

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

Kokushikan (security code: -)

<Affirmation>

Long-term Issuer Rating: AA-

Outlook: Stable

Rationale

- (1) Kokushikan is an incorporated educational institution with its origin in the Kokushikan private academy founded by Tokujiro Shibata in 1917. Having Kokushikan University (the “University”) at its core, Kokushikan has a total of approximately 14,000 students, including those of the affiliated junior and senior high schools. It sets the education philosophy to nourish sincerity, industriousness, insight and spiritual strength by ceaselessly pursuing the three principles of “reading, experience and reflection”. The University has Setagaya Campus with five faculties of Political Science and Economics, School of Science and Engineering, Law, Letters and Business; Tama Campus with the Faculty of Physical Education; and Machida Campus centering on the School of Asia 21. It ranks among the top private universities in terms of producing civil servants such as police officers and firefighters, and there are also many sports activities.
- (2) The University has ability to secure enrolled students in a stable manner as the trend in applicants has been steady. Tuition revenue will likely be steady due to an effect of the focused effort to curb dropouts in addition to the tuition revisions in recent years. Recurring expenditures are being properly managed, and personnel expenses are expected to decrease gradually over the medium term along with changes in the age structure. JCR believes that Kokushikan will be able to maintain a certain level of revenue/ expenditure balance before transfer to capital fund for the time being. In addition, the investments to be crystalized at this moment will unlikely impair the soundness of the financial base. Based on the above, JCR has affirmed the rating on Kokushikan with Stable outlook.
- (3) The total number of applicants for the academic year 2022 entrance examinations of the University was flat to approximately 16,000. Although the applicants had been exceed a level of 20,000 in recent years, the environment to invite applicants for general selection has become severe as a whole industry and the University is being affected by the consequence. Despite the fact, it maintains its substantive ability to acquire students as it has steadily secured new enrollments through recommendation and AO examination with the applicants’ high aspiration of enrolling in the University. It intends to enhance such methods further going forward. The corporation and the faculty sides have jointly taken a strategy to improve the education quality. As a consequence of extending detailed support to students under the protracted COVID-19 pandemic, the dropouts have substantially decreased. Kokushikan has been making efforts for various faculty reforms including promoting education for disaster prevention. JCR will continue paying attention to whether it can further increase its competitive strength through the outcome of these measures.
- (4) Recently, the revenue/expenditure balance before transfer to capital fund has been positive. The funds for maintenance and renewal of the endowment assets are steadily increasing but not sufficient. In the Setagaya Campus, existing facilities are aging and large-scale replacement investment will be required in the future. JCR sees that accelerating the pace of accumulation of designated reserved assets while ensuring funds for activation of education and research is an issue for Kokushikan to address. JCR’s perception remains unchanged that it is important to curb the number of dropouts and allocate expenditures more efficiently.

Shigenobu Tonomura, Masaki Abe

Rating

Issuer: Kokushikan

<Affirmation>

Long-term Issuer Rating: AA- Outlook: Stable

Rating Assignment Date: April 19, 2022

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/>).

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)
