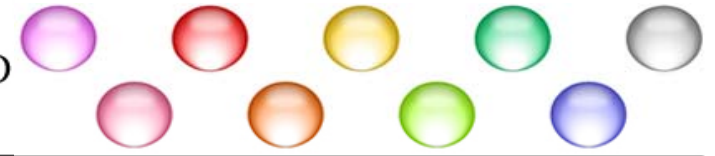


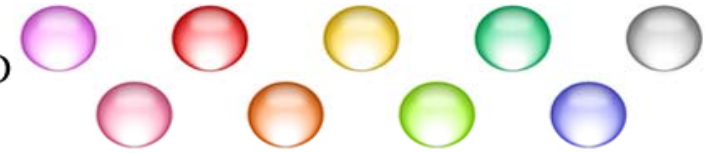
JAPAN LOCAL  
GOVERNMENT BOND  
ASSOCIATION



# PUBLIC OFFERING JOINT LOCAL GOVERNMENT BOND

Japan Local Government Bond Association

October 2012



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- I. Attractiveness
- II. Planned and Past Issuance
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# I . Attractiveness

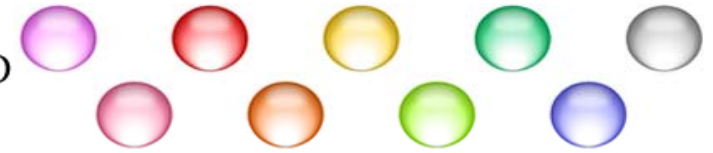


## Public Offering Joint LGB

- First issued in April 2003.
- Joint Local Government Bond (Joint LGB) is a joint issuance of 36 local governments (LGs) throughout Japan, with joint obligation which is based on Article 5 - 7 of the Local Finance Law.
- Local Governments consisting the joint issuance, each individually is responsible for the whole repayment of every joint issuance.

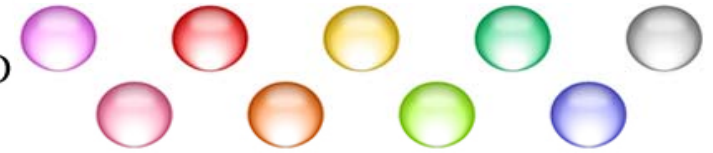
### Article 5 - 7 (Joint Issuance of Local Government Bonds), Local Finance Law

- 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

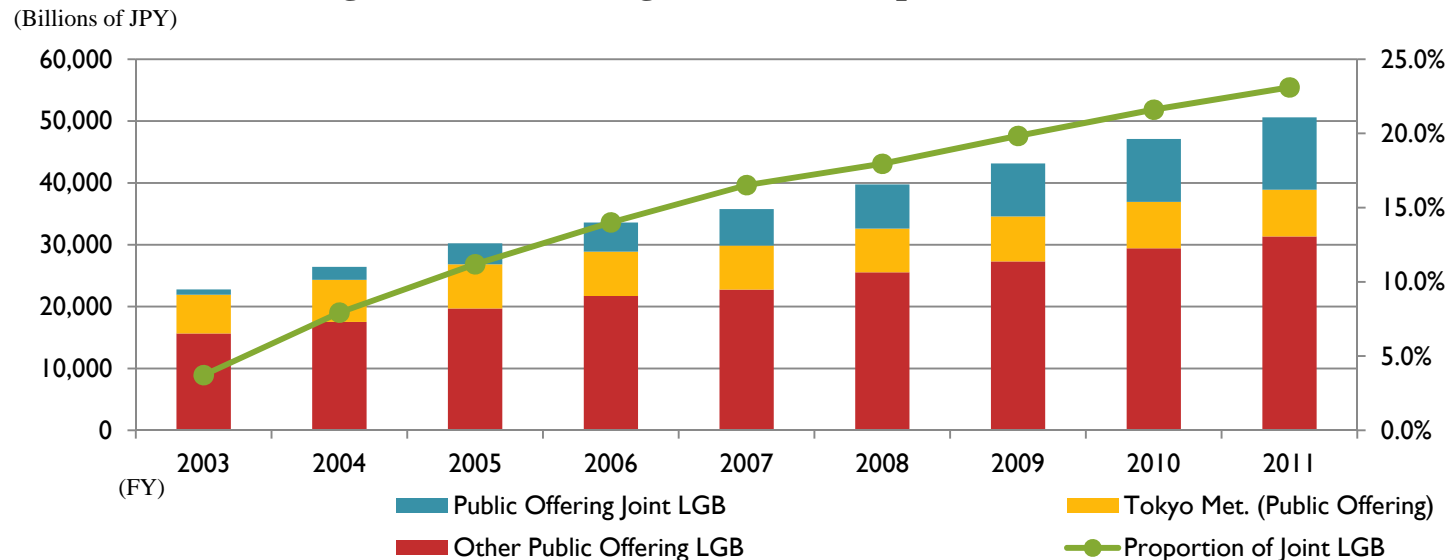
Issuance Terms	
FY2011 Yearly Issuance Plan	Total of JPY 1.52 trillion ( USD 19.5 Billion ) →Ave. JPY 126 billion ( USD 1.6 Billion ) issuance every month *one of the largest size among Japanese non-JGB bonds (*JPY77.95/USD)
Redemption method / Maturity	Bullet / 10 years
Amount of Minimum Unit	100,000 yen
Issuing Date	25 <sup>th</sup> of every month
Coupon	Fixed Rate (Rate differs every month)
Coupon Payment	25 <sup>th</sup> 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



