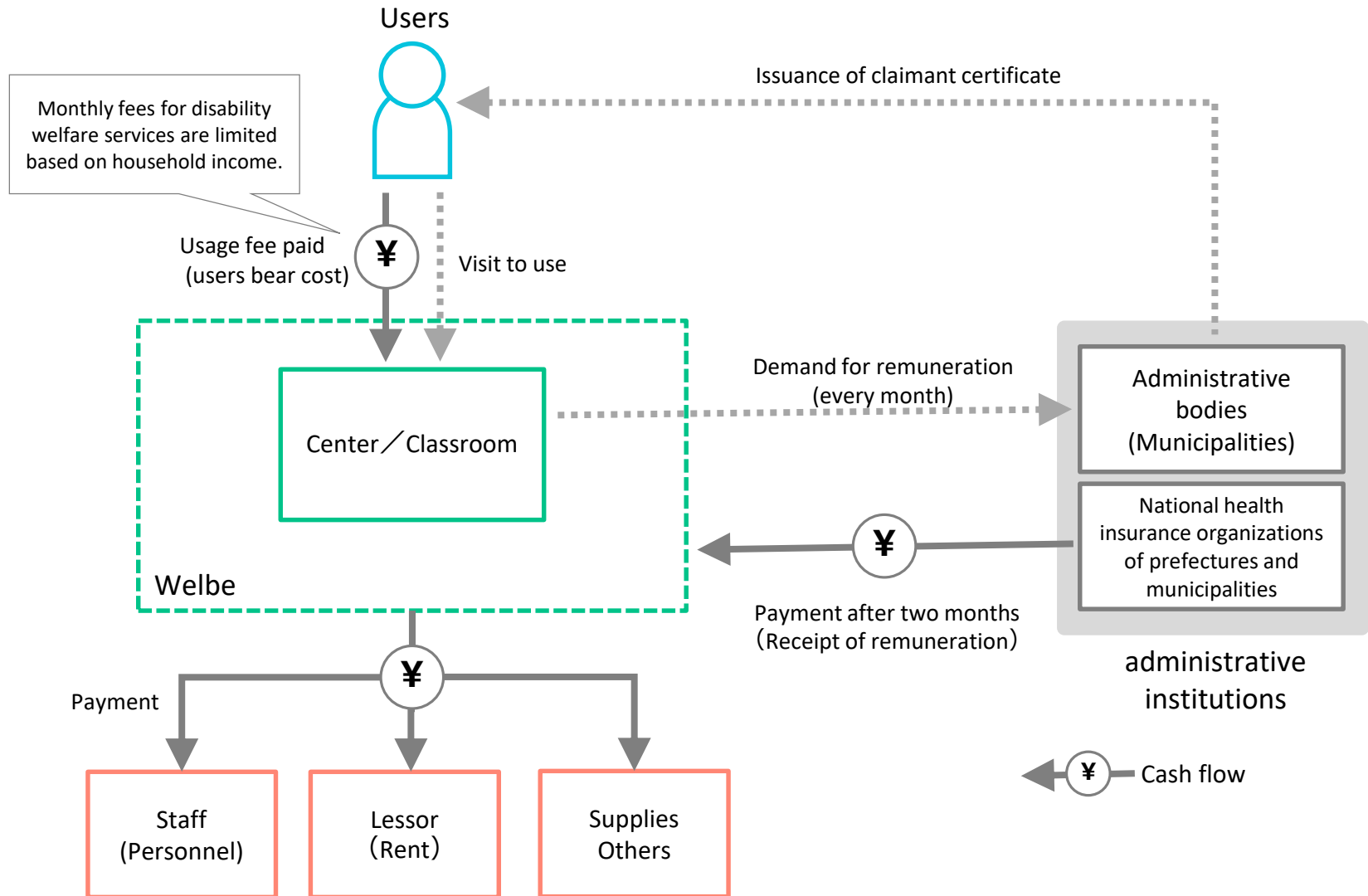
Habilitation Business (Up to age 18)

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



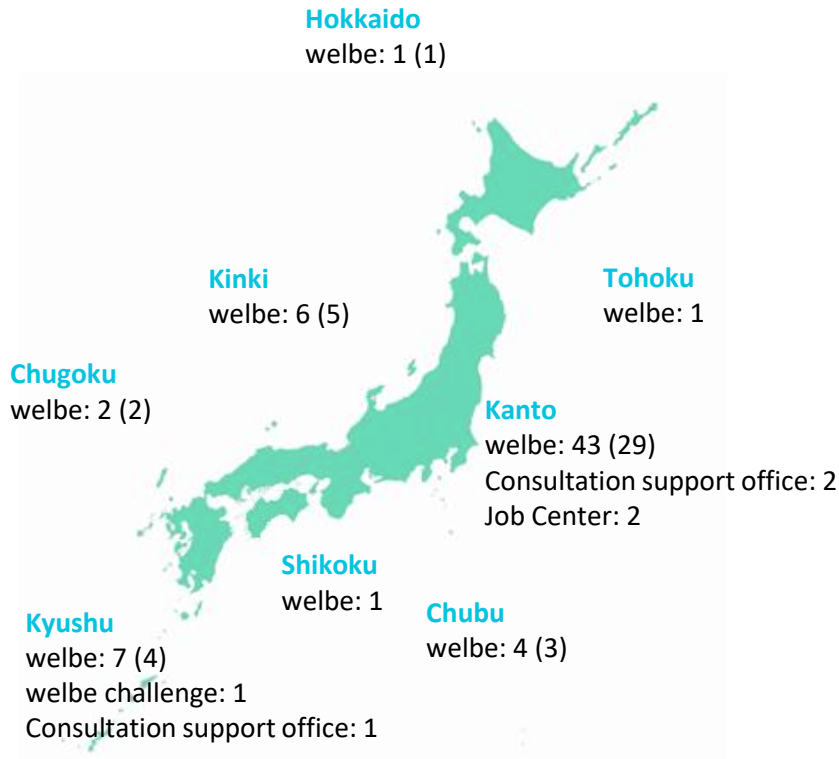
Users pay for part of the cost of services and the remaining balance of the cost is covered by the national health insurance organizations or other public-sector sources.



