

« Objectives of this material »

- 1) To provide information on our financial report to people within and without the university in an easy-to-understand manner in order to fulfill our obligation of accountability.
 - 2) To make use of the data to maintain financial soundness and efficiency toward the betterment of the university operation in the future
- *This summary only contains the major items from the report.

I Financial Information

1 Multi-year Trends of Ordinary Income (Profit and Loss Statement)

【Ordinary Expenses】

Unit:million JPY

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Educational Expenses	319	301	352	352	354	377
Research Expenses	632	655	561	596	497	457
Education and Research Assistance Expenses	844	1,002	896	865	799	797
External Funding	74	56	64	79	84	116
Personnel Expenses	2,326	2,284	2,365	2,375	2,399	2,440
General Management Expenses	454	413	591	838	454	558
Others	20	14	14	12	22	17
Total	4,670	4,726	4,845	5,117	4,609	4,762

Compared with FY2014: Ordinary expenses increased by 91 million JPY. Research expenses fell by 175 million JPY, personnel expenses increased by 114 million JPY and general management expenses increased by 104million JPY.

【Ordinary Income】

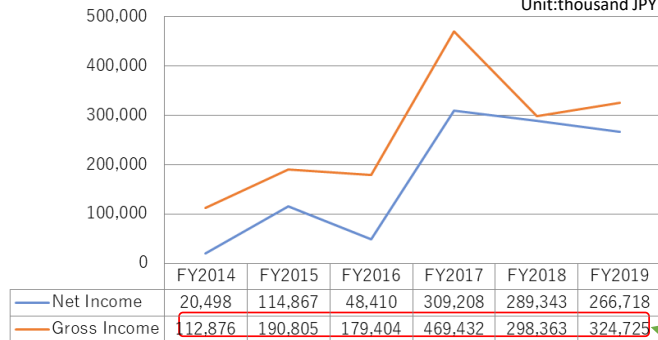
Unit:million JPY

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Operational Subsidies	3,182	3,077	3,153	3,435	3,255	3,321
Various payments by students	932	933	939	953	962	963
External Funding	98	85	92	115	126	161
Reversal of asset offsetting liabilities	102	182	197	200	203	199
Grants, etc.	292	487	420	434	271	292
Others	85	76	91	85	90	99
Total	4,691	4,841	4,892	5,222	4,907	5,035

Compared with FY2014: Ordinary income increased by approximately 345 million JPY. Operational Subsidies showed an increase of 138 million JPY. External Funding increased by 63 million JPY.

【Profits】

Unit:thousand JPY



The profit in FY2019 was a record high except for FY2017, the final year of the second medium-term goal period, when the remaining amount of the operational subsidies was recorded as nonrecurring profit.

2 Multi-year Trends of the Reserved Amount and Balance of the Reserve Funds for Specific Purposes

Unit:million JPY

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Reserve Funds for Specific Purposes	112	191	179	469	298	325
Reversal of Reserve Funds for Specific Purposes	100	293	131	160	206	154
Balance of Reserve Funds for Specific Purposes	1,174	1,072	1,120	1,429	1,521	1,692

The balance at the end of FY2019 was 1.692 billion JPY.

3 Multi-year Trends of Deterioration Rate of Buildings, Etc. (Buildings and Ancillary Facilities)

【Buildings】

Unit:million JPY

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Acquisition Cost	9,282	9,701	9,701	9,701	9,702	9,707
Depreciation Expense	2,386	2,677	2,972	3,266	3,561	3,855
Deterioration Rate	25.7%	27.6%	30.6%	33.7%	36.7%	39.7%

【Ancillary Facilities】

Unit:million JPY

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Acquisition Cost	4,688	5,214	5,214	5,214	5,881	5,971
Depreciation Expense	4,269	4,356	4,457	4,555	4,693	4,851
Deterioration Rate	91.1%	83.5%	85.5%	87.4%	79.8%	81.2%

A large improvement in deterioration rate has been generated by updating the current value of fixed assets through a revision of the accounting processes for renewal and renovation work on fixed assets.

