

JAPAN LOCAL
GOVERNMENT BOND
ASSOCIATION



PUBLIC OFFERING JOINT LOCAL GOVERNMENT BOND

Japan Local Government Bond Association

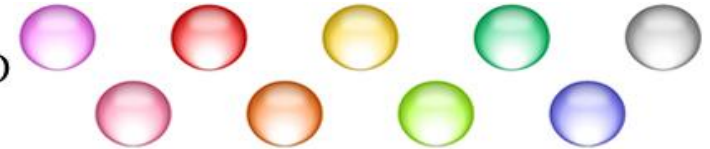
JLGB Asian Road Show

October 2011

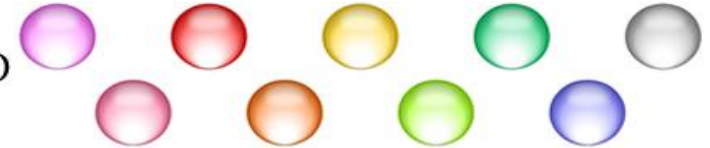


Contents

- I. Attractiveness
- II. Planned and Past Issuance
- III. Frequently Asked Questions
- IV. Appendix



I . Attractiveness

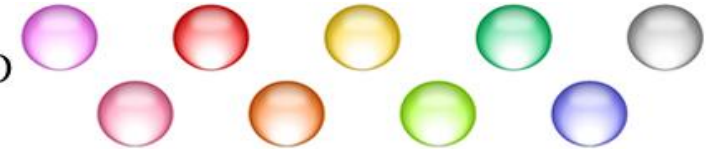


Public Offering Joint LGB

- Joint Local Government Bond (Joint LGB) is a joint issuance of 35 local governments (LGs) throughout Japan, with joint obligation which is based on Article 5 - 7 of the Local Finance Law.
- First issued in April 2003.
- Local Governments consisting the joint issuance, each individually is responsible for the whole repayment of every joint issuance.

Article 5 - 7 (Joint Issuance of Local Government Bonds), Local Finance Law

- When local debts are raised by issuing bonds two or more local public bodies may, on approval of their respective assemblies, issue bonds jointly. Such local public bodies shall be collectively responsible for the redemption of the local debts and the interest payment.



Outline Information of Joint LGB

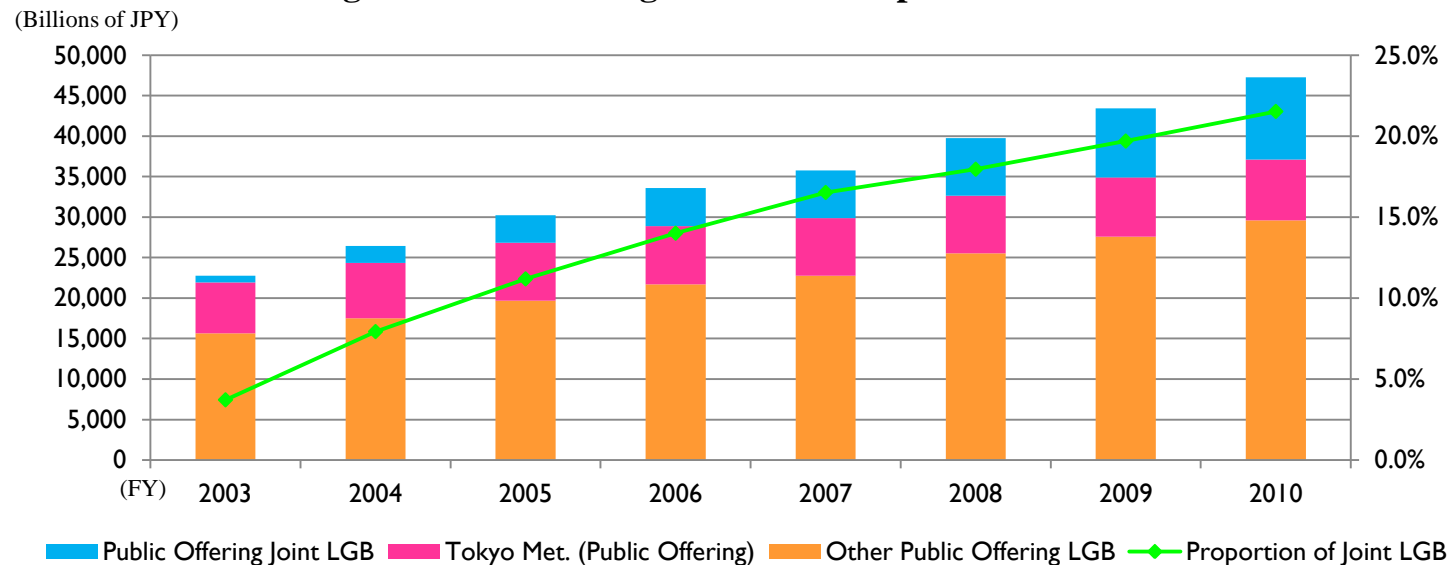
Issuance Terms	
FY2011 Yearly Issuance Plan	Total of JPY 1.53 trillion (USD 19.8 Billion) →Ave. JPY 128 billion (USD 1.6 Billion) issuance every month *one of the largest size among Japanese non-JGB bonds (*JPY77.4/USD)
Redemption method / Maturity	Bullet / 10 years
Amount of Minimum Unit	100,000 yen
Issuing Date	25 th of every month
Coupon	Fixed Rate (Rate differs every month)
Coupon Payment	25 th of February and August of each year, not regarding the issuing date
Pricing date	2 business days after auction of 10yrs JGB *If the pricing date falls on a bank's non-business day, the pricing will be advanced to the next business day.
Announcement of pricing date	3 months prior to issuance month
Planned procurement of each LGs consisting joint issuance	No later than 1 week prior to pricing date



