

Public Offering Joint Local Government Bond

Japan Local Government Bond Association

September 2016



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I . Attractiveness

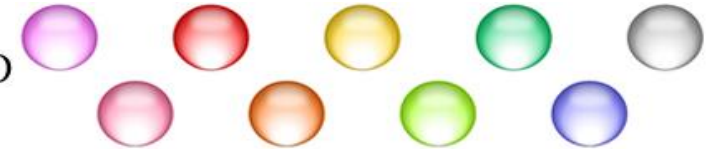


Public Offering Joint LGB

- 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.

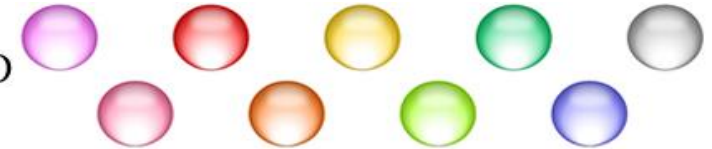
Article 5 - 7 (Joint Issuance of Local Government Bonds), Local Finance Law

- 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

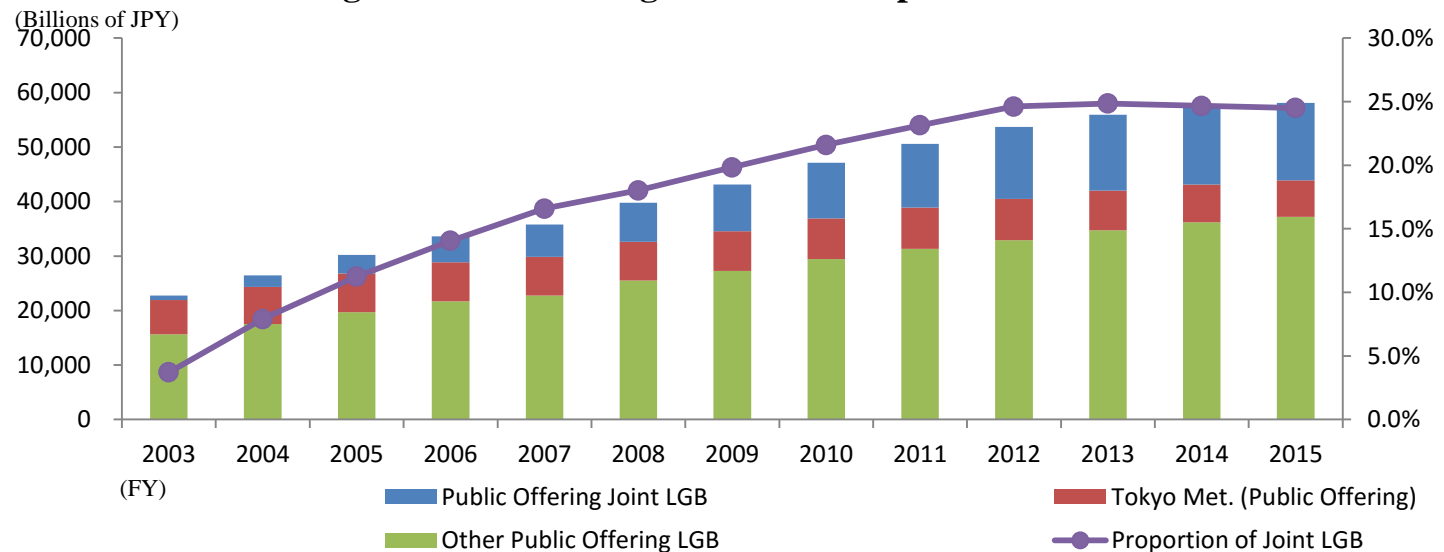
| Issuance Terms | |
|---|---|
| FY2016 Yearly Issuance Plan | Total of JPY 1.20trillion (USD 11.7 Billion) →Monthly Ave. JPY 100 billion (USD 1 Billion) *one of the largest size among Japanese non-JGB bonds (*JPY103.18/USD) |
| Redemption method / Maturity | Bullet / 10 years |
| Amount of Minimum Unit | 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 |



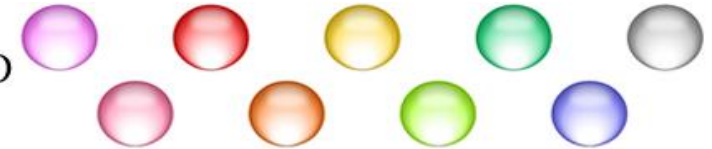
Benchmark Bond: High Liquidity

- Total outstanding of Joint LGB was nearly JPY 14.2 trillion (USD 138 billion*) at the end of FY 2015. (*JPY103.18/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 >

