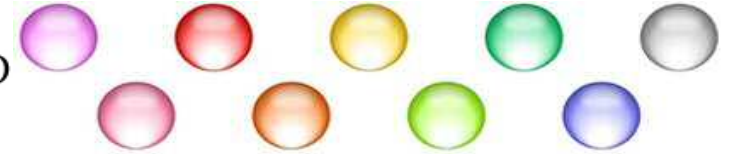


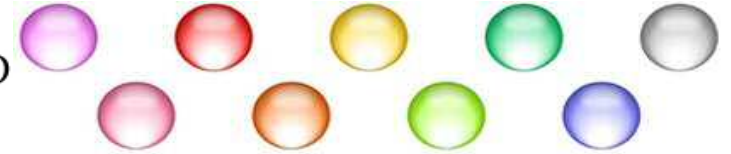
JAPAN LOCAL  
GOVERNMENT BOND  
ASSOCIATION



# PUBLIC OFFERING JOINT LOCAL GOVERNMENT BOND

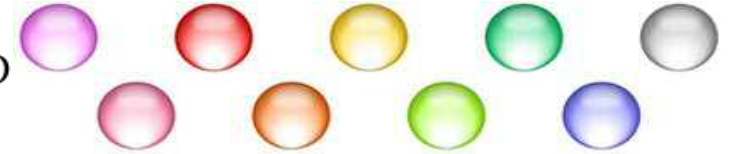
Japan Local Government Bond Association

October 2014

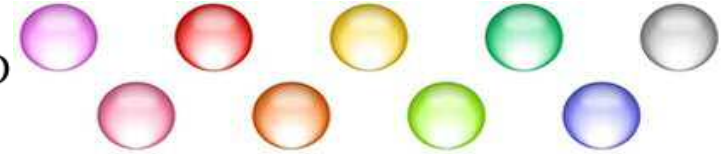


# Contents

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



# I . Attractiveness

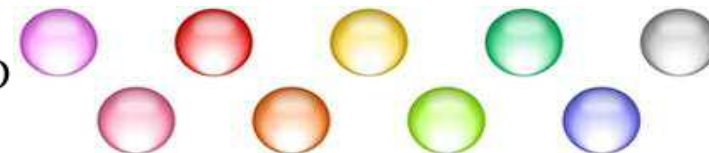


## Public Offering Joint LGB

- 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.

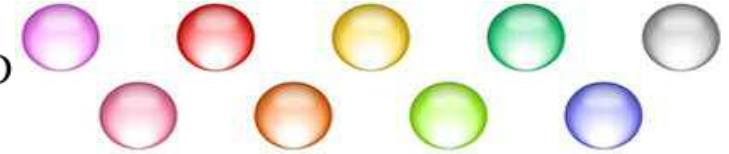
### **Article 5 - 7 (Joint Issuance of Local Government Bonds), Local Finance Law**

- 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

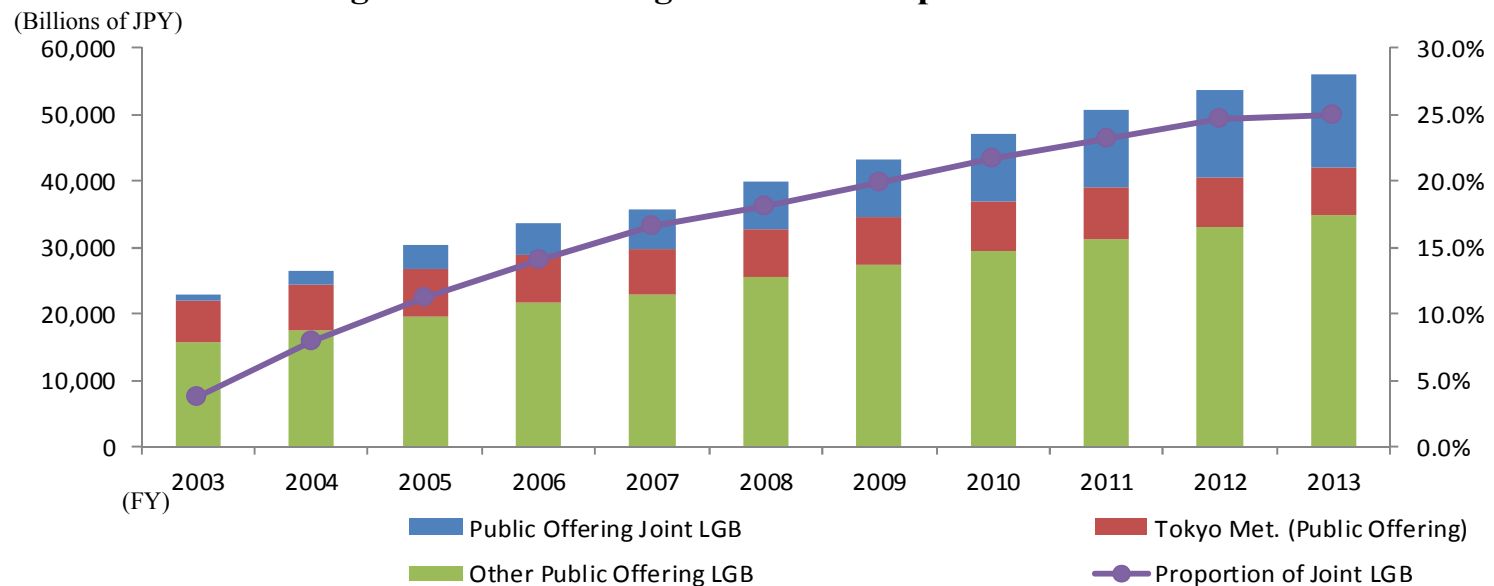
Issuance Terms	
FY2014 Yearly Issuance Plan	Total of JPY 1.47 trillion ( USD 13.5 Billion ) →Ave. JPY 120 billion ( USD 1.1 Billion ) issuance every month *one of the largest size among Japanese non-JGB bonds (*JPY108.68/USD)
Redemption method / Maturity	Bullet / 10 years
Amount of Minimum Unit	100,000 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