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

Number of **welbe** locations from Hokkaido to Kyushu **65**

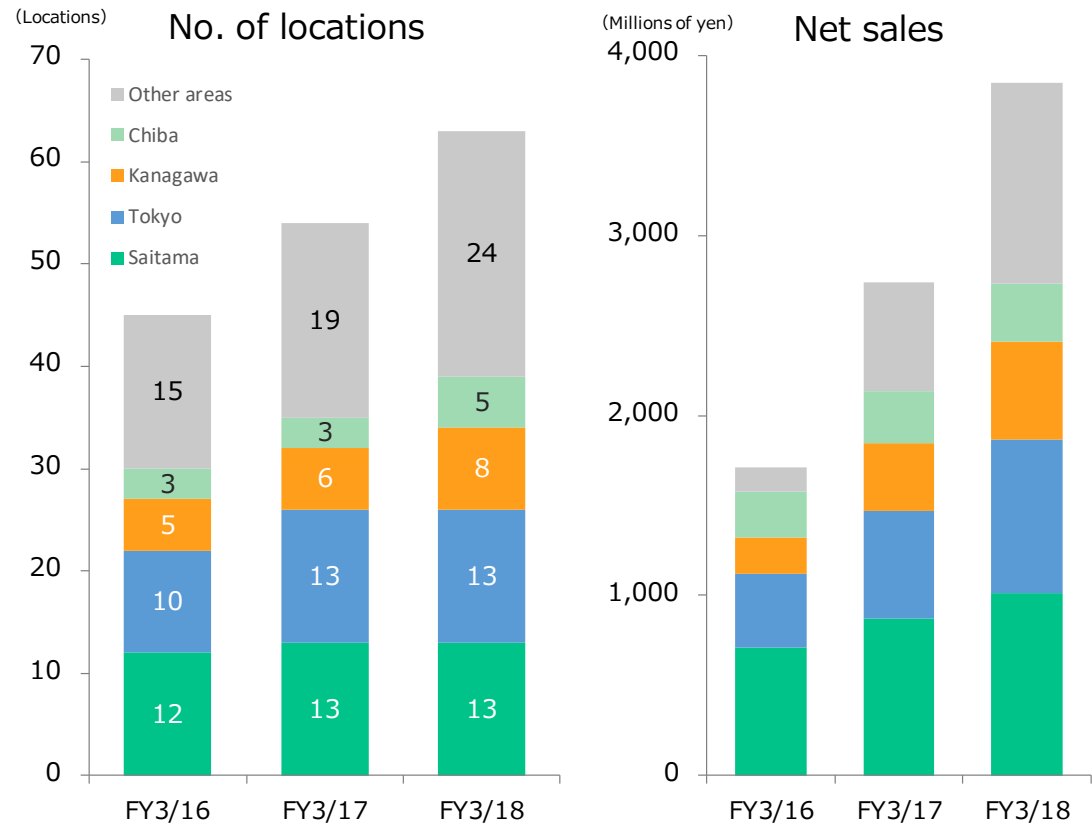
(As of Dec. 2018)



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

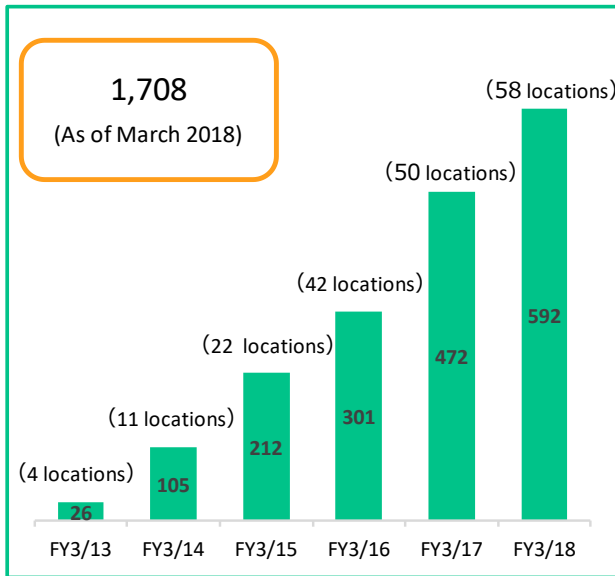
*Source: Welbe website

Locations and Sales by Region

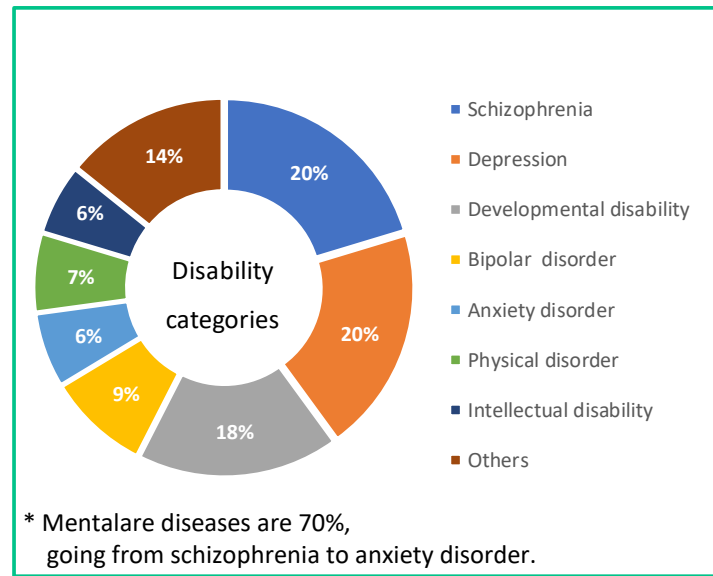


Periodic communications and consultations with employers to help people remain in a job
 (Advice for developing workers' skills, such as methods to deal with specific disabilities and other needs and help for employers about interacting with and giving directions to people with special needs)

