



First Half Ended March 31, 2023

FAQ

Amvis Holdings, Inc.

May 15, 2023



**Number of Facilities /
Bed Capacity**



Utilization Rates



Net Sales



Operating Profit / EBITDA



Cash Flow



Facility Opening Strategy



Recruiting



Promoting Occupancy



Headquarters-Focused System



Wage Increase



Competition



Macro Environment



COVID-19



**Changing Market Listing /
Secondary Offering**



Shareholder Return



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 1H, we maintained stable operation at existing facilities, and the start of 8 new facilities was also favorable as we expected. Utilization rates as a whole surpassed our target for stable operations.

As forecast for FY23 2H and later, we continue to 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 1H?

A

As mentioned on the previous page, utilization rates were favorable. As a result, net sales were also in line with our expectations. In FY23 1H, we reached 48.0% 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 by about 4,000 yen per month in March 2023.

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 / EBITDA in FY23 1H and the forecast for FY23?

A

Basically, operating profit and 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 1H and the forecast for FY23?

A

In FY23 1H, our performance was solid because operating profit and EBITDA increased 36.5% and 37.2% compared to FY22 1H, respectively, as the bed capacity increased by approx. 33%.

On the other hand, profits in Q2 decreased compared to Q1, partly due to COVID-19, but this was mainly due to changes in personnel and recruiting expenses. We observed the same trend in FY22 where operating profit and EBITDA in Q2 decreased quarter-on-quarter. We believe it does not indicate any particular problem.

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Q

What are your views on operating profit / EBITDA in FY23 1H and the forecast for FY23?

A

For FY23 2H, we recruited a large number of employees in April as in previous years, but except for the inflationary impact, which is difficult to predict, we do not anticipate any irregular expenses outside of normal operating activities.

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.

To build 1 facility ourselves, we need to invest approx. JPY 0.5bn, so 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 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.

Currently, we continue opening in areas where we already have a presence in Eastern Japan, such as formation of dominant areas in Tokyo and its metro area and in Shizuoka prefecture and Aichi prefecture. We also plan to establish a foothold to expand into Western Japan, starting with Ishinkan Toyonaka scheduled to open in July 2024.

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Q

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

A

In Tokyo and its 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 5–7% lower when stable operations are achieved.

However, we intend to expand our market share and accelerate the development by aggressively opening in the Tokyo metro area where demand is high. Notably, 9% of Japan's terminal cancer patients are concentrated in Tokyo.

In addition, we would like to continue to build our own facilities to control the planning of flow lines in facilities, opening schedules, and other factors.

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

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 about 3 among about 650 new patients 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

What is the status on your efforts regarding wage increase for employees working at Ishinkan?

A

Recently, we have decided to increase wages by utilizing an additional incentive for improving treatment system. When doing so, we will meet the requirements for a tax credit for promoting wage increases. This requires an increase of 3% or more in the amount of wages for long-service employees compared to the previous fiscal year.

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Q

What is the status on your efforts regarding wage increase for employees working at Ishinkan?

A

However, our full-year forecast remains unchanged, as the increase in personnel expenses and the tax benefits associated with the wage increase have already been taken into account.

We plan to maintain some of the highest salaries in the industry in order to attract talented people.

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 a platform of home healthcare equipped with a satisfactory nursing system specializing in 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

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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 by about 4,000 yen per month in March 2023. We expect that these will largely offset the impact of the utility and other cost increases.

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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 monetary easing measures is expected to be immaterial based on the current balance of borrowings (about JPY 15.5bn) 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

Due to the resurgence of COVID-19, mainly at year-end and around the new year, some employees tested positive and were restricted from work. But there was no significant impact in FY23 1H overall.

Although COVID-19's status under the Infectious Disease Control Law will be lowered to category 5, we intend to continue to take necessary measures because the majority of patients have high medical dependency.

Q

Why did you decide to change the market listing to the Prime market of the Tokyo Stock Exchange and to implement a secondary offering?

A

Since the establishment of Amvis, Inc. in 2013, we have steadily expanded our business through the listing on the JASDAQ (Standard) market of the Tokyo Stock Exchange in 2019. Considering the enhancement of our internal management system and other factors, we applied for a change of market listing and changed to the Prime market on March 14, 2023.

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Q

Why did you decide to change the market listing to the Prime market of the Tokyo Stock Exchange and to implement a secondary offering?

A

Along with our change to the Prime market, we simultaneously implemented a secondary offering to meet the listing criteria of a 35.0% of tradable share ratio.

Although our share price declined temporarily following the secondary offering, we believe earnings per share and corporate value were unaffected, given that we did not issue any new shares.

Q

What is your policy on the shareholder return?

A

We consider the distribution of profits to shareholders to be a priority management issue. Our basic policy is to distribute profits to shareholders through the stable payment of dividends paid once a year, taking into account factors including the market environment, regulatory changes, and financial soundness. We also consider the need to secure internal reserves to expand the Ishinkan business as well as related businesses and to strengthen our management base.

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Q

What is your policy on the shareholder return?

A

In FY23, we expect to maintain dividends per share at the same amount as FY22 to prioritize the acceleration of growth. Over the medium to long term, we will focus on total shareholder return and plan to provide a stable yield, regardless of changes in growth stage.

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.

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