



愛知県

Financial Status of Aichi Prefecture

May, 2018



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Highlights

Outstanding Economic and Industrial Platforms

- An economy comparable to that of a country
- One of the most highly populated prefectures in Japan
- Focus on automobiles with an outstanding concentration of industries

Maintenance of Fiscal Soundness

- Firm and sound fiscal standing
- Ample provision of sinking funds

Aichi Prefecture Bonds

- Received the same ratings as those of Japanese government bonds
- A leading bond issuer in Japan: JPY350bn issuance planned for FY2018





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1. Overview



Overview of Aichi Prefecture

- Aichi Prefecture has the world's leading automotive cluster
- One of Japan's three biggest metropolitan areas
- Nagoya is the fourth largest city in the country



	Japan	Tokyo	Ranking	Aichi	Ranking
Population (thou)	126,706	13,724	1	7,525	4
GDP (JPY tr)	533.9	104.3	1	39.6	3
Production (JPY tr)	313.1	8.4	14	46.0	1

* Source: Toyota Motor Corporation *MIRAI: First hydrogen fuel cell vehicle sold commercially in the world*

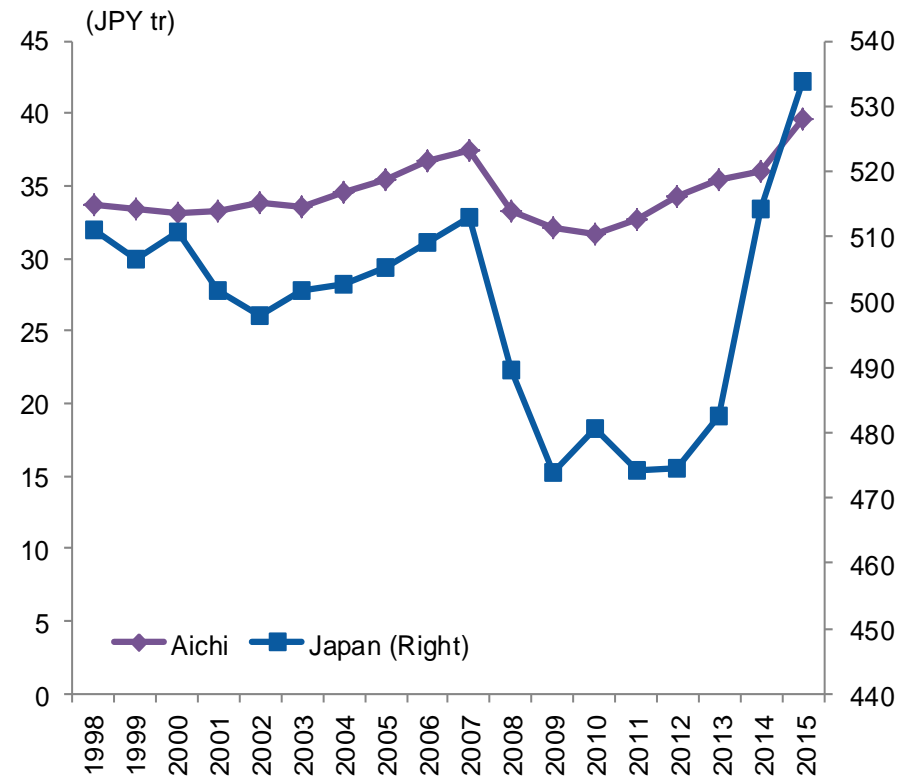
Economic Size of Aichi Prefecture

- One of the largest GDP in Japan after Tokyo, comparable to that of a country

2015 GDP of Countries

Country	GDP (USD bn)
U.S.A.	18,120.7
China	11,064.7
Japan	4,395.5
Germany	3,375.6
U.K.	2,885.6
.....	
Thailand	399.2
.....	
Egypt	332.7
Aichi	329.3
South Africa	317.6

GDP Trend

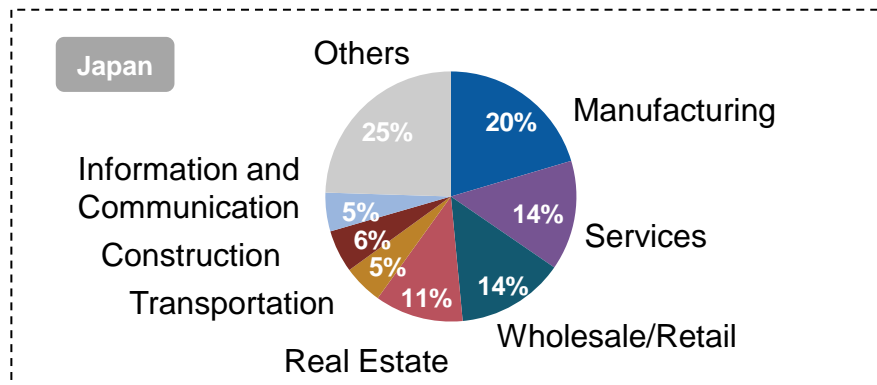
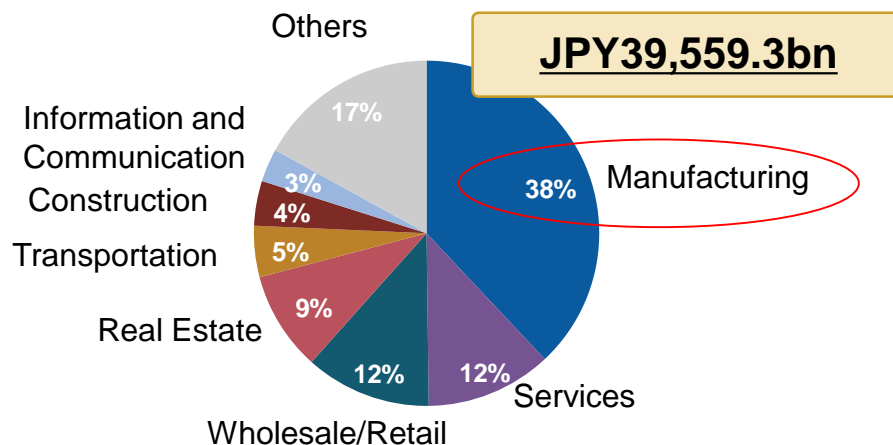


