Translation

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Non-Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

August 8, 2024

Company name: SUNWELS Co.,Ltd.
Stock exchange listing: Tokyo
Stock code: 9229 URL https://sunwels.jp
Representative: President and Representative Director Ryotatsu Nawashiro
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	6,636	43.5	981	53.8	818	49.3	520	30.9
Three months ended June 30, 2023	4,625	–	637	–	548	–	397	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	17.21	17.12
Three months ended June 30, 2023	13.26	13.08

Reference: EBITDA (operating profit + depreciation + share-based payment expenses)
For the three months ended June 30, 2024: ¥1,255 million (56.8%)
For the three months ended June 30, 2023: ¥800 million (–%)

Note: The figures presented for the three months ended June 30, 2024, have been adjusted retrospectively to reflect changes in accounting policies. The percentages of year-on-year changes are not shown.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	32,279	7,503	23.2
As of March 31, 2024	31,591	7,215	22.8

Reference: Equity
As of June 30, 2024: ¥7,484 million
As of March 31, 2024: ¥7,200 million

Note: The figures presented as of March 31, 2024, have been adjusted retrospectively to reflect changes in accounting policies.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	–	6.00	–	8.00	14.00
Year ending March 31, 2025	–				
Year ending March 31, 2025 (Forecast)		9.00	–	9.00	18.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Forecast of non-consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	28,807	34.9	4,860	37.8	4,006	34.7	2,627	27.8	86.88

Reference: EBITDA For the full fiscal year ending March 31, 2025 ¥6,293 million (44.4%)

Note: Revisions to the earnings forecast most recently announced: No

The percentages of year-on-year changes are presented in relation to the figures that have been adjusted retrospectively to reflect changes in accounting policies.

4. Notes

(1) Application of special accounting methods for preparing quarterly non-consolidated financial statements: Yes

Note: For details, please refer to "2. Quarterly non-consolidated financial statements and related notes, (3) Notes to the quarterly non-consolidated financial statements, (Notes regarding special accounting methods for preparing quarterly non-consolidated financial statements)" on page 7 (attached materials).

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:	No
Changes in accounting policies due to other reasons:	Yes
Changes in accounting estimates:	No
Restatement of prior period financial statements:	No

Note: For details, please refer to "2. Quarterly non-consolidated financial statements and related notes, (3) Notes to the quarterly non-consolidated financial statements, (Notes regarding changes in accounting policies)" on page 7 (attached materials).

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	35,220,000 shares	As of March 31, 2024	35,220,000 shares

Number of treasury shares at the end of the period

As of June 30, 2024	4,899,072 shares	As of March 31, 2024	4,974,648 shares

Average number of shares during the period

Three months ended June 30, 2024	30,247,840 shares	Three months ended June 30, 2023	29,994,243 shares

* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

Notice regarding forward-looking statements

Forward-looking statements, including the non-consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ from the non-consolidated forecasts due to various factors. Please refer to "1. Overview of operating results, etc., (3) Explanation of non-consolidated financial forecasts and other forward-looking statements" on page 3 (attached materials) for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts, etc.

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1. Overview of operating results, etc.

(1) Overview of operating results for the period under review

During the three months ended June 30, 2024, the Japanese economy exhibited signs of gradual recovery amid progressive normalization of socioeconomic activities and mounting inbound demand. Uncertainty remains in future outlooks, however, due to factors that include rising prices against a backdrop of yen depreciation, and escalating energy and raw material prices.

Within our domains of nursing care and medical care, Japan's entire baby boomer generation will be over 75 years of age in the year 2025. As the country nears this milestone, efforts are underway to create a society in which elderly people can continue to live their lives in their own neighborhoods even while requiring nursing care (establishment of a community-based integrated care system). A system in which people can receive appropriate medical and nursing care regardless of where they live is needed, and it is becoming increasingly important to ensure high-quality home healthcare and home nursing care. In addition, the need for specialized hospitals and specialized nursing care is expected to grow due to the specialized nature of designated intractable diseases.

Amid this environment, the Company has accelerated the nationwide development of its PD House facilities specializing in Parkinson's disease. To meet the needs of those suffering from Parkinson's disease, the Company newly opened the following facilities: PD House Kunitachi (Kunitachi City, Tokyo) in April 2024, PD House Taihei (Higashi-ku, Sapporo City, Hokkaido Prefecture) and PD House Jinnoharu (Yahatanishi-ku, Kitakyushu City, Fukuoka Prefecture) in May 2024, and PD House Higashiomiya (Minuma-ku, Saitama City, Saitama Prefecture) in June 2024. Occupancy rates for all facilities, including existing facilities, have been favorable.

As a result of the above, net sales were 6,636 million yen (up 43.5% year on year), operating profit was 981 million yen (up 53.8% year on year), ordinary profit was 818 million yen (up 49.3% year on year), and profit was 520 million yen (up 30.9% year on year).

