

Joint Local Government Bond

Japan Local Government Bond Association

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1 Marketability

Joint Local Government Bonds are publicly-offered joint obligations issued by local governments throughout Japan. They were first issued in April 2003, and in FY07, 28 local governments jointly issued the bonds (see below).

The 28 issuers bear joint obligation for the full issuance amount every month. Accordingly, the Joint Local Government Bonds are extremely safe debt.

(1) Issuers

① Prefectures

Hokkaido Prefecture	Miyagi Prefecture	Ibaraki Prefecture	Saitama Prefecture	Chiba Prefecture
Kanagawa Prefecture	Niigata Prefecture	Nagano Prefecture	Shizuoka Prefecture	Aichi Prefecture
Kyoto Prefecture	Osaka Prefecture	Hyogo Prefecture	Hiroshima Prefecture	Kumamoto Prefecture
Oita Prefecture	Kagoshima Prefecture			

② Designated Cities

City of Sapporo	City of Sendai	City of Chiba	City of Kawasaki	City of Shizuoka
City of Kyoto	City of Osaka	City of Kobe	City of Hiroshima	City of Kita-Kyushu

Order: From the North to the South

(2) Issuance Terms

FY2007 total issuance	1.2140 trillion yen (approximately 100bn yen/month)
Redemption method / Maturity	Bullet redemption / 10 years
Amount of Minimum Unit	100,000 yen
Issue Date	25th of every month
Coupon	Fixed (rate differs based on issuance month)
Coupon payment	February 25 and August 25, irrespective of issuance month
Announcement of issuance terms	Two business days following auction of 10yr Japanese Government Bonds (Or following business day if day before finalization date is a business holiday)

※ See Joint Local Government Bond Issuers Association website (www.kyodohakko.jp, Japanese only at present) for details on term announcement date and issuer procurement plans.

① Terms Announcement Date (planned)	Three months prior to issuance month
② Planned Funding Amount For Issuer	By one week prior to announcement of issuance terms
③ Issuance terms	Issuance terms announcement date (see above)

(3) Characteristics

① Joint obligation method

Joint local government bonds are joint obligations issued monthly by 28 issuers under Local Government Finance Law Article 5.7

Local Government Finance Law Article 5.7

Two or more local government issuers may issue debt jointly upon approval by the assembly. These issuers bear a joint responsibility for the redemption and payment of interest for the said debt.

② Funds (liquidity supplementary measures)

Funds are established with the commissioned bank to ensure liquidity and repayment of principal and interest without delay in the event of an unforeseen emergency. These are from the debt service funds of each issuer and are separate from the common debt. Specifically, the 28 issuers as a whole put aside approximately 10% of the redemption amount for the largest month in terms of the amount of the redemption and interest repayments within that fiscal year.

2 Q&A

Q1	Why do 28 prefectures and designated cities issue Joint Local Government Bonds?
A1	<p>JLGB 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.</p> <p>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.</p>
Q2	What is the joint obligation bond system?
A2	<p>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 28 issuers of joint local government bonds are responsible for the full issuance value. This system ensures extremely strong faith regarding bond redemptions</p>
Q3	How do these funds (as liquidity supplementary measures) function?
A3	<p>The funds are meant to protect repayment resources. For example, (1) in case of a system breakdown caused by unforeseen disasters, issuers may use funds to make full repayment, or (2) commissioned banks, given the authority by law to receive principal and interest on behalf of bondholders to protect their rights, may offset deposits liabilities with liabilities related to principal/interest repayments.</p>
Q4	Aren't credit assessment difficult for issuers that change their fund procurement methods each time?
A4	<p>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 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.</p>

3 Issuance Plans

(Bn yen)

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
Issuance plans	100.0	100.0	100.0	104.0	102.0	100.0	100.0	105.0	100.0	100.0	103.0	100.0	1,214.0

(Procurement plans by issuer)

