

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. In recent years, the University, which are at the core of the Institution, has been actively promoting restructuring of educational organizations and campuses. In 2021, it established its Minato Mirai Campus in Yokohama City, and in 2022, it newly established the Faculty of Architecture in Yokohama Campus. At the same time of the relocation of the Faculty of Science to Yokohama Campus from Shonan Hiratsuka Campus in April 2023, the Department of Chemistry and Life and the Department of Information Technology will become independent from the Faculty of Science and Faculty of Engineering respectively. Through these, the University will have in total of 11 faculties in 2 campuses in Yokohama City.
- (2) While the 18-year old population is shrinking in Japan, competition to acquire students is becoming intense. Having said that, the University is pushing forward realignment and restructuring the organization responding to changes in the environment and others; therefore, it maintains a certain capacity to acquire students. It also carries out budget control properly and will likely continue to maintain sound income structure. The financial base is stable. Although fund rate is on decline owing to active development/reorganization of the campuses, the total amount of expenditures is strictly controlled under the medium- to long-term financial plan and the financial discipline is still firmly maintained. Based on the above, JCR has affirmed the rating on the Institution with Stable outlook.
- (3) Trend in the applicants for university entrance exams, including those for two new faculties to be established in the academic year ending March 2024, is steady in general. The University is putting efforts for public relations activities including increasing awareness toward exams for scholarships to acquire students who are giving priority to the University. JCR believes concentration of the educational organization to the accessible campus in Yokohama City and progress in restructuring the science and engineering faculties, are also effective to increase stability of the capacity of acquiring students. The key factors will be the speed of consensus formation and decision makings, and also progress in the university reforms considering changes in the business environment under new president of the Institution and new president of the University, assuming their posts from 2022.
- (4) In recent years, the Institution posted a loss in the revenue/expenditure balance before transfer to the capital funds for current academic year. This is mainly because of a temporary increase in expenses in association with restructuring of campus and educational organization. There are no concerns over the substantive income structure. Income will likely improve from a medium-term perspective due to an increase in revenue along with increasing enrollment capacity and a reduction in expenses relating to the restructuring. Although assets under the management is on decline, development of campuses has come to the end, and the Institution will enter a phase where accumulation of funds for maintenance and upgrading facilities becomes important. Recently, the Institution expressed its intention to dispose Shonan Hiratsuka Campus, and the impact on the financial base will be limited, in JCR's view.

Shigenobu Tonomura, Yosuke Sato

Rating

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Rating Assignment Date: February 24, 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.

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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