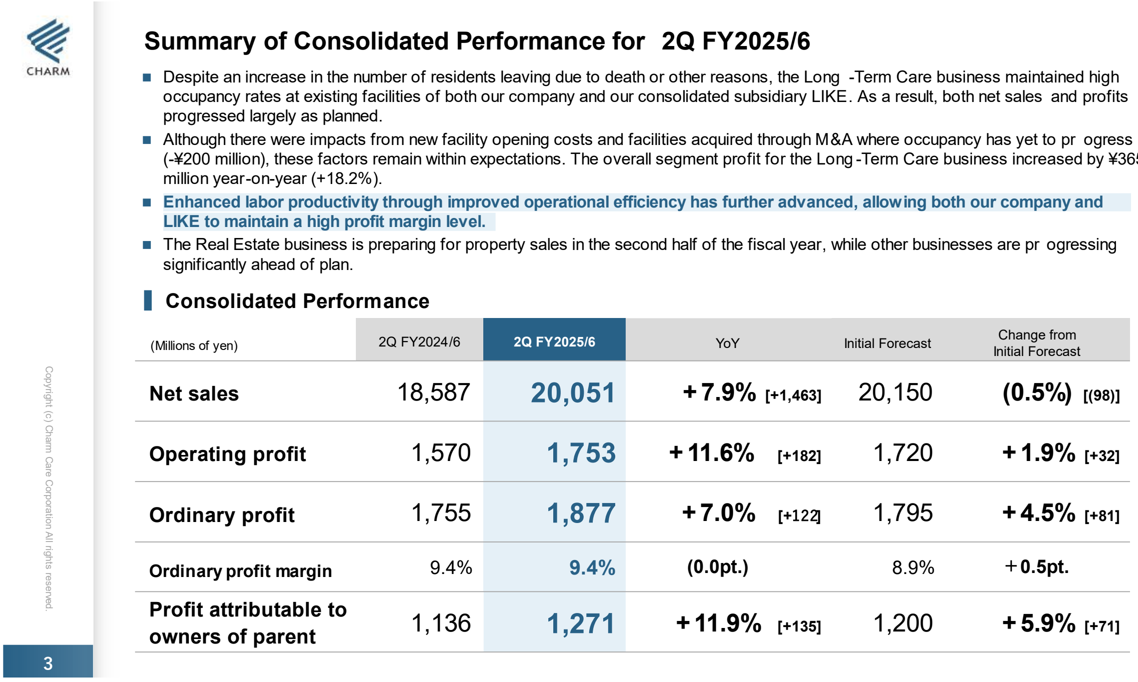
[QA Included] Charm Care Corporation: Sales and Profit in the Long-Term Care Business Progressing as Planned, Contributing Factors Include Maintaining High Occupancy Rates and Improving Labor Productivity”



(Millions of yen)	2Q FY2024/6	2Q FY2025/6	YoY	Initial Forecast	Change from Initial Forecast
Net sales	18,587	20,051	+7.9% [+1,463]	20,150	(0.5%) [(98)]
Operating profit	1,570	1,753	+11.6% [+182]	1,720	+1.9% [+32]
Ordinary profit	1,755	1,877	+7.0% [+122]	1,795	+4.5% [+81]
Ordinary profit margin	9.4%	9.4%	(0.0pt.)	8.9%	+0.5pt.
Profit attributable to owners of parent	1,136	1,271	+11.9% [+135]	1,200	+5.9% [+71]

Charm Care Corporation

6062, Tokyo Stock Exchange Prime, Service Industry

We will transcribe and share the contents of the Q2 FY2025 earnings presentation for Charm Care Corporation announced on March 3, 2025.

Speaker:
Mr.Takahiko Shimomura, Chairman and CEO
Mr.Shiro Kokaji, President and COO
Mr.Yoshihiko Maeda, Director and Executive Officer

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

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Shiro Kokaji (hereinafter, Kokaji): Hello, everyone. I am Shiro Kokaji, President and COO of Charm Care Corporation. Thank you very much for taking the time out of your busy schedules to attend our financial results briefing today.

Here is today's agenda. I assumed the position of President and COO in October of last year. I will present the performance report, and the future policies and strategies will be explained by Takahiko Shimomura, Chairman and CEO. Thank you for your attention.

Consolidated Financial Results Summary for the Second Quarter of the Fiscal Year Ending June 2025

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Summary of Consolidated Performance for 2Q FY2025/6

- Despite an increase in the number of residents leaving due to death or other reasons, the Long -Term Care business maintained high occupancy rates at existing facilities of both our company and our consolidated subsidiary LIKE. As a result, both net sales and profits progressed largely as planned.
- Although there were impacts from new facility opening costs and facilities acquired through M&A where occupancy has yet to pr ogress (-¥200 million), these factors remain within expectations. The overall segment profit for the Long-Term Care business increased by ¥365 million year-on-year (+18.2%).
- **Enhanced labor productivity through improved operational efficiency has further advanced, allowing both our company and LIKE to maintain a high profit margin level.**
- The Real Estate business is preparing for property sales in the second half of the fiscal year, while other businesses are pr ogressing significantly ahead of plan.

Consolidated Performance

(Millions of yen)	2Q FY2024/6	2Q FY2025/6	YoY	Initial Forecast	Change from Initial Forecast
Net sales	18,587	20,051	+7.9% [+1,463]	20,150	(0.5%) [(98)]
Operating profit	1,570	1,753	+11.6% [+182]	1,720	+1.9% [+32]
Ordinary profit	1,755	1,877	+7.0% [+122]	1,795	+4.5% [+81]
Ordinary profit margin	9.4%	9.4%	(0.0pt.)	8.9%	+0.5pt.
Profit attributable to owners of parent	1,136	1,271	+11.9% [+135]	1,200	+5.9% [+71]

For the second quarter of the fiscal year ending June 2025, in our Long-Term Care Business, we’ve been able to maintain high occupancy rates. In addition, labor productivity has improved through a few highly specialized projects, and both sales and profits are progressing as planned.

The high occupancy rates at our existing facilities have helped offset the decreased profits from the homes we acquired through last year’s M&A, allowing us to achieve increased sales and profits compared to the previous year. For the homes we acquired through M&A, we expect them to contribute further to profits as we continue to improve occupancy and optimize labor costs.

Sales reached ¥20.05 billion, a 7.9% increase from the same period last year. Operating profit was ¥1.753 billion, up 11.6% from the previous period. Ordinary profit was ¥1.877 billion, a 7% increase from the previous period, and net profit was ¥1.271 billion, which is an 11.9% increase compared to the previous period.

In the real estate business, as usual, we expect sales and profits to concentrate in the second half of the fiscal year, and we’re currently preparing for property sales.

Q2 FY2025 Performance by Segment

2Q FY2025/6 Results by Reporting Segment

Long-Term Care Business

- Despite an increase in the number of residents leaving due to death or other reasons, our existing facilities maintained high occupancy rates, and occupancy rates at the subsidiary LIKE's existing facilities remained at the highest level.
- We are actively implementing IT and AI to prepare for future shortages of caregiving personnel, leading to further improvements in operational efficiency and optimization of personnel allocation (see page 48). As a result, both our company and LIKE have maintained a high profit margin level.
- Although the concentration of new facility openings in the first half led to a temporary burden of opening costs, and the impact of facilities acquired through M&A this fiscal year where occupancy has yet to progress (-¥200 million) remains, these factors are within expectations. The overall segment profit for the Long-Term Care business increased by ¥365 million year -on-year (+18.2%).
- For M&A-acquired facilities, in addition to applying our expertise, our subsidiary's resident referral company is actively promoting occupancy.
- In addition to new M&A opportunities, we are also receiving information on turnkey properties (*), considering them as a new option for increasing the number of facilities.

(*) Turnkey properties have the advantage of requiring less time to open and often having lower rental costs compared to current market rates.

Real Estate Business

- The development project scheduled for sale in the fourth quarter (the Kita-Karasuyama project) is steadily progressing, including considerations for the property buyer and the operating company.
- Other real estate projects expected to reliably generate profits in a short period are progressing as planned.

Other Businesses

- The business managed by the consolidated subsidiary Good Partners saw strong performance in both sales and profits.
- The first hospice facility opened in November, with strong occupancy from the first month.
- The resident referral business for nursing care facilities and others, managed by the consolidated subsidiary Charm Senior Living, is progressing smoothly and also contributing to promoting occupancy at our group's facilities.
- The new business (Abuse Prevention System) is being prepared for external sales.

This is the segment-wise situation for the second quarter of the fiscal year ending June 2025. In the Long-Term Care Business, the average occupancy rate of our existing facilities remains high at 94.8%, and particularly, the occupancy rate of existing facilities under our subsidiary LIKE is at an impressive 99.5%.

Thanks to the active promotion of AI and IT at the frontline, we' ve been able to improve operational efficiency and maintain a high profit margin.

The seven facilities acquired through this year' s M&A have temporarily pressured performance, but in terms of overall Long-Term Care Business segment profit, there has been an increase of ¥365 million compared to the previous period. We expect further profit contributions as we continue to make improvements, positioning these facilities as a growth engine for our company.

We will continue to focus on acquiring information for new M&A projects and, as part of a new strategy, we aim to secure turnkey property projects.

In the real estate business, the construction for the Kitakarasuyama project, scheduled for sale in the fourth quarter, is proceeding as planned. For other income-generating properties, there are multiple candidates for sale, and we are proceeding steadily.

In other businesses, Good Partners, a consolidated subsidiary, has successfully launched the Hospice facility business, and both sales and profits are showing strong performance. Additionally, Charm Senior Living, which began the resident referral business last year, has made a significant contribution to promoting occupancy at our facilities.

The new business, "Abuse Prevention System," still faces many challenges, and we are conducting repeated trials at the sites. We anticipate that it will take some more time before it becomes profitable.

Q2 FY2025 Consolidated Results by Segment (Detailed)

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2Q FY2025/6 Results: by Reporting Segment [detailed]

(Millions of yen)

Segment	Item		2Q FY2024/6 Result	2Q FY2025/6 Result	2Q FY2025/6 YoY	FY2025/6 Forecast
Long-Term Care	Charm Care Corporation (Excluding M&A facilities)	Net sales	15,242	**17,507**	+2,264 [+14.9%]	36,091
		Operating Profit	1,944	**2,481**	+ 536 [+27.6%]	5,657
	LIKE	Net sales	932	**1,057**	+125 [+13.5%]	2,157
		Operating Profit	159	**189**	+30 [+19.2%]	376
	Amortization of goodwill		(90)	**(90)**	— [—%]	(181)
	M&A-acquired facilities (7 facilities)	Net sales	-	**378**	+378 [—%]	1,631
		Operating Profit	-	**(200)**	(200) [—%]	(428)
	Amortization of goodwill		-	**(0)**	(0) [—%]	-
	Total	Net sales	16,174	**18,944**	+2,769 [+17.1%]	39,880
		Segment profit	2,012	**2,378**	+365 [+18.2%]	5,423
Real Estate	Total	Net sales	1,752	**4**	(1,747) [(99.7%)]	7,117
		Segment profit	14	**(64)**	(78) [—%]	514
Other Businesses	Good Partners (staffing services, etc.) (Note 1)	Net sales	885	**1,389**	+503 [+56.8%]	2,634
		Operating Profit	57	**69**	+12 [+22.2%]	97
	Amortization of goodwill		(16)	**(16)**	— [—%]	(38)
	Charm Senior Living (Resident referral services)	Net sales	-	**15**	+15 [—%]	150
		Operating Profit	-	**8**	+8 [—%]	50
	New Business (Abuse prevention system)	Net sales	-	**-**	— [—%]	50
		Operating Profit	-	**-**	— [—%]	(5)
	Others (M&A, etc.)	Net sales	-	**-**	— [—%]	1,000
		Operating Profit	-	**-**	— [—%]	-
	Total	Net sales	885	**1,405**	+519 [+58.6%]	3,834
		Segment profit	40	**62**	+21 [+52.4%]	104
Adjustments	Intersegment sales or transfers		(225)	**(302)**	(77) [—%]	(682)
	Segment profit (Note 2)		(497)	**(623)**	(126) [—%]	(1,137)
Consolidated	Net sales		18,587	**20,051**	+1,463 [+7.9%]	50,150
	Operating profit		1,570	**1,753**	+182 [+11.6%]	4,905
	Ordinary profit		1,755	**1,877**	+122 [+7.0%]	5,015
	Extraordinary income (losses)		-	**-**	— [—%]	2,099
	Profit attributable to owners of parent		1,136	**1,271**	+135 [+11.9%]	4,765

(Note 1) Due to a change in the fiscal year, Good Partners' fiscal period is 8-month term from May 1, 2024, to December 31, 2024.
(Note 2) Segment profit presented in the Adjustments section represents corporate expenses not allocated to individual reporting segments. Corporate expenses are primarily general and administrative expenses not attributable to specific reporting segment

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This is the detailed segment-wise performance. In the Long-Term Care Business, excluding the M&A-acquired facilities, Charm Care Corporation's sales reached ¥17.57 billion, a 14.9% increase compared to the same period last year. Operating profit was ¥2.481 billion, a 27.6% increase compared to the previous year.

