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Financial Status of Aichi Prefecture

October 2025

Aichi Prefectural Government
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Contents

Highlights

Outstanding Economic and Industrial Platforms

- One of the prefectures that have the largest scale of economy and population
- Focus on automobiles with an outstanding concentration of industries
- Center of the three largest metropolitan areas which will be connected more closely

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: JPY305bn issuance planned for FY2025

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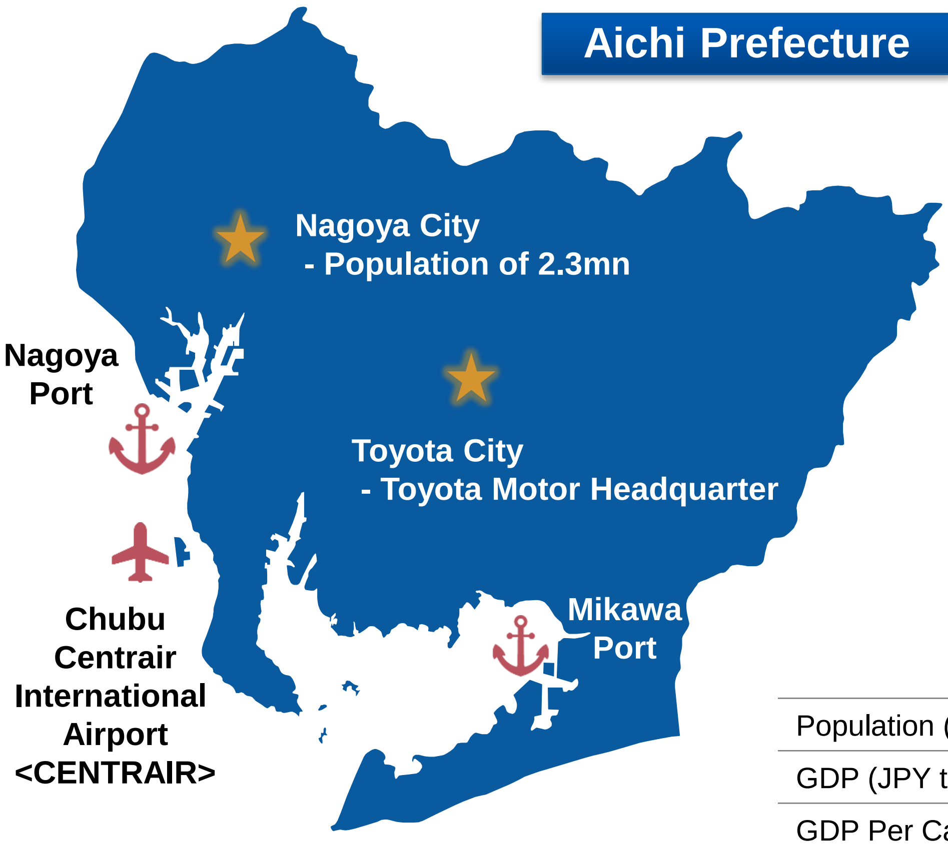
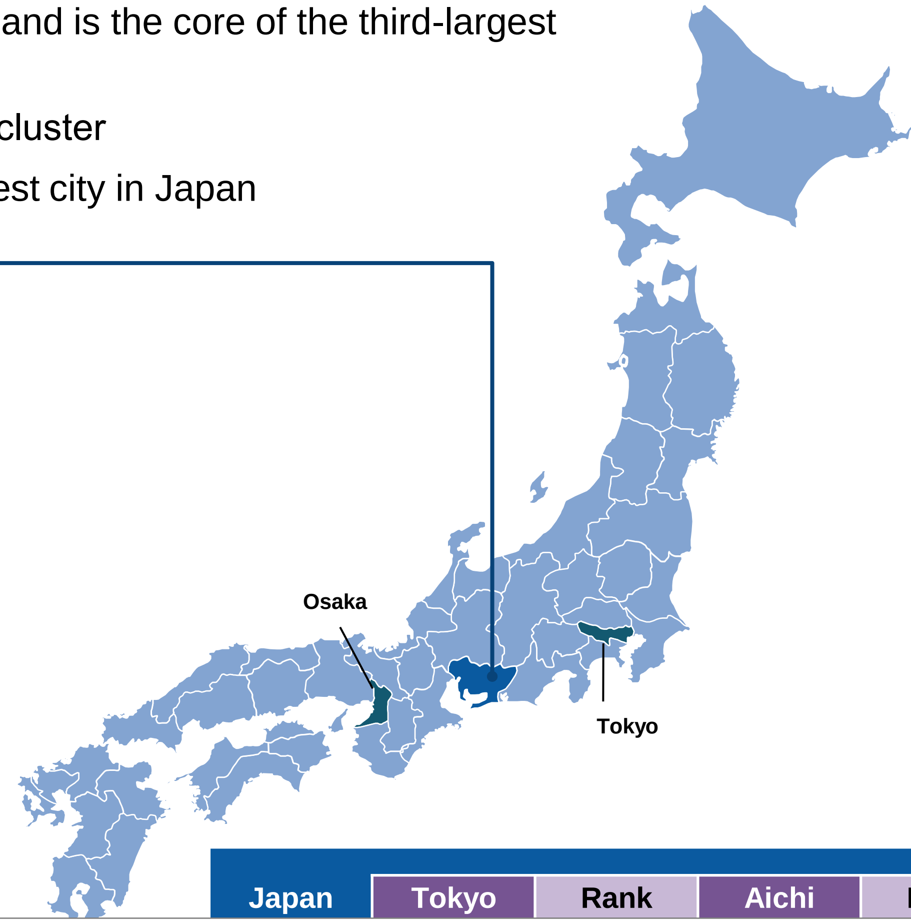
1. Overview

Overview of Aichi Prefecture

- Aichi Prefecture is located in the center of Japan, and is the core of the third-largest metropolitan area in Japan
- Aichi has the world's leading automobile industry cluster
- Nagoya city, the capital of Aichi, is the fourth-largest city in Japan





	Japan	Tokyo	Rank	Aichi	Rank
Population (K)[1]	123,802	14,178	1 /47	**7,465**	**4 /47**
GDP (JPY tn)[2]	595.2	120.22	1 /47	**43.08**	**3 /47**
GDP Per Capita (JPY K)	4,807.5	8479.3	1 /47	**5,771.3**	**2 /47**

[1] *Source: Statistics Division of Aichi Prefectural Government, Statistics Bureau of Ministry of Internal Affairs and Communications, as of Oct 2024*
[2] *Source: Economic and Social Research Institute of Cabinet Office, Japan as of JFY2023, Tokyo as of JFY2022 and Aichi as of JFY2022*

