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Press Release

Corporate & Government Ratings & Research

For immediate release

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S&P: Tokyo Metropolitan Government Assigned 'AA' Rating; Outlook Stable

Tokyo, March 26, 2008 – Standard & Poor's Ratings Services today assigned its 'AA' long-term issuer credit rating to the Tokyo Metropolitan Government (TMG). This represents the highest rating issued to any of the Japanese local and regional governments rated by Standard & Poor's. The outlook on the long-term rating is stable.

The major factors in evaluating the credit quality of TMG are:

- Its robust local tax base as the center of the Japanese and Asian economy, providing it with a strong independent source of revenue;
- Its track record of fiscal reforms, streamlining expenditures to improve its financial profile under the strong leadership of Governor Shintaro Ishihara; and
- Its sophisticated financial management practices.

Constraints on the rating include its decreasing financial flexibility, mainly due to increasing social care costs and its high level of debt, albeit decreasing.

TMG's economy compares well with the national GDP of G7 member countries and attracts a large number of national and international enterprises, which contribute to its corporate tax revenues. Out of the 47 prefectures in Japan, only TMG has remained autonomous of the central government's vertical fiscal adjustment system during the postwar period. It is unique among Japan's local and regional governments, in that it has both features of a prefecture and a city, which contribute to its strong revenue sources.

The rating on TMG would be influenced by changes to the sovereign rating on Japan (AA/Stable/A-1+). Although TMG is not reliant on the vertical fiscal adjustment system, it would not be immune to the fiscal impact derived from any changes in the national system. However, the ratings are not directly linked.

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