

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

## Medical Corporation KEIAIKAI (security code: -)

<Affirmation>

Long-term Issuer Rating: A-  
Outlook: Stable

### Rationale

- (1) Medical Corporation KEIAIKAI ("KEIAIKAI ") is a medical corporation operating four hospitals in Tamba City, Sanda City and Nishinomiya City in Hyogo Prefecture. KEIAIKAI is one of the largest medical corporations in the prefecture focusing on medical services for the chronic stage, with a total of 1,156 beds (60 for general acute care, 51 for rehabilitation in the convalescent phase, and 1,045 for recuperation). Other than these, it operates four long-term care health facilities (507 beds in total), group homes, and day care rehabilitation centers. The group has all the facilities in Hyogo Prefecture, providing community-based services, and established a management system capable of efficient operation by taking advantage of the business scale.
- (2) A certain level of cash flow is expected to continue to be secured going forward. Although the business environment is becoming increasingly severe, each facility is working to secure patients and users by collaborating with parties both inside and outside the group, generating medical revenue commensurate with the level of staffing. As expenditures are also being thoroughly managed, it will likely be able to maintain a stable earnings structure. In addition, the financial position is good, with only a small amount of borrowings and ample cash on hand. Based on the above, JCR has affirmed the rating on KEIAIKAI with Stable outlook.
- (3) Although there are shortages in some positions, efforts are being made to secure and retain personnel, and there has been no significant impact on facility operations. Thanks to its strengths in accepting seriously ill patients and providing end-of-life care, the main recuperation wards maintain the ability to attract patients. Additionally, each hospital is implementing measures to respond to changes in the business environment. In 2023, Nishinomiya Keiai Hospital established a minimally invasive treatment department that mainly handles surgical treatment for benign diseases, working to strengthen its medical functions to meet great needs. Otsuka Hospital is currently considering how to manage its bed functions, taking into account changes in local medical demands and the state of cooperation with nearby acute care hospitals.
- (4) While the room for increasing medical revenue becomes narrower, the pressure of rising labor costs and other expenses is growing. As a result, medical profit margins are lower than in the 2010s, but KEIAIKAI maintains a relatively strong earning capacity among medical institutions focusing on chronic care. In terms of finances, net assets and cash on hand have increased thanks to stable business performance, and the financial structure is on an improving trend. No large-scale investments are planned for the time being, and KEIAIKAI is assumed to be able to maintain the strong financial base going forward.

Shigenobu Tonomura, Yosuke Sato

### Rating

Issuer: Medical Corporation KEIAIKAI

<Affirmation>

Long-term Issuer Rating: A-      Outlook: Stable

Rating Assignment Date: November 27, 2024

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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