Source: Statistics Division of Aichi Prefectural Government, converted at the rate of USD1 = JPY120.13, as of FY2015

Industrial Structure of Aichi

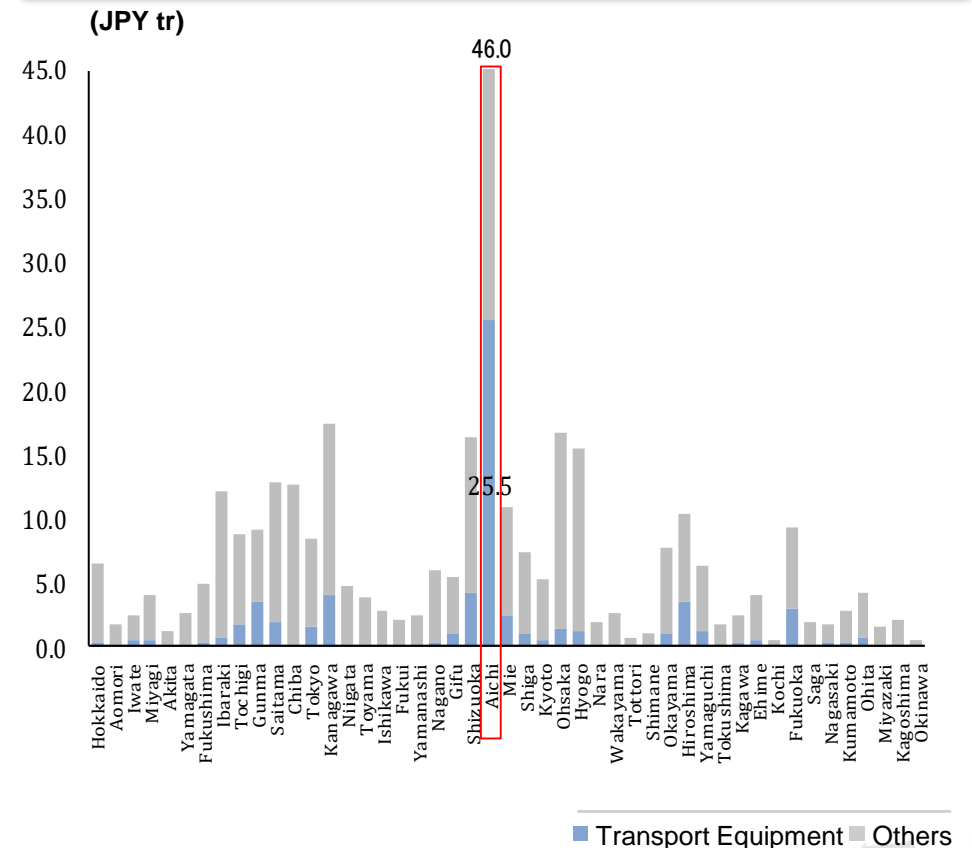
- Well-balanced industrial structure with manufacturing sector at the core
- Aichi drives Japan's manufacturing sector, particularly the automotive industry

Breakdown of GDP (FY2015)



Source: Statistics Division of Aichi Prefectural Government (FY2015, actual and estimate)

Total Shipments of Manufactured Goods (2015)



Source: "FY2015 Census of Manufacturers (summary)" issued by Ministry of Economy, Trade and Industry

Future Growth Industry - Aerospace Industry

50% of Japanese Aircraft and its parts are manufactured in Aichi and the surrounding pefs

Concentration of Aerospace Industry

Production of Boeing 787

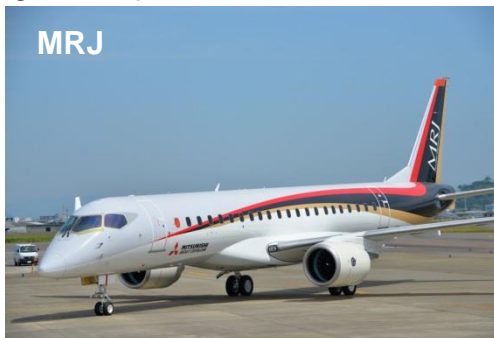
- 35% of the airframe structure, incl. main/center wing boxes and forward fuselage, are produced in this area



Source: Boeing

Development of Mitsubishi Regional Jet (MRJ), the first commercial jet program developed in Japan

- First test flight completed on November 11th in 2015



Source: Mitsubishi Aircraft Corporation

Creation of Aerospace Industrial Cluster

- Aichi and the surrounding pefs were designated as a Comprehensive Special Zone for the aerospace industry in December 2011

Aiming to be a world top 3 hub for the aerospace industry

Target

Aerospace industry output in this area :
JPY870bn (2013)⇒ JPY1,180bn (2020)

