

[QA Included] Charm Care Corporation: Increased Revenue and Profit in Q2 Efficiencies in the Long-Term Care Business and other measures contribute to improved operating profit



Summary of Consolidated Performance for 2Q FY2024/6

- The long-term care business maintained high occupancy rates at our existing facilities, and move -ins were strong at new facilities and LIKE's facilities.
- Operating profit improved due to decreased COVID-related expenses in the long-term care business*, the effect of improved operational efficiency, etc.
- *Until the previous fiscal year, subsidies (non-operating income) were received, covering COVID-related expenses at the ordinary profit level.
- The real estate business and other businesses (staffing services, etc.) also made steady progress.

Consolidated Performance

(Millions of yen)	2Q FY2023/6	2Q FY2024/6	YoY	Initial Forecast	Change from Initial Forecast
Net sales	14,851	18,587	+ 25.2% (+3,736)	18,500	+ 0.5% (+87)
Operating profit	937	1,570	+ 67.6% (+633)	1,380	+ 13.8% (+190)
Ordinary profit	1,178	1,755	+ 49.0% (+577)	1,480	+ 18.6% (+275)
Profit attributable to owners of parent	757	1,136	+ 50.0% (+378)	970	+ 17.1% (+166)

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Charm Care Corporation

6062, Tokyo Stock Exchange Prime, Service Industry

We will transcribe and share the contents of the Q2 FY2024 earnings presentation for Charm Care Corporation announced on March 1, 2024.

Speaker:

Mr. Takahiko Shimomura, Representative Director, Chairman and President,

HP: <https://www.charmcc.jp> (Japanese)

Q2 FY2024 Consolidated Performance Summary



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Mr. Takahiko Shimomura (hereinafter, Shimomura): Hello everyone. I am Shimomura, the Representative Director, Chairman, and President. Thank you very much for joining us today at our Q2 FY2024 earnings presentation despite your busy schedules. Please note that today's materials cover a wide range of content, and therefore, we will have to omit some details.

Firstly, the summary of our consolidated performance for Q2. Thanks to everyone, our Long-Term Care Business has been progressing smoothly, especially this quarter, with strong admissions to our newly established facilities and "Like" facilities.

In the Long-Term Care Business, expenses related to COVID-19 have decreased. Until the previous period, subsidies related to COVID-19 were non-operating income, which reduced operating profit. However, this period has recovered without those impacts.

I will explain later, but by changing various business structures, we have also improved operating profit and ordinary profit. The real estate business and other segments are also progressing well.

The consolidated performance shows sales of 18.58 billion yen, up 25.2% or 3.736 billion yen from the previous period, operating profit of 1.57 billion yen, up 67.6% or 633 million yen, ordinary profit of 1.755 billion yen, up 49% or 577 million yen, and quarterly net profit of 1.136 billion yen, up 50% or 378 million yen.

Compared to the initial forecast, sales have increased by 0.5%, operating profit by 13.8%, ordinary profit by 18.6%, and quarterly net profit by 17.1%.

Q2 FY2024 Performance by Segment



2Q FY2024/6 Results by Reporting Segment

Long-Term Care Business

- With COVID-19 now treated the same as diseases such as influenza, existing facilities maintained high occupancy rates, and move-ins were especially strong at new facilities and LIKE's facilities.
- COVID-related expenses decreased significantly from the previous fiscal year (until the previous fiscal year, subsidies (non-operating income) equal to the expenses were received, covering the expenses at the ordinary profit level).
- Efforts to improve operational efficiency using IT/AI and optimize staffing in anticipation of labor shortages are showing results.
(see [page 44](#))

Real Estate Business

- Regarding two development projects scheduled for sale in 4Q (Nakaikagami and Kohama Takarazuka properties), negotiations for a purchase agreement are in progress for the Nakaikagami property and a purchase agreement has been signed for the Kohama Takarazuka property.
- Other real estate properties planned to reliably generate profits in a short period are progressing as scheduled.

Other Businesses

- The staffing services business managed by the consolidated subsidiary Good Partners saw the COVID impact fade, with the staffing and visiting nurse services performing better than planned.
- Preparations for new businesses are also underway.
- Several M&A deals are under consideration and scrutiny.

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Performance by reporting segment: In the Long-Term Care Business, with the reclassification of COVID-19 from Category 2 to Category 5, admissions to newly established facilities and "Like" facilities have been particularly strong.

This period, labor shortages were anticipated, leading to efficiencies and labor savings through IT and AI, which contributed to the better-than-expected performance mentioned earlier. Details will be explained later.

In the real estate business, we have determined the operator and buyer for the Ota Nakaikagami project of our Healthcare Development business, and a sale contract is scheduled by the end of this month.

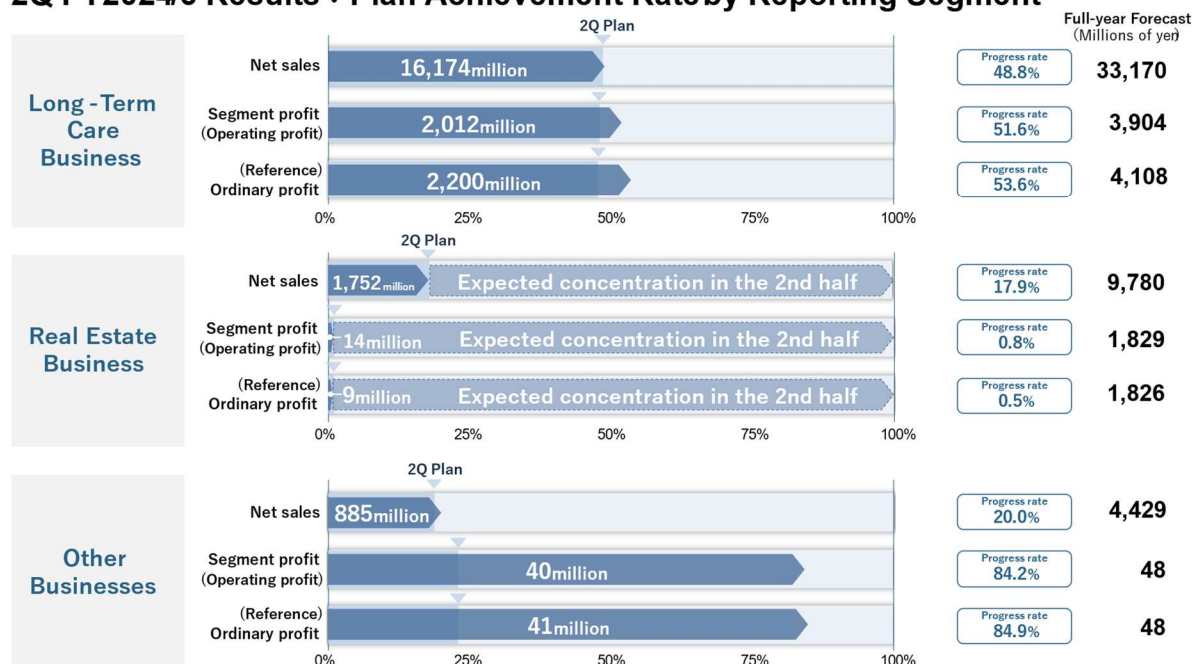
The Takarazuka Kobe project was contracted at the end of last December. Other real estate projects ensuring short-term revenue are also progressing as planned.