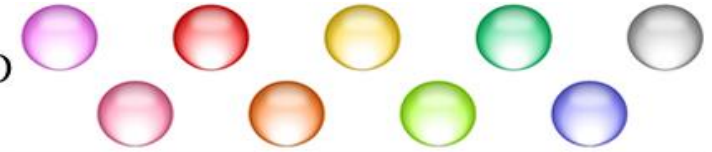


Source: Japan Local Government Bond Association

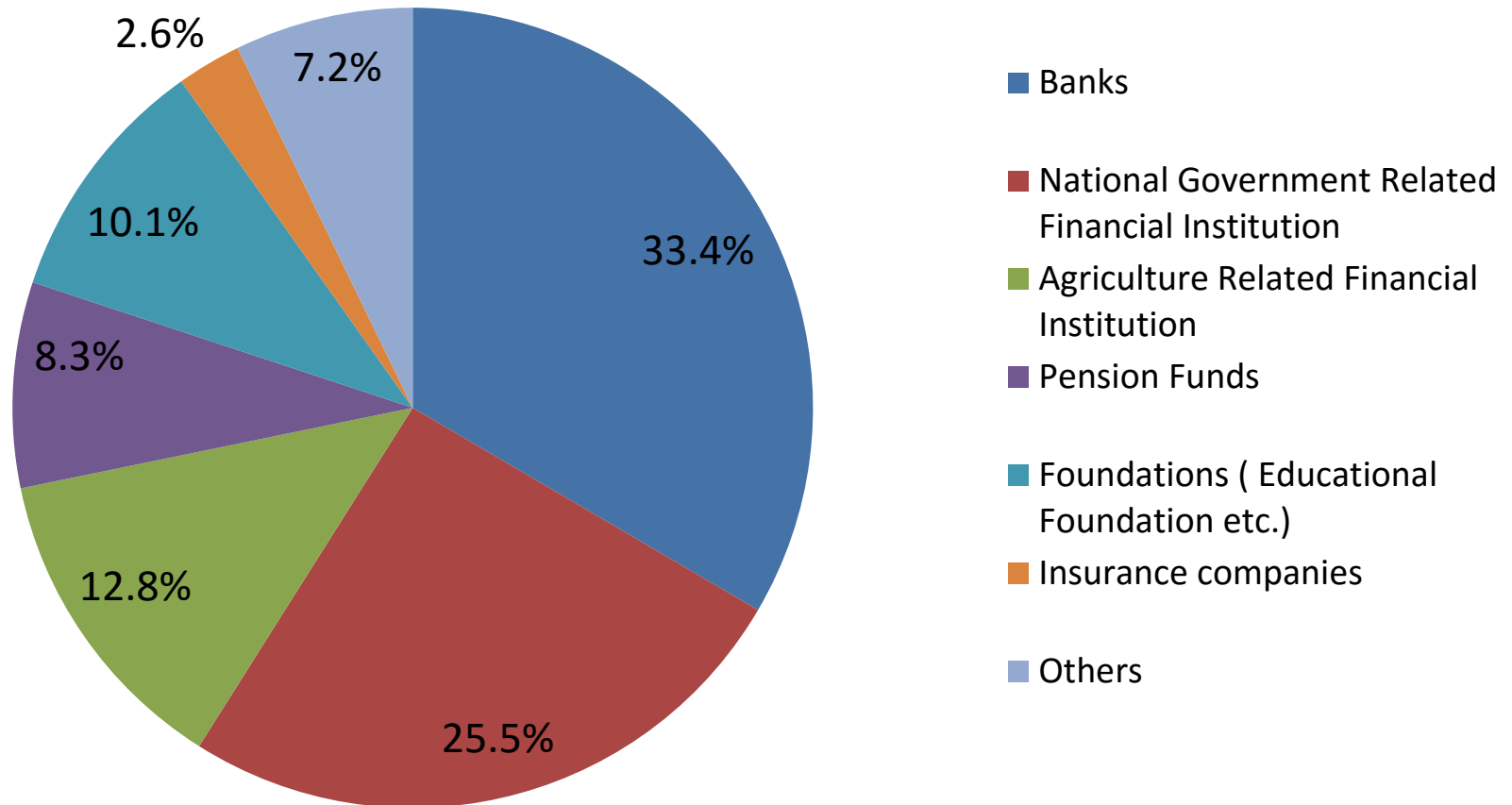


The 36 Local Governments consisting the joint issuance

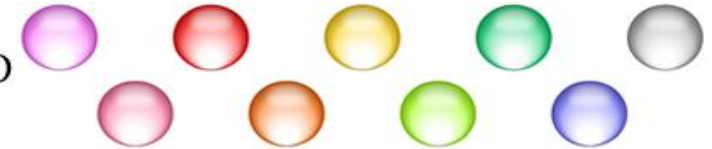
| Prefectures | | Designated Cities | |
|--------------|-----------|-------------------|-----------|
