



**Third Quarter of the Fiscal Year Ending September 30, 2022**

# **FAQ**

**Amvis Holdings, Inc.**

**August 10, 2022**



**Revisions to  
Financial Results Forecasts**



**Number of Facilities /  
Bed Capacity**



**Utilization Rates**



**Net Sales**



**Operating Profit**



**Recruiting**



**Promoting Occupancy**



**Facility Opening**



**Headquarters-Focused System**



**Competition**



**Macro Environment**



**COVID-19**



**Stock Liquidity**



**Regional Healthcare  
Revitalization Project**



**Cash Flow**



**IR Activities**

Q

Why did you revise the financial results forecasts?

A

Operating profit for Q3 YTD was 4,398 million yen. Our previous full-year forecast was 4,965 million yen. Had we not changed our forecast, this could have been misinterpreted as an expectation of a sharp deterioration in performance in Q4.

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Q

Why did you revise the financial results forecasts?

A

The situation does not trigger any quantitative criteria that would require a revision. However, in order to provide useful information, we decided to revise the forecasts given that Q3 YTD results were above our previous forecasts and due to the impact of opening Ishinkan Kikuna, which was not taken into account in the previous forecasts.

Please refer to [Notification Regarding Revisions to Financial Results Forecasts] released on July 25, 2022 for further information.

Q

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

A

We continue to open new facilities to go beyond the target of about 13 new facilities (650 beds) per year in order to quickly realize our medium- to long-term targets of 100 facilities (5,000 beds).

We have already announced plans to open 17 new facilities (917 beds) for FY23, the number of facilities will exceed the target mentioned above.

The basic capacity per facility is about 50 beds. We will also aim to open about 1–2 large facilities (70–80 beds) per year.

Q

What are your current utilization rates and forecast for FY22?

A

In FY22 Q3, we maintained high utilization rates mainly at facilities opened in FY22 1H in the Tokyo metro area, and utilization rates as a whole were as expected.

In addition, the start of 6 new facilities opened in Q3 was also as we expected.

As forecast for FY22 full-year, we continue to expect the utilization rate to be 80–85%, which is our target for stable operations.

Q

What is your analysis of net sales for FY22 Q3?

A

As mentioned on the previous page, utilization rates were favorable. As a result, net sales slightly exceeded our expectations.

We expect net sales to be immaterially different from our previous forecast, but net sales forecast was upwardly revised given Q3 YTD progress.

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 Q3 and the forecast for FY22?

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 Q3 and the forecast for FY22?

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A

In FY22 Q3, recruiting expenses increased because we recruited a large number of personnel in March and April, but we think performance remained solid.

In FY22 Q4, we plan to open 2 new facilities, but we don't anticipate any irregular expenses outside of normal operating activities.

Q

What are your current status on recruiting and forecast for FY22?

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.

In addition, we offer competitive salaries in order to attract talented people and consider the current inflationary impact to be minor compared to other companies.

However, the overall industry faces a labor shortage. 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 current status on facility opening and strategy for the future?

A

By the end of FY21, we had opened facilities in most parts of Eastern Japan. In FY22, we are accelerating opening of new facilities in areas where we already have a presence, particularly in the Tokyo metro area, to accelerate our dominance formation.

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

We plan to expand both in the Tokyo metro area and in regional cities. We will also actively open facilities in regional cities where we already have a presence.

Q

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

A

Under a headquarters-focused management system, we think the current structure is satisfactory for maintaining both quality and quantity. The system should allow us to meet our targets of opening 16 new facilities and operating 58 facilities in FY22.

At the same time, we need to continue to reinforce headquarters functions as the number of facilities increases. Accordingly, we will recruit more headquarters personnel, as assumed in Amvis 2023.

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

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A

In addition, we have excellent nurses with a wealth of medical experience, mostly from acute and general hospitals. They assist with home visits and perform a variety of roles, including observation of physical and mental condition, measurement of vital signs, medication administration, medical treatment, oral care, and tube feeding management.

We believe that such excellent nurses are the reason we can operate large facilities and operate in regional cities.

Q

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

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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 wooden facilities scheduled to open in April 2023 or later.

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Q

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

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A

That said, the cost of buildings will be allocated as expenses over their useful lives (20–34 years), so the impact on our performance over the next several years is expected to be immaterial.

We plan to review payment from patients given the impact of price hikes on energy resources.

Q

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

A

In Q3, to address COVID-19, we continue 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 change in the situation from 1H.

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

Q

What is your current status on meeting the criteria for maintaining listing?

A

As announced on May 19, 2022, our tradable share ratio is expected to improve to approximately 26%. This is due to a 3.7% reduction in the shareholding ratio of Keiichi Shibahara, our major shareholder, and the exercise by employees of stock acquisition rights issued in the past.

Therefore, we expect to meet the criteria for maintaining a Standard market listing (25.0%).

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Q

What is your current status on meeting the criteria for maintaining listing?

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A

However, as the number of shares held by financial institutions and business corporations is deducted from the number of tradable shares, the tradable share ratio could decrease if the number of shares held by such investors increases.

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.

However, due to COVID-19, we are prioritizing the development of Ishinkan. The specific timing of the project will depend on the business environment in which medical institutions operate. We would like to establish this business when the timing is appropriate.

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

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What IR activities are you undertaking?

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For individual investors, we hold briefings at least twice a year and take other actions to maintain and strengthen constructive dialogue with shareholders and investors in order to enhance corporate value over the medium to long term.

For analysts and institutional investors, we hold financial results briefings and participate in conferences. In addition, we hold about 60–80 individual meetings each quarter. Overseas investors account for more than half of these individual meetings.

We also actively share information about our facilities through our website and on Twitter.

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.

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