



First Half Ended March 31, 2022

FAQ

Amvis Holdings, Inc.

May 16, 2022

- Q** Number of Facilities / Bed Capacity
- Q** Utilization Rates
- Q** Net Sales
- Q** Operating Profit
- Q** Recruiting
- Q** Promoting Occupancy
- Q** Facility Opening
- Q** Headquarters-Focused System
- Q** Macro Environment
- Q** COVID-19
- Q** Competition
- Q** Regional Healthcare Revitalization Project
- Q** Cash Flow
- Q** IR Activities

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).

The basic capacity per facility is about 50 beds. We will also aim to open about 1–2 large facilities (70–80 beds), and facilities through cooperation with other care providers per year.

Q

What are your current utilization rates and forecast for FY22?

A

In FY22 1H, we maintained high utilization rates in the Tokyo metro area, and utilization rates as a whole were about as expected. However, the spread of the Omicron variant caused a large number of infections and close-contact cases, so the impact on utilization rates was negative.

As forecast for FY22 2H, we continue to expect the utilization rate to be 80–85%, which is our target for stable operations, since we plan to open many facilities in regional cities.

Q

What is your analysis of net sales for FY22 1H?

A

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

In FY22 1H, we reached 47.9% of our full-year forecast. In FY22, we expect net sales to be immaterially different from our initial forecast.

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 1H 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 1H and the forecast for FY22?

A

Operating profit decreased from Q1 to Q2. This was mainly due to higher personnel and recruiting expenses as a percentage of net sales. Overall, we think performance was solid.

In FY22 2H, we expect personnel and recruiting expenses to increase, because we recruited a large number of personnel in March and April, as initially planned.

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.

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.

March and April is a heavy recruiting season in Japan. During this time, we recruited a large number of nurses in the face of COVID-19.

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.

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Q

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

A

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

In addition, we continue to open facilities in new areas, such as Ishinkan Higashi Sapporo, which is scheduled to open in FY23. We will also open facilities through cooperation with other care providers.

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

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 may affect the construction cost of wooden facilities scheduled to open in April 2023 or later.

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.

Q

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

A

In Q2, the outbreak of the Omicron variant caused some facilities to stop accepting new patients for several days. We addressed the situation through measures such as accepting patients at nearby facilities, but the impact on utilization rates was negative.

To address COVID-19, we continue to increase the number of medical workers. In Q2, we experienced a rise in the number of employees who tested positive. This caused an increase in expenses, such as allowances due to support other facilities.

Q

How is it possible for Ishinkan to operate large facilities and in regional cities, unlike other typical hospices, despite mainly accepting cancer patients who are difficult to care for at home?

A

We emphasize that the staff who provide care and who promote occupancy to medical institutions nearby are excellent nurses and caregivers. We believe that a robust, high-quality system has enabled us to maintain high utilization rates despite a large number of patients moving in and out.

We have excellent nurses and caregivers who provide high-quality medical care to cancer patients who are difficult to care for at home. As a result, we can operate larger facilities than other typical hospices and operate in regional cities.

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.

Q

What IR activities are you undertaking?

A

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.

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