



The Fiscal Year Ended September 30, 2022

FAQ

Amvis Holdings, Inc.
November 14, 2022



Amvis 2025



**Number of Facilities /
Bed Capacity**



Utilization Rates



Net Sales



Operating Profit



Facility Opening Strategy



Recruiting



Promoting Occupancy



Headquarters-Focused System



Competition



Macro Environment



COVID-19



Sustainability



**Regional Healthcare
Revitalization Project**



Cash Flow



IR Activities

Q

Why did you announce the new three-year plan, “Amvis 2025”?
What are the main assumptions of the plan?

A

Since we announced the Amvis 2023 Targets in November 2020, we have been growing significantly faster than expected. Although we revised the target upward in November 2021, as of November 2022, we expect to exceed even this revised target.

Therefore, based on our track record and current status, we decided to announce a new three-year plan, “Amvis 2025,” through FY25, assuming that we maintain a robust nursing system and strengthen the headquarters-focused management system to support business expansion.

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Q

Why did you announce the new three-year plan, “Amvis 2025”?
What are the main assumptions of the plan?

A

Under Amvis 2025, we will accelerate the openings of Ishinkan to 19–27 facilities per year, and aim to expand to 127 facilities by the end of September 2025, far exceeding the medium- to long-term target of 100 facilities set under Amvis 2023.

In addition to the deteriorating macro environment, such as price hikes on wood and energy resources, we plan to increase new openings in the Tokyo metro area, where the personnel and construction costs are higher than in regional cities. In light of the above points, we expect the operating margin to decline slightly compared to FY22.

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 (1,011 beds) for FY23, and we plan to open 23 new facilities (1,161 beds) in FY24 and 27 facilities (1,354 beds) in 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 FY22, we maintained high utilization rates mainly at new facilities opened in FY22 1H in the Tokyo metro area, and utilization rates as a whole were as expected for stable operation.

As forecast for FY23 and later, considering our track record, we revised our target for stable operations upward from 80–85% to 82–85%.

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 FY22?

A

Although there was a temporary negative impact on utilization rates due to the Omicron variant, as mentioned on the previous page, utilization rates as a whole were favorable, and net sales exceeded our expectations.

Although we raised patient payments by about 3,000 yen per month in October 2022 to reflect price hikes on energy resources, the impact on net sales is immaterial. We will keep working to increase net sales by increasing the number of facilities (bed capacity) and maintaining utilization rates.

Q

What are your views on operating profit in FY22 and the forecast for FY23?

A

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

On the other hand, we expect the operating margin 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 in FY22 and the forecast for FY23?

A

In FY22, we think that our performance was very favorable because we appropriately controlled personnel and recruiting expense ratios even while building a robust nursing system.

For FY23 and later, we expect the operating margin to decline slightly due to a heavier cost burden given inflation and an increase in openings in the Tokyo metro area.

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 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 minor 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. For more details, please refer to page 16 of the business and financial highlights presentation for FY22.

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 77 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

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 and energy resources)?

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 and energy resources)?

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 price hikes on energy resources, in October 2022 we raised patient payments by about 3,000 yen per month to mitigate the impact on our business performance.

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 FY23 and later.

Q

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

A

In FY22, 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 FY22 overall.

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

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 for the next three years, we will also work to build the regional healthcare revitalization project. For more details, please refer to page 20 of the business and financial highlights presentation for FY22.

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.

Although we will accelerate our pace of facility openings, we will do our best to turn free cash flow positive as soon as possible.

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. Since overseas investors account for more than half of these individual meetings, we plan to conduct face-to-face overseas IR from November 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.

In addition, certain assumptions are used for such statements. These statements or assumptions are subjective and may prove inaccurate in the future or may not be realized. There are many uncertainties and risks that could cause such a situation to arise. As stated above, the forward-looking information contained in this document is current as of the date of this document, and Amvis is under no obligation or policy to update such information from time to time.

Contact

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

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