Aerospace industry employees in Chubu:
18,600 (2013)⇒ 25,000 (2020)

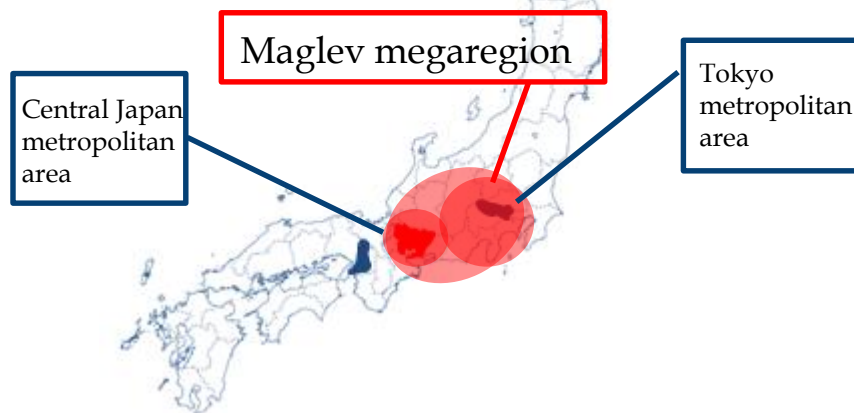
Large Projects Currently Underway in Aichi

The Chuo Shinkansen using the Superconducting Maglev

- In 2027, the Chuo Shinkansen using the Superconducting Maglev is scheduled to begin service.
- It will connect Tokyo and Nagoya in only 40 minutes.
- The Tokyo metropolitan area will be integrated with the central Japan metropolitan area by the maglev line. A maglev megaregion with a population of 50 million people will be created,



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The 20th Asian Games

- The 20th Asian Games will be held in 2026 .

Overview of Asian Games

- Largest multi sports event in Asia organized by the Olympic Council of Asia (OCA)
(The second largest event after the Olympic Games held every four years.)
- Participation : 45 countries and regions affiliated to the OCA
- Sport : 40 different sports
(※the 18th Jakarta-Palembang 2018)
- Number of participants : approximately 15,000
(competitors and officials)

Aichi International Exhibition Center

- Aichi International Exhibition Center to debut in 2019



Japan's First Exhibition Center
with Direct Access to an International Airport

Located in
the Center of Japan.
Excellent Convenience
& Easy Access

To Debut in 2019
One year before the
opening of The
Tokyo 2020 Games

One of the Largest
in Japan.
60,000 m² of
Exhibition Space



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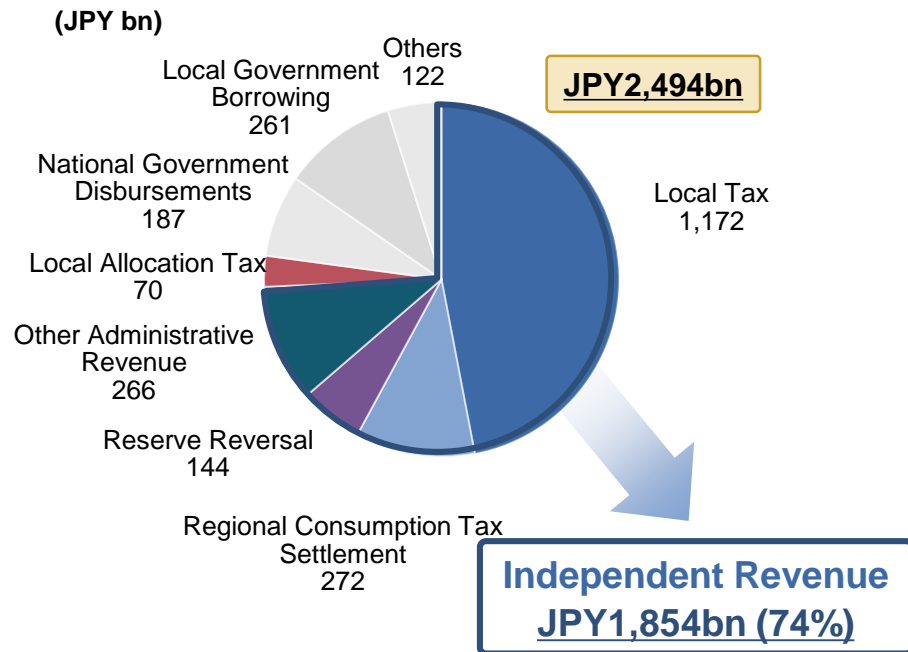
2. Fiscal Profile



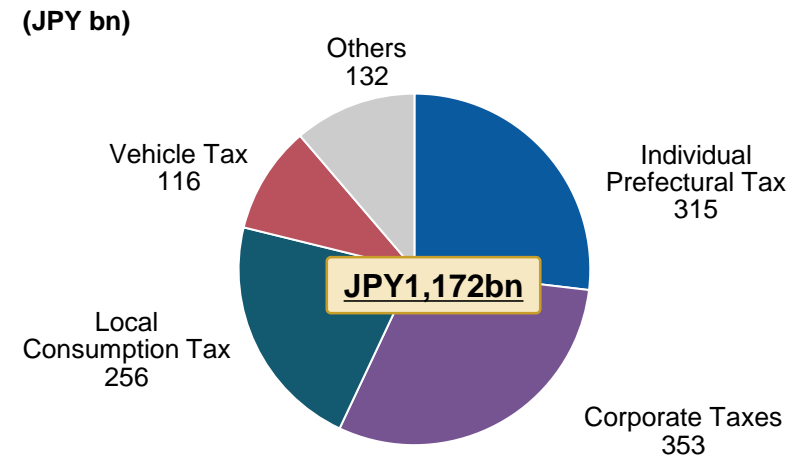
Aichi Prefecture's Revenue

- Independent revenue records one of the highest among Japanese local governments