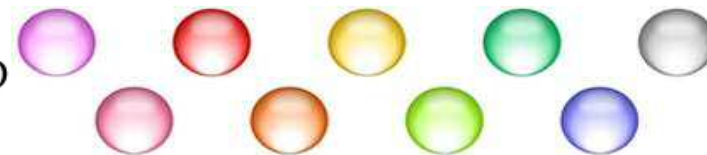
## Benchmark Bond: High Liquidity

- Total outstanding of Joint LGB was nearly JPY 14 trillion (USD 128 billion\*) at the end of FY 2013. (\*JPY108.68/USD)
- Joint LGB has become one of the leading benchmark bonds 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 >**

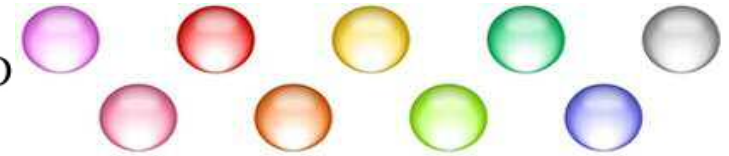


Source: Japan Local Government Bond Association

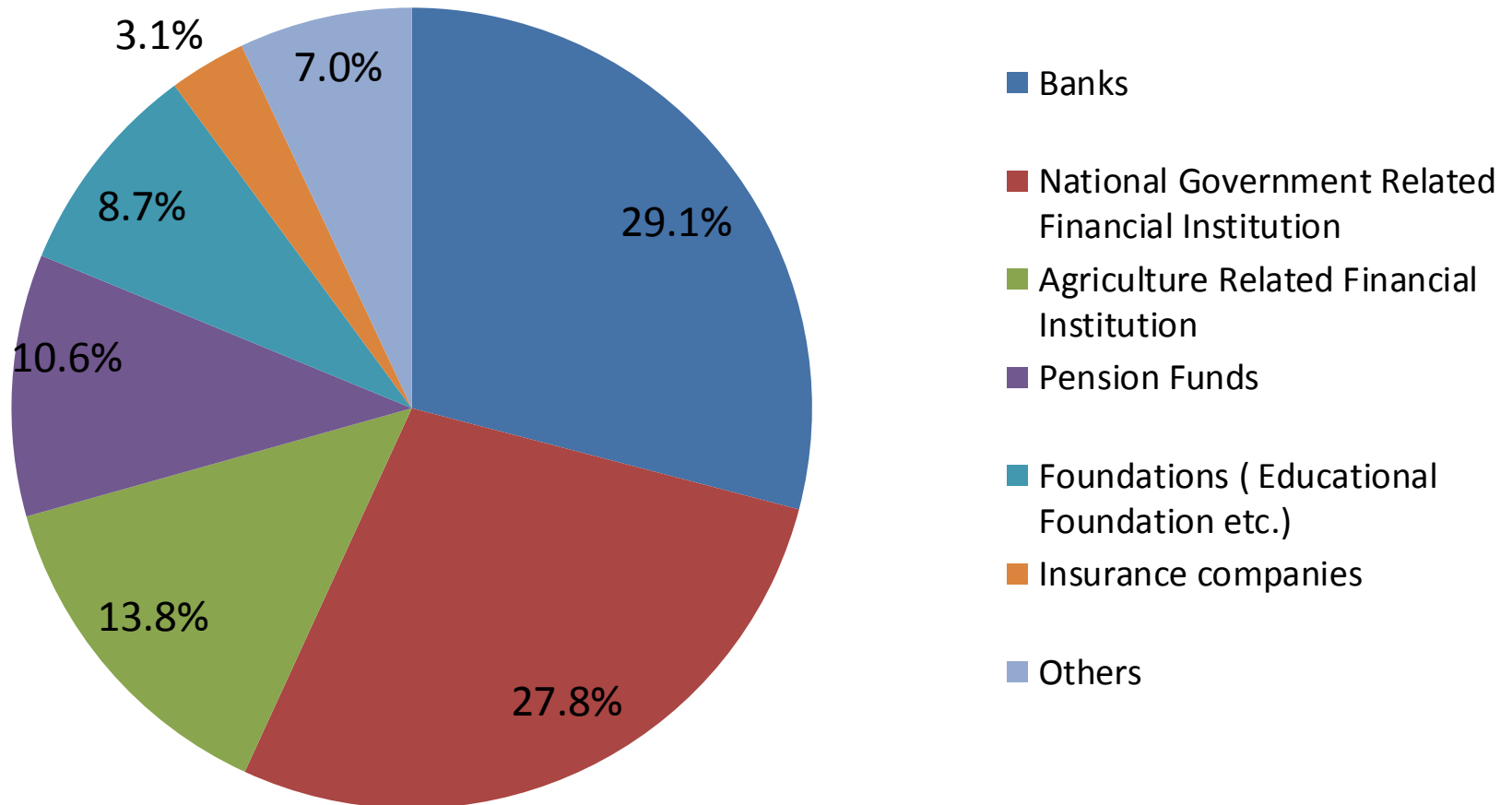


## The 36 Local Governments consisting the joint issuance

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>

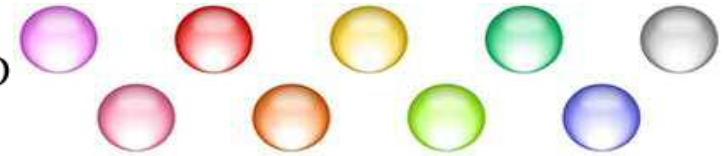


# Composition of Joint LGB initial subscribers

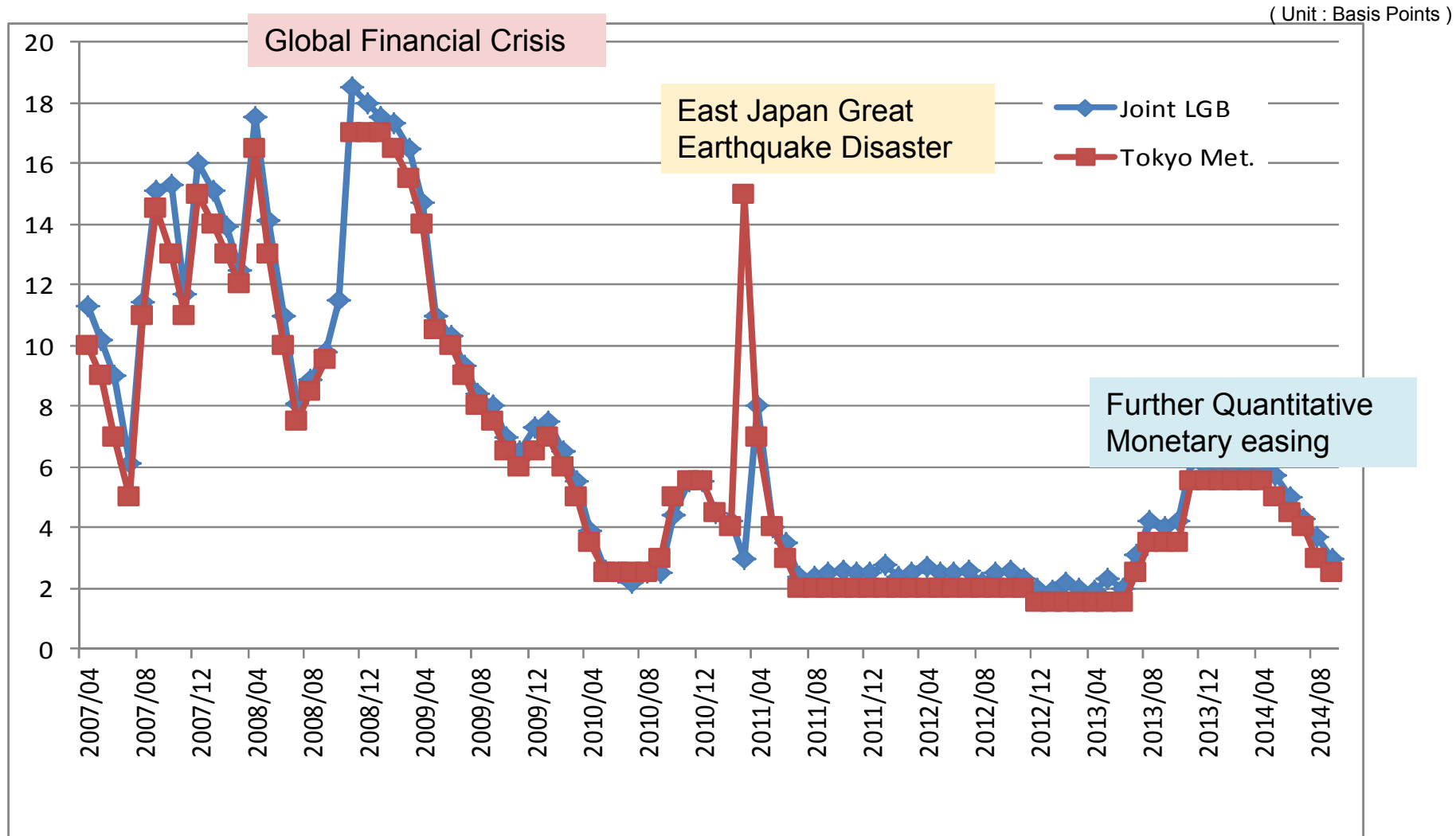


