



**Public Offering  
Joint-Local Government Bond**

**Japan Local Government Bond Association**

**JLGB European Road Show  
October, 2008**

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# I Attractiveness

# 1. High credit

- Joint-LGB (Local Government Bond) is publicly-offered joint obligations issued by 30 local governments throughout Japan. 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 Bonds, Local Finance Law)**

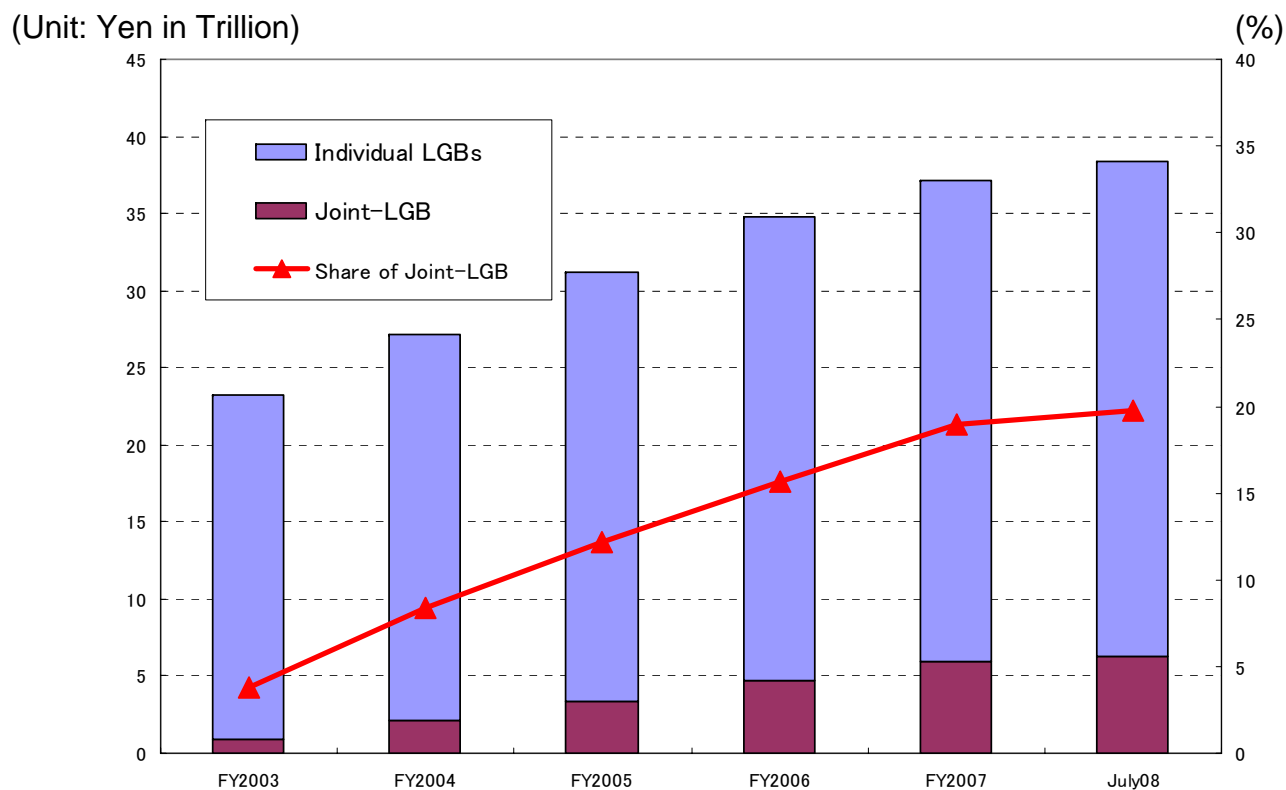
- When local debts are raised by issuing bonds two or more local public bodies may, on approval of their respective assemblies, issue bonds jointly. Such local public bodies shall be collectively responsible for the redemption of the local debts and the interest payment.