The subsidiary LIKE reported sales of ¥1.057 billion, a 13.5% increase from the same period last year, and operating profit of ¥189 million, a 19.2% increase from the previous year. The sales of the seven M&A-acquired facilities for this period were ¥378 million, but operating profit was a negative ¥200 million.

The total sales amounted to ¥18.944 billion, a 17.1% increase compared to the same period last year, and operating profit was ¥2.378 billion, an 18.2% increase compared to the previous year.

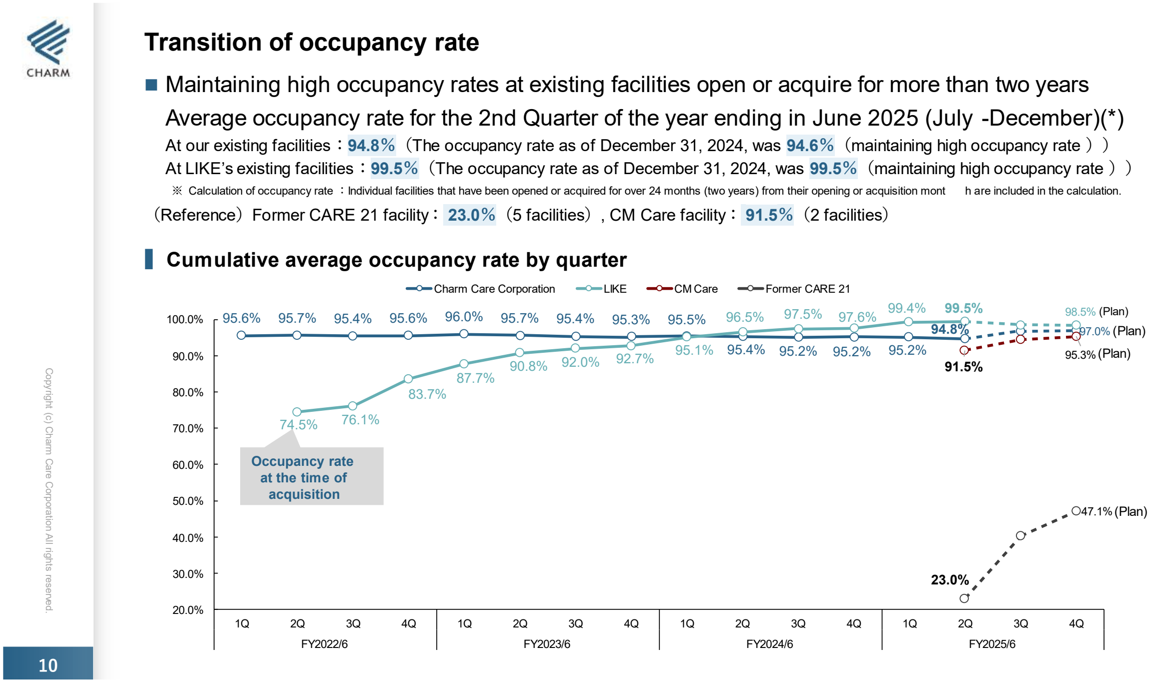
In the real estate business, sales amounted to ¥4 million, but three properties are currently in the process of being sold in the fourth quarter.

In other businesses, Good Partners reported sales of ¥1.389 billion, a 56.8% increase from the previous period, and operating profit of ¥69 million, a 22.2% increase from the previous period.

The new business, "Abuse Prevention System," still faces many challenges, and we are conducting repeated trials at the sites.

To reiterate, consolidated sales reached ¥20.051 billion, operating profit was ¥1.753 billion, and ordinary profit was ¥1.877 billion. Net profit attributable to parent company shareholders was ¥1.271 billion, a 11.9% increase compared to the same period last year.

Occupancy Rate Trends of Existing Facilities



This is about occupancy rates. The average occupancy rate for our existing facilities is 94.8%. Specifically, the occupancy rate for our subsidiary LIKE is at 99.5% as of December, maintaining the highest level.

On the slide, we've included reference data for the occupancy rates of the former Care 21 facilities and CM Care facilities.

For the former Care 21 facilities, the planned average occupancy rate for the fiscal year-end was 47.1%, and as of the end of March, the occupancy rate is expected to be in the 40% range, progressing smoothly.

In particular, Charm Suite Toyosu has been progressing well and has reached profitability. Of the 368 rooms across the five facilities, 60 rooms were occupied at the time of the handover, but the current occupancy has improved to approximately 140 rooms.

For CM Care facilities, the occupancy rate was planned to be 95.3% by the end of this period. Both the Omori and Kawasaki facilities are almost fully occupied.

B/S Summary (Consolidated)

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Summary of Consolidated Balance Sheets

(Millions of yen)	As of Jun. 30, 2024	As of Dec. 31, 2024	Change
Current assets	**24,415**	**24,210**	**(204)**
Cash and deposits	12,640	7,296	(5,343)
Inventories (Note 1)	2,361	6,246	+3,885
Money held in trust (Note 2)	5,275	6,002	+726
Other	4,137	4,665	+527
Non-current assets	**22,924**	**28,824**	**+5,900**
Property, plant and equipment	12,264	15,110	+2,845
Intangible assets	2,680	2,704	+24
Goodwill	2,588	2,498	(89)
Other	91	206	+114
Investments and other assets	7,979	11,009	+3,030
Investment securities	10	2,066	+2,056
Guarantee deposits	5,639	6,185	+546
Deferred tax assets	1,768	1,768	(0)
Other	561	989	+428
Total assets	**47,339**	**53,035**	**+5,696**

(Millions of yen)	As of Jun. 30, 2024	As of Dec. 31, 2024	Change
Current liabilities	**22,040**	**24,976**	**+2,936**
Short-term borrowings	4,667	6,361	+1,693
Current Portion of Long-Term Debt	904	1,174	+270
Contract liabilities (Note 3)	11,644	13,300	+1,655
Other	4,823	4,141	(682)
Non-current liabilities	**6,592**	**9,050**	**+2,457**
Long-term borrowings	5,122	7,200	+2,077
Other	1,469	1,849	+380
Total liabilities	**28,632**	**34,027**	**+5,394**
Shareholders' equity	**18,684**	**18,985**	**+301**
Share capital	2,759	2,759	—
Capital surplus	2,762	2,768	+6
Retained earnings	13,205	13,492	+287
Treasury shares	(43)	(35)	+8
Total accumulated other comprehensive income	(12)	(11)	+0
Share acquisition right	34	34	—
Total net assets	**18,706**	**19,008**	**+301**
Total liabilities and net assets	**47,339**	**53,035**	**+5,696**

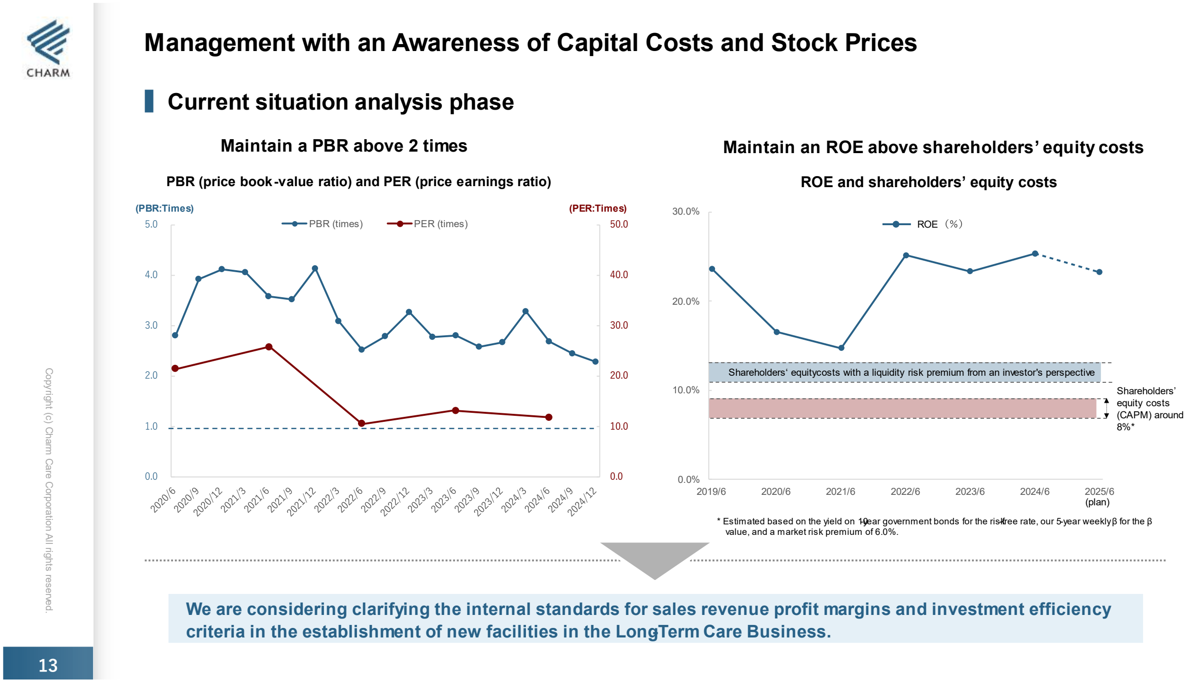
Equity Ratio	35.8%
Interest-Bearing Debt Ratio	79.9%

(Note 1) Inventories are real estate for sale and real estate for development in the real estate business.
(Note 2) Money held in trust are deposits made as a protective measure for a part of the initial lump sum fee received in the long-term care business, as mandated by the Act on Social Welfare for the Elderly.
(Note 3) Contract liabilities are initial lump sum fees received and held by the long-term care business, which are drawn down as revenue is recognized.

This is the balance sheet. The main change is that cash and cash equivalents have decreased by approximately ¥5.3 billion compared to the end of the previous period. This is due to an increase in inventory within the real estate business and fixed assets.

As of the end of December, the equity ratio is 35.8%, and the ratio of interest-bearing debt is 79.9%.

On Management Focused on Capital Costs and Stock Price



This is about "Management Focused on Capital Costs and Stock Price." On the right side of the slide, we have now included a graph showing the cost of equity from an investor's perspective. Our ROE has been consistently higher than the cost of equity.

Additionally, we are currently considering clarifying the investment efficiency criteria, in addition to the sales-to-ordinary profit ratio, as a standard for opening new facilities. We aim to continue advancing management that is mindful of capital costs.

FY2025 Performance Forecast (No Revisions)

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FY2025/6 Results Forecasts

- The existing Long-Term Care Business continues an upward growth with increasing sales and profits.
- The seven facilities acquired through M&A this fiscal year have low occupancy rates, which contribute to decreased profits this fiscal year.
  - ⇒ Improvements in occupancy rates and operations through our expertise will **drive growth from the next fiscal year onwards**
- The Real Estate Business contributes to decreased profits due to a decrease in the number of projects YoY.

Full-year forecasts (consolidated)

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Occupancy rate for fee-based homes for the elderly with long-term care (average for the period) Charm Care	LIKE
FY2024/6 (result)	47,829	5,386	5,817	4,276	95.2%	97.6%
FY2025/6 (forecast)	**50,150**	**4,905**	**5,015**	**4,765**	**97.0%**	**98.5%**
Change	**+4.9%**	**△8.9%**	**△13.8%**	**+11.4%**	**+1.8pt.**	**+0.9pt.**

Note: Please refer to the next page for the performance forecast by Reporting Segment.

