

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 (the "Hospital") in Koriyama City, Fukushima Prefecture, 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 operated by a private hospital in Japan, and in 2020, it began world's first medical care related to treatment using boron-neutron capture therapy (BNCT) as the facility with a hospital. The Corporation's rating reflects creditworthiness of the entire Group considering the Group's governance, collaboration structure, etc.
- (2) The Corporation has been maintaining strong competitiveness primarily in Fukushima Prefecture and Kawasaki City. The Group is putting efforts at securing revenue and holding down expenditure through appropriate admission and discharge management and other means. Although operating environment of medical institutions is severe, JCR assumes the Group will be able to maintain certain cash flow generation capacity. The financial structure is in an improvement trend as shown that interest-bearing debt has been decreasing and others. Since construction cost is increasing, JCR sees the Hospital's relocation and construction will be advanced after thoroughly considering the impact on the financial side and feasibility of recovery of the funds invested. Based on the above, JCR has affirmed the rating on the Corporation with a Stable outlook.
- (3) As for the human resource perspective, the Hospital has a strong ability to attract doctors leveraging the commitment to advanced medical care and a wealth of cases it worked on. With respect to securing nurses, it is taking advantage of the fact that the Group operates businesses in a broad area and a company in the Group that takes responsibility for hiring employees. Thereby maintaining a comparative advantage within the medical area. At the Hospital, in addition to increasing the number of operating rooms, efforts are being made to optimize the length of hospital stays while maintaining a high bed occupancy rate. Measures aimed at increasing revenue are in progress, including efforts to strengthen the calculation of various additions and guidance fees. The key factors in the future will be trends in revenue / expenditure of Tokyo General Hospital and BNCT, and effectiveness of support measures of the government's supplementary budget and fiscal 2026 medical service fee revision for medical nursing care management.
- (4) On the back of steady earning capacity and repayments of interest-bearing debt, the balance between cash flow and interest-bearing debt is expected to improve gradually. JCR still holds the view that the relocation and construction of the Hospital will further reinforce the business foundation in the medical area of the central Fukushima Prefecture and bring stabilization of the cash flow generation capacity. However, referring the price trends, the estimated investment amount assumed to be expanded. After materializing the investment plan, JCR will check the impacts on the business and financial sides.

Yosuke Sato, Tadashi Ono

Rating

Issuer: Southern TOHOKU Research Institute for Neuroscience

<Affirmation>

Long-term Issuer Rating: A- Outlook: Stable

Rating Assignment Date: December 16, 2025

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" (October 1, 2024) 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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