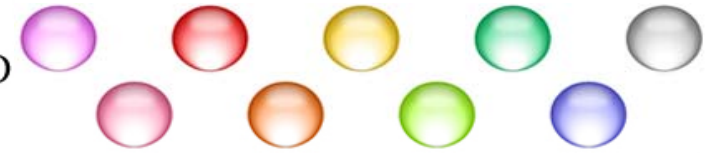
## Benchmark Bond: High Liquidity

- Total outstanding of Joint LGB will be nearly JPY 13.2 trillion (USD 169 billion\*) at the end of FY 2012. (\*JPY77.95/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 >**

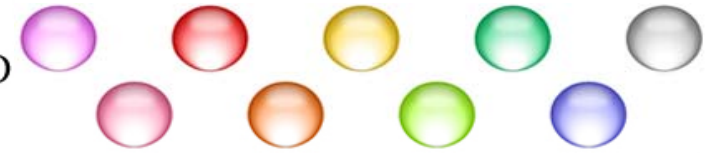


Source: Japan Local Government Bond Association

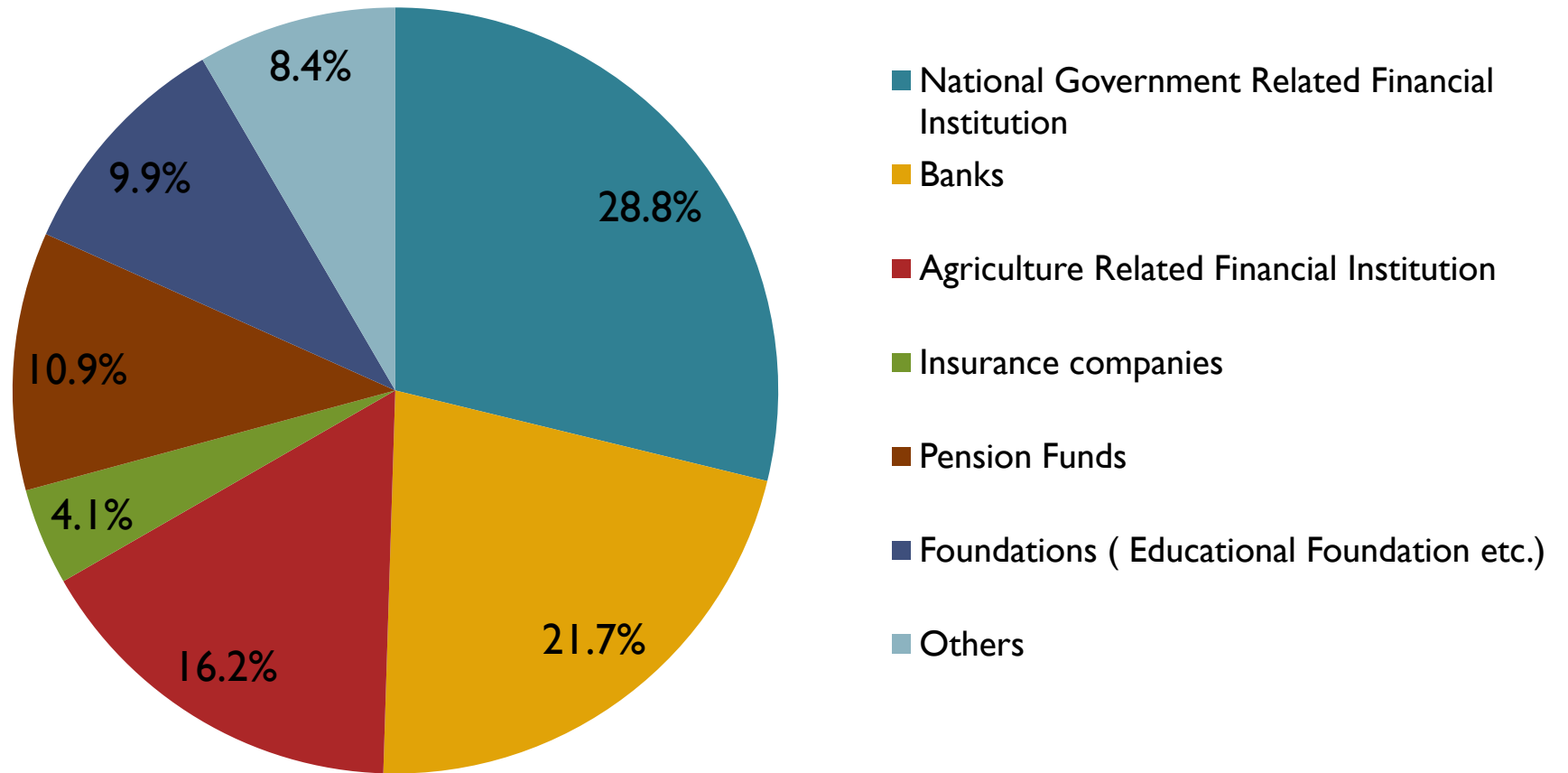


## The 36 Local Governments consisting the joint issuance

Prefectures		Designated Cities	
Hokkaido	Aichi	Sapporo	
Miyagi	Mie	Sendai	
