

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

Japan Medical Alliance (security code: -)

<Outlook Change>

Long-term Issuer Rating: BBB+

Outlook: from Stable to Positive

Rationale

- (1) Japan Medical Alliance (“JMA”) is a social medical corporation that provides medical services in Saitama and Kanagawa prefectures. In 2023, JMA celebrates the 50th anniversary since its foundation. It operates, along with other medical facilities, Higashi Saitama General Hospital with 189 beds in Saitama City, Saitama Prefecture and 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 for both acute and chronic medical care. JMA has a strong presence in Kanagawa Prefecture and the central medical care zone in the prefecture, where two of its hospitals are located. They are core of Sagami Medical Partners, a regional medical service promotion corporation. Shizuoka Medical Alliance, JMA’s affiliated corporation, is entrusted with designated management of Shimoda Medical Center with 138 beds in Shimoda City, Shizuoka Prefecture.
- (2) JMA is becoming more stable in terms of both cash flow and financial conditions. Despite the impact of the COVID crisis, JMA is swiftly responding to the changes in the environment through using PDCA cycle and other means. The medical services of Zama General Hospital, opened in 2016, has also remain profitable constantly. In addition, JMA’s financial structure has been on the trend toward improvement in recent years. JMA’s borrowings are expected to increase along with development of the new hospital building of Ebina General Hospital, which is scheduled to open in 2023; however, its financial margin will highly likely remain higher than the level previously assumed. Based on the above, JCR has affirmed the rating on JMA while revising the outlook from Stable to Positive. At the same time of watching trend in the COVID crisis, JCR will check the start-up conditions of the new hospital building and reflect them in the rating.
- (3) JMA’s performance has been steady in recent years. After excluding the positive effect of COVID-19-related subsidies, JMA has still secured a certain level of ordinary income. This seems to be on the back of the solid operation system including headquarters functions and the operation system established by area, diversification effects of revenue sources centering on the three hospitals. Ebina General Hospital deals with COVID-19 infections as a priority medical institution in Kanagawa Prefecture, and it receives necessary public support for the operation. Higashi Saitama General Hospital increased 16 beds in 2021, and opened a community comprehensive care ward in 2022. While adequately addressing the needs arising from the community, it is increasing efficiency of the hospital management.
- (4) JMA’s financial structure has been improving since bottoming out in FY2017. The pace of accumulation of net assets and cash and deposits has been exceeding the JCR’s expectation to date. For FY2023, JMA’s periodic profit and loss will deteriorate and interest-bearing debt is expected to reach the highest due to opening of the new hospital building of Ebina General Hospital Building. That said, large scale investments will come to the end after this. JMA will likely maintain a certain financial foundation for FY2023 and beyond. In addition, development of the new hospital building is expected to further strengthen the business foundation in the central medical care zone in the prefecture and improve the cash flow generation ability. Therefore, there are no particular concerns about collection of the capital invested. In the midst of working to enhance acute medical care and expand the home care business, JCR believes enhancement of the human capital further will be important.

Hiroyuki Chikusa, Yosuke Sato

Rating

Issuer: Japan Medical Alliance

<Outlook Change>

Long-term Issuer Rating: BBB+

Outlook: Positive



Rating Assignment Date: August 19, 2022

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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