\* Figure as of end of Aug. 2014  
Source : Japan Local Government Bond Association

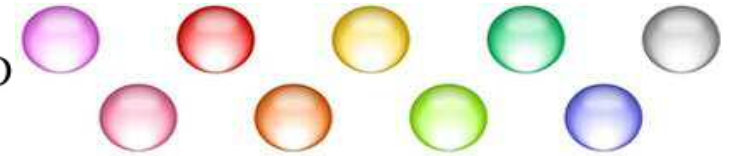




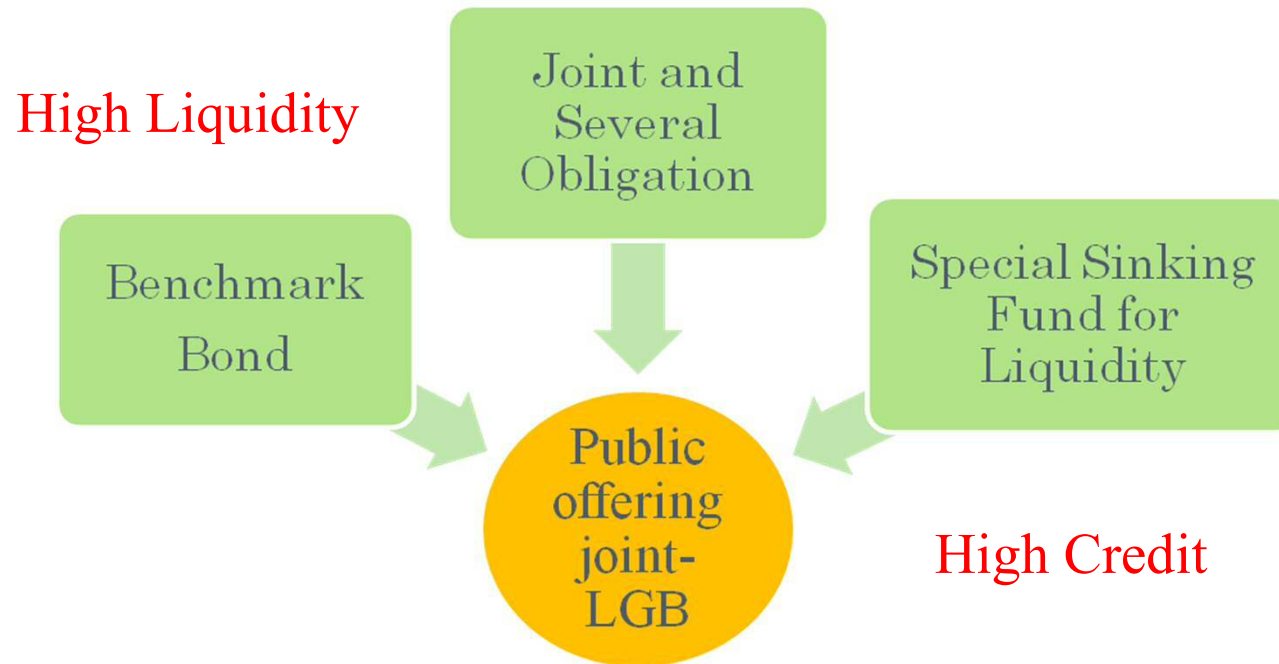
# Spread Over JGB



※ Issuance Yield (Apr. 2007 - Sep. 2014)  
Source: Japan Local Government Bond Association