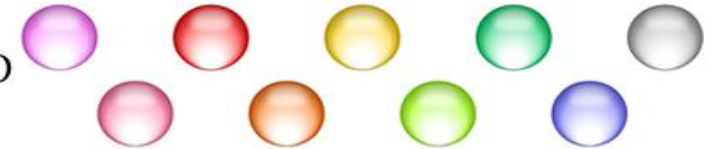
Benchmark Bond: High Liquidity

- Total outstanding of Joint LGB will be nearly JPY 11.7 trillion (USD 151 billion*) at the end of FY 2011. (*JPY77.4/USD)
- Joint LGB has become one of the leading benchmark bond among non-JGB bonds. In addition, many more local governments plan to participate in the joint issuance, therefore the outstanding will keep growing.
- Joint LGB will increase its presence in the bond market much more.

<Outstanding of Public Offering LGBs and Proportion of Joint LGB >

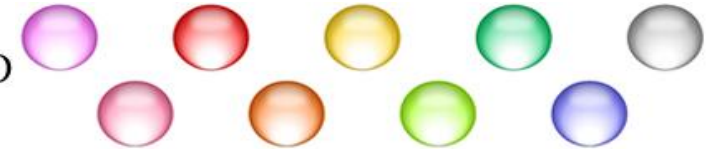


Source: Japan Local Government Bond Association

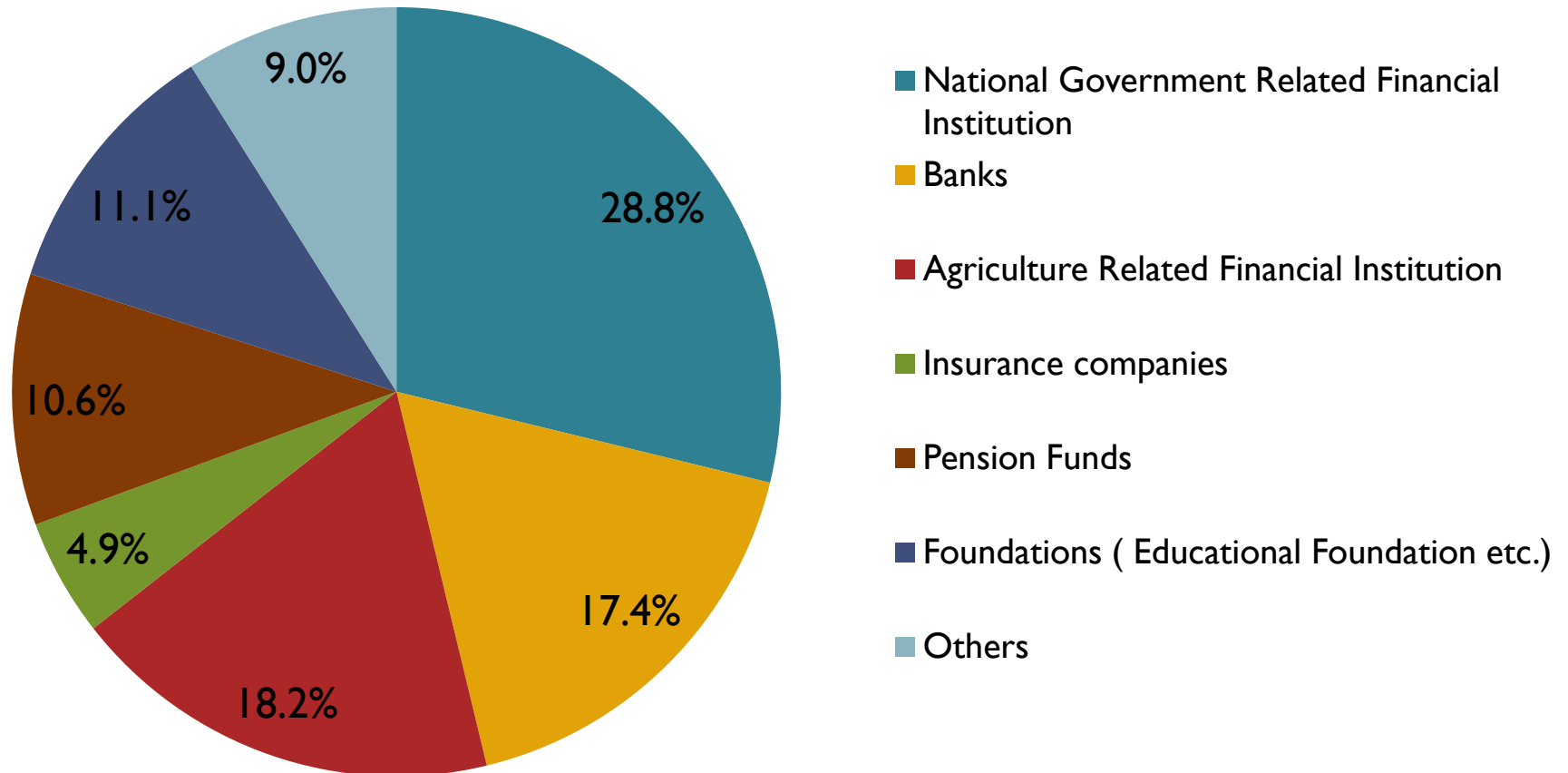


