



# NEWS RELEASE

Mar 9, 2010

## R&I Assigns AA+: Aichi Citizens Bonds No. 2 (FY2009)

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

**ISSUER:** Aichi Prefecture  
Aichi Citizens Bonds No. 2 (FY2009)  
New Issue

**R&I RATING: AA+ (Assigned)**

### **RATIONALE:**

Aichi Prefecture has the third highest Gross Prefectural Product in Japan after Tokyo and Osaka. The prefecture is home to numerous leading firms, including the Toyota Motor Group, and is Japan's largest industrial prefecture, where manufacturers drive the regional economy. The prefecture has ranked first nationwide in manufactured product shipments for 32 consecutive years.

Due to the global economic recession stemming from the financial crisis in the U.S., corporate performance is deteriorating, particularly in the auto industry, which has so far served as a growth engine for the local economy. With a rapid decrease in basic financial revenue including two corporate taxes (corporate business tax and corporate residents tax), Aichi Prefecture received local allocation tax grants in FY2009 for the first time in four years. In addition to realizing an advanced auto industry, the prefecture recognizes the promotion of next-generation industries as an important challenge.

Under Governor Masaaki Kanda, the prefecture launched its "2005 Aichi Administrative Reform Plan" in February 2005. The benefits from this initiative reached 172.6 billion yen during the four-year period from FY2005 through FY2008, including cost savings from personnel cuts and project reviews. Moreover, the balance of prefectural bonds, which increased as a result of Expo 2005 Aichi and infrastructure construction related to the Central Japan International Airport, has been decreasing in real terms (excluding extraordinary fiscal measure bonds and revenue shortfall compensation bonds) since FY2005, as the prefecture has subsequently curtailed bond issuance and set aside more sinking funds. The estimated years of debt redemption for FY2008 (ordinary account) were below the prefectural average. Furthermore, the adjusted single fiscal year balance has been in surplus for three consecutive years since FY2006. Following FY2006 and FY2007, which saw a rise in tax revenue, the prefecture worked to level off its financial burden even in FY2008, when the economic downturn began to have a negative impact, by accumulating financial sources adjustment funds and sinking funds. Aichi Prefecture has also embarked on the creation of a new administrative and fiscal reform plan that will allow it to maintain sound fiscal conditions even in a harsh economic environment. R&I expects Governor Kanda to implement fiscal reforms decisively according to the new administrative and fiscal reform plan. Nevertheless, the severe economic environment is likely to continue for the time being. R&I needs to keep an eye on the earnings trends in the regional economy, as well as on the prefecture's initiatives for administrative and fiscal reforms.

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/rating/rating/methodology.html>

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# NEWS RELEASE

**R&I RATINGS:**

**ISSUER:** Aichi Prefecture

**LONG-TERM ISSUE RATING:**

Aichi Citizens Bonds No. 2 (FY2009)

**R&I RATING:** AA+ (Assigned)

**Issue Date**

Mar 30, 2010

**Redemption**

Mar 30, 2015

**Issue Amount (mn)**

Yen 5,000

**ISSUER RATING:** AA+

**RATING OUTLOOK:** Stable

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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