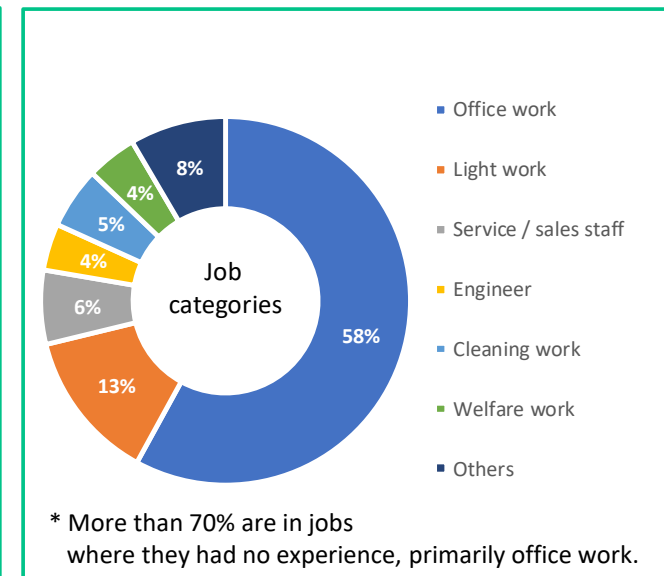
Number of People with Jobs



Job Placements by Disability Category



Job Placement Categories



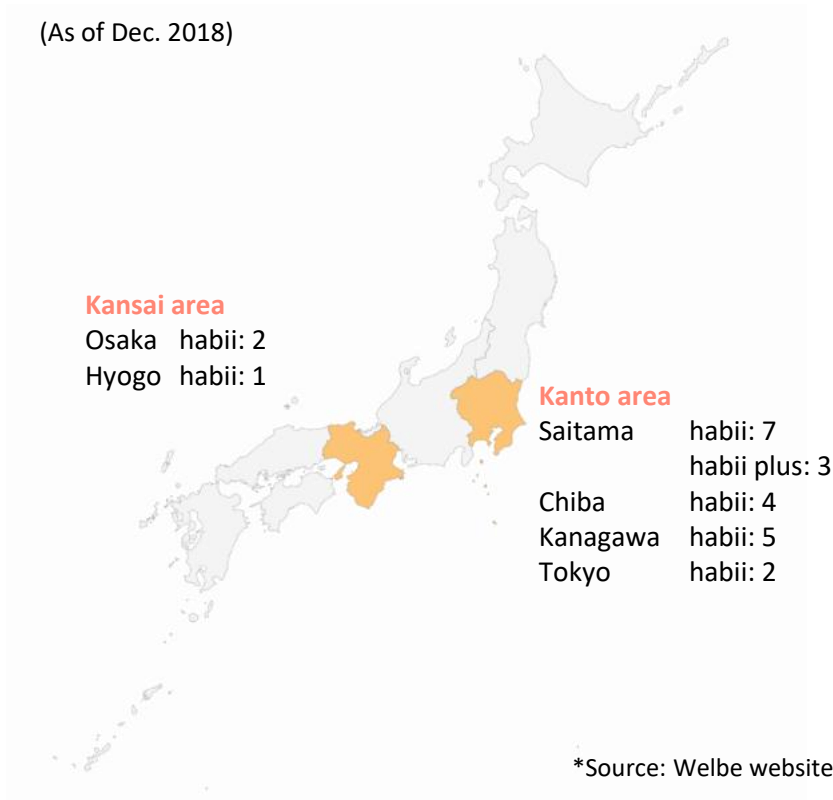
Latest six-month job retention success rate: **86.1%** * Rate of people placed in jobs by Welbe between April 2017 and March 2018 who remained in their jobs for at least six months

Continuing to open new locations with emphasis on Tokyo area

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

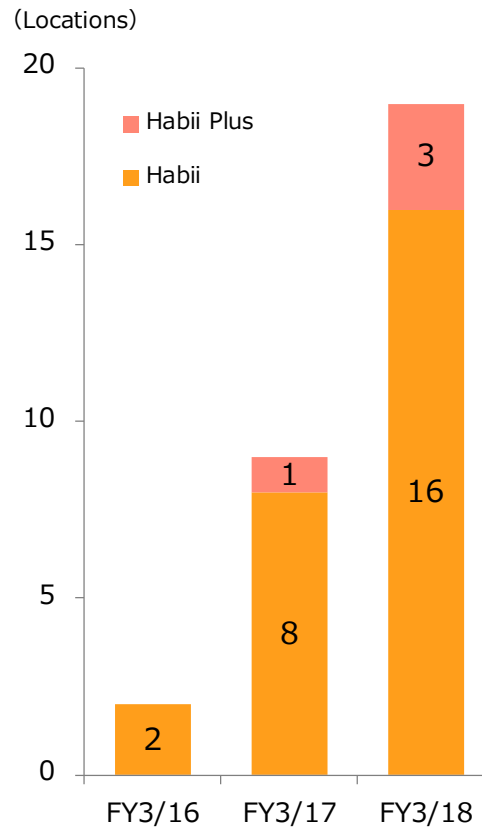
Number of **habii plus** locations nationwide **3**

(As of Dec. 2018)

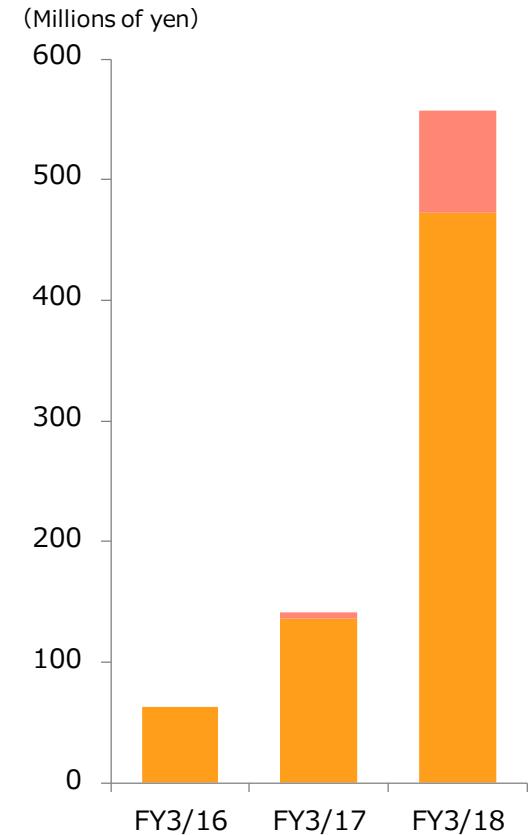


*Source: Welbe website

No. of Locations



Net Sales



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
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
Nov. 2018	The 26th Vocational Rehabilitation Research and Practical Application Announcements	Activities concerning how to conduct simulation programs for experiencing jobs – Aiming at operating interesting and realistic programs
		Assistance using self-monitoring sheets at employment transition support offices – Example of continuous training for people with indications of a manic state
		Assistance using self-monitoring sheets at employment transition support offices – Example of activities to enhance work preparation by heightening a sense of self-efficacy
Dec. 2018	Labor Support Forum NIPPON 2018	Employment transition support for developing a role behavior suitable for jobs – Using simulation programs for experiencing jobs
	The 26th Japanese Association of Psychiatric Rehabilitation in Tokyo	Use of self-monitoring sheets at employment transition support offices – Example of improvement of aptitude for finding a job by using activities that heighten a sense of self-efficacy

(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.
- ✓ 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.