Economic Presence of Aichi Prefecture

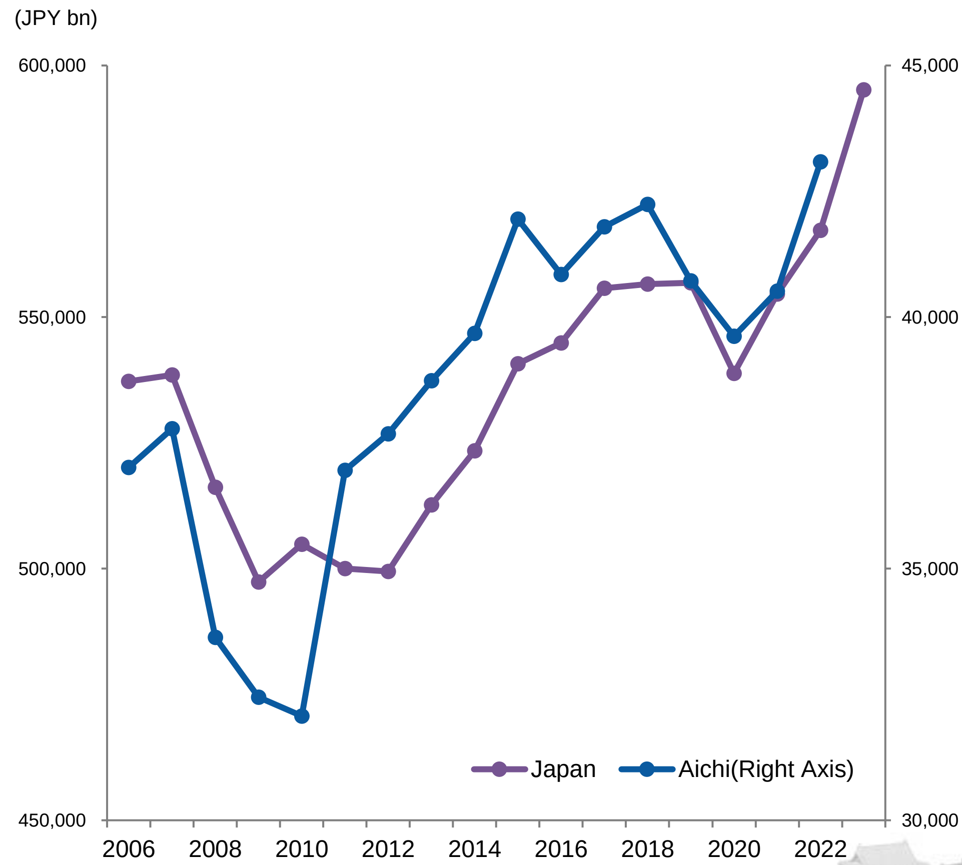
- GDP of Aichi is third-largest among 47 prefectures, and is comparable to those of medium-sized countries in the world

GDP of the Countries around the World

#	Country	GDP (USD bn)
1	United States	29,184.9
2	China	18,743.8
3	Germany	4,659.9
4	Japan	4,133.2
	…	
43	Romania	382.8
44	Pakistan	373.1
45	Czechia	345.0
46	Chile	330.3
47	Portugal	308.7
48	Finland	299.8
-	**Aichi Pref.**	**299.2**
49	Peru	289.2
50	Kazakhstan	288.4
51	Iraq	279.6
52	Algeria	263.6
53	New Zealand	260.2

[1]*Source(except Aichi): World Bank, as of 2024, USD equivalent (1USD=144JPY)*

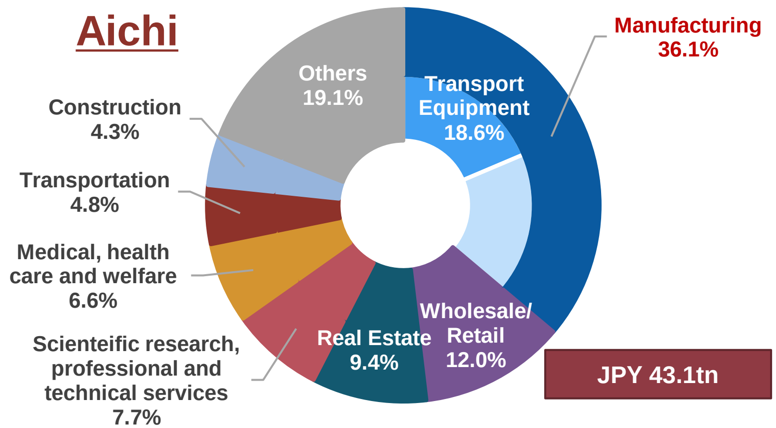
GDP Trend of Aichi

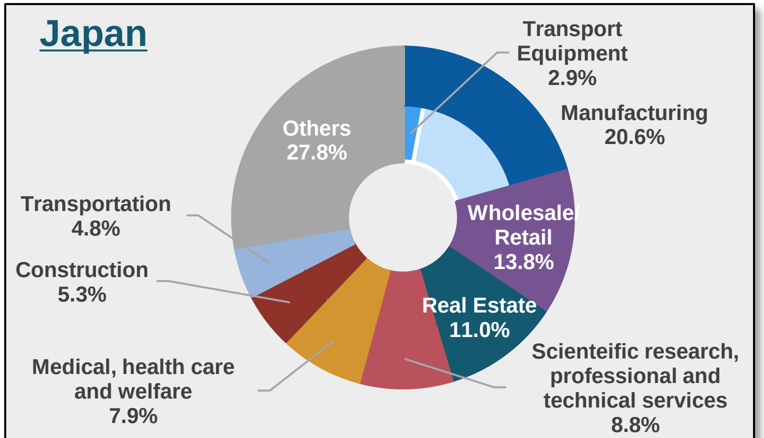


Industrial Structure of Aichi

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

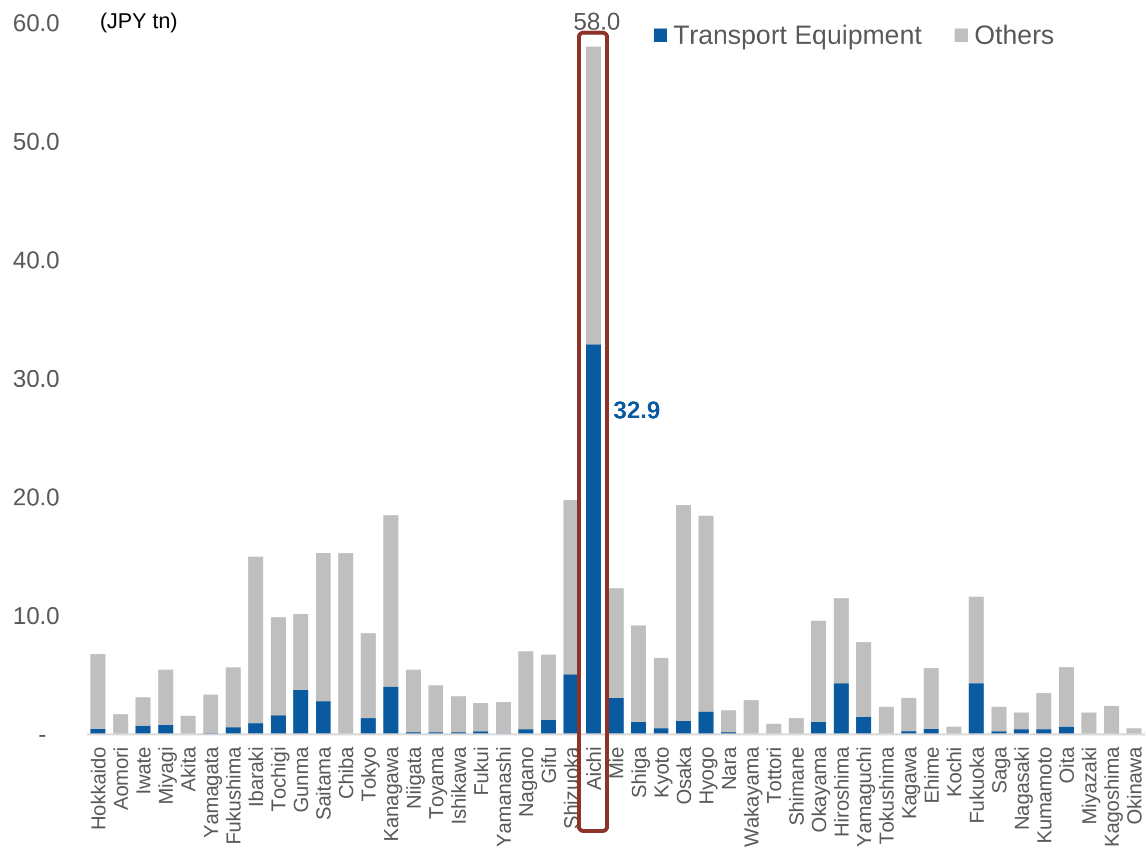
Breakdown of GDP





Source: Statistics Division of Aichi Prefectural Government (FY2022), Economic and Social Research Institute of Cabinet Office(CY2023)

