

<< 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

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Educational Expenses	314	319	301	352	352	354
Research Expenses	790	632	655	561	596	497
Education and Research Assistance Expenses	855	844	1,002	896	865	799
External Funding	84	74	56	64	79	84
Personnel Expenses	2,234	2,326	2,284	2,365	2,375	2,399
General Management Expenses	462	454	413	591	838	454
Others	26	20	14	14	12	22
<b>Total</b>	<b>4,766</b>	<b>4,670</b>	<b>4,726</b>	<b>4,845</b>	<b>5,117</b>	<b>4,609</b>

Compared with FY2013: Ordinary expenses dropped by 157 million JPY. Research expenses fell by 293 million JPY and personnel expenses increased by 164 million JPY.

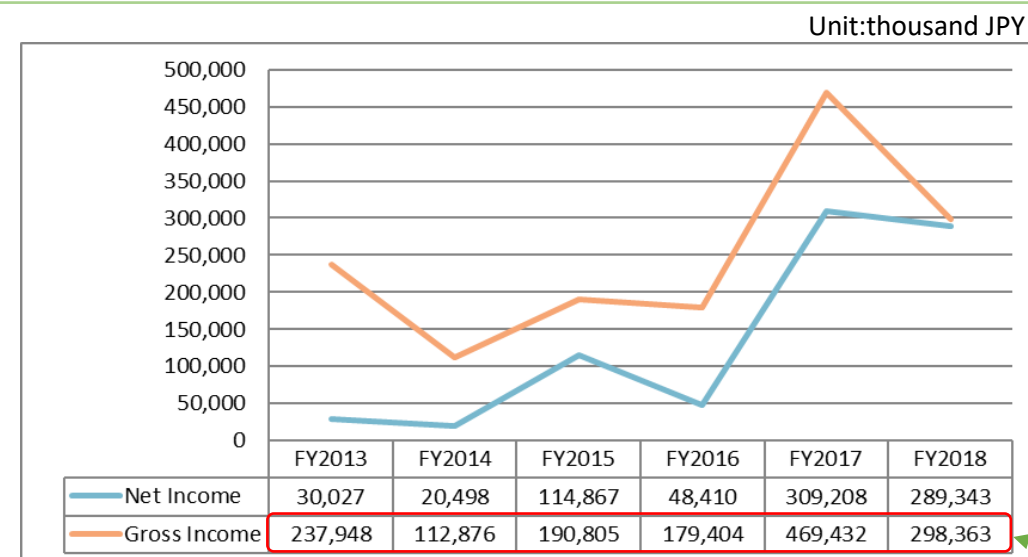
【Ordinary Income】

Unit: million JPY

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Operational Subsidies	3,119	3,182	3,077	3,153	3,435	3,255
Various payments by students	944	932	933	939	953	962
External Funding	108	98	85	92	115	126
Reversal of asset offsetting liabilities	93	102	182	197	200	203
Grants, etc.	444	292	487	420	434	271
Others	91	85	76	91	85	90
<b>Total</b>	<b>4,798</b>	<b>4,691</b>	<b>4,841</b>	<b>4,892</b>	<b>5,222</b>	<b>4,907</b>

Compared with FY2013: Ordinary income increased by approximately 109 million JPY. Operational Subsidies showed an increase of 137 million JPY. Grants, etc. dropped by 173 million JPY.

【Profits】



In FY2017: the last FY of the 2nd Medium-term goal period, the total outstanding balance of operational subsidies was settled as revenues. For the rest of the years, the total gross profit has been hovering between 100 and 300 million JPY.

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

Unit: million JPY

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Reserve Funds for Specific Purposes	238	112	191	179	469	298
Reversal of Reserve Funds for Specific Purposes	258	100	293	131	160	206
Balance of Reserve Funds for Specific Purposes	1,162	1,174	1,072	1,120	1,429	1,521

The balance at the end of FY2018 was 1,521 billion JPY.

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

Unit: million JPY

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Acquisition Cost	8,934	9,282	9,701	9,701	9,701	9,702
Depreciation Expense	2,103	2,386	2,677	2,972	3,266	3,561
Deterioration Rate	23.5%	25.7%	27.6%	30.6%	33.7%	36.7%

A large improvement in deterioration rate (FY2018: 79.8%) 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.