Please refer to the slide for the full-year performance forecast.

FY2025 Performance Forecast (Detailed)

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FY2025/6 Results Forecasts [Detailed]

(Millions of yen)

			FY2024/6 Result	FY2025/6 Forecast	YoY
Long-Term Care	Charm Care Corporation (Excluding M&A facilities)	Net sales	31,484	**36,091**	+4,607 [+14.6%]
		Operating Profit	4,255	**5,657**	+1,401 [+32.9%]
	LIKE	Net sales	1,905	**2,157**	+251 [+13.2%]
		Operating Profit	335	**376**	+40 [+12.2%]
	Amortization of goodwill		(183)	**(181)**	+1 [(0.6%)]
	M&A-acquired facilities (Seven facilities)	Net sales	-	**1,631**	+1,631 [−%]
		Operating Profit	-	**(428)**	(428) [−%]
	Amortization of goodwill		-	**-**	-
	Total	Net sales	33,390	**39,880**	+6,490 [+19.4%]
		Segment profit	4,407	**5,423**	+1,015 [+23.0%]
Real Estate	Total	Net sales	13,062	**7,117**	(5,944) [(45.5%)]
		Segment profit	1,874	**514**	(1,359) [(72.5%)]
Other Businesses	Good Partners (Note 1) (staffing services, etc.)	Net sales	1,857	**2,634**	+777 [+41.8%]
		Operating Profit	128	**97**	(30) [(24.1%)]
	Amortization of goodwill		(34)	**(38)**	(3) [+11.4%]
	Charm Senior Living (Resident referral services)	Net sales	-	**150**	+150 [−%]
		Operating Profit	-	**50**	+50 [−%]
	New Business (Abuse prevention system)	Net sales	-	**50**	+50 [−%]
		Operating Profit	-	**(5)**	(5) [−%]
	Others (M&A, etc.)	Net sales	-	**1,000**	+1,000 [−%]
		Operating Profit	-	**0**	±0 [−%]
	Total	Net sales	1,857	**3,834**	+1,977 [+106.5%]
		Segment profit	94	**104**	+9 [+10.4%]
Adjustments	Intersegment sales or transfers		(480)	**(682)**	(202) [+42.1%]
	Segment profit (Note 2)		(990)	**(1,137)**	(146) [+14.8%]
Consolidated	Net sales		47,829	**50,150**	+2,320 [+ 4.9%]
	Operating profit		5,386	**4,905**	(481) [(8.9%)]
	Ordinary profit		5,817	**5,015**	(802) [(13.8%)]
	Extraordinary income (losses)		559	**2,099**	+1,540 [+275.5%]
	Profit attributable to owners of parent		4,276	**4,765**	+488 [+11.4%]

Notes: 1. Good Partners Co., Ltd. has changed its fiscal year-end, resulting in a 14-month accounting period for the FY2025/6.
2. Segment profit presented in the Adjustments section represents corporate expenses not allocated to individual reporting segments. Corporate expenses are primarily general and administrative expenses not attributable to specific reporting segments.

- The existing Long-Term Care business will **benefit from productivity improvements throughout the year**, and high occupancy rates in high-price range facilities will contribute to **improved profit margins**.
- The Real Estate business will see decreased sales and profits mainly due to one project's postponement. With rising construction costs and extended construction periods, the number of development projects is expected to decrease for the time being.
- To compensate for the decrease in the number of projects and fewer new facility openings due to delays in the Real Estate business, **we are accelerating the acquisition of facilities through M&A**. With abundant information coming in, we have confirmed the acquisition of seven facilities this fiscal year. **Although these will operate at a loss this period due to low initial occupancy rates, our involvement will significantly contribute to growth from the next fiscal year onward.**
- Our subsidiary Good Partners, with its strength in securing nurses, will **start a hospice service**. While this fiscal year will see decreased profits due to opening expenses, the plan to open 1–2 facilities annually will contribute to future performance.
- New businesses such as **the resident referral services** and **the abuse prevention system** will aim for expansion while also contributing to the existing Long-Term Care business.
- In line with our asset-light policy, **we plan for over 2 billion yen in extraordinary income** through sale and leaseback of company-owned and M&A-acquired facilities.

As shown on the slide, the facilities acquired through M&A are a factor in decreased profits, but due to increased sales and profits from existing facilities, there have been no revisions to the initial forecast.

Dividend (No Revisions)

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Dividends

- The dividend for the current fiscal year is planned to be **30.00 yen per share, 4 yen higher than the initial forecast**.
- The dividend for the next fiscal year is forecast to increase 4 yen to **34.00** yen per share (gradually moving towards a payout ratio of 30%).

Dividend forecast for FY2025/6

	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)
FY2025/6 (forecast)	¥4,765 million	¥145.90	**¥34.00**	23.3%	¥1,110 million	4.9%

Dividend Record

	Profit attributable to owners of parent	Earnings Per Share (EPS)	Annual Dividend Per Share (DPS)	Payout Ratio (consolidated)	Total Dividend Amount	Dividend on Equity (DOE)
FY2024/6	¥4,276 million	¥130.94	**¥30.00**	22.9%	¥979 million	5.2%
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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There have been no revisions to the dividend forecast. Regarding the dividend payout ratio, we plan to gradually increase it toward 30% in the future, while balancing it with growth investments.

Growth Strategy: Development of Existing Businesses and Expansion of Business Areas

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Growth Strategy:
Develop Existing Businesses and Expand the Business Domain

Plan for FY2025/6

Net sales	**¥50.1 billion**
Ordinary profit	**¥5.01 billion**

Medium-term target

Net sales	**¥100.0 billion**
Ordinary profit	**¥10.0 billion**

1 First pillar of business:
Long-Term Care Business

Continue and expand new facility openings, focusing on mid to high-price ranges.
Grow and expand by accelerating M&A acquisition of facilities.

- Expand the business scale with the goal of opening or acquiring through M&A 10 or more facilities per year in our dominant areas (Tokyo and Kinki metropolitan areas).
- Improve occupancy rates, focusing on high -price range and new facilities, through strengthening the subsidiary Charm Senior Living and other measures.
  - (1) Improve occupancy rates by enhancing Charm Senior Living , a provider of resident referral services.
  - (2) Continue to promote move -ins to high-price range facilities through SEO strategies and web advertising.
- Evolve long-term care DX and improve productivity to obtain additional fees
  - (1) Continue to improve service quality while enhancing operational efficiency, saving labor, and optimizing staffing through long -term care DX.
  - (2) Aim to obtain additional long -term care fees through productivity improvements at all facilities (100 units/month per resident).

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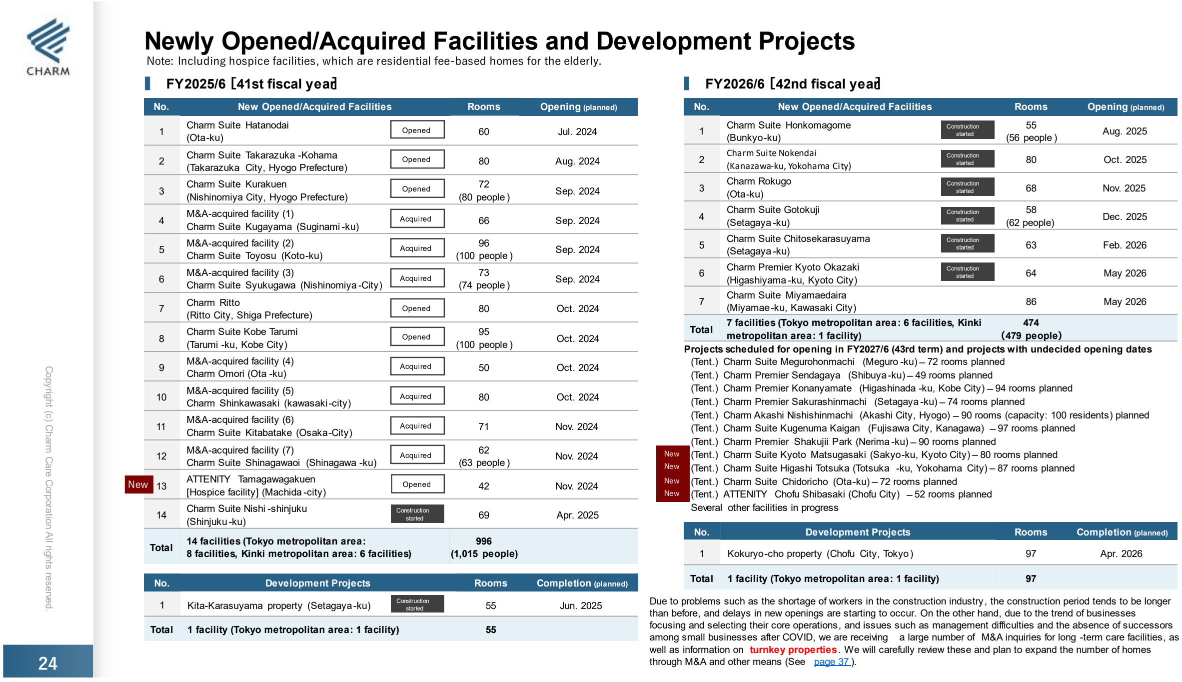
Let me explain the mid-term management plan. We will continue to aim for sales of ¥100 billion and ordinary profit of ¥10 billion.

New Facility Openings/Acquisitions and Development Projects



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Newly Opened/Acquired Facilities and Development Projects

Note: Including hospice facilities, which are residential fee-based homes for the elderly.

FY2025/6 [41st fiscal year]

No.	New Opened/Acquired Facilities		Rooms	Opening (planned)
1	Charm Suite Hatanodai (Ota-ku)	Opened	60	Jul. 2024
2	Charm Suite Takarazuka -Kohama (Takarazuka City, Hyogo Prefecture)	Opened	80	Aug. 2024
3	Charm Suite Kurakuen (Nishinomiya City, Hyogo Prefecture)	Opened	72 (80 people)	Sep. 2024
4	M&A-acquired facility (1) Charm Suite Kugayama (Suginami-ku)	Acquired	66	Sep. 2024
5	M&A-acquired facility (2) Charm Suite Toyosu (Koto-ku)	Acquired	96 (100 people)	Sep. 2024
6	M&A-acquired facility (3) Charm Suite Syukugawa (Nishinomiya-City)	Acquired	73 (74 people)	Sep. 2024
7	Charm Ritto (Ritto City, Shiga Prefecture)	Opened	80	Oct. 2024
8	Charm Suite Kobe Tarumi (Tarumi -ku, Kobe City)	Opened	95 (100 people)	Oct. 2024
9	M&A-acquired facility (4) Charm Omori (Ota -ku)	Acquired	50	Oct. 2024
10	M&A-acquired facility (5) Charm Shinkawasaki (kawasaki-city)	Acquired	80	Oct. 2024
11	M&A-acquired facility (6) Charm Suite Kitabatake (Osaka-City)	Acquired	71	Nov. 2024
12	M&A-acquired facility (7) Charm Suite Shinagawaoi (Shinagawa -ku)	Acquired	62 (63 people)	Nov. 2024
New 13	ATTENITY Tamagawagakuen [Hospice facility] (Machida-city)	Opened	42	Nov. 2024
14	Charm Suite Nishi-shinjuku (Shinjuku-ku)	Construction started	69	Apr. 2025
Total	**14 facilities (Tokyo metropolitan area: 8 facilities, Kinki metropolitan area: 6 facilities)**		**996 (1,015 people)**	

No.	Development Projects		Rooms	Completion (planned)
1	Kita-Karasuyama property (Setagaya-ku)	Construction started	55	Jun. 2025
Total	**1 facility (Tokyo metropolitan area: 1 facility)**		**55**	

FY2026/6 [42nd fiscal year]

No.	New Opened/Acquired Facilities		Rooms	Opening (planned)
1	Charm Suite Honkomagome (Bunkyo-ku)	Construction started	55 (56 people)	Aug. 2025
2	Charm Suite Nokendai (Kanazawa-ku, Yokohama City)	Construction started	80	Oct. 2025
3	Charm Rokugo (Ota-ku)	Construction started	68	Nov. 2025
4	Charm Suite Gotokuji (Setagaya-ku)	Construction started	58 (62 people)	Dec. 2025
5	Charm Suite Chitosekarasuyama (Setagaya-ku)	Construction started	63	Feb. 2026
6	Charm Premier Kyoto Okazaki (Higashiyama-ku, Kyoto City)	Construction started	64	May 2026
7	Charm Suite Miyamaedaira (Miyamae-ku, Kawasaki City)		86	May 2026
Total	**7 facilities (Tokyo metropolitan area: 6 facilities, Kinki metropolitan area: 1 facility)**		**474 (479 people)**	

Projects scheduled for opening in FY2027/6 (43rd term) and projects with undecided opening dates

(Tent.) Charm Suite Megurohonmachi (Meguro-ku) – 72 rooms planned
(Tent.) Charm Premier Sendagaya (Shibuya-ku) – 49 rooms planned
(Tent.) Charm Premier Konanyamate (Higashinada-ku, Kobe City) – 94 rooms planned
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New (Tent.) ATTENITY Chofu Shibasaki (Chofu City) – 52 rooms planned
Several other facilities in progress

No.	Development Projects	Rooms	Completion (planned)
1	Kokuryo-cho property (Chofu City, Tokyo)	97	Apr. 2026
Total	**1 facility (Tokyo metropolitan area: 1 facility)**	**97**	

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 long-term care facilities, as well as information on **turnkey properties**. We will carefully review these and plan to expand the number of homes through M&A and other means (See page 37).