Total Shipments of Manufactured Goods (47 Prefs, 2023)



Source: *"FY2024 Surveys on Economic Structure" issued by Ministry of Economy, Trade and Industry*

Aichi as Industrial Capital

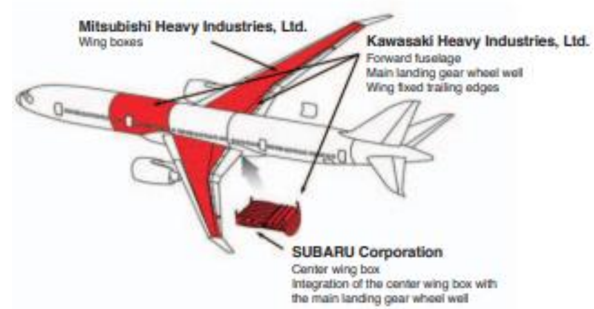
- Aichi Prefecture is the industrial capital of Japan and manufacturing center that leads the world economy

Automobiles and Next-Generation Vehicles

- Is home to Toyota Motor
- FCVs(Fuel Cell Vehicles) “MIRAI” were adopted as official cars by Aichi Pref. Government
- Supports research and demonstration of autonomous driving
- Has 34 hydrogen stations, the highest number of all prefectures in Japan

Aerospace

- Designated as “The Special Zone to Create Asia's No.1 Aerospace Industrial Cluster”
- About 35% of a Boeing 787 is manufactured in Aichi Pref.



Robots

- Has established “the Aichi Robot Industry Cluster Promotion Council”
- Is working to develop and promote the widespread use of robots with the aim of fostering growth of the robot industry

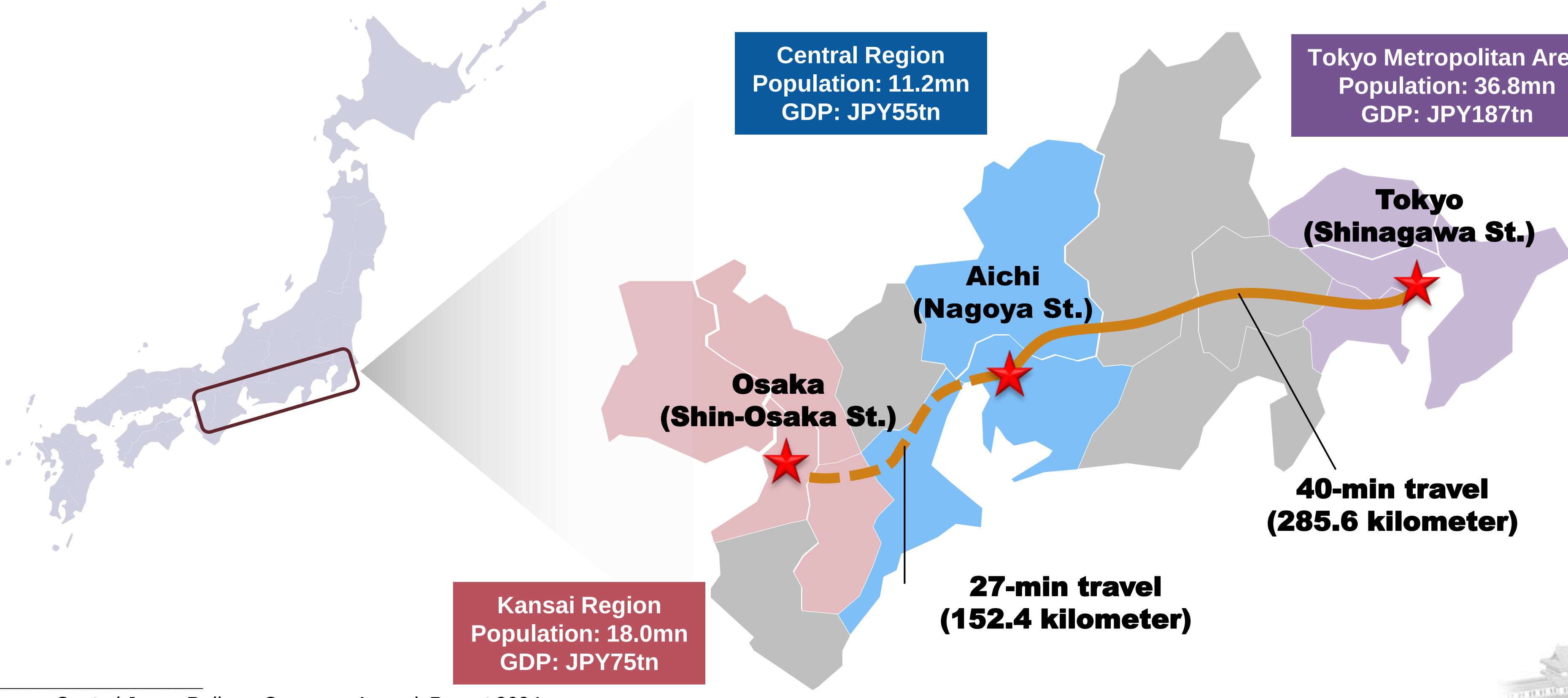
Startups

- Since October 2024, “STATION Ai”, Japan’s largest startup support center, has been jointly operated in collaboration with SoftBank
- Implements startup support programs in collaboration with the University of Texas at Austin, Tsinghua University, and other institutions leading global innovation

Increasing Presence as a Part of "Super Mega Region"

The Chuo Shinkansen Project using the Superconducting Maglev (SCMAGLEV) System

- The Chuo Shinkansen Project using the Superconducting Maglev System is a project to create faster artery transportation linking Tokyo, Aichi (Nagoya) and Osaka
- The Chuo Shinkansen will reduce travel time between Tokyo and Nagoya to only 40 minutes, significantly enhancing connectivity and business efficiency.
- Drastic reduction in travel time will lead to transformation of three major metropolitan areas into single "Super Mega Region"



