



NEWS RELEASE

Mar 5, 2010

R&I Assigns AA: Okayama Pref. Bonds No.2 (FY2009)

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Okayama Prefecture
10-year Pref. Bonds No.2 (FY2009)
New Issue

R&I RATING: AA (Assigned)

RATIONALE:

In FY2006, the nominal gross prefectural product of Okayama Prefecture ranked 21st in Japan. It is conveniently located as a major hub for an extensive transportation network in the Seto Inland Sea economic zone and attracts companies to the region. Earnings of major companies located in the Mizushima Coastal Industrial Region, one of the largest industrial complexes in western Japan, are susceptible to economic conditions and fluctuations in foreign exchange rates. It has become less likely, however, that the companies' performance will decline significantly. There is little possibility that the prefecture's economic base may be severely damaged, given the trends in companies being attracted to the prefecture, as well as demographics in the area. The tax revenue base is expected to increase in the medium to long term, although the pace is slower than initially expected due to the global economic downturn.

Governor Masahiro Ishii implemented administrative and fiscal reforms immediately after taking office in 1996. During the 12-year period through FY2008, the prefecture was able to reduce expenditures by 96.9 billion yen (general revenue source), achieving some improvement in assets and liabilities. That said, since the central government significantly reduced tax revenues distributed to local governments in FY2004, Okayama's financial profile has been squeezed as with many other local governments. The prefecture declared a fiscal emergency in June 2008. Under "Okayama Prefecture Administrative and Fiscal Reform Outlines 2008" formulated in December 2008, the prefecture plans to set aside a total of 39.6 billion yen from general revenue sources to establish a sustainable fiscal structure. It plans to resolve a huge revenue shortfall by FY2012.

Tivoli Japan Co., Ltd., an extra-governmental organization, was dissolved at the end of December 2008, and the prefectural government's additional financial support for Tivoli Park operations is now limited. With liabilities exceeding assets as a result of marked to market valuation, Okayama Home Supply Public Corp. is scheduled to be dissolved at the end of FY2009. The repayment of interest-free loans extended to Okayama Forestry Development Public Corp. is planned to take place using prefectural subsidies and logging revenues (based on lumber prices upon FY2004 reform implementation). Although the loans have so far been repaid as planned, lumber prices have fallen as full-scale logging will start in FY2010. R&I will pay close attention to the future developments.

The primary rating methodology applied to this rating is provided at "R&I's Analytical Approach to Local Governments". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.



NEWS RELEASE

R&I RATINGS:

ISSUER: Okayama Prefecture

LONG-TERM ISSUE RATING:	Issue Date	Redemption	Issue Amount (mn)
10-year Pref. Bonds No.2 (FY2009)	Mar 31, 2010	Mar 31, 2020	Yen 10,000

R&I RATING: AA (Assigned)

ISSUER RATING: AA

RATING OUTLOOK: Stable

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.