The 35 Local Governments consisting the joint issuance

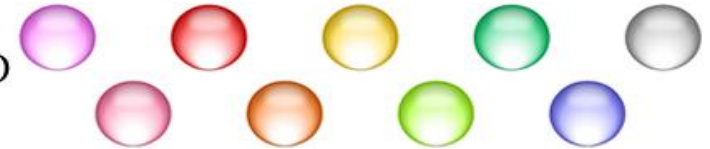
Prefectures		Designated Cities	
Hokkaido	Mie	Sapporo	
Miyagi	Kyoto	Sendai	
Fukushima	Osaka	Chiba	
Ibaraki	Hyogo	Kawasaki	
Saitama	Nara	Niigata	
Chiba	Okayama	Shizuoka	
Kanagawa	Hiroshima	Kyoto	
Niigata	Tokushima	Osaka	
Nagano	Kumamoto	Kobe	
Gifu	Oita	Hiroshima	
Shizuoka	Kagoshima	Kita-Kyushu	
Aichi		Fukuoka	
Total	23	Total	12



Composition of Joint LGB initial subscribers

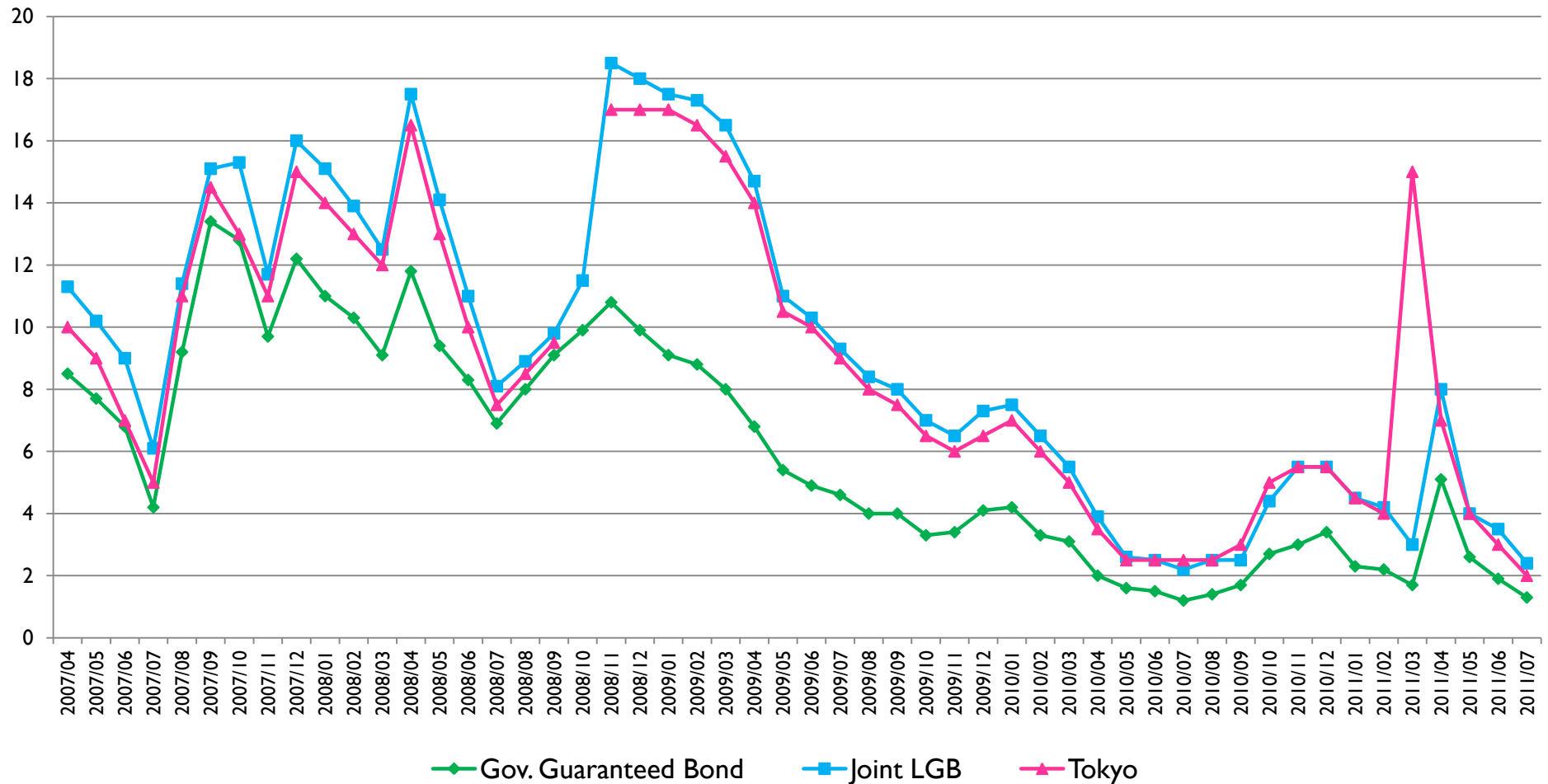


* Figure as of end of Dec. 2010
Source : Japan Local Government Bond Association



Spread Over JGB

(Unit : Basis Points)