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)

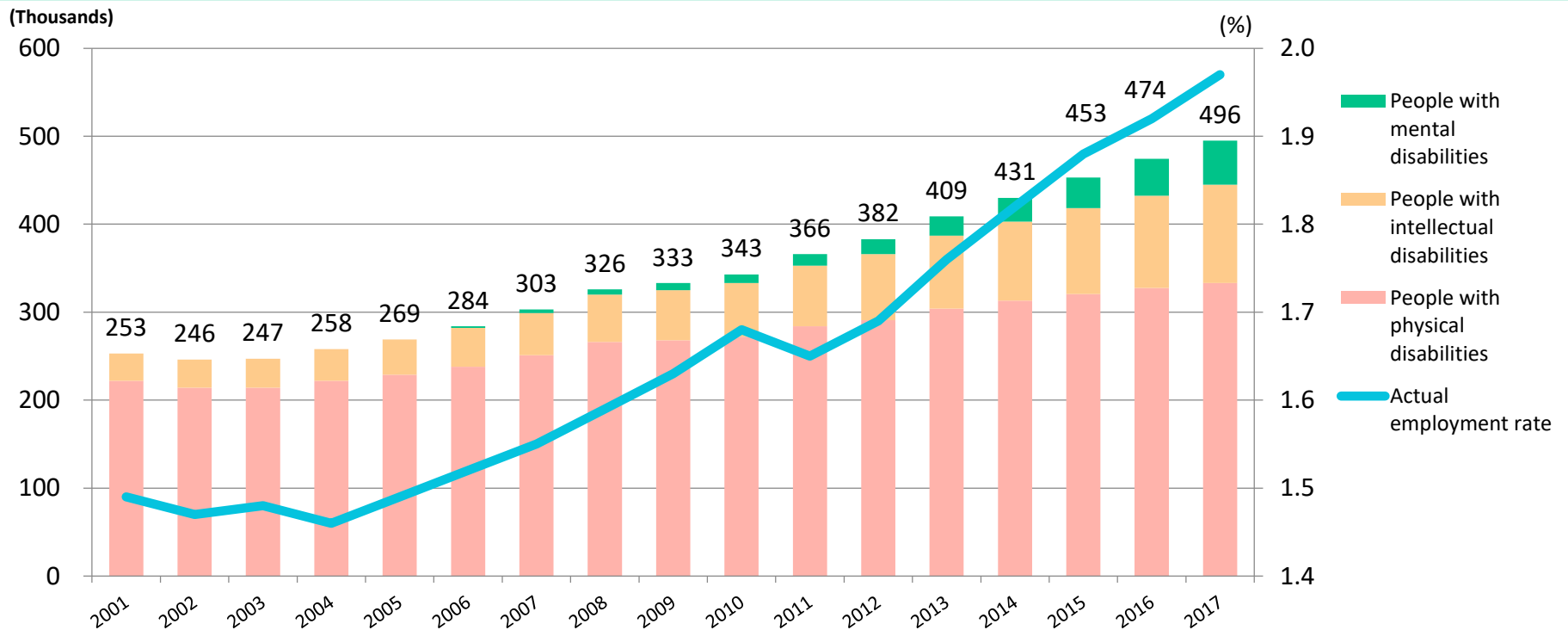
	Total	People living at home	Age 18 to 65*	People in institutions People with physical and mental disabilities at rehabilitation facilities and hospitals
Children/adults with physical disabilities	4,360	4,287	1,013	73
Children/adults with intellectual disabilities	1,082	962	580	120
People with mental 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)

- 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”

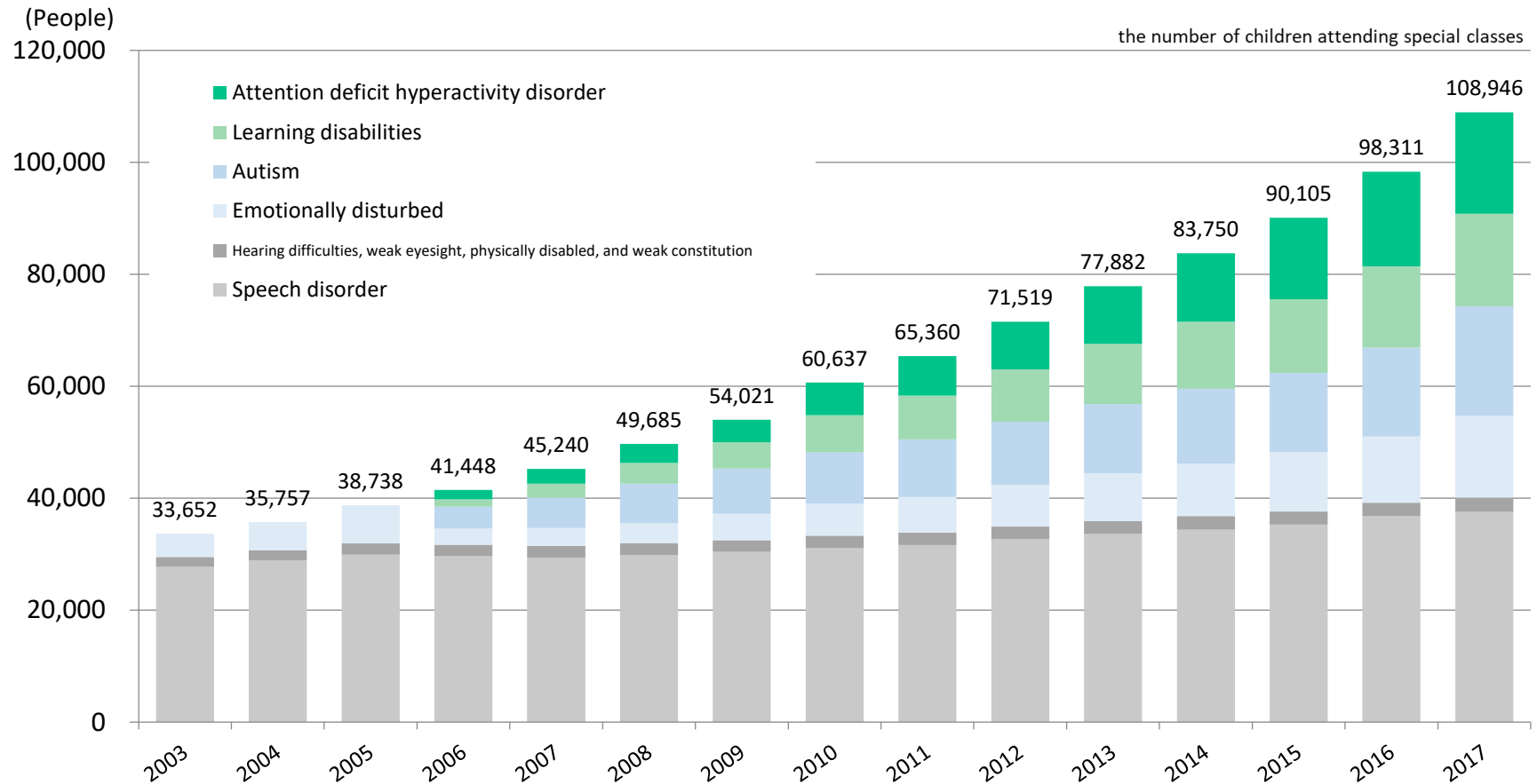
Goal of the Action Plan: Use employment transition support businesses and other resources to raise the shift of people with disabilities to regular employment to at least **50%** more than in FY2016 by no later than FY2020.
 (Excerpt from statement of the Prime Minister at the 10th meeting of the Council 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 3Q Financial Results Highlights**

