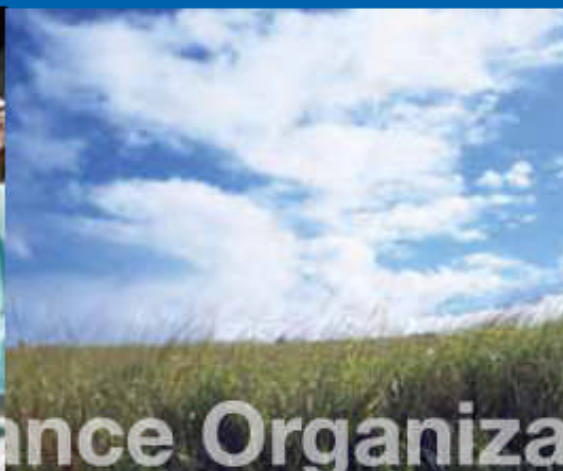


October 2010

Japan Finance Organization for Municipalities

JFEM



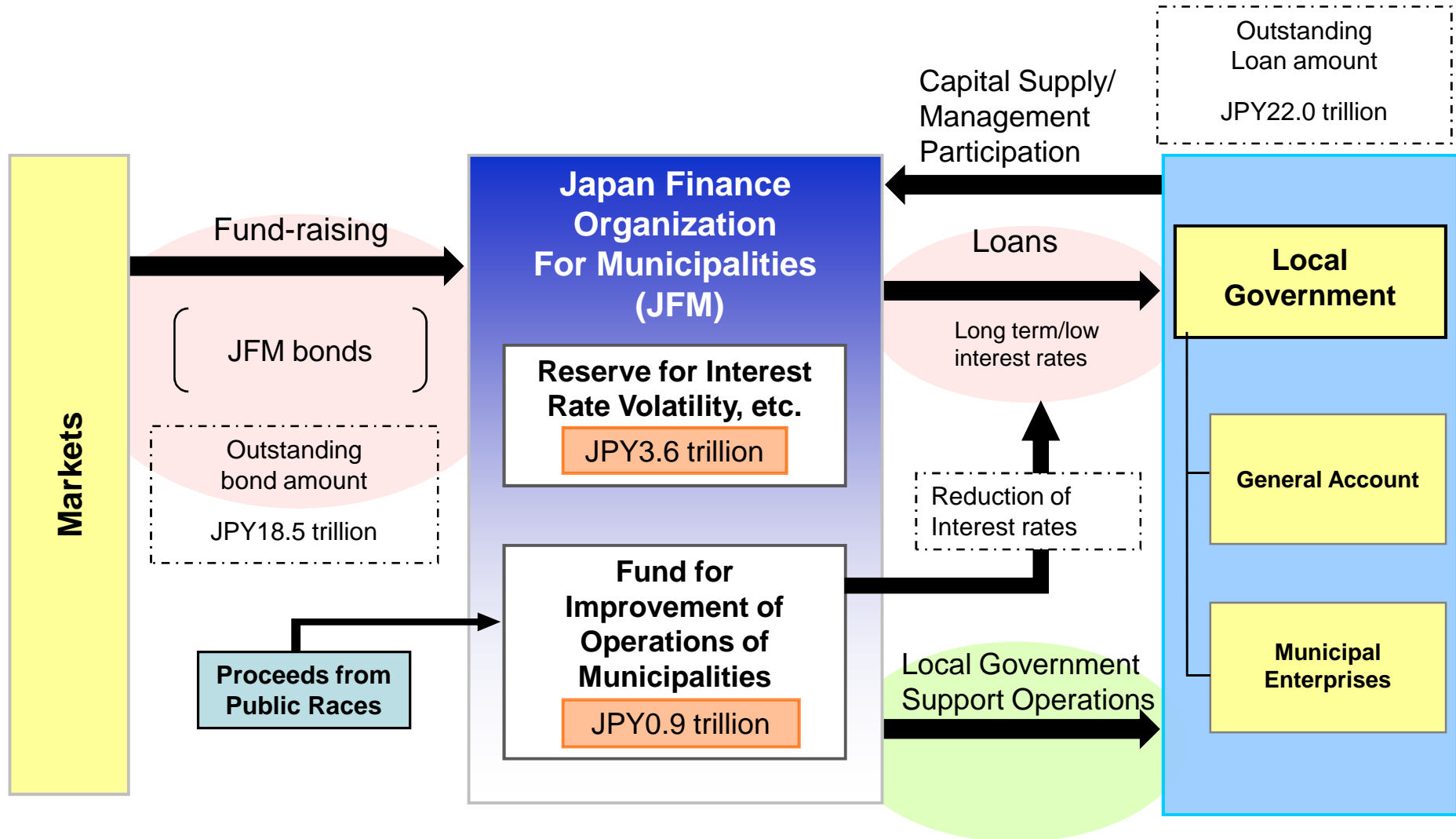
Japan Finance Organization for Municipalities

