



**PUBLIC OFFERING
JOINT LOCAL GOVERNMENT BOND**

Japan Local Government Bond Association

JLGB European Road Show

October 2010

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I . Attractiveness

Public Offering Joint LGB

- Joint LGB (Local Government Bond) is publicly offered joint obligations issued by 35 local governments throughout Japan, based on Article 5 - 7 of the Local Finance Law.
- It was first issued in April 2003.
- Each issuer guarantees the full amount of debt payment at each issue.

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.

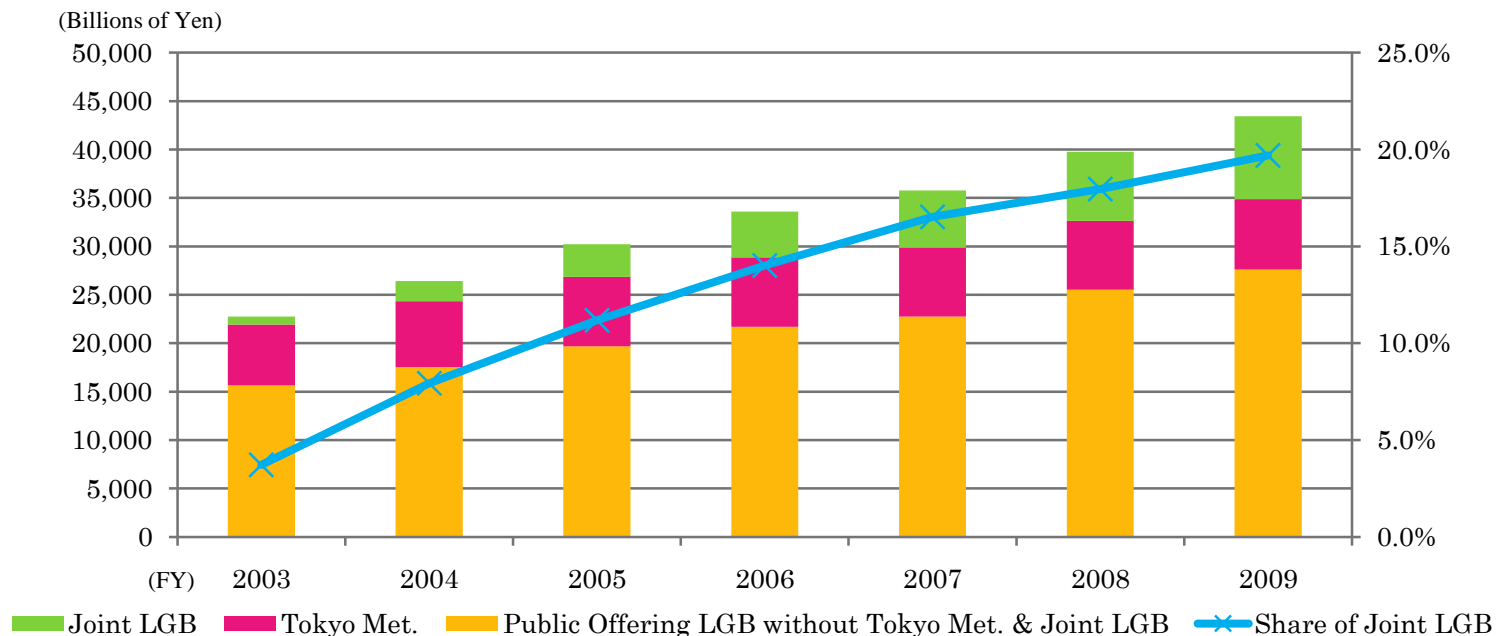
Issue Outline of Joint LGB

Issuance Terms	
FY2010 Total Issuance	Total of ¥1.62 trillion (¥135billion issued every month)*one of the largest size among Japanese non-JGB bonds
Redemption method/Maturity	Bullet redemption/10 years
Amount of Minimum Unit	100,000 yen
Issue Date	25 th of every month
Coupon	Fixed (rate differs based on issuance month)
Coupon Payment	25 February and 25 August, irrespective of issuance month
Announcement of issuance terms	Two business days following auction of 10yrs JGB
Terms Announcement Date	Three months prior to issuance month
Planned Funding Amount for Respective Issuer	By one week prior to announcement of issuance terms