Results of operations

- Net sales: ¥4,307 million; Operating profit: ¥1,191 million; Ordinary profit: ¥1,190 million; Profit: ¥753 million
 - ✓ Net sales up 34.3%, operating profit up 58.0%, ordinary profit up 51.4% and profit up 55.4%
 - ✓ Operating profit on sales : 27.7%, Ordinary profit on sales : 27.6%
 - ✓ Asset impairment losses (extraordinary loss) associated with the relocation of three Employment Transition Support Business offices.

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.
- **7 welbe** centers, **44** employment retention support offices and **5 habii** classrooms were opened.
- **2 welbe** centers opened in December, resulting in 7 new centers in FY3/19 as initially planned; welbe Nagoya Ekimae center II opened in February and welbe Hamamatsu Ekimae center II scheduled to open in March. (Total **9 centers**)
- In Habilitation business, **2 habii plus** classrooms scheduled to open in March, resulting in total **7 classrooms** in FY3/19 as initially planned.

FY3/19 forecasts

- FY3/19 forecast: Net sales: ¥5,565 million; Operating profit: ¥1,295 million; Ordinary profit ¥1,291 million; Profit ¥834 million
- Third quarter sales were 77.4% of the forecast and operating profit was 92.0%, generally in line with the FY3/19 forecast
- **No change** in the FY3/19 forecast
 - ✓ Sales and profits are expected to increase resulting from the further increase in the number of users.
 - ✓ On the other hand, higher expenses for opening more locations than initially planned are expected.

- In the third quarter, net sales and all the level of profits increased steadily.
- Compared with **3Q FY3/18 results**, net sales up ¥1,099 million, operating profit up ¥437 million, ordinary profit up ¥404 million and profit up ¥268 million.

Item	3Q FY3/18		3Q FY3/19		YoY change	
	Apr. - Dec.		Apr. - Dec.		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	Comp.	Amount (Millions of yen)	Comp.		
Net sales	3,207	100.0%	4,307	100.0%	1,099	34.3%
Gross profit	1,297	40.5%	1,815	42.2%	518	39.9%
Operating profit	754	23.5%	1,191	27.7%	437	58.0%
Ordinary profit	786	24.5%	1,190	27.6%	404	51.4%
Profit	485	15.1%	753	17.5%	268	55.4%

- In the third quarter, net sales and earnings at all levels were lower **than in the second quarter**.
- The main reason was the decline in sales due to the end of the retention support additional payment. *** 1**
 - ✓ Steady growth in the number of users in the Employment Transition Support Business.
 - ✓ Annual Company-wide Employee Meeting was held in November, which cost recorded as welfare expenses in SG&A. *** 2**

Items	1Q FY3/19		2Q FY3/19		3Q FY3/19		QoQ change	
	Apr.- June		July- Sept.		Oct.- Dec.		Change (Millions of Yen)	Change (%)
	Amount (Millions of Yen)	Comp.	Amount (Millions of Yen)	Comp.	Amount (Millions of Yen)	Comp.		
Net sales	1,377	100.0%	1,476	100.0%	1,453	100.0%	-22	-1.5%
Sales of Employment Transition Support Business	1,162	84.4%	1,203	81.6%	1,152	79.3%	-51	-4.3%
(Transition support compensation)	(1,046)	(76.0%)	(1,099)	(74.5%)	(1,134)	(78.0%)	(34)	
(Retention support additional payment)	(116)	(8.4%)	(102)	(6.9%)	—	—	(-102)	
(Retention support compensation)	(0)	(0.0%)	(2)	(0.1%)	(18)	(1.3%)	(16)	
Sales of Habilitation Business	214	15.6%	272	18.4%	301	20.7%	29	10.7%
Gross profit	571	41.5%	647	43.9%	596	41.0%	-50	-7.8%
Operating profit	362	26.3%	448	30.4%	380	26.2%	-67	-15.2%
Ordinary profit	362	26.3%	448	30.3%	380	26.1%	-67	-15.1%
Profit	224	16.3%	293	19.9%	236	16.2%	-56	-19.4%

Forecast

■ Third quarter sales and earnings were in line with the FY3/19 forecast:

