

SUNWELS CO., Ltd

FY March 2023, First Quarter

Financial Highlights

August 12, 2022



Table of contents

I. FY March 2023 Outline of Financial Results for First Quarter	— P. 2
II. Future Prospects	————— P.15
III. Explanation of Business	————— P.19

I. FY March 2023 Outline of Financial Results for First Quarter



Financial Highlights

■ **Steady opening of PD Houses (year-on-year + 5 facilities), a large year-on-year increase of revenue and profit**

Sales : 2,811 million yen (YoY +1,079 million yen)

Operating income : 192 million yen (YoY +223 million yen)

■ **Operating Income of 192 million yen was recorded by absorbing the opening costs of three new PD House facilities. * 1**

In the first quarter of the previous year, the cost burden of opening 3 facilities was large and the operating income was -30 million yen. In the current term, operating income was 192 million yen, an increase of 223 million yen compared to the same period previous year, as the costs of opening 3 facilities were absorbed.

■ **The plan to open 8 PD Houses throughout the year is also going well.**

We plan to open 2 new PD House facilities in the second quarter. * 2

As of the end of March 2023, we plan to operate 20 PD House facilities (capacity: 1,047 people).

* 1... PD House Adachi opened in May. PD House Funabashi opened in June. Including PD House Higashi-Osaka opened in July

* 2... PD House Higashi-Osaka opened in July . PD House Yao scheduled to open in September



Operating Performance

■ Successfully opened PD House, significant YoY increase in revenue and profit

(Unit: million yen)

	FY2022 Q1 Results <small>Progress rate against full-year results</small>	FY2023 Q1 Results <small>Progress rate against full-year forecast</small>	YoY increase/decrease	FY March 2023 Full-year Forecast
Sales	1,732 20.6%	2,811 21.6%	+ 1,079	12,990
Operating income	(30) -	192 14.6%	+223	1,320
Ordinary income	(43) -	126 12.6%	+169	1,001
Net income	(31) -	84 12.9%	+116	655



Operating Performance (Forecast- Results comparison)

(Unit: million yen)

	FY2023 Q1 Forecast	FY2023 Q1 Results	FY2023 Q1 Results vs. Forecast	FY2023 Q1 Progress rate
Sales	2,760	2,811	+50	101.8%
Operating income	162	192	+29	118.4%
Operating margin	5.9%	6.8%	+0.9pt	—
Ordinary income	109	126	+16	115.4%
Quarterly net income	69	84	+14	121.3%



Breaking down the annual forecast into quarters

■ Due to an increase in the number of PD House facilities, business performance is on the rise every quarter

(Unit: million yen)

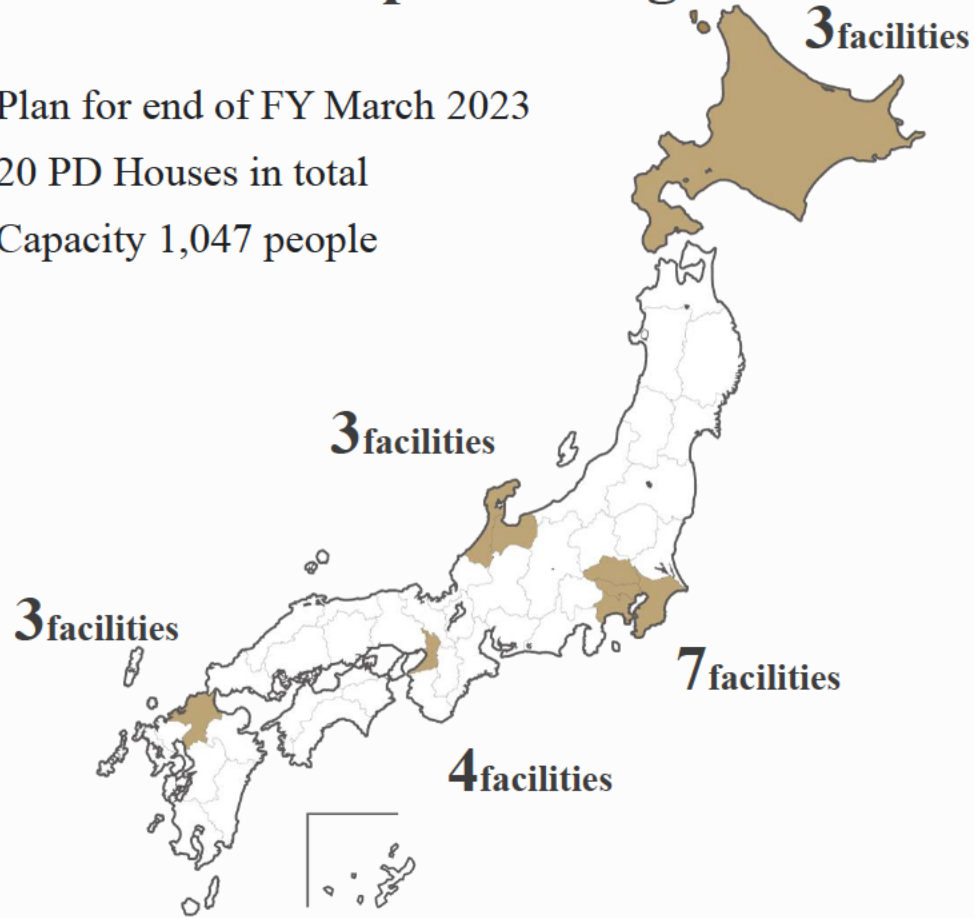
	FY2023 Q1 Forecast			FY2023 Q2 Forecast			FY2023 Q3 Forecast			FY2023 Q4 Forecast			FY2023 Earnings Forecast
Sales	2,760			3,073			3,442			3,714			12,990
Ratio of full- year forecast	21.3%			23.7%			26.5%			28.6%			100.0%
Operating Income	162			267			416			474			1,320
Ratio of full- year forecast	12.3%			20.2%			31.5%			35.9%			100.0%
Ordinary income	109			189			329			373			1,001
Ratio of full- year forecast	10.9%			18.9%			32.9%			37.3%			100.0%
Net Income	69			124			216			245			655
Ratio of full- year forecast	10.7%			19.0%			33.0%			37.4%			100.0%
Month	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	FY2023
PD House Number of facilities opened	—	1	1	1	—	1	2	—	1	1	—	—	8



PD House Development for FY March 2023

PD House Development Regions

Plan for end of FY March 2023
 20 PD Houses in total
 Capacity 1,047 people



Focus on new construction in Kanto (4) and Kansai (2) areas in FY2023

	Development Schedule time		Pref.	Development location	Capacity (persons)
FY2022	Q1	May	Tokyo	Adachi	50
		Jun.	Chiba	Funabashi	45
	Q2	Jul.	Osaka	Higashi-Osaka	48
		Sep.	Osaka	Yao	60
	Q3	Oct.	Toyama	Akiyoshi	52
		Oct.	Tokyo	Nishi-Tokyo	60
		Dec.	Saitama	Minami-Yono	60
FY2023	Q4	Jan.	Hokkaido	Tsukisamu	59



Contracted for 9 new facilities for FY March 2024

(In addition to the 8 facilities in the medium-term management plan, 1 new facility will be added.)