Benchmark Bond: High Liquidity

- Total outstanding of Public Offering Joint LGB will be nearly ¥10.2 trillion (FY2010).
- Public offering Joint LGB becomes one of the leading benchmark bonds among non-JGB bonds. More local governments plan to become the public offering Joint LGB issuers, so the outstanding will keep accumulating.
- Joint LGB will increase its presence in the bond market more.

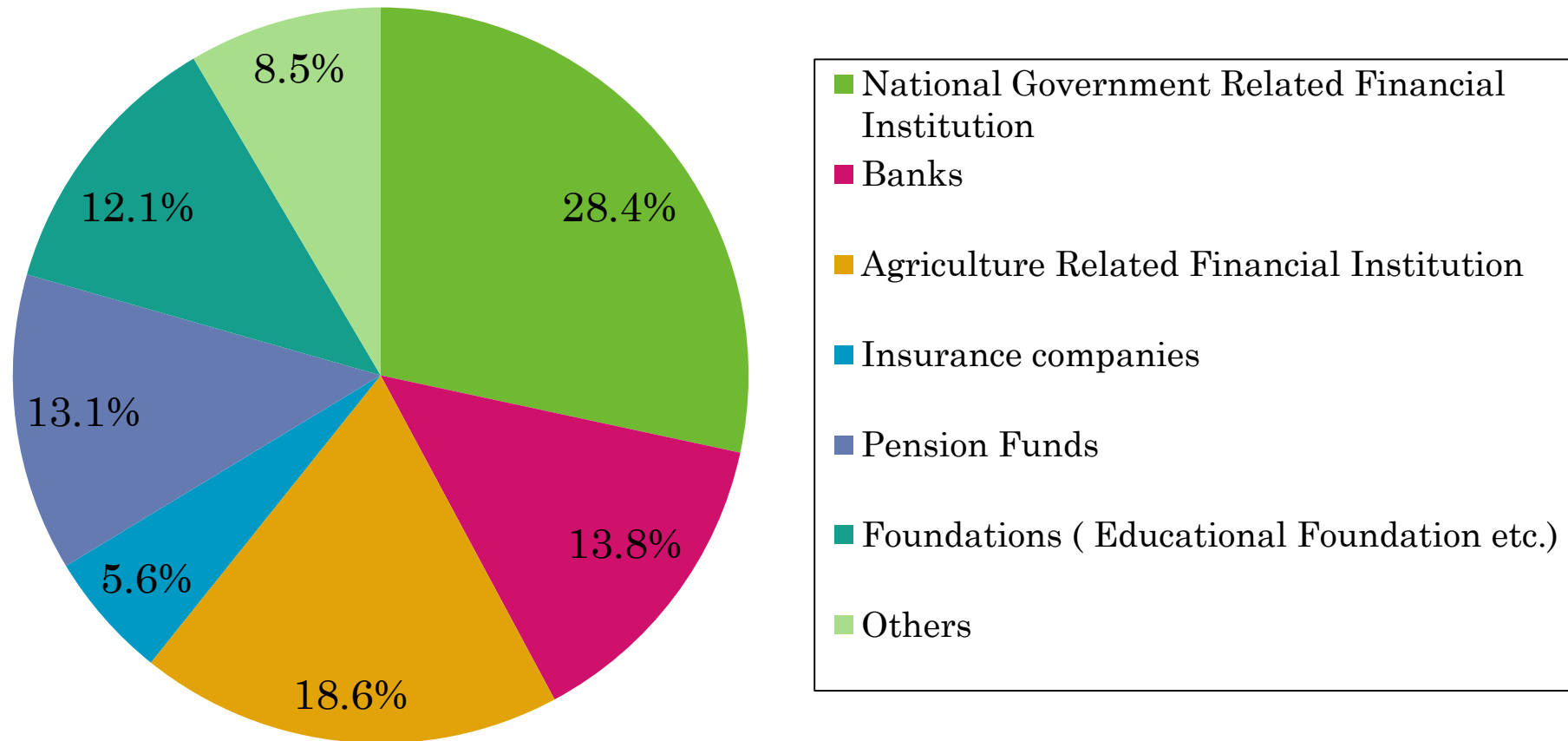
< Outstanding of LGBs and Joint LGB's share in the Public Offering LGB >



