

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

Kyushu University (security code: -)

<Affirmation>

Long-term Issuer Rating: AAA
Outlook: Negative

Rationale

- (1) Kyushu University (the “University”), one of Japan’s leading universities, has a strong ability to recruit students both domestically and internationally, and its faculty’s research skills rank among the top in Japan. On its 100th anniversary celebrated in 2011, the University developed a basic philosophy, which is to “continue autonomous reform as well as to ensure an international quality of education, and to become a center of research and education of the highest standards, full of vitality, and constantly addressing future challenges.” With 11 undergraduate schools and 18 graduate schools, it has approximately 19,000 students and 8,000 faculty and staff members in total. It has been moving ahead with the Ito Campus integration and relocation project (the “Project”) since FY2005 ended March 2016, which is scheduled to complete in FY2018.
- (2) Importance of national university corporations’ role to assume direct responsibility for the national government’s higher education policy and the framework of the corporate system remain unchanged. At the same time, however, the government has been cutting its management expenses grants since the incorporation of national universities in FY2004 and is not likely to increase the grants unless it drastically revises the higher education policy. Under such circumstances, the corporations alike have been consistently striving to expand their own financial sources, but positive results tend to be achieved mostly by those having rich academic resources and proactive management capability, including the University. Given, among others, that this trend is projected to continue and the University’s interest-bearing debt, which is now at the peak level, will likely decrease once relocation to the Ito Campus completes, JCR affirmed the rating on the University. Because JCR rates a national university corporation in a comprehensive manner by factoring in the effects of credit enhancements by the government, etc. in addition to the stand-alone conditions as a corporation, the University’s rating outlook reflects Negative outlook for long-term issuer rating of Japan.
- (3) The University will open in April this year the School of Interdisciplinary Science and Innovation in an effort to cultivate individuals capable of playing active roles in the international community. Also, as part of the initiatives taken in line with the Action Plan 2015–2020, it is contributing to the local and international communities through advanced medical care while conducting research at the highest global standard and encouraging innovation. JCR will closely watch whether the University can achieve positive results and increase its cash flow generation capacity at a time when Japanese universities’ ability to compete in the global society is questioned.
- (4) Due to some upfront expenses in relation to the Project, the interest-bearing debt has increased substantially. While the proceeds from the sale of the Hakozaki Campus will be used to repay the debt, discussions are now under way, based on a plan formulated together with the city of Fukuoka, as to how the campus site will be utilized. As regards the liabilities commensurate with the hospital’s redevelopment plan, the University has been able to steadily respond to the revision of medical fees and drug prices and to ensure a stable balance by working to boost revenues and thoroughly cutting down on expenditures, thus presenting no concerns about repayment.

Norio Yoshida, Shigenobu Tonomura

Rating

Issuer: Kyushu University

<Affirmation>

Long-term Issuer Rating: AAA Outlook: Negative



Rating Assignment Date: March 26, 2018

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 Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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 Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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