Breakdown of Revenue (FY2018 Initial Budget)



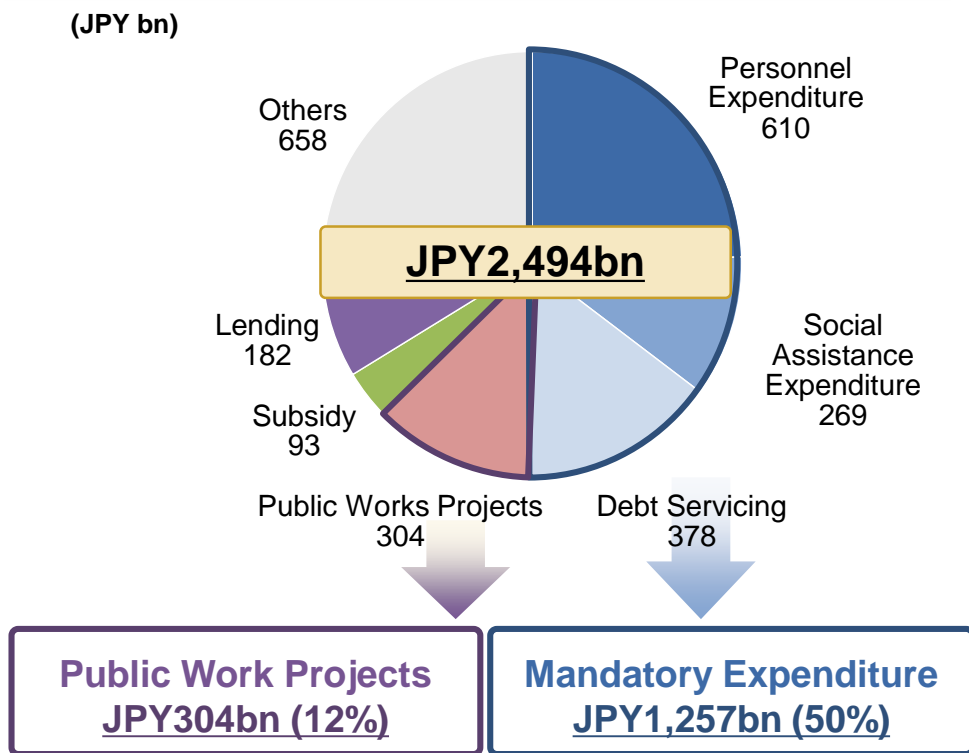
Breakdown of Local Tax Revenue (FY2018 Initial Budget)



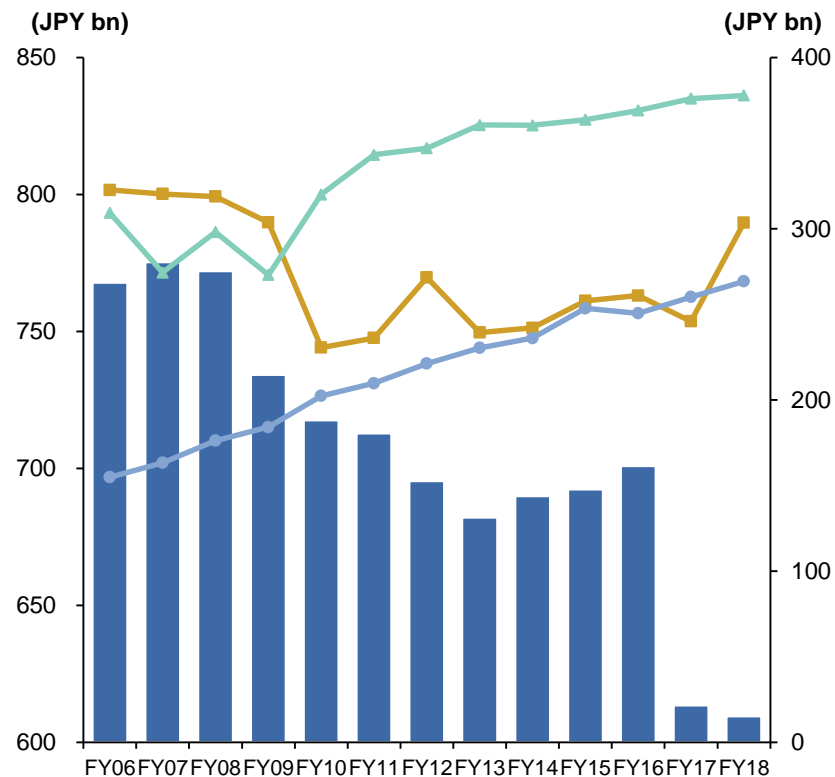
Aichi Prefecture's Expenditure

- Control personnel expenditure and public work projects to maintain sound fiscal management

Breakdown of Expenditure (FY2018 Initial Budget)