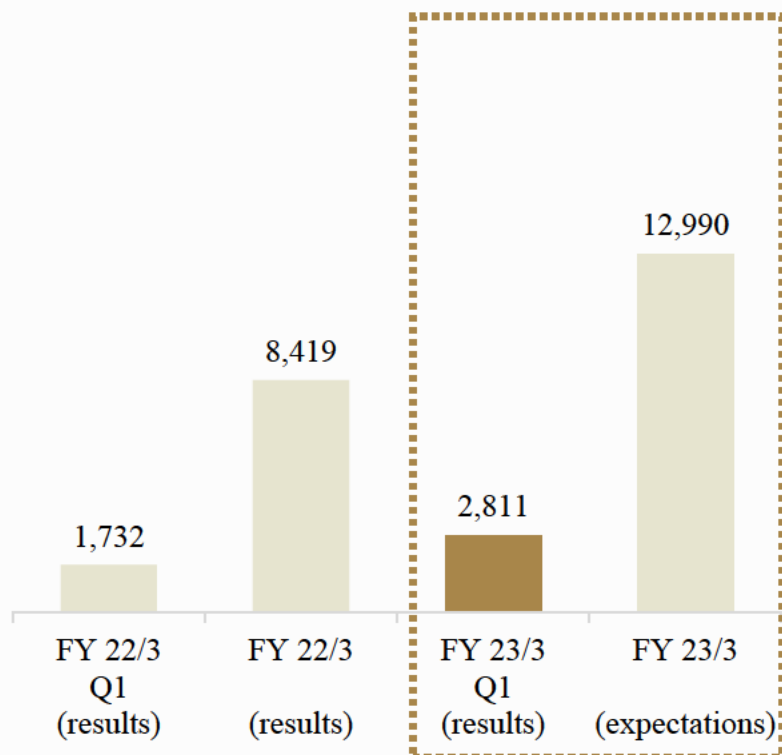
* Kanto (5) · Kansai (2) · Chubu (1) · Kyushu (1)



YoY- Key Financial Indicators

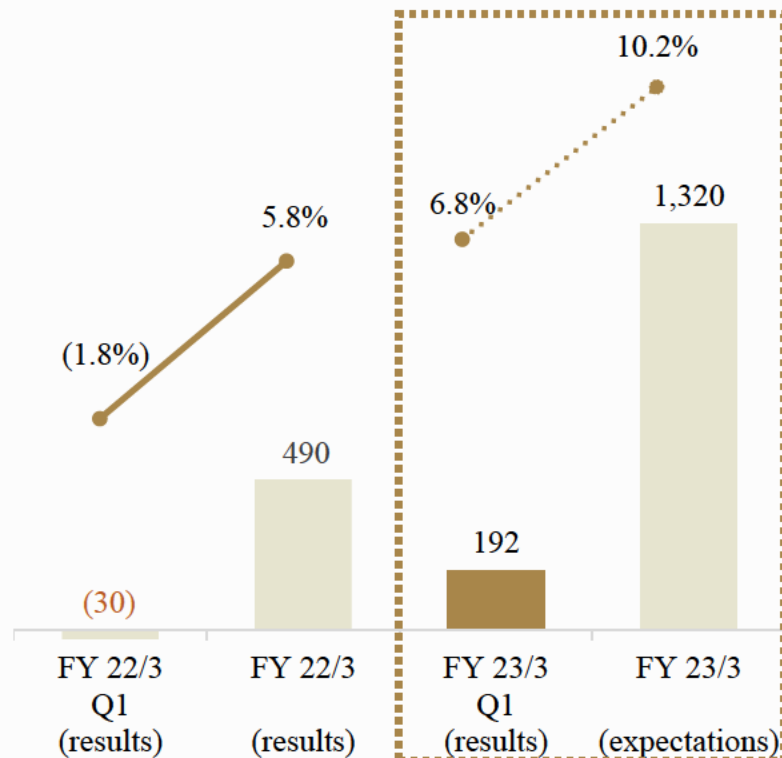
Sales

(million yen)



Operating Income / Operating margin

(million yen)



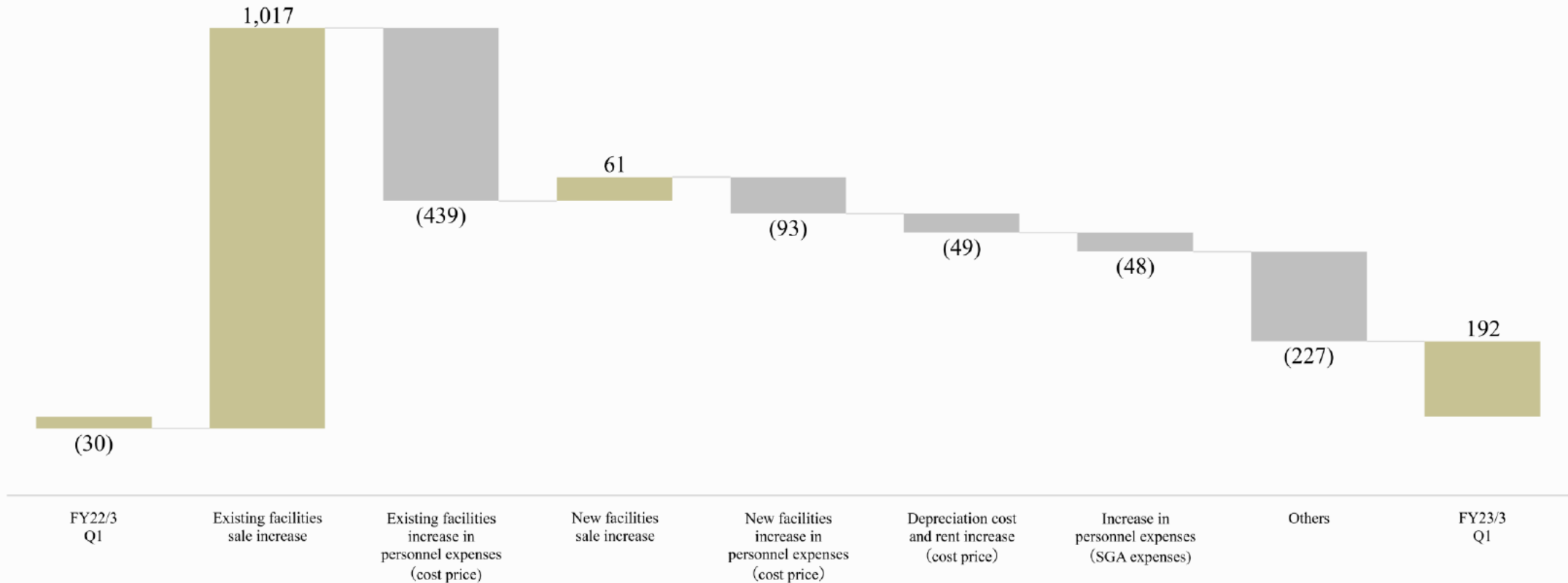


Factors for Operating Income Change (First Quarter FY March 2022 - First Quarter FY March 2023)

