

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

Aichi Prefecture (security code: -)

<Assignment>

Bonds: AAA

Rationale

Aichi Prefecture (the "Prefecture") boasts the third largest gross prefectural domestic product, which accounts for 7% of Japan's gross domestic product. The rating on the Prefecture reflects factors including: the solid tax base; top-ranking financial strength among all prefectures; sufficient ready liquidity to fully respond to fluctuations in general revenue sources, etc.; and generous measures on the source of revenue by the central government centered on special measures local bonds and local allocation tax. General revenue sources are growing with recovery in the Prefecture's tax revenue, and there also is a prospect that the increase in the outstanding prefectural bonds will curb. These show the Prefecture's efforts to improve its financial structure. JCR will in the meantime keep an eye on whether the Prefecture can continue disciplined financial management when demand for public services including medical and welfare support is growing.

Atsushi Kato, Akira Minamisawa

Rating

Issuer: Aichi Prefecture

<Assignment>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
publicly offered municipal bonds no. 28-17 (10-year bonds)					
	Y15	Mar. 29, 2017	Mar. 29, 2027	0.225%	AAA

Rating Assignment Date: March 15, 2017

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<http://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "Local Government Bonds" (February 26, 2008) in Information about JCR Ratings on JCR's website (<http://www.jcr.co.jp/en/>).

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

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Aichi Prefecture
Rating Publication Date:	March 15, 2017

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Tax Base

The likelihood of a given debt payment is highly conditional to the issuer's ability to maintain/expand the tax base into the future.

B) Fiscal Condition at Ordinary Accounts

The likelihood of a given debt payment is highly correlated to fiscal balance, debt and other factors of the fiscal condition at the issuer's ordinary accounts.

C) Status of Extra-Departmental Bodies

The likelihood of a given debt payment is influenced by the issuer's relations with local public/governmental corporations, joint public-private sector enterprises and other extra-departmental organizations.

D) Credit Enhancement Systems of the National Government

The likelihood of a given debt payment is influenced by the systems of national government's credit enhancement and implementation thereof, which includes local government bond system, local financial system and others.

E) Creditworthiness of the National Government

The likelihood of a given debt payment is highly correlated to the creditworthiness of the national government that supports the said systems of credit enhancement.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Informational and explanatory materials presented by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing local government
- B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing local government
- C) Documentation of the rated financial product presented by the issuing local government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer or some independent media, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Tax Base

The credit rating is subject to alteration if there is an increase/ decrease in tax revenues on the changes in the business results of local corporations, aggregate household incomes, and property tax valuations. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Condition at Ordinary Accounts

The credit rating is subject to alteration if there is a change in the issuer's fiscal balance, amounts of debt and thereby an improvement/ deterioration in the fiscal condition at the issuer's ordinary accounts. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) Status of Extra-Departmental Bodies

The credit rating is subject to alteration if there is a change in the conditions of local public/ governmental corporations, joint public-private sector enterprises and other extra-departmental organizations and thereby an improvement/ deterioration in the issuer's fiscal base. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Credit Enhancement Systems of the National Government

The credit rating is subject to alteration if there is a change in the local government bond system and/or local financial system and thereby an improvement/ deterioration in the issuer's fiscal conditions or in the likelihood of the national government's implementation of such systems of credit

enhancement. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Creditworthiness of the National Government

The credit rating is subject to alteration if there is a change in the creditworthiness of the national government that supports the said credit enhancement systems. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<http://www.jcr.co.jp/en/service/company/regu/nrsro/>

13

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Tax Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's tax base. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the business results of local corporations, aggregate household incomes, property tax valuations, etc.

B) Fiscal Condition at Ordinary Accounts

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the fiscal condition at the issuer's ordinary accounts in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) Status of Extra-Departmental Bodies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the status of local public/ governmental corporations, joint public-private sector enterprises and other extra-departmental organizations. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a bankruptcy of said extra-departmental organizations or some other change of major magnitude in their fiscal/ financial conditions.

D) Credit Enhancement of the National Government

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the local government bonds and financial systems and other credit enhancement systems of the national government and the likelihood of implementation thereof. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the social environment changes drastically, or else, making the said credit enhancement systems and the likelihood of their implementation by the national government significantly improved or deteriorated.

E) Creditworthiness of the National Government

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the creditworthiness of the national government that supports the said credit enhancement systems. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is an extremely large change in social and political environment, fiscal conditions, etc.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Atsushi Kato, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

加藤 厚

Atsushi Kato

Division Manager of Public Sector Rating Division

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