Outline of JFM

A joint fund-raising organization for local governments

Governing Law	Japan Finance Organization for Municipalities Law
Establishment	August 1, 2008 (Founded as a government financial institution in 1957, and reorganized on June 1, 2009)
Objectives	<ul style="list-style-type: none">• Provide local governments with long-term, low-interest funds• Provide support for the fund-raising of local governments on the capital markets
Capital	JPY16.6 billion (contributed by all local governments in Japan)
Outstanding Loan Balance	JPY22.0 trillion (as of March 31, 2010)
Outstanding Bond Balance	JPY18.5 trillion (as of March 31, 2010)
Ratings	AA (S&P) Aa2 (Moody's) AAA (R&I)

Basic Framework of Business Operations



(as of March 31, 2010)



Breakdown of Funding Sources under Local Government Bond Program

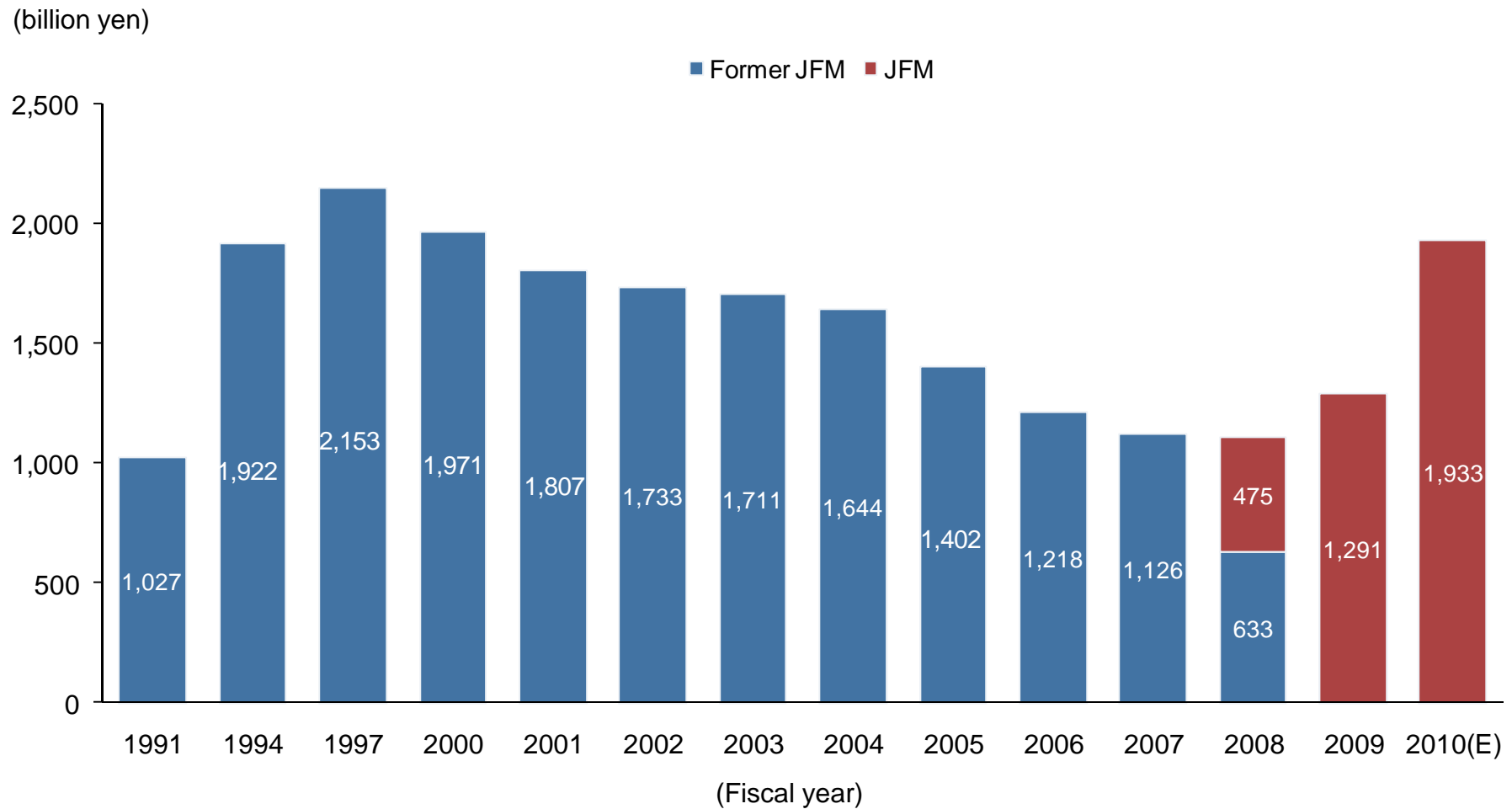
- ◆ The Government formulates the 'Local Government Bond Program' every fiscal year in parallel with the national budget.
- ◆ This program sets guidelines for the size of local government borrowing. This is one of the major instruments for the Central Government to keep public expenditures effectively under control.