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As a new development, let me introduce the new facility openings. As shown in item 13 on the table on the left side of the slide, ATTENITY Tamagawagakuen, a hospice facility by Good Partners, was opened in November of last year.

For planned openings after the fiscal year ending June 2027, as noted in the bottom right of the slide, we are preparing four facilities: Charm Suite Kyoto Matsugasaki, Charm Suite Higashi-Totsuka, Charm Suite Chidoricho, and ATTENITY Chofu Shibasaki.

Features of the Long-Term Care Business (1)

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Characteristics of the Long -Term Care Business (1)

▶ For Reference: Comparison of structures and risks between "fee -based homes for the elderly with long-term care" and "hospice facilities"

	Fee-based homes for the elderly with long -term care	hospice facility,etc.（Facilities specializing in palliative care and the care of individuals with specific intractable diseases.）
Definition	• Among fee -based homes for the elderly, **care facilities designated* by local governments as "daily life long -term care admitted to specified facilities" based on the Long -Term Care Insurance Act** * The number of designation is determined by the local government based on demand. ⇒ **With restrictions on opening**	• No clear official definition • Residences not designated as "daily life long -term care admitted to specified facilities" (often Residential fee -based homes for the elderly) ⇒**Without restrictions on opening**
Public insurance fee	• **Fixed** fees from long -term care insurance (fees according to the residents' required level of care) ⇒ **Predictable and stable with almost no risk of fraudulent claims**	• **Variable** fees from health insurance and long -term care insurance (fees according to service volume such as number of visits and individuals served) ⇒ **Billing must be based on the condition and service volume of the residents, requiring careful attention to avoid overcharging.**
Staffing criteria	• **With** Legal criteria ⇒ **Corporate efforts such as improving operational efficiency within the scope of criteria**	• **Without** legal criteria ⇒ **Staffing based on management decisions according to service volume**
Usage fees (including food expenses) (Borne by the residents)	• Determined by the operator (prepaid fees plan is also available.) • The ratio of usage fees to public insurance fee is approximately **60% to 40%** (for our standard facility). ⇒ **Ranging from ¥200,000 to ¥2,000,000 per month (in our case)** ⇒ **The impact of system revisions is low (revisions to the long -term care insurance system occur once every 3 years).**	• Determined by the operator (there is no prepaid fees plan.) • The ratio of usage fees to public insurance fee is approximately **10% to 90%*** (according to external sources). ⇒ **Mainly ranging in ¥100,000 or so per month, with some being below ¥100,000 per month** (according to our research) ⇒ **The impact of system revisions is high (revisions to the health insurance system occur once every 2 years).**
Occupancy period of residents	• Approximately 5 years on average (in our case) ⇒ **Stable occupancy rates**	• In many cases, approximately 2 -3 months on average (according to our research) ⇒ **The resident's turnover are high, so stability of occupancy rates is challenges.**
Buildings and Rooms	• Design and luxury as a residence (in our case) ⇒ **Meeting the needs of the middle to affluent class**	• Image of a private room in the palliative care ward of a hospital (according to our research) ⇒ **Designed for relatively short stays (simplification of shared spaces, etc.)**

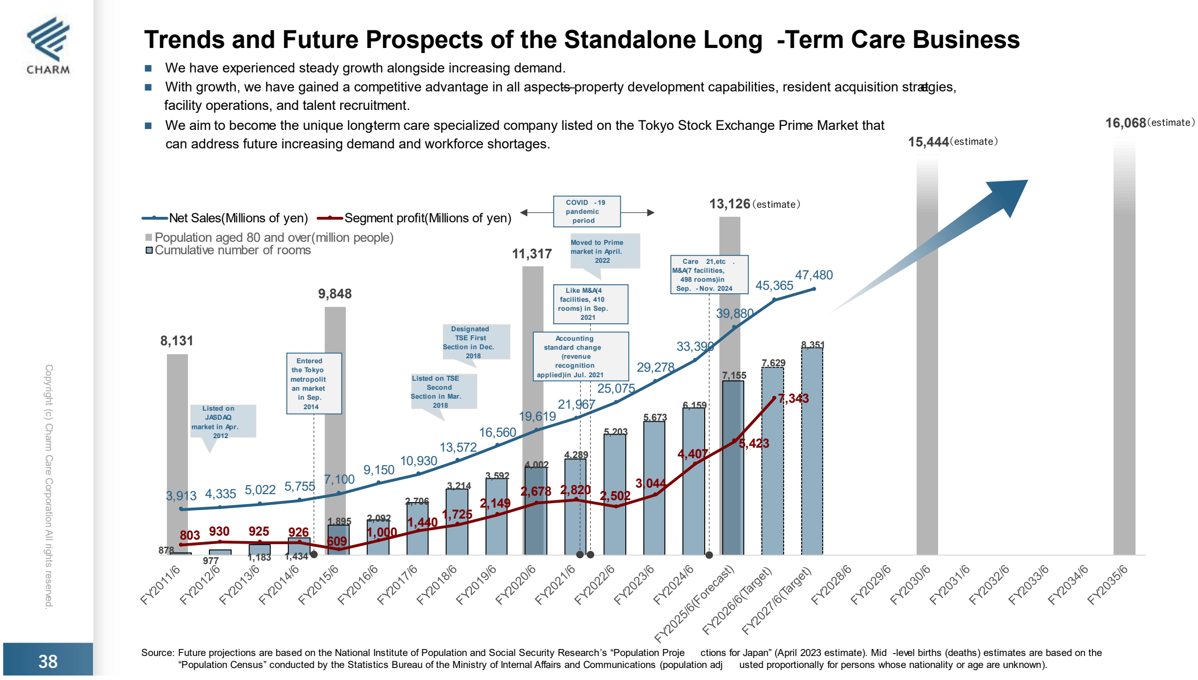
* At our subsidiary Good Partners' hospice facility, we are planning that the ratio of usage fees to public insurance fee is approximately 15% to 85%.

Let me explain the differences between fee-based homes for the elderly with long-term care and hospice facilities, which have been frequently asked about recently.

Regarding the main source of income, insurance income, fee-based homes for the elderly with long-term care receive fixed payments based on the required level of care, making it predictable and stable. On the other hand, many hospice facilities and medical-type elderly facilities receive variable payments based on the services rendered, which has been a factor in the excessive billing issues that have recently made headlines.

Additionally, in our fee-based homes for the elderly with long-term care, insurance income accounts for about 30% to 40% of total income. In contrast, for most hospice facilities, it accounts for 80% to 90%, which carries significant risks due to changes in reimbursement rates set by the government. Moreover, the length of stay in hospice facilities is very short, and there seems to be a tendency for unstable management and operations.

Trends in the Long-Term Care Business Alone and the Future



Let me explain the trends in the Long-Term Care Business alone and the future. As shown in the graph on the slide, we have steadily increased the number of facilities, rooms, sales, and profits alongside the growing demand.

The driving forces behind this growth are our property development capabilities, strong sales efforts to promote occupancy, operational expertise through a few highly specialized teams, and the strength of our headquarters. At the site level, we generally secure a profit margin of about 20%, while keeping headquarters expenses below 10%. This is our management policy.

In the future, the population aged 80 and above, which is our target group, is expected to continue growing. To meet the increasing demand, we aim to grow as a leading company in the facility and care industry.

That concludes my explanation. Thank you very much.

Consolidated Performance Targets for FY2025/6 to FY2027/6

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Consolidated Performance Targets for FY2025/6 to FY2027/6

(Millions of yen)	FY2023/6 Result	FY2024/6 Result	FY2025/6 Forecast	FY2026/6 Target	FY2027/6 Target
Net sales	37,887	47,829	**50,150**	58,150	65,660
Operating profit	4,197	5,386	**4,905**	7,190	(TBD)
Ordinary profit	4,633	5,817	**5,015**	7,200	(TBD)
Ordinary profit margin	12.2%	12.2%	**10.0%**	12.4%	(TBD)
Profit attributable to owners of parent	3,206	4,276	**4,765**	5,160	(TBD)

While consolidated operating profit and ordinary profit are expected to decrease this fiscal year (FY2025/6) due to temporary negative effects from M&A and decreased sales and profits in the Real Estate business caused by construction industry impacts, growth is expected to accelerate from the next fiscal year (FY2026/6) onwards through the growth of M&A -acquired facilities and new businesses.

KPI targets: Ordinary profit growth of **30%** | Net sales growth of **20%** | Ordinary profit margin of **10%**

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Takahiko Shimomura (hereinafter, Shimomura): Before I explain our future management policy and strategy, let me talk about how we formulate our budget.

Before the start of each new fiscal year, we announce a three-year mid-term plan. For the current fiscal year, we carefully review sales and costs to create a budget that closely aligns with actual results. However, for the following and subsequent fiscal years, we have tended to set targets as high as possible.

However, as we move into the following and subsequent years, various factors, including social conditions, change, leading to cases where actual results significantly differ from our initial projections. There have been criticisms that we lowered our forecasts due to these discrepancies, so moving forward, we intend to carefully examine and ensure that the budget closely aligns with actual results.

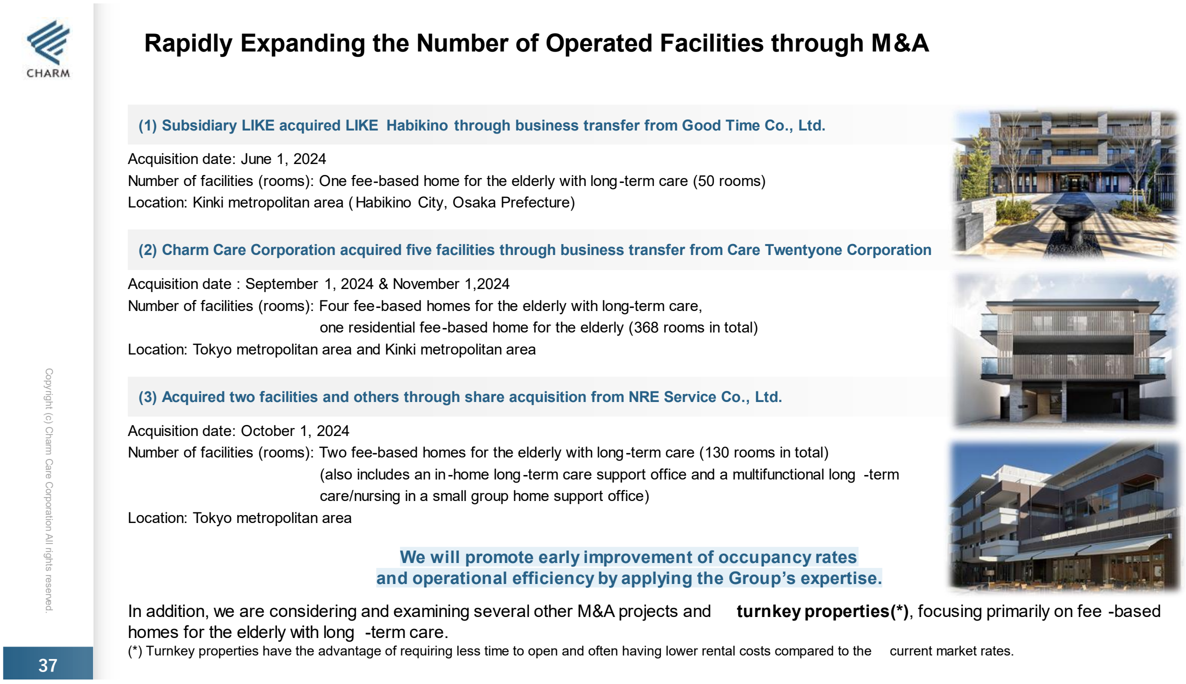
For the fiscal year ending June 2025, our previous three-year plan projected sales of ¥57 billion and ordinary profit of ¥5.7 billion. However, the revised forecast now estimates sales of ¥50.1 billion and ordinary profit of ¥5 billion, representing a downward revision.