■ Operating income increased due to steady opening of PD House

(YoY +5 facilities)

(Unit: million yen)



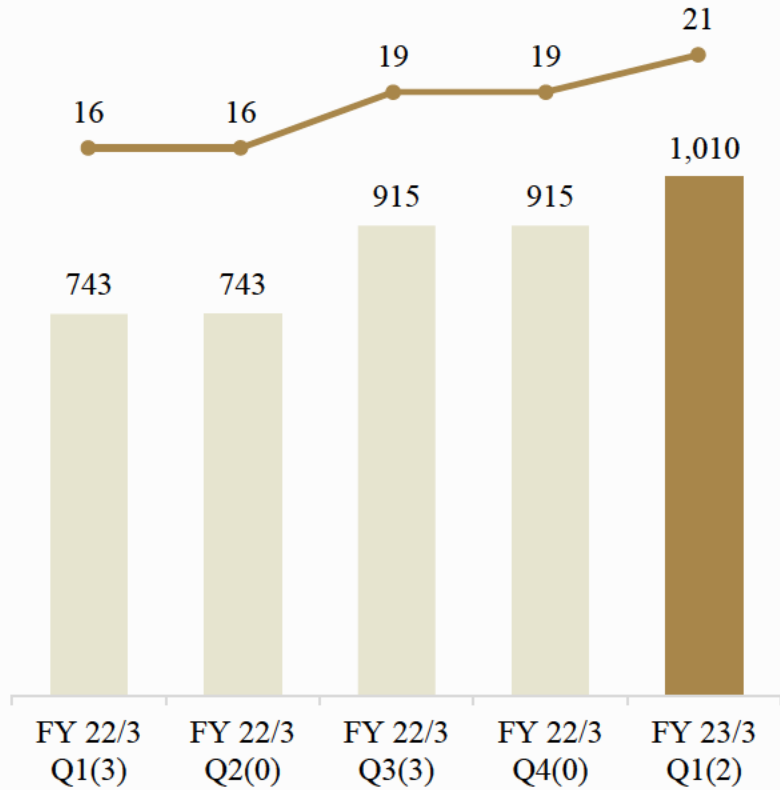


Quarterly Trends of Financial Results - Major financial indices (latest one year)

— Number of facilities
() Number of facilities opened

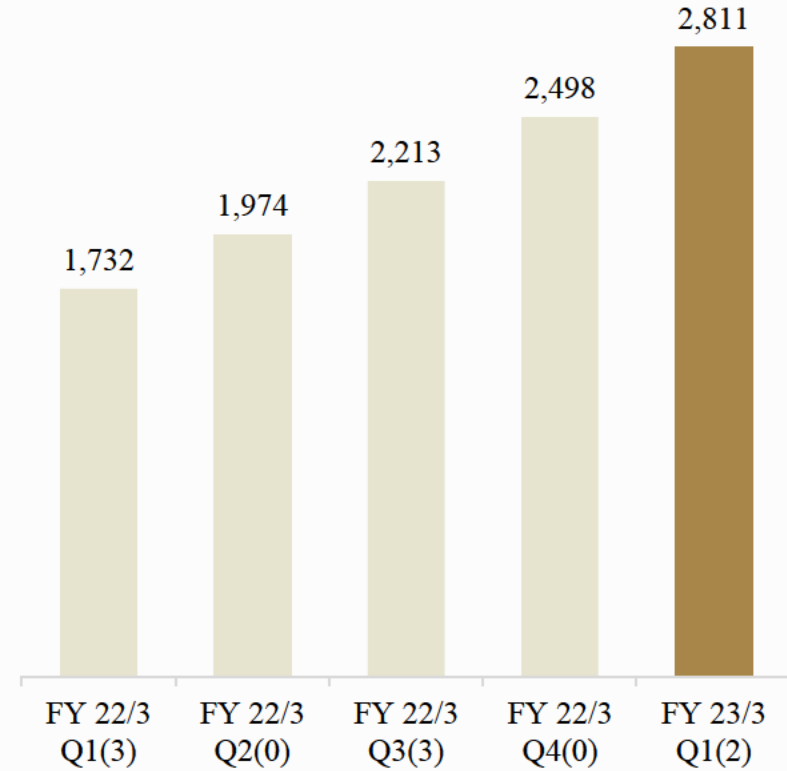
Number of facilities/Capacity

(facilities/persons)



Sales

(million yen)