Fukushima	Kyoto	Chiba	
Ibaraki	Osaka	Kawasaki	
Saitama	Hyogo	Niigata	
Chiba	Nara	Shizuoka	
Kanagawa	Okayama	Kyoto	
Niigata	Hiroshima	Osaka	
Fukui	Tokushima	Kobe	
Nagano	Kumamoto	Hiroshima	
Gifu	Oita	Kita-Kyushu	
Shizuoka	Kagoshima	Fukuoka	
<b>Total</b>	<b>24</b>	<b>Total</b>	<b>12</b>

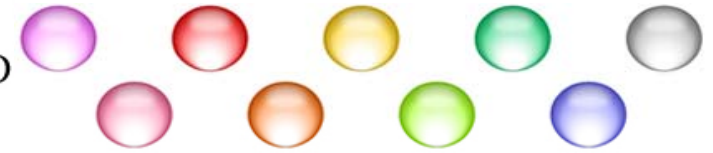


## Composition of Joint LGB initial subscribers



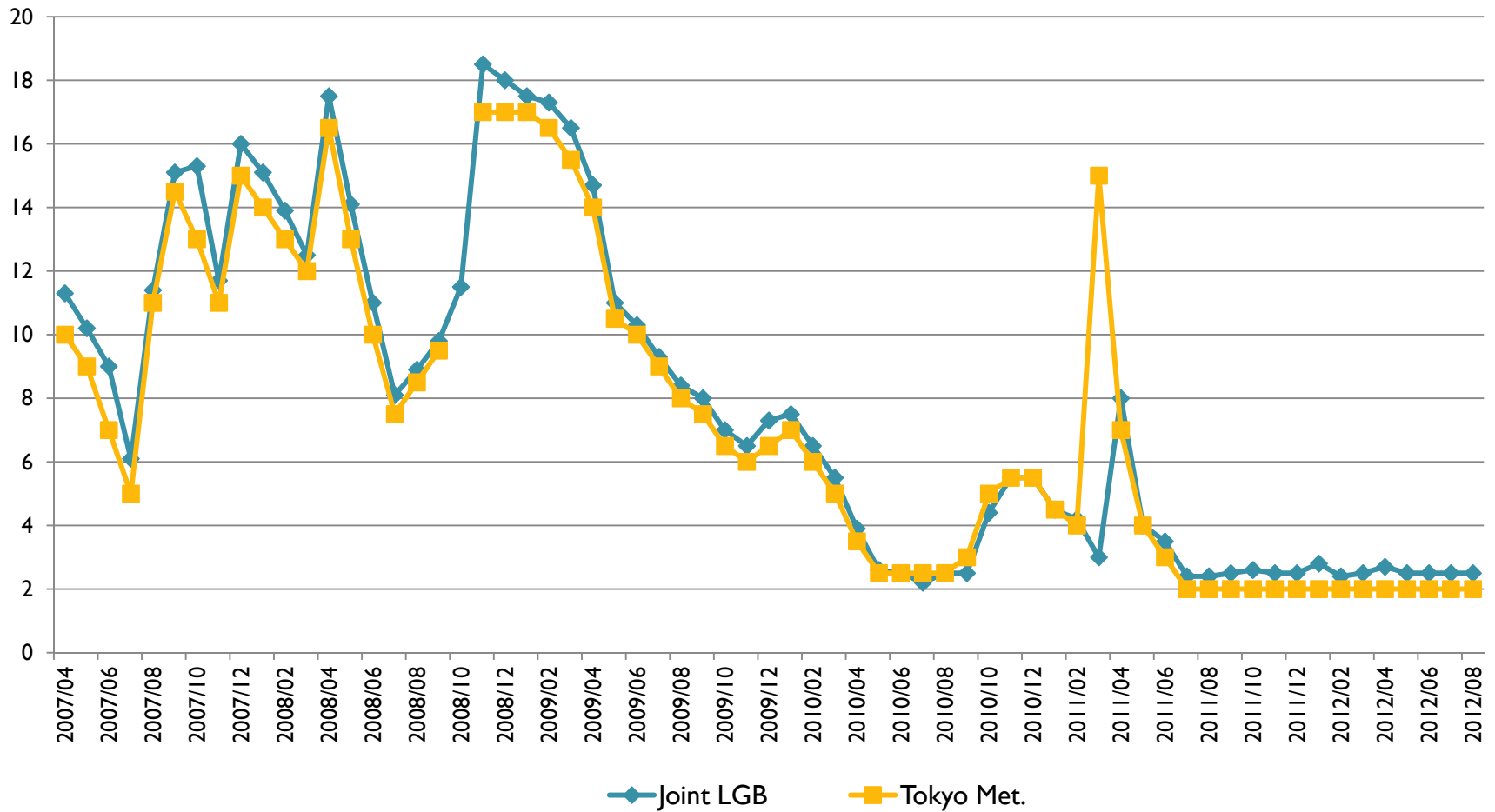
\* Figure as of end of Dec. 2011  
Source : Japan Local Government Bond Association



