

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Kyushu University (security code: -)

<Affirmation>

Long-term Issuer Rating: AAA
Outlook: Stable

Rationale

- (1) Established in 1911, Kyushu University ("Kyushu U") is one of Japan's core universities. It is at the nation's highest level in terms of ability to attract graduate and undergraduate students and faculty's ability to acquire large external research funds. Kyushu U aims at establishing a world-class research and education center by taking advantage of its historical relations and geographical proximity with Asian nations as a fundamental goal. The total number of students and that of faculty & staff members are approximately 19,000 and 8,000, respectively.
- (2) National university corporations will enter the Third Mid-term Plan beginning in academic year (AY) 2016. National universities will be more required to reform, improve and expand its roles in education/research and contribution to community, making the most of their strengths and characteristics. While it is less likely that total amount of the Japanese government management expenses grants will be significantly cut, the government adopts a structure that can create gaps among national universities because it will distribute the grants in line with achievements in their initiatives. JCR considers, however, that negative impact on Kyushu U will be limited in light of the following: (i) political importance of Kyushu U, which directly assumes the nation's higher education policy, (ii) continuity of the corporation system and (iii) its own cash flow generating capacity. Taking the above into consideration, JCR affirmed rating for Kyushu U with Stable outlook.
- (3) Kyushu U formulated action plan for the Third Mid-term Plan and set forth its goals such as world-class academic research, fostering of global human resources including opening of new faculty, and contributions through provisions of state-of-the-art healthcare to the regional and international communities. JCR will pay attention to whether it can realize these goals by exercising its well-established organizational/ system reform capacity. Facilities mergers and relocation to the Ito Campus, which is scheduled to be completed in AY2018, has been going well, but it is necessary to note a development on sale of the site of the former core campus of Hakozaki Campus.
- (4) While there have been no significant changes to framework of national university corporation system, several issues facing the Japanese government including maintenance/improvement of international competitiveness and reduction of financial burden may have larger effects on policy of the management expenses grants for national universities and a fund balance of Kyushu University Hospital via the medical service fee revision. JCR believes, however, that political importance of Kyushu U as a core school of nation's higher education will also proportionately increase, and therefore it can manage the activities in a relatively stable manner.

Norio Yoshida, Shigenobu Tonomura

Rating

Issuer: Kyushu University

<Affirmation>

Long-term Issuer Rating: AAA Outlook: Stable

Rating Assignment Date: March 23, 2016

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Rating Policies on JCR's website (<http://www.jcr.co.jp/english/>).

Outline of methodology for determination of the credit rating is shown as "FILP Agencies, etc." (March 13, 2014) and "Incorporated Educational Institutions" (April 23, 2015) in Rating Policies on JCR's website (<http://www.jcr.co.jp/english/>).



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