



SUNWELS CO., Ltd

Third Quarter of FY March 2023

Financial Highlights

(April 1, 2022 – December 31, 2022)

February 8, 2023



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I. Overview of Financial Results for Third Quarter of FY March 2023



Financial Summary

■ COVID-19 impact

In the third quarter (October-December), 161 staff and 85 users were affected, with a total **negative balance of approximately 27 million yen** for all facilities. (328 staff and 205 users were affected in the cumulative third quarter (April-December), with a total negative balance of approximately 77 million yen for all facilities.)

■ Doubled bonuses for caregivers Further strengthen recruitment

***Increase in allowance for bonuses from October 2022.**

Annual income YoY was **minus 30 million yen** in the third quarter (October-December).

From FY March 2024, annual regular bonuses for care workers will increase from one to two months' pay. ⇒ 8% annual wage increase.

■ Three PD House facilities opened as planned in the third quarter (October-December)

PD House Akiyoshi, PD House Nishi-Tokyo, and PD House Minami-Yono opened in the third quarter.

■ Favorable occupancy trends at seven PD House facilities that opened in the cumulative period through the third quarter (April-December)

Residency contracts had been signed for more than 80% of all beds by facility opening dates.

* PD House Adachi (May), PD House Funabashi (June), PD House Higashi-Osaka (July), PD House Yao (September), PD House Akiyoshi (October), PD House Nishi-Tokyo (October), and PD House Minami-Yono (December)



Financial Results

Quarterly breakdown of full-year earnings forecasts
(Disclosed in Aug. 2022 in announcement of financial results)

■ Quarterly earnings are growing thanks to growing numbers of PD House facilities

(Unit: million yen)

	FY 2023/3 1Q forecast			FY 2023/3 2Q forecast			FY 2023/3 3Q forecast			FY 2023/3 4Q forecast			FY 2023/3 Full-year forecast
Sales	2,760			3,073			3,442			3,714			12,990
YoY comparison	21.3%			23.7%			26.5%			28.6%			100.0%
Operating income	162			267			416			474			1,320
YoY comparison	12.3%			20.2%			31.5%			35.9%			100.0%
Ordinary income	109			189			329			373			1,001
YoY comparison	10.9%			18.9%			32.9%			37.3%			100.0%
Quarterly (current) net income	69			124			216			245			655
YoY comparison	10.7%			19.0%			33.0%			37.4%			100.0%
Month	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Full year
Number of PD House facilities opened	-	1	1	1	-	1	2	-	1	1	-	-	8



Financial Results Comparison of forecasts and actual results: Third quarter cumulative (April-December)

■ Both sales and operating income topped forecasts for the third quarter (September-December) and cumulative period through the third quarter (April-December)

(Unit: million yen)

	FY 2023/3 1Q			FY 2023/3 2Q			FY 2023/3 3Q			FY 2023/3 3Q cumulative		
	Forecast	Result	Differ- ence (achieve- ment rate)	Forecast	Result	Differ- ence (achieve- ment rate)	Forecast	Result	Differ- ence (achieve- ment rate)	Forecast	Result	Differ- ence (achieve- ment rate)
Sales	2,760	2,811	+50 (101.8%)	3,073	3,197	+124 (104.0%)	3,442	3,688	+246 (107.2%)	9,276	9,697	+421 (104.5%)
Operating income	162	192	+29 (118.4%)	267	300	+32 (112.3%)	416	424	+7 (101.9%)	846	916	+70 (108.3%)
Net income	109	126	+16 (115.4%)	189	224	+35 (118.5%)	329	355	+25 (107.9%)	628	706	+77 (112.4%)
Quarterly (current) net income	69	84	+14 (121.3%)	124	163	+39 (131.5%)	216	254	+38 (117.8%)	410	503	+92 (122.6%)



Financial Results YoY comparison: Third quarter cumulative (April-December)

■ Both sales and income greatly increased YoY thanks to the steady opening of PD House facilities

(Unit: million yen)

	FY 2022/3 3Q cumulative results <small>(Progress vs. full-year results)</small>	FY 2023/3 3Q cumulative results <small>(Progress vs. full-year plans)</small>	YoY change	YoY change (%)
Sales	5,921 (70.3%)	9,697 (74.7%)	+3,776	+63.8%
Operating income	162 (33.1%)	916 (69.4%)	+754	+463.8%
Ordinary income	71 (20.6%)	706 (70.5%)	+634	+882.4%
Net income	55 (21.5%)	503 (76.8%)	+448	+814.4%



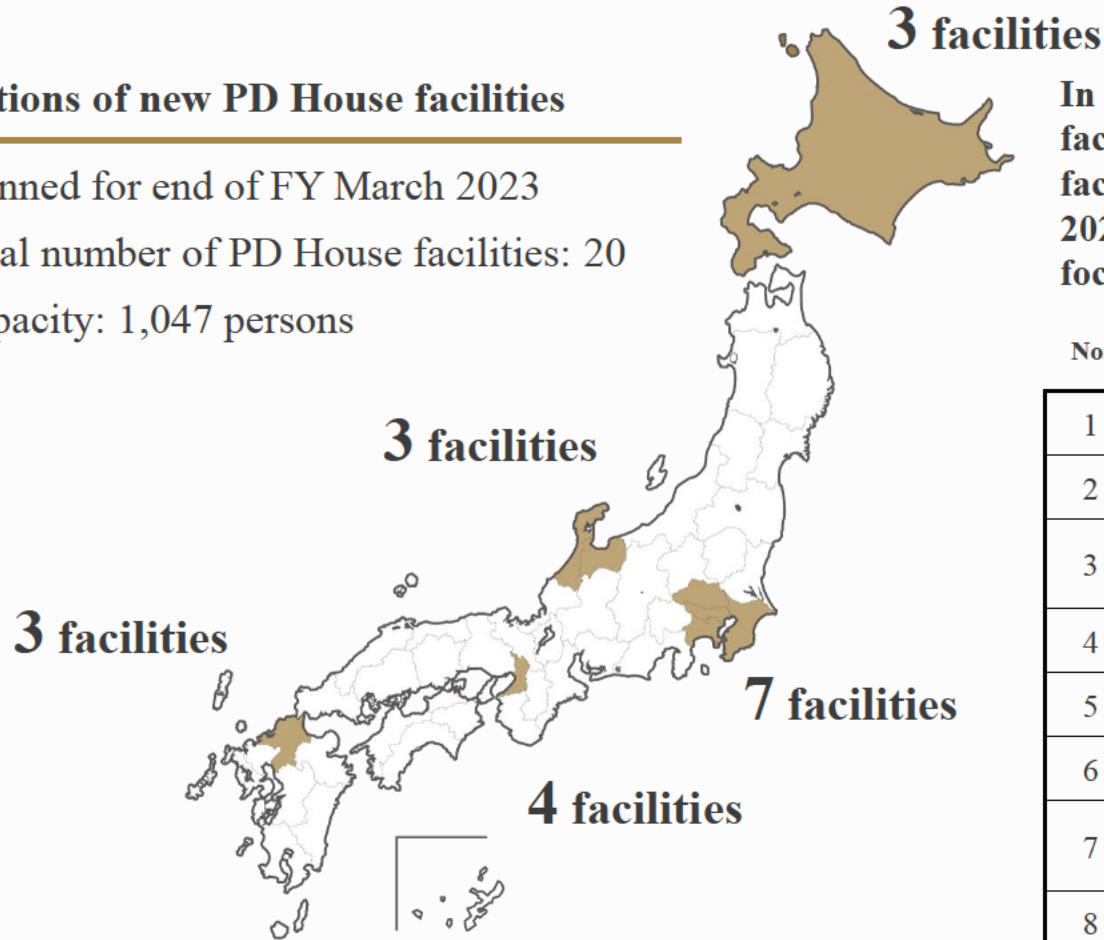
Facility Opening Plans

PD House opening plan for FY March 2023

■ As planned, seven PD House facilities opened in the cumulative period through the third quarter

