

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

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

<Affirmation>

Commitment Line: AA-

Rationale

- (1) PASMO Co., Ltd. (the “Company”) was established by a joint investment from major private railroad companies and bus companies operating in the Tokyo metropolitan area as well as the Tokyo Metropolitan Government. The Company has been issuing and managing its common IC card ticket *PASMO* and providing electronic money services in the Tokyo metropolitan area since 2007. As well as bringing greater convenience to transportation users, the Company’s business helps franchised business operators improve the quality of their services and increase efficiency of their operations. Therefore, the Company has stable cooperative relationships with the franchised business operators. In addition, since the common IC card tickets have become a part of the transportation infrastructure, smooth operations of the business are inseparably linked to asset value. The rated commitment line is project finance focusing on cash flows generated from the business operations 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 records.
- (2) The Company’s shareholders and franchised business operators are major transportation companies mainly operating in the Tokyo metropolitan area where Japan’s population is concentrated. The number of railroad passengers in the Company’s business areas on the base of expected future population is not likely to decrease sharply for the foreseeable future. Also, it is hardly imaginable that the railroad service users, who enjoy the high convenience of IC cards, will return to cash payment. Given that the popularity of *PASMO* being kept at a high level is unlikely to decline rapidly, cash flows necessary to operate facilities and repay debts will probably remain 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. While attention should be paid to a slowing pace of the diffusion of IC cards and the declining number of passengers over the long run, the Company’s services will be used on a stable basis for the time being on the back of its strong business bases.
- (4) The number of uses of the nine types of transportation electronic money including *PASMO* per day exceeded eight million for the first time in April 2019. As such, *PASMO* has also been increasingly used as electronic money.
- (5) Through limitations on its business objectives and its act of assuming debts and other measures, the Company does not take business risks other than those related to the issuance, operation, and management of the common IC card tickets. In addition, a security package ensures the stability of its operation structure.

Kiichi Sugiura, Naoki Okada

Rating

<Affirmation>

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: June 26, 2019

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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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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