Source: Central Japan Railway Company Annual Report 2024

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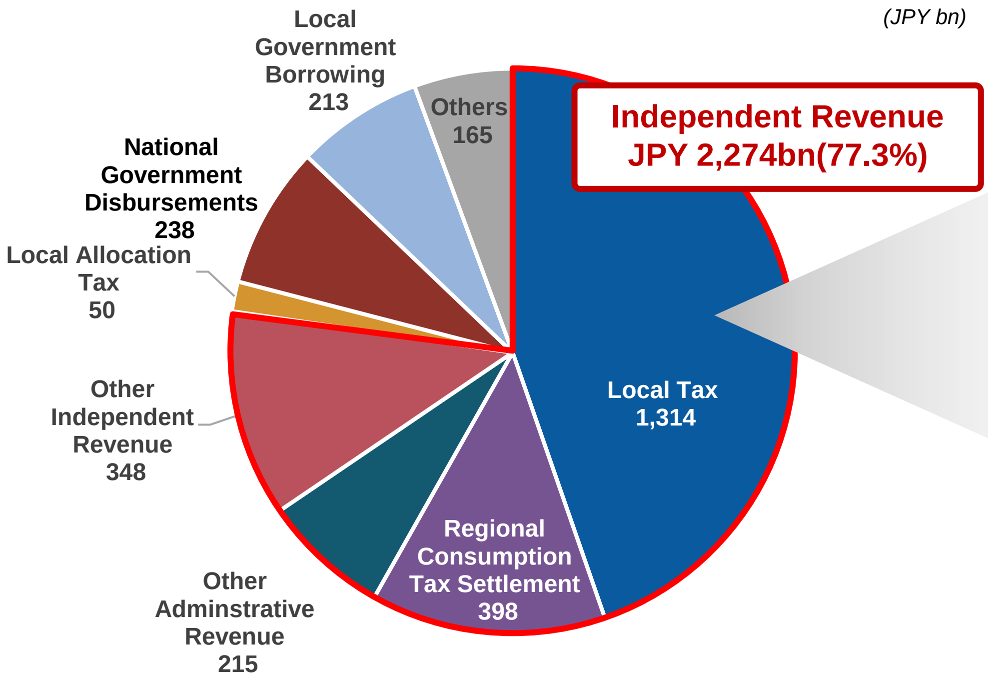
2. Fiscal Profile

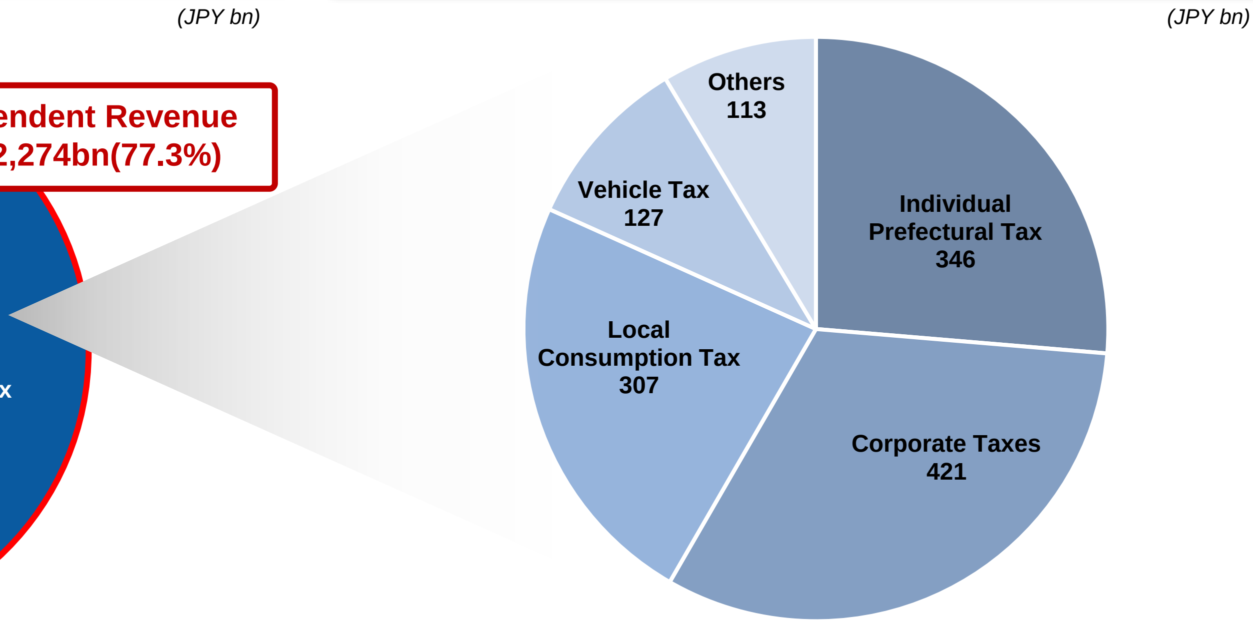
Revenue and its Robust Structure

- Majority of Aichi's revenue is covered by "Independent Revenue" source, and its ratio is one of the highest among Japanese local governments

Breakdown of Revenue (FY2025 Initial Budget)



Breakdown of Local Tax Revenue (FY2025 Initial Budget)



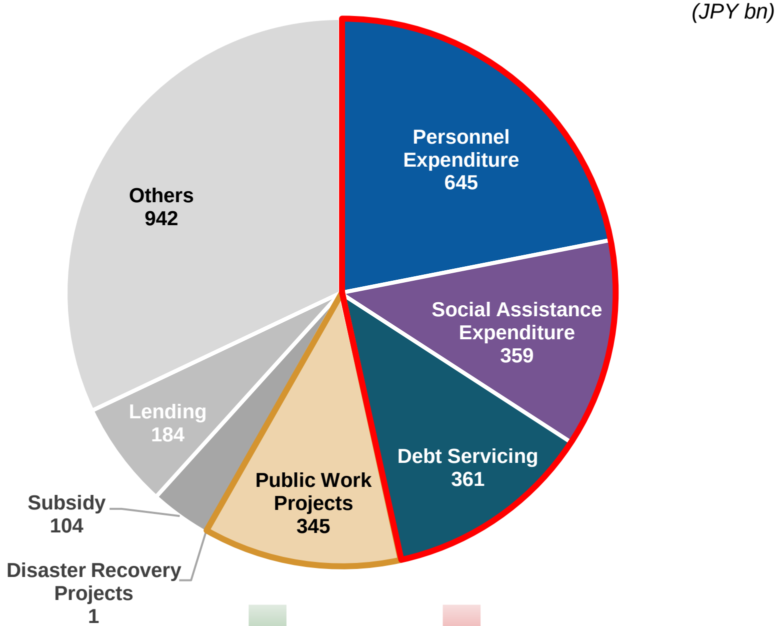
- In FY2023, Aichi recorded 4th highest *Independent Revenue Ratio* among all local governments in Japan

Source: Aichi Prefecture

Expenditure under Disciplined Control

- Aichi is handling the rising trend of mandatory expenditure by disciplined control to maintain fiscal soundness