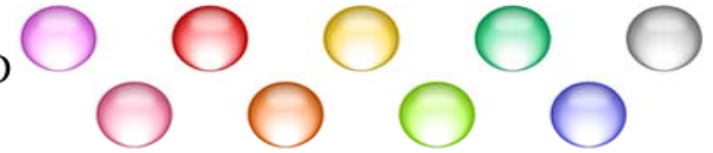


# Spread Over JGB

( Unit : Basis Points )



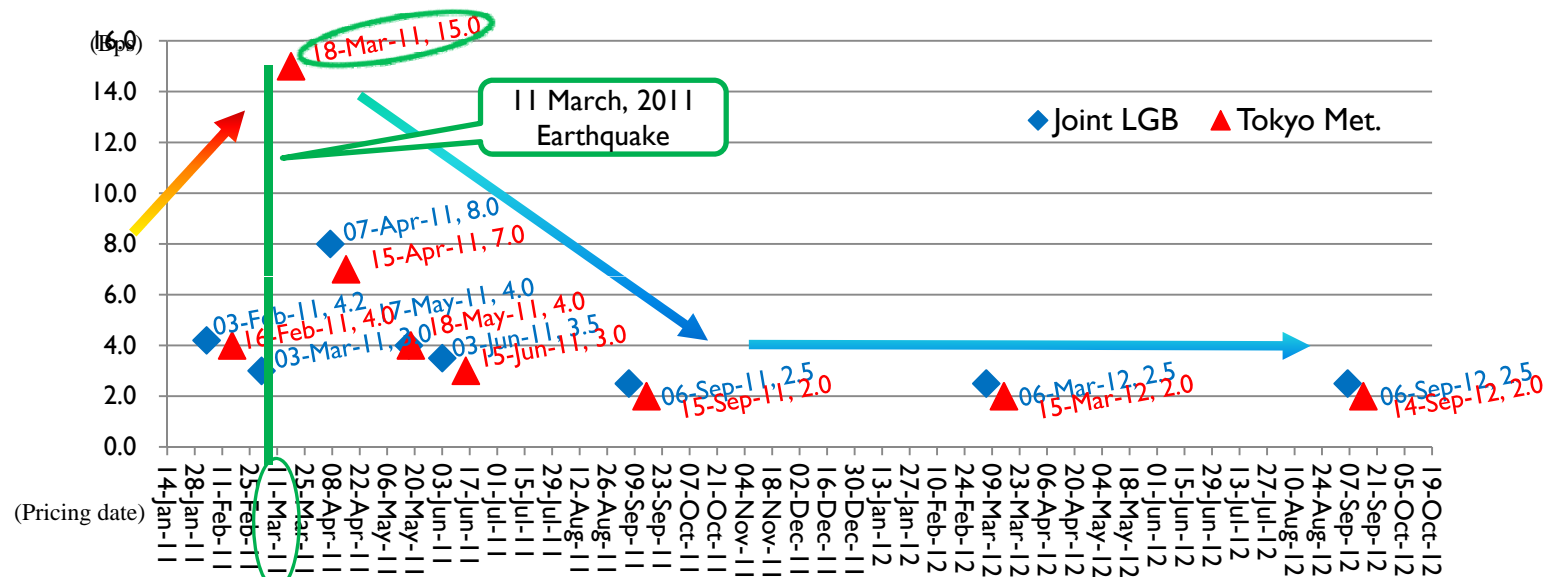
※Issuance Yield(Apr.2007-July.2011)  
Source: Japan Local Government Bond Association