Trends in key items of Expenditure

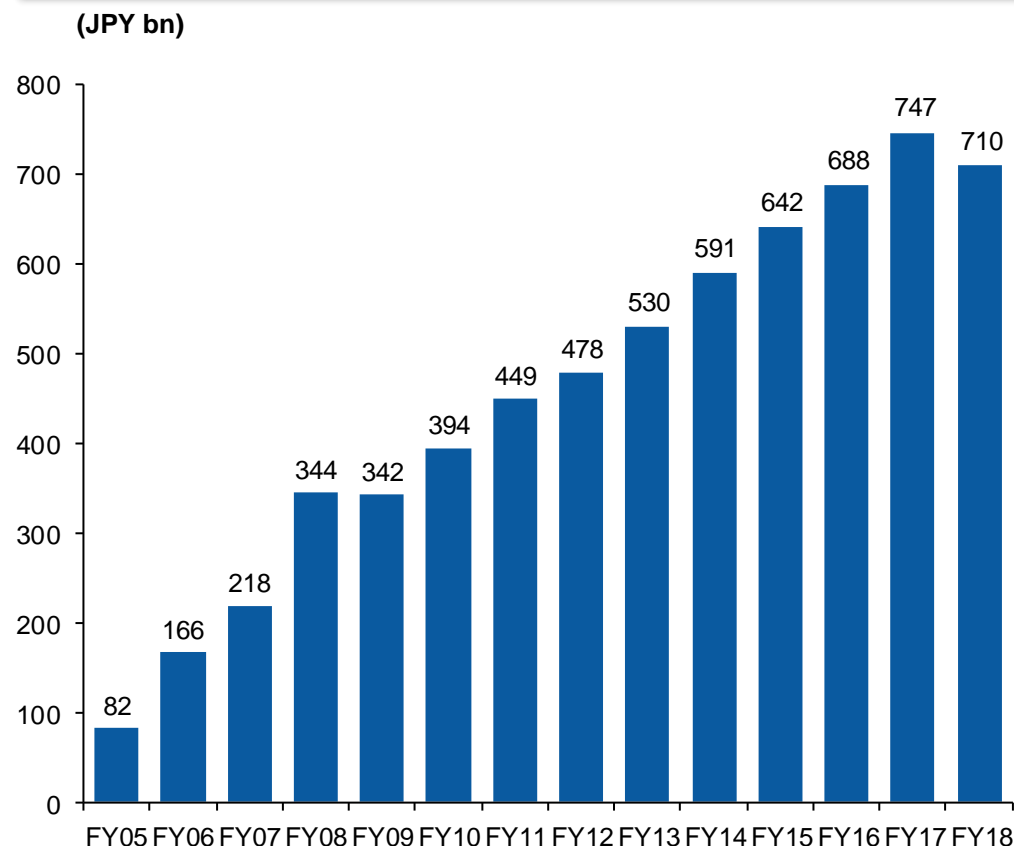


- Left: Personnel Expenditure
 Right: Public Work Expenditure
 Social Assistance Expenditure
 Debt Servicing

Liquidity: Status of Sinking Fund

- Japanese local governments hold deposits and marketable securities accounting for a certain percentage of outstanding debt of bullet bonds as a sinking fund

Trends in Balance of Sinking Funds



S&P's Evaluation of Liquidity

- “We believe Aichi has ample internal cash holdings and strong access to external liquidity. We estimate that as of March 31, 2017, the prefecture’s internal cash holdings covered more than **200% of its annual debt service costs**. Aichi has a close relationship with **Bank of Tokyo-Mitsubishi UFJ Ltd.**, a quasi-commitment line provider that ensures its short-term liquidity. In addition, Aichi has an established position in the bond market.”

(Source: “S&P Report” dated March 28, 2018)





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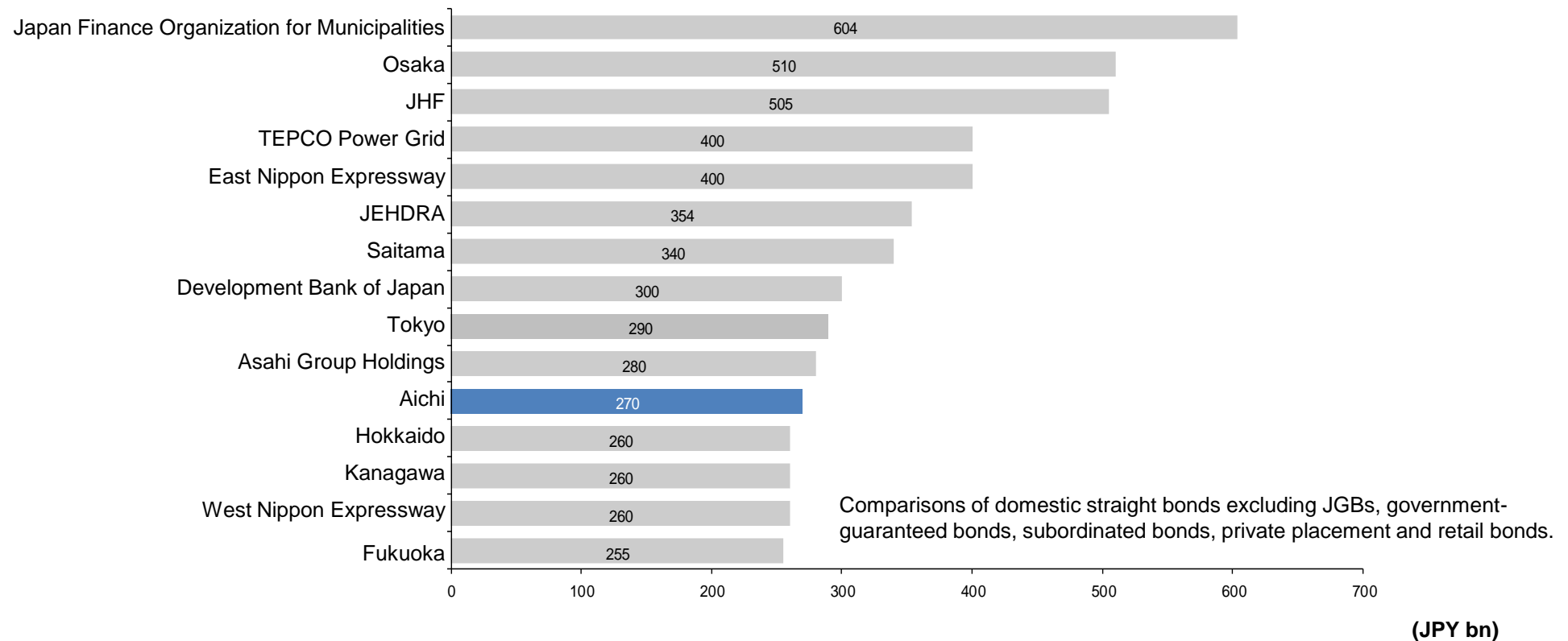
3. Aichi Local Government Bonds