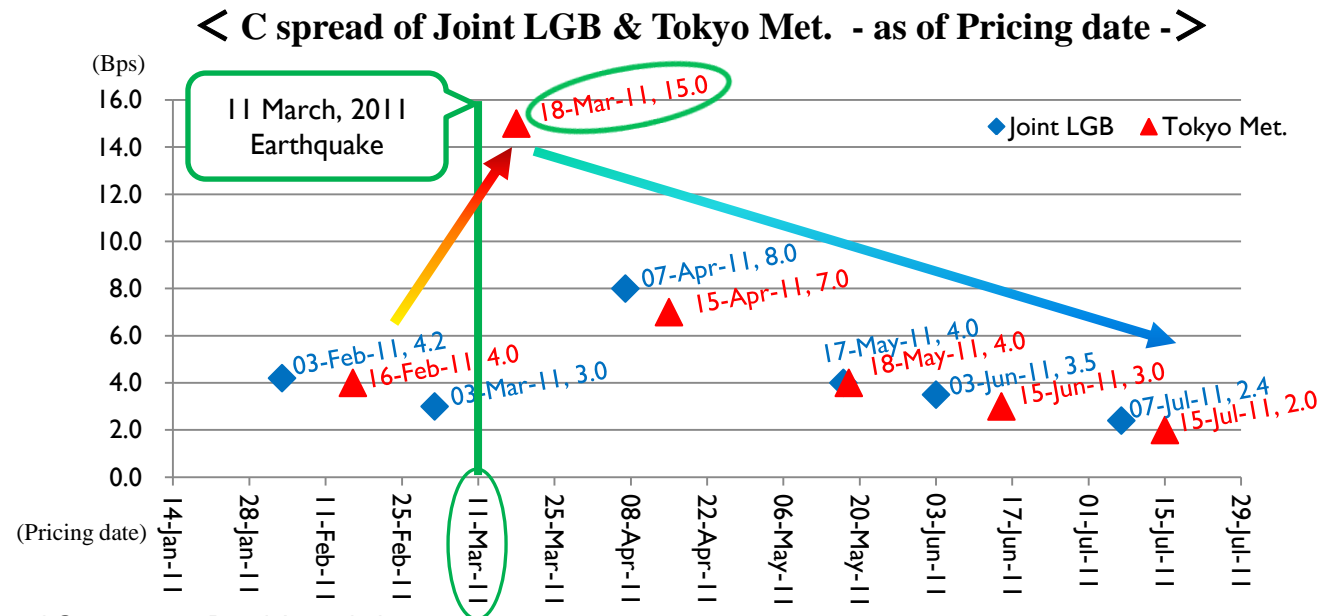


※ Issuance Yield (Apr. 2007 - July 2011)
Source: Japan Local Government Bond Association



Information relating to the earthquake

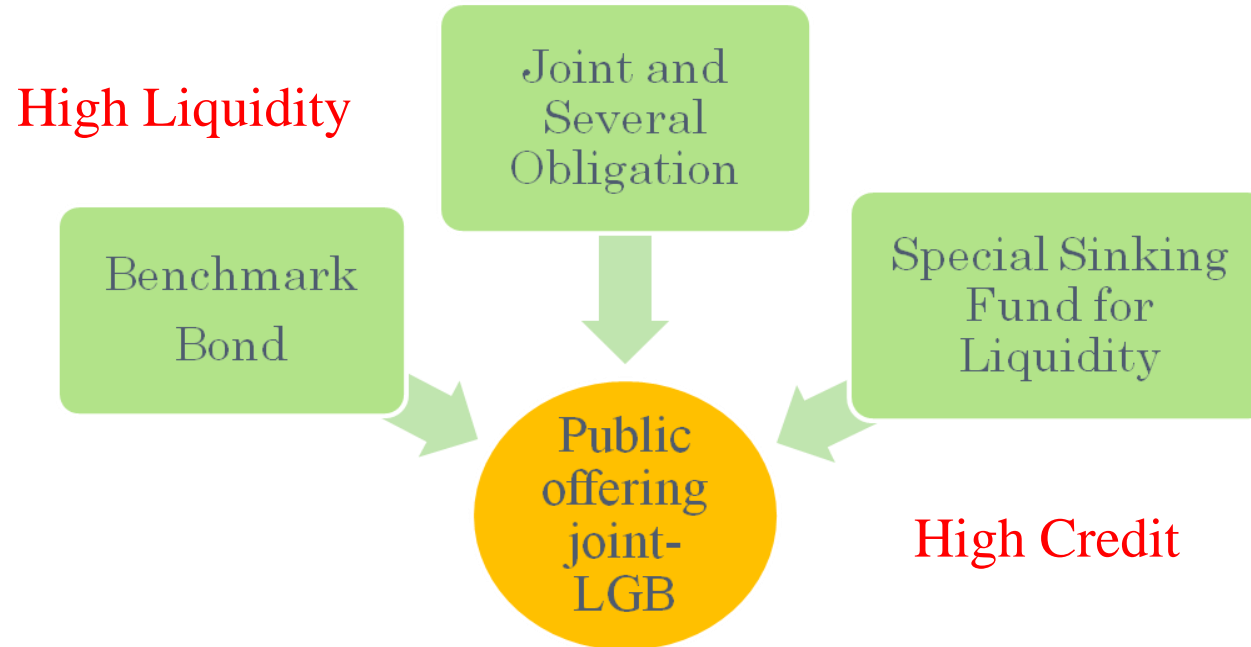
- Among the 35 LGs consisting the joint issuance Miyagi pref., Fukushima pref., and Sendai City are being affected by the earthquake on 11th march. However, the repayment of Joint LGB after the earthquake (due date 25th August) was done without any delay or problems.
- Widening of spread was seen after the earthquake, but due to national government support and market conditions etc. recently the spread has become more tighter than the level before the earthquake.



