

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, the Tokyo Metropolitan Government and other parties. The Company has been issuing and managing PASMO common IC card tickets and providing electronic money services in the Tokyo metropolitan area since 2007. Its business contributes to bringing greater convenience to transportation users and 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. Also, as common IC card tickets have become a part of the transportation infrastructure, smooth business operations are inseparably linked to asset value. The rated commitment line is project finance focusing on cash flows generated from such business operations rather than material values of collaterals. The rating reflects the Company's strong relations with its shareholders and franchised business operators, solid business base, highly predictable income/expenditures 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. When based on the estimate of future population, positive effects from population growth relative to the number of railroad passengers in the Company's business areas are expected to continue for a while. Moreover, it is hardly imaginable that the railroad service users who enjoy the high convenience of IC cards will return to cash payment. Popularity of the cards is high and hardly likely to fall suddenly. Although the COVID-19 pandemic is inevitably causing a temporary decline in card usage and attention must be paid to its impacts, including changes in work patterns, facility operation will likely be firm over the medium and long term thanks to the solid business base.
- (3) The Company has been developing its services mainly in the Tokyo metropolitan area by taking advantage of interoperability of PASMO and East Japan Railway Company's Suica cards. With the commencement of nationwide interoperability of transportation IC cards in March 2013, PASMO cards can now be used in wider areas. No major troubles in particular have occurred since the nationwide operation started and the Company took measures to respond to the consumption tax hike, and the system is highly stable. The Company has a mechanism for earnings improvement in the case of a decline in demand due to the pandemic, etc., and cash flows necessary for debt repayment will likely remain at a favorable level.
- (4) Through limitations on its business objectives and 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, including performance trigger, ensures the stability of its operation structure.

Kiichi Sugiura, Kengo Sakaguchi

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: August 5, 2020

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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