

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

J. F. Oberlin University and Affiliated Schools (security code: -)

<Assignment>

Long-term Issuer Rating: A

Outlook: Stable

Rationale

- (1) J. F. Oberlin University and Affiliated Schools (“JFOU”) is an incorporated educational institution established in 1946 with a mission to foster global citizens through education on the principles of Christianity. JFOU comprises J.F. Oberlin University (the “University”), as the core of the organization, a kindergarten and a junior/senior high school. The total number of enrollments of the established schools is approximately 12,000. The University has following collages: Arts and Sciences, Health and Welfare and Global Communication on the main Machida campus; Business Management on the Shinjuku campus established in April 2019; Performing and Visual Arts on the Tokyo Hinatayama campus established in April 2020; Aviation Management, which was established in April 2020 on the Tama campus; and Education and Social Transformation, which is scheduled to be established on the Planet Fuchinobe campus in April 2023. Recent years, JFOU has been pushing ahead with the construction of campuses, and the relocation/establishment of colleges.
- (2) The rating favorably evaluates its certain student acquisition abilities based on an international educational system and advanced university reforms, and a stable earnings structure. Although the number of university applicants has decreased compared to the past, there is no change in the relative position and major problems in securing enrollments are unlikely to occur. For some time, as the expansion of the enrolment capacity will continue, income from school fee payments is expected to increase. Its revenue/expenditure is assumed to be improved through budget control enhancement. While interest-bearing debt remains at a high level due to a series of large investments, JFOU seems to be able to secure funds for redemption. JCR thus judged that its cash flow cycle will be kept over the medium term. Based on the above, JCR has assigned an A rating to JFOU with Stable outlook.
- (3) The number of university applicants in the industry as a whole has been falling, against the backdrop of the decline in the domestic 18-year-old population and students’ preference for taking entrance exams by year-end. As the University has been similarly affected, the number of applicants who temporarily increased to more than 20,000 fell to about 14,000 for the entrance exams of the academic year ending March 2024. Because of the fact that a certain level of application ratio is maintained as a whole, and that the general type and the school-recommendation type admissions, which account for the majority of the number of the admission quota, are steady, there seems to be no problem for securing of students for the time being. It should be noted, however, that some colleges failed in meeting the admission quota. Decentralizing campuses and expanding the enrolment capacity have made it easier to demonstrate the uniqueness of the collages, but JCR will be paying attention to whether it can maintain its past competitiveness over the long term.
- (4) Large investments in recent years have placed a burden on the financial base, and there is considerable room for financial improvement as an incorporated educational institution. The balance of interest-bearing debt is about 22 billion yen compared to about 13 billion yen of assets under management at the end of March 2022. Because loan repayment periods are prolonged and income is stable, there will be no problem with debt redemption in the medium term. However, the fund accumulation for the maintenance/renewal of fundamental properties is not sufficient, and new financing may be implemented if an investment plan starts. JFOU set forth a management policy with an awareness of financial soundness, but its effectiveness warrants attention. While the margin of revenue/expenditure is difficult to increase, downward pressure on the rating may increase if planned fund accumulation and prioritized facility plans do not progress as anticipated.

Shigenobu Tonomura, Masaki Abe



Rating

Issuer: J. F. Oberlin University and Affiliated Schools

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Long-term Issuer Rating: A Outlook: Stable

Rating Assignment Date: March 28, 2023

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” (August 1, 2022) 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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