



First Quarter of the Fiscal Year Ending September 30, 2023

FAQ

Amvis Holdings, Inc.

February 9, 2023



**Number of Facilities /
Bed Capacity**



Utilization Rates



Net Sales



Operating Profit / EBITDA



Facility Opening Strategy



Recruiting



Promoting Occupancy



Headquarters-Focused System



Business Transfer



Competition



Macro Environment



COVID-19



Cash Flow



Sustainability



**Regional Healthcare
Revitalization Project**



IR Activities

Q

How do you plan to expand the number of facilities / bed capacity?

A

We continue to accelerate the openings of Ishinkan to reach the Amvis 2025 target of 127 facilities (6,328 beds).

We have already announced plans to open 19 new facilities and expand 1 facility (1,021 beds) for FY23, and we plan to further accelerate facility openings toward the end of FY25.

The basic capacity per facility is about 50 beds. We also aim to open about 1–2 large facilities with 70 beds per year.

Q

What are your current utilization rates and forecast for FY23?

A

In FY23 Q1, we maintained high utilization rates at existing facilities, and the start of 7 new facilities was also favorable as we expected. Utilization rates as a whole surpassed our target for stable operations.

As forecast for FY23 Q2 and later, we expect the utilization rate to be 82–85%, which is our target for stable operations.

Since Ishinkan mainly accepts patients in the terminal stages of cancer, about 10 patients per month are leaving or passing away at each facility, which makes it difficult to maintain the utilization rates in the 90% range.

Q

What is your analysis of net sales for FY23 Q1?

A

As mentioned on the previous page, utilization rates were favorable. As a result, net sales were in line with our expectations. In FY23 Q1, we reached 23.7% of our full-year forecast. In FY23, we expect net sales to be immaterially different from our initial forecast.

To reflect energy price hikes, we raised patient payments by about 3,000 yen per month in October 2022, and plan to raise them again by about 4,000 yen per month in March 2023.

Q

What are your views on operating profit / EBITDA in FY23 Q1 and the forecast for FY23?

A

Basically, operating profit / EBITDA will continue to increase in line with business expansion.

On the other hand, we expect the margins to fluctuate by several percent quarter to quarter. This depends on our success in controlling personnel and recruiting expenses, which we do by managing the personnel structure based on forecasts of utilization rates.

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Q

What are your views on operating profit / EBITDA in FY23 Q1 and the forecast for FY23?

A

In FY23 Q1, we think that our performance was solid because we appropriately controlled personnel and recruiting expense ratios even while building a robust nursing system.

For FY23 Q2 and later, except for the inflationary impact which is difficult to predict, we do not anticipate any irregular expenses outside of normal operating activities.

Q

What are your current status on facility opening and strategy for the future?

A

We receive about 200 referrals per month from construction companies, financial institutions, local real estate companies, and others, and then we carefully examine each project and proceed to open about 2 projects per month.

As for the opening areas, we plan to continue opening in areas where we already have a presence in Eastern Japan, mainly in the Tokyo metro area and Aichi prefecture to accelerate dominance formation. We also plan to establish a foothold to expand into Western Japan in the near future.

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Q

What are your current status on facility opening and strategy for the future?

A

In the Tokyo metro area, new facilities start up quickly, while construction and personnel costs are higher than in regional cities, so the operating profit margin tends to be low when stable operations are achieved.

However, we intend to accelerate the development by aggressively opening in the Tokyo metro area where demand is high.

In addition, we would like to continue to build our own facilities to control the planning of flow line in facilities, opening schedules, and so on.

Q

What are your current status on recruiting and forecast for FY23?

A

We are currently receiving many applications, so we are able to exercise due care in selecting employees. Furthermore, we do not hire temporary nurses and caregivers, and we do not use placement agencies for caregivers, which we believe is proof of our high recruiting capability.

Therefore, we think we will experience no major difficulties in recruiting regular nurses and caregivers to meet the increase in the number of facilities.

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Q

What are your current status on recruiting and forecast for FY23?

A

In addition, we offer some of the highest salaries in the industry in order to attract talented people and consider the current inflationary impact to be small compared to other companies.

On the other hand, unlike regular nurses, we think it is necessary to continue to strengthen the recruitment of sales staff, who require skills other than clinical experience, and nursing leaders (nursing managers), who require a wealth of experience.

We continue to strengthen our recruiting system so that we can increase the number of facilities and maintain high utilization rates.

Q

How are you progressing with promoting occupancy?

A

We conduct marketing activities to accept patients by promoting the social significance, including our business model to hospitals, which are our main sources of patient referrals.

Most Ishinkan patients are referred by hospitals and other medical institutions, and only a few each month are referred by agencies. We believe these figures indicate that we are accurately identifying regional healthcare needs and practicing effective marketing activities.

We will continue to strengthen our marketing activities to maintain high utilization rates.

Q

What are your thoughts on the current management system and policy for the future?

A

Under a headquarters-focused management system, staff in each department take charge of a region and closely support operations of each facility.

We think the current structure is satisfactory for maintaining both quality and quantity. The system should allow us to meet our targets of opening 19 new facilities and operating 76 facilities in FY23.

However, given our plan to increase the number of facilities to 127 by the end of September 2025, we continue to strengthen our headquarters functions.

Q

Why did you decide to transfer the business of Ishinkan Yokkaichi to Fureasu Co., Ltd.?

A

We continue to open facilities for patients who are in the terminal stages of illness, such as cancer patients, and those with high medical dependency, such as those on respirators.

The transfer of Ishinkan Yokkaichi, which targets patients in the chronic stages of illness, is in line with our operational policy of mainly accepting patients who are in the terminal stages of illness or with high medical dependency and experience difficulty in being accepted at other facilities.