Locations of new PD House facilities

Planned for end of FY March 2023
 Total number of PD House facilities: 20
 Capacity: 1,047 persons



In the fiscal year ending March 31, 2023, we will focus on opening new facilities in the Kanto (4) and Kansai (2) regions, and plan to open 8 facilities (with a total capacity of 434). In the fiscal year ending March 31, 2023, we plan to open 8 new facilities (with a total capacity of 434), focusing on the Kanto (4) and Kansai (2) regions.

No.	Planned opening	Prefecture	Location	Capacity (persons)	Occupancy rate (end of Dec. 2022)		
1	2022	1Q	May	Tokyo	Adachi	50	82%
2			June	Chiba	Funabashi	45	93%
3		2Q	July	Osaka	Higashi-Osaka	48	88%
4			September	Osaka	Yao	60	80%
5		3Q	October	Toyama	Akiyoshi	52	58%
6			October	Tokyo	Nishi-Tokyo	60	48%
7			December	Saitama	Minami-Yono	60	30%
8	2023	4Q	January	Hokkaido	Tsukisamu	59	-



Facility Opening Plans

PD House opening plan for FY March 2024

- Contracts have been completed or construction started for a total of nine PD House facilities for FY March 2024
- The number of facilities planned to open has been revised from eight to nine (total capacity: 499 persons) under the medium-term management plan

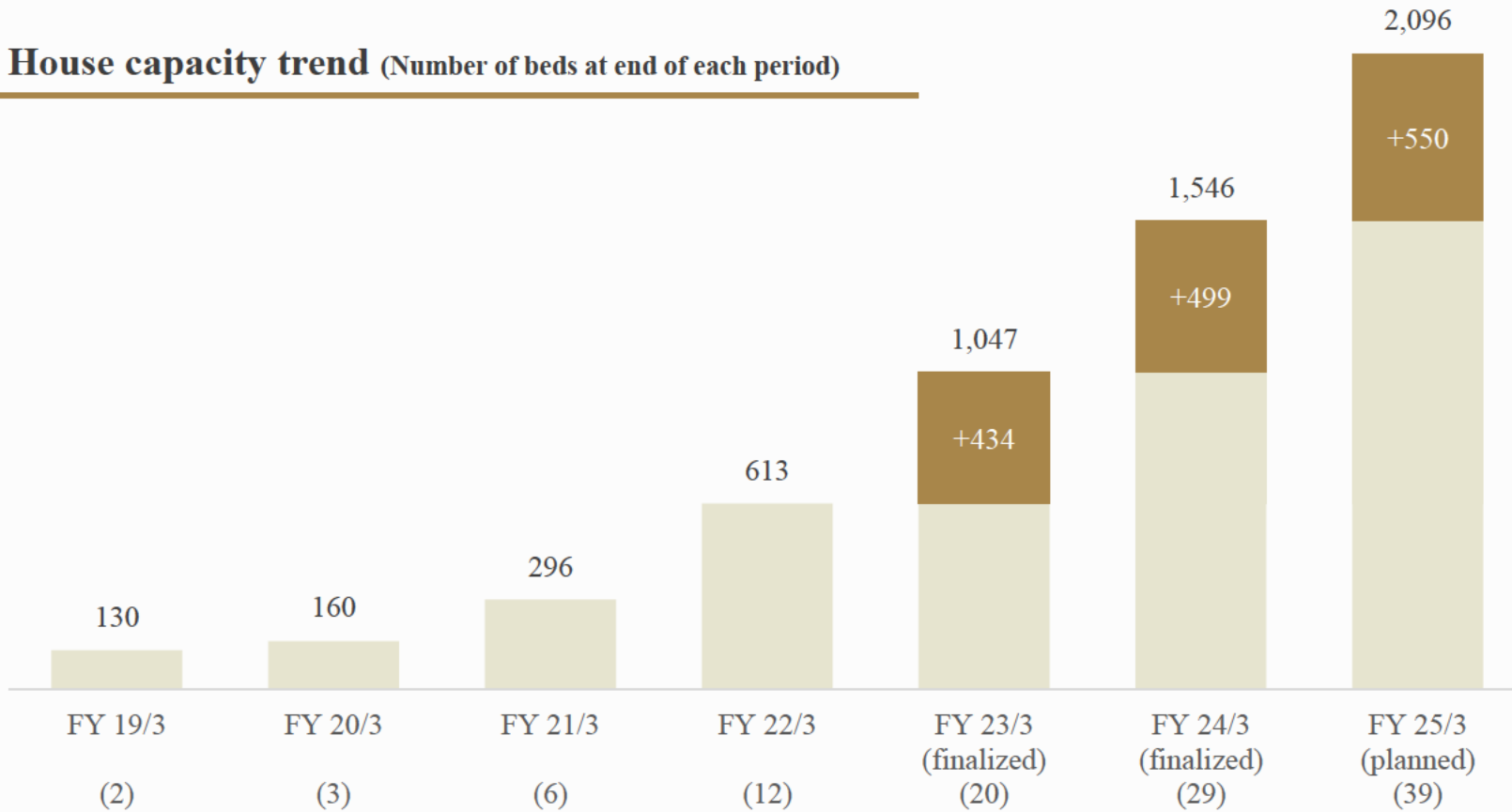
No.	Name (tentative)	Location	Month of opening (planned)	Capacity (planned)
1	PD House Konandai	Yokohama City	April 2023	60 persons
2	PD House Joto	Osaka City	April 2023	60 persons
3	PD House Itabashi II	Itabashi Ward	June 2023	47 persons
4	PD House Hachioji	Hachioji City	August 2023	50 persons
5	PD House Higashi-Osaka II	Higashiosaka City	September 2023	60 persons
6	PD House Yoga	Setagaya Ward	October 2023	68 persons
7	PD House Hikari no Mori	Kumamoto City	October 2023	53 persons
8	PD House Kandaiji	Yokohama City	November 2023	48 persons
9	PD House Heiwagaoka	Nagoya City	December 2023	53 persons



Facility Opening Plans (FY March 2023 – FY March 2025)

- Plans call for PD House capacity to exceed 1,000 persons in FY March 2023
- Plans call for reaching capacity of at least 2,000 persons in FY March 2025

PD House capacity trend (Number of beds at end of each period)



