

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) Although the number of applicants of the University has decreased from the past, the University will unlikely face a problem in securing enrolled students in a stable manner as there is a certain number of applicants with high aspiration of enrolling in the University. The tuition revenue will likely be steady as the number of dropouts is also low. Recurring expenditures are being properly managed, and personnel expenses are expected to decrease gradually into the future along with changes in the age structure of faculty members. JCR believes that Kokushikan will be able to maintain a certain amount of revenue/expenditure balance before transfer to capital fund for the time being. In addition, investments envisaged at this moment will unlikely impair soundness of the financial base. Based on the above, JCR affirmed the rating on Kokushikan with Stable outlook.
- (3) Environment to invite applicants for general selection has become severe for the entire industry on the back of decreased population of 18-year-olds and applicants’ preference in receiving acceptance notifications before the year-end, the University is also affected by the consequence. The number of applicants, once increased to 20,000, was approximately 13,000 for the academic year 2023 entrance examinations. Despite the fact, the University steadily invites applicants for the general type and the school-recommendation type admissions, which are the selection methods for applicants with high aspiration to enroll in the University. Students come from such examinations account for more than half of the enrollment capacity, suggesting the University’s substantive ability to acquire students. Presently, the corporation and the faculty sides are jointly making efforts for increasing quality of education, and introduced education for developing leaders for disaster-prevention and AI/data science as sub-majors in the academic year 2022. They are also having discussions for general education reforms. JCR will pay attention to whether the University will be able to maintain competitiveness through such education and learning reforms.
- (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; however, existing facilities in the Setagaya Campus are aging and a large-scale replacement investment will be required in the near 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 still holds the view that it is important to hold down the number of dropouts and allocate expenditure efficiently because continuing price increases without growing tuition revenue can also be expected.

Shigenobu Tonomura, Masaki Abe

Rating

Issuer: Kokushikan

<Affirmation>

Long-term Issuer Rating: AA- Outlook: Stable



Rating Assignment Date: April 21, 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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