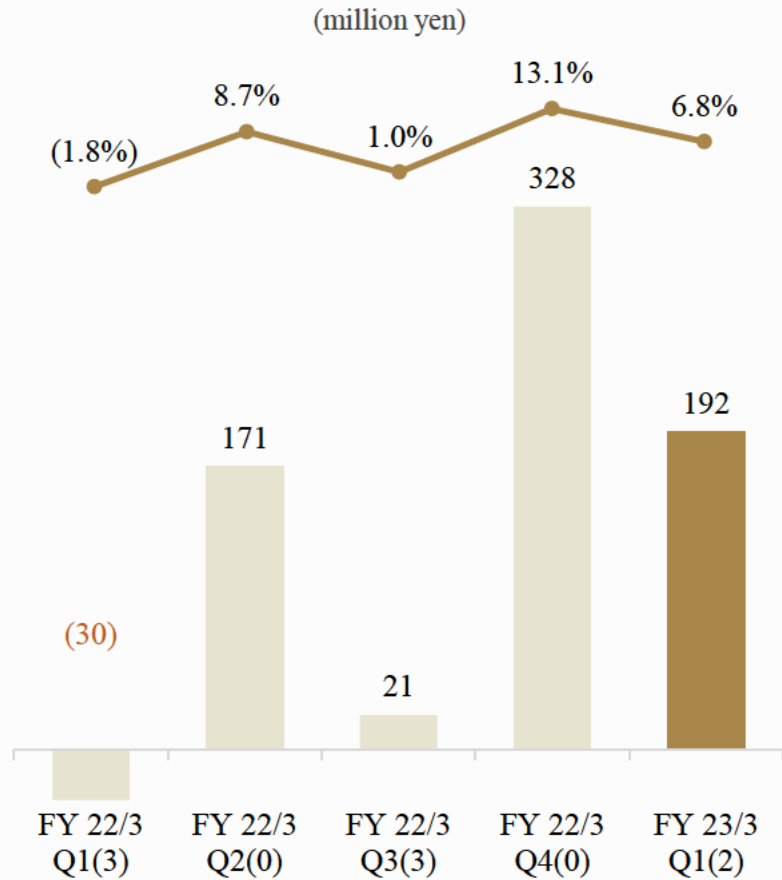




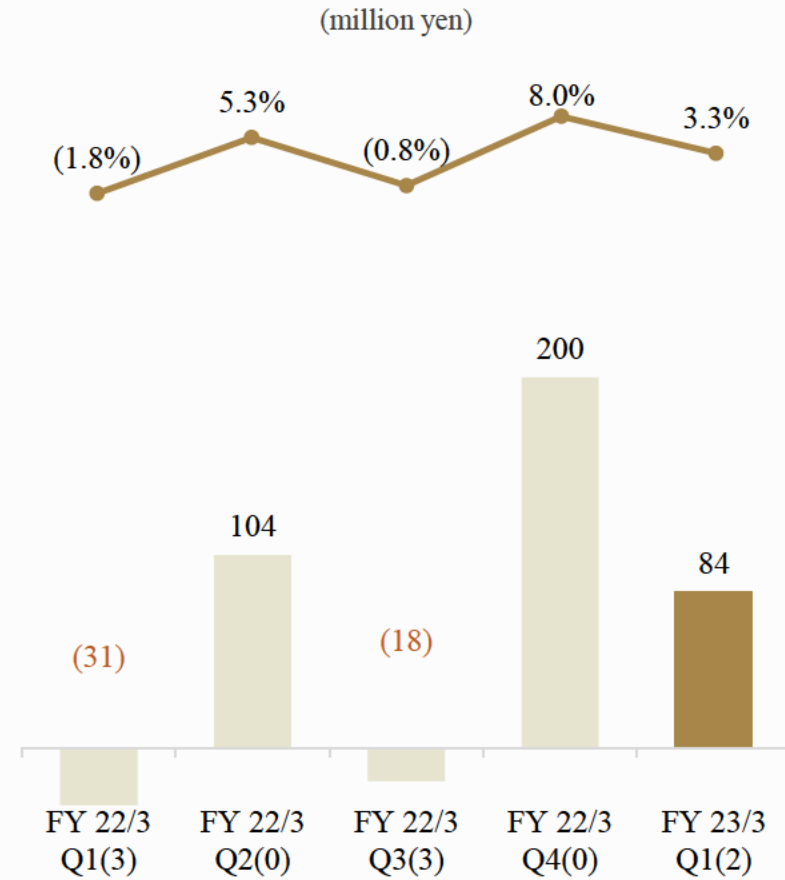
Quarterly Trends of Financial Results - Major financial indices (latest one year)

— Sales composition
() Number of facilities opened

Operating Income



Net Income





Quarterly Trends of Financial Results

- Major cost of goods sold/SGA expenses (Quarterly Trends of Financial Results for latest year)

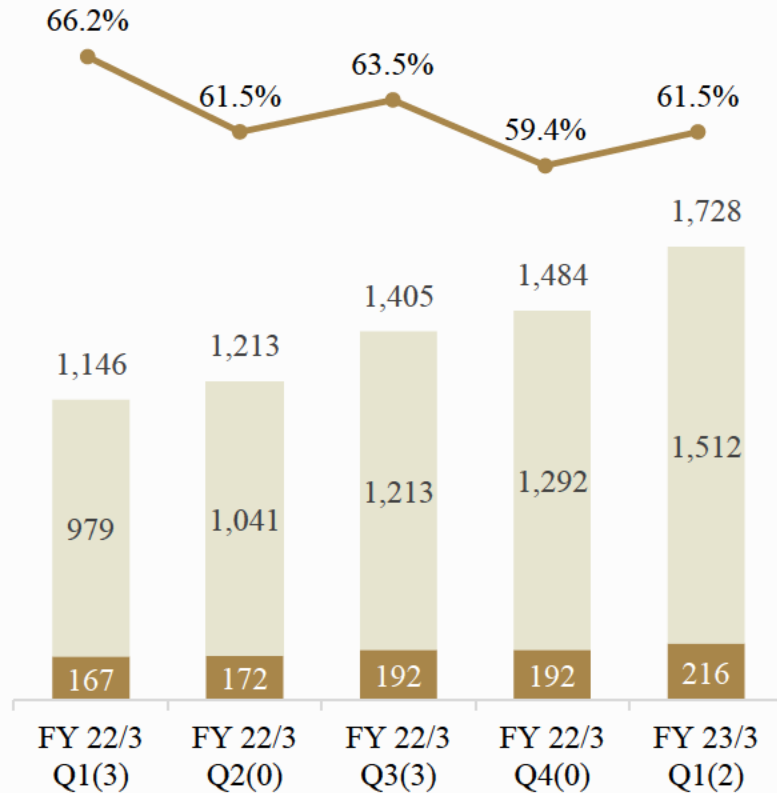
— Sales composition

() Number of facilities opened

Personnel costs

(Above: Cost of goods sold/Below: SGA expenses)

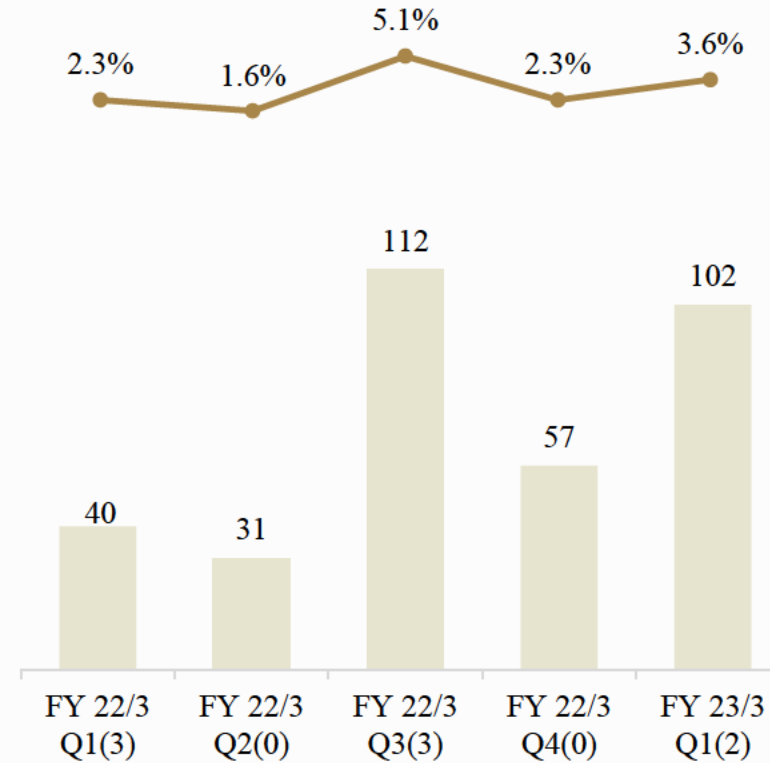
(million yen)



