



Rating Action: **Moody's assigns Aa3 to JR TT's domestic bonds**

Global Credit Research - 26 Jul 2012

JPY 31 billion of New Debt Securities Rated

Tokyo, July 26, 2012 -- Moody's Japan K.K. has assigned its Aa3 ratings to the bonds issued by Japan Railway Construction, Transport and Technology Agency (JR TT). The rating outlook is stable.

The specific bond issues rated are:

- JPY 20 billion Series 48 bonds, due 2017
- JPY 11 billion Series 49 bonds, due 2022

RATINGS RATIONALE

The rating reflects JR TT's strong links with the government of Japan (Aa3, stable) (*).

(*: This Moody's Investors Service's rating is not governed by Japanese regulation.)

Moody's concludes that the creditworthiness of JR TT should be the same as that of the sovereign, given the integration of the company's mandate with the government's transportation policies and the high level of government oversight of its operations. As a result, Moody's has adopted the same credit substitution approach for JR TT that it has for the 11 other government-related entities or "Zaitos" in Japan.

The law establishing JR TT stipulates that the Japanese government provides strong financial support, including guarantees, loans, subsidies, and capital injections.

The independent administrative corporation (IAC) law states that the Ministry of Land, Infrastructure and Transport (MLIT) set JR TT's business objectives and approves its medium-term plan. The plan is required to have detailed budgets, funding plans and requirements for cash flow borrowings. Any change to the plan requires the approval of the Minister. A committee established by the Minister also evaluates the extent to which the objectives set out in the plan have been achieved.

The principal methodology used in this rating was "Government-Related Issuers: Methodology Update" published on September 30, 2010 and available on www.moody's.co.jp.

Japan Railway Construction, Transport and Technology Agency is an IAC established in October 2003, under the general law for IACs and the JR TT law.

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