* (): number of facilities

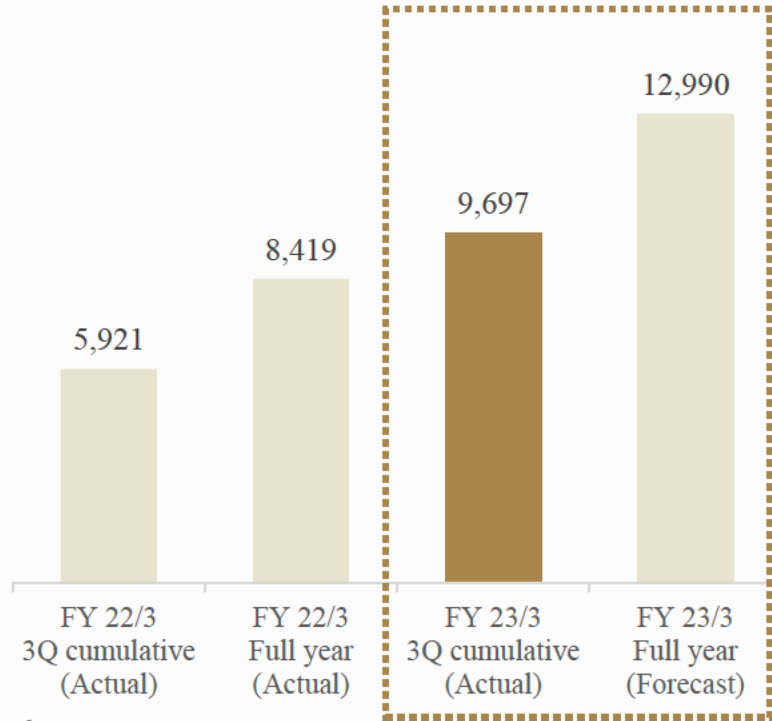


YoY Changes: Major financial indicators

- Sales in the cumulative period through the third quarter exceeded last year's full-year sales
- Operating income exceeded that of the full year of the previous fiscal year in the first half (an increase of 754 million yen YoY)

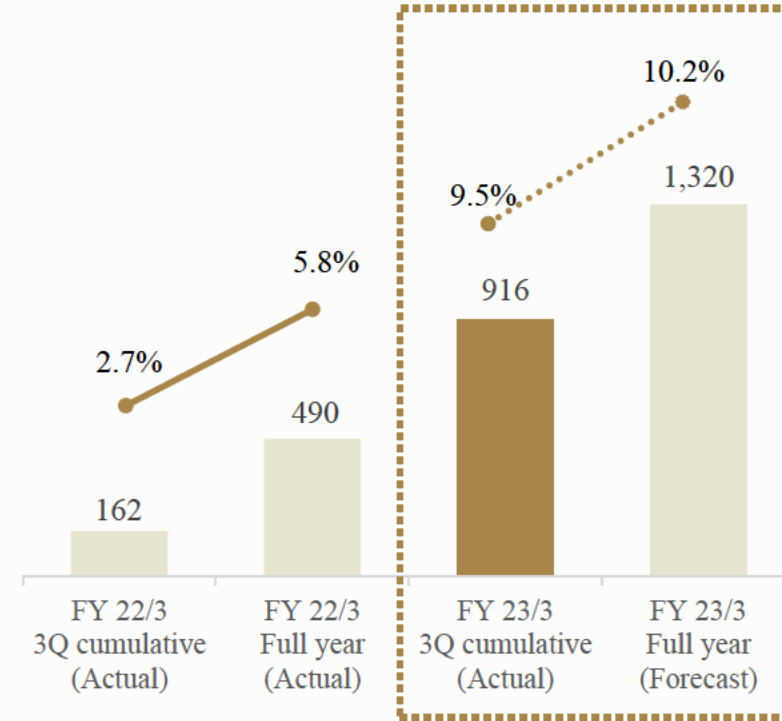
Sales

(Million yen)



Operating income / Operating margin

(Million yen)

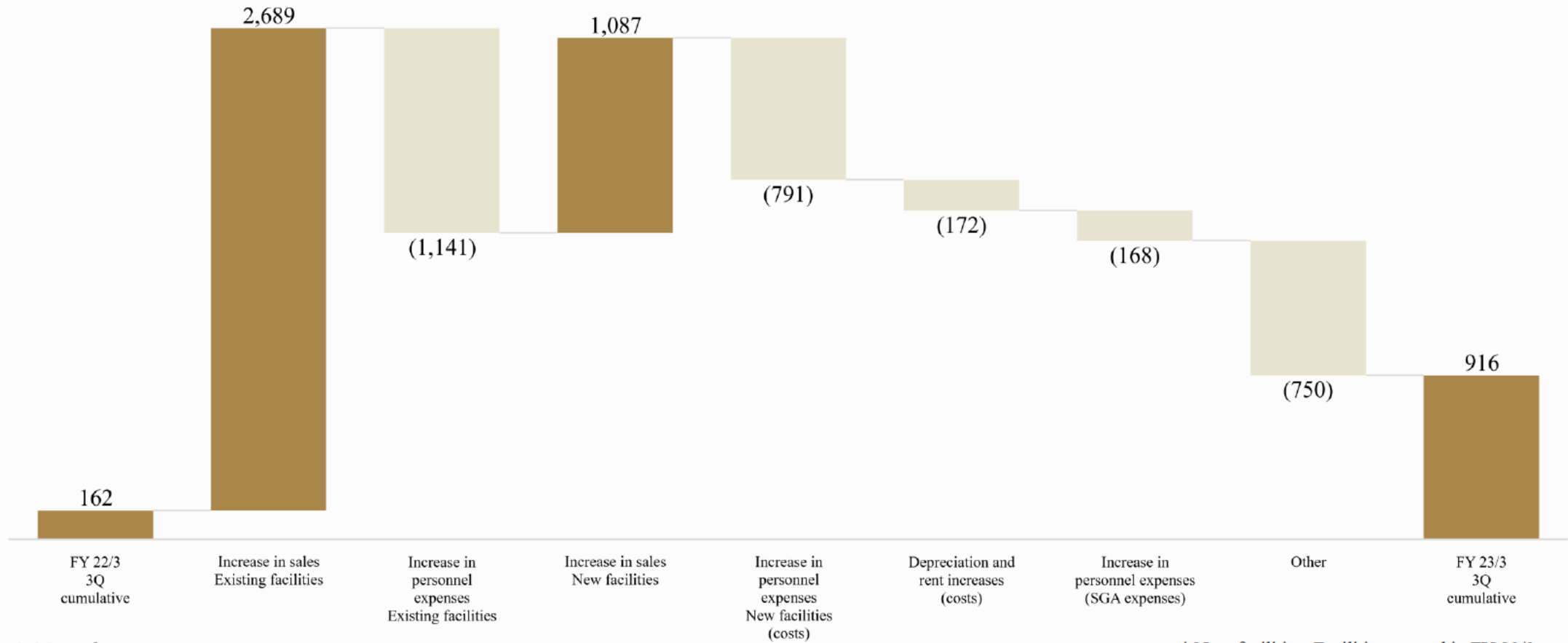




Factors contributing to changes in operating income (Third quarter FY March 2022 – Third quarter FY March 2023)

■ Operating income increased by 754 million yen due to an increase in the number of PD House facilities (+7 facilities, +375 people)

(Unit: million yen)