(2) Overview of financial position as of the end of the period under review

(Assets)

Total assets at the end of the period under review amounted to 32,279 million yen, up 687 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,459 million yen in buildings, primarily due to the opening of new facilities, as well as to an increase of 460 million yen in accounts receivable - trade, despite decreases of 1,106 million yen in cash and deposits and 1,513 million yen in construction in progress.

(Liabilities)

Total liabilities at the end of the period under review amounted to 24,775 million yen, up 400 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,250 million yen in long-term borrowings, primarily due to the opening of new facilities, despite a decrease of 1,570 million yen in short-term borrowings.

(Net assets)

Net assets at the end of the period under review amounted to 7,503 million yen, up 287 million yen from the end of the previous fiscal year. This was mainly due to an increase of 520 million yen in retained earnings from posting of profit, despite a decrease of 241 million yen from payment of dividends.

(Reference) Major facilities
Major facilities acquired during the three months ended June 30, 2024, are as follows.

(Millions of yen)

Business office name (Location)	Facility description	Acquisition type	Acquisition cost	Total lease amount
PD House Yachiyo Chuo (Yachiyo City, Chiba Prefecture)	PD House building	Self-ownership	818	–
PD House Minami Kashiwa (Kashiwa City, Chiba Prefecture)	PD House building	Self-ownership	809	–
PD House Atsuta (Atsuta-ku, Nagoya City, Aichi Prefecture)	PD House building	Self-ownership	803	–

(3) Explanation of non-consolidated financial forecasts and other forward-looking statements

The forecast of non-consolidated financial results for the year ending March 31, 2025, remains unchanged from the full-year non-consolidated financial forecast disclosed in the “Non-Consolidated Financial Results for the Year Ended March 31, 2024 (Based on Japanese GAAP)” of May 9, 2024.

2. Quarterly non-consolidated financial statements and related notes

(1) Quarterly balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	3,307	2,200
Accounts receivable - trade	3,987	4,448
Inventories	14	13
Other	196	275
Allowance for doubtful accounts	(1)	(0)
Total current assets	7,504	6,936
Non-current assets		
Property, plant and equipment		
Buildings, net	4,776	7,235
Leased assets, net	13,077	12,952
Other, net	5,002	3,849
Total property, plant and equipment	22,856	24,037
Intangible assets	9	9
Investments and other assets		
Other	1,221	1,296
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,220	1,295
Total non-current assets	24,086	25,342
Total assets	31,591	32,279

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	118	143
Current portion of bonds payable	15	15
Short-term borrowings	3,400	1,830
Current portion of long-term borrowings	496	822
Lease liabilities	250	260
Income taxes payable	790	296
Provision for bonuses	795	479
Other	1,863	2,295
Total current liabilities	7,729	6,143
Non-current liabilities		
Bonds payable	60	60
Long-term borrowings	2,540	4,465
Lease liabilities	13,344	13,277
Provision for retirement benefits	175	192
Asset retirement obligations	301	405
Other	222	230
Total non-current liabilities	16,645	18,631
Total liabilities	24,375	24,775
Net assets		
Shareholders' equity		
Share capital	35	35
Capital surplus	4,062	4,068
Retained earnings	3,111	3,390
Treasury shares	(8)	(8)
Total shareholders' equity	7,200	7,484
Share acquisition rights	15	18
Total net assets	7,215	7,503
Total liabilities and net assets	31,591	32,279

(2) Quarterly statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	4,625	6,636
Cost of sales	3,264	4,749
Gross profit	1,360	1,887
Selling, general and administrative expenses	722	906
Operating profit	637	981
Non-operating income		
Interest income	0	0
Reversal of allowance for doubtful accounts	–	0
Subsidy income	32	22
Other	9	8
Total non-operating income	42	30
Non-operating expenses		
Interest expenses	129	187
Other	2	5
Total non-operating expenses	131	193
Ordinary profit	548	818
Extraordinary losses		
Loss on retirement of non-current assets	–	1
Total extraordinary losses	–	1
Profit before income taxes	548	817
Income taxes	150	296
Profit	397	520

(3) Notes to the quarterly non-consolidated financial statements

(Notes regarding the framework for financial reporting)

The quarterly non-consolidated financial statements are prepared in accordance with Article 4, paragraph 1 of the standard for preparation of the quarterly non-consolidated financial statements established by Tokyo Stock Exchange, Inc. and the accounting standards for quarterly non-consolidated financial statements generally accepted in Japan (provided, however, the Company applies the practice of omitting the descriptions provided for in Article 4, paragraph 2 of the aforementioned standard for preparation of the quarterly non-consolidated financial statements).