## Characteristic of Joint LGB

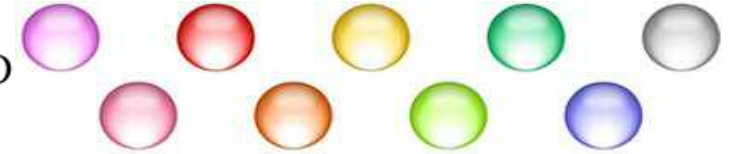


Article 5-7 of the  
Local Finance Law

- 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

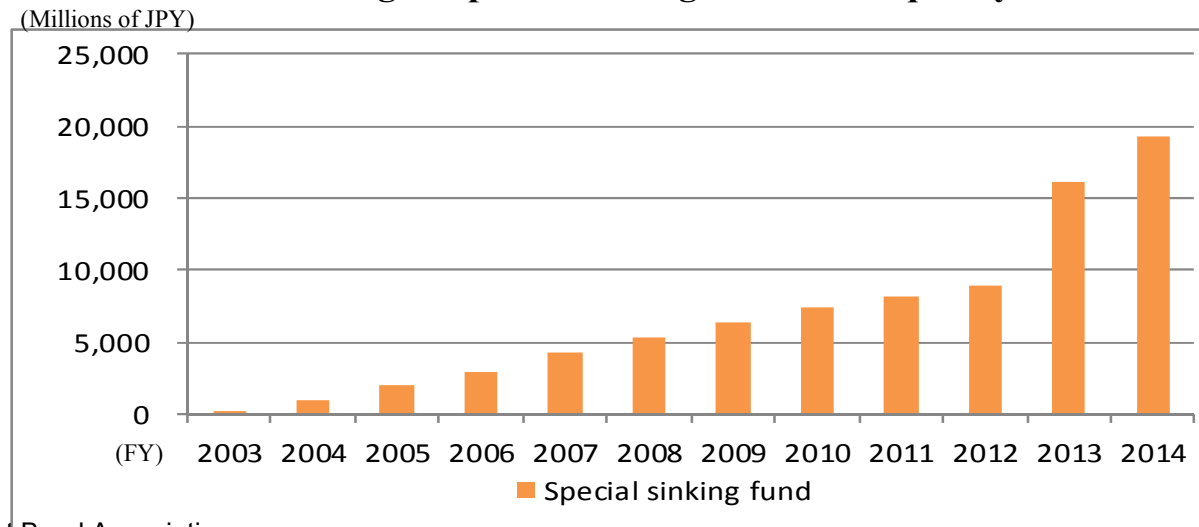
- Each joint debtor is responsible for redemption of the entire amount.



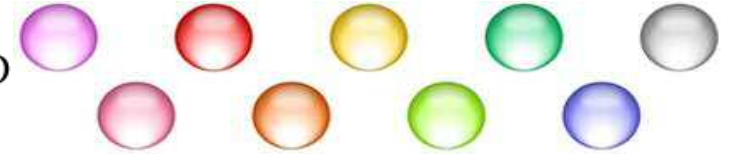
## Special Sinking Fund for Liquidity

- 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 the 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>

