



Rating Action: Moody's assigns Aa3 to Fukuoka City's domestic bond

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JPY 500 million of New Debt Securities Rated

Tokyo, May 17, 2013 -- Moody's Japan K.K. has assigned a Aa3 rating to a domestic bond issued by Fukuoka City. The rating outlook is stable.

The bond issuance is:

- JPY 500 million Series 2 senior unsecured bonds due 2023

RATINGS RATIONALE

The Aa3 rating for Fukuoka City reflects Moody's view that, given the close linkage between the government of Japan (Aa3,stable) and the regional and local governments (RLG) in Japan, their ratings should be the same.

A key component of Fukuoka and other RLGs' ratings is the extremely high likelihood that in the event of a liquidity crisis the Japanese government would step in to provide immediate assistance. The country's highly centralized system of local government as well as Japan's unique history of risk socialization provide clear evidence that this support would be forthcoming.

The considerable level of oversight and supervision of the RLGs exercised by the central government ensures that any credit issues at the RLG level are uncovered and addressed early, bolstering the probability of extraordinary support. The well-developed equalization system of transfers or Local Allocation Tax (LAT) system assures that no individual entity's revenues would fall to a level that would require emergency assistance—this feature is a clear indication of the government's strong policy stance towards preventing any RLG default.

Fukuoka's ratings also reflect the city's multi-year fiscal improvement plan aimed at improving its fiscal profile, as well as its growing importance as an economic center on the island of Kyushu.

The principal methodology used in this rating was Regional and Local Governments published in January 2013. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

Fukuoka City is one of 20 designated cities in Japan, with a population of 1.4 million and GDP of JPY 6.6 trillion, according to the most recent statistics.

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