Translation

Notice: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Non-Consolidated Financial Results for the Three Months Ended June 30, 2026 (Based on Japanese GAAP)

August 12, 2026

Company name:	SUNWELS Co., Ltd.			
Stock exchange listing:	Tokyo			
Stock code:	9229 URL https://sunwels.jp			
Representative:	President and Representative Director	Toshihiko Atarashi		
Inquiries:	Director and General Manager of Corporate Division	Eiichi Ueno	TEL	076(272)8982

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, 2026 (from April 1, 2026 to June 30, 2026)

(1) Non-consolidated operating results (cumulative)

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, 2026	7,298	10.5	(347)	–	(519)	–	(557)	–
Three months ended June 30, 2025	6,605	5.9	(507)	–	(687)	–	(725)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2026	(17.17)	–
Three months ended June 30, 2025	(22.35)	–

Reference: EBITDA (operating profit + depreciation + share-based payment expenses)
For the three months ended June 30, 2026: ¥115million [–%]
For the three months ended June 30, 2025: ¥(95) million [–%]

Note: Information on diluted earnings per share is not presented because, although there are potential shares, a net loss per share is reported.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2026	45,050	6,418	14.2
As of March 31, 2026	45,633	6,972	15.2

Reference: Equity
As of June 30, 2026: ¥6,376 million
As of March 31, 2026: ¥6,932 million

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, 2026	–	0.00	–	0.00	0.00
Year ending March 31, 2027	–				
Year ending March 31, 2027 (Forecast)		0.00	–	0.00	0.00

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, 2027 (from April 1, 2026 to March 31, 2027)

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	28,872	2.6	420	–	(854)	–	(1,060)	–	(32.71)

Reference: EBITDA For the full fiscal year ending March 31, 2027 ¥2,402 million [267.2%]

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

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 9 (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:	No
Changes in accounting estimates:	No
Restatement of prior period financial statements:	No

(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, 2026	35,220,000 shares	As of March 31, 2026	35,220,000 shares

Number of treasury shares at the end of the period

As of June 30, 2026	2,777,292 shares	As of March 31, 2026	2,787,492 shares

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2026	32,438,225 shares	Three months ended June 30, 2025	32,432,508 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

<u>Notice regarding forward-looking statements</u>

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.

<u>How to obtain the supplementary briefing materials</u>

The supplementary briefing materials are disclosed on TDnet on the same day of the financial results.

○ Table of Contents: Attached Materials

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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, 2026, the Japanese economy exhibited signs of a gradual recovery against the backdrop of improvements in the employment environment, as well as strong demand for inbound travel. Uncertainty remains in future outlooks, however, due to factors that include concerns about sluggish personal consumption resulting from continued price increases and the influence of U.S. tariff policies.

As for the nursing care and medical care environments surrounding the Company, given the current situation where the baby boomer generation has become late-stage elderly, and looking ahead to around 2040 when the elderly population will increase and the working-age population will decrease, 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, by further developing and promoting a community-based integrated care system. A system in which people can receive appropriate medical and nursing care services regardless of where they live is needed, and ensuring high-quality home healthcare and home-visit nursing care is becoming increasingly important. Additionally, in the field of designated intractable diseases, there is a growing need for specialized medical care and nursing care, and the demand for specialized medical care institutions and specialized nursing care services is expected to grow even more in the future.

Amid this environment, the Company is promoting the medium- to long-term expansion of PD House, its specialized facilities for patients with Parkinson's disease, including the opening of 13 new facilities during the previous fiscal year. Meanwhile, the Company is prioritizing initiatives, such as transforming its revenue model and reviewing its cost structure, against the backdrop of changes in the business environment primarily due to the revision of medical fees in fiscal 2026. In order to prioritize the promotion of these initiatives, the Company will temporarily suspend the opening of new PD House facilities for the foreseeable future.

Additionally, following the introduction of a comprehensive home-visit nursing care system in this revision of medical fees, changes have occurred in the remuneration system of the Company's home-visit nursing care service. Due to this change in the fee system, there has been a certain downward impact on the profitability of the Company's home-visit nursing care service. In order to respond to such a change in the business environment, the Company has been promoting structural reforms, such as transitioning to staffing levels that comply with this system and reviewing its business model, while maintaining its characteristics as a facility specializing in Parkinson's disease. As these structural reforms require a certain amount of time, profitability has temporarily declined significantly.

As a result of the above, net sales were 7,298 million yen (up 10.5% year on year), operating loss was 347 million yen (compared with operating loss of 507 million yen in the same period of the previous fiscal year), ordinary loss was 519 million yen (compared with ordinary loss of 687 million yen in the same period of the previous fiscal year), and loss was 557 million yen (compared with loss of 725 million yen in the same period of the previous fiscal 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 45,050 million yen, down 583 million yen from the end of the previous fiscal year. This was mainly due to decreases of 200 million yen in leased assets, 174 million yen in accounts receivable, and 160 million yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the period under review amounted to 38,631 million yen, down 30 million yen from the end of the previous fiscal year. This was mainly due to an increase of 304 million yen in deposits received included in other under current liabilities, despite a decrease of 562 million yen in provision for bonuses.