Positioning of Aichi LGBs in Japan

- Aichi is one of the leading bond issuers in Japan and the fourth largest Local Government Bonds (LGBs) issuer after Osaka, Saitama and Tokyo

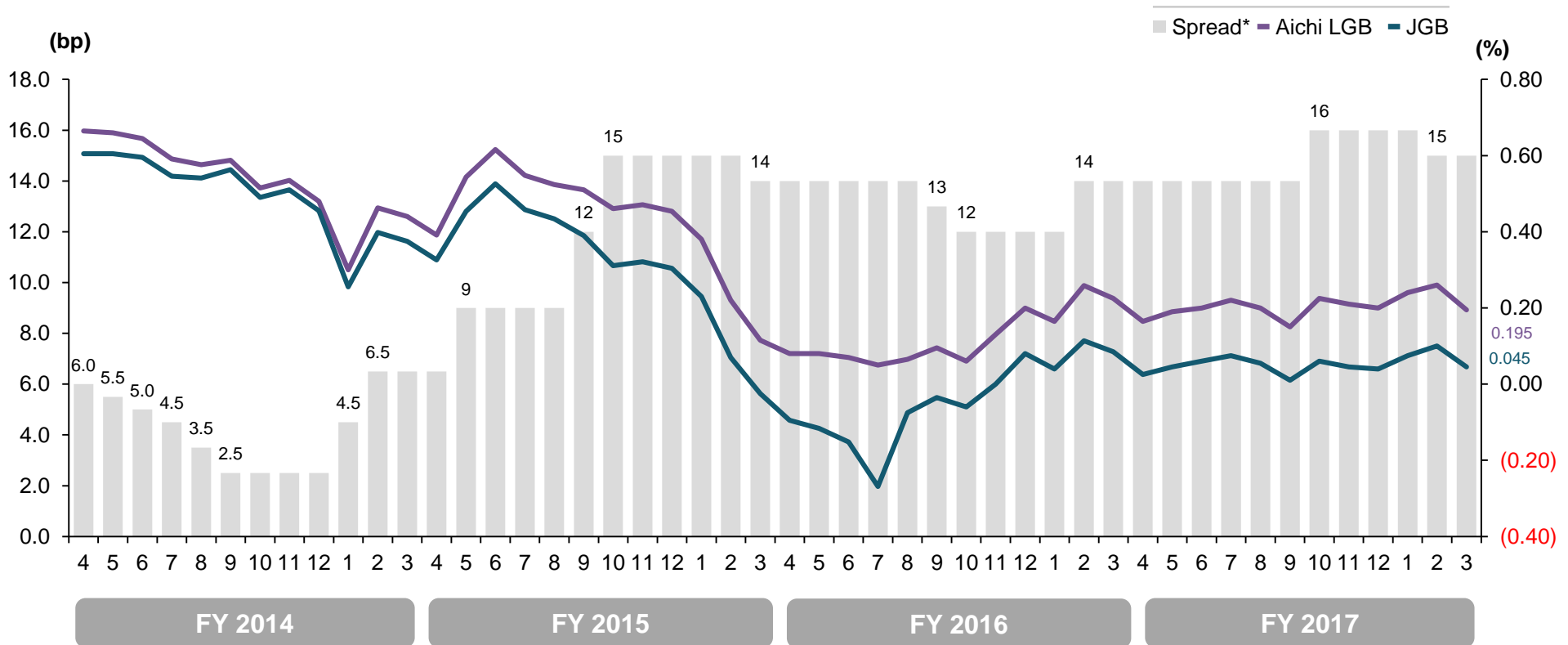
Top Bond issuers in Japan (FY2017, from 04/01/2017 to 03/30/2018)



Attractiveness Relative to JGBs

- Aichi issues its core 10-year bonds on monthly basis
- Aichi's spreads over JGBs have been stable

10-Year Bond Spread Levels



*Aichi LGBs have been priced by absolute yield since FY2016 Apr to Jul and the spreads were to be used when JGB rates rose



Ratings and BIS Risk Weights

- Aichi obtained credit ratings from 2 rating agencies
- Its ratings are the same as those of JGBs

Credit ratings of Aichi Prefecture

International

S&P A+ (positive)

- Stable independent revenue sources and steady financial administration results
- The same as JGBs and Tokyo Metropolitan

Domestic

R&I AA+ (negative)

(as of April, 2018)

Risk Weights under BIS Standards ※

JGBs	0%
Aichi LGBs	0%
Government agency bonds	10%~20%
Bank debenture bonds	20%
Straight bonds	20% or more

※ Risk weights for domestic investors in Japan.

