

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 in 1928 in accordance with the following founding principles: "simple and sturdy," "forward-thinking" and "balanced and steady". The total number of students including its affiliated junior and senior high (integrated) schools is approximately 20,000. Kanagawa University (the "University"), the core of the Institution, has 11 faculties in 2 campuses in Yokohama City. In recent years, the University has been actively promoting restructuring of educational organizations and campuses. In 2021, it opened Minato Mirai Campus in Yokohama City. In 2022, it newly established the Faculty of Architecture in Yokohama Campus. In 2023, all the faculties related to science and engineering were concentrated in Yokohama Campus. Furthermore, the Faculty of Chemistry and Biochemistry and the Faculty of Informatics were established at the same time through reorganizing the Faculty of Science and Faculty of Engineering.
- (2) The Institution has been maintaining certain capacity to acquire students for the university and junior and senior high school, suggesting it will be able to secure tuition revenue, which accounts for majority of revenue from educational activities, in a stable manner. Recently, the revenue/expenditure balance before transfer to capital fund has been negative due partly to an increase in expenses in relation to reorganizing campuses and other factors. However, there are no concerns over the substantive revenue/expenditure structure. Financial foundation is stable. Although assets under the management has decreased due to construction of Minato Mirai Campus and other factors, a series of expenses for the business activities are controlled based on the medium- to long-term financial plan. This indicates that the financial discipline is being maintained. Based on the above, JCR has affirmed the rating with Stable outlook.
- (3) While the 18-year old population is shrinking in Japan, trend in the entrance exams applicants for the University has been steady. The Institution has become more easily to appeal its education content and characteristics to high school students establishing new faculties and departments through reorganizing the Faculties of Science and Engineering in addition to concentration of the educational organization in the accessible campus in Yokohama City. In line with the concept of giving the first priority to extension of support to students for their growth, it intends to work on enrichment of education content and various initiatives addressing students' growth in the next medium-term plan (covering the academic year 2024 through 2028) eyeing on the 100th anniversary of the foundation. JCR will pay attention to whether the Institution can enhance its competitiveness in the higher education industry through these measures.
- (4) Tuition revenue is on the growth trend due to expansion of enrollment limit and others. Having that said, a burden of expenses, including fixed expenses stemming from restructuring of campuses, rising prices, etc. is getting heavier. In order to allow some margin in revenue and expenditure to accumulate funds for maintenance/upgrading of the existing facilities, additional initiative for increasing revenue, including strengthening fundraising activities through receiving donations, will be important. The Institution indicates its intention to dispose Shonan Hiratsuka Campus as all the faculties once located there have already moved out. There may be a gain or loss in proceeds of the asset disposal; however, JCR believes the impact on the financial foundation will be limited.

Shigenobu Tonomura, Yosuke Sato

Rating

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Rating Assignment Date: March 1, 2024

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" (February 1, 2024) 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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