Other business segments are also doing very well, notably the business conducted by our subsidiary, Good Partners. New businesses are under development, and multiple M&A cases are being considered.

Q2 FY2024 Segment Achievement Rate



2Q FY2024/6 Results : Plan Achievement Rate by Reporting Segment



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It is the achievement rate of plans by reported segments. For the Long-Term Care Business, sales were 16.174 billion yen, with a progress rate of 48.8%, operating profit was 2.012 billion yen, with a progress rate of 51.6%, and ordinary profit was 2.2 billion yen, with a progress rate of 53.6%.

In the real estate business, sales amounted to 1.752 billion yen. Since sales are concentrated in the latter half of this term, the progress rate is still low at this point. We are forecasting annual sales of 9.78 billion yen. The operating profit is 14 million yen, with a progress rate of 0.8%, and ordinary profit is 9 million yen, with a progress rate of 0.5%.

Sales in the other business segments were 885 million yen, attributed to Good Partners, with a progress rate of 20%, operating profit of 40 million yen, with a progress rate of 84.2%, and ordinary profit of 41 million yen, with a progress rate of 84.9%.

Occupancy Rate Transition of Existing Facilities



Transition of occupancy rate

- Maintaining high occupancy rates at existing facilities open for more than two years

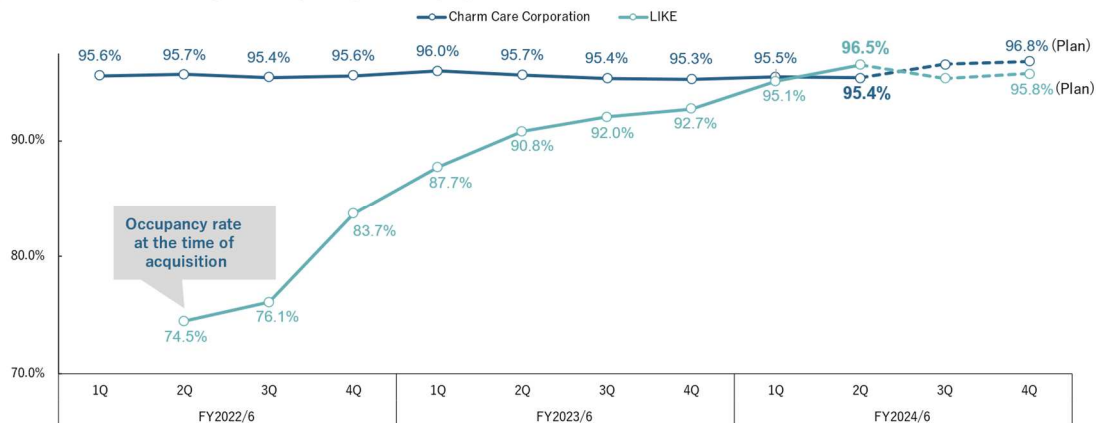
Average occupancy rate for the 2nd Quarter of the year ending in June 2024 (July-December)(*)

At our existing facilities : **95.4%** (The occupancy rate as of December 31, 2023, was **95.3%** (maintaining high occupancy rate))

At LIKE's existing facilities : **96.5%** (The occupancy rate as of December 31, 2023, was **99.3%** (Continuing to rise))

※ Calculation of occupancy rate : Individual facilities open for over 24 months (two years) from their opening month are included in the calculation

■ Cumulative average occupancy rate by quarter



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Our existing facilities have maintained a high occupancy rate, with an average rate of 95.4% for the second quarter of the fiscal year ending June 2024, and 95.3% as of the end of December.

For "Like" facilities, the average occupancy rate for Q2 FY2024 was 96.5%, and as of the end of December, it has risen to 99.3%. As of now, 410 rooms in facilities are fully occupied, achieving a 100% occupancy rate.

Progress in Real Estate Business



Progress of Real Estate Business

Progress of Development Projects

FY2024/6 Projects		Progress	Remarks
Nakaikegamiproperty (Ota-ku, Tokyo)	Jul. 2022	Land acquisition	<ul style="list-style-type: none"> Operated by another company (GREEN LIFE HIGASHI NIHON Co., Ltd.) Total of 123 rooms
	Oct. 2022	Basic agreement signed making the operator GREEN LIFE HIGASHI NIHON Co., Ltd., a member of SHIP HEALTHCARE HOLDINGS, INC.	
	May 2023	Building construction started	
	Mar. 2024	Plan to sign a land and building purchase agreement	
	Jun. 2024	Scheduled for sale	
KohamaTakarazukaproperty (TakarazukaCity, Hyogo)	Mar. 2023	Land acquisition	<ul style="list-style-type: none"> Operator selection is underway Total of 80 rooms
	Aug. 2023	Building construction started	
	Dec. 2023	Signed a land and building purchase agreement	
	Jun. 2024	Scheduled for sale	
FY2025/6 Projects (Planned)		Progress	Remarks
Kita-karasuyamaproperty (Setagayaku, Tokyo)	Jun. 2023	Land acquisition	<ul style="list-style-type: none"> Operator selection is underway Approximately 60 rooms planned.
	Mar. 2024	Plan to start building construction	
		Date of sale undecided	
Kokuryo-cho property (ChofuCity, Tokyo)	Jun. 2023	Signed a purchase agreement of the land	<ul style="list-style-type: none"> Operator tentatively decided Approximately 100 rooms planned.
	Feb. 2024	Plan to sign a basic agreement with the operator	
		Date of sale undecided	

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Regarding the progress of development projects: The Nakaikegami property is scheduled to conclude a purchase agreement by the end of March. The most crucial element, the construction period for building construction, is progressing smoothly, and I am confident that we will be able to sell by the end of June without fail.

The Kohama Takarazuka property is also progressing ahead of schedule, and we anticipate a sale by the end of June.

For the next term, the construction company and operator for the Kita-Karasuyama project have been decided. As for the Kokuryo-cho property, the operator has been determined, but the construction company is still undecided as of now.

FY2024 Performance Forecast (Unchanged)



FY2024/6 Results Forecasts

- Driven by steady growth in the Long-Term Care business and stability in the Real Estate business, we expect increased sales and profit.
- We have set our facility occupancy rate target at the highest level of past performance.
- For the Real Estate business, as with FY2023 /6, performance will be concentrated in the latter half (expected in 4Q). (The progress status of real estate development projects can be found on [page 11](#).)

Note: Please refer to [page 21](#) for the performance forecast by Reporting Segment.