(Billions of yen)

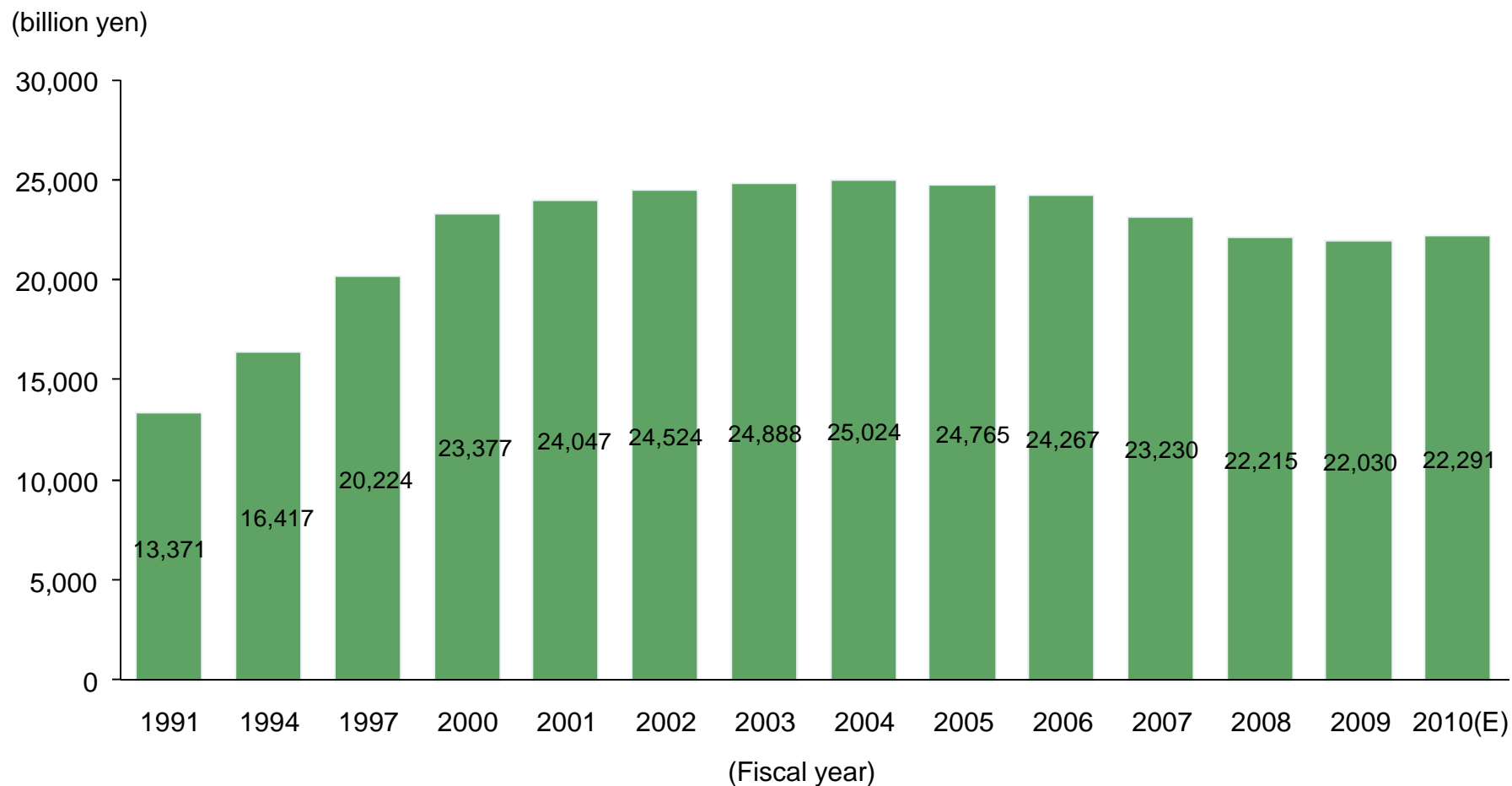
Category	FY2010 Plan		FY2009 Plan		Difference	
	(A)	%	(B)	%	(A-B)	(A-B)/(B) (%)
Public Sector						
Government Funds	4,339	27.3	3,934	27.7	405	10.3
JFM Funds	2,159	13.6	1,833	12.9	326	17.8
Private Sector						
Public Offerings of bonds	4,300	27.0	3,670	25.9	630	17.2
Private Placements	5,100	32.1	4,747	33.5	352	7.4
Total	15,898	100.0	14,184	100.0	1,713	12.1

