News Release

Japan Credit Rating Agency, Ltd.

24-D-0474
July 16, 2024

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

The Tokyo Tanshi Co., Ltd. (security code: -)

<Affirmation>
Long-term Issuer Rating: A
Outlook: Stable
Short-term Issuer Rating: J-1

Rationale

(1) Established in 1909, The Tokyo Tanshi Co., Ltd. (the “Company”) is the core company of the Totan Group, and is one of the three money market brokers in Japan. The rating reflects the importance of a money market broker to the financial system as a whole, as well as the high stress tolerance based on its stability of profits and financial soundness. JCR believes that the Company will secure a certain level of profit and maintain financial soundness by diversifying revenue sources and maintaining appropriate cost control and risk management.

(2) Money market brokers play an important role as the node in the call market where the excess or shortage of funds of financial institutions is adjusted. They also have a strong presence in the transactions of products in the open market through their intermediary function. The Company has a certain market share in the uncollateralized call transactions and has strengths in open market operations such as bond repo transactions.

(3) The earnings are stable. By carefully responding to fund management and financing needs, the Company has accumulated revenues from bond repo and CP transactions, resulting in a relatively high level of net operating revenues from the money market brokerage operations for the fiscal years ended November 2022 and 2023. Since the review of the monetary policy, the Company's performance has also been firm. It secures well-balanced revenues from each of the short-term money markets that are interbank and open markets. The subsidiary companies are engaged in a wide variety of operations. The earnings are generally strong and are expected to boost the Group's overall profits.

(4) Although the total assets are large, the quality of assets is sound, with the majority of assets being extremely short-term, highly liquid, and safe assets such as government bonds, or assets collateralized by cash, government bonds, or other high quality collateral. The net assets were 83.7 billion yen at the end of November 2023, a level sufficient to absorb any downside risks to profits. Given the large positions in the CP transactions, credit risk management and liquidity management are important, but the Company is controlling risk appropriately.

Hidekazu Sakai, Kota Matsuzawa, and Naoki Shimura

Rating

Issuer: The Tokyo Tanshi Co., Ltd.

<Affirmation>
Long-term Issuer Rating: A Outlook: Stable
Short-term Issuer Rating: J-1

Rating Assignment Date: July 10, 2024

The assumptions for the credit ratings and the definitions of the rating symbols 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 the rating methodology is shown as "JCR's Rating Methodology" (February 1, 2024) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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