Full-year forecasts (consolidated)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	(Millions of yen) Occupancy rate for fee-based homes for the elderly with long-term care (average for the period)	
					Charm Care	LIKE
FY2023/6 (result)	37,877	4,197	4,633	3,206	95.3%	92.7%
FY2024/6 (forecast)	47,000	4,800	5,000	3,700	96.8%	95.8%
Change	+24.1%	+14.4%	+7.9%	+15.4%	+1.5pt.	+3.1pt.

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For the FY2024 Results forecast, there is no revision. We are projecting sales of 47 billion yen, up 24.1% from the previous period, operating profit of 4.8 billion yen, up 14.4%, ordinary profit of 5 billion yen, up 7.9%, and net profit attributable to parent company shareholders of 3.7 billion yen, up 15.4%. For occupancy rates, "Charm Care" is expected to increase by 1.5 points compared to the previous period, and "Like" by 3.1 points.

Regarding Dividends



Dividends

Dividend forecast for FY2024/6

	Profit attributable to owners of parent (forecast)	Earnings Per Share (EPS)	Annual Dividend Per Share (DPS)	Payout Ratio (consolidated)	Total Dividend Amount	Dividend on Equity (DOE)
FY2024/6 (forecast)	¥3,700 million	¥113.32	¥26.00	22.9%	¥849 million	4.7%

Dividend Record

	Profit attributable to owners of parent (forecast)	Earnings Per Share (EPS)	Annual Dividend Per Share (DPS)	Payout Ratio (consolidated)	Total Dividend Amount	Dividend on Equity (DOE)
FY2023/6	¥3,206 million	¥98.28	¥22.00	22.4%	¥717 million	4.7%
FY2022/6	¥2,951 million	¥90.50	¥17.00	18.8%	¥554 million	4.5%
FY2021/6	¥1,535 million	¥47.09	¥12.00	25.5%	¥391 million	3.5%
FY2020/6	¥1,206 million	¥39.40	¥6.50	16.5%	¥211 million	2.8%

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For dividends, we plan 26 yen for this period. As shown in the slide below, it has been increasing year by year from 6.5 yen in 2020, to 12 yen, 17 yen, and 22 yen. As we have previously mentioned, we are aiming for early achievement of a dividend payout ratio of 30%.

Growth Strategy: Development of Existing Business and Expansion of Business Domains



Growth Strategy: Develop Existing Businesses and Expand the Business Domain

Plan for FY2024/6

Net sales	¥47.0 billion
Ordinary profit	¥5.0 billion

Medium-term target

Net sales	¥100.0 billion
Ordinary profit	¥10.0 billion

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First pillar of business: Long-Term Care Business

Continue and expand balanced mix of openings mainly in mid/high price range

- Expand the business scale with the goal of opening 10 or more facilities per year in our dominant areas (Tokyo and Kinki metropolitan areas).
- Overcome sluggish occupancy rate issues in certain facilities by strengthening sales capabilities.
 - (1) Work to increase the number of residents primarily at high price range facilities through SEO strategies and enhanced web advertising.
 - (2) Develop new referral channels for potential residents.
- Enhance personnel efficiency in facility operations in anticipation of future labor shortages.
 - (1) Implement IT devices and generative AIs such as ChatGPT to improve service quality while making operations more efficient and streamlined.
 - (2) Introduce the role of Associate Leader for highperforming individuals who meet specific criteria, and optimize staffing centered on Associate Leaders.

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I will explain our growth strategy. Our plan for this period is sales of 47 billion yen and ordinary profit of 5 billion yen, with a mid-term goal of sales of 100 billion yen and ordinary profit of 10 billion yen, aiming for early achievement of these targets.

Regarding future Long-Term Care Business, the slide mentions 'focusing mainly on the mid-to-high price range.' In reality, the occupancy of high-priced facilities has not advanced as initially planned.

In the existing 'Charm' series facilities, many facilities have achieved occupancy rates of 100%, 99%, and 98%, well over 95%, but for the high-priced facilities, we had initially expected to reach full occupancy within about two years, yet it has taken over three years.

However, even though the occupancy rates of high-priced facilities are dragging down the performance, the overall results are exceeding expectations. Therefore, I believe that if we wait a little longer and these high-priced facilities also achieve full occupancy, the profits will further increase.

Based on our past experience, we intend to continue opening facilities, considering a balance between mid-priced and high-priced facilities, without being biased towards the high-end alone.

The reason why we maintain such high occupancy rates is that our company conducts performance meetings twice a month, where we thoroughly identify issues in specific facilities and focus on promoting admissions. We believe this contributes to the overall improvement in occupancy rates, so we plan to continue these efforts.

Regarding the optimization of staff efficiency in facility operations, we are currently working on efficiency and labor savings in operations using IT devices and “ChatGPT”.

For example, “ChatGPT” has become almost usable for care plan creation. Creating care plans used to take a lot of time, leading to overtime work for care managers, but we are speeding up the process using “ChatGPT”.

However, “ChatGPT”-created plans are not always correct. When various individual information is input into “ChatGPT”, it proposes care plans based on that. There may be mistakes, so the responsible care manager revises the care plan to fit the actual situation. Humans find it difficult to create text from scratch, but they are good at editing others’ texts, so corrections can be made quickly if created by “ChatGPT”.

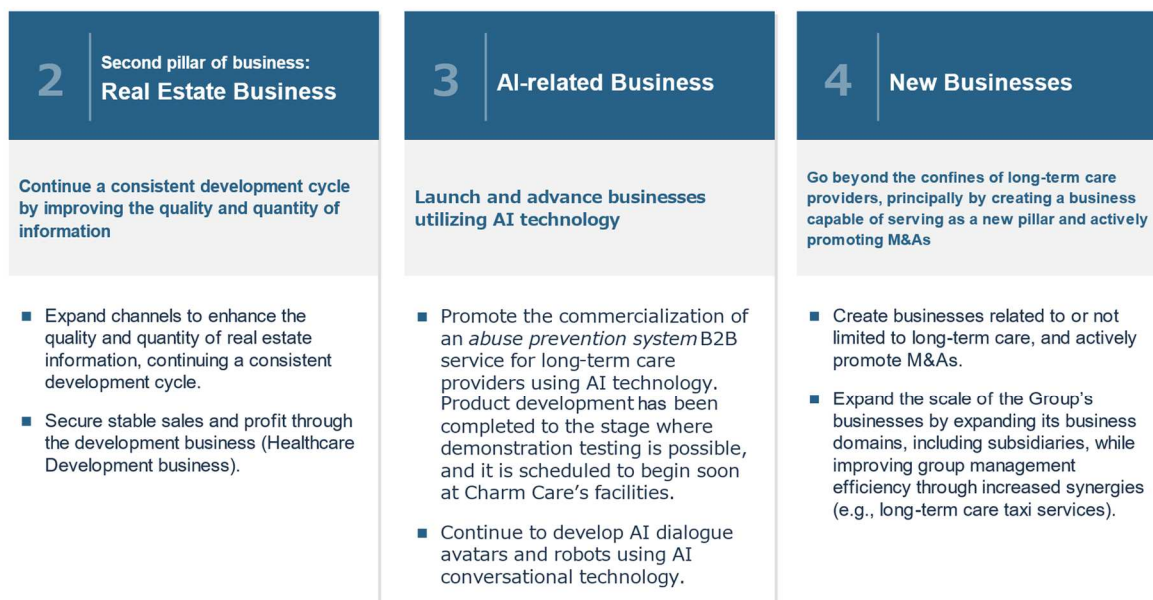
Additionally, we have established “Associate Leaders”, targeting personnel with high operational capabilities under certain conditions, to optimize staff allocation. We aim to operate under the premise of minimal staffing without reducing services, and distribute the saved costs to the “Associate Leaders” who have supported us.