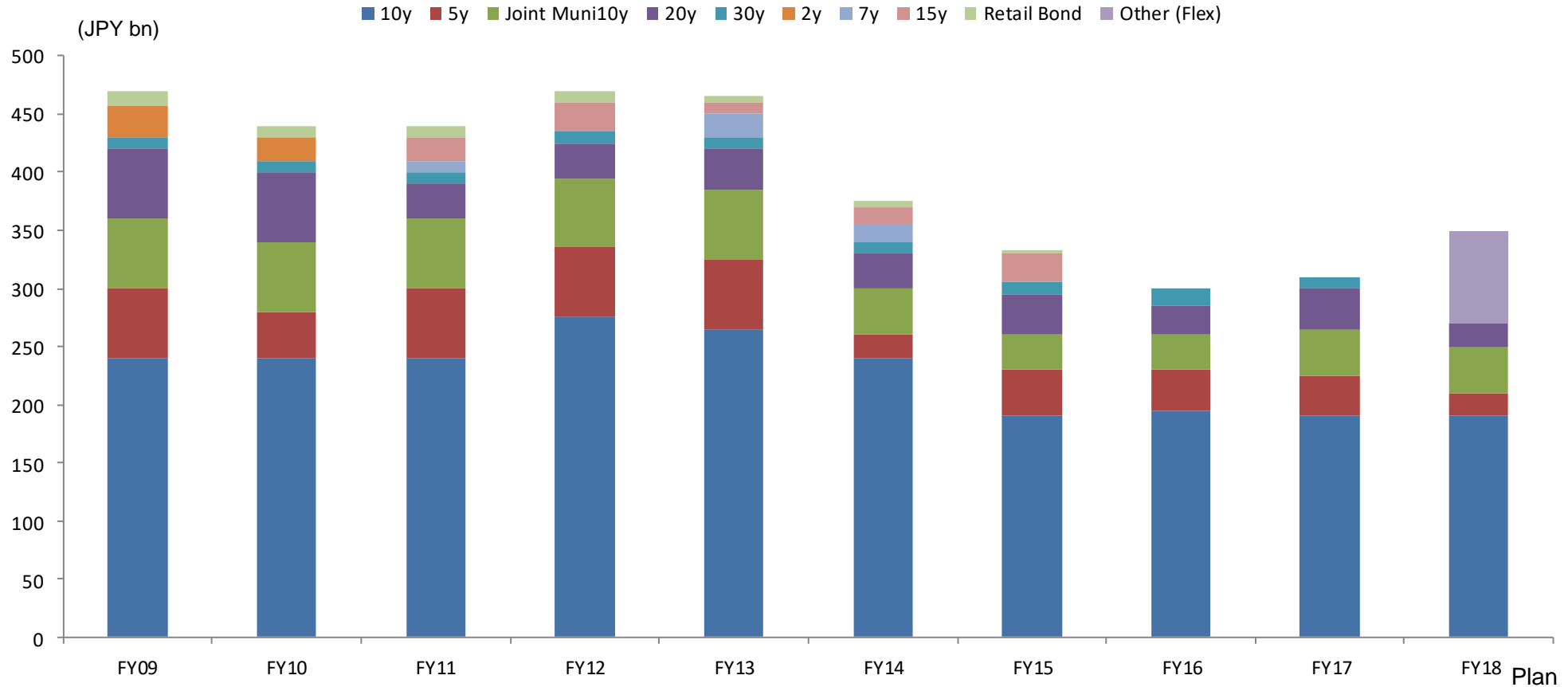
For overseas investors, BIS Risk Weighting will depend on confirmation of relevant regulatory authority in each country.



Historical Issuance Volume(FY2009~)

■ Aichi continuously issues about JPY300 to 500bn per fiscal year

Historical Issuance Volume from FY 2009



FY2018 Public Offering Bond Issuance Plan

- Plans to issue public offering bonds of JPY350bn (≒US\$3.3bn*) in FY2018.

FY2018 Public Offering Bond Issuance Plan

(JPY bn)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Joint-LGBs	5	10			10		10				5		40
5-year LGBs			10						10				20
10-year LGBs	15	15	15	15	15	20	15	15	15	15	20	15	190
20-year LGBs			10						10				20
Flex term						80							80
Total													350

Concepts for the Plan

- Continues monthly issue of 10-year bonds as benchmark
- Issues a variety of bonds including 5-year and 20-year bonds
- Offers flex term bonds for flexible funding to respond to investor needs
 - Upsize requests
 - Needs for diversified maturities**

* 1USD=106.24JPY as of end of Mar 2018

** Aichi has issued 2, 7, 15 and 30-year bonds in the past





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4. Appendix



FY2016 Ordinary Account Settlement

- Local governments undertake municipal administration in Japan, and the size of a local government is comparable to that of a country under a federal system. Prefectures are engaged in a wide range of administrative services such as providing police service and operating high schools.