| Hokkaido | Aichi | Sapporo | |
| Miyagi | Mie | Sendai | |
| Fukushima | Kyoto | Chiba | |
| Ibaraki | Osaka | Kawasaki | |
| Saitama | Hyogo | Niigata | |
| Chiba | Nara | Shizuoka | |
| Kanagawa |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



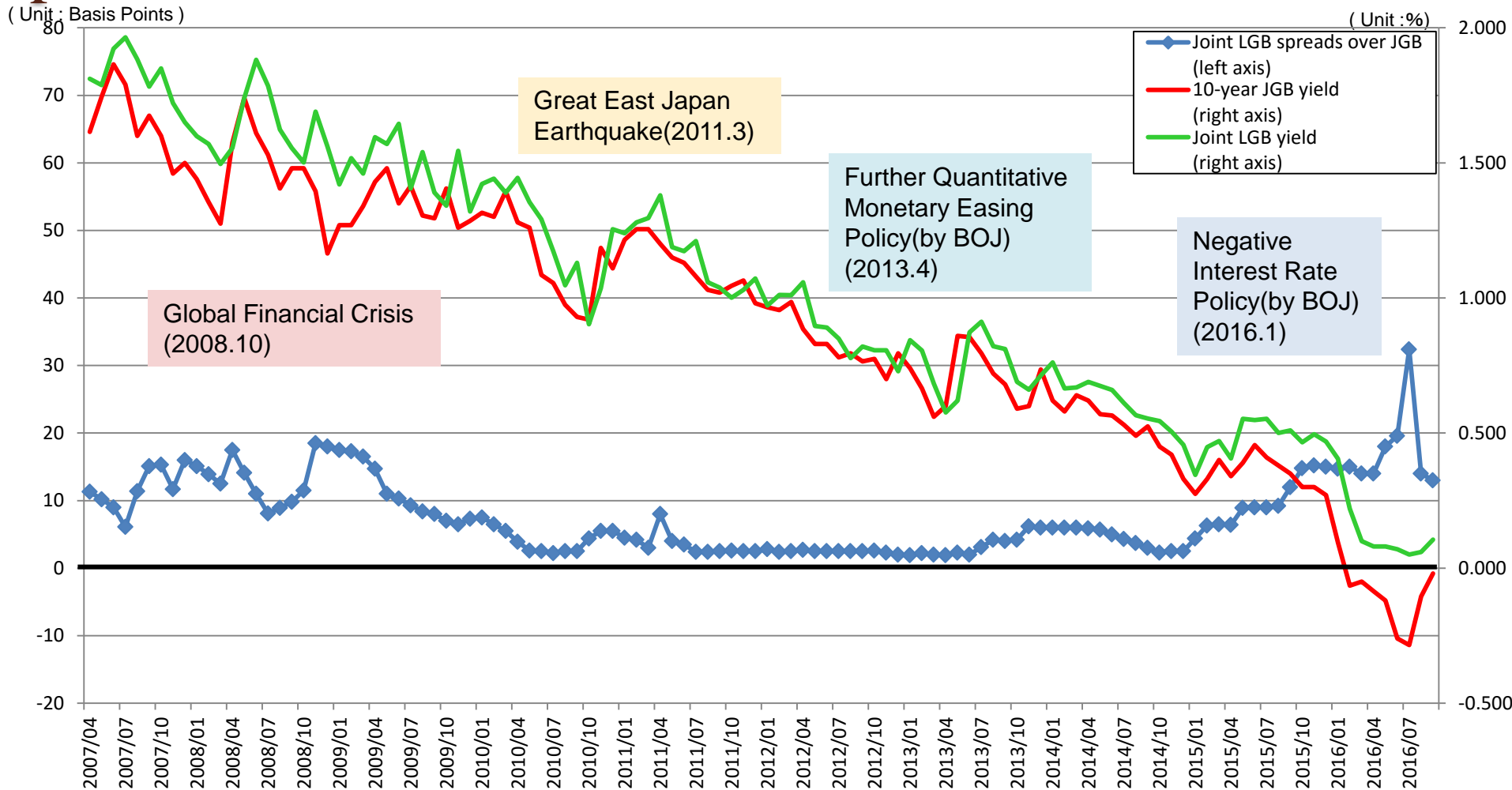
Composition of Joint LGB initial subscribers