Growth Strategy: Development of Existing Business and Expansion of Business Domains



Growth Strategy:

Develop Existing Businesses and Expand the Business Domain



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As for the second pillar of our business, the real estate business, the “Healthcare Development business” is progressing well.

Today's Nikkei newspaper also featured a significant article, with the Ministry of Land, Infrastructure, Transport and Tourism implementing measures to correct long working hours in the construction industry, prohibiting orders with unreasonable schedules, and requiring guidance and improvements for violators.

With such legal amendments, the construction industry may shrink further, extending construction periods. As a result, materials and construction costs will rise, raising concerns about future orders. We are also considering countermeasures.

Currently, the projects planned from this term to the next term are progressing smoothly. As for plans beyond that, our company has a June fiscal year-end, so we start creating budgets for the next term and beyond in March by the management planning department. I believe the answers on how to approach the 'Healthcare Development business' will emerge as we continue to develop these plans.

Regarding AI-related business, unfortunately, the development of the BtoC-oriented AI dialogue avatar robot mentioned in previous briefings has not progressed significantly. It's not out yet, but the progress is slow.

In addition, we are advancing the commercialization of the "Abuse Prevention System (tentative name)" BtoB service listed on the slide. We are still considering the name for this.

For long-term care providers, abuse is a significant risk. Abuse often comes to light suddenly. If reported by mass media such as newspapers, the company's credibility suffers greatly. Although care is taken on-site, prevention methods are scarce, so we are developing the "Abuse Prevention System".

Devices will arrive soon, and we will conduct repeated trials at our facilities from mid-March, aiming for productization by the end of this period.

Let me introduce our new business. Last year, on September 25, I was asked by President Company to give a lecture on "Prescriptions for the Looming Era of Care Refugees".

The more I researched, the more I realized that there are still care refugees who cannot receive care services despite their desire. As the population decreases and care staff become scarcer, care refugees will undoubtedly emerge.

We are currently considering facilities that can support such people.

~FY2026 Consolidated Performance Targets (Progress)



Consolidated Performance Targets for FY2024/6 to FY2026/6

(Millions of yen)	FY2022/6 Result	FY2023/6 Result	FY2024/6 Forecast	FY2025/6 Target	FY2026/6 Target
Net sales	29,071	37,887	47,000	57,000	65,000
Operating profit	2,309	4,197	4,800	5,680	(TBD)
Ordinary profit	2,501	4,633	5,000	5,700	(TBD)
Ordinary profit margin	8.6%	12.2%	10.6%	10.0%	(TBD)
Profit attributable to owners of parent	2,951	3,206	3,700	4,600	(TBD)

Transition from founding period (2005 - FY2021/6) to **growth period** (from FY2022/6).
We will also aim to further expand business scale in FY2024/6 and beyond.

KPI targets : Ordinary profit growth of **30%** net sales growth of **20%** ordinary profit margin of **10%**

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Our performance forecasts for this term, the next term, and the term after next remain unchanged. However, as we are currently preparing the budget for the next term, the figures for the upcoming fiscal years will be refined and understood in more detail.

New Establishment and Development Plans and Targets



Plans and Goals for New Facilities Openings and Developments

Long-Term Care Business

	FY2022/6 (Result)	FY2023/6 (Result)	FY2024/6 Scheduled	FY2025/6 Planned	FY2026/6 Planned
New openings	8 facilities	8 facilities	7 facilities	12 facilities	15 facilities
Of which, Tokyo metropolitan area	6 facilities	8 facilities	3 facilities	7 facilities	10 facilities
Of which, Kinki metropolitan area	2 facilities	—	4 facilities	5 facilities	5 facilities
Cumulative facilities	76 facilities	84 facilities	91 facilities	103 facilities	118 facilities
Of which, Tokyo metropolitan area	31 facilities	39 facilities	42 facilities	49 facilities	59 facilities
Of which, Kinki metropolitan area	45 facilities	45 facilities	49 facilities	54 facilities	59 facilities
Rooms in operation at year-end	5,203 rooms (+914 rooms)	5,673 rooms (+470 rooms)	6,181 rooms (+508 rooms)	6,978 rooms (+797 rooms)	約7,878 rooms (+900 rooms)
Of which, Tokyo metropolitan area	1,844 rooms	2,314 rooms	2,523 rooms	2,965 rooms	3,565 rooms
Of which, Kinki metropolitan area	3,359 rooms	3,359 rooms	3,658 rooms	4,013 rooms	4,313 rooms

Real Estate Business

	FY2022/6 (Result)	FY2023/6 (Result)	FY2024/6 Scheduled	FY2025/6 Planned	FY2026/6 Planned
Developments	1 facilities	2 facilities	2 facilities	3 facilities	3 facilities
Cumulative developments	1 facilities	3 facilities	5 facilities	8 facilities	11 facilities

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Plans and targets for new establishment and development: As planned, this term has seen the successful opening of seven facilities, bringing the total number of facilities to 91 and the number of operational rooms to 6,181. The number of facilities developed as part of the real estate business is two. Although we have set a target of 12 facilities for the next term, we have deliberately not changed this from the previous numbers. We expect this number to decrease as we review further.

While we will not stop establishing new facilities, considering the current construction situation, there may inevitably be cases where we have to postpone plans. To compensate for these numbers, we are currently actively pursuing M&A.

We plan to develop three facilities in the real estate business next term. As for the term after next, we are still in the stage of deciding the numbers, so we will refrain from disclosing them here.