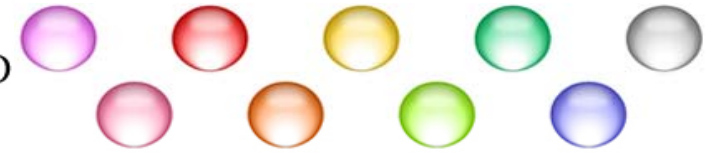


## Information relating to the earthquake

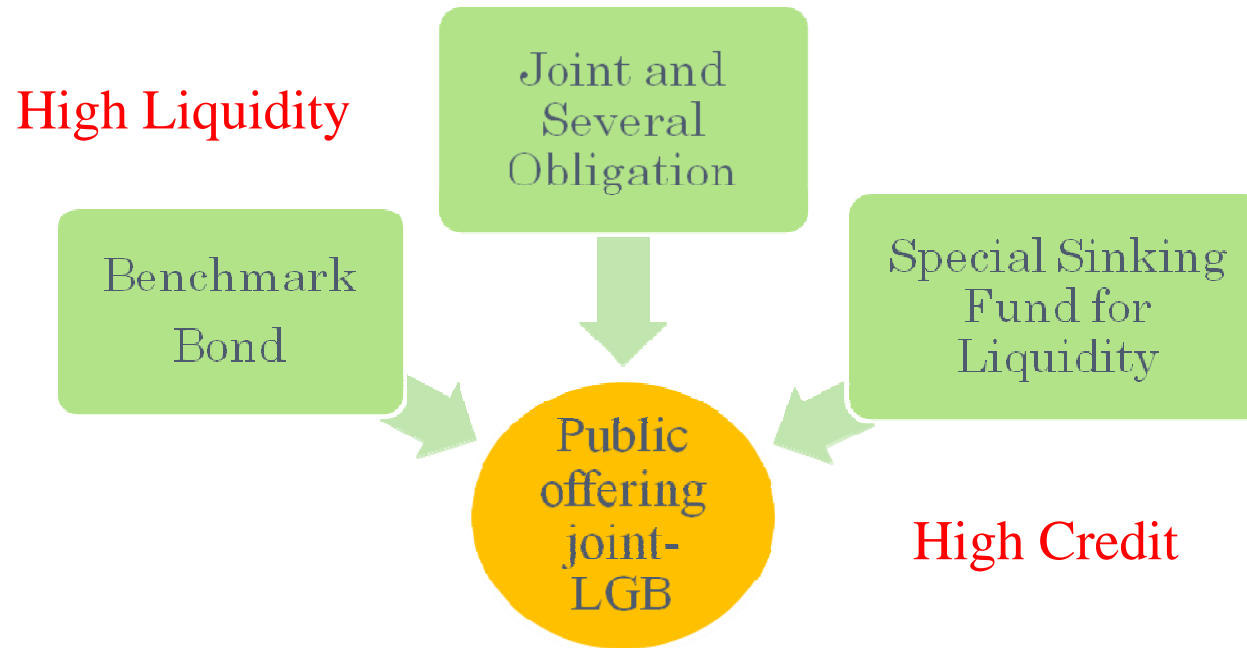
- Among the 36 LGs consisting the joint issuance Miyagi pref., Fukushima pref., and Sendai City are being affected by the earthquake on 11th march. However, the repayment of Joint LGB after the earthquake (due date 25th August) was done without any delay or problems.
- Widening of spread was seen after 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.

< C spread of Joint LGB & Tokyo Met. - as of Pricing date - >





## 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

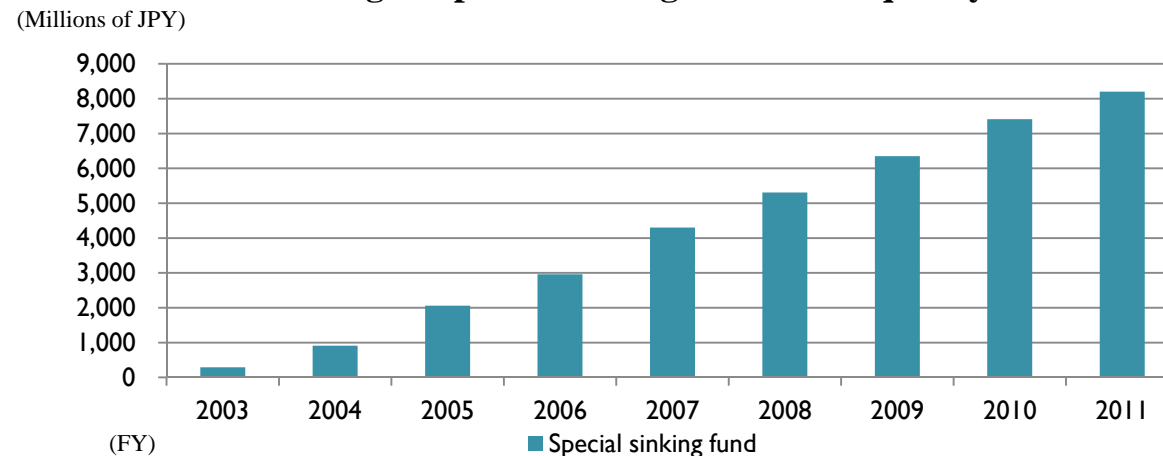
➤ Each joint debtor is responsible for redemption of the entire amount.