35 Issuers

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

Composition of Joint LGB initial subscribers



* Figure as of Dec. 2009
Source : Japan Local Government Bond Association

Spread Over JGB

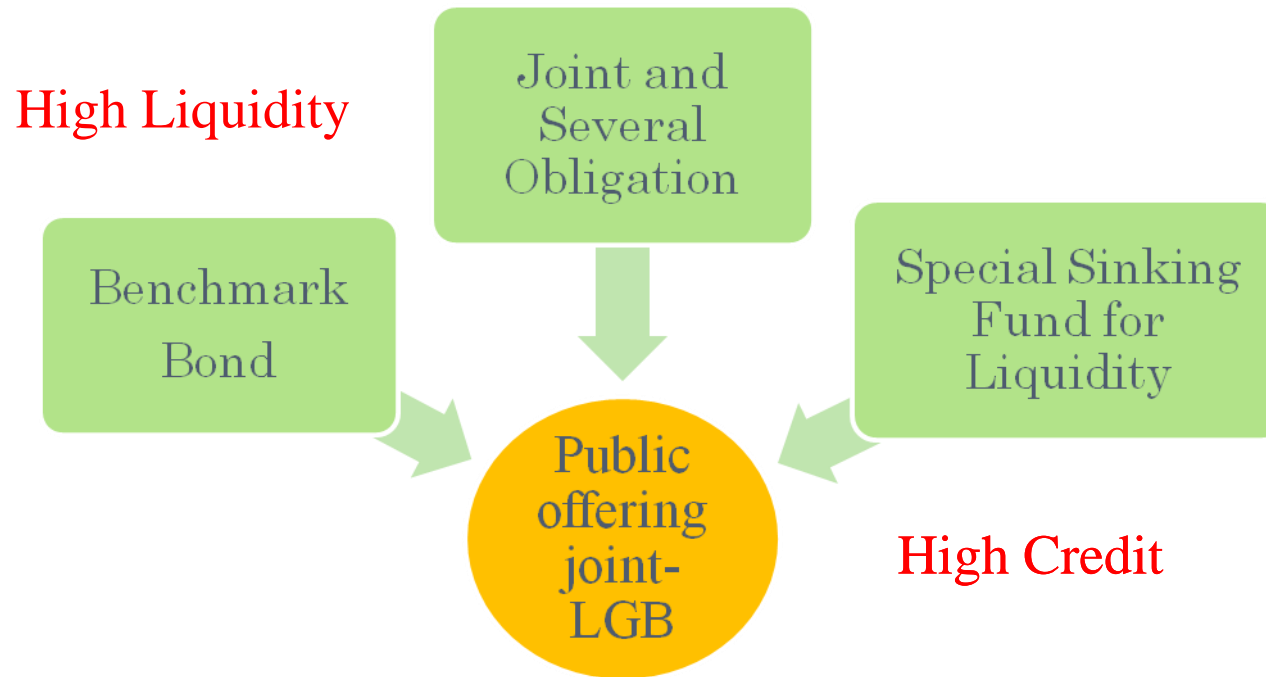
(Unit : Basis Points)



※Issuance Yield(Apr.2006-Aug.2010)

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

- To fully ensure timely payment of principal and interest without delay in the event of unforeseen emergency, a joint fund for enhancing liquidity is established from a portion of each issuer's sinking fund deposited with the commissioned bank separate to the joint liability.
- The 35 issuers in total set aside an amount equivalent to 10% of the higher monthly principal/interest payment of either February or August during that fiscal year.

