



Third Quarter of the Fiscal Year Ending September 30, 2023

FAQ

Amvis Holdings, Inc.
August 9, 2023

©Amvis Holdings, Inc.



**Number of Facilities /
Bed Capacity**



Utilization Rates



Net Sales



Operating Profit / EBITDA



Cash Flow



Equity Ratio



Facility Opening Strategy



Recruiting



Promoting Occupancy



Headquarters-Focused System



Wage Increase



Competition



Macro Environment



COVID-19



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 25 new facilities and expand 1 facility (1,308 beds) for FY24, exceeding the target of 23 new facilities (1,161 beds) set in Amvis 2025, 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 Q3 YTD, we maintained stable operation at existing facilities, and the start of 13 new facilities was also favorable as we expected. Utilization rates as a whole surpassed our target for stable operations.

As forecast for FY23 full-year, 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 Q3?

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, we expect net sales to be immaterially different from our initial forecast.

Until FY22, we limited the number of facility openings in Q4, but in FY23 Q4, we plan to open 2 new facilities in August and 4 new facilities in September and expand 1 facility.

Based on inflation of wood, energy resources, and goods used at the facilities, we raised patient payments by about 7,000 yen per month in FY23, and plan to raise them again by about 4,000 yen per month in October 2023.

Q

What are your views on operating profit / EBITDA in FY23 Q3 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.

(Continued on the following page)

Q

What are your views on operating profit / EBITDA in FY23 Q3 and the forecast for FY23?

A

In Q3 YTD, recruiting expenses increased because we recruited a large number of employees in April as in previous years, but we think performance remained solid.

In Q4, we plan to open 6 new facilities and expand 1 facility, 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.

We plan to aggressively open facilities with the aim of maximizing free cash flow over the long term.

Q

What is your target for the equity ratio?
What other indicators, if any, do you refer to as indicators of the stability of your financial base?

A

We have set a target equity ratio of 30%. As of June 30, 2023, we maintained a robust financial base, with the ratio of 48.8% surpassing the target.

In addition to the equity ratio, we also refer to the net debt/EBITDA ratio.

Currently, under the facility development approach set in Amvis 2025, we continue to open facilities, mainly by building our own facilities, but based on the above indicators, we believe cash on hand and bank borrowings will provide sufficient funding.

Q

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

A

We receive about 350 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 2–3 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 expand in Western Japan, such as Osaka and Okayama prefectures, scheduled to open in June 2024 or later.

(Continued on the following page)

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.

(Continued on the following page)

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 2 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

In FY23, we have increased 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.

(Continued on the following page)

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

Recently, new entrants into the hospice business seem to be on the rise. Unlike new entrants, how is it possible for Ishinkan to accept mainly patients in the terminal stages of cancer and operate large facilities and in regional cities?

A

Ishinkan functions as a platform of home healthcare equipped with a 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.

(Continued on the following page)

Q

Recently, new entrants into the hospice business seem to be on the rise. Unlike new entrants, how is it possible for Ishinkan to accept mainly patients in the terminal stages of cancer and operate large facilities and in regional cities?

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.

(Continued on the following page)

Q

Recently, new entrants into the hospice business seem to be on the rise. Unlike new entrants, how is it possible for Ishinkan to accept mainly patients in the terminal stages of cancer and operate large facilities and in regional cities?

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.

(Continued on the following page)

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, based on inflation of wood, energy resources, and goods used at the facilities, we raised patient payments by about 7,000 yen per month in FY23, and plan to raise them again by about 4,000 yen per month in October 2023.

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 16.6bn) and interest rate (about 0.46%).

Q

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

A

Some employees tested positive for COVID-19 and were restricted from work. But there was no significant impact in FY23 Q3 overall.

Although COVID-19's status under the Infectious Disease Control Law was lowered to category 5, we intend to maintain our increased personnel numbers even after the COVID-19 pandemic because the majority of patients have high medical dependency.

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.

(Continued on the following page)

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.

Our initiatives have received certain third-party evaluations, including an MSCI ESG rating of A in June 2023.

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 and July 2023.

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