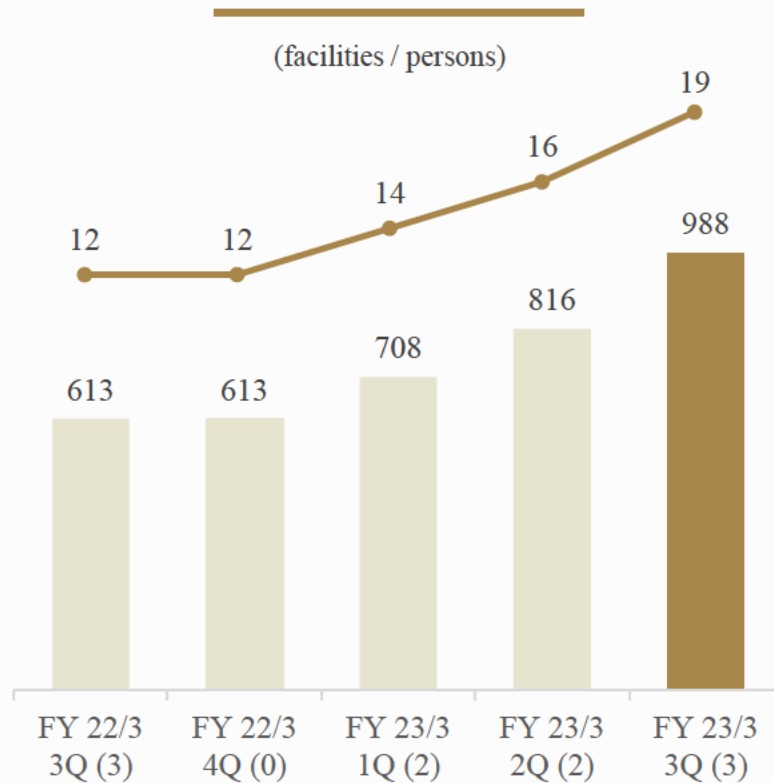


Quarterly Trends: Major financial indicators (Most recent one-year period)

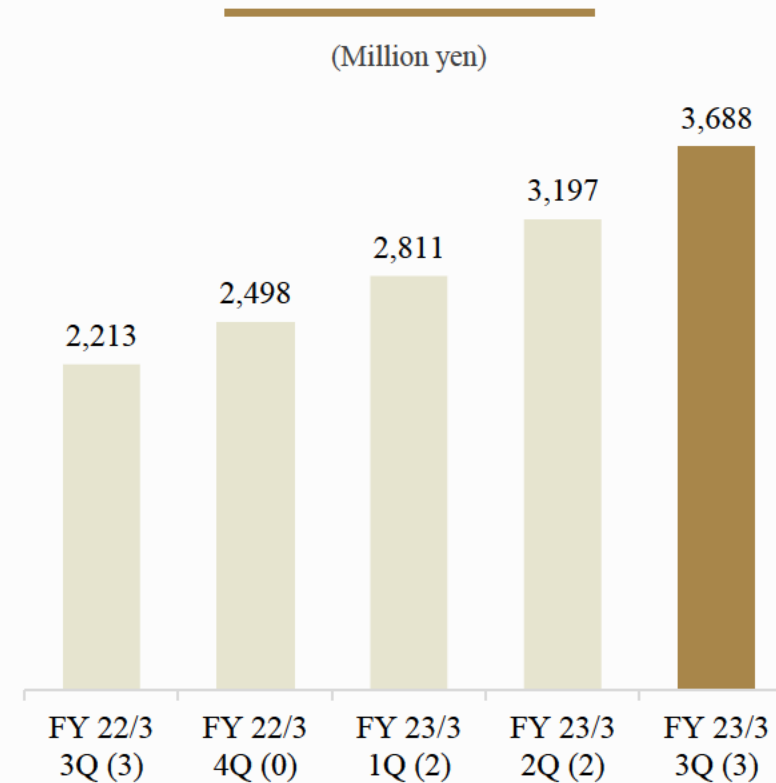
— : Number of facilities
() : Number of facilities opened

■ **Steady quarterly growth in both capacity and sales as the number of PD House facilities increases**

Number of PD House facilities / Capacity



Sales from all businesses

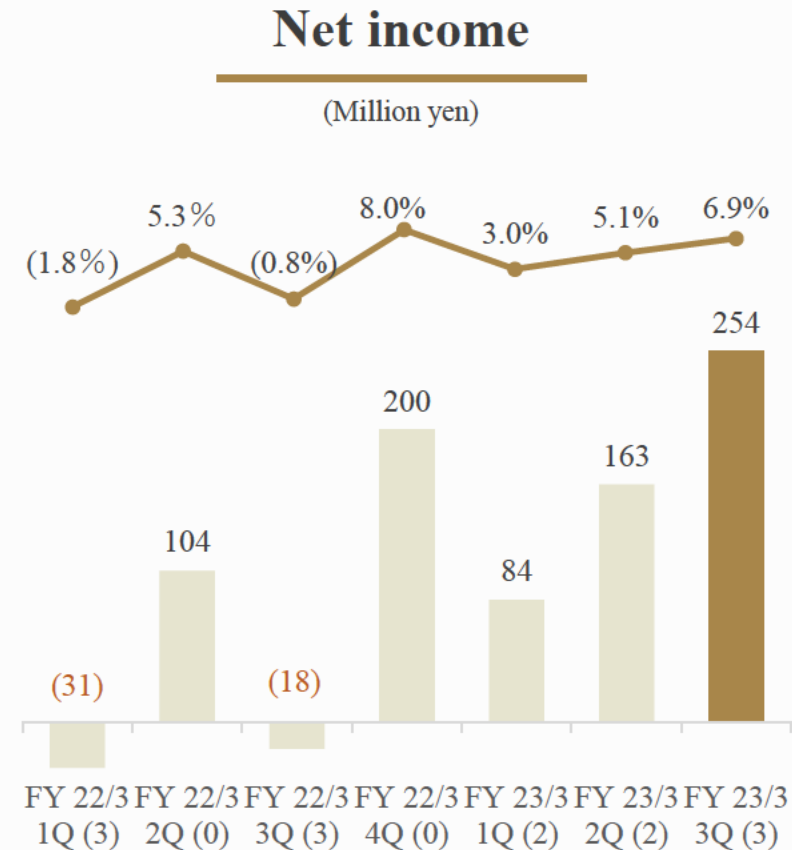
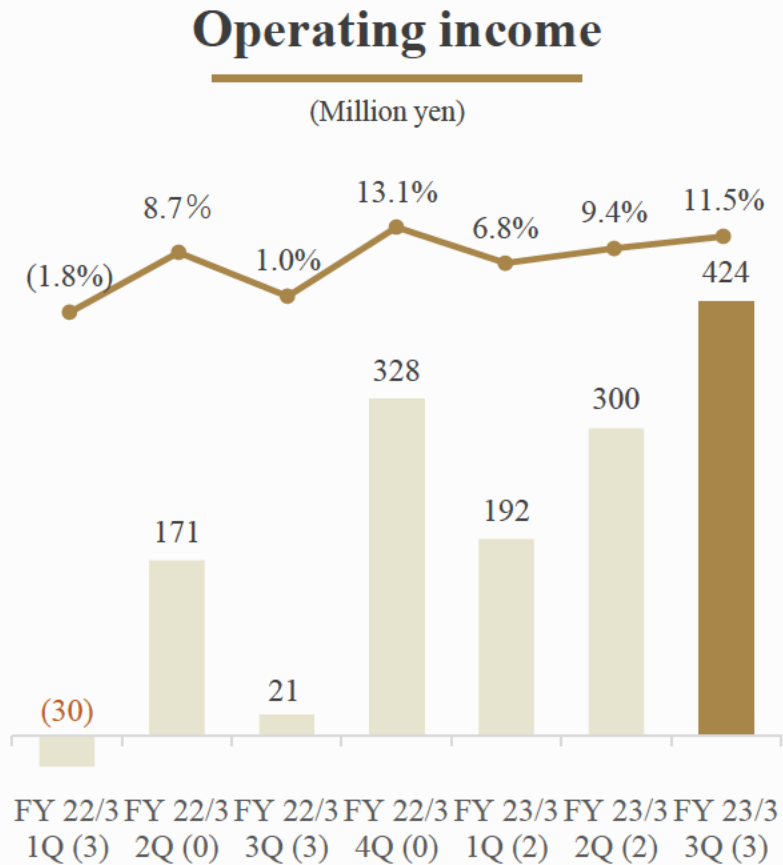