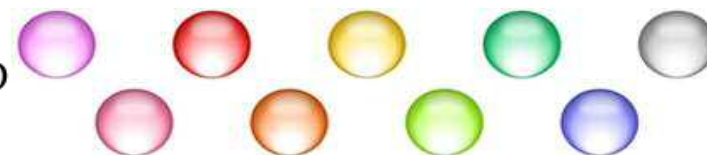


Source: Japan Local Government Bond Association



## II . Planned and Past Issuance

JAPAN LOCAL  
GOVERNMENT BOND  
ASSOCIATION

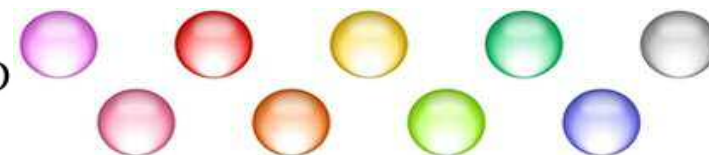


Planned Issuance FY2014

Unit : Billion of JPY

Issuer	Hokkaido	Miyagi	Fukushima	Ibaraki	Saitama	Chiba	Kanagawa	Niigata	Fukui	Nagano	Gifu	Shizuoka	Aichi	Mie	Kyoto	Osaka	Hyogo	Nara
Apr		10	4	5	10		10	5				5			5	10	10	
May	10		3	5	10			7				5			5	10	10	
Jun	10	10	3	5		10		7		9		5			10		10	
July	10			5			10	9		9	4	5	10		10			5
Aug		10		5	10	5		4		9		5			5			5
Sep	10	10	3		10		10	4		9	4	5			5			5
Oct	10	10	3			5		4		9		5	10			10	8	7
Nov	10		4			5		4	5	9	4	5				10	6	7
Dec			5	5	10	5	10	4				5			5	10	6	6
Jan	10		5			5	10	4			4	5	10	5	5	10	5	
Feb		10			10	6		4		6		5		5	5	10	5	
Mar	10					9		4	5		4	5	10		5	10	5	
Total	80	60	30	30	60	50	50	60	10	60	20	60	40	10	60	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		10		5		5	7	3					4	10	5			7	130
May						5	5	3	3	5			4	10	2	5	10	7	124
Jun		10		5		5	5	3	4	5				6	2				124
July						5		3	4		5		4	6	2	6	5	7	124
Aug	5	10		5	5	5		3		4	5		4	6	2		5	7	124
Sep	5				5	5	8	3		3		4	4	6	2	4			124
Oct		10	10			5		3						6	2				117
Nov				5		5		3		5			5	6	2	6	5	6	117
Dec		10	5	5		5		3	5				5	6	2				117
Jan					5	5			5			3	5	6	2	4	5	6	124
Feb		10		5	5	10		3	5	4				6	5			5	124
Mar			10			10	5	3	4			3	5	6	2	5	5	5	125
Total	10	60	25	30	20	70	30	33	30	26	10	10	40	80	30	30	40	40	1,474



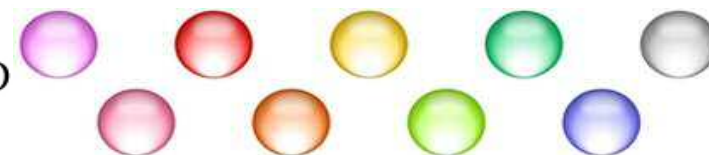
## Past Issuance

### 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	120	0.80%	99.94	0.806%	2.6
Nov	120	0.80%	99.94	0.806%	2.3
Dec	120	0.72%	99.91	0.729%	2.0
Jan	140	0.84%	99.96	0.844%	1.9
Feb	140	0.80%	99.95	0.805%	2.2
Mar	140	0.68%	99.97	0.683%	2.0



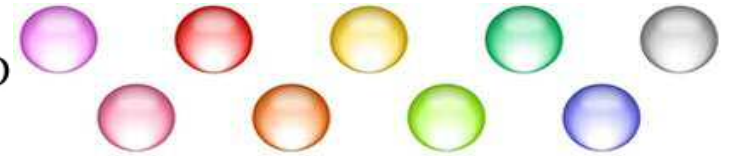
## Past Issuance

### FY2013

Month	Issuance ( Bln JPY )	Coupon	Issue Price	Subscription yield	C-Spread ( bps )
April	130	0.57%	99.94	0.576%	1.9
May	130	0.62%	100.00	0.620%	2.3
June	125	0.87%	99.97	0.873%	2.0
July	125	0.91%	99.98	0.912%	3.1
Aug	126	0.82%	99.99	0.821%	4.2
Sep	125	0.81%	99.99	0.811%	4.0
Oct	125	0.68%	99.91	0.689%	4.2
Nov	125	0.66%	100.00	0.660%	6.2
Dec	125	0.71%	99.97	0.713%	6.0
Jan	126	0.76%	99.99	0.761%	6.0
Feb	125	0.66%	99.95	0.665%	6.0
Mar	130	0.66%	99.91	0.669%	6.0

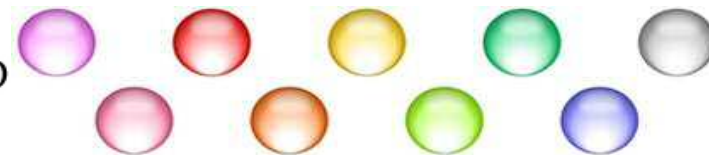
### FY2014

Month	Issuance ( Bln JPY )	Coupon	Issue Price	Subscription yield	C-Spread ( bps )
April	130	0.689%	100.00	0.689%	5.9
May	124	0.674%	100.00	0.674%	5.7
June	124	0.659%	100.00	0.659%	5.0
July	124	0.611%	100.00	0.611%	4.3
Aug	124	0.566%	100.00	0.566%	3.7
Sep	124	0.554%	100.00	0.554%	3.0
Oct					
Nov					
Dec					
Jan					
Feb					
Mar					