II . Planned and Past Issuance

II Planned and Past Issuance

Planned Issuance FY2010

Unit : Billion of Yen

Issuer	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total amount	135	135	135	135	135	135	135	135	135	135	135	135	1,620
Hokkaido	5	7	6	9	7	6	7	7	6	7	7	6	80
Miyagi	-	-	10	-	10	-	10	-	10	-	10	10	60
Fukushima	4	5	-	4	4	4	4	4	3	2	-	-	34
Ibaraki	-	-	5	5	5	5	5	5	-	-	-	-	30
Saitama	8	8	4	4	4	4	4	4	4	4	4	8	60
Chiba	5	7	8	7	3	8	9	8	10	7	4	4	80
Kanagawa	5	10	10	10	10	10	5	5	5	5	-	5	80
Niigata	-	7	7	7	5	7	9	8	8	8	7	7	80
Nagano	5	6	6	6	6	6	7	6	8	4	-	-	60
Gifu	-	3	-	3	-	4	-	3	-	3	-	4	20
Shizuoka	5	-	8	12	3	12	5	5	10	10	5	5	80
Aichi	5	5	5	5	5	5	5	5	5	5	5	5	60
Mie	-	-	-	-	-	-	-	-	-	5	5	-	10
Kyoto	7	5	5	7	5	5	10	5	5	5	5	6	70
Osaka	5	10	10	5	-	-	-	10	10	10	10	10	80
Hyogo	5	10	10	10	5	10	5	5	5	5	5	5	80
Nara	-	-	-	-	-	-	-	-	-	-	5	5	10
Okayama	10	5	5	-	-	-	-	-	-	10	-	-	30
Hiroshima	10	-	10	-	10	-	10	-	10	-	10	-	60
Tokushima	-	-	-	-	-	-	15	-	-	-	-	10	25
Kumamoto	5	-	5	-	5	-	-	5	5	-	5	-	30
Oita	-	-	-	5	5	-	-	-	-	5	5	-	20
Kagoshima	-	-	-	-	8	13	-	8	9	9	4	9	60
Sapporo (City)	9	5	-	-	-	4	-	8	-	-	4	-	30
Sendai (City)	3	3	3	2	3	3	3	3	3	3	4	3	36
Chiba (City)	5	8	-	7	5	-	5	-	-	-	-	-	30
Kawasaki (City)	5	5	-	-	5	-	-	-	5	-	5	5	30
Niigata (City)	-	-	-	-	4	3	-	-	-	-	3	-	10
Shizuoka (City)	5	-	-	-	-	4	-	-	-	3	-	3	15
Kyoto (City)	4	4	-	4	4	4	-	4	4	4	4	4	40
Osaka (City)	8	13	9	6	5	8	8	5	6	4	3	5	80
Kobe (City)	5	4	4	4	4	4	4	4	4	4	4	5	50
Hiroshima (City)	-	5	-	6	-	6	-	6	-	6	-	6	35
Kita-Kyushu (City)	-	-	5	-	5	-	5	5	-	-	5	5	30
Fukuoka (City)	7	-	-	7	-	-	-	7	-	7	7	-	35

Past Issuance

FY2007

Month	Issuance (Billion)	Coupon	Issue Price	Subscription yield	C-Spread
April	100	1.8%	99.90	1.811%	11.3
May	100	1.7%	99.25	1.788%	10.2
June	100	1.9%	99.80	1.923%	9.0
July	104	1.9%	99.45	1.965%	6.1
Aug	102	1.8%	99.30	1.883%	11.4
Sep	100	1.7%	99.30	1.782%	15.1
Oct	100	1.85%	100.00	1.850%	15.3
Nov	105	1.72%	99.98	1.722%	11.7
Dec	100	1.65%	100.00	1.650%	16.0
Jan	100	1.59%	99.92	1.599%	15.1
Feb	103	1.57%	100.00	1.570%	13.9
Mar	100	1.49%	99.94	1.496%	12.5