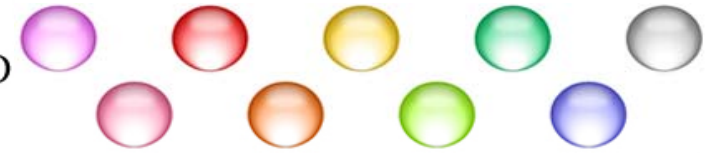
## Special Sinking Fund for Liquidity

- 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 36 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.

### <Outstanding of Special Sinking Fund for Liquidity>



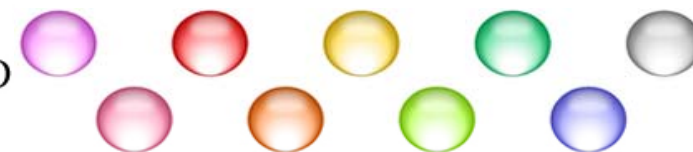
Source: Japan Local Government Bond Association



## II . Planned and Past Issuance

## II Planned and Past Issuance

# JAPAN LOCAL GOVERNMENT BOND ASSOCIATION

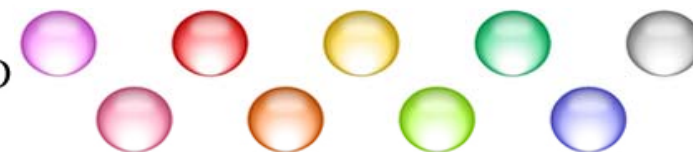


### Planned Issuance FY2012

Unit : Billion of JPY

Issuer	Hokkaido	Miyagi	Fukushima	Ibaraki	Saitama	Chiba	Kanagawa	Niigata	Fukui	Nagano	Gifu	Shizuoka	Aichi	Mie	Kyoto	Osaka	Hyogo	Nara
Apr	6	10	6	5	8	3	10	0	0	0	0	5	5	0	15	0	15	0
May	7	0	4	5	4	3	0	6	0	9	0	5	5	0	5	10	15	0
Jun	6	10	0	5	4	8	0	7	0	9	0	5	5	0	10	0	10	0
July	7	0	0	5	8	3	0	5	0	9	4	5	5	0	10	0	10	0
Aug	6	10	4	5	4	8	0	6	0	0	0	5	5	0	5	0	5	0
Sep	7	0	6	0	8	3	10	5	0	9	4	5	5	0	5	10	5	0
Oct	6	10	4	5	8	2	0	6	0	9	0	5	5	0	0	10	0	0
Nov	7	0	4	0	8	7	0	4	0	0	4	5	5	0	5	10	0	0
Dec	7	10	4	0	4	2	10	5	0	6	0	5	5	0	5	10	5	0
Jan	7	0	4	0	8	7	10	6	0	9	4	5	5	5	5	10	5	6
Feb	7	10	0	0	8	7	0	5	5	0	0	5	5	5	5	10	5	7
Mar	7	0	0	0	8	7	10	5	5	0	4	5	5	0	0	10	5	7
Total	80	60	36	30	80	60	50	60	10	60	20	60	60	10	70	80	80	20

Issuer	Okayama	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	0	10	0	5	0	0	0	3	4	0	0	0	4	0	5	0	0	6	125
May	0	0	0	0	0	5	10	3	6	5	0	0	4	5	5	4	0	0	125
Jun	0	10	0	5	0	5	0	3	6	0	0	0	0	4	3	0	10	0	125
July	0	0	0	0	5	0	10	3	5	5	0	0	4	5	2	4	0	6	120
Aug	5	10	0	5	5	5	0	3	0	5	5	0	4	0	2	0	5	3	120
Sep	5	0	0	0	0	6	0	3	0	0	5	4	4	5	2	4	0	0	120
Oct	0	10	15	0	0	0	0	3	5	0	5	0	0	10	2	0	0	0	120
Nov	0	0	0	5	0	5	5	3	0	5	5	0	5	10	1	6	5	6	120
Dec	0	10	0	5	0	9	0	3	0	0	0	0	5	9	1	0	0	0	120
Jan	0	0	0	0	5	5	0	3	4	0	0	3	5	9	1	6	0	3	140
Feb	0	10	0	5	5	10	0	3	0	4	0	0	0	13	1	0	5	0	140
Mar	0	0	10	0	0	10	5	3	0	0	0	3	5	10	5	6	5	0	140
Total	10	60	25	30	20	60	30	36	30	24	20	10	40	80	30	40	30	24	1,515