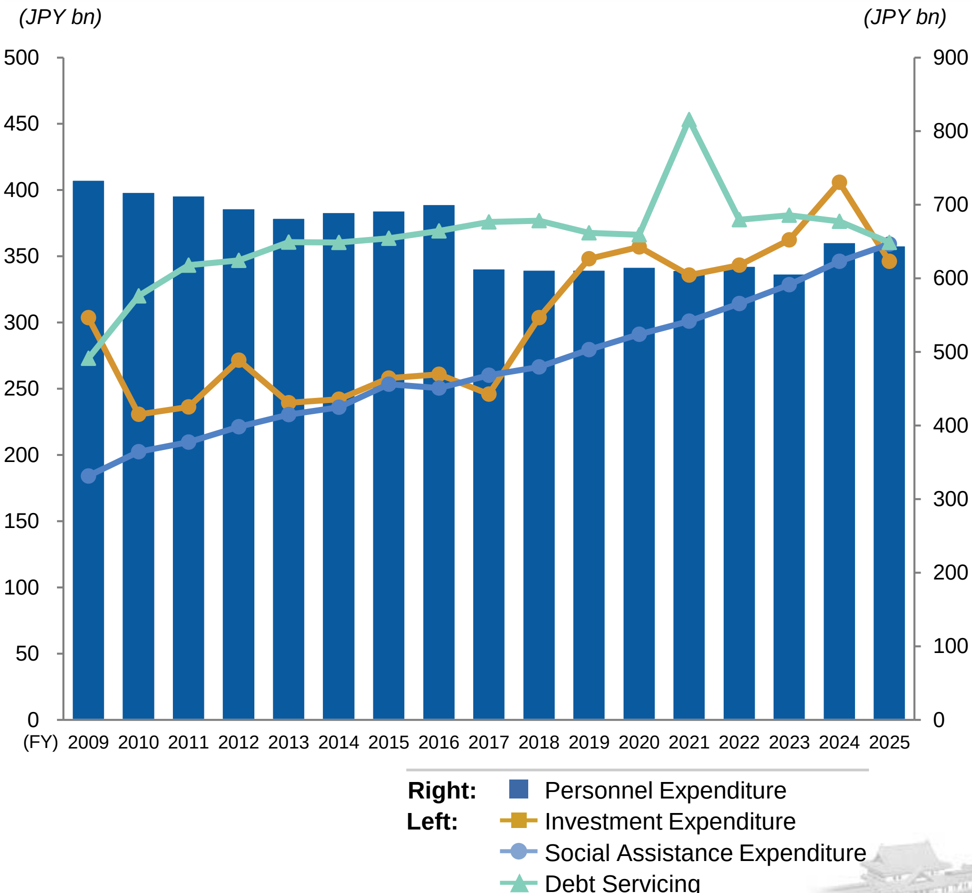
Breakdown of Expenditure (FY2025 Initial Budget)



Investment Expenditure
JPY346bn(11.7%)
FY2023 Financial Results
Aichi：12.9%
National Average: 14.3%

Mandatory Expenditure
JPY1,364bn(46.4%)
FY2023 Financial Results
Aichi：44.8%
National Average: 37.7%

Trends in key items of Expenditure

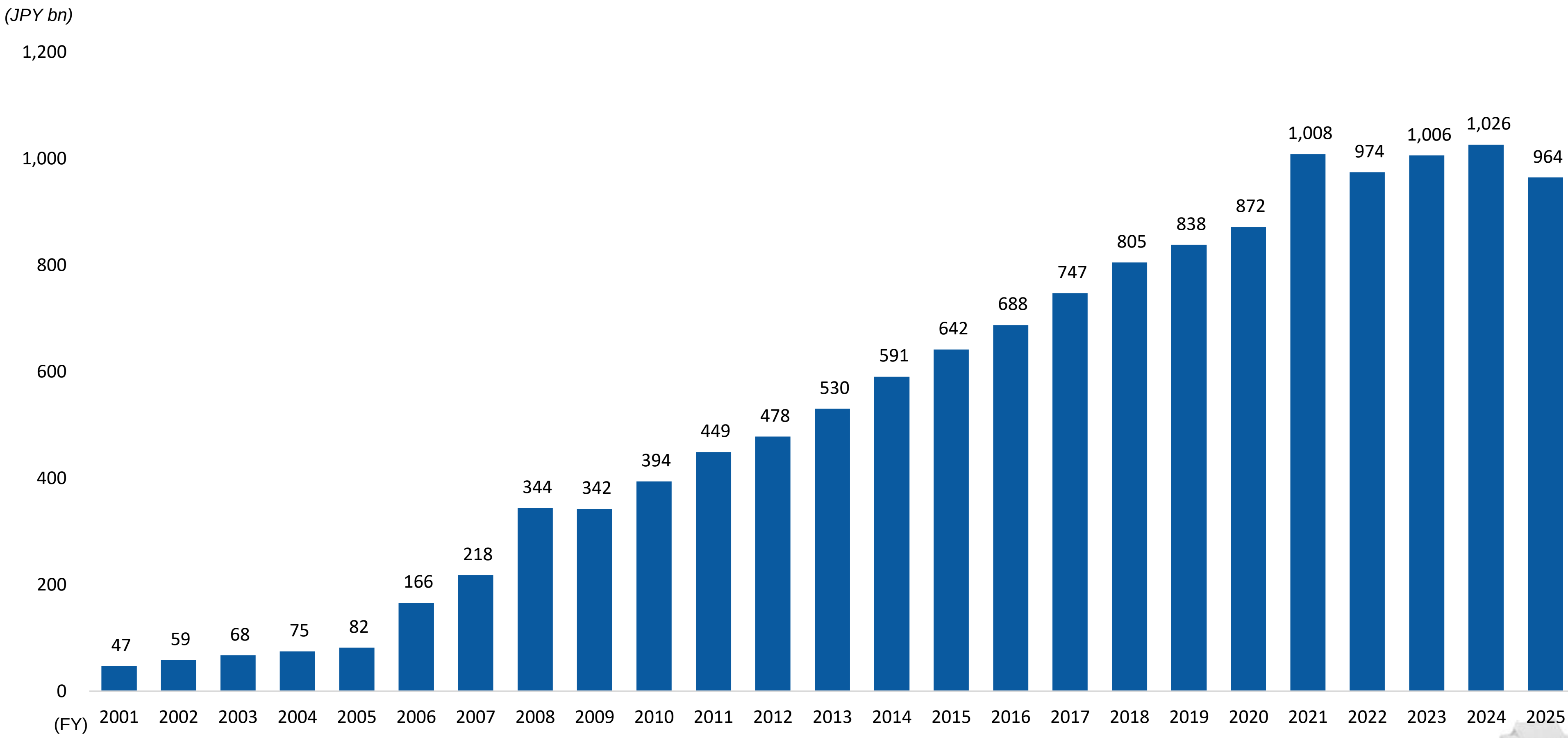


Source: Aichi Prefecture

Sufficient Accumulation of Sinking Fund

- Sufficient amount of sinking fund is set aside for the purpose of repayment for debt obligation

