

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

## **National University Corporation Tokai National Higher Education and Research System (security code: -)**

<Affirmation>

Long-term Issuer Rating: AAA  
Outlook: Stable

### *Rationale*

- (1) National University Corporation Tokai National Higher Education and Research System (“THERS”) is a national university corporation (“NUC”), which was in April 2020 established through the consolidation of Nagoya University and Gifu University. Nagoya University as a designated national university aims to become a research university that can compete globally, while Gifu University has a responsibility to contribute to the region. Setting up a goal of balancing global competitiveness improvement and contribution to regional innovation as a corporation, THERS aims to establish TOKAI-PRACTISS, a new university model that creates structural changes in Tokai region. In order to realize consolidation effects, THERS is advancing the development of research centers for sugar chains, health/medical, aerospace, and agricultural science, bringing together competitive fields for each of the university, in addition to the Academic Central linking the educational organizations of the universities. THERS has strong capability to acquire students for universities / graduate schools, as well as to produce excellent human resources for society. It also boasts ability to obtain external funds with leading track records in Japan.
- (2) There is no change in the continuity and stability of the NUC system. However, with the principle of competition strengthened in the financial measures from the national government, NUCs are facing a severe business environment. Under such circumstances, THERS’s cash flow generation capacity is outstanding. As a model case for the corporation consolidation, THERS is working to efficiently use management resources from both universities in order to revitalize education/research activities and to enhance operational efficiency. Over the medium to long term, progress made in creation of intellectual results and their social implementation will likely bring about both revenues stability and growth potential. The credit rating is determined comprehensively by incorporating the status of each corporation and the effect of credit enhancement from the government, etc. Based on the above, JCR has affirmed the rating on THERS with Stable outlook. On a separate note, the government has established an internationally eminent research university system to create world-class research universities and plans to provide large subsidies from investment gains on its university fund. JCR will therefore keep an eye on THERS’s response to the system and the status of certification.
- (3) Since the corporation consolidation, on top of the thorough dialogues within the executive division, and between the executive division and the universities’ departments/offices, THERS is strengthening governance by improving the structure of THERS secretariat, separating the management and teaching, etc. The key point for the time being will be whether THERS can further strengthen its business foundation and improve its cash flow generation capacity by leveraging the advantages of becoming one of the nation’s leading business scales and optimizing resource allocation. Regarding external funding, THERS maintains one of Japan’s highest ability to obtain the competitive funds of the Ministry of Education, Culture, Sports, Science and Technology and funds for joint research with companies, etc. Such funds are characterized by a high growth rate since incorporation and a high ratio to management expenses grants. In recent years, in addition to expanding the number of large industry-university collaboration agreements, THERS has been promoting appropriate value adding to researches. Partly thanks to the expansion of the space for industry-university collaboration, collaboration with companies and the region is expected to further progress. There seems to be considerable room for growth in external funds, such as joint research incomes and donations.
- (4) The affiliated hospitals of both universities bear an important role as an advanced treatment hospital or a medical doctor-training institute. Although affected by the COVID-19 since the fiscal ended March 2021 (FY2020), annexed hospital revenue in FY2021 recovered to a level above that of FY2019. Because in part of financial support from the national government, etc., the stability of management has not been shaken. While attention should be paid to the current inflationary impact, the hospitals

will likely be able to maintain stable business conditions by striving to improve clinical indicators. Regarding renewal and upgrading of facilities and equipment, private funds are also used in order to reduce financial burden. There are no large redevelopment plans for the foreseeable future, and steady debt redemptions are expected.

Shigenobu Tonomura, Masaki Abe

### Rating

Issuer: National University Corporation Tokai National Higher Education and Research System

<Affirmation>

Long-term Issuer Rating: AAA      Outlook: Stable

Rating Assignment Date: November 16, 2022

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 "National University Corporation" (August 1, 2022) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>)

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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