4 Multi-year Trends of Operational Subsidies

Unit:thousand JPY

	FY2006	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Subsidy A1 (General management)	1,309,589	1,043,295	1,045,213	1,030,342	1,000,381	970,852	971,449
Subsidy A2 (Personnel and special factor)	1,988,113	2,168,859	2,040,916	2,124,297	2,099,378	2,336,885	2,295,068
Subsidy C (Facility and equipment maintenance)	49,582	82,171	114,341	136,888	144,903	149,689	156,280
Total	3,347,284	3,294,325	3,200,470	3,291,527	3,244,662	3,457,426	3,422,797

Comparison with FY2006: Subsidy A1 showed a drop of approximately 338 million JPY since a certain degree of reduction is required every fiscal year. Comparison with FY2006: Subsidy A2 showed an increase of approximately 307 million JPY due to a rise in the number of faculty and administrative staff and salary revision. Subsidy C (Facilities) shows an upward trend due to deterioration of facilities.

II Financial Analysis

Multi-year Trends of key financial indicators

Financial Indicators (*1)	Formula	UoA						FUH	TPU	IPU	AIU	FU
		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2018	FY2018	FY2018	FY2018	FY2018
Financial Soundness: Whether the corporation's financial structure has been strong enough to conduct stable and continuous educational and research activities												
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liability}}$	134.07%	155.14%	124.95%	264.97%	162.99%	212.81%	114.91%	118.38%	391.88%	152.63%	109.80%
Capital Adequacy Ratio	$\frac{\text{Net Assets}}{\text{Liabilities+Net Assets}}$	78.72%	75.68%	76.96%	78.56%	75.65%	77.00%	83.63%	68.18%	88.78%	78.23%	79.50%
Operational Subsidy Ratio	$\frac{\text{Income from Operational Subsidies}}{\text{Ordinary Income}}$	67.84%	63.56%	64.44%	65.78%	66.34%	65.95%	59.79%	46.30%	63.63%	47.30%	47.02%
Financial Efficiency: Whether the corporation has efficiently managed resources to conduct educational and research activities												
Personnel Expenses Ratio (*2)	$\frac{\text{Personnel Expenses}}{\text{Operational Expenses}}$	55.43%	53.14%	55.80%	55.67%	58.04%	58.28%	50.73%	49.67%	62.64%	73.27%	64.63%
General Management Expenses Ratio (*2)	$\frac{\text{General Management Expenses}}{\text{Operational Expenses}}$	10.83%	9.61%	13.95%	19.65%	10.99%	13.32%	18.17%	4.59%	7.82%	30.60%	4.77%
Potential for Financial Growth: Whether the corporation has increased income and strengthened the financial structure												
Growth Rate of Ordinary Income	$\frac{\text{FY2019 Ordinary Income} - \text{FY2018 Ordinary Income}}{\text{FY2018 Ordinary Income}}$	-2.23%	3.20%	1.05%	6.74%	-6.03%	2.61%	-4.94%	21.21%	-3.26%	0.72%	0.23%
External Funding Ratio	$\frac{\text{External Funding} (*3)}{\text{Ordinary Income}}$	2.09%	1.76%	1.89%	2.20%	2.56%	3.20%	6.49%	3.65%	2.23%	0.99%	8.86%
Activities: Whether the corporation secures and maximizes sufficient resources to conduct educational and research activities												
Educational Expenses Percentage (*2)	$\frac{\text{Educational Expenses}}{\text{Operational Expenses}}$	7.61%	7.00%	8.29%	8.26%	8.57%	8.99%	11.96%	18.79%	23.86%	18.92%	15.71%
Research Expenses Percentage (*2)	$\frac{\text{Research Expenses}}{\text{Operational Expenses}}$	15.06%	15.24%	13.24%	13.97%	12.03%	10.92%	10.49%	22.93%	9.10%	3.25%	11.21%
Education and Research Assistance Expenses Percentage (*2)	$\frac{\text{Education and Research Assistance Expense}}{\text{Operational Expenses}}$	20.11%	23.31%	21.15%	20.27%	19.33%	19.03%	21.09%	4.47%	2.55%	3.63%	1.71%
Profitability: Whether the corporation has secure profit by making management efforts												
Ordinary Profits Percentage	$\frac{\text{Ordinary Profit}}{\text{Ordinary Income}}$	0.44%	2.39%	0.97%	2.02%	6.07%	5.44%	-0.61%	4.58%	3.73%	2.95%	1.97%

