



Moody's Investors Service

Rating Action: **Moody's assigns Aaa ratings to JRTT's bonds**

Global Credit Research - 01 Feb 2007

First-time rating, Yen 38 billion of debt securities affected

Tokyo, February 01, 2007 -- Moody's Investors Service has assigned its Aaa ratings to Japan Railway Construction, Transport and Technology Agency's (JRTT) Series 9 Yen 23 billion 1.27% bonds due 2010, and Series 10 Yen 15 billion 1.99% bonds due 2016. The bonds are not guaranteed by the Japanese government. The rating outlook is stable. This is the first time that Moody's has assigned ratings to JRTT's bonds.

In accordance with Moody's rating methodology for Japanese government-related issuers ("GRIs"), based on the Joint Default Probability approach, JRTT's ratings reflect the combination of the following inputs:

- Baseline credit assessment of 6 (on a scale of 21, where 1 represents lowest credit risk)
- Aaa rating of Japan's Local Currency Deposit Ceiling (LCDC)
- High support
- High dependence

The baseline credit assessment of "6" is underpinned by the importance of JRTT's role in Japan's transportation policy, a result of it carrying out such operations as constructing Shinkansen Super Express railway facilities. It also reflects Moody's expectation that the Japanese government will continue to have strong willingness and ability to support JRTT's operations and financing.

JRTT operates a wide variety of business -- from constructing railway facilities and leasing them to railway companies, joint building and ownership of ships and providing financial support to shipbuilding technology R&D, to disposing of the legacy assets of the former Japan National Railways. The largest operation, in terms of investment, is the construction of Shinkansen Super Express railway facilities -- carried out as determined by the national government's policy on transportation. JRTT plays an essential role on executing this policy by exclusively undertaking the construction.

JRTT was established under the General Law for Independent Administrative Corporations (IAC) and the JRTT Law, and is ultimately fully owned by the Japanese government, including through capital from the Development Bank of Japan, which is a fully owned governmental institution. The JRTT Law prescribes that the Japanese government may provide a variety of credit support, including guarantees and subsidies. As a result, a significant portion of JRTT's financing has been provided based on the Japanese government's credit.

JRTT has effectively implemented its role as determined by its mid-term business plan, which is approved by the Ministry of Land, Infrastructure and Transport (MLIT) and based on the mid-term targets set by MLIT. In addition, the government has flexibly provided adequate and timely support to JRTT, demonstrated by the subsidies that it has continually injected into JRTT's shipbuilding account. Moody's believes that in order for JRTT's credit level to be maintained, the Japanese government's continued willingness to support the agency is essential.

JRTT's "high" support recognizes its importance to the Japanese government as a key to the execution of its transportation policies, the agency's status as an independent administrative corporation, and the government's involvement in its operations.

JRTT's "high" dependence is drawn from the default dependence being set to 100% for all GRIs supported at the LCDC level.

Japan Railway Construction, Transport and Technology Agency is an independent administrative corporation, established in October 2003. Its total assets were Yen 13.9 trillion, and total equity Yen 1.7 trillion, as of end-March 2006.

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