Source: The above figures are based on the LGB plan announced by MIC in Feb 2010.

Trend of Loans Extended

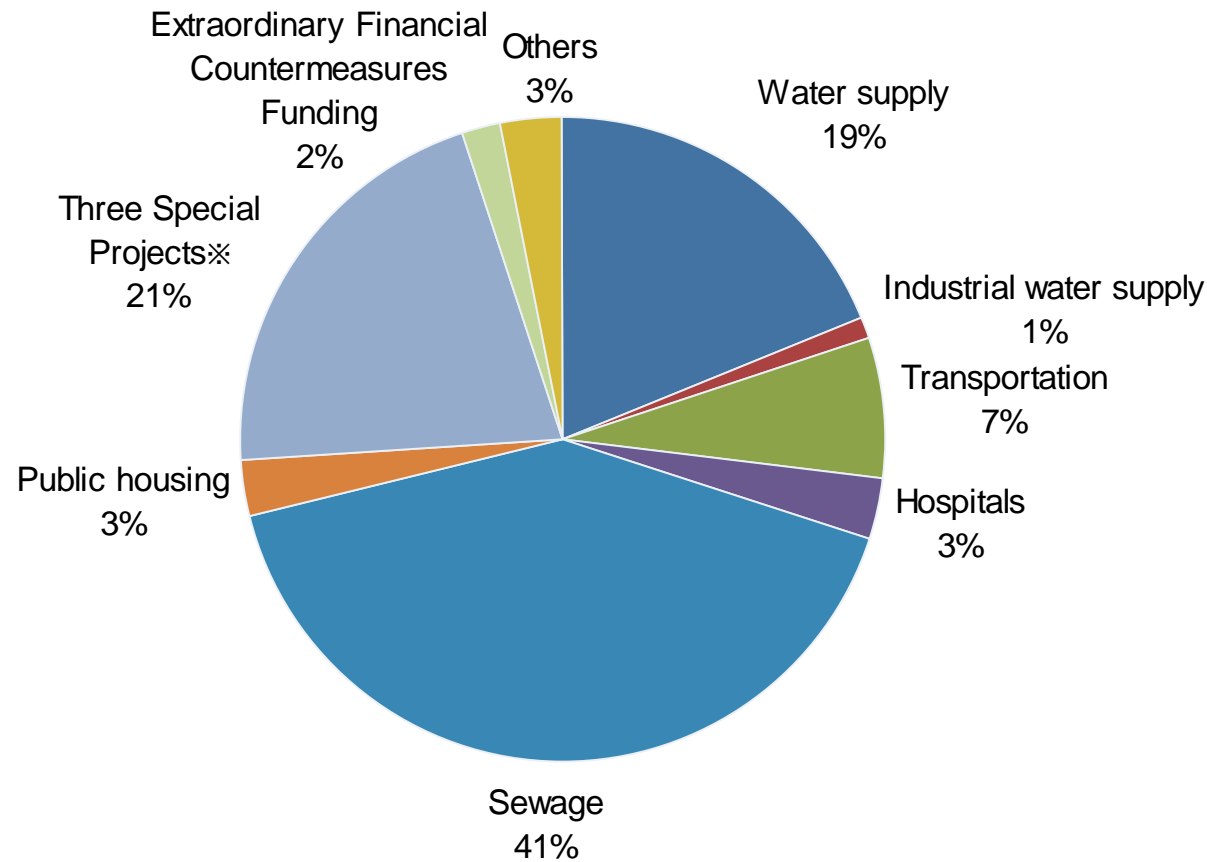


Trend of Outstanding Loan Balances



Outstanding Loan Balances by Project Type

As of March 31, 2010



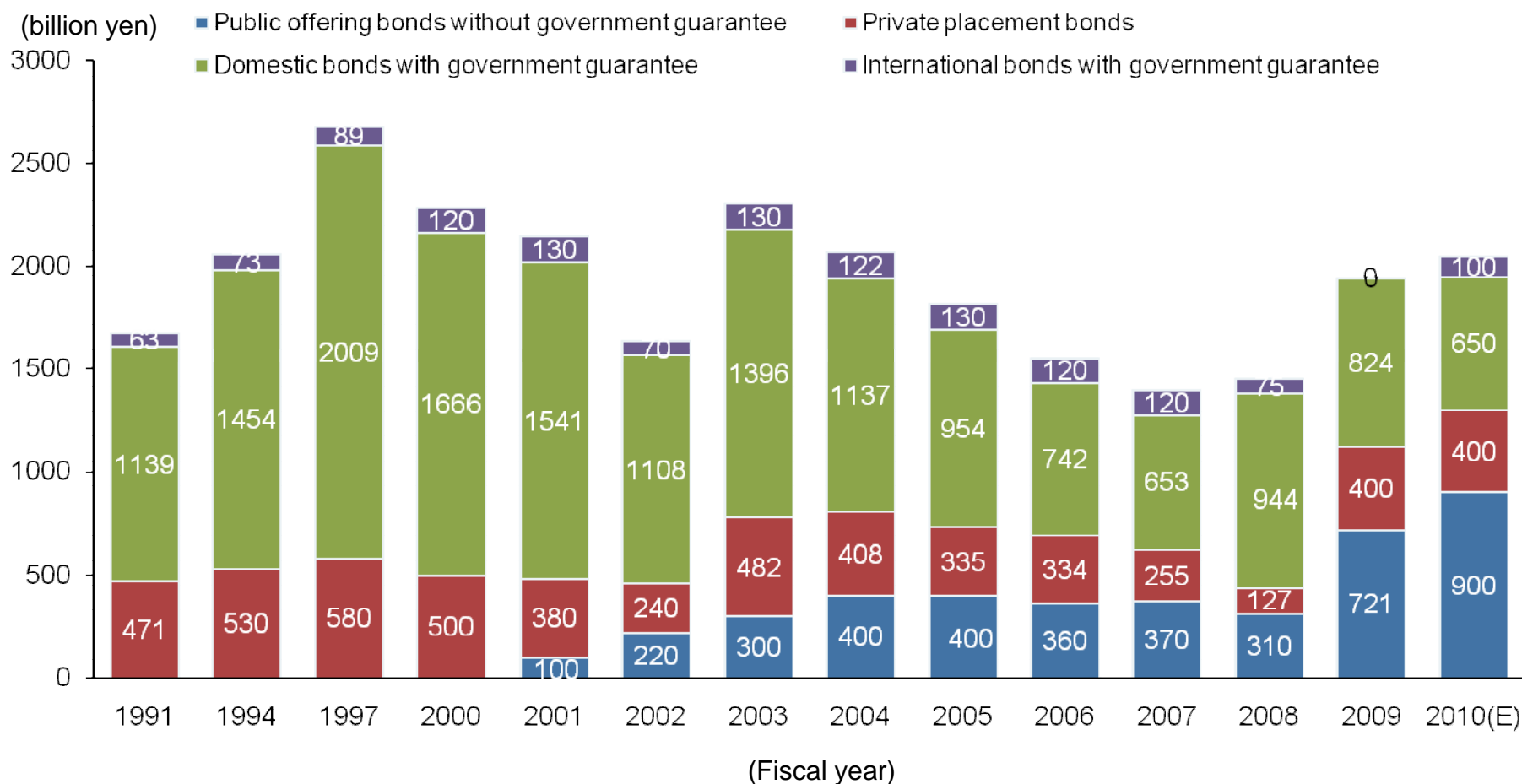
Total = JPY22,030bn

*Local road construction, improvement of rivers and other waterways, high school construction

Types of JFM Bonds

	Government-guaranteed	Non-guaranteed
Purpose	For refinance of former JFM bonds	For lending operation
Market	Domestic bond International bond	Domestic bond (International bond)
Type of issue	Public offering	Public offering Private placement
Outstanding balance	JPY12.7 trillion	JPY5.8 trillion

Trend of Fund-Raising Operations



International Bond Issues by Currency

Currency	Number of Issues	Amount (Millions of Respective Currency)	Amount (Millions of Yen)
Swiss Franc	14	1,820	162,674
Deutsche Mark	11	1,750	132,340
U.S. Dollar	23	7,470	892,455
Canadian Dollar	1	170	16,679
New Zealand Dollar	1	100	7,825
Pound Sterling	4	530	90,212
Dutch Guilder	1	300	19,680
French Franc	1	1,000	21,919
Euro	2	1,400	187,867
Yen	5	525,000	525,000
Total	63		JPY2,056,651