The main factors behind this are the issues related to 2024, which were not included in the original three-year plan, leading to rising construction costs and extended construction periods.

Additionally, the delays in the Chofu City Kokuryo project, a major real estate and healthcare development project scheduled for this year, contributed to this revision, as the project will now extend into the next fiscal year. Moreover, due to higher construction costs than initially planned, sales revenue was also revised downward.

That said, the Kitakarasuyama project is currently under construction and is expected to be completed and sold within this fiscal year. The Kokuryo project is also under construction, so we are confident it will contribute to sales and profit next fiscal year.

Rapidly Expanding the Number of Operated Facilities through M&A



Let me explain our management policy and strategy. As you are aware, due to factors such as rising construction costs and extended construction periods, the costs for care facility projects have significantly increased. We are no longer able to secure the required returns, and some partners have decided to put projects on hold.

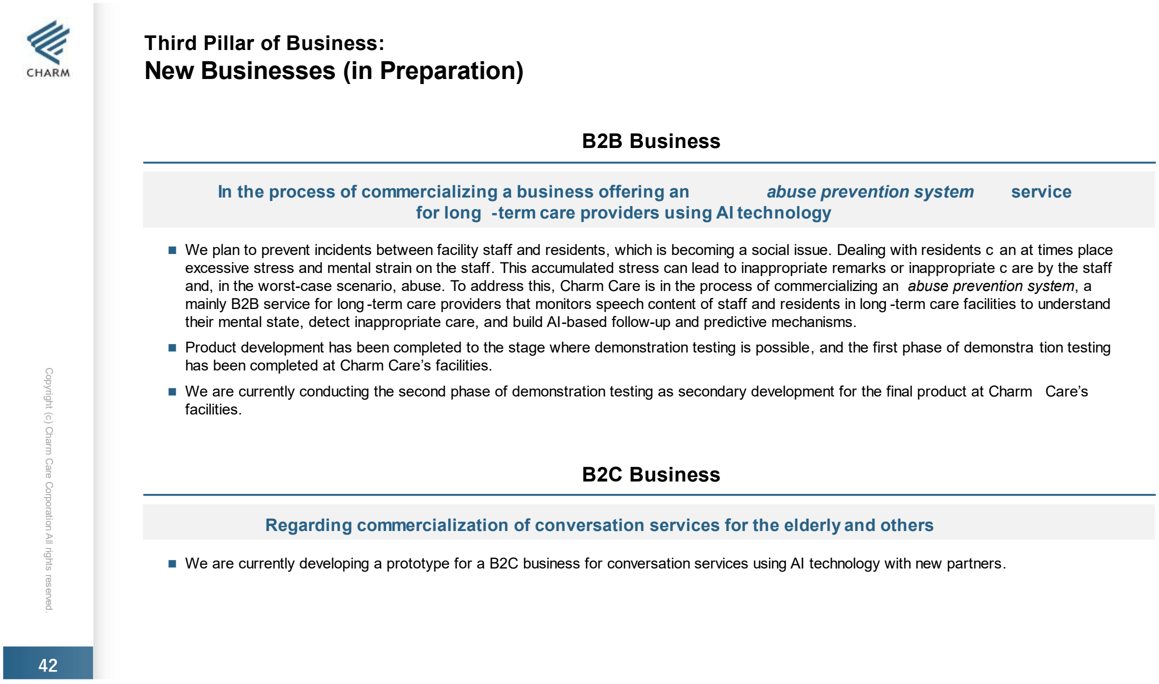
We are being told, "If you increase the rent, we'll do it," but it's difficult for us to agree to such terms. Considering that it will become difficult to continue opening new facilities in the same way as before, we will focus on M&A and the transfer of operations of underperforming facilities moving forward.

As a result, last year, we acquired five facilities through the transfer of operations from Care 21. In addition, we executed an M&A with a subsidiary of East Japan Railway Company (JR East) and entered into a capital and business partnership with Tokyu E-Life Design, a subsidiary of Tokyu Corporation.

The revival of LIKE, which we acquired about four years ago, has been highly praised, and we are currently receiving a wealth of information about many M&A opportunities. Furthermore, we are receiving a significant amount of information on new projects as well.

Regarding the real estate business, we will carefully consider land prices, construction costs, and other factors, and focus on projects that ensure profitability and have clear prospects for sale.

Third Pillar of Business:New Businesses (in Preparation)

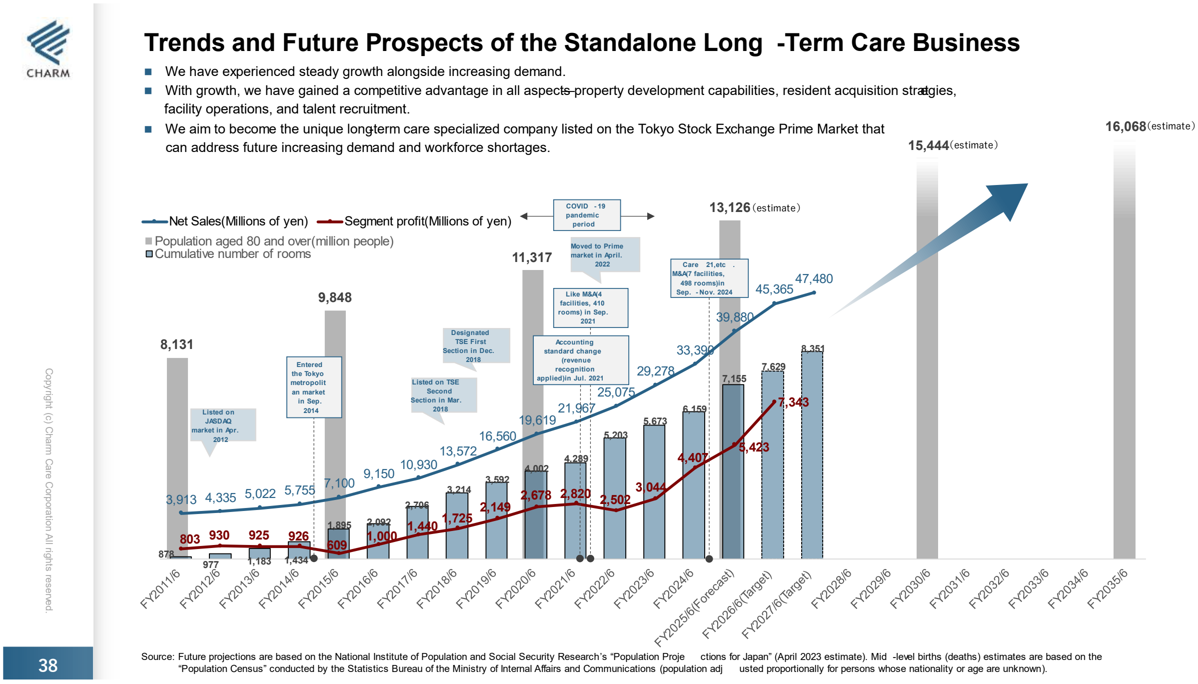


As for the new business, we have been developing the "Abuse Prevention System" for some time, and we are currently continuing with the trials. I believe the progress has been fairly smooth, but in order to commercialize it, we need to improve the detection accuracy a bit more.

Additionally, the robot we were developing in collaboration with Wellville, which could engage in conversations similar to a human, has not yet been successfully commercialized. The capital invested in Wellville in the previous period has been impaired, but we have now found a new partner and are developing a prototype of a caregiving robot that can converse freely.

We are currently testing it in the field. I had a conversation with it recently, and I was quite impressed with how well it communicates. It is significantly more effective than what we had previously developed. We expect the prototype to be completed by the end of this month, and I am hopeful that it will turn into a promising product.

Trends in the Long-Term Care Business Alone and Future Outlook



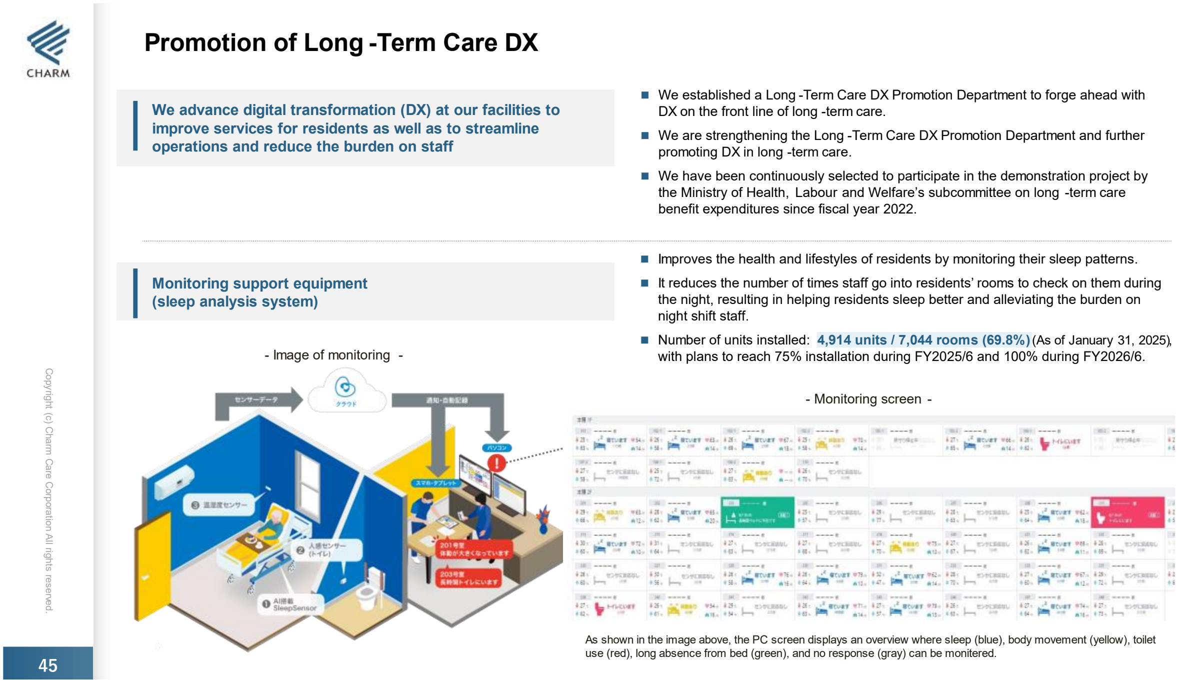
Let me now talk about the outlook and future potential of the Long-Term Care Business. The number of elderly people, who are our customers in the Long-Term Care Business, is expected to continue to increase steadily until 2060. Over the next 30 to 35 years, there will be sustained demand, which makes the Long-Term Care Business a highly promising growth industry.