Net sales 77.4%; operating profit 92.0%; ordinary profit 92.2%; profit 90.3%

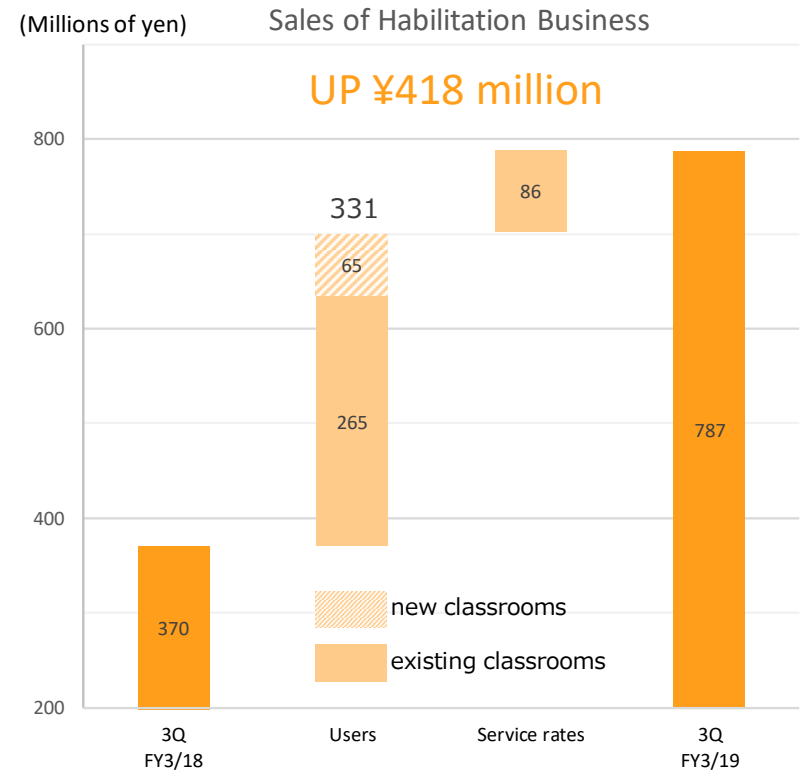
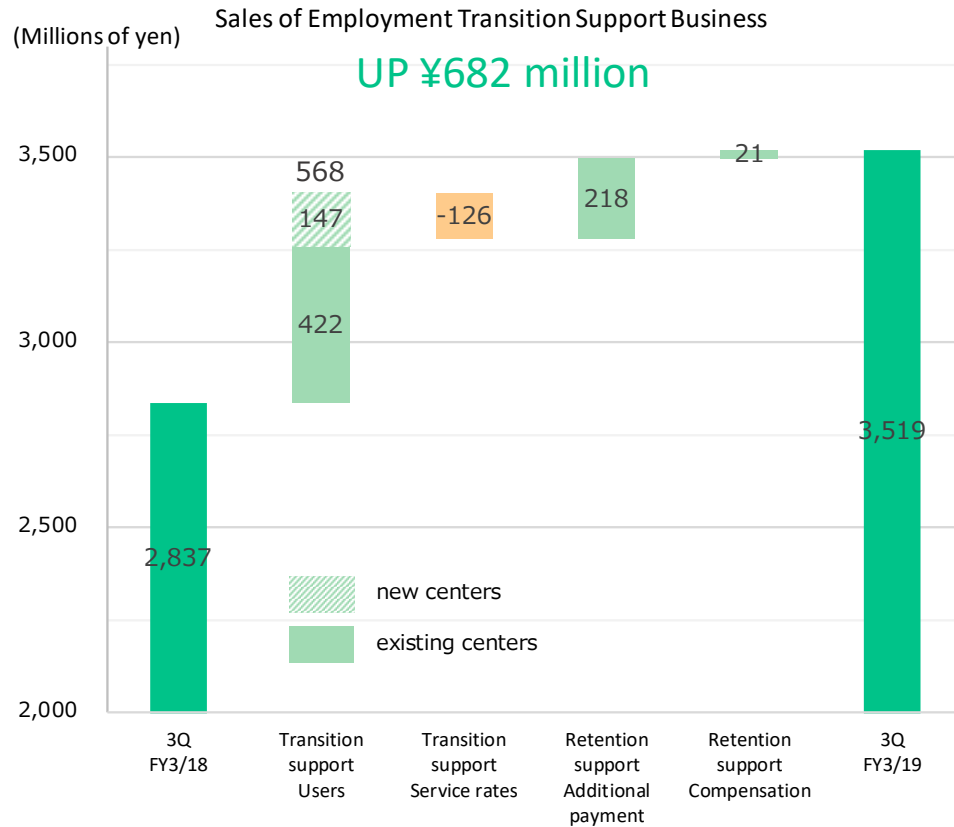
■ **No change** in the FY3/19 forecast but sales and profits are expected to increase resulting from the further increase in the number of users.

On the other hand, higher expenses for opening more locations than initially planned are expected.

Item	FY3/18		FY3/19				3Q FY3/19	
	Results		Forecast				Results	
	Amount (Millions of Yen)	Comp.	Amount (Millions of Yen)	Comp.	Change (Millions of Yen)	Change (%)	Amount (Millions of Yen)	Progress (%)
Net sales	4,364	100.0%	5,565	100.0%	1,201	27.5%	4,307	77.4%
Operating profit	1,012	23.2%	1,295	23.3%	282	27.9%	1,191	92.0%
Ordinary profit	1,042	23.9%	1,291	23.2%	248	23.8%	1,190	92.2%
Profit	704	16.1%	834	15.0%	129	18.4%	753	90.3%

3Q Factors Impacted in an Increase in Net Sales

- Sales in **the Employment Transition Support Business** increased 24%.
- Sales in **the Habilitation Business** increased 113%.



* 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 December 2017 (10 Employment Transition Support Business bases and 5 Habilitation Business bases).

■ Cost of sales increased ¥ 581 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.

