

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

PASMO Co., Ltd. (security code: -)

<Assignment>

Commitment Line: AA-

Rationale

- (1) PASMO Co., Ltd. (the "Company") was established as joint investment by major private railroad companies and bus companies that operate in the Tokyo metropolitan area as well as the Tokyo Metropolitan Government. Since 2017, it has been engaging in issuance, administration, and operation of common IC card ticket "PASMO" and been providing electronic money services in the Tokyo metropolitan area. The Company brings greater convenience to transportation users and helps franchised business operators improve quality of their services and operational efficiency, resulting in stable cooperative relationships with them. The common IC card tickets have become a part of the transportation infrastructure, and the smooth business operation and its asset value are inseparable. The rated commitment line is project finance that focuses on cash flows generated from the operation in question rather than the material value of the collateral. The rating reflects the Company's strong relations with its shareholders and franchised business operators, strong business base, high transparency of forecasts for its income/ expenditure and business plan, and steady track record.
- (2) The Company's shareholders and franchised business operators are major transportation operators that mainly operate in the Tokyo metropolitan area where Japan's population is concentrated. The number of railroad passengers within the Company's business areas on the base of expected future population is not likely to sharply decrease for the foreseeable future, and it is hardly imaginable that the rail service users, who enjoy the high convenience of the IC cards, will return to cash payment. The diffusion rate is at a high level and it is not expected that the rate will rapidly decline, which indicates that cash flows required to operate facilities and repay debts will probably stay at a favorable level.
- (3) The Company had been developing its services mainly in the Tokyo metropolitan area by making PASMO and East Japan Railway Company's Suica interoperable. The nationwide interoperability of transportation IC cards started in March 2013, enabling PASMO to be used in wider areas. No major troubles have occurred since the nationwide operation started and the Company took measures to respond to the increased consumption tax, and the system is highly stable. Attention should be paid to slowdown of the diffusion pace of the IC cards and a decline in the number of passengers in the long run, but its services will be used on a stable basis for the time being on the back of its strong business bases.
- (4) As shown by the recent increased number of transportation operators, which can use PASMO; 3 new operators in March 2018 and 2 new operators in April 2018, areas where PASMO can be used have been expanding. The number of cases of the use of 9 transportation electronic monies including PASMO per one month rose above 170 million cases for the first time in July 2017. As shown by this development, use of PASMO as electronic money has been expanding.
- (5) Through measures such as limiting its business objectives and act of assuming debts, the Company does not take business risks other than those related to the issuance, administration, and operation of the common IC card ticket systems. In addition, a security package ensures the stability of the structure.

Fumihiko Honda, Naoki Okada

Rating

<Assignment>

Instrument Name: Commitment Line
Total Credit Limit: JPY10 billion
Commitment Period: April 16, 2018 to April 15, 2024
Rating: AA-

<Information on Structure and Stakeholders>

Debtor: PASMO Co., Ltd.
Lead Arranger: Development Bank of Japan Inc.
Co-Arranger: MUFG Bank, Ltd.

Rating Assignment Date: April 11, 2018

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 "Project Finance" (August 28, 2012) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>). Rating methodologies for other ancillary points such as eligible deposit accounts and bankruptcy remoteness are also shown within the same page.

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