

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

Kanagawa University (security code: -)

<Affirmation>

Long-term Issuer Rating: AA
Outlook: Stable

Rationale

- (1) Kanagawa University (the "Institution") is an incorporated educational institution, which was founded on the principles of "simple and sturdy," "forward-thinking" and "balanced and steady." The University, the core of the Institution, established the Faculty of Cross-Cultural and Japanese Studies in 2020, and will open in April 2021 the Minato Mirai Campus in Yokohama City to consolidate the global faculties. In addition, the University plans to establish the Faculty of Architecture (currently under planning) in 2022, and to move all faculties to the Campus in Yokohama City by 2023. At the moment, it is dynamically reorganizing its educational organization and campuses. The total number of students including its affiliated junior and senior high schools is approximately 20,000.
- (2) It has maintained a certain level of ability to attract students, and the Institution's revenue from school fees, which accounts for 80% of its revenue from educational activities, is highly stable. Although fixed costs are expected to increase with the opening of the Minato Mirai Campus, JCR believes that the Institution will be able to maintain a stable income and expenditure structure through the thorough management. In addition, it has a sound financial structure. Although the Institution's assets under management are on a downward trend as it works to develop and reorganize its campuses, its financial position is under control based on its Medium- to Long-Term Finance Plan, the progress of which is monitored annually, and financial discipline is maintained. Based on the above, JCR affirmed the rating on the Institution with Stable outlook.
- (3) Although the number of applicants for the University's entrance examination for the academic year 2021 has decreased compared to the previous year, this is mainly due to temporary factors such as the change in the schedule of the scholarship student examinations caused by the COVID-19 pandemic, and the University is considered to have maintained its substantial ability to attract students. In addition, the transition in 2020 to a system, in which the University's president Dr. Kaneko also serves as the Institution's chairman, has increased the speed of discussion and consensus building on measures within the school. Following the establishment of the Faculty of Architecture, further reorganization and restructuring of the educational organization is also in sight, and as the population of 18-year-olds continues to decline at an accelerating pace, JCR will assess whether the University can improve its competitiveness by developing an attractive educational organization that meets the needs of society and high school students.
- (4) There has been an increase in costs associated with the COVID-19 pandemic, such as the provision of tuition assistance to current students. On the other hand, other recurring expenses are generally under control, and the negative impact of the COVID-19 pandemic on income and expenditures seems to be limited. In recent years, the reserve ratio has been on a downward trend due to the continued expenditure of funds aimed at enhancing competitiveness, such as the development of campuses. However, in principle, the amount of expenditures is managed within the framework of the total budget, and financial risks are appropriately controlled by flexibly rearranging the schedule and maintenance details as necessary. It is assumed that the Institution can continue to maintain a stable financial base.

Shigenobu Tonomura, Yosuke Sato

Rating

Issuer: Kanagawa University

<Affirmation>

Long-term Issuer Rating: AA Outlook: Stable



Rating Assignment Date: February 26, 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 "Incorporated Educational Institutions" (April 23, 2015) 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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