Unit: million JPY

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Acquisition Cost	4,676	4,688	5,214	5,214	5,214	5,881
Depreciation Expense	4,212	4,269	4,356	4,457	4,555	4,693
Deterioration Rate	90.1%	91.1%	83.5%	85.5%	87.4%	79.8%

### 4 Multi-year Trends of Operational Subsidies

Unit: thousand JPY

	FY2006	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Subsidy A1 (General expenses for management)	1,309,589	979,283	1,043,295	1,045,213	1,030,342	1,000,381	970,852
Subsidy A2 (Personnel expenses and special factor expenses)	1,988,113	2,016,654	2,168,859	2,040,916	2,124,297	2,099,378	2,336,885
Subsidy C (Facility and equipment maintenance expenses)	49,582	74,565	82,171	114,341	136,888	144,903	149,689
<b>Total</b>	<b>3,347,284</b>	<b>3,070,502</b>	<b>3,294,325</b>	<b>3,200,470</b>	<b>3,291,527</b>	<b>3,244,662</b>	<b>3,457,426</b>

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 348 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
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2017	FY2017	FY2017	FY2017	FY2017
Financial Soundness: Whether the corporation's financial structure has been strong enough to conduct stable and continuous educational and research activities												
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liability}}$	150.88%	134.07%	155.14%	124.95%	264.97%	<b>162.99%</b>	134.25%	111.22%	387.05%	157.08%	108.30%
Capital Adequacy Ratio	$\frac{\text{Net Assets}}{\text{Liabilities+Net Assets}}$	77.90%	78.72%	75.68%	76.96%	78.56%	<b>75.65%</b>	82.98%	73.66%	90.44%	79.09%	80.50%
Operational Subsidy Ratio	$\frac{\text{Income from Operational Subsidies}}{\text{Ordinary Income}}$	65.00%	67.84%	63.56%	64.44%	65.78%	<b>66.34%</b>	61.78%	51.39%	63.14%	47.15%	46.61%
Financial Efficiency: Whether the corporation has efficiently managed resources to conduct educational and research activities												
Personnel Expenses Ratio(*2)	$\frac{\text{Personnel Expenses}}{\text{Operational Expenses}}$	52.23%	55.43%	53.14%	55.80%	55.67%	<b>58.04%</b>	51.24%	53.83%	62.15%	73.76%	65.25%
General Management Expenses Ratio(*2)	$\frac{\text{General Management Expenses}}{\text{Operational Expenses}}$	10.79%	10.83%	9.61%	13.95%	19.65%	<b>10.99%</b>	17.70%	4.95%	9.99%	27.50%	4.77%
Potential for Financial Growth: Whether the corporation has increased income and strengthened the financial structure												
Growth Rate of Ordinary Income	$\frac{\text{(FY2018 Ordinary Income - FY2017 Ordinary Income)}}{\text{FY2017 Ordinary Income}}$	8.99%	-2.23%	3.20%	1.05%	6.74%	<b>-6.03%</b>	4.63%	10.05%	3.79%	-3.88%	-0.17%
External Funding Ratio	$\frac{\text{External Funding(*3)}}{\text{Ordinary Income}}$	2.25%	2.09%	1.76%	1.89%	2.20%	<b>2.56%</b>	5.91%	7.07%	1.59%	0.60%	8.45%
Activities: Whether the corporation secures and maximizes sufficient resources to conduct educational and research activities												
Educational Expenses Percentage(*2)	$\frac{\text{Educational Expenses}}{\text{Operational Expenses}}$	7.34%	7.61%	7.00%	8.29%	8.26%	<b>8.57%</b>	11.84%	11.10%	23.44%	19.30%	14.28%
Research Expenses Percentage(*2)	$\frac{\text{Research Expenses}}{\text{Operational Expenses}}$	18.47%	15.06%	15.24%	13.24%	13.97%	<b>12.03%</b>	10.53%	22.90%	10.32%	2.69%	12.36%
Education and Research Assistance Expenses Percentage(*2)	$\frac{\text{Education and Research Assistance Expense}}{\text{Operational Expenses}}$	20.00%	20.11%	23.31%	21.15%	20.27%	<b>19.33%</b>	21.11%	5.72%	2.84%	3.84%	1.89%
Profitability: Whether the corporation has secure profit by making management efforts												
Ordinary Profits Percentage	$\frac{\text{Ordinary Profit}}{\text{Ordinary Income}}$	0.66%	0.44%	2.39%	0.97%	2.02%	<b>6.07%</b>	4.69%	3.17%	0.67%	3.67%	2.17%

- (\*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 ratio increased greatly by 6.07% in FY2018 due to a revision of the accounting processes for renewal and renovation work on fixed assets.**

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 expense ratio greatly decreased to 10.99% in FY2018 thanks to a revision of the accounting processes for renewal and renovation work on fixed assets. However, the management expense ratio of the UoA still remains at an even higher level than 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 local consumption tax and implementation of large scale projects. The growth rate of ordinary income greatly decreased in FY2018 due to the revision of accounting processes and a reduction of subsidy. Compared with FY2013, a rise of 2.3% was observed in ordinary income due to large-scale projects and an increase of facility renovation cost. 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 been rising compared to FY2017, it still remains level below that of other universities. **Proactive acquisition of external funding continues to be desired.**

#### Activities

Educational expenses Percentage has a little increased compared with FY2013.

Comparison with FY2013: Education and research expense percentage dropped by approximately 6.4%. The primary factor in this decrease was a decrease of national, prefectural, and some other subsidies.

**The education and research assistance expense percentage** dropped by approximately 0.7% mainly due to a decrease of the computer system lease fee as a result of our efforts on effective operation. **This ratio 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.**