While the Long-Term Care Industry is considered a promising growth sector, securing human resources remains a challenge. With the end of the COVID-19 pandemic, companies that had been struggling have regained their vitality, leading to economic revitalization and an intense competition for talent.

While inflation is rising, so too are labor costs. The Long-Term Care Business, often considered one of the "difficult, dirty, and dangerous" industries, will increasingly face challenges in securing human resources. Additionally, competing with general businesses to secure talent is expected to be very difficult.

Currently, it is said that about 2.15 million people are engaged in the Long-Term Care Business. Some people are willing to work in care despite low wages. In this situation, our company is focusing on securing talent by aiming to offer the industry’ s top salaries and realizing industry-leading digital transformation (DX).

Promotion of Long-Term Care DX

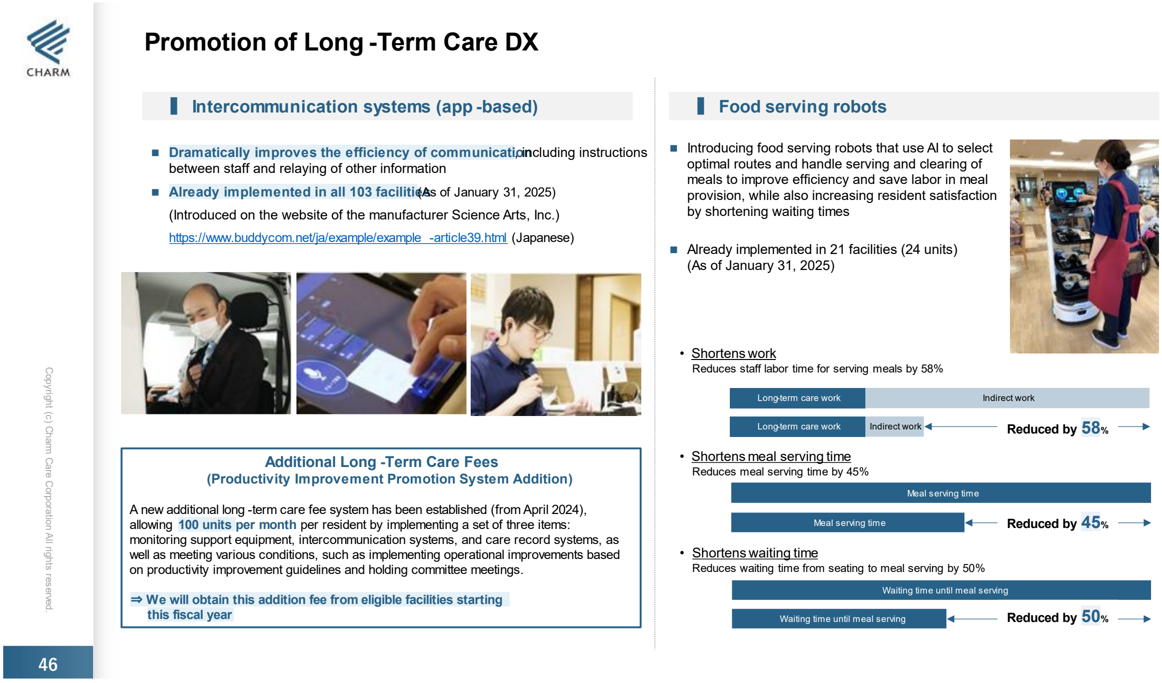


Currently, I believe our company’ s salary levels are already at the top of the industry, but we aim to literally make them the top in the industry.

Including our company, large long-term care providers such as SOMPO Care and Nichii Care Palace are members of the UA Zensen Japan Care Craft Union, which publishes average salaries. In the facility sector, compared to the average for union members, our company’ s annual salary is about ¥300,000 to ¥400,000 higher, so there’ s no doubt that we are at the top level in the industry.

Additionally, our company is implementing highly specialized projects that can be operated with the fewest number of staff possible by changing systems without reducing service quality. As a result of optimizing staffing, we reduced the workforce by approximately 90 people in the previous period, achieving a reduction of about ¥600 million in labor costs.

Moving forward, we will continue to focus on improving productivity by actively introducing IT, AI robots, and promoting digital transformation (DX).



As part of promoting DX, our company has introduced monitoring devices, intercoms, portable ultrasound scanners, meal delivery robots, and cleaning robots to streamline operations and reduce labor.

Long-term Care Staff Recruitment Trends and Projected Future Supply and Demand

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Long-term Care Staff Recruitment Trends and Projected Future Supply and Demand

[Active job openings -to-applicants ratio]

	2021/6	2022/6	2023/6	2024/12	Tokyo 2024/12	Osaka Prefecture 2024/12
Active job openings -to-applicants ratio	0.97	1.09	1.12	1.22	1.63	1.20
Long-term care staff	3.48	3.52	3.73	**4.25**	**8.95**	**3.57**

Source: "Employment Referrals for General Workers by Employment Pattern (Regular Workers Including Part-Timers)," Ministry of Health, Labour and Welfare; "Employment Referrals for General Workers," Tokyo Labor Bureau; "Active Job Openings-to-Applicants Ratio by Employment Pattern and Wages on Job Advertisements for Job Seekers," Osaka Labour Bureau

- Active job openings -to-applicants ratio for long -term care workers remains high. This trend is particularly noticeable in urban areas, including the Tokyo metropolitan area. Recruitment costs are also increasing along with salary levels.

[Required no. of additional long -term care workers and projection of supply and demand]

	FY2022	FY2026	FY2040
Projected demand	(Actual figure) 2.15 million	2.40 million	2.72 million
Required no. of additional workers	–	**+250,000 (+63,000/year)**	**+570,000 (+32,000/year)**

Source: "Required Number of Long-term Care Workers Based on the 9th Insured Long-Term Care Service Plan," Ministry of Health, Labour and Welfare (July 12, 2024)"

- By 2040, the demand for personnel is expected to reach approximately 2.72 million, while the estimated number of caregiving staff, based on current trends, is projected to be around 2.10 million, resulting in a **supply-demand gap of approximately 620,000**.

Source: "Required Number of Long -term Care Workers Based on the 9th Insured Long - Term Care Service Plan," Ministry of Health, Labour and Welfare

To address this situation, we have started taking the following actions.

- ◆ Improve work efficiency and reduce workload by adopting advanced technologies, such as IT equipment and AI technology.
- ◆ Optimize staffing centered on Associate Leaders
- ◆ Raise the mandatory retirement age from 60 to 65 and create an environment where older employees can actively contribute to the company.
- ◆ Establish a system that enables facility managers and other administrative staff to work until they reach 75 years of age, with an annual salary system for fixed -term employees.
- ◆ Introduction of an optional four -day workweek to enhance work -life balance⇒There is a gradual increase in mid -career and new graduate applicants who desire a four -day workweek.

One of our highest priorities is to secure a workforce capable of delivering high -quality services. To achieve this, we will make a variety of corporate efforts.

We are also working on work style reforms and diversification of work styles. Specifically, since September of last year, we have implemented a four-day workweek with a three-day weekend. This is a voluntary system, so it is available only to those who choose it and is not mandatory.

Currently, 90 facilities, excluding newly opened ones, have adopted this system, and over 40% of our staff have chosen the three-day weekend. With the three-day weekend, employees work four days a week, with 10 hours per day. One of the three days off can be used for side jobs or part-time work.

The benefit of this system is that, since the workday is 10 hours, it targets motivated and energetic individuals, which contributes to rejuvenating our workforce.

The main purpose of this system is to expand employment and reduce recruitment costs. For example, hiring one care staff member through a recruitment agency can cost between ¥400,000 and ¥500,000, and in some cases, up to ¥1 million. On the other hand, if the application comes through our website or job listing sites, the recruitment cost is zero.

In fact, applications for mid-career recruitment at our company have increased by about 20% compared to the first half of the previous period. For mid-career recruitment in January, we hired 25 people, 15 of whom have adopted the three-day weekend system.

The introduction of the three-day weekend system is something I hear is rare for a company of our size.

We are also aiming to create a system for professional experts, division of labor, and the development of specialists through a master system. The long-term care industry has always emphasized the importance of standardizing tasks. The philosophy has been "Let's do the same work equally, regardless of differences in abilities," but despite differences in skills, work has been assigned equally, and everyone has been doing the same tasks.

What happens as a result is that customers receiving service from highly skilled staff are satisfied, but difficult care tasks such as excretion support or bathing support are hard to perform accurately with less skilled staff. In particular, changing diapers must be done quickly and efficiently to avoid causing discomfort to the customer.

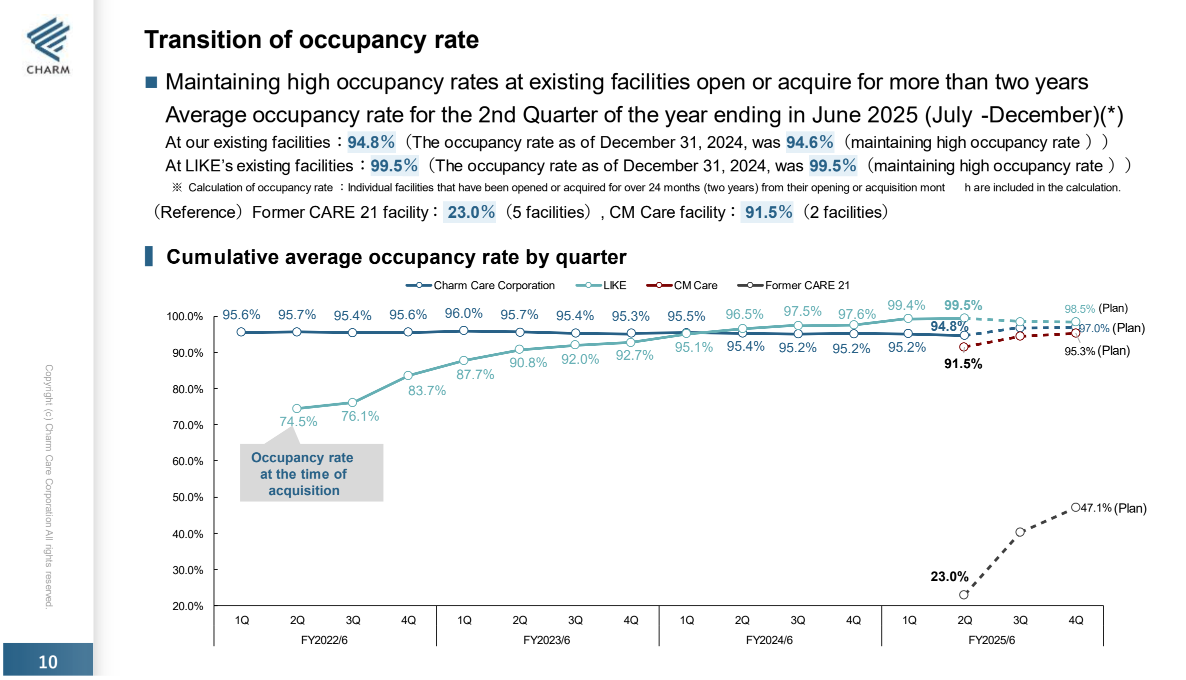
For this reason, we aim to focus on specialization and division of labor in operations. Highly skilled staff will be assigned to specialize in difficult care tasks. Furthermore, we will improve the treatment of highly skilled staff by providing them with proper allowances.

We believe that changing the way things are done and overturning the conventional practices of the long-term care industry is a necessary condition for securing talent.

The long-term care industry is currently facing a situation of survival of the fittest. Last year, many care providers went out of business or declared bankruptcy. We believe that this trend will become even more pronounced in the future, and we see this as an opportunity. By taking proactive challenges, we aim to become a leading company in the industry.

While the current period is slightly difficult compared to previous periods, we are confident that we will see significant growth from the next period onward. We kindly ask for your continued support. Thank you very much.

Q&A: Challenges and Improvement Outlook for Facilities Acquired through M&A



Moderator: "Could you please tell us about the challenges and the expected improvements for the five facilities from the former Care 21 and the two facilities from CM Care that were acquired through M&A?"

Kokaji: Facilities acquired through M&A are often those where the management was not successful, which is why they are transferred or sold. In many cases, occupancy promotion has not been effective at all, or despite being nearly fully occupied, labor costs are putting pressure on operations, or in some cases, both of these issues occur, leading to three distinct patterns.