Note: The Yen amounts are calculated at the exchange rate as of the date of issue

JFM Bond Issue Plan for FY 2010

(Unit:JPY)

1. Government-guaranteed

	FY2010	FY2009
Domestic Bond (10-yr)	650bn	820bn
International Bond	100bn	-
Total	750bn	820bn

2. Non-guaranteed

	FY2010	FY2009
10-yr	360bn	300bn
20-yr	180bn	200bn
5-yr, FLIP*, others	360bn	100bn
Total	900bn	600bn

*FLIP: Flexible Issuance Program, equivalent to the MTN Program

3. Private placement (non-guaranteed)

	FY2010	FY2009
10-yr	400bn	400bn

Government-guaranteed JFM bonds

- Explicit unconditional and irrevocable Government Guarantee
- “Japan Sovereign Credit”
- Ratings : AA (S&P) / Aa2 (Moody’s) / AAA (R&I)
- BIS Risk Weight : 0%

Non-guaranteed JFM bonds

- Key policy role as the primary public financial institution
- Very strong link with the central government as evidenced by the local government bond program
- 100% Japanese Local Government Credit
 - No defaults on JFM loan since establishment
- Strong Financial Base
- Ratings : AA (S&P) / Aa2 (Moody's) / AAA (R&I)
- BIS Risk Weight : 10%*

* This is the rate applied in Japan. For overseas investors, the BIS risk weight should be checked with their relevant regulatory authorities.

Income Tax Exemption Scheme Applies to JFM (Domestic) Bonds from June 1, 2010

In addition to JGBs and local government bonds, interest payable to foreign investors (non-residents, foreign corporations, etc.) on JFM's domestic bonds in book-entry form shall be exempt from Japanese income tax under the following conditions, subject to certain procedural requirements.

➤ Qualified bonds for tax exemption ; JFM bonds* in book-entry form issued in the domestic market on or before March 31, 2013

*Includes bonds issued by its predecessor entities

➤ Applicable periods ; This tax exemption rule shall apply to the interest calculation periods starting on or after June 1, 2010, and the gains on redemption of the bonds acquired on or after June 1, 2010

Disclaimer

Forward-looking statements including JFM's plans in this presentation material are based on information available for JFM at the time of this presentation and involve potential risks and uncertainties.

Actual results, therefore, may differ from those described in this presentation material due to changes in a variety of factors, such as market trends, economic conditions and regulations.

Accordingly, investors are advised to use their own discretion and exercise great caution when making investment decisions.