

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

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

<Assignment>

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 corporation consolidation of Nagoya University and Gifu University as the first case of the system of multiple university under a corporation in Japan. Nagoya University aims to become a research university which can compete globally as a designated national university, and Gifu University has a mission to contribute to the region. THERS aims to establish TOKAI-PRACTISS, a new university model which creates structural changes in Tokai region, setting up a goal of balancing international competitiveness improvement and contribution to regional innovation as a corporation. In addition to the Academic Central, which links the educational organizations of both universities, THERS is advancing development of research centers for sugar chains, medical information, aerospace engineering and agricultural science, bringing together competitive fields for each university, in order to realize consolidation effects. THERS has strong capability to obtain students for universities and graduate schools, as well as to produce excellent human resources for society. It also boasts capability to acquire external funds with leading track records.
- (2) NUCs directly assume responsibility for the national policies of higher education. With high political importance, there are continuity and stability in 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. As a model case for the corporation consolidation, THERS is particularly important among NUCs, and its cash flow generation capacity is distinguished from others. THERS is currently working to efficiently utilize management resources from both universities in order to revitalize education and research activities and to enhance operational efficiency. Over the medium to long term, progress made in creation of intellectual results and their social implementation would enable 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 assigned AAA rating to THERS with Stable outlook. Discussion is under way on deregulation and financial support to universities which can compete globally. JCR will follow up on moves for concrete institutional design and legislation.
- (3) As a result of the corporation consolidation, THERS became one of the largest in terms of the number of teachers and students as well as the size of budgets. JCR will focus on for the time being whether THERS can utilize the economies of scale and accelerate investment in management resources for strategic businesses, such as development of direct control bases. As the current status of efforts to strengthen governance, in addition to dialogues in the executive department for each field, it is implementing thorough communication between the executive department and the departments of both universities, seeking to share visions. Development of a system under THERS secretariat is under way through the consolidation of administrative organizations and the expansion of strategies departments. Going forward, the general director of university will be placed for each of the universities, in an attempt to separate management and education.
- (4) THERS is a leading NUC in terms of abilities to acquire the competitive funds of the Ministry of Education, Culture, Sports, Science and Technology and funds for joint research with companies, etc. Based on its abundant academic resources, THERS is working to improve the research environment, reform its employment system, expand its international network, and promote university-industry co-creation, among others. Since incorporation, THERS has expanded its track record of acquiring external funds at a high growth rate mainly at Nagoya University. In addition to strengthening its research capabilities, including its own research centers, THERS is expanding the scale of collaborations with companies and the region, and there is considerable room for growth in joint

research income and other revenues in the future. It is also working to expand donations and asset lending income, and such efforts are bringing results.

- (5) The affiliated hospitals of both universities bear an important role as an advanced treatment hospital or a medical doctor training institute. Each of the hospitals has a strong ability to respond to national medical policies, and has maintained an uptrend in earnings since incorporation. They are now under the impact of COVID-19 pandemic, but the stability of its management is not impaired, partly thanks to the financial support by the national government and others. Private funds are also spent for renewal and upgrading of facilities and equipment, and the debt redemption expense ratio is expected to remain within a certain range.

Shigenobu Tonomura, Masaki Abe

Rating

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

<Assignment>

Long-term Issuer Rating: AAA Outlook: Stable

Rating Assignment Date: November 29, 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/>).

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