Source: Japan Local Government Bond Association



Characteristic of Joint LGB



Article 5-7 of the
Local Finance Law

- Public offering Joint LGB is joint and several obligation based on Article 5-7 of the Local Finance Law.

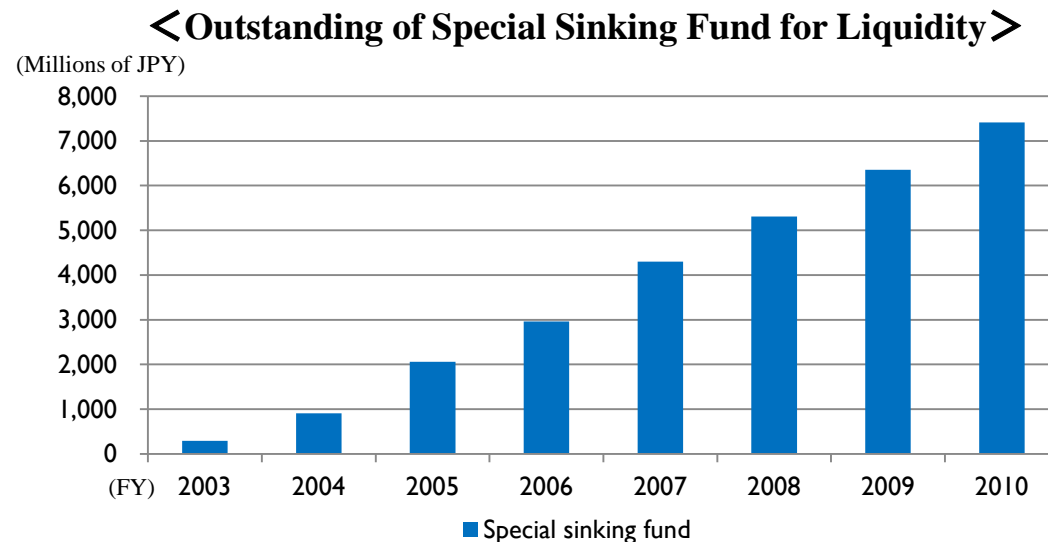
Article 432 of the
Civil Law

- Each joint debtor is responsible for redemption of the entire amount.



Special Sinking Fund for Liquidity

- Aside from the Joint Obligation, “Special Sinking Fund for liquidity” has been established in order to fully ensure timely payment of principal and interest, even in an event of unforeseen emergency.
- The Fund is being accumulated by each of the 35 LGs depositing a portion of their own sinking fund to the commissioned bank of the Joint LGB, and the total amount yearly accumulated is equivalent to about 1/10 of the installment for the entire Joint LGB, which is in individual the highest amount in that fiscal year.



Source: Japan Local Government Bond Association



II . Planned and Past Issuance



Planned Issuance FY2011

Unit : Billion of JPY

Issuer	Hokkaido	Miyagi	Fukushima	Ibaraki	Saitama	Chiba	Kanagawa	Niigata	Nagano	Gifu	Shizuoka	Aichi	Mie	Kyoto	Osaka	Hyogo	Nara	Okayama
Apr	6	10	6	5	4	3	10	0	5	0	5	5	0	15	0	15	0	0
May	7	0	4	5	4	3	10	5	6	0	5	5	0	5	10	10	0	0
Jun	6	10	0	0	4	3	10	5	4	0	5	5	0	5	10	10	0	0
July	7	0	0	5	4	3	15	7	6	4	5	5	0	10	0	10	0	5
Aug	6	10	4	5	10	4	0	2	6	0	5	5	0	5	10	5	0	0
Sep	7	0	6	5	10	6	10	6	6	4	5	5	0	5	10	5	0	5
Oct	6	10	4	5	8	5	0	6	7	0	5	5	0	0	10	0	0	0
Nov	7	0	4	0	4	4	0	6	6	4	5	5	0	5	10	5	0	0
Dec	7	0	4	0	8	7	0	6	8	0	5	5	0	5	0	5	0	0
Jan	7	0	4	0	8	6	0	6	6	4	5	5	5	5	10	5	6	5
Feb	7	10	0	0	8	10	0	6	0	0	5	5	5	5	0	5	7	0
Mar	7	0	0	0	8	6	5	5	0	4	5	5	0	5	10	5	7	0
Total	80	50	36	30	80	60	60	60	60	20	60	60	10	70	80	80	20	15