Newly established facilities and development projects:



Newly Opened Facilities and Development Projects

FY2024/6 [40th fiscal year]

No.	New Opened Facilities	Rooms	Opening(planned)
1	Charm Akashi Nishifutami (Akashi City, Hyogo Prefecture) Opened	69 (70 people)	Nov. 2023
2	Charm Fuchu-Banba(Miyashicho) (Fuchu City) Opened	69	Dec. 2023
3	Charm SuiteNigawa II (Nishinomiya City, Hyogo Prefecture) Opened	81	Feb. 2024
4	Charm Premier Kyoto Karasuma Rokkaku(Nakagyo-ku, Kyoto City) Construction started	77	Mar. 2024
5	Charm MizumotoPark (Katsushika-ku) Construction started	60	May. 2024
6	Charm Fuchu-Nissincho (Fuchu City) Construction started	80	Jun. 2024
7	Charm SuiteKurakuen (Nishinomiya City, Hyogo Prefecture) Construction started	72 (80 people)	Jun. 2024
Total	7 facilities (Tokyo metropolitan area: 3 facilities, Kinki metropolitan area: 4 facilities)	508 (517 people)	
No.	Development Projects	Rooms	completion(planned)
1	Nakaikagami property (Ota-ku) Construction started	123	Jun. 2024
2	Takarazuka-Kohama property (Takarazuka City, Hyogo Prefecture) Construction started	80	Jun. 2024
Total	2 facilities (Tokyo metropolitan area: 1 facilities, Kinki metropolitan area: 1 facilities)	203	

FY2025/6 [41st fiscal year]

No.	New Opened Facilities	Rooms	Opening(planned)
1	Charm SuiteHatanodai (Ota-ku) Construction started	60	Jul. 2024
2	Charm Ritto (Ritto City, Shiga Prefecture) Construction started	80	Oct. 2024
3	Charm Suite Kobe Tarumi (Tarumi-ku, Kobe City) Construction started	95 (100 people)	Oct. 2024
4	Charm Suite Nishishinjuku (Shinjuku-ku) Construction started	69	Apr. 2025
5	Charm Rokugo (Ota-ku)	68	May. 2025
6	Charm SuiteGotokuji (Setagaya-ku)	65	Jun. 2025
	1 facilities in Tokyo metropolitan area	?	FY2025/6
	2 facilities in Kinki metropolitan area	?	FY2025/6
Total	9 facilities (Tokyo metropolitan area: 5 facilities, Kinki metropolitan area: 4 facilities)	Approx. 700	
No.	Development Projects	Rooms	completion(planned)
1	Kita-Karasuyama property (Setagaya-ku)	Approx. 60	FY2025/6
2	Kokuryo-cho property (Chofu City, Tokyo)	Approx. 100	(TBD)
3	Projects in the Tokyo Metropolitan Area	Approx. 60	FY2025/6
Total	3 facilities (Tokyo metropolitan area: 3 facilities)	Approx. 200	

Due to problems such as the shortage of workers in the construction industry, the construction period tends to be longer than before, and delays in new openings are starting to occur. On the other hand, due to the trend of businesses focusing and selecting their core operations, and issues such as management difficulties and the absence of successors among small businesses after COVID, we are receiving a large number of M&A inquiries for nursing homes. We will carefully review these and plan to expand the number of homes through M&A.

Let me talk about the plans and targets for new establishment and development. This term, all new development facilities have started construction and are progressing as planned without any delays.

For the next term, as shown on the slide on the right, four facilities have already started construction, but the rest have not yet been decided. As part of our “Healthcare Development business”, the construction company for the Kita-Karasuyama property has already been determined, and construction has started. Meanwhile, the construction company

for the Kokuryo-cho property has not been decided yet, although the operating company has been confirmed.

As mentioned earlier, securing personnel will become increasingly difficult. With rising prices in various sectors, small-scale operators will find it extremely hard to manage their businesses. Especially now, with a 1.59% increase in long-term care fees, which is truly insignificant, as 0.98% must be allocated to personnel costs, and the remaining 0.61% will not increase without doing anything.

There are various conditions to clear, and it is tough for small-scale operators to meet them fully.

In that sense, as the disparity in facility performance becomes more apparent, we are seeing a considerable number of facilities that can no longer be operated. We plan to acquire and supplement new establishments with such facilities.

The Third Pillar of New Business (Under Preparation)



Third Pillar of Business: New Businesses (in Preparation)

B2B Business

In the process of commercializing a business offering an *abuse prevention system* service for long-term care providers using AI technology

- We plan to prevent incidents between facility staff and residents, which is becoming a social issue. Dealing with residents can at times place excessive stress and mental strain on the staff. This accumulated stress can lead to inappropriate remarks or inappropriate care by the staff and, in the worst-case scenario, abuse. To address this, Charm Care is in the process of commercializing an *abuse prevention system*, a mainly B2B service for long-term care providers that monitors speech content of staff and residents in long-term care facilities to understand their mental state, detect inappropriate care, and build AI-based follow-up and predictive mechanisms.
- Product development has been completed to the stage where demonstration testing is possible, and it is scheduled to begin soon at Charm Care's facilities.

B2C Business

Discussing a new business for elderly conversation services, based on the development of apps and services using wellvill's "LIFE TALK ENGINE"

- We assume that the elderly can have everyday conversations with robots or avatars at the same level as with people. We therefore believe that we can provide various services for the elderly such as gauging their cognitive function, preventing dementia, gathering health information, alleviating loneliness, and confirming safety. We are now discussing the start of a new business, with the aim of growing it into the one that can significantly contribute to the "Extension of Healthy Life Expectancy," the greatest theme of the Group, and serve as a new pillar of the Group's business.



To expedite the time to market, a field trial is underway at our facilities in which residents actually engage in conversations using the AI dialogue engine.

Discussions are underway for new businesses to provide relief to those who are expected to have difficulty accessing long-term care in the future

As I mentioned earlier, regarding the BtoB business, we are advancing the commercialization of the "Abuse Prevention System". Conversations between residents and staff occur in the privacy of rooms, making it nearly impossible to know what exchanges are taking place.

And why does abuse occur? It doesn't suddenly happen out of nowhere; there are always precursors.

For example, rather than staff verbally abusing, residents verbally abusing staff happens much more frequently. However, even if staff are repeatedly told “I hate you. Get out” or are subjected to violence, they continue to endure and provide care. But if such things continue habitually, staff may lose patience and inadvertently act out.

By using the “Abuse Prevention System” to capture all conversations, any verbal abuse by residents will be displayed as NG words. When this situation is observed, we can judge that “If we leave Staff A as is, it will be serious” and prevent such situations in advance.

We believe this “Abuse Prevention System” is necessary for the long-term care industry. We are actively working to commercialize it as soon as possible.

Regarding the “LIFE TALK ENGINE” app by Wellville mentioned on the right side of the slide, as I explained earlier, it is not progressing.

Let me explain a bit more about “care refugees”. In reality, high-priced facilities cannot assist care refugees. Therefore, low-priced facilities are necessary. In light of the social issue of vacant houses, we are actively working to utilize vacant facilities and shuttered shopping streets to provide care at low costs. We plan to release information as the business details become more concrete.