(Notes regarding going concern assumption)

Not applicable

(Notes regarding significant changes in the amount of shareholders' equity)

Not applicable

(Notes regarding special accounting methods for preparing quarterly non-consolidated financial statements)

(Calculation of tax expenses)

The Company calculates tax expenses by rationally estimating the effective tax rate after applying the tax effect on profit before income taxes for the fiscal year including the first quarter of the fiscal year ending March 31, 2025, and multiplying profit before income taxes by the estimated effective tax rate.

However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used.

(Notes regarding changes in accounting policies)

With respect to accounting treatment of non-deductible consumption taxes, etc. related to assets of the Company, whereas such consumption taxes had been recorded under "other" in investments and other assets and amortized using the straight-line method over a period of five years previously, the Company has changed to a method of including such consumption taxes in acquisition costs of individual non-current assets from the first quarter of the fiscal year under review.

Because the Company has been accelerating its pace of opening new business offices thereby making more acquisitions by means of self-construction, in addition to its approach predominately enlisted thus far of making acquisitions through leases, the Company has accordingly made this change from the perspective of ensuring that such economic realities are appropriately reflected in the quarterly non-consolidated financial statements and the non-consolidated financial statements by expensing non-deductible consumption taxes, etc. over the useful life of each non-current asset.

This change in accounting policies has been applied retrospectively, and is reflected in the information for the same period of the previous fiscal year in the quarterly non-consolidated financial statements and for the previous fiscal year in the non-consolidated financial statements.

As a result, property, plant and equipment increased by 408 million yen and investments and other assets decreased by 335 million yen relative to the amounts prior to the retrospective application in the balance sheet for the previous fiscal year. In the quarterly statement of income for the three months ended June 30, 2023, cost of sales increased by 3 million yen and selling, general, and administrative expenses decreased by 8 million yen, thereby resulting in operating profit, ordinary profit, and profit before income taxes each increasing by 4 million yen.

Moreover, because the cumulative effect was reflected in net assets as of the beginning of the previous fiscal year, the beginning balance of retained earnings increased by 72 million yen subsequent to the retrospective application in the balance sheet.

(Notes to quarterly statements of cash flows)

Quarterly statements of cash flows for the three months ended June 30, 2024 are not prepared. Depreciation associated with the first three months of the previous and current fiscal years (including amortization of intangible assets) is as follows.

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	159	270

(Notes regarding segment information, etc.)

Three months ended June 30, 2023

This information is omitted because the Company's nursing care business is its single segment.

Three months ended June 30, 2024

This information is omitted because the Company's nursing care business is its single segment.

(Revenue recognition)

Information on breakdown of revenue from contracts with customers

Three months ended June 30, 2023

(Millions of yen)

	Service category						Total
	PD House	Medical specific facilities	Group homes	Day-care services	Welfare equipment business	Kaatsu training business	
Hokkaido	449	–	–	–	–	–	449
Kanto	1,371	–	–	–	–	–	1,371
Hokuriku	757	459	41	105	19	8	1,392
Kansai	887	–	–	–	–	–	887
Kyushu	431	–	–	–	–	–	431
Revenue from contracts with customers	3,898	459	41	105	19	8	4,532
Other revenue	–	–	–	–	92	–	92
Revenues from external customers	3,898	459	41	105	112	8	4,625

Note: “Other revenue” is revenue based on the Accounting Standard for Lease Transactions.

Three months ended June 30, 2024

(Millions of yen)

	Service category						Total
	PD House	Medical specific facilities	Group homes	Day-care services	Welfare equipment business	Kaatsu training business	
Hokkaido	571	–	–	–	–	–	571
Kanto	2,453	–	–	–	–	–	2,453
Chubu and Hokuriku	1,002	520	41	116	22	8	1,712
Kansai	1,176	–	–	–	–	–	1,176
Kyushu	620	–	–	–	–	–	620
Revenue from contracts with customers	5,824	520	41	116	22	8	6,534
Other revenue	–	–	–	–	102	–	102
Revenues from external customers	5,824	520	41	116	125	8	6,636

Note: “Other revenue” is revenue based on the Accounting Standard for Lease Transactions.

(Significant events after reporting period)

(Disposal of treasury shares through public offering)

On July 18, 2024, the Company transferred its shares to the Prime Market of the Tokyo Stock Exchange upon having been granted approval for segment transfer from Tokyo Stock Exchange, Inc. At its meeting of the Board of Directors held on July 2, 2024, the Company resolved to dispose of its treasury shares in conjunction with this segment transfer, as follows, and accordingly completed payment on July 17, 2024.

(i)	Method of offering	: Public offering
(ii)	Class and number of shares offered	: 2,000,000 shares of common shares
(iii)	Disposal price	: 2,391 yen per share
(iv)	Total disposal price	: 4,782 million yen
(v)	Amount to be paid	: 2,280.07 yen per share
(vi)	Total amount to be paid	: 4,560 million yen
(vii)	Due date of payment	: July 17, 2024
(viii)	Use of funds	: The funds are to be allocated to capital investment and expenditures for furniture appliances, and fixtures for PD House.