

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

Japan Medical Alliance (security code: -)

<Affirmation>

Long-term Issuer Rating: A-
Outlook: Stable

Rationale

- (1) Japan Medical Alliance (“JMA”), established in 1973, is a social medical corporation that operates business in Kanagawa and Saitama Prefectures. It has Ebina General Hospital (with 479 beds in Ebina City, Kanagawa Prefecture) for acute medical care, Zama General Hospital (with 352 beds in Zama City, Kanagawa Prefecture) and Higashi Saitama General Hospital (with 189 beds in Saitama City, Saitama Prefecture) for both acute and chronic medical care, and other medical facilities. JMA has a strong presence in the medical care zone of central part of Kanagawa Prefecture, where two of the hospitals are located. The two hospitals form the core of Sagami Medical Partners, a regional medical coordination promotion corporation. Shizuoka Medical Alliance, JMA’s affiliated corporation, is entrusted with the designated management of Shimoda Medical Center (with 134 beds in Shimoda City, Shizuoka Prefecture).
- (2) Each base maintains a stable business foundation. Although the business environment for medical institutions is becoming increasingly severe, JMA has established a system that allows it to identify changes in conditions and quickly improve operations and earnings and expenses. In recent years, it has steadily increased revenue by strengthening medical functions and securing human resources, particularly at Ebina General Hospital. The impact of the COVID-19 pandemic on operations has also been controlled. JMA has completed large investments in its three main hospitals and is currently in a period of greatest financial strain, but it has been able to maintain a certain level of financial structure. Based on the above, JCR has affirmed the rating with Stable outlook.
- (3) It is important to note that it has become more difficult to secure profits than in the past due to increases in labor, utilities, and other expenses. However, JMA is working to secure revenue commensurate with its staffing and is expected to maintain a certain level of cash flow in the future. The new west wing of Ebina General Hospital, which started operations in 2023, has made a good start, and the hospital’s hospitalization medical treatment unit price and bed utilization rate have increased significantly compared to these figures before the opening of the new wing. Operations of other major facilities are also generally stable. Human resources are being secured and retained, and measures are being taken based on local needs and revisions in medical treatment and nursing care fees.
- (4) Although borrowings increased as of the end of the fiscal year ended March 2024 (FY2023) due to the construction of the new west wing of Ebina General Hospital, the net asset ratio has remained in the 20% range, and it is likely that JMA will gradually improve its financial structure from FY2024 onward, as it repays its borrowings. From the medium term perspective, the handing of the aging of the main building of Ebina General Hospital came into view, but the timing and scale of the project will be determined based on the cash flow situation and other factors. There is considered little concern that the financial base will be severely damaged.

Tadashi Ono, Yosuke Sato

Rating

Issuer: Japan Medical Alliance

<Affirmation>

Long-term Issuer Rating: A- Outlook: Stable

Rating Assignment Date: August 21, 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” (February 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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