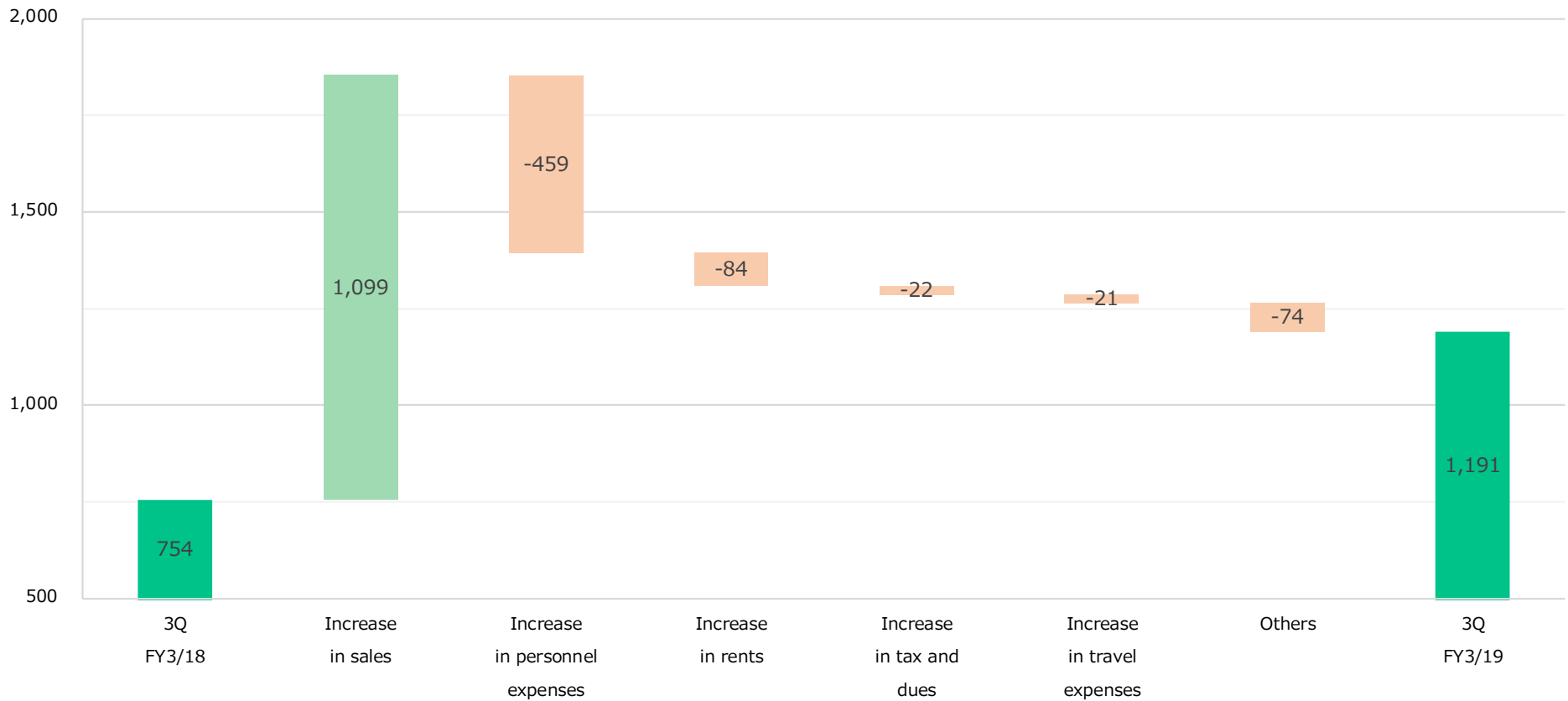
Item	3Q FY3/18		3Q FY3/19		YoY change
	Apr. - Dec.		Apr. - Dec.		
	Amount (Millions of Yen)	Comp.	Amount (Millions of Yen)	Comp.	Change (Millions of yen)
Personnel	1,302	68.2%	1,740	69.9%	437
Rent	200	10.5%	255	10.3%	55
Supplies	185	9.7%	203	8.2%	18
Traveling	79	4.2%	102	4.1%	22
Depreciation	48	2.5%	63	2.5%	15
Others	93	4.9%	126	5.1%	32
Total	1,909	100.0%	2,491	100.0%	581
Cost to sales ratio	59.5%		57.8%		

■ Selling, general and administrative expenses increased ¥81 million.

- ✓ The ¥22 million increase in personnel expenses was mainly due to upgrading of head office functions associated with the stock listing.
- ✓ Tax and dues increased ¥20 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 ¥29 million increase in rent was mainly due to relocating headquarters.

Item	3Q FY3/18		3Q FY3/19		YoY change
	Apr. - Dec.		Apr. - Dec.		
	Amount (Millions of Yen)	Comp.	Amount (Millions of Yen)	Comp.	Change (Millions of yen)
Personnel	258	47.5%	280	44.9%	22
Tax and dues	92	17.0%	112	18.0%	20
Advertising/promotion	59	10.9%	69	11.1%	10
Commision paid	49	9.0%	52	8.4%	3
Rent	14	2.6%	43	7.0%	29
Welfare	11	2.2%	16	2.6%	4
Others	58	10.8%	50	8.0%	-8
Total	543	100.0%	624	100.0%	81
SG&A/sales ratio	16.9%		14.5%		

■ Operating profit increased ¥437 million YoY.



* 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.
- Equity ratio moved up 8.3 points to 68.3%.

Items	FY3/18		3Q FY3/19		Change (Millions of yen)	Change (%)
	Amount (Millions of Yen)	Comp.	Amount (Millions of Yen)	Comp.		
Current assets	2,433	79.5%	2,652	78.7%	218	9.0%
Non-current assets	626	20.5%	717	21.3%	91	14.6%
Total assets	3,059	100.0%	3,369	100.0%	310	10.1%
Liabilities	1,224	40.0%	1,067	31.7%	-156	-12.8%
(Of the above, loans and bonds)	(592)	(19.4%)	(443)	(13.1%)	(-149)	(-25.3%)
Net assets	1,835	60.0%	2,301	68.3%	466	25.4%
Equity ratio	60.0%		68.3%			8.3%

Changes in current assets	
• Increase in accounts receivable by higher sales	+ 166million

Changes in non-current assets	
• Increase in tangible fixed assets	+ 60million
• Increase in lease and guarantee deposits	+ 22million

Changes in liabilities	
• Decrease due to repayment of loans and bonds	- 149million

Changes in net assets	
• Increase in retained earnings from profit	+ 753million
• Decrease in retained earnings due to dividend payments	- 295million

■ During the third quarter, 7 welbe centers, 44 employment retention support offices and 5 habii classrooms were opened.