Promotion of Care DX



Promotion of Long-Term Care DX

We advance digital transformation (DX) at our facilities to improve services for residents as well as to streamline operations and reduce the burden on staff

- We established a Long -Term Care DX Promotion Department to forge ahead with DX on the front line of long -term care.
- Our field trial proposal was adopted by the Ministry of Health, Labour and Welfare's fiscal year 2022 subcommittee on long -term care benefit expenditures as part of its undertaking to **verify the effects of productivity improvement initiatives utilizing technologies and other innovations**. Thereupon, we participated in a demonstration project to maintain and raise service quality and improve productivity by introducing new equipment and transforming operations, which include deploying monitoring equipment, intercommunication systems, and communication robots, and changing the way of helping with excretion. The results are posted on the Ministry of Health, Labour and Welfare's website.
(<https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000209634.html>)
- We are participating in a demonstration project by the subcommittee on long -term care benefit expenditures again this fiscal year.
(https://www.mhlw.go.jp/stf/newpage_36608.html)
We are participating in a demonstration project to promote productivity increases in long -term care settings.

Monitoring equipment: “Life Rhythm Navi”

- Allows for managing the sleep patterns of residents, thereby improving their health and lifestyles.
- It reduces the number of times staff go into residents' rooms to check on them during the night, resulting in helping residents to sleep better and alleviating the burden on night shift staff.

**-Number of units installed
2,543 units / 5,811 rooms**

(Scheduled to be installed by the end of the current fiscal year: 3,306 units / 6,181 rooms)

- The FY2024 revision of the **long-term care fee system will add an additional-long-term care fee for evaluating operational improvements achieved through the use of technologies such as monitoring equipment.**

- Image of monitoring -



- Monitoring screen -



Regarding the promotion of Care DX, our company's most significant current initiative is this DX transformation.

Specifically, our company was selected for the “Efficiency Verification of Productivity Improvement Efforts through the Use of Technology” by the Ministry of Health, Labour and Welfare in fiscal 2021.

As described on pages 41 to 43 of the slide, we have joined the demonstration project for service quality maintenance/improvement and productivity improvement by introducing devices and transforming operations, such as monitoring devices, communication systems, meal delivery robots, and reviewing excretion care, and have achieved results.

The monitoring device is called “Life Rhythm Nav”. When a sensor mat is placed under the bed, and detectors are installed on the walls and ceiling, the activities of the residents in their rooms are displayed on the tablets held by the staff.

This has led to effects such as reducing the frequency of nighttime visits. Previously, staff visited residents every two or three hours at night, not knowing their conditions, which caused dissatisfaction among the residents.

However, with “Life Rhythm Nav”, we can confirm the residents’ well-being and whether they are already sleeping by looking at the tablet. In case of cardiac or respiratory arrest, an alarm will sound.

This was developed by Econavista, which was recently listed. Currently, out of 5,811 rooms, we have installed ‘Life Rhythm Nav’ in 2,543 rooms, and we plan to increase this to 3,306 units by the end of this term. We are planning to install a total of 5,000 units, and by actively utilizing these, we aim to improve operational efficiency and ensure a comfortable life for our residents.

Moreover, according to this long-term care fee revision, if certain designated conditions of DX transformation are met, the legally established staffing standards can be changed from 3:1 to 3.3:1. Our company is currently experimenting with this type of DX to be able to staff at 3.3:1.

Promotion of Care DX



Promotion of Long-Term Care DX

Intercommunication system (app-based)

- Dramatically improves the efficiency of communication, including instructions between staff and relaying of other information
- Already implemented in all 87 facilities
(Introduced on the website of the manufacturer Science Arts, Inc.)
<https://www.buddycom.net/ja/example/example-article39.html> (Japanese)



Food serving robots

- Introducing food serving robots that use AI to select optimal routes and handle serving and clearing of meals to improve efficiency and save labor in meal provision, while also increasing resident satisfaction by shortening waiting times
- Plan to introduce in 20 facilities this fiscal year (currently 17 facilities)



• Shortens work

Reduces staff labor time for serving meals by 58%



• Shortens meal serving time

Reduces meal serving time by 45%



• Shortens waiting time

Reduces waiting time from seating to meal serving by 50%



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Let me explain about the communication system. By wearing a communication device, everyone can be contacted and communicate immediately. This has already been introduced in all facilities.

The meal delivery robot has dramatically improved numbers. For example, labor time has been reduced by 58%, and meal delivery time by 45%, also reducing the waiting time for residents' meals by 50%.

Specifically, the staff loads four meals on the meal delivery robot and presses the switch for Table B. Then, the meal delivery robot automatically takes the meals to Table B. Previously, staff had to push all the meal carts.

Even now, staff push meal carts, but if Table A and Table B are adjacent, staff will deliver to Table A and clear away. Since Table B has a meal delivery robot, they just need to clear away there and press the button, then the robot will return to the kitchen, thus shortening the time for tasks.

Promotion of Care DX



Promotion of Long-Term Care DX

Advanced excretion support using portable ultrasound scanners

- The portable ultrasound scanner “iViz air” has been introduced to easily check residents’ bladder and rectal conditions, improving the quality of excretion support and decreasing the frequency of diaper changes.

- Charm Care is the first long-term care facility operator to introduce this (according to our research)

(An example from one of our facilities was introduced on the manufacturer Fujifilm website page for medical professionals)

<https://www.fujifilm.com/jp/ja/healthcare/ultrasound/iviz-air/interviews/us-02-iv-8008> (Japanese)



(Example)

- Before Introduction

Residents

Administered laxatives based on abdominal tension and intestinal peristaltic sounds, leading to repeated watery stool incontinence (discomfort from abdominal pain/incontinence, odor issues, lowered self-worth)

Care Staff

High burden of excretion support (30 minutes for cleanup)

Rejection of support and violence from residents during excretion support



- After Introduction

Residents

No more uncomfortable abdominal pain
No more concerns about stool leakage, etc.
⇒ **Improved quality of life**

Care Staff

Decreased care time and reduced physical/mental burden

⇒ **Lower staff turnover**
⇒ **Increased interaction time with residents**

I will explain about the portable ultrasound scanners we introduced for the first time in a long-term care facilities, in partnership with Fujifilm. By applying the portable ultrasound scanners to the abdomen, it is possible to determine whether there is accumulated stool or urine.

Previously, without knowing the internal condition, if there was difficulty in bowel movement, laxatives were administered to force bowel movement, resulting in inappropriate defecation and urination. However, using this portable ultrasound has made it much more convenient, and residents are very pleased.

Optimization of Staffing, Improvement of Productivity



Staffing Optimization, Productivity Improvements

Introduced Associate Leaders to optimize staffing and improve productivity

- Introduced the role of Associate Leader for high-performing individuals, and reviewed work content and allocation centered on Associate Leaders as the core, while keeping service quality as the prerequisite, in order to achieve overall optimization and improve the benefits for staff by shifting to a small number of elite employees.
⇒ Efforts showed results in 2Q
- Our Charm Nishinomiya Yogaicho facility received an award of excellence at the “Facilities with Long -Term Care Research Summit 2023: 11th National Conference for the Presentation of Case Studies on Facilities with Long -Term Care” hosted by the Japanese Council of Daily Life Long -Term Care Service Facilities.

