

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

Japan Medical Alliance (security code: -)

<Rating Change>

Long-term Issuer Rating: from BBB+ to A-

Outlook: from Positive to Stable

Rationale

- (1) Japan Medical Alliance (“JMA”) is a social medical corporation that provides medical services in Kanagawa and Saitama Prefectures. In September 2023, JMA celebrates the fiftieth anniversary since its foundation. It operates, along with other medical facilities, Ebina General Hospital (with 479 beds in Ebina City, Kanagawa Prefecture) for acute medical care; and Zama General Hospital (with 352 beds in Zama City, Kanagawa Prefecture) and Higashi Saitama General Hospital (with 189 beds in Saitama City, Saitama Prefecture) for both acute and chronic medical care. JMA has a strong presence in the Kanagawa Prefecture central medical zone, where two of the hospitals are located. They serve as the core of Sagami Medical Partners, a regional medical service promotion corporation. Shizuoka Medical Alliance, JMA’s affiliated corporation, is entrusted with the designated management of Shimoda Medical Center (with 138 beds in Shimoda City, Shizuoka Prefecture).
- (2) The operation of each base is generally steady and cash flow is becoming more stable. The new west wing of the Ebina General Hospital, which started operations in May 2023, has been smoothly launched, and it is also making progress in securing human resources in response to enhancement of medical functions. For the COVID-19 pandemic, it has built a structure for accepting patients while curbing a decline in hospital bed occupancy. Borrowings increased with the construction of the west wing, but net assets have accumulated against the backdrop of strong performance, and it will likely maintain a certain level of financial structure. Based on the above, JCR has upgraded the rating on JMA by one notch to “A-” and changed the outlook to Stable.
- (3) The headquarters functions and area-specific management structures have been enhanced, and various issues are being dealt with flexibly through the development of PDCA cycles. Earnings sources are diversified centered on the three hospitals, and in recent years profits have been secured firmly even after deducting the positive effects of COVID-19-related subsidies. At Ebina General Hospital, JMA is increasing the number of highly-functional hospital beds and raising operation efficiency, increasing the ability to respond to arising medical demand in the region. The periodic profit for the fiscal year ending March 2024 (FY2023) is expected to deteriorate due to an increase in depreciation expenses but is likely to start recovering in FY2024. It is considered important to further ensure staff in order to improve the occupancy rate of each base and calculate the upper-ranked hospitalization fees, of which progress will be a point to focus on.
- (4) Large-scale investments in the mainstay three principal hospitals have almost completed, and FY 2023 will be the period when the JMA will face the greatest financial burden. However, given the rapid accumulation of net assets in recent years, and the expansion of cash flow generation capacity with the opening of the west wing of Ebina General Hospital, the net asset ratio can be assumed to be maintained at a certain level in the medium term. Going forward, to respond to the aging of the main building of Ebina General Hospital will come into view, but a response based on the situation of cash flow and others is planned to be made, etc. There is little concern that the JMA’s financial base will be seriously impaired.

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Rating

Issuer: Japan Medical Alliance

<Rating Change>

Long-term Issuer Rating: A- Outlook: Stable

Rating Assignment Date: August 21, 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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