

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

The National University Corporation University of Tsukuba (security code: -)

<Assignment>

Long-term Issuer Rating: AAA
Outlook: Stable

Rationale

- (1) Originating in a normal school founded in 1872, The National University Corporation University of Tsukuba (the “University”) was established as the new concept comprehensive university in 1973 with Tokyo University of Education being its predecessor. It has its main campus in the Tsukuba Science City where industry and government institutes are located. Under the basic philosophy of being the university committed to being open, challenging fixed societal models and promoting constant reforms, it leads Japan’s university reforms by taking advantage of its own interdisciplinarity and internationality. Having flexible educational and research organizations covering diverse academic disciplines, it boasts the top-ranking number of international students and track record of university-launched ventures in Japan. It became a designated national university corporation in 2020. It has high capacities to recruit undergraduate and graduate students, as well as to produce human resources contributing to society, and its abilities to acquire external funds also rank among the top in Japan. The University also operates diverse affiliated schools.
- (2) National university corporations are directly responsible for the national higher education policy. Given their high political significance, the national university corporation system ensures continuity and stability. That said, the principle of competition has been enhanced in Japan’s fiscal measures, resulting in a tougher operating environment. As for the University, it assumes a very important position as it plays a leading role in Japan’s university reforms, and its cash flow generation capacity is at a higher level than others. The University is increasing capacities to acquire internal revenue sources and has been achieving rapid business growth since incorporation. It is currently seeking to issue university bonds, which may add to the university division’s interest-bearing debt. Yet, as it will likely be able to reasonably ensure the potential of revenue growth by capturing numerous business opportunities through social engagement, JCR assumes that financial risk will not increase. In making rating decisions, JCR comprehensively looked at the University’s own situations as well as credit enhancement by the government, etc. Based on the above, JCR assigned a AAA rating to the University with Stable outlook.
- (3) Under the designated national university corporation scheme, the University defines three main initiatives to become a “genuinely comprehensive university”: strengthening research expertise to go beyond the boundaries of different academic disciplines; development of people who can go beyond the boundaries of different countries and organizations; and social implementation of R&D results contributing to resolving global issues. The governance system supporting this scheme is solid, and the University is expected to work on quick decision-making and strategic resource allocation, which will likely yield steady results. It has always pursued university autonomy so that the President can exercise leadership and will keep striving to strengthen its structure through, for instance, centralized recruitment of young faculty members and IR-based university management.
- (4) The University ranks high in Japan in terms of the ability to acquire competitive funds from the Ministry of Education, Culture, Sports, Science and Technology and other parties, funds for joint research with corporations, etc. and so forth. It has substantially improved its track record of gaining external funds by leveraging abundant academic resources and taking such measures as improving the research environment, reforming the employment system, expanding the international network and promoting industry-academia collaboration. It is currently considering the construction of IMAGINE THE FUTURE. Forum (tentative name) with space for research and large-scale demonstration experiments to promote needs-driven large-scale joint research. This is expected to help increase revenues from joint research and property rental as well as donations, which in JCR’s view will underpin the University’s high growth potential.

- (5) The University Hospital (the "Hospital") is the only advanced treatment hospital in Ibaraki Prefecture and also plays a critical role as a doctor training center. It is highly capable of responding to medical policies, and its revenue has been on a constant rise. Although the Hospital is being affected by the COVID-19 pandemic, its management stability is unshaken, thanks partly to financial support from the government, etc. Looking ahead, the project to establish proton beam therapy and other facilities as well as hospital wards is slated to get into full swing. This is expected to enhance the Hospital's functions and increase revenue and is also likely to level out debt repayment expenses.

Shigenobu Tonomura, Masaki Abe

Rating

Issuer: The National University Corporation University of Tsukuba

<Assignment>

Long-term Issuer Rating: AAA Outlook: Stable

Rating Assignment Date: January 11, 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 "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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