* Figure as of end of July 2016
Source : Japan Local Government Bond Association



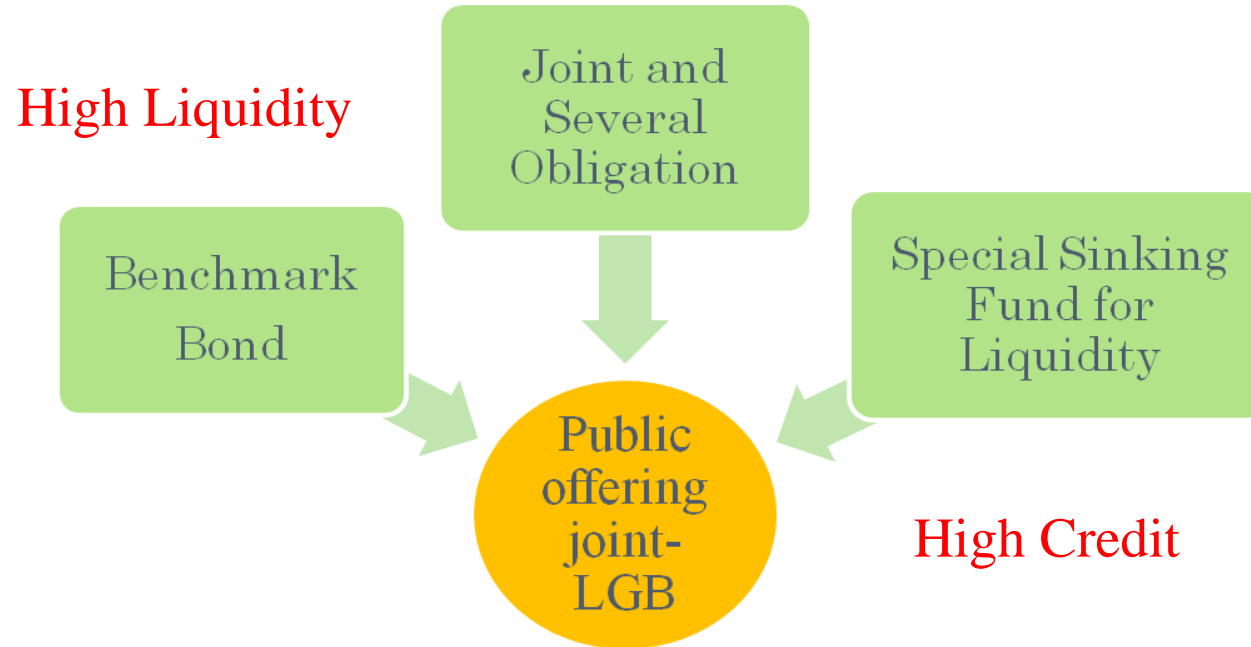
Spread Over JGB



※ Issuance Yield (Apr. 2007 - Sept. 2016)
Source: Japan Local Government Bond Association