Title: Efforts to Improve Productivity by the Ministry of Health, Labour and Welfare:
Operational Improvements at Charm Nishinomiya Yogaicho

Content: Implemented operational improvements in bathing-related work for care staff, reducing overtime to 1/10 and freeing up 38 minutes per day, using the time created to increase care time for residents.

Video: https://www.youtube.com/watch?v=pzKOo_LPIGo

—(Ref.)Results per employee (value added labor productivity)

Previous FY: 568,000 yen/month average

Current FY: 593,000 yen/month average (+25,000 yen)
(through 2Q)

Note: Estimated on a gross profit basis for our standalone nursing care business (gross profit excluding labor costs / number of staff)



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Regarding the optimization of staffing and productivity improvement: I have been considering for over a year whether we could operate with fewer people. Although human capabilities are considerable, maintaining the current number of people takes both time and money.

However, there was resistance to simply reducing one person, so we introduced AI and IT. After implementing everything mentioned earlier and optimizing staff while aiming for labor-saving and efficiency, it has led to a reduction in labor costs. Moreover, this optimization of staffing has significantly impacted our company's performance this term.

The specific effects are listed on the slide's lower left as a reference, where the added value labor productivity per employee was 568,000 yen per month last term, and it has reached an average of 593,000 yen per month until the second quarter of this term. In other words, it has increased by about 25,000 yen per person per month. Since the amount of money received from customers does not change, this means fewer people are needed.

We call this the “Elite Few Project” within our company. By optimizing staffing, we aim to increase productivity and redistribute the savings to our staff while also investing in IT.

This concludes the earnings presentation. Next, I would like to discuss our company's future business development and management strategy.

The Long-Term Care Business will continue to age rapidly. The number of elderly people is expected to increase steadily until 2060, and naturally, the number of people requiring long-term care will also increase. There are not many businesses expected to see demand for

nearly 40 years from now. Depending on the approach, I believe the Long-Term Care Business has significant growth potential.

On the other hand, due to the declining birthrate, the workforce is decreasing year by year, so securing human resources becomes a major challenge. I was shocked to read a newspaper article in 2022 stating that the number of long-term care staff decreased by 63,000. This means the net difference between people leaving the long-term care profession and those entering it.

Previously, it was said that there would be a shortage of 320,000 care workers by 2025, but this is probably information from more than ten years ago. Although 2024 data is not yet available, assuming a decrease of 60,000 people each year based on 2022 and 2023, there would be a decrease of 180,000 people over three years from 2022 to 2024. If this trend continues, there could be a shortage of 500,000 care workers by 2025.

This is a critical situation. In such circumstances, it is important to engage in long-term care with as few people as possible, and first, we must create such a system. There is only one solution. So it's not that there will be no care workers, and many people still want to work in care.

In a competitive environment for securing staff, it is important to secure a superior position by advancing IT and DX transformations and creating a comfortable working environment, in addition to increasing salaries and improving treatment. Currently, our company pays a three-month bonus annually, while many general care providers pay a two-month bonus, so when compared with companies disclosed in the industry, our company is at the top level. We aim to raise this to an overwhelmingly top level.

And we want to lead the industry in DX transformation. For example, regarding the optimization of staffing, we are operating with about 20 full-time equivalent staff per facility.

For simplicity, let's say we are operating with 21 people, and we reduce one person. In this case, the annual salary for staff is around 4.4 to 4.5 million yen. Adding the company's insurance payments, we pay about 6 million yen per person. In addition, there are recruitment costs of several hundred thousand yen per person. So, by reducing one person, excluding recruitment costs, we save about 6 million yen.

This 6 million yen could be divided, for example, into 2 million yen for staff (10,000 yen per person for 20 staff), 2 million yen for IT, and 2 million yen for the company. Even if we reduce staff, if it is not returned to the staff, it will not last, so we are currently progressing with this concept of optimal staff allocation.

The second issue is the surge in construction costs. It is extremely difficult to open 12 places next term. Therefore, we will actively pursue M&A.

Our company is celebrating its 20th anniversary this year. We opened our first facility in 2005, and regarding M&A, we have only done one facility about a dozen years ago and acquired Like about two and a half years ago. We have mostly opened on our own, but we will actively engage in M&A from now on. We will also take on new business ventures.

Finally, we aim to strive for sales of 100 billion yen and ordinary profit of 10 billion yen.

Q&A: Progress on Staff Optimization

Questioner: Regarding operational efficiency, how much progress has been made in staff optimization in the first half of this term? Is it implemented in all facilities, or is it partially progressing and will expand in the second half? Also, is there room for further efficiency improvements in the following years?

Shimomura: We have been considering the “Elite Few Project” for about a year and realistically started this term. We have already achieved certain results.

There is still room for improvement in some facilities, but we do not intend to stop here. For example, we plan to introduce meal delivery robots to 20 facilities by the end of this term. By further promoting IT, we aim to continue improving staff efficiency. We will carry out this staff efficiency improvement, anticipating a future where even if we want to hire, there are no people available.

However, there are differences between sites with excellent staff and those without, so we will proceed while judging the situation of the site and customers.

By optimizing staffing and increasing staff salaries, more excellent personnel will be attracted, enabling further efficiency. I consider this an endless challenge.

Q&A: Plans for New Establishment and Development



Newly Opened Facilities and Development Projects

FY2024/6 [40th fiscal year]

No.	New Opened Facilities	Rooms	Opening(planned)
1	Charm Akashi Nishifutami (Akashi City, Hyogo Prefecture)	Opened 69 (70 people)	Nov. 2023
2	Charm Fuchu-Banba(Miyashicho) (Fuchu City)	Opened 69	Dec. 2023
3	Charm SuiteNigawa II (Nishinomiya City, Hyogo Prefecture)	Opened 81	Feb. 2024
4	Charm Premier Kyoto Karasuma Rokkaku(Nakagyo-ku, Kyoto City)	Construction started 77	Mar. 2024
5	Charm MizumotoPark (Katsushika-ku)	Construction started 60	May. 2024
6	Charm Fuchu-Nissincho (Fuchu City)	Construction started 80	Jun. 2024
7	Charm SuiteKurakuen (Nishinomiya City, Hyogo Prefecture)	Construction started 72 (80 people)	Jun. 2024
Total	7 facilities (Tokyo metropolitan area: 3 facilities, Kinki metropolitan area: 4 facilities)	508 (517 people)	
No.	Development Projects	Rooms	completion(planned)
1	Nakaikagami property (Ota-ku)	Construction started 123	Jun. 2024
2	Takarazuka-Kohama property (Takarazuka City, Hyogo Prefecture)	Construction started 80	Jun. 2024
Total	2 facilities (Tokyo metropolitan area: 1 facilities, Kinki metropolitan area: 1 facilities)	203	

FY2025/6 [41st fiscal year]