Quarterly Trends: Major financial indicators

— : Number of facilities
() : Number of facilities opened

■ With the increase in the number of facilities, the impact of facility start-up costs will decline and the profit margin will level out on an increasing trend



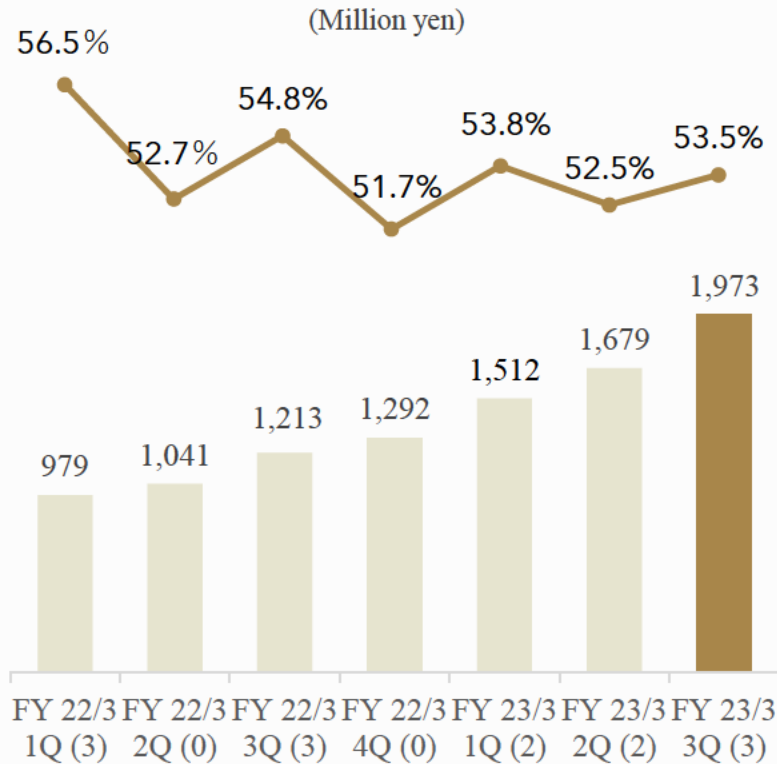


Quarterly Trends: Major expenses

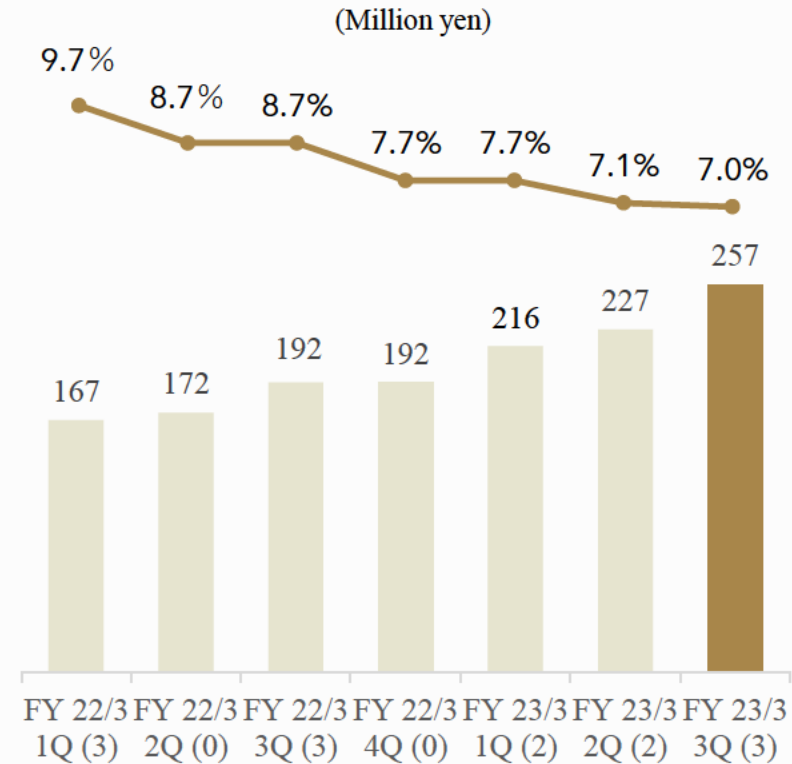
— : Percentage of sales
() : Number of facilities opened

■ **Steady decrease in labor cost ratio (SG&A expenses) due to economies of scale ⇒ Improved profit margins**

Personnel expenses (Cost of sales : Facility staff)



Personnel expenses (SG&A expenses : Head office administrative staff)





Trends in PD House occupancy rates* (FY March 2022; Third quarter of FY March 2023)

■ PD House appeal is increasing, and occupancy rates at existing facilities are further improving

Category	Number of facilities	Capacity (persons)	FY March 2022											
			April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Existing PD House (Opened through 2021.3)	6	296	95%	94%	95%	95%	96%	93%	95%	93%	93%	94%	94%	97%
New PD House (Opened 2021.4 or later)	6	317	-	40%	39%	55%	63%	72%	65%	62%	63%	72%	77%	84%
Number of facilities opened			-	2	1	-	-	-	1	1	1	-	-	-

Category	Number of facilities	Capacity (persons)	Third quarter of FY March 2023											
			April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Existing PD House (Opened through 2022.3)	12	613	92%	94%	96%	97%	96%	96%	97%	97%	97%	-	-	-
New PD House (Opened 2022.4 or later)	7	375	-	38%	57%	60%	70%	65%	59%	71%	67%	-	-	-
Number of facilities opened			-	1	1	1	-	1	2	-	1	-	-	-