Recruiting costs

(SGA expenses)

(million yen)





Change in occupancy rate* (FY March 2022, First quarter account period for FY March 2023)

Segment	Number of facilities	Capacity (persons)	FY March 2022											
			Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Existing PD House (opened -2021.3)	6	296	95%	94%	95%	95%	96%	93%	95%	93%	93%	94%	94%	97%
New PD House (open 2021.4-)	6	317	-	40%	39%	55%	63%	72%	65%	62%	63%	72%	77%	84%
Number of facilities opened			-	2	1	-	-	-	1	1	1	-	-	-
Segment	Number of facilities	Capacity (persons)	First quarter account period for FY March 2023											
			Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Existing PD House (opened -2022.3)	12	613	92%	94%	96%	-	-	-	-	-	-	-	-	-
New PD House (open 2022.4-)	2	95	-	38%	57%	-	-	-	-	-	-	-	-	-
Number of facilities opened			-	1	1	-	-	-	-	-	-	-	-	-



Balance Sheet

(Unit: million yen)

	FY2021	FY2022	FY2023 Q1	Change from FY2022
Assets	4,788	9,015	14,357	5,341
Liquid assets	1,585	2,547	5,948	3,401
Fixed asset	3,202	6,468	8,408	1,940
Liabilities	4,094	8,150	10,349	2,199
Current liabilities	1,650	3,116	3,514	397
Fixed liabilities	2,444	5,034	6,835	1,801
Net assets	693	864	4,007	3,142
Capital adequacy ratio	14.5%	9.6%	27.9%	18.3pt

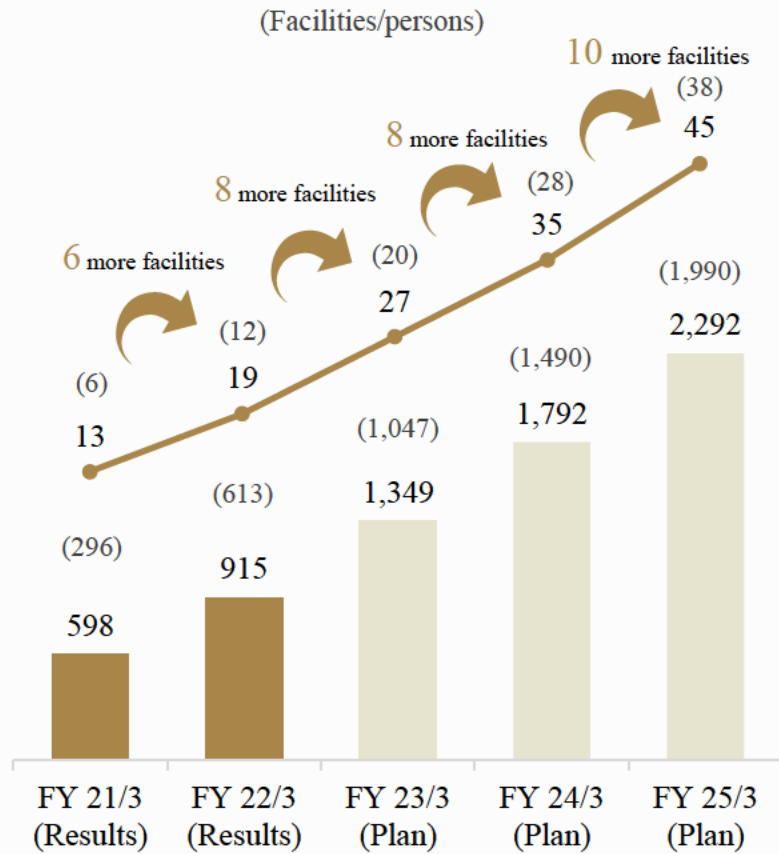
II. Future Prospects

(Medium-term management plan June 27, 2022 publication)

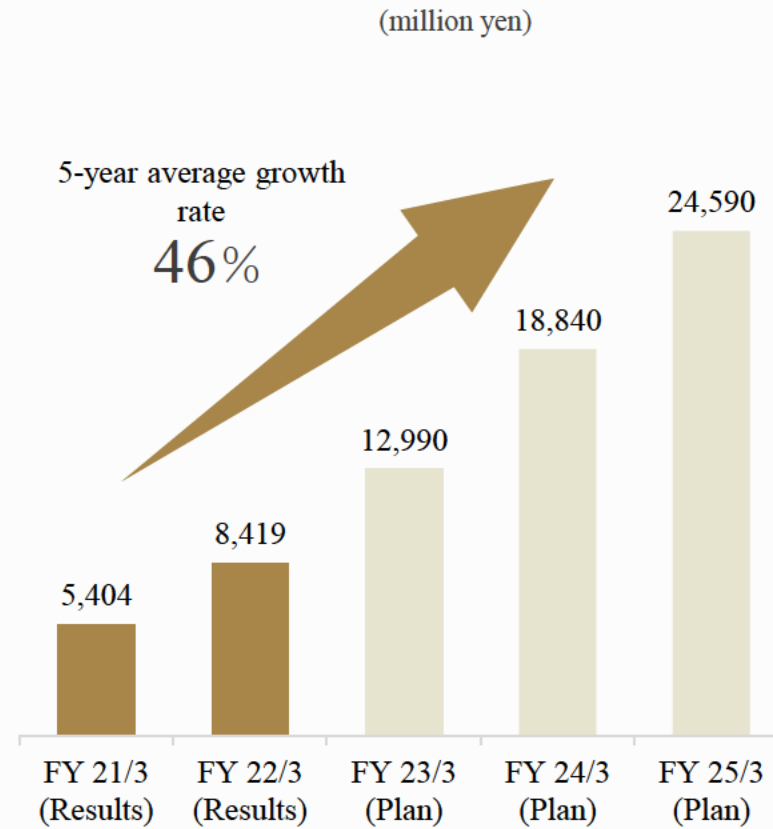


Number of Facilities/Capacity and Sales (Medium-term management plan)