Issuer	Hiroshima	Tokushima	Kumamoto	Oita	Kagoshima	Sapporo (City)	Sendai (City)	Chiba (City)	Kawasaki (City)	Niigata (City)	Shizuoka (City)	Kyoto (City)	Osaka (City)	Kobe (City)	Hiroshima (City)	Kita-Kyushu (City)	Fukuoka (City)	GRAND TOTAL
Apr	10	0	5	0	0	10	3	0	5	0	0	0	2	5	0	0	7	136
May	0	0	0	0	0	10	3	9	5	0	0	8	0	2	6	0	3	125
Jun	10	0	5	0	5	0	3	9	0	0	0	0	9	2	0	5	0	125
July	0	0	0	5	5	0	2	6	0	5	0	4	0	2	6	0	4	125
Aug	10	0	5	5	5	0	2	0	5	0	0	4	0	2	0	5	0	120
Sep	0	0	0	0	5	0	3	0	0	5	4	4	0	2	7	0	0	125
Oct	10	10	0	0	0	0	3	6	0	0	0	0	13	2	0	5	0	120
Nov	0	0	5	0	10	0	2	0	0	0	0	5	11	2	7	5	8	120
Dec	10	5	5	0	10	0	3	0	5	0	0	5	15	2	0	0	0	120
Jan	0	0	0	5	10	0	3	0	0	0	3	5	10	2	7	0	8	140
Feb	10	0	5	5	10	0	3	0	5	0	0	5	10	2	0	5	7	140
Mar	0	10	0	0	10	10	3	0	5	0	3	0	10	5	7	5	0	140
Total	60	25	30	20	70	30	33	30	30	10	10	40	80	30	40	30	37	1,536



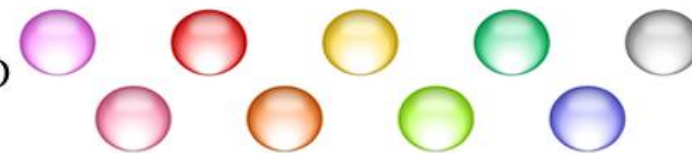
Past Issuance

FY2008

Month	Issuance (Bln JPY)	Coupon	Issue Price	Subscription yield	C-Spread (bps)
April	105	1.55%	99.95	1.555%	17.5
May	100	1.74%	100.00	1.740%	14.1
June	100	1.88%	99.98	1.882%	11.0
July	100	1.78%	99.95	1.785%	8.1
Aug	105	1.62%	99.97	1.623%	8.9
Sep	105	1.55%	99.95	1.555%	9.8
Oct	100	1.50%	99.98	1.502%	11.5
Nov	105	1.69%	100.00	1.690%	18.5
Dec	100	1.56%	99.99	1.561%	18.0
Jan	105	1.42%	100.00	1.420%	17.5
Feb	105	1.51%	99.93	1.518%	17.3
Mar	100	1.46%	100.00	1.460%	16.5

FY2009

Month	Issuance (Bln JPY)	Coupon	Issue Price	Subscription yield	C-Spread (bps)
April	115	1.59%	99.95	1.595%	14.7
May	120	1.57%	100.00	1.570%	11.0
June	115	1.64%	99.95	1.645%	10.3
July	115	1.40%	99.95	1.405%	9.3
Aug	115	1.54%	100.00	1.540%	8.4
Sep	115	1.39%	100.00	1.390%	8.0
Oct	115	1.34%	99.98	1.342%	7.0
Nov	120	1.54%	99.95	1.545%	6.5
Dec	115	1.32%	100.00	1.320%	7.3
Jan	115	1.42%	99.98	1.422%	7.5
Feb	115	1.44%	99.98	1.442%	6.5
Mar	115	1.38%	99.92	1.389%	5.5



Past Issuance

FY2010

Month	Issuance (Bln JPY)	Coupon	Issue Price	Subscription yield	C-Spread (bps)
April	135	1.44%	99.95	1.445%	3.9
May	135	1.35%	99.95	1.355%	2.6
June	135	1.29%	99.99	1.291%	2.5
July	135	1.17%	99.97	1.173%	2.2
Aug	135	1.04%	99.93	1.047%	2.5
Sep	135	1.12%	99.91	1.130%	2.5
Oct	135	0.90%	99.97	0.903%	4.4
Nov	135	1.03%	99.94	1.036%	5.5
Dec	135	1.25%	99.95	1.255%	5.5
Jan	135	1.24%	100.00	1.240%	4.5
Feb	135	1.28%	100.00	1.280%	4.2
Mar	135	1.29%	99.94	1.296%	3.0

FY2011

Month	Issuance (Bln JPY)	Coupon	Issue Price	Subscription yield	C-Spread (bps)
April	136	1.38%	100.00	1.380%	8.0
May	125	1.18%	99.92	1.188%	4.0
June	125	1.17%	99.97	1.173%	3.5
July	125	1.21%	99.99	1.211%	2.4
Aug	120	1.05%	99.92	1.058%	2.4
Sep	125	1.03%	99.92	1.038%	2.5
Oct					
Nov					
Dec					
Jan					
Feb					
Mar					



III. Frequently Asked Questions



Q1) What is the purpose for the 35 LGs to participate in the joint issuance of Joint LGB ?

A1)

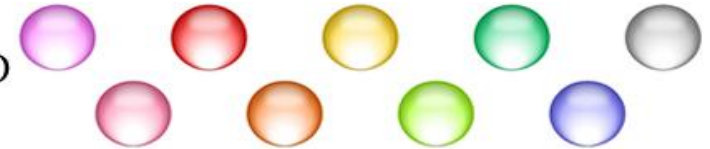
- The purpose is to realize superior character and stable fund procurement by enlarging the size of the issuance to enhance liquidity, issuance with joint obligation, establishment of the Special Sinking Fund for Liquidity, obtainment of favorable fundamentals (volume of finance, population, economic strength, etc) by large-size LGs participation and etc.
- Joint LGB is expected to be a benchmark for LGBs, and to make contribution to expand the whole LGB market.



Q2) What is “Joint Obligation” ?

