

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

Japan Medical Alliance (security code: -)

<Affirmation>

Long-term Issuer Rating: BBB+

Outlook: Stable

Rationale

- (1) Japan Medical Alliance (“JMA”) is a social medical corporation that provides medical services in Saitama and Kanagawa prefectures. It operates, along with other medical facilities, Higashi Saitama General Hospital with 173 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. With regard to the expansion of COVID-19 pandemic, JMA has been proactively responding by opening dedicated beds at Ebina General Hospital. Shizuoka Medical Alliance, JMA’s affiliated corporation, is entrusted with designated management of Shimoda Medical Center with 142 beds in Shimoda City, Shizuoka Prefecture.
- (2) JMA maintains a stable business base in each medical area. The main facilities are involved in medical functions essential to the region and have a certain ability to attract patients. Profit management is thorough under the management and execution system for each area. Although it is assumed that the increase or decrease in the number of people infected with the COVID-19 will continue to affect the operation of the hospitals, there is little concern that the negative financial impact will increase thanks to the availability of subsidies for securing the hospital beds. The financial structure has been improving since bottoming out at the end of the fiscal year ended March 2018 (FY2017). Although the margin is not large, JCR believes that JMA is making progress in strengthening its financial base in preparation for the opening of the new building of Ebina General Hospital. Based on the above, JCR has affirmed JMA’s rating with Stable outlook.
- (3) The cluster of COVID-19 pandemic that broke out at Ebina General Hospital in July 2021 was soon brought under control. In September, the hospital increased the number of COVID-19 dedicated beds to 92, which will be reviewed depending on the infection situation, and is working to respond to the expansion of COVID-19 pandemic. Zama General Hospital has been steadily penetrating into the community since its opening in 2016, and is making progress in improving its profit. Higashi Saitama General Hospital and home-visit nursing care are also doing well. Although JMA has enough staff to operate the business, it will be important to secure and retain more human resources to meet the increasing demand for medical and nursing care services and to strengthen the group’s functions.
- (4) In FY2020, the number of patients decreased mainly in April and May due to the effects of the COVID-19 pandemic, but JMA was able to secure a net income thanks to the progress of efforts to secure earnings and subsidies. In FY2021, there will be a similar impact on profit due to restrictions on medical treatment at Ebina General Hospital, but subsidies are expected to compensate to a considerable extent. On the financial front, interest-bearing debt will increase as the construction of the new building of Ebina General Hospital progresses. However, JCR believes that the new building will further strengthen JMA’s business base in the central medical care zone in Kanagawa Prefecture and improve its ability to generate cash flow, and that there is no concern about investment recovery.

Hiroyuki Chikusa, Yosuke Sato

Rating

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Rating Assignment Date: October 1, 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/>).

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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