### III. Frequently Asked Questions

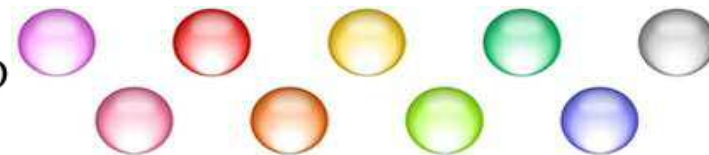




Q1) What is the purpose for the 36 LGs to participate in the joint issuance of Joint LGB ?

A1)

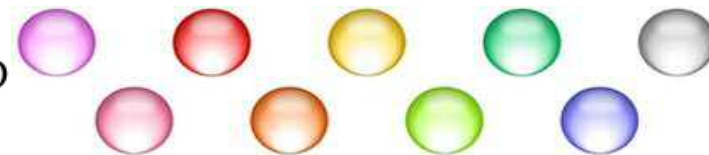
- The purpose is to realize superior character and stable fund procurement by enlarging the size of the issuance to enhance liquidity, issuance with joint obligation, establishment of the Special Sinking Fund for Liquidity, obtainment of favorable fundamentals (volume of finance, population, economic 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)

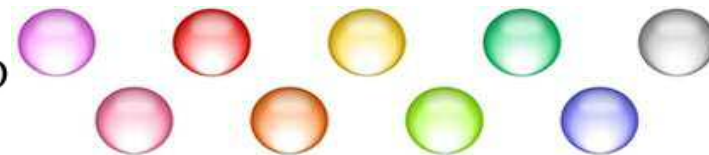
- Joint LGB is issued with Joint Obligation which is based on article 5 - 7 of the Local Finance Law. Joint Obligation means that each joint debtor bears the whole responsibility to fulfill obligation of each debt (article 432 of the Civil Law).
- Under Joint LGB, the 36 LGs each individually bears responsibility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

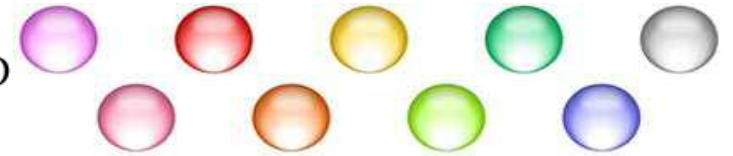
- The fund has been established by accumulating a certain amount of deposit to the commissioned bank of the Joint LGB, in order to explicitly show that timely payment of principal and interest would be fully ensured.
- The actual usage of the fund would occur for example in a nature disaster. In such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



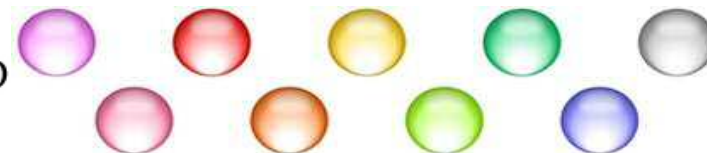
Q4) Since procurement of each LGs consisting the joint issuance varies in each issuance, do you think that credit evaluation of Joint LGB would be difficult ?

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)

Quote: 0#JNTLGB1=JLBA

0#JNTLGB1=JLBA JNT LOCAL GB 1

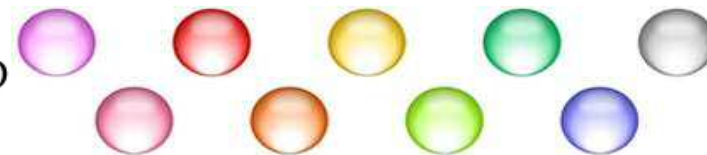
共同発行債 1

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

Public Offered bond of TMG

**Joint LGB**

Public Offered bond of Kanagawa Pref.

AAA Securities LTD.