Number of Facilities/Capacity



Sales

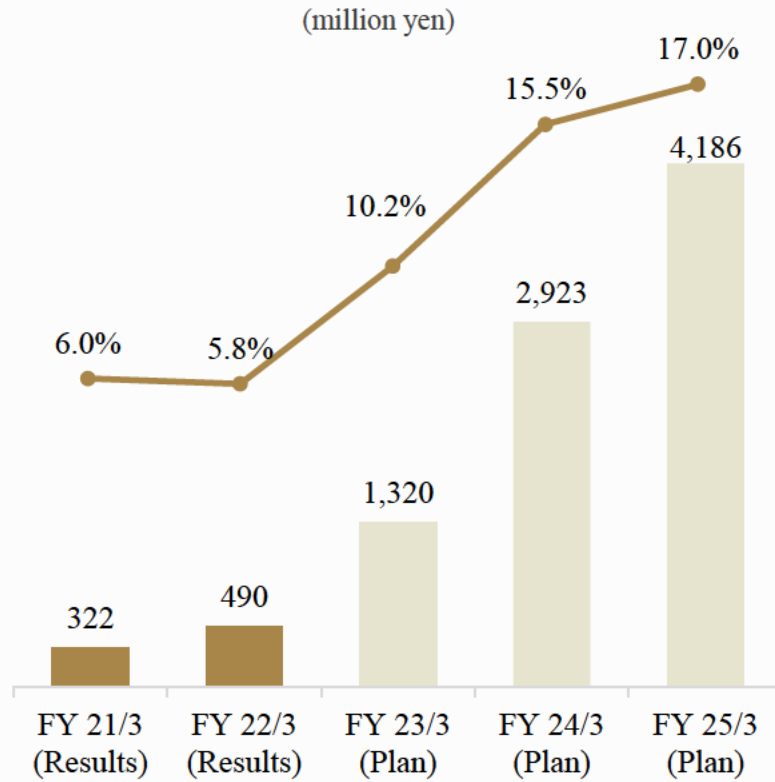


*(): Number of PD House/Capacity

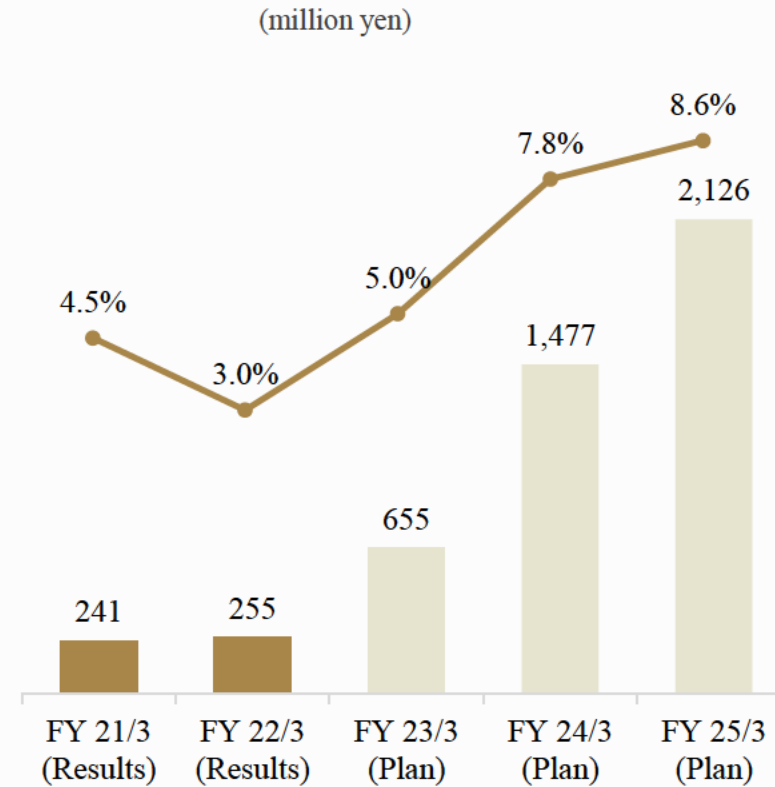


Operating Income/Net Income (Medium-term management plan)

Operating Income/Operating margin



Net Income/Net income margin





Shareholder dividend

Shareholder dividend plan

- We plan to pay a dividend of 26.00 yen per share for the fiscal year ending third quarter, 2023.

(Interim dividend: 13.00 yen, Year-end dividend: 13.00 yen)

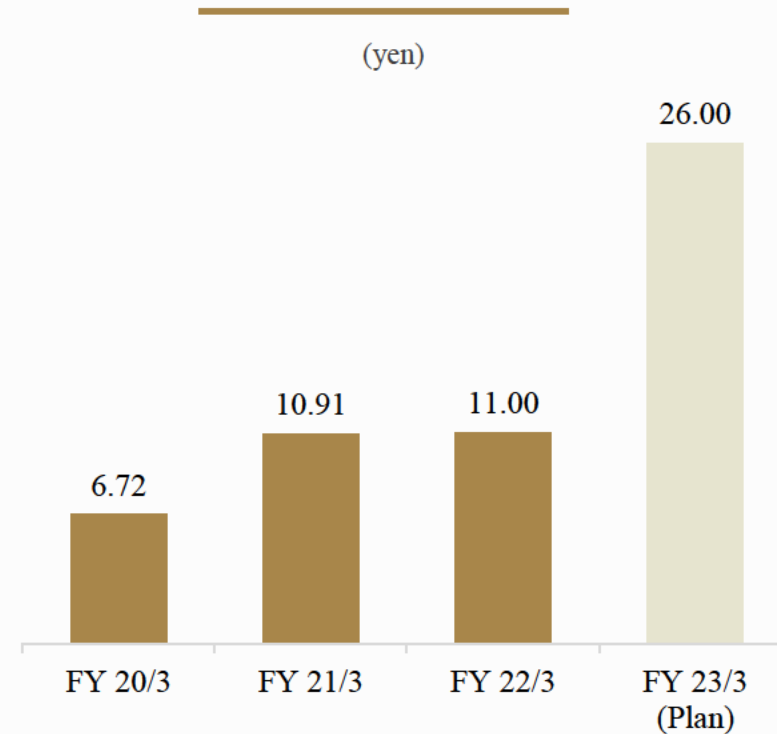
- Going forward, we plan to pay shareholder dividends depending on the profit performance of each fiscal year.

Shareholder dividend policy

- Our basic policy on shareholder returns is to “return” profits generated through business activities “to all shareholders” and “investing in growth to maximize corporate value.”

- The Company’s policy is to pay dividends to shareholders while giving due consideration to stability and continuity, while comprehensively taking into consideration performance trends, financial conditions, and other factors.

Dividend per share



Note: As a 100-for-1 stock split of common stock was conducted on March 25, 2021, and a 100-for-1 stock split of common stock was conducted on February 15, 2022, the amount of dividend per share assuming that the stock splits were made at the beginning of FY March 2020 is stated

III.Explanation of Business



Company profile (Outline)

Company name	Sunwels Co., Ltd.
Headquarters	■ Tokyo Headquarter (9 th Floor, Marunouchi Building, 2-4-1 Marunouchi, Chiyoda-ku, Tokyo) ■ Kanazawa Headquarter (15-13 Ninomiya-machi, Kanazawa-shi, Ishikawa-ken)
Branches	■ Osaka Branch
Representative	Ryotatsu Nawashiro, President & CEO
Establishment	September 2006
Capital	35,000,000 yen (FY March 2023)
Number of employees	1,341 (including 86 temporary employment / as of June 30, 2022) [*]
Business description	Nursing care business for the elderly (medical-specific facilities, day-care services, group homes, welfare equipment rentals, etc.) ■ Operation of PD House, fee-based homes for the elderly specialized in Parkinson's disease

* The number of employees is the number of employees employed, and the number of temporary employees (part-timers and temporary contract employees) is the annual average number of employees (converted to 8 hours per day).