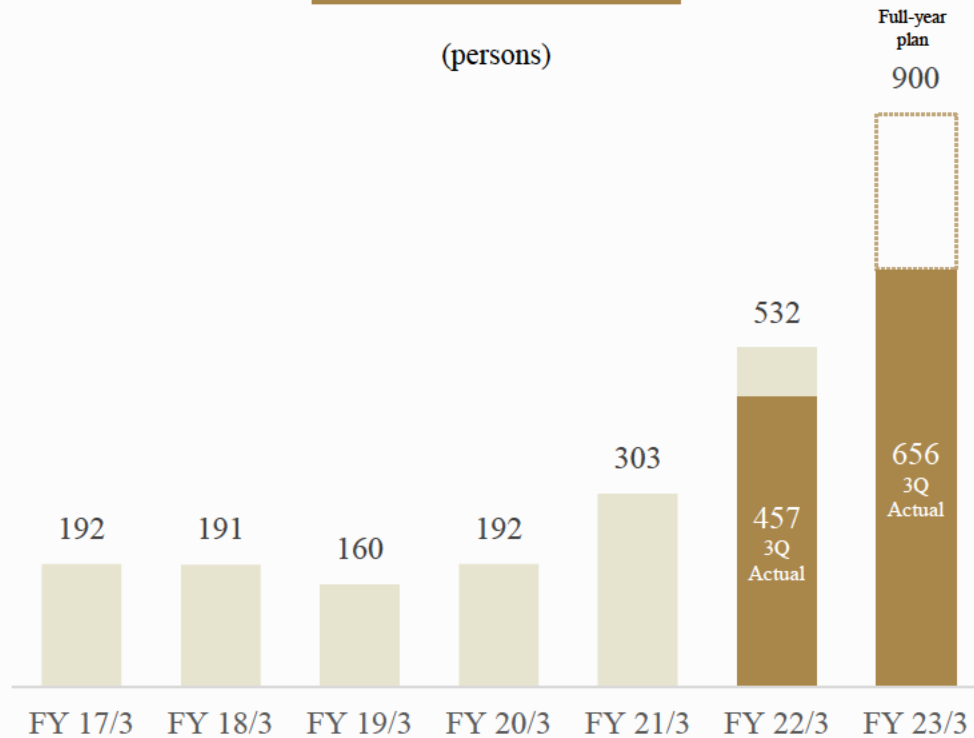


Trends in numbers of new hires and employees at end of period

■ The numbers of new hires and employees trended upward with the increase of facilities opened

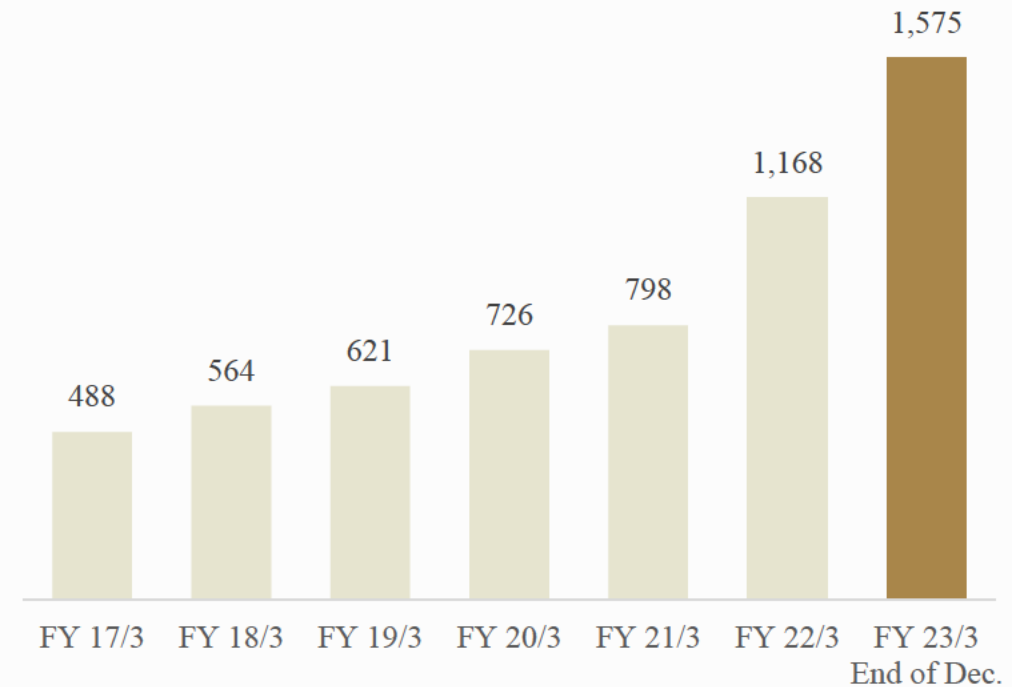
Number of new hires

(persons)



Number of employees at end of period

(persons)





Balance Sheet (as of end of December 2022)

■ IPO (June 2022) to raise 3.9 billion yen and stabilize equity ratio

(Unit: million yen)

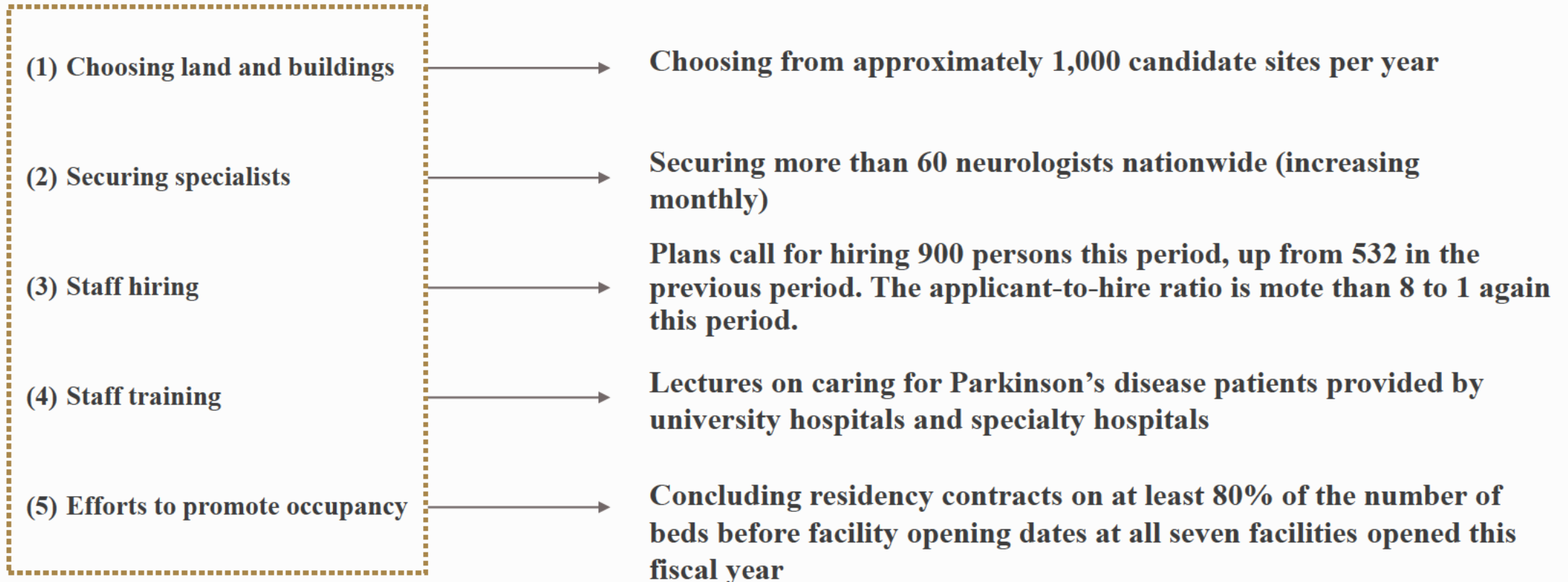
	FY 21/3	FY 22/3	FY 22/12	Change from FY 22/3
Assets	4,788	9,015	16,973	+88.3%
Current assets	1,585	2,547	5,221	+105.0%
Fixed assets	3,202	6,468	11,752	+81.7%
Liabilities	4,094	8,150	11,891	+45.9%
Current liabilities	1,650	3,116	2,767	(11.2%)
Fixed liabilities	2,444	5,034	9,123	+81.2%
Net assets	693	864	5,082	+487.8%
Equity ratio	14.5%	9.6%	29.9%	+20.4 pt