(* 1) Though high values of indicators generally show good situation, the lower is the better in the values of

“Personnel Expenses Ratio” and “General Management Expenses Ratio.”

(* 2) There is a reciprocal relationship between the indices.

(* 3) Income from Commissioned Research, Collaborative Research, Commissioned Projects, Donations, Etc.

[Reasons for selecting universities for the comparison]

Future University Hakodate (FUH), Toyama Prefectural University (TPU), Akita International University (AIU), Iwate Prefectural University (IPU) and Fukushima University (FU)

FUH and TPU: Science universities in the same scale as the UoA.

AIU: A public university selected for the SGU program in the Tohoku area.

IPU: A public university with a junior college division in the Tohoku area.

FU: The only national university in Fukushima prefecture.

Profitability

The ordinary profit margin was 5.44% in FY2019. In accordance with a revision of the accounting procedures for updates, repairs etc. of fixed assets, ordinary profit has been calculated accurately. By doing so, ordinary profit margin has significantly been increasing since FY2018.

The level is even higher than other universities. This is the result of managerial efforts. However, **the UoA is requested to strive to reduce costs through efficient operation, increase of self-revenues, etc.**

Financial Soundness

The corporation's current ratio has been far exceeded 100% in the past few years and sufficient short-term solvency has been secured.

The percentage of the operational subsidy ratio has been remained in the 60s, which is a higher level than other universities.

It can be said that the corporation's level of financial soundness is high.

On the other hand, many of our financial sources are depending on the prefectural government, which means that our finances are greatly influenced by the prefecture's finances. Despite the fact that the financial structure of a public university corporation has to rely on the prefecture, in order to further strengthen our financial soundness, **it will be important for the corporation to secure stable and diverse financial resources sufficient to absorb changes in the prefectural fiscal policy.**

Financial Efficiency

Despite the fact that there were some factors to increase the personnel expenses ratio including the establishment of the JCD Young Children Education Department, the percentage of the personnel expense ratio has remained in the mid-50s, which is the same level of other universities.

The general management expenses ratio fluctuates depending on whether the constructions in the fiscal year are booked as capital or revenue expenditures. In FY2019, the ratio was 13.32%, which is higher compared with other universities.

Therefore, **efficiency of general management expenses remains low.** As the general management expenses are purely used for management of the university, securing sufficient financial resource to conduct education and research will require **the corporation to continue compressing the total amount of management expenses by making efforts to reduce various expenses and to maintain facilities more systematically as well.**

Potential for Financial Growth

The ordinary income increase ratio has shown ups and down due to the hike of consumption tax and implementation of large scale projects. A number of constructions were booked as revenue expenditures in FY2019. As a result, the ordinary income growth rate has been increasing. Compared with FY2014, a rise of 7.3% was observed in ordinary income due to increases in personnel cost and facility renovation cost and external funds. Therefore, it can be said that **the UoA's profitability has been increasing impressively and its financial constitution is growing stronger.**

While the external funding ratio has steadily risen every year, it still remains level below that of other universities. **Proactive acquisition of external funding continues to be desired.**

Activities

Comparison with FY2014: Educational expenses percentage increased by approximately 1.4%.

Research expense percentage dropped by approximately 4.1%. The primary factor in this decrease was a completion of a large-scale project, the industry-academia innovation promotion program.

The education and research assistance expense percentage dropped by approximately 1.1% mainly due to a decrease of the computer system lease fee as a result of our efforts on effective operation. **This percentage seems higher than other universities. This is because our university allocates expenses for computer systems, one of the features of our university, as educational and research assistance expenses.**