				(JPY mn)			
	FY2016	FY2015	Changes		FY2016	FY2015	Changes
Local Tax	1,274,405	1,260,277	14,128	Mandatory Expenditures	1,109,520	1,095,888	13,632
Local Transfer Tax	114,478	133,421	△ 18,943	Personnel Expenditures	682,375	675,992	6,383
Local Allocation Tax	83,478	79,655	3,823	Debt Servicing	380,145	375,047	5,098
National Government Disbursements	207,703	207,446	257	Social Assistance Expenditures	47,000	44,849	2,151
Local Government Borrowing	249,083	262,594	△ 13,511	Investment Expenditures	226,862	235,511	△ 8,649
Other Revenues	334,246	354,948	△ 20,702	Other Expenditures	900,212	947,168	△ 46,956
Total Revenues	2,263,393	2,298,341	△ 34,948	Total Expenditures	2,236,594	2,278,567	△ 41,973
				Gross Balance	26,799	19,774	7,025
				Real Balance	18,860	12,749	6,111

Financial Ratios

- All four key indicators that measure local government's financial soundness are comfortably below the limit levels.

Fiscal Health Indicators

	FY2014 Results	FY2015 Results	FY2016 Results	Early warning Limit
(1) Real Deficit Ratio	- (not applicable to Aichi Prefecture)			△3.75%
(2) Consolidated Real Deficit Ratio	- (not applicable to Aichi Prefecture)			△8.75%
(3) Real Debt Payment Ratio	15.1%	14.3%	13.8%	25%
(4) Future Burden Ratio	212.7%	197.3%	192.7%	400%

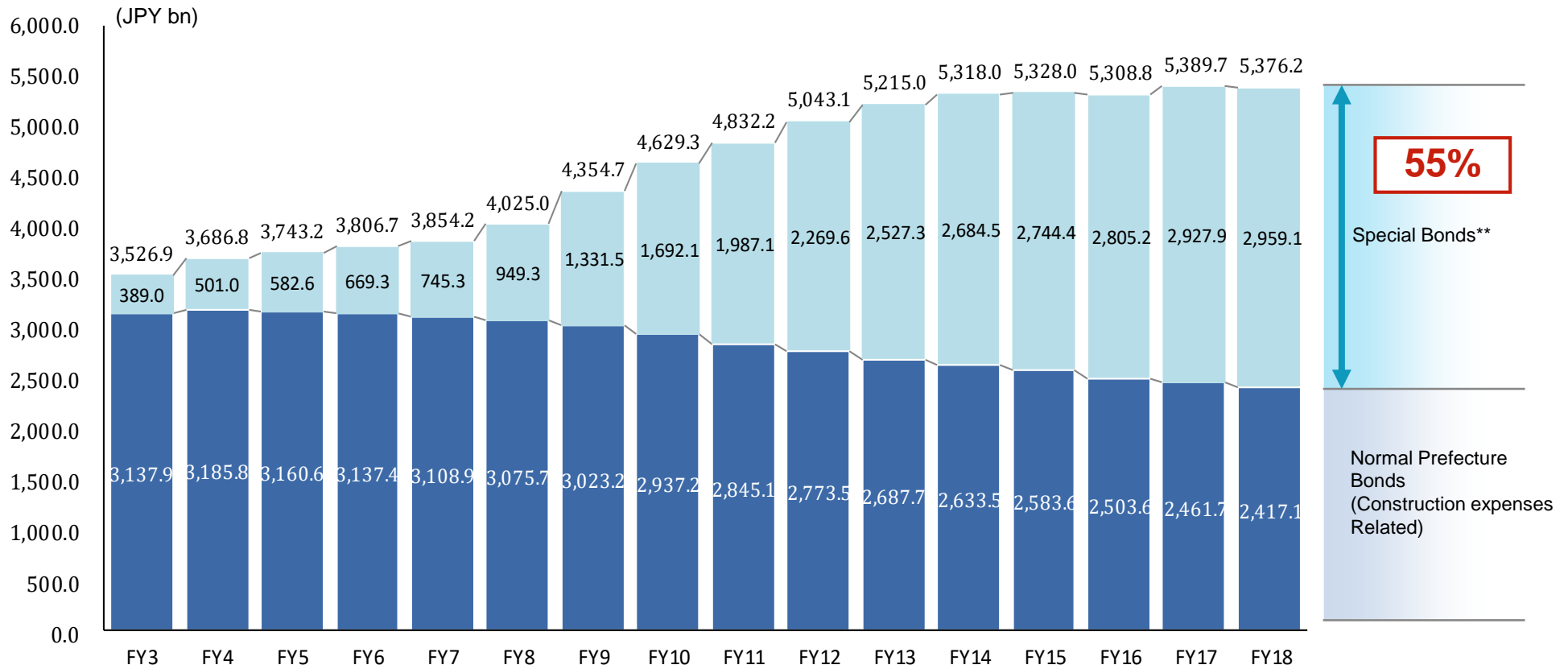
Details

- (1) The ratio of "real deficit within the General Account" to "standard financial scale".
- (2) The ratio of "all account-based real deficit" to the "standard financial scale".
- (3) The ratio of the "general revenue resources appropriated to pay off bonds" to the "standard financial scale".
- (4) The ratio of "future debts including those of the public-private joint sector as well as expected future debts on the General Account" to the "standard financial scale".



Historical Outstanding Volume(FY2003~)

Historical Outstanding Volume from FY 2003*



*Based on ~FY16: results/ FY17~: budget

** Interim measures for fiscal condition and decline of tax revenue, etc.





Aichi Prefectural Government

Finance Section, Budget Management Division, Department of General Affairs
3-1-2 Sannomaru, Naka-ku, Nagoya, Aichi, JAPAN 460-8501

- E-mail: zaimu-shikin@pref.aichi.lg.jp
- Website: <http://www.pref.aichi.jp/global/en/index.html>
- Bloomberg: AICHI Govt <GO>
- Tel.: +81-52-954-6045 (dial-in)

