

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

Toyo University Incorporated Educational Institution (security code: -)

<Affirmation>

Long-term Issuer Rating: AA
Outlook: Stable

Rationale

- (1) Toyo University Incorporated Educational Institution (the "Institution") operates one university, three senior high schools, three junior high schools and one kindergarten. The core Toyo University (the "University") has 13 faculties with 46 departments on its five campuses located in Bunkyo and Kita Wards of Tokyo Prefecture, Asaka and Kawagoe Cities in Saitama Prefecture and Itakura Town in Gunma Prefecture with a total student number of more than 30,000. The University continues to work on reorganization of faculties and departments. It established new faculties including the Faculty of Information Networking for Innovation and Design in 2017, while scheduling to relocate the Faculty of Human Life Design from Asaka Campus to Akabanedai Campus in April 2021. It plans to reorganize the Faculty of Human Life Design into two faculties in 2023, and transfer two faculties, etc. operating at Itakura Campus to Asaka Campus in 2024.
- (2) Against the backdrop of reorganization of its campuses, faculties and departments as well as prompt response to globalization, among others, the degree of difficulty in its entrance exams has been increasing and its ability to attract students is strong. Income from educational activities mainly consists of tuition fees is very stable and its expenses are appropriately managed, suggesting that a favorable revenue/expenditure structure is maintained. Although the financial burden will increase as a result of redevelopment of Asaka Campus from 2021 onward, its solid financial base would be maintained given the current cash flow generation ability as well as the scheduled time of operating expense payments. Based on the above, JCR has affirmed the rating on the Institution with Stable outlook.
- (3) The University maintains one of the largest number of substantial applicants in Japan, despite expanding five/four subject admission exams and English-focused admission exams with an eye to acquiring students with high-level academic ability. A rise in the relative academic level of enrolled students has been also confirmed. Transfer of functions from Itakura Campus to easy-to-access Asaka Campus and others is expected to further promote acquisition of applicants and collaboration with in and out of the university in terms of research, which can be considered to be measures contributing to enhancement of the operation base of the University over a long run. JCR will observe these moves in tandem with initiatives to raise the quality of education and research under the new principal, and judge whether they can push up the creditworthiness.
- (4) Expenditures related to the COVID-19 pandemic, such as provision of special subsidies to existing students, are increasing. Meanwhile, since other expenditures are overall constrained, the pandemic's negative impact on revenue/expenditure seems to be currently limited. Financial risk is at a low level. Going forward, however, as cash outflow is expected due to expansion of Akabanedai Campus and redevelopment of Asaka Campus, a decrease in assets under management and worsening of the reserves ratio are assumed. In addition, accumulating funds for preservation/renewal of fundamental properties is its medium to long term issue.

Shigenobu Tonomura, Yosuke Sato

Rating

Issuer: Toyo University Incorporated Educational Institution

<Affirmation>

Long-term Issuer Rating: AA Outlook: Stable

Rating Assignment Date: January 7, 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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