II. Future Outlook



PD House Growth Strategy

- Plans call for expansion to 100 facilities and 5,000 beds by end of FY March 2030
- With approx. **40,000** potential users in the market, our share will still be **12.5%** with 100 facilities and 5,000 beds





PD House Growth Strategy (FY March 2023 initiatives)

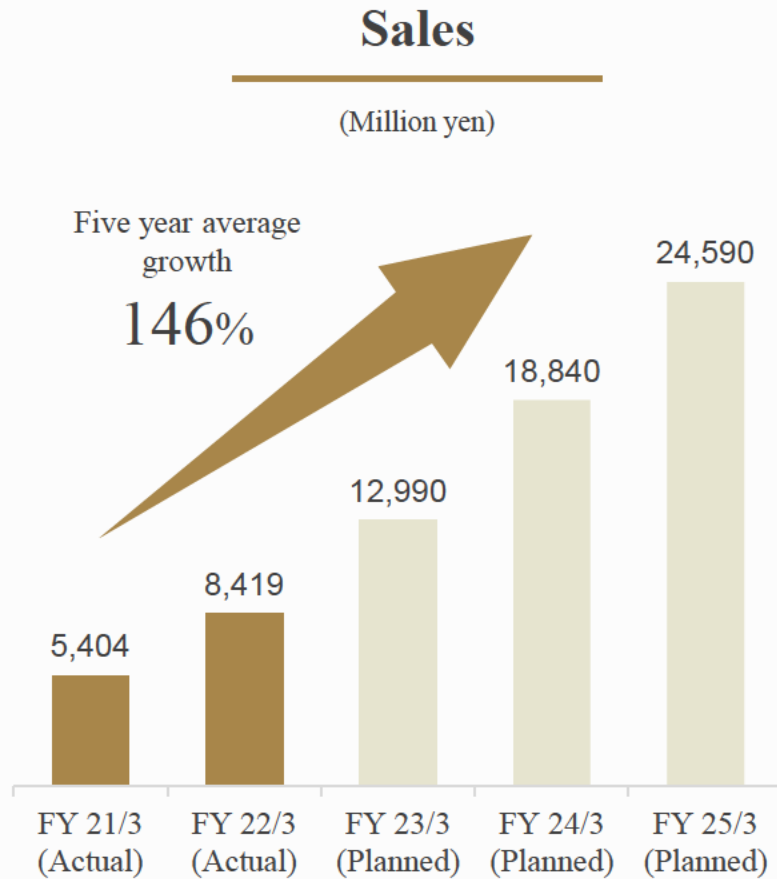
■ Enhancing staffing to accelerate growth

		Number of staff at end of March 2022		Number of staff at end of March 2023 (planned)
Development Department	<ul style="list-style-type: none">• Plans have been finalized to open facilities in new areas (Nagoya, Kumamoto). * Currently operating in five areas (Kanto, Kansai, Hokuriku, Sapporo, and Fukuoka)• Plans call for opening facilities in other areas.	4 persons	▶	10 persons
Education Department	<ul style="list-style-type: none">• Providing follow-up training for all employees over the three-month period starting one month before the opening date• Providing training for leaders six months before the opening date	6 persons	▶	15 persons
Recruitment Department	<ul style="list-style-type: none">• Clarifying roles by establishing an Applications Management Section and a Provisional Hiring Management Section• Adoption of consultants to build the population of applicants since October 2022	9 persons	▶	13 persons

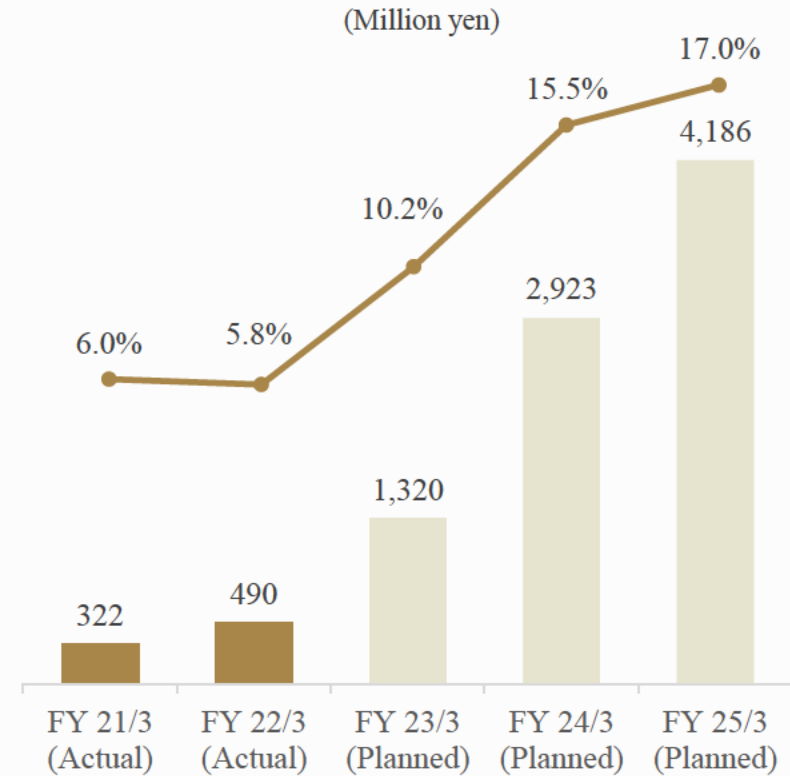


Number of Facilities/Capacity and Sales (Disclosed in medium-term management plan)

■ **Steady improvement in profit margins every fiscal year in line with sales growth**



Operating income / Operating margin





Shareholder Dividends

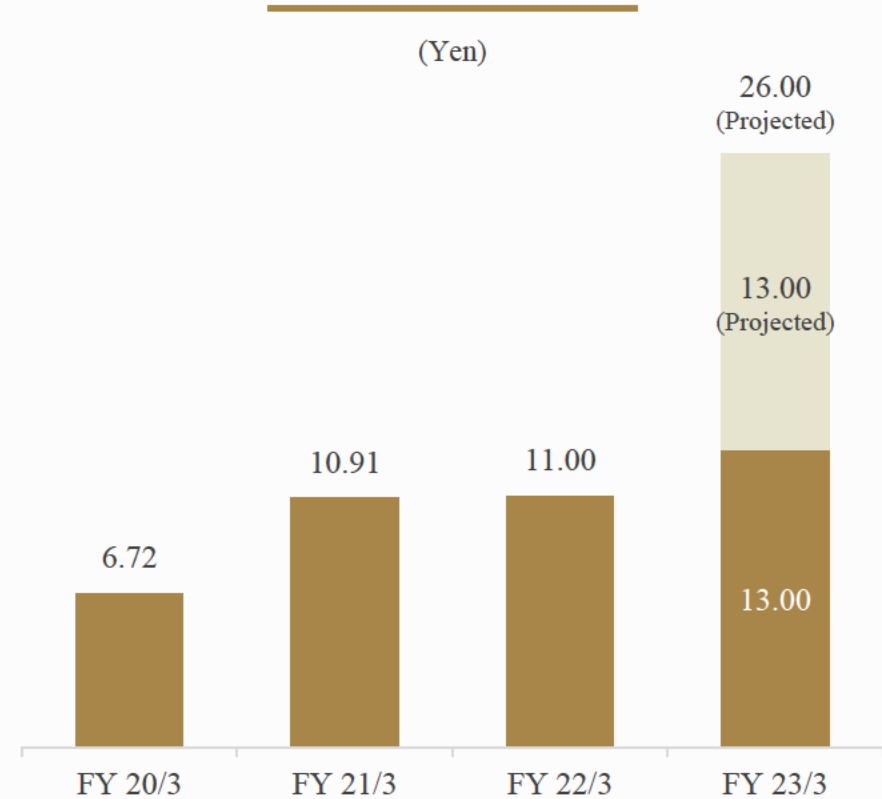
■ Dividend plan

- We plan to pay dividends of 26.00 yen per share in the fiscal year ending in March 2023 (interim dividend: 13.00 yen, year-end dividend: 13.00 yen).

