



NEWS RELEASE

Apr 9, 2010

R&I Affirms AA, Stable: Kobe City

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

ISSUER: Kobe City
Issuer Rating

R&I RATING: AA (Affirmed)
RATING OUTLOOK: Stable

City Bonds No.1 (FY2010)
New Issue

R&I RATING: AA (Assigned)

RATIONALE:

Kobe City's financials, which were seriously damaged by the 1995 Hanshin-Awaji Earthquake, have been recovering significantly thanks to the forceful implementation of planned administrative and fiscal reforms. The independent revenue ratio, which had sunk below 40% directly following the earthquake disaster, stood as high as 59.7% in FY2008. Due to the global economic downturn, economic conditions in the region are severe. Even so, its economic base is growing, thanks to an increase in the number of companies and sustained population growth of approximately 3,000 per annum.

Since FY1997, Kobe City's primary balance has been positive. In its "Administrative Policy," Kobe City set a target of reducing actual outstanding debt in the general account by 500 billion yen by the end of FY2010. This target was achieved at the end of FY2008, two years ahead of the schedule. Its new debt-reduction target, which calls for reduction of another 100 billion yen, is expected to be achieved by the end of FY2010. The estimated years of debt redemption for Kobe City's ordinary account were 7.5 years, below an average for the ordinance-designated cities of 7.6 years. Meanwhile, there is room for reduction of remaining municipal debt for public enterprise accounts. Kobe City has made progress in attracting medical-related organizations to Port Island (2nd Stage). Because of the economic downturn, however, the pace of land disposal slowed, and a sale of the airport island is also behind the schedule. R&I should keep a close eye on financial performance of the rapid-transit railway operation accounts, which are burdened with cumulative losses, as well as on the progress in recovering the City's funds in new city planning and coordination accounts.

The Rating Outlook is Stable. Mayor Tatsuo Yada stated his commitment to maintaining the primary balance surplus and reducing city bonds. In addition, he has also shown his strong determination to integrate or dissolve external entities. He has embarked on formulating new administrative plans for FY2011 and thereafter. The City's financial records show strong possibility that the City will restore financial health steadily in the future. R&I will follow progress.

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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/cfp/about/methodology/index.html>

R&I RATINGS:

ISSUER: Kobe City
ISSUER RATING: AA (Affirmed)
RATING OUTLOOK: Stable

LONG-TERM ISSUE RATING:	Issue Date	Redemption	Issue Amount (mn)
City Bonds No.6 (FY2006)	Feb 27, 2007	Feb 27, 2017	Yen 10,000
City Bonds No.9 (FY2006)	Mar 27, 2007	Mar 27, 2012	Yen 10,000
City Bonds No.1 (FY2007)	May 29, 2007	May 29, 2012	Yen 10,000
City Bonds No.3 (FY2007)	Jul 23, 2007	Jun 18, 2027	Yen 20,000
20-year City Bonds No.6 (FY2007)	Nov 19, 2007	Sep 21, 2027	Yen 10,000
30-year City Bonds No.7 (FY2007)	Nov 19, 2007	Sep 18, 2037	Yen 10,000
City Bonds No.5 (FY2007)	Nov 27, 2007	Nov 27, 2017	Yen 10,000
City Bonds No.8 (FY2007)	Dec 26, 2007	Dec 26, 2012	Yen 10,000
City Bonds No.10 (FY2007)	Feb 27, 2008	Feb 27, 2018	Yen 10,000
City Bonds No.11 (FY2007)	Mar 04, 2008	Mar 04, 2013	Yen 10,000
City Bonds No.1 (FY2008)	May 27, 2008	May 26, 2028	Yen 20,000
City Bonds No.3 (FY2008)	Jul 23, 2008	Jul 23, 2018	Yen 10,000
5-year City Bonds No.4 (FY2008)	Aug 18, 2008	Aug 16, 2013	Yen 10,000
20-year City Bonds No.24 (FY2008)	Feb 16, 2009	Dec 20, 2028	Yen 10,000
City Bonds No.26 (FY2008)*	Feb 25, 2009	May 25, 2023	Yen 5,000
15-year City Bonds No.27 (FY2008)*	Feb 26, 2009	Mar 20, 2024	Yen 5,000
30-year City Bonds No.28 (FY2008)	Mar 17, 2009	Sep 17, 2038	Yen 15,000
20-year City Bonds No.1 (FY2009)	Apr 28, 2009	Apr 27, 2029	Yen 20,000
City Bonds No.2 (FY2009)*	Apr 28, 2009	Apr 20, 2034	Yen 2,000
City Bonds No.5 (FY2009)*	May 20, 2009	Mar 19, 2024	Yen 2,000
City Bonds No.7 (FY2009)	Jun 12, 2009	Jun 20, 2019	Yen 10,000
30-year City Bonds No.8 (FY2009)	Sep 25, 2009	Sep 22, 2039	Yen 10,000
City Bonds No.9 (FY2009)	Nov 25, 2009	Nov 25, 2019	Yen 10,000
5-year City Bonds No.10 (FY2009)	Dec 18, 2009	Dec 19, 2014	Yen 10,000
20-year City Bonds No.11 (FY2009)	Jan 29, 2010	Jan 29, 2030	Yen 10,000
City Bonds No.22 (FY2009)*	Mar 23, 2010	Feb 20, 2019	Yen 5,000

*Private placement bonds

R&I RATING: AA (Affirmed)

LONG-TERM ISSUE RATING:	Issue Date	Redemption	Issue Amount (mn)
City Bonds No.1 (FY2010)	Apr 20, 2010	Apr 20, 2020	Yen 10,000

R&I RATING: AA (Assigned)

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.

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