Characteristic of Joint LGB

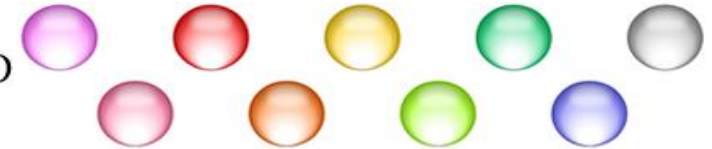


Article 5-7 of the
Local Finance Law

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

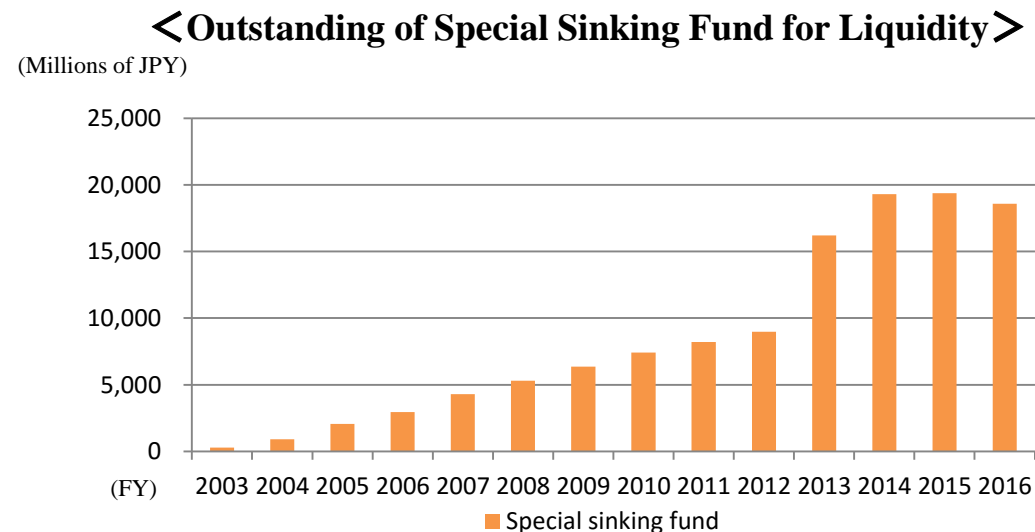
Article 432 of the
Civil Law

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



Special Sinking Fund for Liquidity

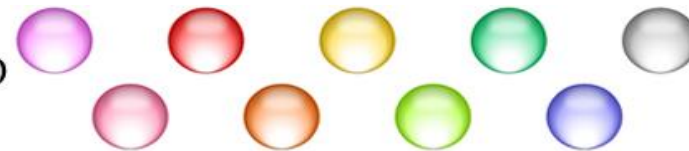
- Aside from the Joint Obligation, “Special Sinking Fund for liquidity” has been established in order to fully ensure timely payment of principal and interest, even in the event of unforeseen emergency.
- The Fund is being accumulated by each of the 36 LGs depositing a portion of their own sinking fund 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.



Source: Japan Local Government Bond Association



II . Planned and Past Issuance



Planned Issuance FY2016

Unit : Billion of JPY

| Issuer | Hokkaido | Miyagi | Fukushima | Ibaraki | Saitama | Chiba | Kanagawa | Niigata | Fukui | Nagano | Gifu | Shizuoka | Aichi | Mie | Kyoto | Osaka | Hyogo | Nara |
|--------|----------|--------|-----------|---------|---------|-------|----------|---------|-------|--------|------|----------|-------|-----|-------|-------|-------|------|
| Apr | 8 | 5 | 4 | 6 | 8 | | 5 | 5 | | | | 3 | | | 5 | | 5 | |
| May | 10 | | 3 | 6 | 10 | 5 | | 7 | | 9 | 2 | | 5 | | 5 | | 10 | 1 |
| Jun | | | | 6 | | | | 7 | 1 | 4 | | | | 1 | 5 | 10 | 10 | |
| July | 10 | 5 | | 6 | 8 | | 10 | 9 | | 4 | 2 | | | | 10 | | 5 | |
| Aug | 8 | 10 | | | 10 | | | 4 | | 10 | | | 10 | | 5 | | 5 | |
| Sep | 10 | | 4 | | | 10 | | 4 | 1 | | 4 | 3 | | 4 | 5 | 10 | 5 | 1 |
| Oct | | 10 | | 3 | | | | 4 | | 9 | | | 10 | 1 | | 10 | 10 | 4 |
| Nov | 8 | | 2 | | 6 | | 5 | 4 | 3 | | 4 | | | | | 10 | 5 | |
| Dec | | | 5 | | | 5 | | 4 | | | | 8 | | | 5 | 10 | 5 | |
| Jan | 10 | 10 | 5 | | | | | 4 | | 9 | 4 | 8 | | | 5 | 10 | 10 | 4 |
| Feb | 10 | | | 3 | 8 | | | 4 | | | | 8 | 5 | 4 | | 10 | 5 | |
| Mar | 6 | | | | | 10 | 10 | 4 | 5 | | 4 | | | | 5 | 10 | 5 | |
| Total | 80 | 40 | 23 | 30 | 50 | 30 | 30 | 60 | 10 | 45 | 20 | 30 | 30 | 10 | 50 | 80 | 80 | 10 |