Balance of the Sinking Fund



Source: Aichi Prefecture, Figures of FY2025 is based on budget

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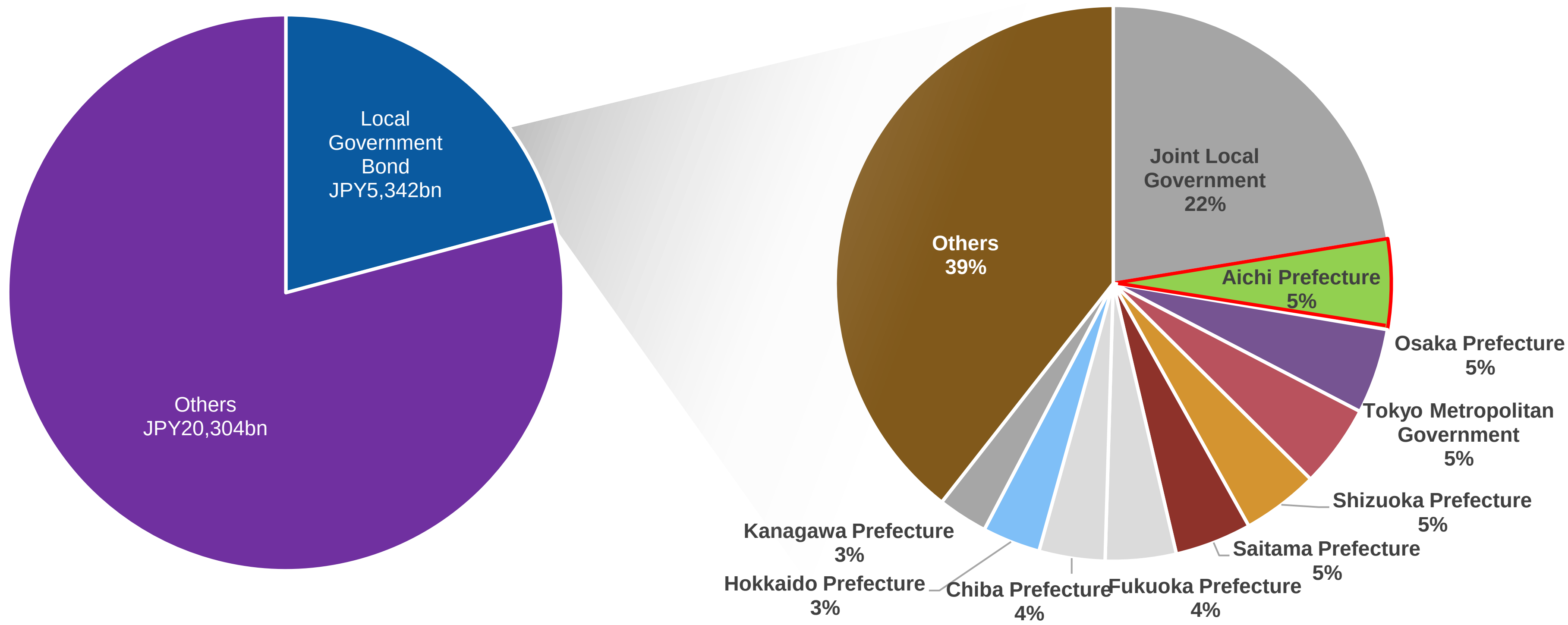
3. Aichi Local Government Bonds

Aichi is a Leading Issuer of Local Government Bonds

- Being one of the leading bond issuers in Japan, Aichi is the second largest Local Government Bonds issuer

Breakdown of Japan Domestic Bonds Market in FY2024

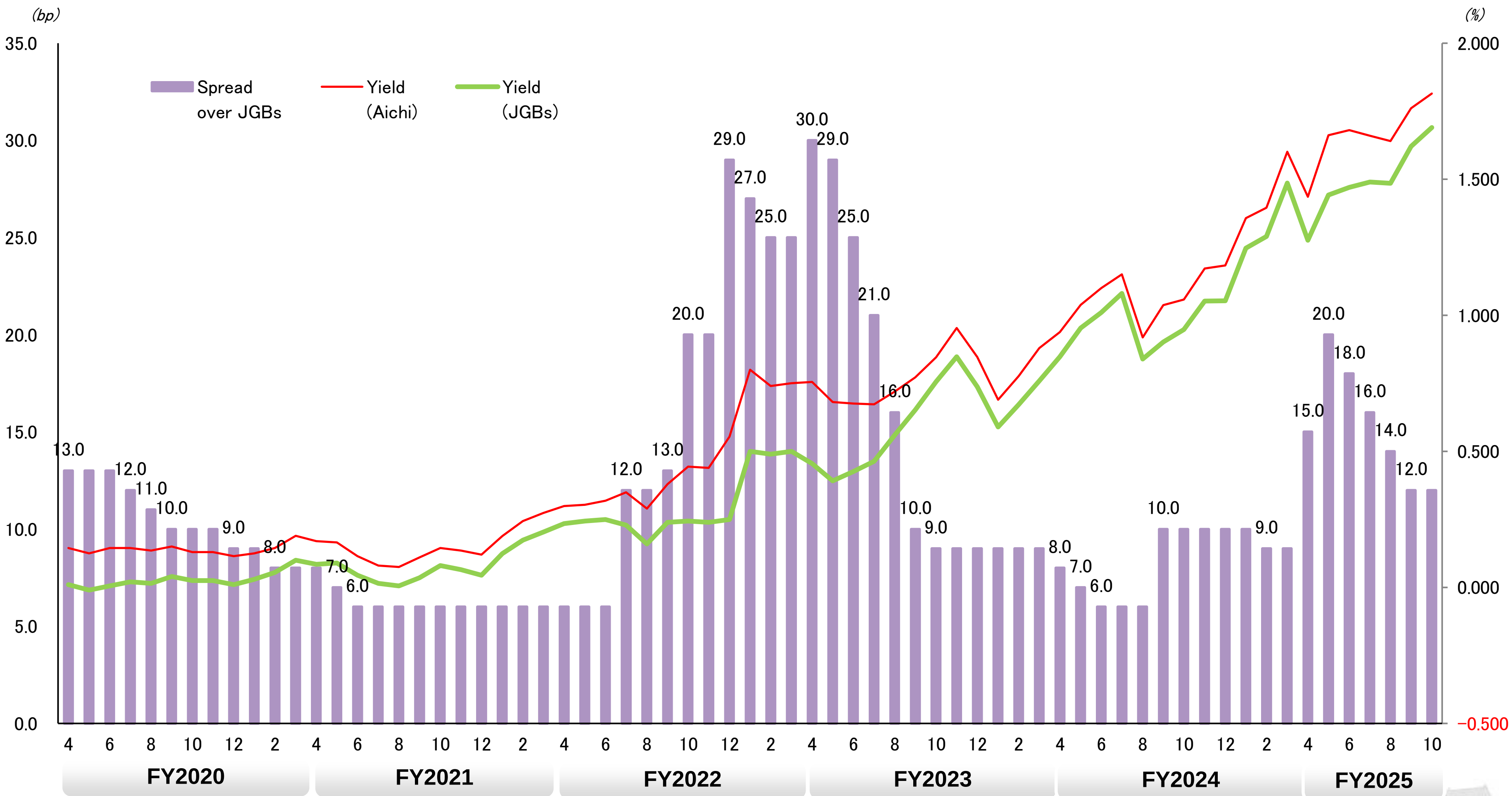
Top Issuers of Japan Local Government Bonds



Source: DealWatch

Pick-up against JGBs

10-Year Bond Historical Yields and Spreads (New Issue)



Source: Aichi Prefecture

Ratings and BIS Risk Weights

- Aichi obtains credit ratings from 2 rating agencies
- Its ratings are identical as those of JGBs

Credit ratings of Aichi Prefecture

International

S&P A+ (stable)

- Balanced financial management thanks to a strong local economy supported by highly competitive manufacturers
- Improving budget balances will reduce outstanding debt
- Stable independent revenue sources and steady financial administration results
- Same as JGBs and Tokyo Metropolitan

(as of August 2025)

Domestic

R&I AA+ (stable)

(as of January 2025)

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.