Company Profile (management system)



President & CEO Ryotatsu Nawashiro

Nawashiro was born in Ishikawa Prefecture in July 1973. From the early age of 19 Nawashiro suffered from kidney disease that ultimately led to his withdrawal from college. After withdrawing from college, Nawashiro was unable to obtain a permanent employment because of his kidney disease. At the age of 26, Nawashiro recovered and eventually took over his father's company, Item, Inc. Nawashiro also started a housing renovation business for people covered by nursing-care insurance. Since then, he founded Care Communications Co., Ltd. in 2006, CentralCare Staff Co., Ltd. in 2007, and Sarai Co., Ltd. in 2008. In 2011, he merged the three companies to establish Sunwels Co., Ltd. and has been developing new nursing care services that are new to the region.

Senior Managing Director Toru Koshino

Former local horse racing jockey. In 2004, he joined Item Co., Ltd. (currently our company). In 2015, he became a director of the company. Responsible for the Management Strategy Department and Operation Business Department.

Managing Director Tomohiro Nagayama

Qualified as an occupational therapist. Joined Care Communications Co., Ltd. (currently our company) in 2009. In 2015, he became a director of the company. Responsible for the Recruitment Department, Facility Development Department, and Establishment Support Department.

Managing Director Eiichi Ueno

After joining Hokuriku Bank, served as branch manager and standing auditor. After being appointed as a full-time auditor of EIZO Corporation in 2009, he was appointed as an outside director in 2016. In 2018, he was appointed to the Board of Directors of the Company. In charge of the General Affairs and Accounting Department.

Director Michiyo Nakayama

The company's first female director. Joined Central Care Staff Co., Ltd. (currently our company) in 2009. In 2015, he became a director of the company. Responsible for the Human Resources Department and Retention Management Department.

Outside Director Full-time Audit and Supervisory Committee Member

Seiichi Tanaka

Former Kusuri No Aoki Holdings, Inc. full-time auditor

Outside Director Audit and Supervisory Committee Member

Yoshiaki Hatake

HATAKE Management Group Representative Director

Outside Director Audit and Supervisory Committee Member

Yuichi Nakanishi

Nakanishi Yuichi law office lawyer



Company profile (Sales composition)

(FY March 2023 Q1 / Performance)

Sales segment	Sales (million yen)	Sales composition	
1 / PD House	1,930	68.7%	▶
2 / Medical-specific facilities	619	22.0%	
3 / Welfare equipment business	113	4.0%	
4 / Day-care service facilities for the elderly	97	3.5%	
5 / Group homes for the elderly	40	1.5%	▶
6 / <i>Kaatsu</i> training business	9	0.4%	

Growth drivers
Accelerating nationwide expansion.
Future development will concentrate on PD House facilities.

Stable business operation base.
Operating in the Hokuriku area.



Business Model

“PD House” for people with Parkinson’s disease are operated as the center of our business.

[target residents]

For Parkinson’s disease

Possible for persons with progressive supranuclear palsy (PSP), corticobasal degeneration (CBD), multiple system atrophy (MSA), Spinocerebellar degeneration (SCD)

PD House
3 Features






- 1 Rehabilitation programs specialized for Parkinson’s disease (supervised by specialists)
- 2 Medical care by visiting doctors specializing in neurology
- 3 24-hour care by visiting nurses and medication management





Company Profile (Parkinson's disease)

It is a progressive degenerative disease mainly degeneration of dopamine neurons in the brain, and it is a designated intractable disease of the country. The symptoms are diverse, and there is no cure treatment established worldwide. The following table represents the degree of medical condition progression.

Stage 1		Stage 2	Stage 3	Stage 4	Stage 5
Trembling in hands and feet, stiff muscles			Small steps, freezing gait, easy to fall	Difficult to stand, walk, etc.	Need a wheelchair, mostly bedridden
One side of the body	Both sides of the body		Interfere with daily activities	Requires assistance in various situations	Full assistance required
					

Mainly long-term care services

PD House residents = eligible for long-term care insurance + medical insurance services



1. Services available with outpatient rehabilitation are limited, and there is no place to receive rehabilitation every day unless hospitalized.
2. Cannot see a specialized physician as commuting to the hospital becomes difficult.
3. Proper medication management becomes difficult as the amount and frequency of medication increases.



Company Profile (Mission)

Nationwide expansion of “PD House”, a facility where even people with intractable diseases can live in their own way

Providing services to solve the three problems

Current status of treatment (Issues)

- 1 , Cannot receive sufficient amount of rehabilitation
- 2 , Few specialists, few opportunities to receive medical care
- 3 , Difficulty in ensuring proper medication management