(Net assets)

Net assets at the end of the period under review amounted to 6,418 million yen, down 553 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 557 million yen in retained earnings from posting of loss.

(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, 2027, remains unchanged from the full-year non-consolidated financial forecast disclosed in the "Non-Consolidated Financial Results for the Year Ended March 31, 2026 (Based on Japanese GAAP)" of May 12, 2026.

(4) Significant events regarding going concern assumption

Following the investigation report received by the Company from the Special Investigation Committee on February 7, 2025, incidents of overly short visits and visits without accompanying staff came to light. Consequently, corrections to our past financial statements related to these events and a review of our operating structure, including the implementation of measures to prevent recurrence, led to a temporary significant decline in profitability. As a result, the Company recorded a loss of 925 million yen in the fiscal year before last (fiscal year ended March 31, 2025) and a loss of 1,656 million yen in the previous fiscal year (fiscal year ended March 31, 2026), resulting in losses for two consecutive fiscal years. Furthermore, against the backdrop of changes in the external environment, such as the revision of medical fees in fiscal 2026, it is difficult to maintain sufficient profitability under the current business structure, and as a result, a loss of 557 million yen was recorded during the three months ended June 30, 2026.

Of the borrowings at the end of the period under review, the Company was also in breach of the financial covenants attached to the term loan agreement with commitment period concluded on March 14, 2023 (balance of borrowings at the end of the period under review: 321 million yen) and the term loan agreement with commitment period concluded on September 15, 2023 (balance of borrowings at the end of the period under review: 549 million yen).

In these circumstances, there exist events or circumstances that may cast significant doubt on the Company’s going concern assumption.

However, the Company is promoting specific measures to resolve this situation. Positioning the fiscal year ending March 31, 2027 as a period for implementing structural reforms, it is carrying out the following measures.

i) Transformation of the revenue model

The Company is optimizing service provision and working on transitioning to a sustainable revenue model.

Therefore, the Company is working on restructuring its service provision system to respond to the revision of the fee system and changes in user needs, aiming to stabilize its revenue structure.

Following the establishment of the new Comprehensive Home Nursing Care Fee, the Company has been transitioning from a revenue structure dependent on traditional fee-for-service visits to a sustainable revenue model that accommodates per-day comprehensive evaluation. Specifically, the Company will maintain the care system for residents with Parkinson’s disease, which has been a strength, while promoting the optimization and streamlining of service provision according to the residents’ condition, along with the optimization of staff allocation associated with it. The Company is shifting to a revenue platform capable of creating stable profits under the new fee system.

ii) Radical review of the cost structure

The Company is reviewing the cost structure in terms of both fixed and variable costs and is engaging in improving profitability.

In order to mitigate the impact to profit margins in conjunction with the change in the fee system, the Company is moving forward with a fundamental restructuring of its entire cost structure to improve its management efficiency. The Company is promoting the internalization of various tasks, such as cleaning, which were previously outsourced, in order to reduce outsourcing expenses. Additionally, the Company is simultaneously promoting the optimization of work shifts and allocation for home-visit nursing care and care staff, as well as the optimization of various procurement costs related to facility operations. The Company is working to establish a management system capable of maintaining a certain level of profitability even under a comprehensive evaluation system.

iii) Implementation of measures to improve occupancy rates

The Company is aiming to improve occupancy rates by strengthening collaboration with medical facilities and promoting resident admissions to boost its earning power.

To improve occupancy rates, the Company is systematically promoting stronger collaboration with local medical institutions and resident admissions measures to establish a stable resident admission flow. Specifically, the Company has assigned “Dedicated Sales Representatives” to each area to conduct sales activities targeting major local hospitals and care managers at home care support agencies. Through the ongoing sales activities conducted by the Dedicated Sales Representatives, the Company is working to establish consultation and referral routes for resident admission from home or after discharge. By directly promoting the Company’s expertise in Parkinson’s disease care, which is one of its strengths, to local medical institutions, the Company aims to maintain a high occupancy rate.

To alleviate concerns over cash flow, the financial institutions the Company does business with have agreed to defer the principal repayments on loans from April 30, 2026, to September 30, 2026, as announced in the “Notice Regarding Changes to the Repayment Terms for Borrowings and Changes in Use of Funds (Change in Disclosure Items).” dated April 21, 2026. Going forward, the Company will continue to work closely with the financial institutions it does business with and engage in ongoing discussions as necessary.

The Company has entered into a receivables securitization agreement with the aim of improving cash flow and enhancing financial stability. In addition, the Company accepted a donation from its then Representative Director for the purpose of strengthening its financial base, thereby securing sufficient working capital for the immediate future.

Based on the above, the Company believes that there are no material uncertainties regarding the going concern assumption.

