



Press Release

Corporate & Government Ratings & Research

For immediate release

Media Contact: Kyota Narimatsu

Tel: (81) 3-4550 -8411

Fax: (81) 3-4550 -8740

Marunouchi Kitaguchi Bldg. 28F, 1-6-5 Marunouchi,
Chiyoda-ku, Tokyo 100-0005

tokyo_pressroom@standardandpoors.com

S&P BULLETIN: Ratings On Japan's JFM Unaffected By Expected Decline In Reserve For Interest Rate Fluctuation

TOKYO (Standard & Poor's) Nov. 11, 2008--Standard & Poor's Ratings Services said today that its ratings on the new Japan Finance Organization for Municipal Enterprises (JFM; AA/Stable/A-1+) would not be affected by an expected decline in the organization's reserve for interest rate fluctuations.

JFM is expected to transfer ¥300 billion from the reserve to the Japanese government, which will use the funds to promote local and regional governments' (LRGs) public works as part of a new economic stimulus package. However, the impact of this financial contribution on the stability of JFM's lending business should be limited. Future support from the government is likely, in addition to the support it receives from the LRGs. As such, Standard & Poor's is not considering any rating actions on the entity at this time.

The new JFM started operations on Oct. 1, 2008, after taking over the assets and liabilities of Japan Finance Corp. for Municipal Enterprises (the old JFM; NR). The new JFM manages the succeeded assets in the managed account (a type of run-off account), while the old JFM carries out its ongoing lending business in the general account. The planned financial contribution will be funded from a reserve within a managed account inherited from the old JFM. The ¥300 billion matches the overperformance resulting from differences between actual interest rates and business volume, and assumptions made to estimate the level of the reserve at its inception.

A Japanese-language version of this media release is available on Standard & Poor's Research Online at www.researchonline.jp, or via CreditWire Japan on Bloomberg Professional at SPCJ <GO>.

Analytical Contact:

Kumiko Kakimoto, Tokyo

(81) 3-4550-8705

kumiko_kakimoto@standardandpoors.com

Media Contact:

Kyota Narimatsu

(81) 3-4550-8411

tokyo_pressroom@standardandpoors.com

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