For the former Care 21 facilities, occupancy was not progressing at all, so we are actively working on promoting occupancy.

As for the CM Care facilities, the number of residents was fairly good, but due to overstaffing, labor costs were putting pressure on the business, and we are gradually working on optimizing staffing.

Q&A: Factors Behind the Increase in Turnkey Property Projects

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Newly Opened/Acquired Facilities and Development Projects

Note: Including hospice facilities, which are residential fee-based homes for the elderly.

FY2025/6 [41st fiscal year]

No.	New Opened/Acquired Facilities		Rooms	Opening (planned)
1	Charm Suite Hatanodai (Ota-ku)	Opened	60	Jul. 2024
2	Charm Suite Takarazuka -Kohama (Takarazuka City, Hyogo Prefecture)	Opened	80	Aug. 2024
3	Charm Suite Kurakuen (Nishinomiya City, Hyogo Prefecture)	Opened	72 (80 people)	Sep. 2024
4	M&A-acquired facility (1) Charm Suite Kugayama (Suginami-ku)	Acquired	66	Sep. 2024
5	M&A-acquired facility (2) Charm Suite Toyosu (Koto-ku)	Acquired	96 (100 people)	Sep. 2024
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12	M&A-acquired facility (7) Charm Suite Shinagawaoi (Shinagawa -ku)	Acquired	62 (63 people)	Nov. 2024
New 13	ATTENITY Tamagawagakuen [Hospice facility] (Machida -city)	Opened	42	Nov. 2024
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Total	**14 facilities (Tokyo metropolitan area: 8 facilities, Kinki metropolitan area: 6 facilities)**		**996 (1,015 people)**	

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FY2026/6 [42nd fiscal year]

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2	Charm Suite Nokendai (Kanazawa-ku, Yokohama City)	Construction started	80	Oct. 2025
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4	Charm Suite Gotokuji (Setagaya -ku)	Construction started	58 (62 people)	Dec. 2025
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7	Charm Suite Miyamaedaira (Miyamae-ku, Kawasaki City)		86	May 2026
Total	**7 facilities (Tokyo metropolitan area: 6 facilities, Kinki metropolitan area: 1 facility)**		**474 (479 people)**	

Projects scheduled for opening in FY2027/6 (43rd term) and projects with undecided opening dates

(Tent.) Charm Suite Megurohonmachi (Meguro -ku) – 72 rooms planned
(Tent.) Charm Premier Sendagaya (Shibuya-ku) – 49 rooms planned
(Tent.) Charm Premier Konanyamate (Higashinada -ku, Kobe City) – 94 rooms planned
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New (Tent.) ATTENITY Chofu Shibasaki (Chofu City) – 52 rooms planned
Several other facilities in progress

No.	Development Projects	Rooms	Completion (planned)
1	Kokuryo-cho property (Chofu City, Tokyo)	97	Apr. 2026
Total	**1 facility (Tokyo metropolitan area: 1 facility)**	**97**	

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 long -term care facilities, as well as information on **turnkey properties**. We will carefully review these and plan to expand the number of homes through M&A and other means (See page 37).

Moderator: "You mentioned that turnkey property projects are coming in, how many are you currently considering? Also, could you explain why the number of turnkey property projects is increasing?"

Kokaji: Looking back, long-term care insurance started in the year 2000. Meanwhile, the guidelines for fee-based homes for the elderly state that "the initial contract period must be at least 20 years."

As long-term care insurance marks its 25th year this year, from around last year, we've started seeing many contracts for entire buildings reaching their term limits. This was something we hadn't anticipated, but we've started receiving a significant number of inquiries from facility owners.

There are various advantages to turnkey property projects. If we were to plan new projects, the construction costs are currently skyrocketing, so naturally, the rental costs would increase. However, for turnkey properties built 20 years ago, we can lease them at about half the cost of current rental prices.

Additionally, in the case of business or stock acquisitions, we would need to deal with the existing staff and residents and manage the business and operations. But for turnkey property projects, the facility is vacant. Therefore, we can restore it and redesign it to fit modern standards, acquiring what feels like a newly built facility.

Above all, the biggest advantage is that we can open a facility within six months, whereas new openings typically take two to three years. For this reason, we will continue to focus on securing turnkey property projects in the future.

Q&A: The Current Status of Turnkey Property Projects

Moderator: "Are there any specific turnkey property projects currently under consideration? Also, is there a possibility that new facility openings not listed in the financial results presentation may suddenly increase?"

Kokaji: There is a possibility of new openings in the future. Currently, we are reviewing several potential projects.

Q&A: Awareness of the Fraudulent Billing Issue

CHARM

Characteristics of the Long -Term Care Business (1)

▶ For Reference: Comparison of structures and risks between "fee -based homes for the elderly with long-term care" and "hospice facilities"

	Fee-based homes for the elderly with long -term care	hospice facility,etc. （Facilities specializing in palliative care and the care of individuals with specific intractable diseases.）
Definition	• Among fee -based homes for the elderly, **care facilities designated* by local governments as "daily life long -term care admitted to specified facilities" based on the Long -Term Care Insurance Act** * The number of designation is determined by the local government based on demand. ⇒ **With restrictions on opening**	• No clear official definition • Residences not designated as "daily life long -term care admitted to specified facilities" (often Residential fee -based homes for the elderly) ⇒**Without restrictions on opening**
Public insurance fee	• **Fixed** fees from long -term care insurance (fees according to the residents' required level of care) ⇒ **Predictable and stable with almost no risk of fraudulent claims**	• **Variable** fees from health insurance and long -term care insurance (fees according to service volume such as number of visits and individuals served) ⇒ **Billing must be based on the condition and service volume of the residents, requiring careful attention to avoid overcharging.**
Staffing criteria	• **With** Legal criteria ⇒ **Corporate efforts such as improving operational efficiency within the scope of criteria**	• **Without** legal criteria ⇒ **Staffing based on management decisions according to service volume**
Usage fees (including food expenses) (Borne by the residents)	• Determined by the operator (prepaid fees plan is also available.) • The ratio of usage fees to public insurance fee is approximately **60% to 40%** (for our standard facility). ⇒ **Ranging from ¥200,000 to ¥2,000,000 per month (in our case)** ⇒ **The impact of system revisions is low (revisions to the long -term care insurance system occur once every 3 years).**	• Determined by the operator (there is no prepaid fees plan.) • The ratio of usage fees to public insurance fee is approximately **10% to 90%*** (according to external sources). ⇒ **Mainly ranging in ¥100,000 or so per month, with some being below ¥100,000 per month** (according to our research) ⇒ **The impact of system revisions is high (revisions to the health insurance system occur once every 2 years).**
Occupancy period of residents	• Approximately 5 years on average (in our case) ⇒ **Stable occupancy rates**	• In many cases, approximately 2 -3 months on average (according to our research) ⇒ **The resident's turnover are high, so stability of occupancy rates is challenges.**
Buildings and Rooms	• Design and luxury as a residence (in our case) ⇒ **Meeting the needs of the middle to affluent class**	• Image of a private room in the palliative care ward of a hospital (according to our research) ⇒ **Designed for relatively short stays (simplification of shared spaces, etc.)**

* At our subsidiary Good Partners' hospice facility, we are planning that the ratio of usage fees to public insurance fee is approximately 15% to 85%.

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Moderator: "I believe the issue is related to Parkinson's disease specialty facilities and hospice facilities care, but is there any problem with your facilities?"

Kokaji: The facilities involved in the issues seem fundamentally different from our fee-based homes for the elderly with long-term care. Fee-based homes for the elderly with long-term care are facilities designated by the government to provide daily life long-term care admitted to specified facilities. The payments are fixed fees, and the facilities are operated under strict management, including staffing, by the government.

On the other hand, many of the hospice facilities involved in the issues are not designated to provide daily life long-term care admitted to specified facilities. As a result, these operators have more discretion, and I believe this is where the excessive billing for medical fees, which has been making headlines recently, is taking place.

As shown in the detailed comparison on the slide, our fee-based homes for the elderly with long-term care do not apply to the billing for insurance benefits based on the service volume that is currently causing problems. We receive fixed long-term care payments based on the required level of care for our residents.

The required level of care is determined through an assessment by the Care Certification Review Board, a municipal-affiliated body, based on the resident's condition. Therefore, unlike in hospice facilities, the risk of fraudulent insurance claims is nearly nonexistent.

Q&A: Fraudulent Billing in Hospice Facilities

Moderator: "Do you think similar issues, like those with Sunwells, could arise at the hospice facilities opened by your subsidiary Good Partners?"

Kokaji: Good Partners mainly focuses on staffing services and has built a solid track record in home care. The hospice service is an extension of the home care business, and since it is combined with housing, I don't have major concerns about it.

Regarding the fraudulent billing by Sunwells, as mentioned in the investigation report, there were issues such as "billing the full amount for services that were provided for a short time" and "billing as if a nurse visited with an attendant, even though only one nurse visited." We have thoroughly reviewed the investigation report and are taking further steps to ensure that such issues do not occur again.

Additionally, the hospice facility that was opened in November of last year has had a good number of inquiries and is already operating at a high occupancy rate.

Q&A: Reasons for the Significant Improvement in LIKE's Occupancy Rate

Moderator: "What is the reason behind the significant improvement in occupancy rates after acquiring the subsidiary LIKE through M&A?"

Kokaji: One simple and clear difference is that the prices are slightly lower than those of "Charm Care." Additionally, surprisingly, many other facilities had not been conducting any sales efforts, so by simply implementing the basics effectively, we have been able to improve operations.

While we have increased the fees, I believe there is still room for improvement in operational efficiency.

Q&A: About M&A

Moderator: "There is information suggesting that the long-term care industry is undergoing consolidation. Are you receiving a lot of M&A opportunities as well?"

Kokaji: While most of them are relatively small, we have received many M&A proposals, ranging from mid-sized to large-scale opportunities. As the business environment has become more challenging, companies that are only operating one or two facilities are likely considering selling their businesses.

Q&A: Room for Improvement in Profit Margin

Moderator: "Recently, it seems that the profit margins of 'Charm Care' and 'LIKE' have been improving. Do you think there is still room for further improvement in the future?"

Kokaji: I believe there is still room for improvement. To achieve that, we are advancing DX and other initiatives to enhance operational efficiency.

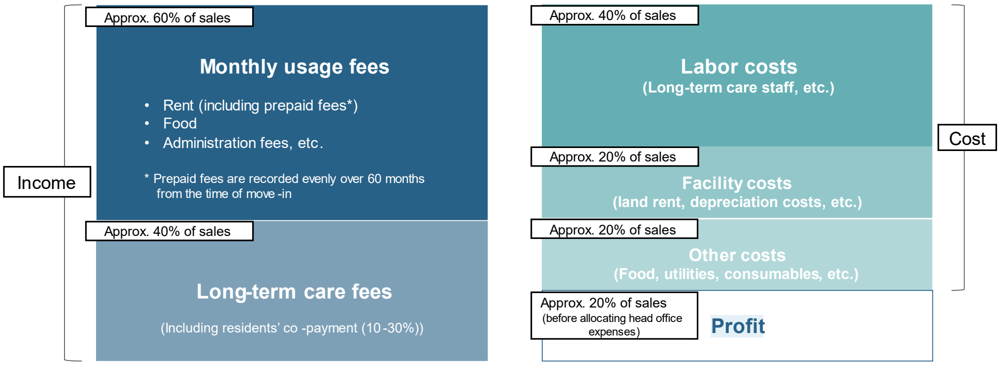
According to the standards for daily life long-term care admitted to specified facilities, the ratio of care recipients to nursing and care staff is set at 3:1. Our company has been selected as part of a national pilot project, and there is a move to relax staffing to ratios like "3:0.9" or "3.3:1." If this is realized, we believe there is potential to increase productivity by another 10%.

Q&A: Passing on the Rising Costs Due to Inflation

CHARM

Overview of Our Care Home Profit Structure

Note: The revenue structure depicted below represents a typical image of our standard facilities. In the case of high-end facilities, the proportion of monthly usage fees in the total revenue increases (Long-term care fees are fixed amounts based on the residents' required level of care).