## 30 Issuers

Prefectures		Designated Cities	
Hokkaido	Aichi	Sapporo	Kita-Kyushu
Miyagi	Kyoto	Sendai	Fukuoka
Ibaraki	Osaka	Chiba	
Saitama	Hyogo	Kawasaki	
Chiba	Hiroshima	Niigata	
Kanagawa	Kumamoto	Shizuoka	
Niigata	Oita	Kyoto	
Nagano	Kagoshima	Osaka	
Gifu		Kobe	
Shizuoka	Total: 18	Hiroshima	Total:12

## 2. High liquidity

- Joint-LGB is issued monthly for ¥100 billion (equivalent to about \$1 billion) , which is one of the largest sizes among Japanese non-JGB bonds.
- Currently total outstanding bonds are nearly ¥6 trillion.
- Due to large issuance amount and frequency, Joint-LGB has certain share in Yen-denominated portfolio of the Lehman Aggregate Index.



### 3. Special Sinking Fund for liquidity

- Funds are established with the commissioned bank to ensure timely payment of principal and interest without delay in the event of an unforeseen emergency. These are from the debt payment sinking funds of each issuer.
- Specifically, the 30 issuers as a whole put aside approximately 10% of the amount of one month payment each year.

### 4. Benchmark bond, future potential

- Thus, Joint-LGB becomes one of the leading benchmark bonds among non-JGB bonds.
- More local governments plan to become the Joint-LGB issuers and outstanding Joint-LGB will keep accumulating.
- Thus, this will increase the presence in the bond market more in the future.

## 5. Trading Indication

- We are about to start Joint-LGB trading indication in English site of Bloomberg in order to provide transparent price of major underwriters every day.

## 6. Issue Outline of Joint-LGB

- We prepared the issue outline of the Joint-LGB. Please refer to the attached document or web site. (<http://www.chihousai.or.jp/english>)

Issuance Terms	
FY2008 total Issuance	Total of ¥1.23 trillion (about ¥100 billion issued every month)
Redemption method/Maturity	Bullet redemption/ 10 years
Amount of Minimum Unit	100,000 yen
Issue Date	25 <sup>th</sup> 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 10yr JGB
Terms Announcement Date	Three months prior to issuance month
Planned Funding Amount For Issuer	By one week prior to announcement of issuance terms



## II Planned and Past Issuance

# Planned Issuance FY2008

Unit: Billion of Yen

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	105	100	100	100	105	105	100	105	100	105	105	100	1,230
Hokkaido Prefecture	5	5	5	5	5	5	5	5	5	5	5	5	60
Miyagi Prefecture	4	7	-	-	6	-	6	6	6	6	6	6	53
Ibaraki Prefecture	-	-	-	6	6	6	-	6	-	6	-	7	37
Saitama Prefecture	5	5	-	5	-	5	-	5	-	5	-	5	35
Chiba Prefecture	3	3	3	3	3	3	3	3	3	3	-	5	35
Kanagawa Prefecture	10	5	5	5	-	-	5	-	-	-	-	-	30
Niigata Prefecture	-	6	6	6	6	6	6	6	6	6	6	-	60
Nagano Prefecture	6	6	6	6	6	4	6	6	4	6	4	-	60
Gifu Prefecture	-	-	-	3	-	3	-	-	-	4	-	-	10
Shizuoka Prefecture	5	5	5	5	5	5	5	5	5	5	5	5	60
Aichi Prefecture	2	6	11	4	1	6	9	2	9	3	-	7	60
Kyoto Prefecture	5	5	5	5	5	5	5	-	5	5	5	-	50
Osaka Prefecture	5	5	5	5	5	5	5	5	5	5	5	5	60
Hyogo Prefecture	5	5	5	5	5	5	5	5	5	5	5	5	60
Hiroshima Prefecture	10	-	10	-	10	-	10	-	10	-	10	-	60
Kumamoto Prefecture	5	-	5	-	5	-	-	5	5	-	5	-	30
Oita Prefecture	-	-	-	5	-	5	-	-	-	-	-	-	10
Kagoshima Prefecture	-	-	-	-	5	5	-	5	5	5	5	5	35
City of Sapporo	8	8	-	-	-	-	-	-	-	-	6	8	30
City of Sendai	-	-	3	3	3	3	3	3	3	3	3	3	30
City of Chiba	5	5	-	-	5	5	-	5	-	-	5	-	30
City of Kawasaki	5	5	-	5	5	-	-	-	5	-	5	5	35
City of Niigata	-	-	-	-	4	3	-	-	-	-	3	-	10
City of Shizuoka	-	-	-	-	-	3	3	3	-	3	-	3	15
City of Kyoto	5	5	-	5	5	-	6	6	7	7	7	7	60
City of Osaka	2	5	12	4	2	6	10	4	8	-	-	7	60
City of Kobe	3	3	4	3	3	4	3	3	4	3	3	4	40
City of Hiroshima	-	6	-	6	-	6	-	6	-	8	-	8	40
City of Kita-Kyushu	-	-	5	-	5	-	5	5	-	5	5	-	30
City of Fukuoka	7	-	5	6	-	7	-	6	-	7	7	-	45
No. of Issuers	20	19	17	21	22	22	18	22	18	21	20	18	