A2)

- Joint LGB is issued with Joint Obligation which is based on article 5 - 7 of the Local Finance Law. Joint Obligation means that each joint debtor bears the whole responsibility to fulfill obligation of each debt (article 432 of the Civil Law).
- Under Joint LGB, the 35 LGs each individually bears responsibility to fulfill obligation to redeem the total amount of issuance, therefore Joint LGB has a very strong mechanism in terms of redemption.



Q3) How and in what kind of specific case would the Special Sinking Fund for Liquidity be used ?

A3)

- The fund has been established by accumulating a certain amount of deposit to the commissioned bank of the Joint LGB, in order to explicitly show that timely payment of principal and interest would be fully ensured.
- The actual usage of the fund would occur for example in a nature disaster. In such case, the LGs consisting the joint issuance may withdraw the deposit for repayment.



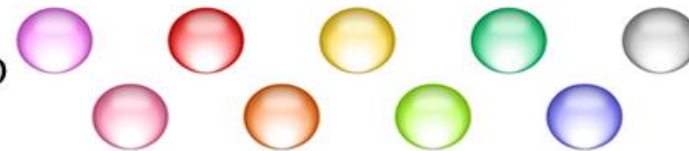
Q4) Since procurement of each LGs consisting the joint issuance varies in each issuance, do you think that credit evaluation of Joint LGB would be difficult ?

A4)

- Though the procurement of each LGs consisting the joint issuance varies in each issuance, regardless of whether the LG actually did or did not procure under the joint issuance, all the 35 LGs each individually bears responsibility to fulfill obligation to redeem the total amount of issuance of Joint LGB, due to Joint obligation.
- Therefore, each issuance of Joint LGB is equalized in terms of credit quality.



IV. Appendix



Release of Japanese Joint Local Government Bond Trading Indication (JBI)

■ Bloomberg (Screen Sample)

Date	Issue No.	Simple Ask	Simple Bid	Simple Mid	Comp. Ask	Comp. Bid	Comp. Mid	Spread Ask	Spread Bid	Spread Mid
20110909	102	1.031	1.038	1.035	1.031	1.038	1.035	2.7	3.4	3.1
20110909	101	1.022	1.032	1.027	1.024	1.032	1.028	2.8	3.7	3.3
20110909	100	1.008	1.015	1.012	1.016	1.023	1.02	3.3	4	3.7
20110909	99	1.001	1.009	1.005	1.008	1.016	1.012	3.3	4.1	3.7
20110909	98	0.991	0.999	0.995	0.998	1.006	1.002	3.4	4.3	3.9
20110909	97	0.969	0.977	0.973	0.985	0.993	0.989	3.4	4.3	3.9

■ Reuters (Screen Sample)

Quote: 0#JNTLGB1=JLBA

0#JNTLGB1=JLBA JNT LOCAL GB 1

共同発行債 1

Name	Coupon	Mat. Dat	Latest Spreads			Mid Net.Chng	Latest Compound Yields			Mid Net.Chng	Time	Date
			Bid	Ask	Mid		Bid	Ask	Mid			
JNT86 COMPOSITE	1.35	25MAY20	12.1	11.1	11.6	+0.8	1.121	1.111	1.116	-0.008	15:00	01OCT08

➤ JBI aims to provide a greater reflection of actual market conditions.

➤ Features

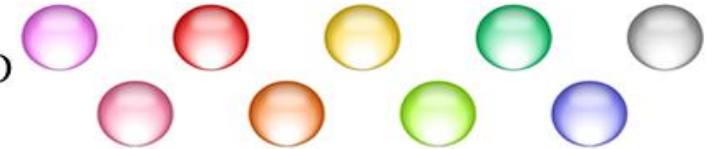
- ✓ Price quotes provided every trading day by around 6pm via data vendors and JLGBA.
- ✓ The 6 most recent issuance will be the subject of the disclosure.
- ✓ The price will be as of the close of the day's session base.
- ✓ Average price for yields (Simple and Compound), spreads over JGB (Ask, Bid, Mid) will be disclosed for each issuance.