| 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 | 8 | 6 | 8 | | | | | 5 | | | 5 | 4 | 110 |
| May | | | | | | 5 | 7 | 3 | 3 | 5 | | | | | 8 | | 5 | | 109 |
| Jun | 2 | 10 | 3 | 5 | 5 | 6 | | 3 | | 5 | 4 | 1 | 5 | | | 3 | 5 | | 101 |
| July | | | | 5 | | 6 | | 3 | 4 | | 4 | | 5 | | 1 | | 5 | 2 | 104 |
| Aug | | 10 | | 5 | | 6 | | 3 | | 4 | | | 5 | | | | 5 | | 100 |
| Sep | 3 | | 3 | | 5 | 6 | 6 | 3 | | | | 3 | | 7 | 1 | 2 | | | 100 |
| Oct | | 10 | | | | 6 | 3 | 3 | | | 1 | | | 6 | | | | | 90 |
| Nov | | | 9 | | | 6 | | 3 | 5 | 3 | | | 5 | | 2 | 3 | 5 | 2 | 90 |
| Dec | 2 | 10 | | 5 | 5 | 6 | | 3 | 3 | | | 3 | 5 | 7 | | | | | 91 |
| Jan | | | | | 5 | 6 | 3 | | | | 1 | | 5 | | 2 | | | | 101 |
| Feb | 3 | 10 | | 5 | | 6 | | 3 | 3 | 3 | | | 5 | | | 2 | | 7 | 104 |
| Mar | | | 10 | | | 6 | 3 | 3 | 4 | | | 3 | | 5 | 6 | | 5 | | 104 |
| Total | 10 | 60 | 25 | 30 | 20 | 70 | 30 | 36 | 30 | 20 | 10 | 10 | 35 | 30 | 20 | 10 | 35 | 15 | 1,204 |



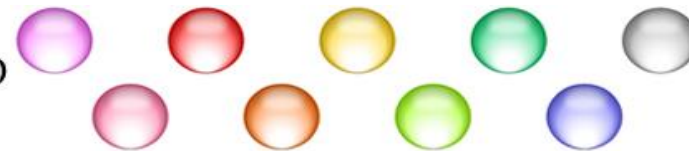
Past Issuance

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 | 117 | 0.544% | 100.00 | 0.544% | 2.3 |
| Nov | 117 | 0.505% | 100.00 | 0.505% | 2.5 |
| Dec | 117 | 0.456% | 100.00 | 0.456% | 2.5 |
| Jan | 124 | 0.345% | 100.00 | 0.345% | 4.4 |
| Feb | 124 | 0.448% | 100.00 | 0.448% | 6.3 |
| Mar | 125 | 0.470% | 100.00 | 0.470% | 6.5 |



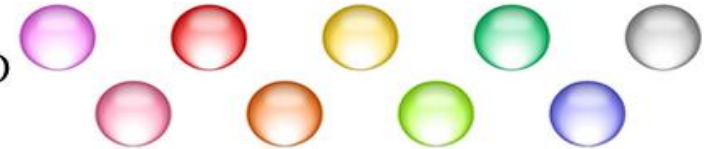
Past Issuance

FY2015

| Month | Issuance (Bln JPY) | Coupon | Issue Price | Subscription yield | C-Spread (bps) |
|-------|-------------------------|--------|----------------|-----------------------|---------------------|
| April | 130 | 0.406% | 100.00 | 0.406% | 6.4 |
| May | 131 | 0.553% | 100.00 | 0.553% | 8.9 |
| June | 117 | 0.548% | 100.00 | 0.548% | 9.0 |
| July | 119 | 0.553% | 100.00 | 0.553% | 9.0 |
| Aug | 117 | 0.500% | 100.00 | 0.500% | 9.2 |
| Sep | 118 | 0.510% | 100.00 | 0.510% | 12.0 |
| Oct | 111 | 0.466% | 100.00 | 0.466% | 14.8 |
| Nov | 110 | 0.496% | 100.00 | 0.496% | 15.2 |
| Dec | 111 | 0.469% | 100.00 | 0.469% | 15.0 |
| Jan | 119 | 0.405% | 100.00 | 0.405% | 14.7 |
| Feb | 120 | 0.220% | 100.00 | 0.220% | 15.0 |
| Mar | 118 | 0.100% | 100.00 | 0.100% | 14.0 |

FY2016

| Month | Issuance (Bln JPY) | Coupon | Issue Price | Subscription yield | C-Spread (bps) |
|-------|-------------------------|--------|----------------|-----------------------|---------------------|
| April | 110 | 0.080% | 100.00 | 0.080% | 14.0 |
| May | 109 | 0.080% | 100.00 | 0.080% | 18 |
| June | 101 | 0.070% | 100.00 | 0.070% | 19.6 |
| July | 104 | 0.050% | 100.00 | 0.050% | 32.4 |
| Aug | 100 | 0.060% | 100.00 | 0.060% | 14.0 |
| Sep | 100 | 0.105% | 100.00 | 0.105% | 13.0 |
| 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.



