

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) Kyushu University (the “University”) is one of Japan’s leading universities. It has a strong ability to recruit students both domestically and internationally, and its faculty’s research skills rank among the top in Japan. Celebrating its 100th anniversary 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 12 undergraduate schools and 18 graduate schools, it has approximately 18,600 students and 7,900 faculty and staff members in total. In FY2018, it opened the School of Interdisciplinary Science and Innovation in an effort to cultivate individuals capable of playing active roles in the international community and also completed relocation to the Ito Campus.
- (2) Trend of reduction of management expenses grants which had continued since incorporation of national universities in FY2004 has already receded. However, as it is unlikely that financial resources for the government’s higher education policy will increase, environment surrounding national university corporations remains severe. The University is no exception to this, but it keeps stability of management through obtaining outside research funds and its own revenues from the affiliated hospital and others on the strength of its rich academic resources and proactive management capability. With finish of its large-scale investments along with completion of relocation to the Ito Campus, its interest-bearing debt will be reduced going forward. Taking the above into consideration, JCR affirmed the rating for the University with Stable outlook. JCR rates a national university corporation in a comprehensive manner by factoring in credit enhancements by the government, etc. in addition to the stand-alone conditions as a corporation.
- (3) The central government aims to change the country’s higher education into the learner-oriented one in light of the expected social changes around 2040. The government requires diversified and flexible management of educational institutions, and some of national universities have already started moves towards integration. The University is important for the country in its role of directly assuming the country’s higher education and thus is considered to have strong ability to acquire its own financial sources. Based on its “Action Plan 2015 – 2020,” it is promoting contributions through provisions of state-of-the-art healthcare to the regional and international communities, while working on world top-class academic research and innovation creation. JCR will pay attention to whether it can further increase its competitive strength through increased financing flexibility for education and research with the completion of the campus relocation.
- (4) The University has significantly increased its interest-bearing debt due to expenditures for the relocation to the Ito Campus. Proceeds from sale of the Hakozaki Campus are expected to be used for the debt repayment. In July 2018, it formed with Fukuoka City “Grand Design for Former Site of Kyushu University Hakozaki Campus” and has been considering the delivery which is scheduled for FY2022 to FY2024. Its university hospital has been well responding to medical fee and other revisions and its repayments of debts for the redevelopment have been steadily progressing.

Norio Yoshida, Shigenobu Tonomura

Rating

Issuer: Kyushu University

<Affirmation>

Long-term Issuer Rating: AAA Outlook: Stable



Rating Assignment Date: March 22, 2019

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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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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