



**First Quarter of the Fiscal Year Ending September 30, 2024**

# **FAQ**

**Amvis Holdings, Inc.**

**February 8, 2024**

- Q **Number of Facilities / Bed Capacity**
- Q **Utilization Rates**
- Q **Net Sales**
- Q **EBITDA**
- Q **Cash Flow**
- Q **Equity Ratio**
- Q **Facility Opening Strategy**
- Q **Recruiting**
- Q **Promoting Occupancy**
- Q **Headquarters-Focused System**
- Q **Wage Increase**
- Q **Competition**
- Q **Macro Environment**
- Q **Regional Healthcare Revitalization Project**
- Q **Shareholder Return**
- Q **Sustainability**
- Q **IR Activities**
- App. **Photos of Ishinkan Facilities (Exterior / Interior)**

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 131 facilities (6,621 beds).

We have already announced plans to open 28 new facilities and expand 1 facility (1,453 beds) for FY24, 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 FY24?

A

In FY24 Q1, we maintained stable operation at existing facilities, and the start of 6 new facilities was also as we expected. Utilization rates as a whole were close to our target for stable operations.

As forecast for FY24 Q2 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 10–15 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 FY24 Q1?

A

As mentioned on the previous page, utilization rates were solid. As a result, net sales were also in line with our expectations. In FY24 Q1, we reached 22.4% of our full-year forecast. In FY24, we expect net sales to be immaterially different from our initial forecast.

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 by about 4,000 yen per month in October 2023.

(Continued on the following page)

Q

What is your analysis of net sales for FY24 Q1?

A

Regarding the care and medical fee revisions in 2024, the revised care fee will be reflected from April 2024 or later, and the medical fee will be reflected from June 2024. We plan to release the impact on our financial performance once the details of the revisions are announced.

We will keep working to increase net sales by increasing the number of facilities (bed capacity) and maintaining utilization rates, as well as by raising patient payments as needed.

Q

What are your views on EBITDA in FY24 Q1 and the forecast for FY24?

A

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

On the other hand, we expect the 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.

(Continued on the following page)

Q

What are your views on EBITDA in FY24 Q1 and the forecast for FY24?

A

In FY24 Q1, we think that our performance was solid, because we appropriately controlled personnel expense ratio even while promoting wage increases.

For FY24 Q2 and later, we expect EBITDA to increase steadily, though EBITDA margin will decline slightly due to an increase in openings in the Tokyo metro area and inflation.



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.

(Continued on the following page)

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 built about 65% of the 82 facilities we had as of the end of December 2023, and facility maintenance costs are minor compared to the overall investment.

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 the end of December 2023, we maintained a robust financial base, with the ratio of 48.2% 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 300 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 metro area and Chukyo area. We also plan to expand further into Western Japan, such as the Kansai and Chugoku areas, where facilities are scheduled to open in FY24, and in the Kyushu and Shikoku areas, where facilities are scheduled to open in FY25.

(Continued on the following page)

Q

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

A

In Tokyo metro area, new facilities start up quickly, while rents and personnel costs are higher than in regional cities, so the EBITDA margin tends to be 3-5% lower, but EBITDA tends to generally similar in amount.

However, we intend to 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 FY24?

A

We are currently receiving many applications, so we are able to exercise due care in selecting employees, with the offer rate of about 10-15%. Furthermore, we do not hire temporary nurses and caregivers, which we believe is proof of our high recruiting capability.

Therefore, we think we will be able to recruit regular nurses and caregivers to meet the increase in the number of facilities, even though while the overall industry faces a labor shortage.

(Continued on the following page)

Q

What are your current status on recruiting and forecast for FY24?

A

On the other hand, 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 850 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.

In addition to marketing, sales, recruitment, HR, and goods management, we are working to improve quality and avoid serious accidents in terms of service quality management through various measures, including monitoring as well as incident management and analysis by headquarters staff, mainly nurses, implementation of various training, and promotion of participation in external training programs.

(Continued on the following page)

Q

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

A

We think the current structure is satisfactory for maintaining both quality and quantity. The system should allow us to meet our targets of opening 28 new facilities and operating 104 facilities in FY24.

However, given our plan to increase the number of facilities to 131 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 FY24, as in the previous fiscal year, we increase wages by utilizing additional incentives 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

The increase in personnel expenses and the tax benefits associated with the wage increase have already been taken into account in FY24 forecast.

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 10-15 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

Recent 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 by about 4,000 yen per month in October 2023.

The impact of the monetary policy is expected to be immaterial based on the current balance of borrowings (about JPY 19.0bn) and interest rate (about 0.44%).

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.

(Continued on the following page)

Q

Are there any changes in the regional healthcare revitalization project?

A

As an example, we began providing management support to 2 hospitals in the same local city in October 2023.

In December 2023, with our support, a hospice operated by hospital has opened and has been operating successfully. We support the management of hospitals by utilizing our know-how, such as regional marketing, clarification of hospital and facility functions, cost management, organizational development, and multi-professional cooperation.

(Continued on the following page)

Q

Are there any changes in the regional healthcare revitalization project?

A

By doing so, we believe that we can help to revitalize regional healthcare as a whole, including home healthcare, as well as driving a turnaround.

We intend to contribute to the further strengthening and revitalization of regional healthcare by actively supporting hospitals, utilizing our know-how.

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 FY24, we expect to raise the dividend per share by 1 yen from FY23 to 4 yen, while prioritizing 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.

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.

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 conduct face-to-face overseas IR as appropriate.

We continue to strengthen dialogue with shareholders and investors.





# Appendix

---



# Appearance

---



Entrance /  
Dining Hall

---

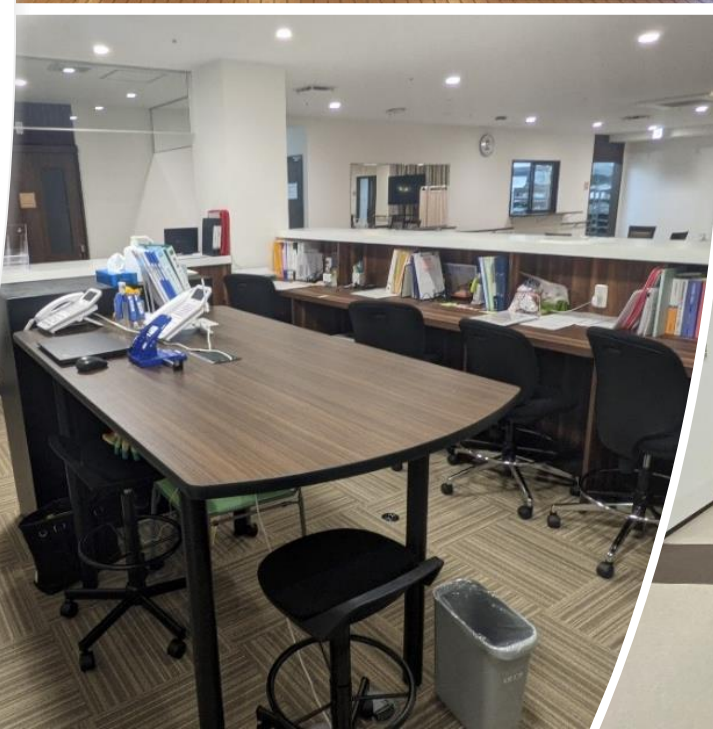


# Kitchen / Private Room

---

# Staff Station / Bathroom

---



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](mailto:ir_contact@amvis.co.jp)