■ Dividend policy

- Our basic policy on returns to shareholders calls for returning profits from business activities to all shareholders and investing in growth to maximize corporate value.
- Our policy is to pay dividends to shareholders based on a comprehensive consideration of performance trends, financial standing, and other factors while taking into account stability and continuity.

Dividends per share



* The Company undertook a 100-for-one stock split of common stock on March 25, 2021 and again on February 15, 2022. The dividends per share indicated above assume that these stock splits occurred at the beginning of FY March 2020.

III. Description of Businesses, etc.



Corporate Profile

Company name	Sunwels Co., Ltd.
Headquarters	■ Tokyo Headquarters (9F, Marunouchi Building, 2-4-1 Marunouchi, Chiyoda-ku, Tokyo) ■ Kanazawa Headquarters (15-13 Ninomiya-machi, Kanazawa, Ishikawa Prefecture)
Branch	■ Osaka Branch
Representative	Ryotatsu Nawashiro, President & CEO
Established	September 2006
Capital	35,000,000 yen (FY March 2022)
Number of employees	1,575 (including 83 temporary employees; as of December 31, 2022)*
Lines of business	Long-term care and related businesses (care residences with medical services, day services, group homes, rental of care equipment, etc.) ■ Operation of PD House facilities specializing in long-term care for Parkinson's disease patients

* The number of employees represents the number of full-time employees. The number of temporary employees (i.e., part-time and contract employees) represents the average number of temporary employees per year (converted based on an eight-hour workday).



Corporate Profile (Sales composition)

(Third quarter cumulative of FY March 2023; actual results)

Sales segment	Sales (million yen)	Percentage of sales
1 / PD House	7,002	72.2%
2 / Care residences with medical services	1,916	19.8%
3 / Rental of care equipment	340	3.5%
4 / Day services	286	3.0%
5 / Group homes	122	1.3%
6 / <i>Kaatsu</i> training	28	0.3%

Growth driver

Accelerating nationwide expansion
Plans call for intensively opening
new PD House facilities.

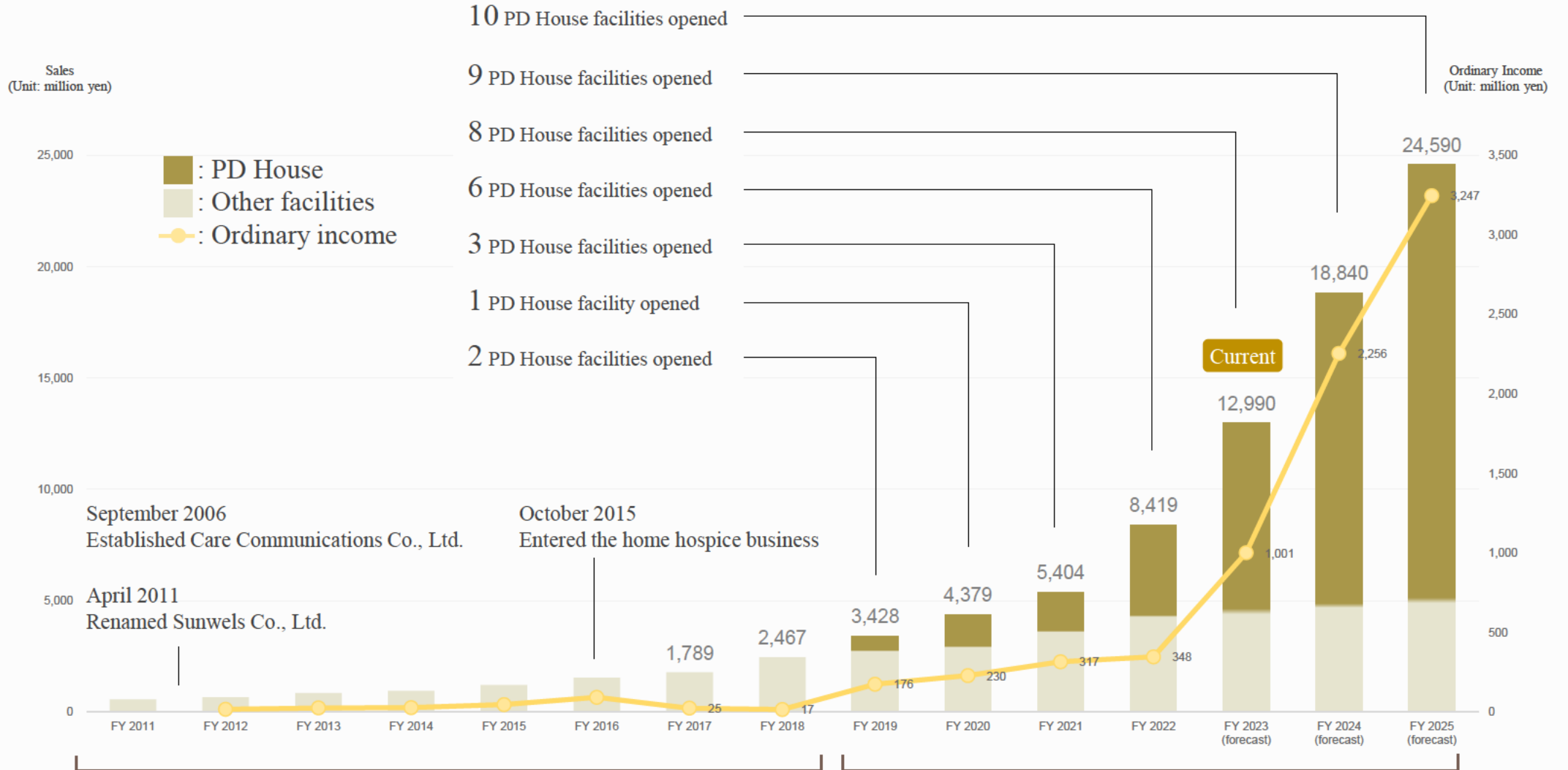
Stable business bases

Business development in the Hokuriku
area



Corporate Profile (History)

Nationwide PD House development since the opening of the first PD House in FY March 2019





Disclaimer / Inquiries

Company forecasts, plans, and other forward-looking statements in this document represent projections based on information available to the Company at the time the document was prepared. These projections may not be realized for various reasons, including uncertainties related to economic conditions and deregulation. Additionally, please note that the forecasts contained in this document may differ from plans and other forward-looking statements in this and other documents.

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