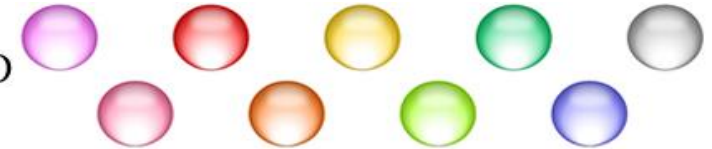
Q4) Since procurement of each LGs consisting the joint issuance varies in each issuance, do you think that credit evaluation of Joint LGB would be difficult ?

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)

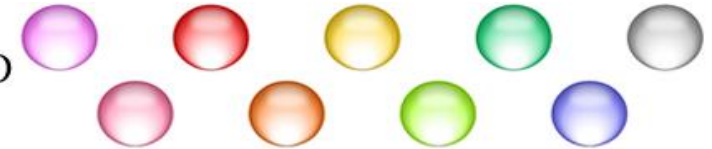
Quote: 0#JNTLGB1=JLBA

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 | Offer | Bid | Offer | Bid | スプレッド [※] (bp) | 回号 |
|---------------------------------------|-----------------|------------|---------------|-------|-------|-------|-------|-------------------------|------|
| Public Offered bond of TMG | 5 | 0.270 | 13/03/19 | 0.180 | 0.190 | 0.180 | 0.190 | +4 | 249G |
| | 1 | 0.700 | 17/08/20 | 0.530 | 0.540 | 0.530 | 0.540 | +3 | 288G |
| Joint LGB | 84 | 1.380 | 20/03/25 | 1.010 | 1.015 | 1.024 | 1.029 | +4 | 308G |
| | 85 | 1.440 | 20/04/24 | 1.005 | 1.010 | 1.024 | 1.029 | +4 | 308G |
| | 86 | 1.350 | 20/05/25 | 1.010 | 1.015 | 1.025 | 1.030 | +4 | 307G |
| | 87 | 1.290 | 20/06/25 | 1.050 | 1.055 | 1.060 | 1.065 | +4 | 308G |
| | 88 | 1.170 | 20/07/24 | 1.055 | 1.060 | 1.061 | 1.066 | +4 | 309G |
| | 89 | 1.040 | 20/08/25 | 1.060 | 1.065 | 1.061 | 1.066 | +4 | 309G |
| Public Offered bond of Kanagawa Pref. | 8 | 2.190 | 27/09/21 | 1.670 | 1.680 | 1.722 | 1.732 | +8 | 97L |
| | 9 | 2.310 | 28/08/20 | 1.695 | 1.705 | 1.756 | 1.766 | +8 | 02L |
| | 10 | 2.290 | 28/09/21 | 1.710 | 1.720 | 1.770 | 1.780 | +8 | 05L |
| | 12 | 2.190 | 29/09/20 | 1.775 | 1.785 | 1.823 | 1.833 | +8 | 13L |
| | 11 | 1.400 | 20/04/17 | 0.985 | 0.990 | 1.004 | 1.009 | +2 | 306G |
| | 12 | 1.300 | 20/05/22 | 0.990 | 0.995 | 1.005 | 1.010 | +2 | 307G |
| | 13 | 1.300 | 20/06/12 | 1.030 | 1.035 | 1.040 | 1.045 | +2 | 308G |
| | 14 | 1.100 | 20/07/17 | 1.035 | 1.045 | 1.041 | 1.046 | +2 | 309G |

政地債マーケットインディケーション
09/15(16:34) 受渡日09/21

AAA Securities LTD.