- ✓ 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 two welbe centers are planned for the fourth quarter.
- ✓ In Habilitation business, 2 habii plus classrooms scheduled to open in March, resulting in total 7 classrooms in FY3/19 as initially planned.

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
- welbe Minami-Urawa center
- Feb. 2019 welbe Nagoya Ekimae center II
- Mar.2019 welbe Hamamatsu Ekimae center II (planned) } **Additional locations**

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

Habilitation Business



Child development support center : **habii** (6 locations planned)

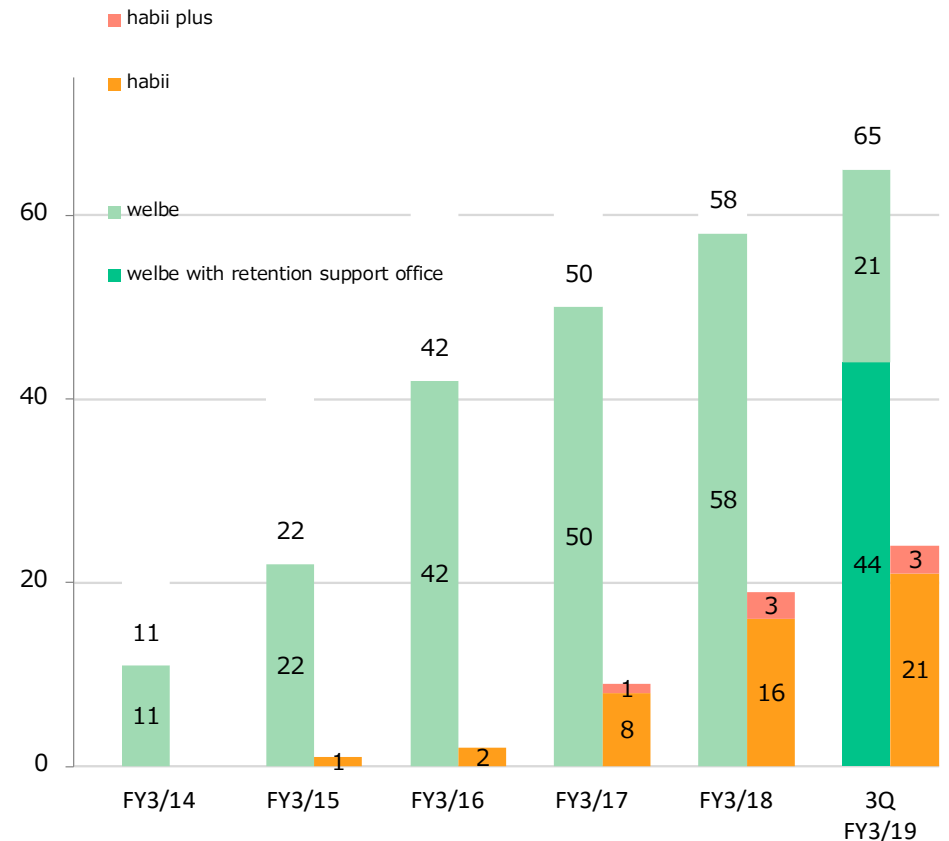
- Apr. 2018 habii Shiki II
- May 2018 habii Shonandai
- May 2018 habii Kashiwa
- Jun. 2018 habii Koshigaya
- Sep. 2018 habii Kami-Itabashi



After-school day care service center : **habii plus**(1 locations planned)

- Mar.2019 habii plus Shiki (planned)
- habii plus Urawa (planned)

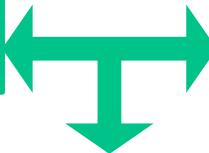
Number of main business offices



Shareholder Distributions

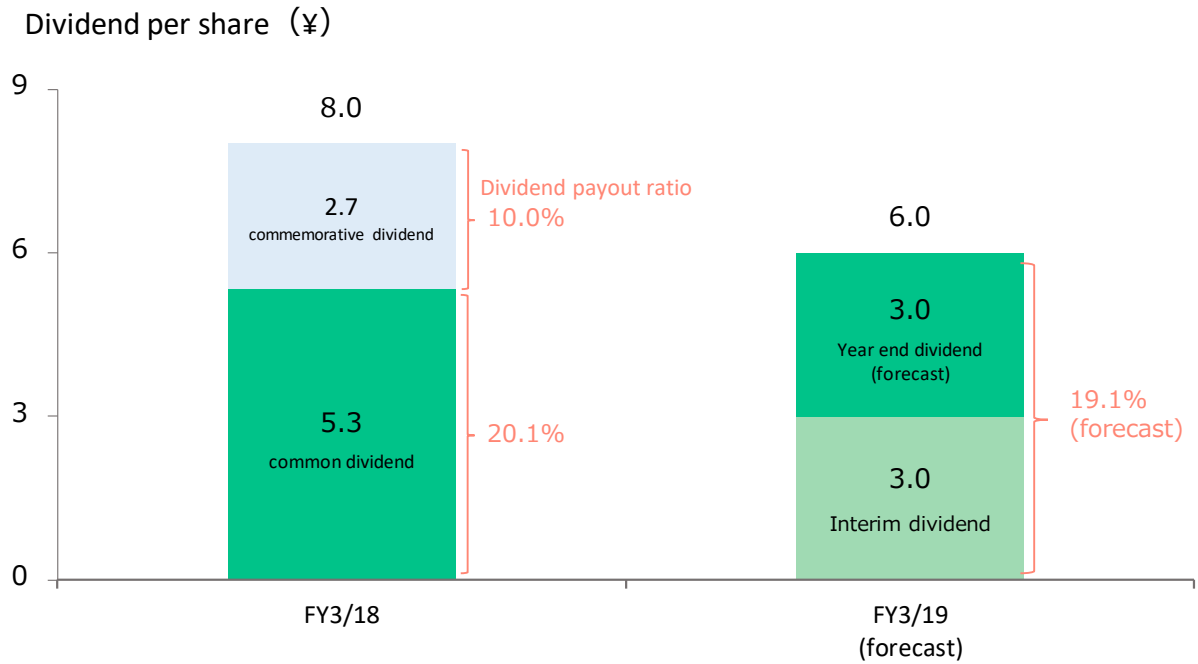
Welbe's policy is to make consistent earnings distributions that properly reflect results of operations while taking actions aimed at maintaining the long-term soundness of business operations

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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