



# NEWS RELEASE

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## R&I Stops Releasing New Financial Rankings for Local Governments

Rating and Investment Information, Inc. (R&I) has decided not to release updates going forward on its New Financial Rankings for prefectures and government-designated cities. The rationale is as follows:

In December 2008, R&I withdrew its op ratings (mainly unsolicited ratings based on public information and not on a request of the issuer) for major local governments that issue publicly offered municipal bonds. Along with this withdrawal, R&I released New Financial Rankings as a kind of investment information, responding to strong requests from investors for systematic dissemination of information concerning local governments.

As with R&I's traditional financial rankings, the New Financial Rankings are indicators based on quantitative evaluation of local governments and are calculated using automatically processed past data. Since R&I first released its traditional financial rankings, it has been emphasizing the fact that such investment information is completely different from R&I ratings, which reflect qualitative evaluation. In particular, the New Financial Rankings have required a clear distinction from ratings because the quality of the Rankings has been enhanced with more data incorporated in the evaluation. As such, R&I has been communicating this fact to market participants on its reports and in seminars.

Despite R&I's intention, however, the New Financial Rankings were, in some cases, used as if they were investment information equivalent to solicited ratings, rather than supplementary investment information. Due partly to the lack of timeliness stemming from the availability of data, too much focus on the New Financial Rankings could obstruct sound growth of the municipal bond market, particularly when the economic environment is highly volatile like today.

With a decrease in tax revenues caused by the global recession, solving a shortage of financial resources has become a critical issue for local governments to manage their fiscal conditions. Accordingly, the importance of qualitative evaluation of revenue and expenditure forecasts, administrative and fiscal reform efforts, and the administrative competencies of heads of local governments, has increased. Given such circumstances, R&I believes that its duty is to assign ratings to more local governments, as ratings are sophisticated investment information that sufficiently incorporates qualitative evaluation.

When R&I announced its approach to the handling of municipal bond op ratings in March 2008, only 12 local governments had solicited ratings assigned, including 3 governments rated by R&I. This number reached 24 in December 2009, accounting for more than half of 47 local governments that issue publicly offered municipal bonds. This suggests that solicited ratings have taken hold in the municipal bond market. Taking into consideration such a factor as well, R&I has determined that it has become less important to continue to release updates on the New Financial Rankings as supplementary investment information.

Based on the decision on its policy as mentioned above, R&I will not announce the New Financial Rankings derived from FY2007 financial results.

There are currently 9 local governments that have R&I's solicited ratings: Tochigi Prefecture, Saitama Prefecture, Shizuoka Prefecture, Aichi Prefecture, Fukui Prefecture, Nara Prefecture, Okayama Prefecture, Tokushima Prefecture and Kobe City. Together with ratings, R&I will continue to provide investment information related to local governments, such as reports on ratios for assessing their financial health, on the fee-charging Credit Express homepage for R&I subscribers.

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