FY2008

Month	Issuance (Billion)	Coupon	Issue Price	Subscription yield	C-Spread
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

Past Issuance

FY2009

Month	Issuance (Billion)	Coupon	Issue Price	Subscription yield	C-Spread
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 (Billion)	Coupon	Issue Price	Subscription yield	C-Spread
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					
Nov					
Dec					
Jan					
Feb					
Mar					

III. Q&A

Q1) Why do 35 Prefectures and Designated Cities issue Joint LGB?

A1)

- Joint LGB will increase liquidity due to their large-scale issuances and ensure favorable terms (fiscal scale, population, economic strength, etc) from collaboration between large-scale local government issuers. The goal is to offer products with superior marketability and ensure stable fund procurement.
- Also, jointly-issued local government bonds are expected to be the benchmark for local government bonds. They are expected to contribute to the growth of the local government bond market.

Q2) What is the Joint obligation bond system ?

A2)

- Joint LGB was created under Article 5-7 of the Local Government Finance Law, and is issued under joint obligation method. Each joint debtor bears responsibility for repayment in full of each debt (Article 432 of the Civil Law): the 35 issuers of joint local government bond are responsible for the full issuance value. This system ensures extremely strong credit regarding bond redemptions.

Q3) How do Special Sinking Funds for Liquidity work?

A3)

- The funds are meant to protect repayment resources. For example, (1) in case of a system breakdown caused by unforeseen disaster, issuers may use funds to make full repayment, or (2) commissioned banks, given the authority by law to receive principle and interest on behalf of bondholders to protect their rights, may offset deposits liabilities with liabilities related to principal/interest repayments.

III Q&A

Q4) Aren't credit assessment difficult for issuers that changes their fund procurement methods each time?

A4)

- While the issuers procuring funds do change with each issuance, the issuance is always made under the joint obligation method. So regardless of whether an certain issuer is involved in fund procurement or not, each and every issuer is responsible for repayment of the issuance amount. Therefore, joint local government bond can be regarded as having the same credit quality each time.

IV. Appendix

Offer-Bid Spreads (LGBs)

Issuance Number

Coupon (%)

Maturity Date

Public Offered bond of TMG

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)	回数
				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

Simple Interest (%)

Compound Interest (%)

Example

Bid-Ask Spreads (LGBs)

The screenshot shows a table of bond data from BBB Securities LTD. The table columns are: 銘柄名 (Bond Name), 発行額 (Issue Amount), 利率 (Interest Rate), 償還日 (Maturity Date), 単利 BID (Simple Interest Bid), 単利 ASK (Simple Interest Ask), 複利 BID (Compound Interest Bid), 複利 ASK (Compound Interest Ask), and スプレッド (bp) (Spread in basis points). The table is divided into sections for '単利' (Simple Interest) and '複利' (Compound Interest). A red box highlights the '複利' section, and a red box labeled 'Example' points to the first row of the '複利' section.

銘柄名	発行額	利率	償還日	単利 BID	単利 ASK	複利 BID	複利 ASK	スプレッド (bp)	回数
北海道	21.4	1.700	19/06/26	1.050	1.030	1.076	1.056	21	301
北海道	21.5	0.820	14/07/31	0.420	0.400	0.424	0.404	21	260
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
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
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
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
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

Callouts on the left side of the screen identify specific bonds:

- 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.

Callouts at the bottom identify interest types:

- Joint LGB (points to the '共同発行' rows)
- Simple Interest (%) (points to the '単利' columns)
- Compound Interest (%) (points to the '複利' columns)

FOR FURTHER INFORMATION

Japan Local Government Bond Association Website:

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

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