

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

## **Southern TOHOKU Research Institute for Neuroscience** (security code: -)

<Affirmation>

Long-term Issuer Rating: A-  
Outlook: Stable

### *Rationale*

- (1) Southern TOHOKU Research Institute for Neuroscience (the "Corporation") is a core corporation of the Southern TOHOKU Group (the "Group") operating in Tokyo and five other prefectures. Offering a wide range of medical and nursing services mainly through the affiliated Southern TOHOKU General Hospital in Koriyama City, Fukushima Prefecture (the "Hospital"), the Corporation manages the Group's nine hospitals with more than 2,000 beds in total. As distinctive characteristics, it undertakes initiatives to provide advanced medical treatment. As part of such, it has launched the first proton therapy center for cancer in Japan to be operated by a private hospital, and in 2020 began providing medical care in relation to treatment using boron-neutron capture therapy (BNCT) by conducting the world's first clinical case. The Corporation's rating reflects the creditworthiness of the entire Group in consideration of the Group's governance, collaboration structure, etc.
- (2) The Corporation has been maintaining competitiveness in each area where it operates the business. Although there is a sense of insufficiency in some job categories, it has a sufficient human resource. JCR assumes that the Group as a whole will be able to secure cash flow steadily going forward as shown that the major hospitals are striving for strengthening medical functions and attracting patients. The Hospital has been pushing forward the plan toward construction and relocation in the fiscal year ending March 2028 (FY2027), and a load on the financial side will likely become stronger as the plan progresses. Having said that, the construction and relocation will likely reinforce the business bases in the medical area of the central Fukushima Prefecture and stabilize cash flow generation capacity. JCR believes that it will not be a negative factor for the rating. Based on the above, JCR has affirmed the rating on the Corporation with Stable outlook.
- (3) While financial support to the medical institutions accepting COVID-19-related patients is decreasing, management of hospital beds easily becomes destabilized to prevent expansion of nosocomial infection. Toward this end, the Group's major hospitals are working for adequately responding to the medical system revisions for medical treatment fees, etc. at the same time of raising occupancy rates of hospital beds to meet the medical needs of the area and ensure profitability. Attention needs to be paid to growing impact of shortage of nurses in some operating bases; however, the Corporation's strong capacity to acquire doctors has been maintained through leveraging the initiatives for advanced medical treatment and a number of medical cases. In preparing for the construction and relocation of the Hospital, the Corporation's issue to address is to steadily improve earnings of Tokyo General Hospital and BNCT. Both of which have not yet recovered the investment.
- (4) On the back of appropriate measures to attract patients and profit management, the Corporation led the past investment projects to generate revenue. The balance between cash flow and interest-bearing debt has remained within a certain range. Despite varying financial structures among the Group's corporations, the Group's overall financial foundation has been stable. For the Hospital's construction and relation, fund procurement for FY2025 through FY2027 and deterioration in periodic profit and loss for before and after the relocation are expected, and the amount required for these was estimated and has been reflected in the forecast of profitability and financials. JCR will check the details of the businesses to be crystalized going forward and the total amount required, and reflect them in the rating.

Tadashi Ono, Yosuke Sato

### *Rating*

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**Rating Assignment Date: December 14, 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.

## **Japan Credit Rating Agency, Ltd.**

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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.)

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