

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 set forth 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 8,000 faculty and staff members in total. Its Ito Campus (Nishi-ku, Fukuoka City, Fukuoka Prefecture) completed in the academic year ended March 2019 (academic year 2018) boasts a size of one of the largest in Japan and has the world-class education and research facilities.
- (2) There is no change in the continuity and stability in the system of the national university corporations. However, as the government's fiscal measures are not on an uptrend, the business environment surrounding national university corporations is bleak. Amid such circumstances, the University keeps stability of management through obtaining outside research funds and increasing revenues from the affiliated hospitals, etc. based on its rich academic resources and its own management structure. Moreover, with the end of large investment in the Ito Campus, its interest-bearing debt is expected to decline steadily. JCR evaluates 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. For this reason, the rating on the University is influenced by Japan's long-term issuer rating and its outlook. With the above considered, JCR has affirmed the rating on the University with Stable outlook.
- (3) Based on its "Action Plan 2015 – 2020," the University has been 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. The University has been stably obtaining outside research funds these years, and JCR will observe whether it can further increase chances of gaining the funds by using the Ito Campus and promoting cooperation among government, industry and academia. Meanwhile, the university hospitals have been increasing revenues, ensuring stable earnings. This seems to be backed by their high positions in the medical districts and response capabilities to the medical policies. Although they are currently affected by the COVID-19 pandemic, the management stability would not be eroded partly thanks to financial support by the government, etc.
- (4) Its interest-bearing debt is high due to the upfront expenditures partly related to the relocation to the Ito Campus, and the University plans to allocate proceeds from sale of the Hakozaki Campus to the debt repayment. At this point, there is no large delay in the consideration on the delivery scheduled for academic year 2022 through academic year 2024 based on the "Grand Design for Former Site of Kyushu University Hakozaki Campus." At the same time, its repayments of debts for the hospital redevelopment have been steady even under the impact of the pandemic. Although the redevelopment project of Beppu Hospital is starting in earnest, JCR sees that the impact on the creditworthiness will be limited.

Shigenobu Tonomura, Masaki Abe

Rating

Issuer: Kyushu University

<Affirmation>

Long-term Issuer Rating: AAA Outlook: Stable



Rating Assignment Date: March 18, 2021

The assumptions for the credit ratings and the definitions of the rating symbols 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 the rating methodology is shown as "FILP Agencies, etc." (May 29, 2020) and "Incorporated Educational Institutions" (April 23, 2015) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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