

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 Sugunami 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 Sugunami 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/>).



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

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)