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Q

Why did you decide to transfer the business of Ishinkan Yokkaichi to Fureasu Co., Ltd.?

A

In addition, we have determined that the transfer of the facility, a community-based medical platform, to Fureasu, which is entering the hospice business, contributes to the realization of the functional differentiation of hospital beds promoted by the government and our business mission to “strengthen and revitalize regional healthcare,” through the spread of the hospice business.

Q

What kinds of patients does Ishinkan accept?
How is it possible for Ishinkan to operate large facilities and in regional cities, unlike other typical hospices?

A

Ishinkan functions as in-home hospital beds equipped with a satisfactory nursing system specializing in chronic and terminal care. The majority of patients are in the terminal stage of cancer. We also accept patients with high medical dependency, such as those with specified diseases, and those who are on respirators, those who have had tracheostomies and require respiratory management.

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Q

What kinds of patients does Ishinkan accept?
How is it possible for Ishinkan to operate large facilities and in regional cities,
unlike other typical hospices?

A

In addition, 98% of patients pass away at Ishinkan without being transferred to a hospital, which is very high compared to other companies. It means that we provide responsible medical care until the end-of patients' lives.

As a result, about 10 patients per month leave or pass away at each facility, and as the capacity of the facility increases, this figure rises even more. In this situation, we require talented nurses who can respond flexibly to the fast-changing patient population and need staff who are in charge of sales to continue to attract hospitals and patients.

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Q

What kinds of patients does Ishinkan accept?
How is it possible for Ishinkan to operate large facilities and in regional cities, unlike other typical hospices?

A

For operations in regional cities, we require talented nurses and staff, including those in charge of sales, to carry out high-quality operations in order to solidify the trust of local communities and medical professionals.
We believe we can operate that way because we have the human resources and operational know-how.

Q

How is the Ishinkan business affected by the macro environment (such as the availability of wood, energy resources, and monetary policy)?

A

COVID-19 and a volatile global situation present the possibility of prolonged supply shortages and price hikes on wood and energy resources.

Our facilities are made of heavy steel, reinforced concrete, and wood. The macro economic situation will affect the construction cost of facilities under construction or scheduled to open in the future.

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Q

How is the Ishinkan business affected by the macro environment (such as the availability of wood, energy resources, and monetary policy)?

A

That said, the cost of buildings will be allocated as expenses through depreciation over their useful lives (20–47 years), so the impact on our financial performance is expected to be reduced.

In addition, given the upward trend in utility and other costs due to energy price hikes, we raised patient payments by about 3,000 yen per month in October 2022, and plan to raise additionally by about 4,000 yen per month in March 2023.

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Q

How is the Ishinkan business affected by the macro environment (such as the availability of wood, energy resources, and monetary policy)?

A

The impact of the Bank of Japan's partial revision of its monetary easing measures is expected to be immaterial based on the current balance of borrowings (about 14.3 billion yen) and interest rate (about 0.46%).

Based on the above, we assume that the impact of the deterioration of the macro environment surrounding wood and energy resources will be up to about 2% on operating margin in the next 2–3 years.

Q

What is the impact of COVID-19 on Ishinkan business?

A

In FY23 Q1, to address COVID-19, we continued to increase the number of medical workers. In addition, some employees tested positive. This caused an increase in expenses, such as allowances due to support other facilities. But there was no significant impact in FY23 Q1 overall.

However, a resurgence of COVID-19 could affect our performances, including the utilization rates.

Q

What is your perspective on the company's negative free cash flow (cash flows from operating activities - cash flows from investing activities)?

A

We are currently expanding business while maintaining our growth potential. Our aggressive facility development approach (mainly building our own facilities) has required significant investment.

Given this situation, we believe it is only natural for free cash flow to be negative at present. However, free cash flow is steadily improving, due to the high profitability of the Ishinkan business.

In addition, we plan to aggressively open facilities under the three-year plan "Amvis 2025," which we believe can be funded by cash on hand and bank borrowings.

Q

What is the status on your efforts regarding sustainability?

A

In order to both enhance corporate value and contribute to creating a sustainable society, under our sustainability basic policy, we identify important issues that should be prioritized, and address them, led by our CSR officer and the ESG Promotion Committee.

We introduce specific environmental, social, and governance initiatives, with various ESG data and quantitative objectives, on our website.

Q

Are there any changes in the regional healthcare revitalization project?

A

With this project, we aim to help strengthen and revitalize regional healthcare through cooperation with medical institutions and care facilities. Most of these efforts will be handled by Ashitano Iryo, Inc., a subsidiary we established in 2020. We think it is quite possible to utilize the know-how we have acquired through the operation of Ishinkan for that.

Although we will prioritize the development of the Ishinkan business until FY25, we will also work to build the regional healthcare revitalization project.

Q

What IR activities are you undertaking?

A

For individual investors, we hold briefings at least twice a year. In the future, we would like to consider conducting face-to-face briefings depending on the circumstances of COVID-19.

For analysts and institutional investors, we participate in conferences. In addition, we hold about 100 individual meetings each quarter. Given overseas investors account for more than half of these individual meetings, we conducted face-to-face overseas IR in November and December 2022.

We continue to strengthen dialogue with shareholders and investors, mainly through our CFO and IR staff.

This document contains forward-looking statements about Amvis Holdings, Inc. (“Amvis”) such as forecasts, outlooks, targets, and plans. These statements are based on forecasts made at the time of the preparation of this document using information currently available to Amvis.

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Contact

Finance Department (in charge of IR), Amvis Holdings, Inc.

Tel: +81-3-6262-5085 / E-mail: ir_contact@amvis.co.jp