

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Social Welfare Corporation Southern TOHOKU Social Welfare Foundation (security code: -)

<Affirmation>

Long-term Issuer Rating: BBB+
Outlook: Stable

Rationale

- (1) Social Welfare Corporation Southern TOHOKU Social Welfare Foundation (the “Foundation”) is a social welfare corporation under the Southern TOHOKU Group (the “Group”), which operates nine hospitals in Tohoku region and the Tokyo metropolitan area. The Foundation operates a wide range of businesses in the fields of elderly welfare, disabled person welfare and child welfare in Fukushima Prefecture and Tokyo. Since 2019, the Foundation has been jointly operating Tokyo Rehabilitation Center Setagaya (in Setagaya Ward, Tokyo) with Southern TOHOKU Research Institute for Neuroscience, the Group’s core entity, and the Foundation assumes support services business for people with disabilities (including children). Although entities in the Group have been closely cooperating, the rating is based on the Foundation’s stand-alone creditworthiness, given that the Foundation’s funds are independently managed under the social welfare corporation system and other factors.
- (2) Cash flow is expected to remain steady going forward. The service fees for nursing care/welfare measures for people with disabilities were revised upward for the fiscal 2024, but the operating environment is still severe as shown by higher prices and continuing difficulties in recruiting human resources in the areas of nursing care and welfare. However, needs of the fields for elderly/people with disabilities welfare in the areas where the Foundation operates are stable, and a certain level of human resource base is also maintained. While the Foundation is striving for securing revenue commensurate with the human resource allocation and accurate expenditure control, positive outcome has started to yield from the improvement measures implemented in the facility for supporting people with disabilities in Setagaya Ward. On the financial front, borrowings are being repaid, and it is unlikely that the situation will deteriorate in the future as well. Based on the above, JCR has affirmed the rating on the Foundation with a Stable outlook.
- (3) Residence-based services maintain high operation rates as before. While strengthening the cooperation with the ward office, the operation rate of the facility for supporting people with disabilities in Setagaya Ward is gradually rising with a success of development of acceptance system for short-term use during an emergency. As for the human resource perspective, the number of persons required is fulfilled by and large through enhancing recruitment activities using group companies and active use of foreign staff in addition to the Foundation’s effort for retaining employees. The key factors will continue to be effectiveness of measures securing human resources and improving the facility for supporting people with disabilities.
- (4) Since the end of the fiscal year ended March 2021, the net assets ratio has remained in the 50% range, and the Foundation has been in a net cash position. From a long-term perspective, the Foundation is expected to consider the business using the vacant land in relation to the relocation of the Southern TOHOKU Research Institute for Neuroscience / Southern TOHOKU General Hospital. The Foundation’s issue to address will be accumulation of funds in a systematic manner preparing for future investments including aging of existing facilities taking into account the soaring construction costs and declining subsidy rate for facility development of social welfare corporations.

Yosuke Sato, Tadashi Ono

Rating

Issuer: Social Welfare Corporation Southern TOHOKU Social Welfare Foundation

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Long-term Issuer Rating: BBB+ Outlook: Stable

Rating Assignment Date: March 27, 2025

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (October 1, 2024) and "Medical Institutions" (August 1, 2023) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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