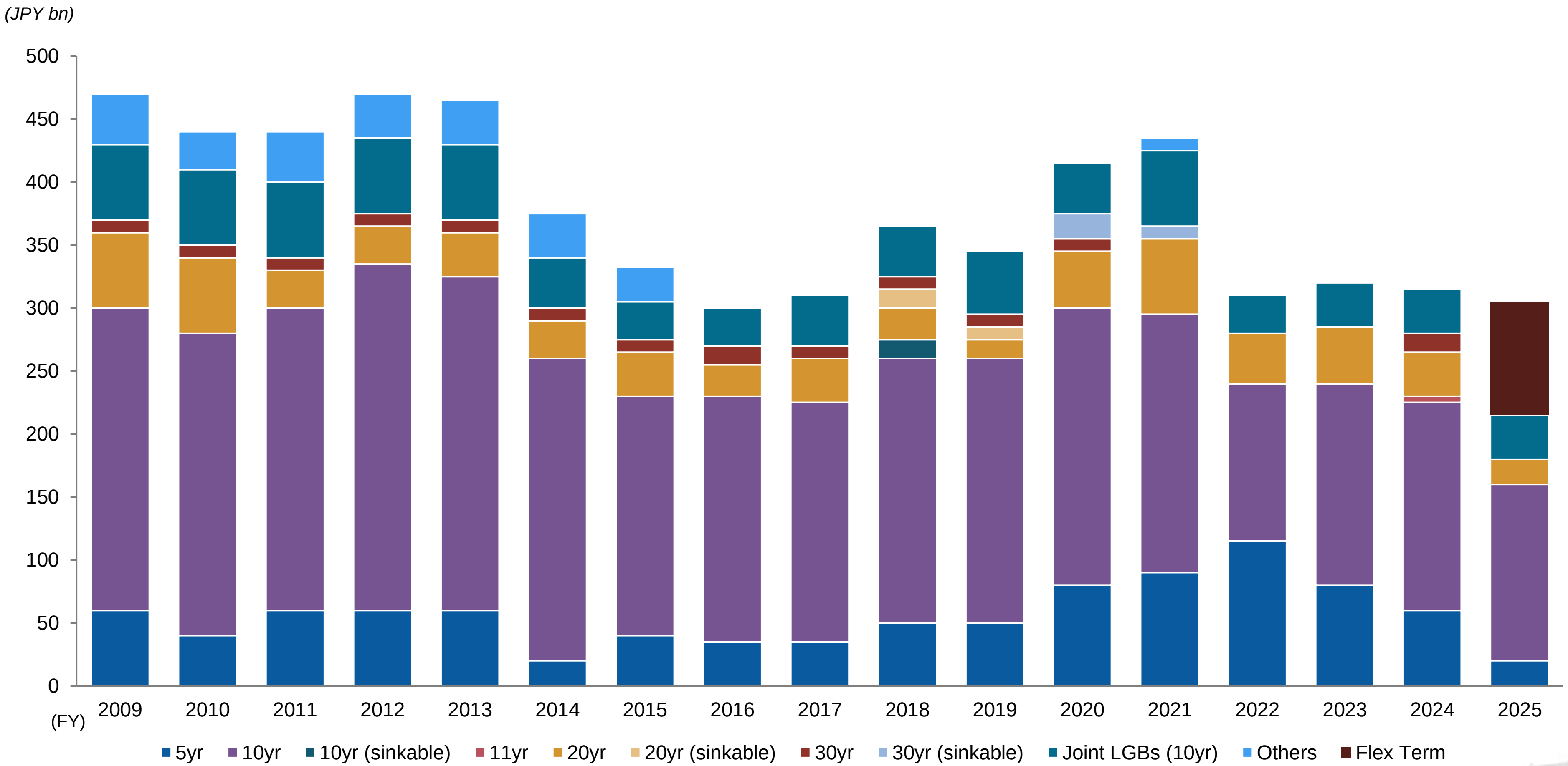
For overseas investors, BIS Risk Weighting will depend on confirmation of relevant regulatory authority in each country.

Source: Aichi Prefecture, S&P, R&I

Issuance Footprints

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

Issuance Volume Breakdown by Tenors



Source: Aichi Prefecture

FY2025 Public Offering Bond Issuance Plan

- Aichi Plans to issue public offering bonds of JPY305bn in FY2025.

FY2025 Public Offering Bond Issuance Plan

(JPY bn)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Joint LGBs (10yr)	5	5			5		10			5			30
Green Joint LGBs						1			2			2	5
5-year LGBs	10						10						20
10-year LGBs	12	12	12	12	12	10	12	12	12	12	10	12	140
20-year LGBs			10					10					20
Flex term	+15 upsize onto 5yr			15 issued as 30yr		+30 upsize onto 10yr	+5 upsize onto 5yr			25 in the rest of the FY of which 10 will be issued as Green Bonds (5yr)			90
Total													**305**

*Actual Issuance as of October 10th 2025

Concepts for the Plan

- **Continues monthly issue of 10-year bonds as benchmark**
- **Issues a variety of bonds including 5-year and super long**
- **Plans to issue fourth green bonds following first time in FY2022**
- **Offers flex term bonds for flexible funding to respond to investor needs**
  - **Upsize requests**
  - **Needs for diversified maturities**

Source: Aichi Prefecture

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4. Appendix

Safeguard System of Japanese Local Government Bonds

- Japanese local government bonds have a risk weight of zero as a result of powerful national fiscal backing, a tax system designed to prevent failure and other measures as described below

1. Local Allocation Tax System – Securing Financial Resources -

- When determining budgets for each fiscal year, the national government sets forth an estimate of revenues and expenditures for all local governments, and guarantees revenue shortfalls.
- As part of this system, the national government provides backing for the redemption of the principal and interest of local government bonds, thereby strengthening the repayment capacity of local government bonds by local governments.

2. Bond issuance approval system as an early correction measure

- Local governments must discuss with the national government before issuing bonds, and receive confirmation that the new bond issuance is reasonable and will not negatively affect the local governments' future ability to repay principal and interest of local government bonds.

National Government ensures the revenue source for redemption of interest and principal of LGBs through Local allocation tax

Standard Financial Requirements − Standard Financial Revenues = Regular Allocation Tax Amount

The cost for basic public services **including the principal and interest of LGBs**

Shortfalls → Reallocation of tax make up the shortfalls

Considerable portion of Standard local tax revenue, etc.

National government reallocates tax revenues as Local allocation tax to local governments that have weaker financial capabilities

Outline of Tax Exemption for Non-Residents

Tax Exemption for Non-Residents

- Starting in 2008, with the Article 5-2 Act on Special Measures Concerning Taxation (Limited to the provisions related to nonresidents and foreign corporations), the interest gains on LGBs owned by non-resident or foreign corporations which settled by the book-entry system are exempted from withholding tax.

Non-residents/Non-domestic entities

Qualified foreign intermediary (including Clearstream, Euroclear)

Specified transfer institution (subcustodian)

Director of tax office with jurisdiction over the specified transfer institution

Source: Aichi Prefecture and Statistics Bureau of Ministry of Internal Affairs and Communications