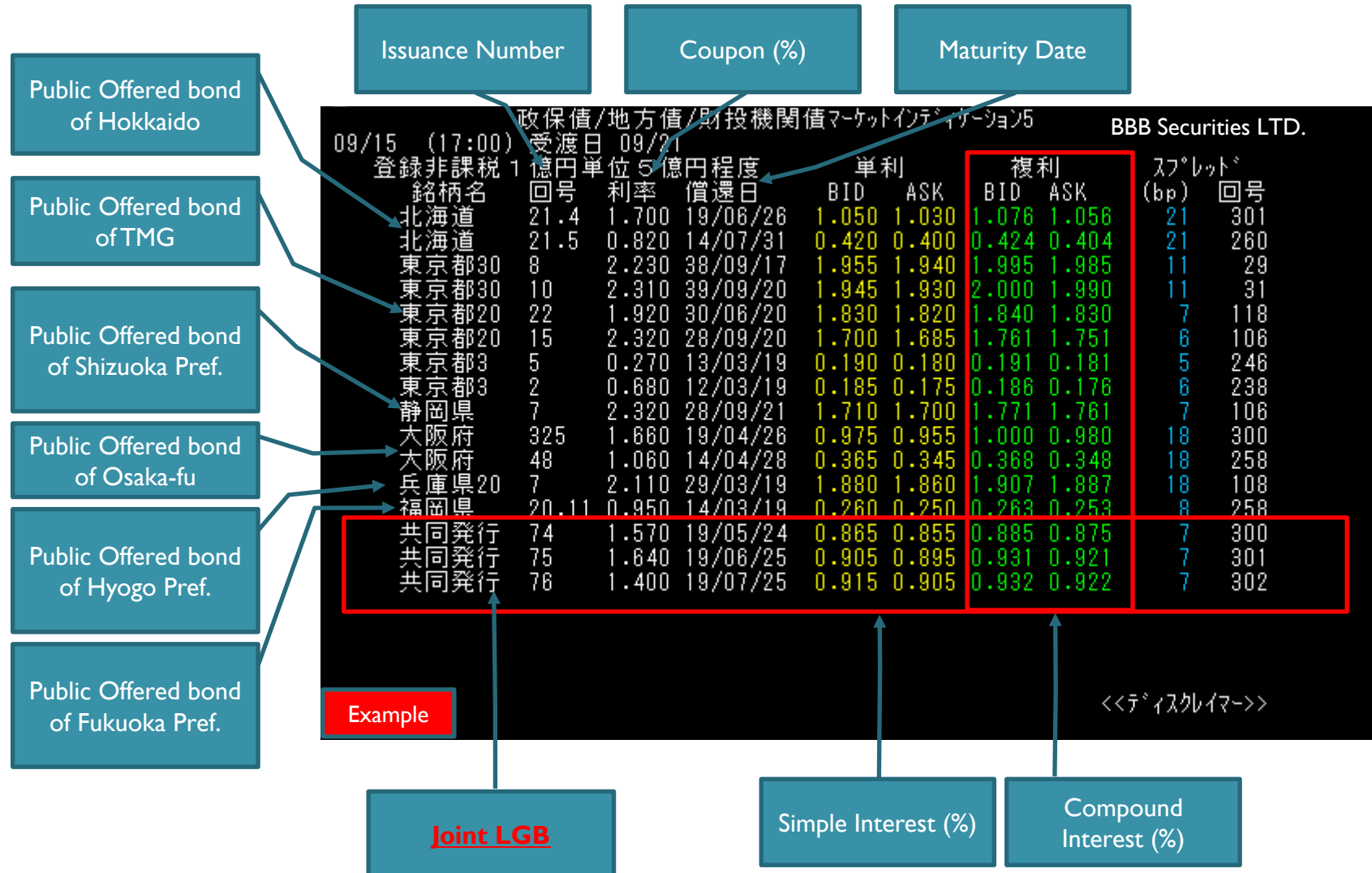
Offer-Bid Spreads (LGBs)

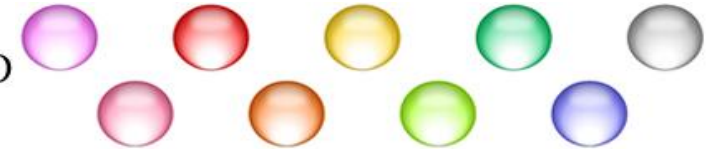
Issuance Number	Coupon (%)	Maturity Date	Offer		Bid		Spread (bp)		Example
Public Offered bond of TMG	0.180	13/03/19	0.180	0.190	0.180	0.190	+4	249G	
Public Offered bond of Kanagawa Pref.	2.190	27/09/21	1.670	1.680	1.722	1.732	+8	97L	
Joint LGB	1.380	20/03/25	1.010	1.015	1.024	1.029	+4	306G	
	1.440	20/04/24	1.005	1.010	1.024	1.029	+4	306G	
	1.350	20/05/25	1.010	1.015	1.025	1.030	+4	307G	
	1.290	20/06/25	1.050	1.055	1.060	1.065	+4	308G	
	1.170	20/07/24	1.055	1.060	1.061	1.066	+4	309G	
	1.040	20/08/25	1.060	1.065	1.061	1.066	+4	309G	
	2.310	28/06/20	1.695	1.705	1.756	1.766	+8	02L	
	2.290	28/09/21	1.710	1.720	1.770	1.780	+8	05L	
	2.190	29/09/20	1.775	1.785	1.823	1.833	+8	13L	
	1.400	20/04/17	0.985	0.990	1.004	1.009	+2	306G	
	1.300	20/05/22	0.990	0.995	1.005	1.010	+2	307G	
	1.300	20/06/12	1.030	1.035	1.040	1.045	+2	308G	
	1.100	20/07/17	1.035	1.045	1.041	1.046	+2	309G	

Screen copy of indication provided by QUICK Corp.



Bid-Ask Spreads (LGBs)






For More Information

Japan Local Government Bond Association Website:

<http://www.chihousai.or.jp/english>

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- ▶ President's Message
- ▶ About the Japan Local Government Bond Association
- ▶ Local Public Finance System in Japan
- ▶ Overview of Local Government Bonds in Japan
- ▶ Tax Exemption Scheme (J - BIEM)
- ▶ Instruction manual for Tax Exemption
- ▶ Investor Relations
- ▶ Data
- ▶ Links

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- ▶ Local Public Finance System in Japan
- ▶ Overview of Local government bonds in Japan
- ▶ Tax Exemption Scheme (J - BIEM)
- ▶ Instruction manual for Tax Exemption
- ▶ Investor Relations
- ▶ Data
- ▶ Links

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Please contact us:

Japan Local Government Bond
Association

Tel: +81-(0)3-5211-5291

Fax: +81-(0)3-5211-5294

Email: info@chihousai.or.jp

Address: 8F, Zenkoku Choson
Giin Kaikan, 25 Ichibancho,
Chiyoda-ku, Tokyo, 102-0082,
Japan



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