単利
Offer Bid

複利(年2回)
Offer Bid

スプレッド[※] (bp)

銘柄 回号 利率 償還日

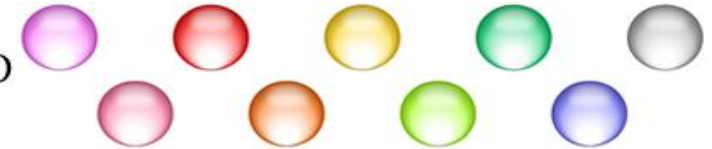
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*: Firm Offer, Bid

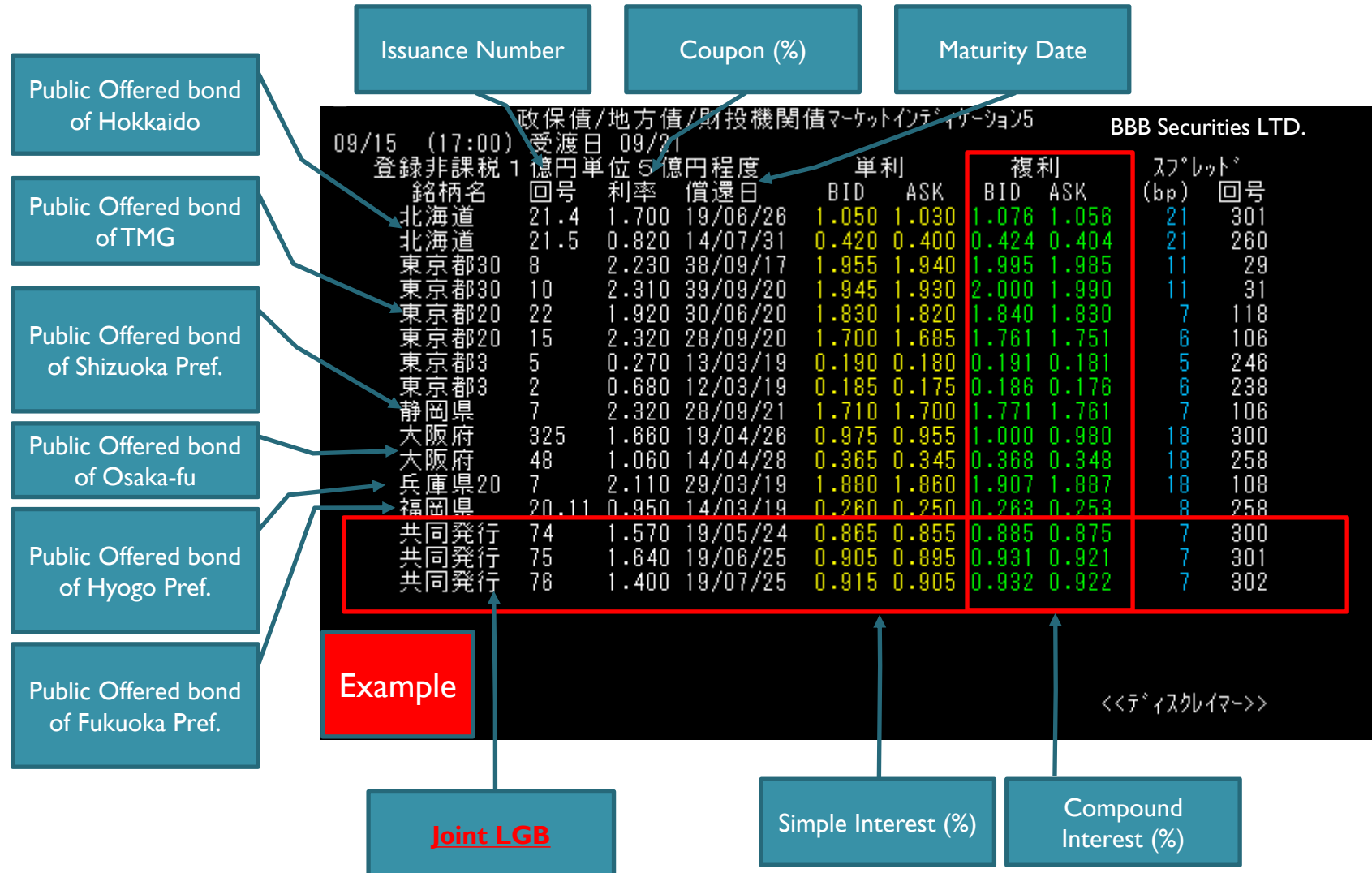
Example

Simple Interest (%)

Compound Interest (%)



Bid-Ask Spreads (LGBs)





For More Information

Japan Local Government Bond Association Website:

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

JAPAN LOCAL GOVERNMENT BOND ASSOCIATION
ENGLISH SITE

[JAPANESE SITE](#)

DIRECT LINK

- JLGB France and Nordic Tour Oct 2015
- Comparison of national and local government tax revenues (FY08)
- Terms and Definitions(PDF)
- Local Tax

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