

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. The University has 12 undergraduate schools and 18 graduate schools with approximately 18,600 students and approximately 8,100 faculty and staff members in total. The Ito Campus (Nishi-ku, Fukuoka City, Fukuoka Prefecture) with world-standard education and research facilities was completed in 2018. In November 2021, the University was selected as Designated National University Corporation and published "Kyushu University VISION 2030", which indicates the University's future direction, at the same time. It aims to be a university that drives social change with integrative knowledge.
- (2) Continuity and stability of the national university corporations system remain unchanged. However, competition principles have been increasingly reflected in the government's fiscal measures, and the business environment is severe. Having strong capacity to generate cash flow among the national university corporations, the University keeps stability in running the business. It has been pushing forward the initiatives based on the vision, and a cycle that the University rises the education and research level while expanding independent funding sources will likely continue. Large scale investments have come to the end, and a reduction in interest-bearing debt can be expected. JCR evaluates the rating on a national university corporation in a comprehensive manner reflecting effects of credit enhancement by the national government and others in addition to individual conditions. Taking above into consideration, JCR has affirmed the rating on the University with Stable outlook. In order to realize world-class research universities, the national government has established a support system for world-class and highly innovative universities and plans to provide a large amount of grant for selected universities. JCR will watch the University's responses to the requirements of the system and the result of recognition.
- (3) The University's capability of acquiring external funds is high in Japan, and it has stable track records. It established an integrate system to promote research strategy formulation through actual implementation of the output in the society in April 2022. Vitalization of education and research, and growth of ability to acquire funds can be expected mainly in the three areas of the University's focus such as decarbonization, medical/health and environment/food. On the other hand, in association with relocation and integration to the Ito Campus, the University has a large amount of interest-bearing debt. It plans to allocate proceeds from sales of the Hakozaki Campus to the source of repayment. In April 2023, it intends to start publicly soliciting business operators for use of land, which was postponed due to the COVID crisis impact. No large delays in the consideration for handing over have occurred.
- (4) The university hospitals maintain stable management on the back of the high positions in the medical districts and capabilities to respond to the medical policies. Amid the prolonged COVID crisis, earnings from attached hospitals are increasing through balancing the treatment of the infection and provision of highly advanced medical care. Although attention needs to be paid to the growing burden of expenditures arising from inflation, management status will unlikely deteriorate as the University will be able to take advantage of subsidies and can also expect an improvement in clinical indicators. Debts, which are equivalent to the amount of hospital redevelopment project, are being repaid consistently. The redevelopment project of Beppu Hospital will bring additional earning to the University; therefore, will not raise the financial risk.

Shigenobu Tonomura, Masaki Abe

### *Rating*

Issuer: Kyushu University

<Affirmation>

Long-term Issuer Rating: AAA      Outlook: Stable

Rating Assignment Date: March 16, 2023

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 Corporations" (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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