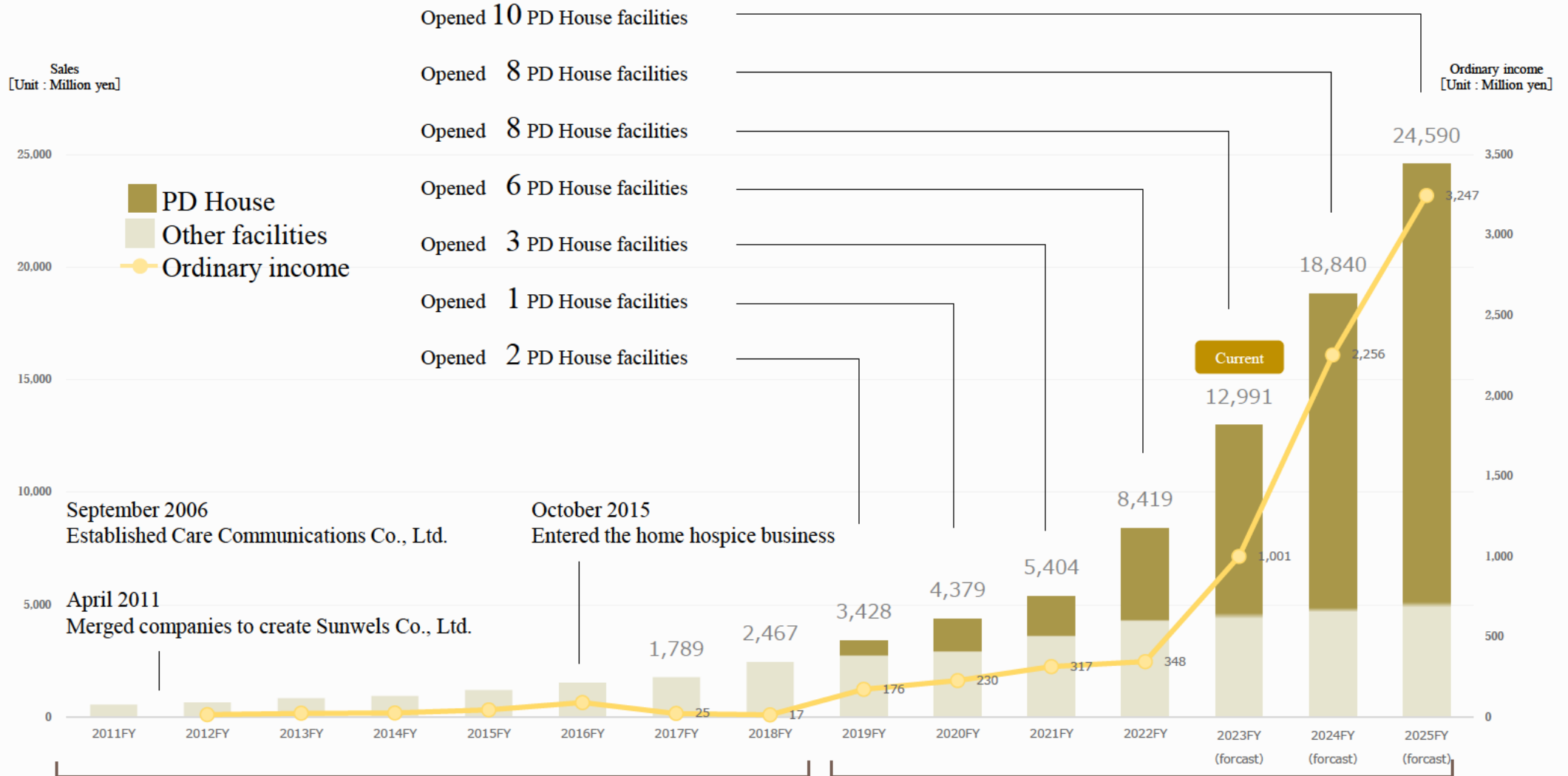
Providing services to solve the three problems

- 1 , Rehabilitation programs specialized for Parkinson’s disease (supervised by specialists)
- 2 , Medical care by visiting doctors specializing in neurology
- 3 , 24-hour care by visiting nurses and medication management



Company Profile (History)

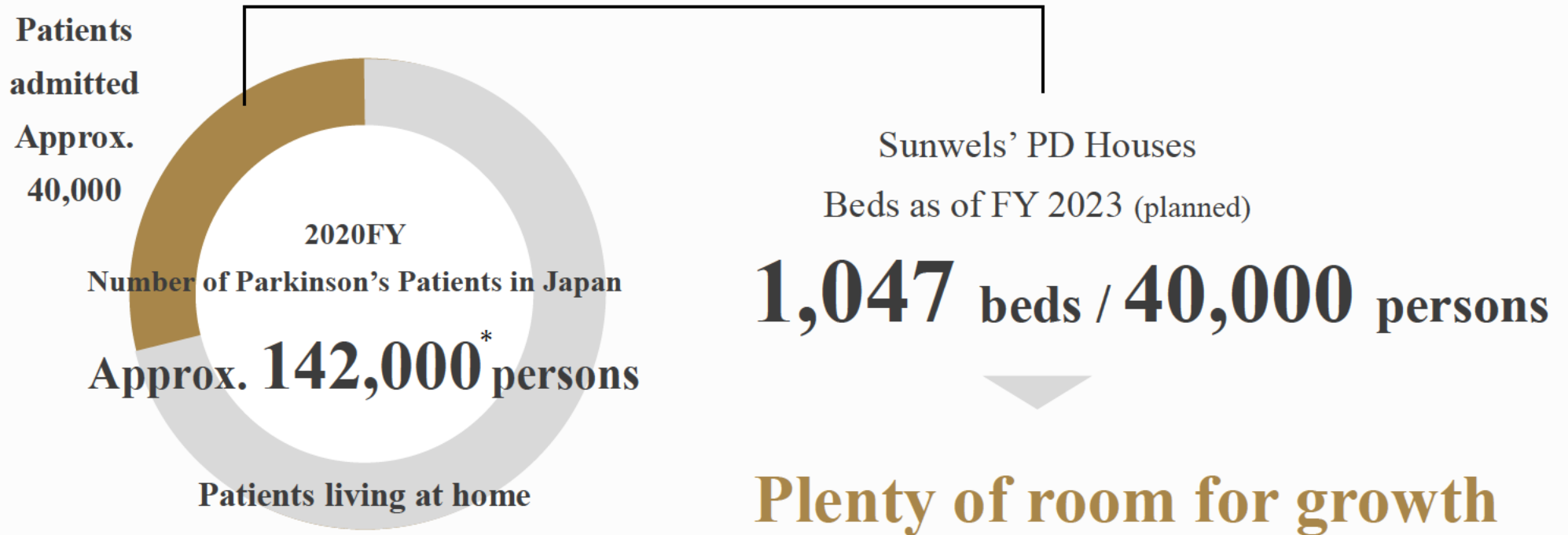
First PD House opened in the fiscal year ending FY2019





Profitability and growth potential

Comparison of the number of Parkinson's Patients and Market Size



* Ministry of Health, Labour and Welfare *Examples of Health Administration Report in FISCAL 2020* (as of the end of FY 2020).



For long-term sustainable growth (ESG)

Environment

Environmentally friendly PD House

- Use of energy-efficient construction materials
- Placement of long-lasting stainless steel trash cans
- Use of LED light bulbs throughout the building
- Contributing to the reduction of CO₂ emissions by using 99% recycled garbage bags

Social

PD House that meets the nursing and care needs of Parkinson's patients

- Facilities where even people with intractable diseases can live their own way Nationwide expansion of “PD House”
- Education and training for nursing and nursing care workers in cooperation with universities and hospitals
- Joint research with university hospital , Development of new services in collaboration with research institutions

Governance

Thorough implementation of governance, risk management and compliance

- Company with Audit and Supervisory Committee/Nomination and Compensation Advisory Committee
- Risk Management and Compliance Committee
- Whistle-blower system (internal/external contact point)



Full-scale efforts to tackle sustainability issues

**Environment
Social
Governance**



Disclaimer/inquiries

All forecasts, plans, and other forward-looking statements regarding the Company contained in this material are projections based on the information currently available to the Company. These projections may not be realized due to the influence of inaccurate facts such as the economic environment and deregulation. Please also note that the forecasts contained in this material may differ from plans and other forward-looking statements.

[Inquires]

Sunwels Co., Ltd.

General Affairs and Accounting Department Telephone: 076-272-8982/E-mail: contactus@sunwels.jp