No.	New Opened Facilities	Rooms	Opening(planned)
1	Charm SuiteHatanodai (Ota-ku)	Construction started 60	Jul. 2024
2	Charm Ritto (Ritto City, Shiga Prefecture)	Construction started 80	Oct. 2024
3	Charm Suite Kobe Tarumi (Tarumi-ku, Kobe City)	Construction started 95 (100 people)	Oct. 2024
4	Charm Suite Nishishinjuku (Shinjuku-ku)	Construction started 69	Apr. 2025
5	Charm Rokugo (Ota-ku)	68	May. 2025
6	Charm SuiteGotokuji (Setagaya-ku)	65	Jun. 2025
	1 facilities in Tokyo metropolitan area	?	FY2025/6
	2 facilities in Kinki metropolitan area	?	FY2025/6
Total	9 facilities (Tokyo metropolitan area: 5 facilities, Kinki metropolitan area: 4 facilities)	Approx. 700	
No.	Development Projects	Rooms	completion(planned)
1	Kita-Karasuyama property (Setagaya-ku)	Approx. 60	FY2025/6
2	Kokuryo-cho property (Chofu City, Tokyo)	Approx. 100	(TBD)
3	Projects in the Tokyo Metropolitan Area	Approx. 60	FY2025/6
Total	3 facilities (Tokyo metropolitan area: 3 facilities)	Approx. 200	

Due to problems such as the shortage of workers in the construction industry, the construction period tends to be longer than before, and delays in new openings are starting to occur. On the other hand, due to the trend of businesses focusing and selecting their core operations, and issues such as management difficulties and the absence of successors among small businesses after COVID, we are receiving a large number of M&A inquiries for nursing homes. We will carefully review these and plan to expand the number of homes through M&A.

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Questioner: Regarding plans for new establishment and development, indeed, construction costs have risen, so I assume that of the target of 12 facilities for the fiscal year ending June 2025, probably 6 facilities are already planned, and the remaining 6 are related to M&A. Will the number of M&As increase in the fiscal year ending June 2026, with a decrease in our own development? Is that the correct image?

Shimomura: The number of openings is based on numbers from about two years ago. However, problems such as work style reforms and rapid price increases in the construction market have emerged in the past six months.

We have managed to keep the cost of this term's projects very low, and they are progressing smoothly and without problems in terms of the schedule. Also, we are constructing two projects for the next term, and the ones currently under construction are almost exactly as budgeted initially.

However, recently construction costs have increased by about 30% to 40% compared to before, and the construction period may also take about 1.5 times longer than expected. The situation beyond the projects currently planned and underway is unpredictable. This is the same for other operators.

Considering this situation, we will acquire and revive facilities that have become unmanageable through M&A. The occupancy rate of "Like" has risen from 74.5% to almost 100% in about two years. This was achieved simply by doing what was supposed to be done.

Most failing operators tend to leave it up to the site. There are demands for admissions to long-term care facilities , and if we work hard, we can promote admissions adequately. We are confident in promoting admissions and management, so we will include such facilities in the number of openings and strive to achieve the target of 100 facilities next term.

As for the construction trends, I do not know. I met with an executive of a major developer yesterday, and they were troubled by the increase in land and construction costs. In such a situation, we will do our best.

Q&A: About M&A

Questioner: M&A often comes with failures. Do you have a special M&A task force within the company, or are you actively engaging with M&A support companies, etc.? Could you share your thoughts?

Shimomura: I think M&A cases come up as projects because the operations are not going well. One of our approaches is whether there is synergy.

The reasons for not doing well are immediately apparent upon investigation. In many cases, admissions have not been seriously promoted, leaving it to the site. From the perspective of the site staff, fewer residents are easier to manage, so in many cases we have seen, they were reluctant to accept residents with higher care needs.

In the case of "Like", it was mostly left to the site. However, we supported the entire company and promoted sales, which enabled full occupancy.

In M&A, we first look for synergy, compatibility with our philosophy, and areas we can improve. We don't undertake M&A indiscriminately.

Q&A: About Overseas Expansion

Questioner: Regarding new businesses, there is a trend of aging in Southeast Asia, and many companies in the aging business are expanding there. Does your company plan to expand domestically and not include overseas in your scope?

Shimomura: We do not intend to operate overseas due to the risks involved in overseas operations.

However, we have received invitations from various countries' companies. Currently, we have an offer from South Korea, and we cannot outright reject it, so we have communicated that "we will not participate in operations, but we are not reluctant to support". We plan to visit South Korea this month to inspect and discuss with the other party how we can provide our accumulated know-how and enable operations.

Q&A: About High-Priced Facilities' Occupancy Rate

Questioner: I would like to ask about high-priced facilities. Their occupancy rate has not been achieved as initially planned and has taken over three years. How do you analyze this and what do you think is the problem?

Shimomura: The cause is not entirely clear. Although there are demands among the wealthy, many such individuals have helpers, among other situations.

Also, many prefer to stay in their own homes. However, I believe the situation of home care is gradually becoming more challenging, and it is just taking longer than expected.

The monthly fee per person for high-priced facilities is about 1 million yen, and with the addition of 200,000 yen from care insurance, the total monthly fee becomes 1.2 million yen. Therefore, an increase of one person translates into a 14.4 million yen increase annually. As for the increase in costs, food expenses are about one million yen annually, which means that most of the 14.4 million yen in revenue is added to the profit.

For example, if five more people move in, that adds about 70 million yen in annual revenue, with only one or two additional staff required, so the revenue-profit margin increases significantly once the break-even point is reached. We are currently taking longer than expected to reach this point, but once we do, profits will rise significantly.

We do not undertake high-priced facility projects indiscriminately but plan to develop them in balance with mid-priced facilities.

Interestingly, for this term, mid-priced facilities have filled up quickly, with some facilities receiving about 30 admissions in the first month. This has turned what was a negative factor in our performance into a positive one. Previously, new openings were dragging us down, but now they are contributing positively.

However, we still want to maintain our brand power by operating high-priced facilities. There are significant demands, so we will continue working on this balance.

Questioner: The significant success of new openings is largely due to the end of the pandemic, correct? Do you think it has become easier to operate post-pandemic?

Shimomura: It's not just that. This term, various initiatives such as staff optimization and IT integration have collectively functioned well. In fact, productivity per employee has increased by 25,000 yen. Since the amount of money received from customers has not changed, this means a reduction in the number of staff. We have not received any complaints from customers about the reduction in staff.

Human potential is immeasurable. One of my favorite phrases is “Jō Fushin”, meaning “Do not believe in the status quo”, which refers to breaking the current situation.

Currently within our company, we are attempting to change the methods of working themselves. We have designated a model home and are experimentally engaging in work reforms that differ from the current IT integration and optimization.

In the long-term care industry, what has been done historically is considered correct. We are trying to break this down and attempt something new. If it doesn't work out, we can go back to how it was. We are undertaking such fundamental changes throughout the company.