

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

Social Welfare Corporation Southern TOHOKU Social Welfare Foundation (security code: -)

<Affirmation>

Long-term Issuer Rating: BBB+

Outlook: Stable

Rationale

- (1) Social Welfare Corporation Southern TOHOKU Social Welfare Foundation (the “Foundation”) is a social welfare corporation under the Southern TOHOKU Group (the “Group”), which operates nine hospitals in Tohoku region and the Tokyo metropolitan area. The Foundation operates a wide range of businesses in the fields of elderly welfare, disabled person welfare and child welfare in Fukushima Prefecture and Tokyo. Since 2019, the Foundation has been jointly operating Tokyo Rehabilitation Center Setagaya (in Setagaya Ward, Tokyo) with Southern TOHOKU Research Institute for Neuroscience, the Group’s core entity, and the Foundation assumes support services business for people with disabilities (including children). Although entities in the Group have been closely cooperating, the rating is based on the Foundation’s stand-alone creditworthiness, given that the Foundation’s funds are independently managed under the social welfare corporation system and other factors.
- (2) Degree of cash flow stability has increased. Operating environment is still severe such as continuing higher prices and difficult situation in hiring personnel for the nursing care and welfare field. However, the Foundation has been maintaining a certain human resource base on the back of recruitment activities conducted in a broad area leveraging the group companies and also consistently acquiring needs of elderly and disabled people’s welfare in the areas where it operates. An improvement in the facility for supporting people with disabilities in Setagaya Ward, which was the Foundation’s issue to address, is showing progress. As for the financial side, it is in an improvement trend with consistent repayment of borrowings. The financial foundation is also being strengthened preparing for the investment for upgrading the facilities. Based on the above, JCR has affirmed the rating on the Foundation with Stable outlook.
- (3) The facility for supporting people with disabilities in Setagaya Ward, it has been increasing the number of short-term users through working for strengthening cooperation with Setagaya Ward and establishing a flexible acceptance system. In relation to the efforts, operating rates of long-term use and daily life support have also risen. For other services, residence-based services continue high operation rates, making a stable revenue contribution. As for the human resource perspective, the number of persons required is fulfilled by and large by enhancement of recruitment activities through STR Healthcare Group, a group company, and active use of foreign staff. That said, employee turnover rates, mainly in Tokyo metropolitan area, appear to be high and the Foundation’s effort for retaining employee will be an issue to address.
- (4) Financial standing is sound. As at the end of the fiscal year ended March 2025, the net assets ratio was approximately 60% with a net cash position. Going forward, financial requirements such as repair expense are expected to increase, but JCR sees the impact of these on the financial structure is limited. From a long-term perspective, in relation to the relocation of the Southern TOHOKU Research Institute for Neuroscience / Southern TOHOKU General Hospital, the Foundation will probably proceed discussions on the business using the vacant land after their relocation.

Yosuke Sato, Tadashi Ono

Rating

Issuer: Social Welfare Corporation Southern TOHOKU Social Welfare Foundation

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Rating Assignment Date: March 25, 2026

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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