

JCR Assigned AAA Rating to Bonds of Aichi Prefecture

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Rationale

- (1) JCR reviewed the ratings on Aichi Prefecture and announced the affirmation of the AAA rating on each series of its bonds on January 26, 2012. Aichi Prefecture boasts the third largest gross prefectural domestic product after Tokyo and Osaka, and its gross prefectural domestic product accounts for 7% of Japan's gross domestic product. JCR values that it has enough financial strength and tax base to financially manage its expenditures self-sustainingly without depending on local allocation tax grants etc. in the medium and long term. At the same time, attention must be paid to an increasing likelihood of its remaining the grant receiving party for a while in light of the recent sharp drop in the tax revenue.
- (2) With respect to corporate taxes, Aichi Prefecture refunded overpaid taxes (refund issued as a result of the tax liability being less than the taxes paid in advance) in the amount of 99.1 billion yen and 9.4 billion yen in FY2009 and FY2010, respectively. Adjusted for the refund amount, the real prefectural tax revenue in FY2010 showed an increase from FY2009. While the prefectural tax revenue is expected to continue recovering, as indicated by the 16.2 billion yen increase on the initial budget basis from FY2010 in FY2011, given uncertainty about future economic conditions due to changes in economic climate overseas and the effect of the strong yen, JCR will keep a close watch on whether Aichi Prefecture can remain on the recovery track.
- (3) Because of a tremendous earnings shortage due to the plunged tax revenue, Aichi Prefecture formulated the "Priority Reform Program Associated with the Administrative Reform" in December 2011, and aims at promoting administrative and financial reforms from five perspectives, including the "expanded utilization of the vitality of the private sector" and "review of personnel expenses." JCR will keep a close watch on the recovery of the future tax revenue, future trend of the allocation tax grant measures and the progress in securing independent revenue sources, as well as the amounts of expenditures reduced and revenues secured through its efforts under the above Program.

Rating

Issuer: Aichi Prefecture

<Assignment>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
aichi-kenmin bonds no.23-2	Y5	Feb. 28, 2012	Feb. 28, 2017	0.38%	AAA

Outline of the method for the determination of the credit rating is posted as "Rating Methodology (Public Sector)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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