

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

Medical Corporation KEIAIKAI (security code: -)

<Affirmation>

Long-term Issuer Rating: A-
Outlook: Stable

Rationale

- (1) Medical Corporation KEIAIKAI ("Keiaikai") is a medical corporation operating four hospitals in Tamba City, Sanda City and Nishinomiya City in Hyogo Prefecture. It is the largest medical corporations in the prefecture focusing on medical services for the chronic stage, with a total of 1,156 beds (60 for general medical treatment, 51 for rehabilitation in the convalescent stage and 1,045 for long-term medical care). Other than these, it also offers at-home care and nursing care related services such as four long-term care health facilities (507 beds in total), group homes, and day care rehabilitation centers. The group has all the facilities in Hyogo Prefecture, providing community-based services. It also established a management system capable of efficient operation by taking advantage of its business scale.
- (2) Keiaikai is expected to maintain certain cash flow generation capacity in the future as well. While being affected by an impact of the COVID-crisis on its operation, each hospital has been maintaining a high usage rate for the long-term medical care ward. Keiaikai has been ensuring earnings from the medical care services commensurate with the manpower allocation without having any serious problem in securing necessary manpower. Business environment is severe due to soaring various costs and others; however, JCR views that Keiaikai can maintain a stable earnings structure going forward given the strict expenditure control implemented. In addition, financial conditions are favorable as it has surplus funds on hand. Based on the above, JCR has affirmed the rating on Keiaikai with Stable outlook.
- (3) Keiaikai has necessary manpower in operating the facilities by and large. Although there is a sense of manpower shortage for some professions, Keiaikai is consistently working on the initiatives toward increasing the number of persons hired and retention rate including post-retirement re-employment and increasing foreign national employees. Furthermore, Keiaikai has been cooperating with entities inside and outside the group by taking advantage of the characteristics of each hospital, such as acceptance of critically ill patients and response to deathbed, thereby the capacity to attract patients for its mainstay long-term medical care ward has been maintained. Attention needs to be paid to the fact that the number of outpatients and inpatients of the general medical care treatment ward has been decreasing in the Otsuka Hospital located in Tamba City due partly to falling local community population; however, JCR views that Keiaikai can continue a stable operation as a whole group.
- (4) Although rising personnel expenses, utility costs, etc. are placing downward pressure on profits, Keiaikai maintains relatively strong earnings capacity among medical institutions focusing on medical services for the chronic stage. Toward strengthening the medical examination functions and expanding medical revenues, it has been constructing an operation ward in Nishinomiya Keiaikai Hospital. On the financial front, thanks to an increase in net assets and cash on hand on the background of stable performance, the financial structure has been improving. JCR assumes Keiaikai can maintain the robust financial foundation going forward because the funds bearing for constructing the operation ward is limited and no large-scale investments are planned for the foreseeable future.

Hiroyuki Chikusa, Yosuke Sato

Rating

Issuer: Medical Corporation KEIAIKAI

<Affirmation>

Long-term Issuer Rating: A- Outlook: Stable

Rating Assignment Date: September 12, 2023

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" (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.

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