

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

Akatsukikai (security code: -)

<Affirmation>

Long-term Issuer Rating: BBB-
Outlook: Stable

Rationale

- (1) Akatsukikai is a social welfare corporation of specified medical corporation Akanekai Group, which operates Neuromuscular Center Yoshimizu Hospital in Shimonoseki City, Yamaguchi Prefecture. In the prefecture, Akatsukikai widely engages in nursing care and welfare services for the elderly and handicapped children primarily in Shimonoseki City. In Tokyo, in addition to operating a medical and welfare complex jointly with Akanekai in Koto Ward, Akatsukikai opened a complex facility primarily for a special nursing home for elderly in Suginami Ward in December 2021. Although Akatsukikai has close ties with the Akanekai Group, JCR assigns the rating to it based on its unconsolidated creditworthiness as a starting point considering that Akatsukikai's fund management is independent from the Akanekai Group under the social welfare corporation system with no equity interest.
- (2) The existing facilities are being operated well in general, and cash flow will likely be secured steadily. While various expenses, such as personnel, consignment and utilities, are increasing, its margin for earnings has declined compared to that previously; however, JCR views it can maintain the sound earnings structure with the accurate expense control. Its borrowings increased along with the opening of the new place in Suginami Ward, Tokyo, but it maintains the stable financial structure. Tangible and intangible relations with Akanekai including collaboration among facilities have positive effects on the creditworthiness of Akatsukikai. Taking the above into consideration, JCR affirmed the rating on Akatsukikai with Stable outlook.
- (3) Although occupancy rate of the new facility, which has commence the operation not long since the opening, remains low, the number of users will highly likely increase steadily along with securing staff members since the area's nursing care needs is strong. In the existing facilities, necessary staff members for their operations have been secured in general and they have maintained certain occupancy rates through inter-group collaboration, etc. Although sense of stability can be recognized for the overall operations, JCR sees it is important to take further efforts to increase revenue including increasing the number of users for the short-stay and day care facilities while the business environment is becoming increasingly severe.
- (4) The financial conditions is sound. Akatsukikai maintains a certain financial structure due partly to recoding of the subsidy received from the local government to net asset, while it has increased borrowings in relation to constructing the new facility. The cost of construction was primarily financed through Welfare And Medical Service Agency on a long-term basis. JCR considers there is little concern over the repayment of the borrowings as a certain amount of cash flow will likely be secured at the new facility with a premise of securing necessary staff members.

Hiroyuki Chikusa, Yosuke Sato

Rating

Issuer: Akatsukikai

<Affirmation>

Long-term Issuer Rating: BBB- Outlook: Stable

Rating Assignment Date: March 22, 2022

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" (November 7, 2014) and "Medical Institutions" (September 6, 2010) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).



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