# Past Issuance

## FY2005

Month	Issuance (Billion Yen)	Coupon	Issue Price	Subscription yield	T- Spread
April	108	1.4%	99.75	1.428%	4.6
May	108	1.3%	99.50	1.356%	7.7
June	109	1.3%	99.95	1.305%	6.2
July	110	1.3%	99.90	1.311%	6.8
August	110	1.4%	99.70	1.434%	7.1
September	109	1.3%	99.25	1.385%	4.7
October	109	1.5%	99.50	1.557%	5.0
November	110	1.6%	99.40	1.670%	5.3
December	108	1.6%	100.00	1.600%	3.9
January	109	1.4%	99.15	1.497%	5.4
February	109	1.6%	99.85	1.617%	5.9
March	109	1.6%	99.30	1.681%	4.8

## FY2006

Month	Issuance (Billion Yen)	Coupon	Issue Price	Subscription yield	T- Spread
April	111	1.8%	99.25	1.889%	4.7
May	111	2.0%	99.55	2.054%	5.3
June	109	1.9%	99.75	1.929%	6.5
July	111	2.1%	99.75	2.130%	14.6
August	110	2.0%	99.40	2.072%	15.5
September	111	1.8%	99.50	1.859%	15.5
October	111	1.8%	99.35	1.877%	14.6
November	109	1.8%	99.30	1.883%	13.6
December	109	1.7%	99.30	1.782%	13.3
January	110	1.8%	99.35	1.877%	13.2
February	111	1.8%	99.45	1.865%	12.6
March	111	1.7%	99.60	1.746%	11.8

# Past Issuance

## FY2007

Month	Issuance (Billion Yen)	Coupon	Issue Price	Subscription yield	T- 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
August	102	1.8%	99.30	1.883%	11.4
September	100	1.7%	99.30	1.782%	15.1
October	100	1.85%	100.00	1.850%	15.3
November	105	1.72%	99.98	1.722%	11.7
December	100	1.65%	100.00	1.650%	16.0
January	100	1.59%	99.92	1.599%	15.1
February	103	1.57%	100.00	1.570%	13.9
March	100	1.49%	99.94	1.496%	12.5

## FY2008

Month	Issuance (Billion Yen)	Coupon	Issue Price	Subscription yield	T- 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
August	105	1.62%	99.97	1.623%	10.5
September	105	1.55%	99.95	1.555%	9.8
October					
November					
December					
January					
February					
March					

## III Q&A

## Q&A

Q1)

➤ Why do 30 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.

## Q&A

Q2)

➤What is the joint obligation bond system?

A2)

➤Joint local government bonds were created under Article 5-7 of the Local Government Finance Law, and are issued under joint obligation methods. Each joint debtor bears responsibility for repayment in full of each debt (Civil Code Article 432): the 30 issuers of joint local government bonds are responsible for the full issuance value. This system ensures extremely strong credit regarding bond redemptions.

## Q&A

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.



## 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 methods. 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 bonds can be regarded as having the same credit quality each time.

# IV Appendix

# Offer-Bid Spreads (LGBs)

DWSJ070 政地債マーケットメイク(1) 大和SMBC  
 09/12(17:03) 受渡日 09/18 債券部  
 登録非課税 1億円単位 5億円程度 単利 複利(年2回) スプレッド  
 銘柄 回数 利率 償還日 Offer Bid Offer Bid (bp) 回数