2. Quarterly non-consolidated financial statements and related notes

(1) Quarterly balance sheet

(Millions of yen)

	As of March 31, 2026	As of June 30, 2026
Assets		
Current assets		
Cash and deposits	4,092	3,932
Accounts receivable - trade	4,923	4,748
Inventories	19	20
Income taxes receivable	113	131
Other	300	253
Allowance for doubtful accounts	(1)	(1)
Total current assets	9,448	9,084
Non-current assets		
Property, plant and equipment		
Buildings, net	10,973	10,857
Leased assets, net	21,669	21,469
Other, net	2,451	2,564
Total property, plant and equipment	35,094	34,891
Intangible assets	15	14
Investments and other assets		
Other	1,076	1,062
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,075	1,060
Total non-current assets	36,185	35,966
Total assets	45,633	45,050

(Millions of yen)

	As of March 31, 2026	As of June 30, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	209	209
Current portion of bonds payable	15	15
Short-term borrowings	572	572
Current portion of long-term borrowings	1,039	1,365
Payables arising from securitized receivables	1,516	1,608
Lease liabilities	378	399
Provision for bonuses	1,233	671
Other	2,119	2,576
Total current liabilities	7,084	7,417
Non-current liabilities		
Bonds payable	30	30
Long-term borrowings	4,541	4,215
Lease liabilities	22,535	22,430
Provision for retirement benefits	314	331
Liabilities for refund of medical fees	3,207	3,207
Asset retirement obligations	612	660
Other	335	339
Total non-current liabilities	31,576	31,213
Total liabilities	38,661	38,631
Net assets		
Shareholders’ equity		
Share capital	35	35
Capital surplus	8,633	8,634
Retained earnings	(1,730)	(2,287)
Treasury shares	(5)	(5)
Total shareholders’ equity	6,932	6,376
Share acquisition rights	39	42
Total net assets	6,972	6,418
Total liabilities and net assets	45,633	45,050

(2) Quarterly statements of income

(Millions of yen)

	Three months ended June 30, 2025	Three months ended June 30, 2026
Net sales	6,605	7,298
Cost of sales	6,041	6,759
Gross profit	563	539
Selling, general and administrative expenses	1,071	886
Operating loss	(507)	(347)
Non-operating income		
Interest income	0	0
Reversal of allowance for doubtful accounts	–	0
Subsidy income	3	158
Grant income	71	2
Other	7	12
Total non-operating income	82	173
Non-operating expenses		
Interest expenses	260	326
Other	2	19
Total non-operating expenses	262	345
Ordinary loss	(687)	(519)
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Total extraordinary losses	0	1
Loss before income taxes	(687)	(520)
Income taxes	37	36
Loss	(725)	(557)

(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 generally accepted corporate accounting standards in Japan related to interim financial reporting (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, 2027, 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 to quarterly statements of cash flows)

Quarterly statements of cash flows for the three months ended June 30, 2026 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, 2025	Three months ended June 30, 2026
Depreciation	408	459

(Notes regarding segment information, etc.)

[Segment information]

I Three months ended June 30, 2025

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

II Three months ended June 30, 2026

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, 2025

(Millions of yen)

	Service category						Total
	PD House	Medical specific facilities	Group homes	Day-care services	Welfare equipment business	Kaatsu training business	
Hokkaido	550	–	–	–	–	–	550
Kanto	2,440	–	–	–	–	–	2,440
Chubu and Hokuriku	1,030	453	41	117	26	7	1,678
Kansai	1,161	–	–	–	–	–	1,161
Chugoku and Shikoku	5	–	–	–	–	–	5
Kyushu	667	–	–	–	–	–	667
Revenue from contracts with customers	5,855	453	41	117	26	7	6,502
Other revenue	–	–	–	–	102	–	102
Revenues from external customers	5,855	453	41	117	129	7	6,605

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

Three months ended June 30, 2026

(Millions of yen)

	Service category						Total
	PD House	Medical specific facilities	Group homes	Day-care services	Welfare equipment business	Kaatsu training business	
Hokkaido	619	–	–	–	–	–	619
Kanto	2,841	–	–	–	–	–	2,841
Chubu and Hokuriku	1,122	415	43	112	18	7	1,720
Kansai	1,308	–	–	–	–	–	1,308
Chugoku and Shikoku	85	–	–	–	–	–	85
Kyushu	620	–	–	–	–	–	620
Revenue from contracts with customers	6,598	415	43	112	18	7	7,196
Other revenue	–	–	–	–	101	–	101
Revenues from external customers	6,598	415	43	112	120	7	7,298

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

(Additional information)

(Liabilities for refund of medical fees)

Following reports by an external media organization, it came to light that there were concerns that, in the home-visit nursing care business, excessive medical fees had been invoiced across the Company. In response, a Special Investigation Committee, which included independent external attorneys, was established on September 20, 2024, and proceeded with an investigation, the report on which was received from said Committee on February 7, 2025. As a result of the investigation by the Special Investigation Committee, it was established as fact that the home-visit nursing care business had issued excessive invoices for medical fees. Accordingly, in the fiscal year before last, the Company recorded liabilities for refunds to insurers and other parties in connection with such overbilling and related matters. During the three months ended June 30, 2026, no additional refund liabilities have been recorded due to the continuous implementation and improvements of already introduced measures to prevent recurrence.