Monthly usage fees: Fees that can be set freely by the operator.
Long-term care fees: Fees established based on the Long-Term Care Insurance Act, which are a fixed amount for fee-based homes for the elderly with long-term care (see page 29)

(Specified facilities only)	FY2018/6	FY2019/6	FY2020/6	FY2021/6	FY2022/6	FY2023/6	FY2024/6
Annual sales from operations per person (unit: ¥1,000)	5,579	5,656	5,849	6,093	6,166	6,429	**6,690**
Of which, long-term care fees from operations per person (unit: ¥1,000)	2,446	2,425	2,439	2,474	2,481	2,539	**2,582**
Ratio of long-term care fees in sales (%)	43.8%	42.9%	41.7%	40.6%	40.2%	39.5%	**38.6%**

Moderator: "The rising costs of food and utilities continue, but have these been passed on to the facility usage fees?"

Kokaji: Since last year, we have implemented price increases for food and administration fees at our existing facilities.

Additionally, for our premium series, "Charm Premier" and "Charm Premier Grand," there had been challenges in promoting occupancy, so we had kept the fees unchanged. However, due to the recent increase in prices and raw material costs, we have raised the administration fees for the first time at the beginning of this year, and we are gradually reflecting this change.

Q&A: Wage Increases This Spring

CHARM

Long-term Care Staff Recruitment Trends and Projected Future Supply and Demand

[Active job openings-to-applicants ratio]

	2021/6	2022/6	2023/6	2024/12	Tokyo 2024/12	Osaka Prefecture 2024/12
Active job openings-to-applicants ratio	0.97	1.09	1.12	1.22	1.63	1.20
Long-term care staff	3.48	3.52	3.73	**4.25**	**8.95**	**3.57**

Source: "Employment Referrals for General Workers by Employment Pattern (Regular Workers Including Part-Timers)," Ministry of Health, Labour and Welfare; "Employment Referrals for General Workers," Tokyo Labor Bureau; "Active Job Openings-to-Applicants Ratio by Employment Pattern and Wages on Job Advertisements for Job Seekers," Osaka Labour Bureau

- Active job openings-to-applicants ratio for long-term care workers remains high. This trend is particularly noticeable in urban areas, including the Tokyo metropolitan area. Recruitment costs are also increasing along with salary levels.

[Required no. of additional long-term care workers and projection of supply and demand]

	FY2022	FY2026	FY2040
Projected demand	(Actual figure) 2.15 million	2.40 million	2.72 million
Required no. of additional workers	–	**+250,000 (+63,000/year)**	**+570,000 (+32,000/year)**

Source: "Required Number of Long-term Care Workers Based on the 9th Insured Long-Term Care Service Plan," Ministry of Health, Labour and Welfare (July 12, 2024)"

- By 2040, the demand for personnel is expected to reach approximately 2.72 million, while the estimated number of caregiving staff, based on current trends, is projected to be around 2.10 million, resulting in a **supply-demand gap of approximately 620,000**.

Source: "Required Number of Long-term Care Workers Based on the 9th Insured Long-Term Care Service Plan," Ministry of Health, Labour and Welfare

To address this situation, we have started taking the following actions.

- ◆ Improve work efficiency and reduce workload by adopting advanced technologies, such as IT equipment and AI technology.
- ◆ Optimize staffing centered on Associate Leaders
- ◆ Raise the mandatory retirement age from 60 to 65 and create an environment where older employees can actively contribute to the company.
- ◆ Establish a system that enables facility managers and other administrative staff to work until they reach 75 years of age, with an annual salary system for fixed-term employees.
- ◆ Introduction of an optional four-day workweek to enhance work-life balance⇒There is a gradual increase in mid-career and new graduate applicants who desire a four-day workweek.

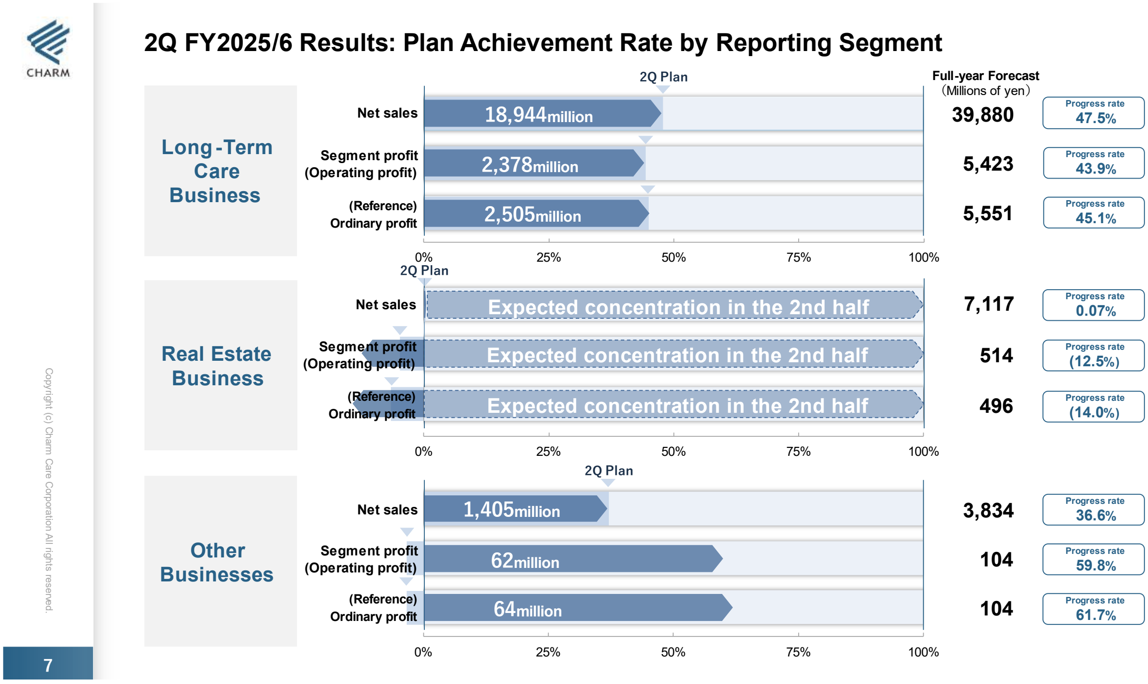
One of our highest priorities is to secure a workforce capable of delivering high-quality services. To achieve this, we will make a variety of corporate efforts.

Moderator: "Could you tell us about the wage increase policy for this spring?"

Shimomura: Our company is committed to having the highest salary levels in the industry. Until now, the long-term care industry has mostly relied on regular salary increases, with no base salary increases. However, in the current situation, some care providers started implementing base salary increases last year, and we also followed suit.

While we are unsure of the trends for this period, we plan to continue with regular salary increases in July, after the June fiscal year-end, in addition to base salary increases, to truly achieve the highest salary levels in the industry.

Q&A: Progress Rate of the Long-Term Care Business



Moderator: "Looking at the progress rate of the Long-Term Care Business for this period, both sales and operating profit have not reached 50% by the second quarter. Doesn't this fall below expectations?"

Kokaji: This is a trend we see every year. Despite our company's size, we handle a large number of new facility openings, opening about 10 locations annually.

For this period, the impact of the M&A-acquired facilities is also a factor. As these facilities improve, we expect sales and operating profit to increase significantly in the latter half of the year, so we believe we are on track to meet our plans.

Q&A: Environmental Changes in the Real Estate Business

CHARM

Progress of Real Estate Business

Progress of Development Projects

FY2025/6 Projects (Planned)	Progress		Remarks
Kita-karasuyama property (Setagaya-ku, Tokyo)	Jun. 2023 Mar. 2024 May 2025	Land acquisition Building construction started Scheduled for sale	• Operator selection is underway • 55 rooms planned.
Other Projects	Jul. 2024 Sep. 2024	Conclusion of a purchase agreement for income - generating properties Conclusion of a purchase agreement for income - generating properties	

FY2026/6 Projects (Planned)	Progress		Remarks
Kokuryo property (Chofu City, Tokyo)	Jun. 2023 Mar. 2024 Nov. 2024 Apr. 2026	Signed a purchase agreement of the land Sign a agreement with the operator Building construction started Scheduled for sale	• Operator tentatively decided • 97 rooms planned.

Moderator: "How do you perceive the environmental changes in the real estate business?"

Shimomura: The real estate business is not just about increasing sales; we want to proceed while carefully verifying that we can generate profits.

In particular, the healthcare development business cannot generate revenue without finding buyers. Therefore, when planning the business, we aim to identify potential buyers in advance to ensure more certainty as we operate the real estate business.

Q&A: Progress of the "Abuse Prevention System"

CHARM

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 c an at times place excessive stress and mental strain on the staff. This accumulated stress can lead to inappropriate remarks or inappropriate c are 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 the first phase of demonstra tion testing has been completed at Charm Care's facilities.
- We are currently conducting the second phase of demonstration testing as secondary development for the final product at Charm Care's facilities.

B2C Business

Regarding commercialization of conversation services for the elderly and others

- We are currently developing a prototype for a B2C business for conversation services using AI technology with new partners.

Moderator: "Is the progress of the 'Abuse Prevention System' behind schedule? Could you tell us when you began using it internally and when you plan to start selling it externally?"

Shimomura: Currently, we are conducting a pilot test at our facilities. However, while we can effectively record conversations between residents and staff, using a dedicated computer to capture all conversations, detecting and screening for inappropriate words from the recordings has proven to be challenging.

In terms of practical application, we are focusing on improving the detection accuracy. When we are ready for commercialization, we don't plan to launch it to the public immediately. Instead, we will first use it at our own facilities, make improvements, and then eventually sell it as a product.

I believe we will soon reach a level where it can be used internally, but it will take a little more time before it's ready for external sales.

Q&A: Impact of the Labor Shortage

CHARM

Long-term Care Staff Recruitment Trends and Projected Future Supply and Demand

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One of our highest priorities is to secure a workforce capable of delivering high-quality services. To achieve this, we will make a variety of corporate efforts.

Moderator: "I believe that securing talent is a challenge in the long-term care industry. Are there any issues with operations or new facility openings due to a shortage of care staff?"

Kokaji: To answer directly, we have not faced any issues so far. Our company is opening new facilities, particularly in the Tokyo metropolitan area.

For staff in the Tokyo metropolitan area, we offer a regional allowance ranging from ¥25,000 to ¥55,000, with increments of ¥10,000. If we have trouble recruiting staff during the opening of a new facility, we are flexible and increase the allowance from ¥25,000 to ¥35,000, ¥45,000, or even ¥55,000, depending on the situation.

If that still doesn't solve the issue, we follow a dominant strategy and gather staff from other facilities in the region to ensure operations continue smoothly.

Through our experience with M&A, we've learned that some other facilities have said, "If we can't secure staff, we will stop accepting new residents." We believe that this should not be the case for us.

Q&A: Simultaneous Disclosure in English

Moderator: "I believe that companies listed on the Prime Market will be required to disclose simultaneously in English starting in April, and I've heard that a one-year grace period is available. Will your company be able to comply with simultaneous disclosure starting in April?"

Yoshihiko Maeda: This is Maeda, the Director in charge of IR. We are not considering applying for the grace period. We are currently working on improving our internal systems, and we plan to start simultaneous disclosure in both Japanese and English from April.

Q&A: The Three-Day Workweek and Skill Levels of Personnel

Moderator: "Could you explain why the three-day workweek system is working well? It's great to see that high-skilled employees are being rewarded with higher pay. At the same time, do you also have the strictness to let go of low-skilled or underperforming employees?"

Shimomura: When we introduced the three-day workweek, we conducted a survey among full-time employees. Over 50% of the staff expressed interest in or willingness to try the system, which led to its implementation.

The main reason the three-day workweek is working well is, I believe, because it's optional. Those who want to work three days a week can do so, but those who prefer to stick with the traditional two-day weekend continue to work as usual. I think this flexibility is a big reason for its success.

Moving forward, we intend to provide appropriate compensation for highly skilled talent. However, that doesn't mean we will let go of low-skilled employees. There are still positions and work for them, and given the current difficulty in securing talent, we will not cut ties with such individuals.