Hokkaido Prefecture	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0
Miyagi Prefecture	4.0	7.0			7.0		7.0		7.0		7.0	7.0	4.6
Ibaragi Prefecture				6.0	6.0	7.0		6.0		6.0		6.0	3.7
Saitama Prefecture	5.0	5.0	5.0			5.0	5.0	5.0		5.0		5.0	40.0
Chiba Prefecture	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0			30.0
Kanagawa Prefecture			3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	30.0
Niigata Prefecture		6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0		60.0
Nagano Prefecture	4.0	6.0	6.0	6.0	6.0	4.0	6.0	6.0	4.0	6.0	6.0		60.0
Shizuoka Prefecture	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.0
Aichi Prefecture	5.0	5.0	4.0	4.0	4.0	6.0	5.0	4.0	6.0	9.0	3.0	5.0	60.0
Kyoto Prefecture	5.0	5.0	5.0	5.0	5.0	5.0	5.0		5.0	5.0	5.0		50.0
Osaka Prefecture	19.0	13.0	7.0	5.0			5.0					11.0	60.0
Hyogo Prefecture	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.0
Hiroshima Prefecture			8.0	7.0		8.0	7.0	7.0	8.0	7.0	8.0		60.0
Kumamoto Prefecture	5.0		5.0		5.0			5.0	5.0		5.0		30.0
Oita Prefecture				3.0		3.0		4.0					10.0
Kagoshima Prefecture					5.0	5.0	5.0		5.0	5.0	5.0	5.0	35.0
City of Sapporo	6.0	6.0	6.0	6.0							6.0	6.0	36.0
City of Sendai			3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	30.0
City of Chiba	5.0				5.0	5.0		5.0	5.0		5.0		30.0
City of Kawasaki	5.0	5.0	5.0	5.0	5.0				5.0			5.0	35.0
City of Shizuoka				3.0		3.0		3.0		3.0		3.0	15.0
City of Kyoto	5.0	5.0		5.0	5.0		6.0	6.0	6.0		6.0	6.0	50.0
City of Osaka	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.0
City of Kobe	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.0
City of Hiroshima		5.0		5.0		5.0		5.0		5.0		5.0	30.0
City of Kita-Kyushu			5.0		5.0		5.0	5.0		5.0	5.0		30.0
City of Fukuoka	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	40.0	4.0	5.0	5.0	50.0
No. of issuers	(18)	(18)	(20)	(22)	(21)	(21)	(20)	(22)	(20)	(20)	(20)	(19)	

Note: Monthly issuance figures may be revised.

4 Past Issuances

FY2005

Month	Issuance (Bn yen)	Coupon	Issue Price	Subscription yield
Apr	108.0	1.4%	99.75	1.428%
May	108.0	1.3%	99.50	1.356%
Jun	109.0	1.3%	99.95	1.305%
Jul	110.0	1.3%	99.90	1.311%
Aug	110.0	1.4%	99.70	1.434%
Sep	109.0	1.3%	99.25	1.385%
Oct	109.0	1.5%	99.50	1.557%
Nov	110.0	1.6%	99.40	1.670%
Dec	108.0	1.6%	100.00	1.600%
Jan	109.0	1.4%	99.15	1.497%
Feb	109.0	1.6%	99.85	1.617%
Mar	109.0	1.6%	99.30	1.681%

FY 2006

Month	Issuance (Bn yen)	Coupon	Issue Price	Subscription yield
Apr	111.0	1.8%	99.25	1.889%
May	111.0	2.0%	99.55	2.054%
Jun	109.0	1.9%	99.75	1.929%
Jul	111.0	2.1%	99.75	2.130%
Aug	110.0	2.0%	99.40	2.072%
Sep	111.0	1.8%	99.50	1.859%
Oct	111.0	1.8%	99.35	1.877%
Nov	109.0	1.8%	99.30	1.883%
Dec	109.0	1.7%	99.30	1.782%
Jan	110.0	1.8%	99.35	1.877%
Feb	111.0	1.8%	99.45	1.865%
Mar	111.0	1.7%	99.60	1.746%