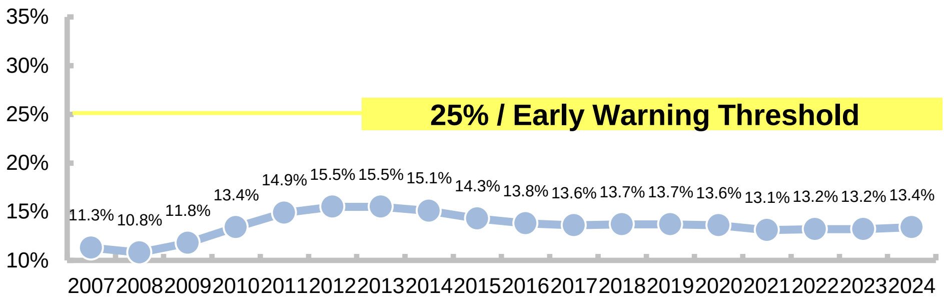
Financial Ratios

Fiscal Health Indicators

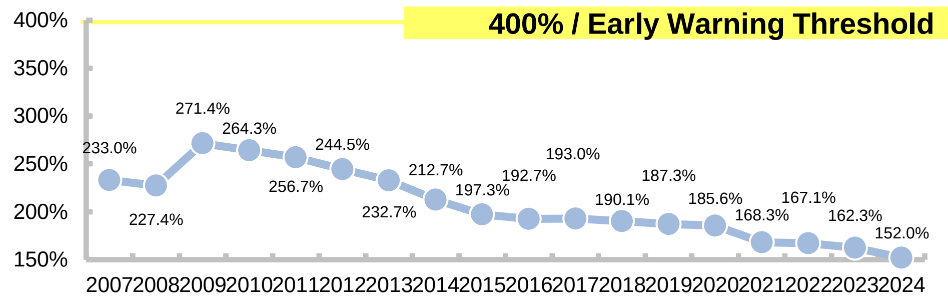
- All four key indicators that measure local government’s financial soundness are comfortably below the limit levels.

	FY 2022	FY 2023	FY 2024	Early Warning Threshold
(1) Real Deficit Ratio	Not Applicable to Aichi Pref.			△ 3.75%
(2) Consolidated Real Deficit Ratio	Not Applicable to Aichi Pref.			△ 8.75%

(3) Real Debt Payment Ratio



(4) Future Burden Ratio

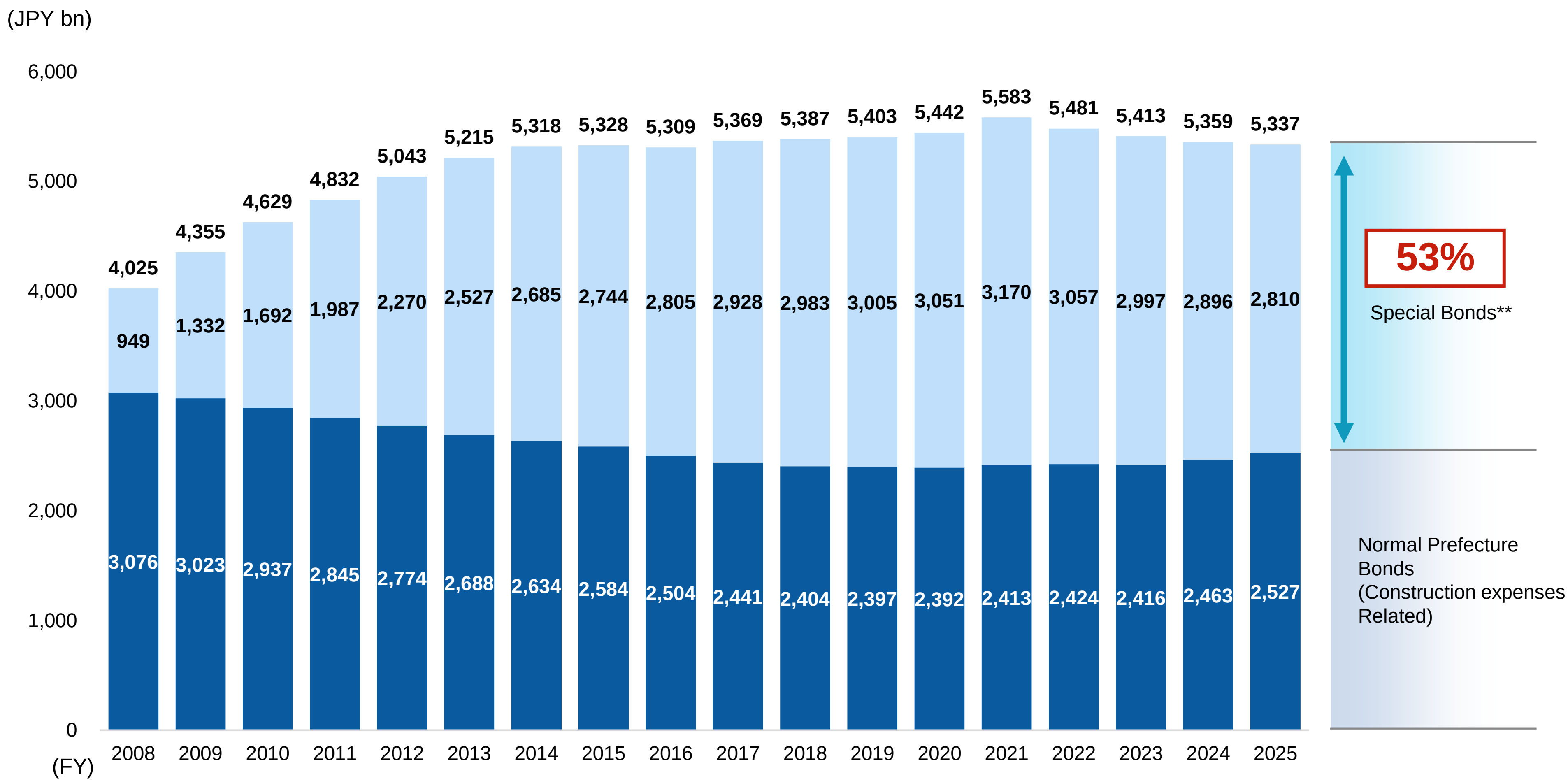


Details	
(1)	The ratio of "real deficit within the General Account“ to "standard financial scale".
(2)	The ratio of "all account-based real deficit" to the "standard financial scale".
(3)	The ratio of the "general revenue resources appropriated to pay off bonds" to the "standard financial scale".
(4)	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".

Source: Aichi Prefecture

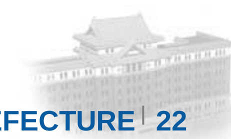
Historical Outstanding Volume (FY2008~)

Historical Outstanding Volume from FY 2008*



*Based on ~FY2024: results/ FY2025: budget

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



Aichi Prefecture Green Bond

- Aichi Prefecture issued its third green bond in Dec 2024

Aichi Pref's third Green Bond: Issue Details

Tenor	5 year	11 year
Issue amount	JPY 10.0bn	JPY 2.5bn
Coupon	0.809%	1.500%
Issue Price	100.00	100.00
Issue Date	20 December 2024	21 February 2025
Ratings	A+ (S&P), AA+ (R&I)	
SPO	R&I	

Use of Proceeds: Case Study

Green Buildings

Construction of prefectural facilities

- In FY2024, the main projects include the construction of STATION Ai and the Aichi International Arena (IG Arena).
- These facilities are being developed with a strong emphasis on environmental performance, aiming to reduce energy consumption and greenhouse gas emissions.

Other Use of Proceeds

Pollution Prevention and Control

Upgrades of air pollution monitoring systems

Environmentally Sustainable Management of Living Natural Resources and Land Use

Paving of forest roads

Climate Change Adaptation

Before renovation

After renovation

Renovation of farm irrigation facilities as part of disaster prevention measures for farmland

Before renovation

After renovation

River and Coastal Maintenance

Before Installation

After Installation

Installation of forest control facilities

Before Installation

After Installation

Development of erosion control facilities

Biodiversity Conservation

Improvement of river environments

Energy Efficiency

Switching to LED traffic lights

Source: Aichi Prefecture and Rating and Investment Information, Inc. (R&I)