## Past Issuance

### 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

### 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



## Past Issuance

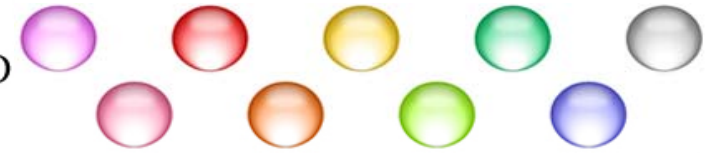
### FY2011

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	120	1.00%	99.99	1.001%	2.6
Nov	120	1.03%	100.00	1.030%	2.5
Dec	120	1.07%	99.98	1.072%	2.5
Jan	140	0.97%	99.98	0.972%	2.8
Feb	140	1.01%	99.99	1.011%	2.4
Mar	140	1.01%	100.00	1.010%	2.5

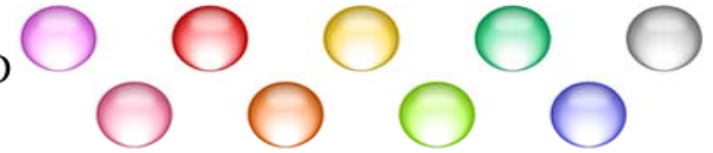
### FY2012

Month	Issuance ( Bln JPY )	Coupon	Issue Price	Subscription yield	C-Spread ( bps )
April	125	1.05%	99.92	1.058%	2.7
May	125	0.89%	99.94	0.896%	2.5
June	125	0.89%	99.99	0.891%	2.5
July	120	0.84%	99.91	0.849%	2.5
Aug	120	0.77%	99.93	0.777%	2.5
Sep	120	0.82%	100.00	0.820%	2.5
Oct					
Nov					
Dec					
Jan					
Feb					
Mar					





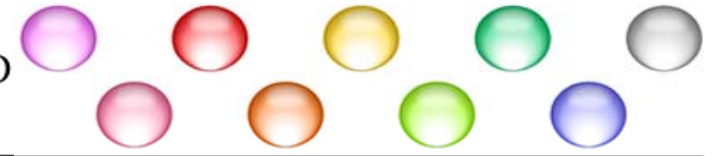
### III. Frequently Asked Questions



Q1) What is the purpose for the 36 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)

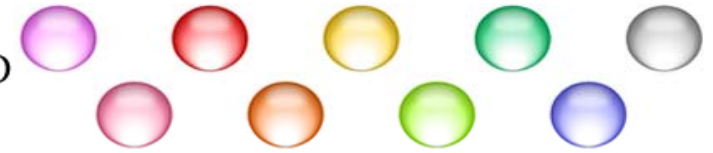
- Joint LGB is issued with Joint Obligation which is based on article 5 - 7 of the Local Finance Law. Joint Obligation means that each joint debtor bears the whole responsibility to fulfill obligation of each debt (article 432 of the Civil Law).
- Under Joint LGB, the 36 LGs each individually bears responsibility 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)

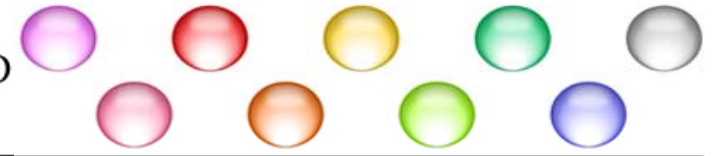
- The fund has been established by accumulating a certain amount of deposit to the commissioned bank of the Joint LGB, in order to explicitly show that timely payment of principal and interest would be fully ensured.
- The actual usage of the fund would occur for example in a nature disaster. In such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



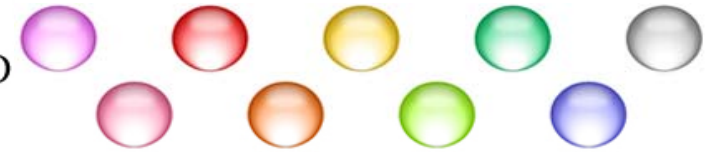
Q4) Since procurement of each LGs consisting the joint issuance varies in each issuance, do you think that credit evaluation of Joint LGB would be difficult ?

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 36 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)

Name	Coupon	Mat. Dat	Latest Spreads			Mid	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

Public Offered bond of TMG

AAA Securities LTD.

