

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

National University Corporation, the University of Tokyo **(security code: -)**

<Assignment>

Long-term Issuer Rating: AAA
Outlook: Stable

Rationale

- (1) National University Corporation, the University of Tokyo (the “University”) was established in 1877 as the first national university in Japan. It has main campuses in Bunkyo and Meguro Wards, Tokyo and Kashiwa City in Chiba Prefecture. Leading Japan’s higher education and research, it has also competitive strength in the world. Surpassing the rest of universities in Japan in terms of acquiring students, it has produced excellent persons in the political, bureaucratic and business worlds. It is also very strong in acquiring external research funds. With the basic principles, Synergy between Excellence and Diversity, it aims to form Global Base for Knowledge Collaboration.
- (2) Directly assuming the Japanese government’s higher education policy, national university corporations are politically very important and there have been no changes to the continuity and stability of the corporation system. As financial support from the government is not likely to increase, however, business environment surrounding them is becoming severer. In these circumstances, the University plays a leading role in shift to the knowledge-based society as an essential institution for Japan’s development of higher education and research. It has strengthened its ability to acquire independent source of revenue backed by the affluent academic resources, networks both in Japan and abroad, and proactive management capability. The interest-bearing debt is increasing for the investments for future education and research, but JCR sees that it will be able to obtain both stability and growth of revenue through obtaining many business opportunities. JCR rates national university corporations in a comprehensive manner by incorporating credit enhancement provided by the government, etc. into their ratings in addition to their individual conditions as a single corporation. For this reason, the University’s rating is affected by Japan’s long-term issuer rating and outlook. Taking the above into consideration, JCR assigned a rating of AAA to the University with Stable outlook.
- (3) Although basic expenses of national university corporations tend to be rigid due to the top-to-bottom sectioning structure, the University carried out reforms of the budget allocation system in FY2016. It divides the budget allocations for departments mainly into the basic expenses and expenses for enhancement of functional capabilities, and guarantees the allocations for the former and intensively allocates the funds to high quality proposals for the latter. The University has established a virtuous cycle where it increases prior investments in high quality educational and research activities in the course of expansion of management expenses grants and independent source of revenue, which can further lead to acquisition of independent source of revenue. These kinds of autonomous governance are supporting its cash flow generating ability. It keeps its top position in competitive funds awarded by the Ministry of Education, Culture, Sports, Science and Technology and acquired funds for joint research with private enterprises, and it has been expanding its collaboration with industries both in Japan and abroad in terms of both size and scope year by year and increasing donations. As shown by these developments, its ability to acquire external funds has been strengthened.
- (4) The affiliated hospital is one of the largest ones among university hospitals. It plays an important role as a core hospital for clinical research, an advanced treatment hospital, and an institution to train physicians. With high capability to manage the government’s health policy and medical fee revision, it has been keeping the increasing trend of revenue to date. The hospital, however, is currently suffering from drop of revenue due to people’s restraints on seeing a doctor and increasing costs for infection control measures, affected by the COVID-19 pandemic. It is necessary to closely watch the future trends for convergence of the conditions and financial support by the government.

- (5) As national university corporations carry out their businesses within the scope of management expenses grants plus independent source of revenue, they can easily maintain their earnings and expenses in balance. However, the government's financial support has been declining in the long run, and their substantial burdens for maintenance expenses for aging facilities have been increasing. The University plans to issue bonds for the first time as a national university corporation towards development of leading-edge educational and research environment. The issue can help increase its competitive strength and revenue for the future and will not increase its financial risks.

Shigenobu Tonomura, Masaki Abe

Rating

Issuer: National University Corporation, the University of Tokyo

<Assignment>

Long-term Issuer Rating: AAA Outlook: Stable

Rating Assignment Date: July 28, 2020

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." (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/>).

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