東京都公債	657	1.810	18/03/20	1.565	- 1.580	1.582	- 1.592	+11	292G
東京都公債	658	1.950	18/06/20	1.585	- 1.595	1.606	- 1.616	+11	294G
東京都公債	659	1.620	18/06/20	1.605	- 1.615	1.606	- 1.616	+11	294G
東京都公債	660	1.580	18/06/20	1.605	- 1.615	1.604	- 1.614	+11	295G
東京都公債	9	2.440	26/06/19	2.135	- 2.145	2.171	- 2.181	+11	88L
東京都公債	12	2.310	27/09/17	2.200	- 2.215	2.217	- 2.227	+11	97L
東京都公債	13	2.150	27/12/20	2.240	- 2.250	2.226	- 2.236	+11	99L
東京都公債	22	1.210	11/09/20	0.980	- 0.990	0.985	- 0.995	+9	234G
東京都公債	23	1.290	12/03/19	1.025	- 1.035	1.031	- 1.041	+9	238G
東京都公債	24	1.360	12/09/20	1.090	- 1.100	1.093	- 1.103	+9	242G
東京都公債	25	1.010	12/12/20	1.130	- 1.140	1.127	- 1.137	+9	245G
共同発行地	61	1.550	18/04/25	1.610	- 1.620	1.608	- 1.618	+13	291G
共同発行地	62	1.740	18/05/25	1.605	- 1.615	1.612	- 1.622	+14	292G
共同発行地	63	1.880	18/06/25	1.610	- 1.620	1.628	- 1.638	+13	293G
共同発行地	64	1.780	18/07/25	1.620	- 1.630	1.631	- 1.641	+13	294G
共同発行地	65	1.620	18/08/24	1.630	- 1.640	1.629	- 1.639	+13	295G

\*: Firm Offer, Bid

メニュー DWS@

# Bid-Ask Spreads (LGBs)

GOLJ114 財投機関債マーケットメイク3 ゴールドマン・サックス証券  
 09/12(11:03) 受渡日 09/18 債券部 笠間/林 Tel:03-6437-7312  
 03-6437-7161

銘柄	回号	利率	償還日	単利		複利(年2回)		スプレッド <sup>(1)</sup> (bp)	回号
				Bid	Ask	Bid	Ask		
横浜市	1	1.770	17/05/23	1.450	1.440	1.466	1.456	11.5	285
横浜市	2	1.880	17/06/13	1.450	1.440	1.471	1.462	12.0	285
横浜市	3	1.760	17/09/20	1.480	1.470	1.495	1.485	11.0	286
横浜市	4	1.730	17/09/20	1.525	1.515	1.536	1.527	11.0	288
横浜市	5	1.620	17/12/20	1.555	1.545	1.559	1.549	11.0	289
横浜市	6	1.580	17/12/20	1.555	1.545	1.556	1.547	11.0	289
共同発行	59	1.570	18/02/23	1.535	1.525	1.537	1.528	9.0	289
共同発行	60	1.490	18/03/23	1.570	1.560	1.565	1.556	10.0	290
共同発行	61	1.550	18/04/25	1.560	1.550	1.559	1.550	9.5	291
京都府	3	2.220	27/12/20	2.260	2.250	2.254	2.246	16.0	99
神戸市	10	1.650	18/02/27	1.610	1.600	1.612	1.603	16.0	289
横浜市	6	2.550	37/09/18	2.480	2.470	2.493	2.484	20.0	27
東京都	655	1.420	18/03/20	1.565	1.555	1.557	1.547	9.0	290
名古屋市	462	1.440	18/03/20	1.585	1.575	1.576	1.567	11.0	290

(1)ミッド・サイト  
 普通社債(1) ♪ GOLJ101 普通社債(3) ♪ GOLJ103 政保債 ♪ GOLJ111

## Ask-Bid Spreads (LGBs)

WMSJ212 政地債マーケットインフォメーション(3) 野村証券  
(09/12) (08:48) 受渡日 20080917 2008/09/12 08:48

銘柄	回数	利率	償還	ASK/BID	単利	複利	国債	前日比
共同発行	64	1.780	20180725	14-16	1.620-1.630	1.631-1.641	1.491	0.00
共同発行	65	1.620	20180824	13-15	1.630-1.640	1.629-1.639	1.499	0.00
共同発行	66	1.550	20180925	12-14	1.635-1.645	1.627-1.637	1.507	0.00
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

登録非課税 5億円程度  
 ASK/BIDは国債(複利表示)に対する複利の спреッド表示。 野村証券メニュー NMS@

## For further information

Japan Local Government Bond Association Website

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

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