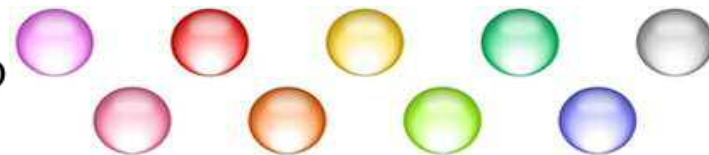
銘柄	回数	利率	償還日	単利		複利(年2回)		スプレッド (bp)	番号
				Offer	Bid	Offer	Bid		
東京都公債	5	0.270	13/03/19	0.180	- 0.190	0.180	- 0.190	+4	249G
東京都公債	1	0.700	17/06/20	0.530	- 0.540	0.530	- 0.540	+3	286G
共同発行地	84	1.380	20/03/25	1.010	- 1.015	1.024	- 1.029	+4	306G
共同発行地	85	1.440	20/04/24	1.005	- 1.010	1.024	- 1.029	+4	306G
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

\*: Firm Offer, Bid

Example

Simple Interest (%)      Compound Interest (%)

Screen copy of indication provided by QUICK Corp.



## Bid-Ask Spreads (LGBs)

	Issuance Number	Coupon (%)	Maturity Date	Simple Interest (%)		Compound Interest (%)		スプレッド <sup>※</sup>		
				BID	ASK	BID	ASK	(bp)	回数	
Public Offered bond of Hokkaido	北海道	21.4	1.700	19/06/26	1.050	1.030	1.076	1.056	21	301
Public Offered bond of TMG	北海道	21.5	0.820	14/07/31	0.420	0.400	0.424	0.404	21	260
Public Offered bond of Shizuoka Pref.	東京都30	8	2.230	38/09/17	1.955	1.940	1.995	1.985	11	29
	東京都30	10	2.310	39/09/20	1.945	1.930	2.000	1.990	11	31
	東京都20	22	1.920	30/06/20	1.830	1.820	1.840	1.830	7	118
Public Offered bond of Osaka-fu	東京都20	15	2.320	28/09/20	1.700	1.685	1.761	1.751	6	106
	東京都3	5	0.270	13/03/19	0.190	0.180	0.191	0.181	5	246
Public Offered bond of Hyogo Pref.	東京都3	2	0.680	12/03/19	0.185	0.175	0.186	0.176	6	238
	静岡県	7	2.320	28/09/21	1.710	1.700	1.771	1.761	7	106
Public Offered bond of Fukuoka Pref.	大阪府	325	1.660	19/04/26	0.975	0.955	1.000	0.980	18	300
	大阪府	48	1.060	14/04/28	0.365	0.345	0.368	0.348	18	258
Example	兵庫県20	7	2.110	29/03/19	1.880	1.860	1.907	1.887	18	108
	福岡県	20.11	0.950	14/03/19	0.260	0.250	0.263	0.253	8	258
	共同発行	74	1.570	19/05/24	0.865	0.855	0.885	0.875	7	300
	共同発行	75	1.640	19/06/25	0.905	0.895	0.931	0.921	7	301
	共同発行	76	1.400	19/07/25	0.915	0.905	0.932	0.922	7	302

政保債/地方債/財投機関債マーケットインディケーション  
09/15 (17:00) 受渡日 09/21  
登録非課税 1 億円単位 5 億円程度  
単利 複利  
スプレッド<sup>※</sup>

BBB Securities LTD.

銘柄名 回数 利率 償還日

単利 複利

スプレッド<sup>※</sup>

Example

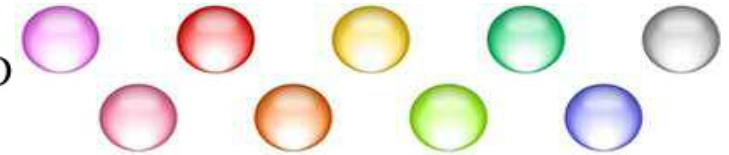
Joint LGB

Simple Interest (%)

Compound Interest (%)

<<ディスクlaimer>>





## For More Information

Japan Local Government Bond Association Website:

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

The screenshot shows the website's navigation menu. On the left, there is a list of links with red arrowheads: 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, and Links. On the right, there is a vertical red menu with white text and red arrowheads: 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, and Links. At the bottom of the screenshot, there is a footer with the text: Japanese Site | Terms of Use | SiteMap and Copyright (C) 2006 JAPAN LOCAL GOVERNMENT BOND ASSOCIATION. All Rights Reserved.

Please contact us:

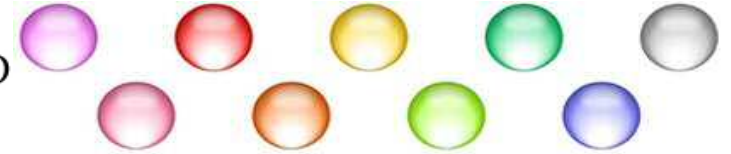
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## DISCLAIMER

This is the presentation material made by Japan Local Government Bond Association in use of a one on one investor meeting in European countries October 2014.

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