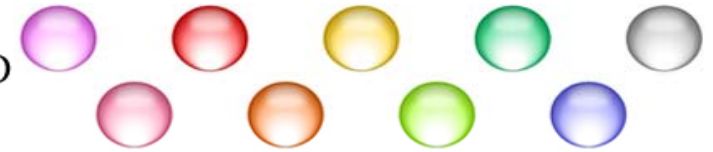
		政地債マーケットインディケーション				AAA Securities LTD.			
		09/15(16:34) 受渡日09/21							
銘柄	回数	利率	償還日	単利 Offer	単利 Bid	複利(年2回) Offer	複利(年2回) Bid	スプレッド* (bp)	回数
東京都公債	5	0.270	13/03/19	0.180	0.190	0.180	0.190	+4	249G
東京都公債	1	0.700	17/06/20	0.530	0.540	0.530	0.540	+3	288G
共同発行地	84	1.380	20/03/25	1.010	1.015	1.024	1.029	+4	308G
共同発行地	85	1.440	20/04/24	1.005	1.010	1.024	1.029	+4	308G
共同発行地	86	1.350	20/05/25	1.010	1.015	1.025	1.030	+4	307G
共同発行地	87	1.290	20/06/25	1.050	1.055	1.060	1.065	+4	308G
共同発行地	88	1.170	20/07/24	1.055	1.060	1.061	1.066	+4	309G
共同発行地	89	1.040	20/08/25	1.060	1.065	1.061	1.066	+4	309G
神奈川県公	8	2.190	27/09/21	1.670	1.680	1.722	1.732	+8	97L
神奈川県公	9	2.310	28/06/20	1.695	1.705	1.756	1.766	+8	02L
神奈川県公	10	2.290	28/09/21	1.710	1.720	1.770	1.780	+8	05L
神奈川県公	12	2.190	29/09/20	1.775	1.785	1.823	1.833	+8	13L
地方公共団	11	1.400	20/04/17	0.985	0.990	1.004	1.009	+2	306G
地方公共団	12	1.300	20/05/22	0.990	0.995	1.005	1.010	+2	307G
地方公共団	13	1.300	20/06/12	1.030	1.035	1.040	1.045	+2	308G
地方公共団	14	1.100	20/07/17	1.035	1.045	1.041	1.046	+2	309G

Example

Simple Interest (%)

Compound Interest (%)





## Bid-Ask Spreads (LGBs)

Issuance Number	Coupon (%)	Maturity Date	Simple Interest (%)		Compound Interest (%)	
発行番号	利率	償還日	BID	ASK	BID	ASK
北海道	21.4	19/06/26	1.050	1.030	1.076	1.056
北海道	21.5	14/07/31	0.420	0.400	0.424	0.404
東京都30	8	38/09/17	1.955	1.940	1.995	1.985
東京都30	10	39/09/20	1.945	1.930	2.000	1.990
東京都20	22	30/06/20	1.830	1.820	1.840	1.830
東京都20	15	28/09/20	1.700	1.685	1.761	1.751
東京都3	5	13/03/19	0.190	0.180	0.191	0.181
東京都3	2	12/03/19	0.185	0.175	0.186	0.176
静岡県	7	28/09/21	1.710	1.700	1.771	1.761
大阪府	325	19/04/26	0.975	0.955	1.000	0.980
大阪府	48	14/04/28	0.365	0.345	0.368	0.348
兵庫県20	7	29/03/19	1.880	1.860	1.907	1.887
福岡県	20.11	14/03/19	0.260	0.250	0.263	0.253
共同発行	74	19/05/24	0.865	0.855	0.885	0.875
共同発行	75	19/06/25	0.905	0.895	0.931	0.921
共同発行	76	19/07/25	0.915	0.905	0.932	0.922

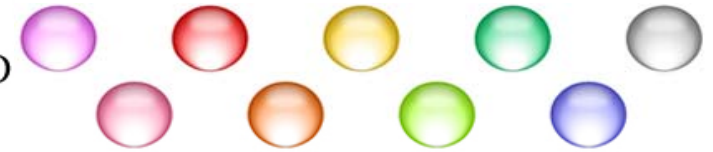
- Public Offered bond of Hokkaido
- Public Offered bond of TMG
- Public Offered bond of Shizuoka Pref.
- Public Offered bond of Osaka-fu
- Public Offered bond of Hyogo Pref.
- Public Offered bond of Fukuoka Pref.

Example

Joint LGB

Simple Interest (%)

Compound Interest (%)



## For More Information

Japan Local Government Bond Association Website:

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

JAPAN LOCAL  
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- ▶ Overview of Local Government Bonds in Japan
- ▶ Tax Exemption Scheme ( J - BIEM )
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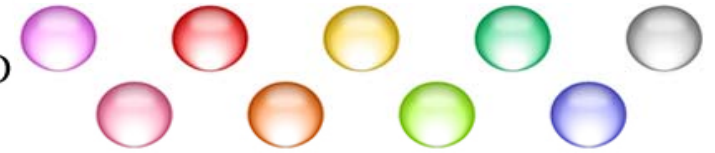
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## DISCLAIMER

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