

February 1, 2007
Budget Division, TMG

Obtaining Ratings on the TMG Obligations

We are pleased to announce that the following ratings have been assigned to the Metropolis of Tokyo.

1 Ratings Foreign Currency Issuer Rating: Aaa/Stable
 Local Currency Issuer Rating: Aa2/Positive

2 Rating Agency Moody's Investors Service

3 Reasons

- (1) Tokyo has strong revenue base, derived from its position at the center of Japan's economic and financial activities.
- (2) Tokyo has restrained its new and refinancing bond issuances and intends to further lower debt. It aims to build up 1 trillion yen as a fiscal adjustment fund in case of future revenue decreases. Moody's considers that the influence of the economic slowdown on Tokyo's fiscal condition will be limited owing to these measures, although its tax revenue is likely to continue to reflect economic fluctuations.
- (3) Tokyo has carried out two fiscal restoration programs in the past, and it has recognized the necessity of continuing efforts to balance its budgets. Tokyo has shown awareness of key management issues and is trying to improve the quality of its administration and fiscal operations, utilizing a new public accounting system and so forth.
- (4) Tokyo is under ongoing expenditure pressure caused by required investments in infrastructure including ring roads, renovations of major facilities and measures to cope with an aging population with fewer children. However, Moody's believes that Tokyo is able to manage and resolve these issues while maintaining its fiscal discipline.
- (5) Moody's recognizes a possibility that an unorthodox fiscal policy measure by the central government, if it should be implemented, could be extended to the domestic bonds of Tokyo, while Moody's believes this possibility is nil for its foreign currency obligations.

4 Notes

The difference between Tokyo's Aaa foreign currency issuer rating and its Aa2 local currency issuer rating is derived solely from the interference factor mentioned in the above 3(5) and does not reflect any risks attributable to Tokyo.

Tokyo is the third local government among those who deal with public offerings and that have asked for the credit ratings, after Yokohama and Kobe.

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