

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

The Takeda Healthcare Foundation (security code: -)

<Affirmation>

Long-term Issuer Rating: A-
Outlook: Stable

Rationale

- (1) The Takeda Healthcare Foundation (the "Foundation") is a general incorporated foundation, operating two hospitals in Aizuwakamatsu City, Fukushima Prefecture. Its mainstay Takeda General Hospital (the "Hospital") with 837 beds mainly engages in acute medical care is the core hospital in the medical care zones of Aizu and Minamiaizu, designated as a community medical support hospital, regional cooperative core hospital of cancer treatment and perinatal medical center. Ashinomaki Onsen Hospital with 120 beds offers chronic-phase medical care. Other than these hospitals, the Foundation runs nursing facilities, etc., comprehensively operating community-based services covering areas from acute care to the nursing and welfare fields.
- (2) Competitiveness in the medical care zone is maintained and the business operations are stable. In the Hospital, response to medical service fee revisions and efforts to improve the efficiency of its medical treatment system are advancing. In the nursing and welfare field, the number of users is on the uptrend with an expansion in service. On the financial front, the Foundation is strengthening the financial base through progress in loan repayment and accumulation of net assets. Continued attention to trends in the COVID-19 pandemic is needed, but as public support is assumed to be provided for responding to them, the financial impact is unlikely to become large. Based on the above, JCR has affirmed the rating on the Foundation with Stable outlook.
- (3) Although the number of patients decreased in the fiscal year ended March 2021 (FY2020) amid the COVID-19 pandemic, the deterioration in earnings with it was compensated to a certain degree by subsidy. In FY2021, the number of patients is expected to make a turnaround and operating revenues would increase. In recent years, the Foundation has been proactive in responding to the work-style reforms of staff including doctors. A series of responses for the efforts would push up personnel expenses, but in the medium to long term, such efforts will contribute to stabilizing the human resource base. In addition to focusing on securing income commensurate with staffing by promoting gathering of patients and raising medical service fee per patient, the Foundation is appropriately managing expenditures. Therefore, it is assumed to be able to secure a certain level of cash flow for the time being.
- (4) Its financial structure has been improving. Since the completion of the general medical center in the Hospital in 2012, there has been no large investments, and cash deposit and net assets have increased along with a decrease in borrowings. However, a plan to relocate the Ashinomaki Onsen Hospital to the central area of Aizuwakamatsu City in order to enhance the recovery care function is under way. If this plan is carried out, a relatively large amount of fundraising will highly likely be needed. JCR will keep an eye on the progress of the plan, its effects on the group's overall ability to attract patients and the hospital management, as well as the impact on the financial base and so forth.

Hiroyuki Chikusa, Yosuke Sato

Rating

Issuer: The Takeda Healthcare Foundation

<Affirmation>

Long-term Issuer Rating: A- Outlook: Stable

Rating Assignment Date: November 17, 2021

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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