

October 2014



JFM

Japan Finance Organization for Municipalities

Disclaimer

By reading these materials, you agree to be bound by the following limitations:

No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained herein. Neither the company nor any of the company's advisors or representatives shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of these materials or their contents or otherwise arising in connection with these materials. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially.

These materials are based on the economic, regulatory, market and other conditions as in effect on the date hereof. It should be understood that subsequent developments may affect the information contained in these materials, which neither the company nor its advisors or representatives are under an obligation to update, revise or affirm.

Forward-looking statements, including the company's plans in these materials, are based on information available to the company at the time they were prepared and involve potential risks and uncertainties. Actual results, therefore, may differ from those described in these materials 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.

These materials and the information contained herein do not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities of the company. Securities of the company not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), may not be offered, sold or delivered within the United States or to U.S. persons absent registration under or an applicable exemption from the registration requirements of the United States securities laws. These materials and the information contained herein are being furnished to you solely for your information and may not be reproduced or redistributed to any other person, in whole or in part. In particular, neither the information contained in these materials nor any copy hereof may be, directly or indirectly, taken or transmitted into or distributed in the United States, Canada, Australia, Japan, Hong Kong or any other jurisdiction which prohibits the same except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of U.S. or other national securities laws. No money, securities or other consideration is being solicited, and, if sent in response to this presentation or the information contained herein, will not be accepted.



Table of Contents

Japan Finance Organization for Municipalities (JFM)	P.1
Capital Market Activities	P.8
Credit Highlights	P.11
Appendix	P.13

Japan Finance Organization for Municipalities (JFM)

Brief Profile of JFM

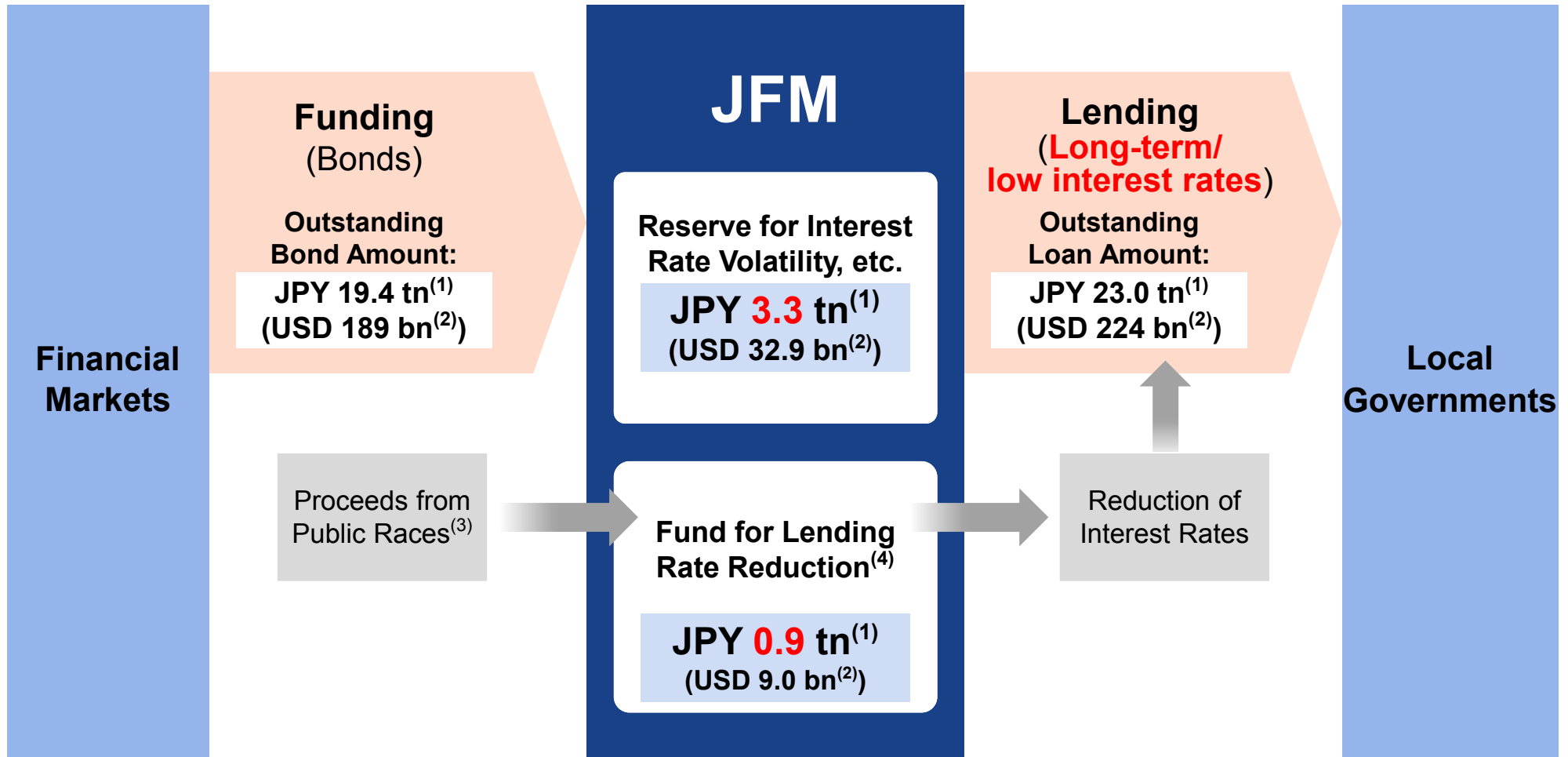
- JFM has been playing an important role in the Japanese local government system since 1957.

A Joint Funding Organization for Local Governments

Objective	<ul style="list-style-type: none"> ■ To provide local governments with long-term funding at low interest rates
Establishment	<ul style="list-style-type: none"> ■ The predecessor of JFM was established in 1957 as a government financial institution (the “predecessor”) ■ Succeeded the predecessor on 1 October 2008 (reorganised on 1 June 2009)
Governing Law	<ul style="list-style-type: none"> ■ Japan Finance Organization for Municipalities Law <ul style="list-style-type: none"> – Act No. 64 of 2007, as amended
Capital	<ul style="list-style-type: none"> ■ JPY 16.6 bn (USD 161 mm)* <ul style="list-style-type: none"> – Capitalised by 1,790 local governments in Japan (as of 31 March 2014) (e.g., Tokyo, Osaka, Yokohama and Nagoya)
Outstanding Loan Balance	<ul style="list-style-type: none"> ■ JPY 23.0 tn (USD 224 bn)* <ul style="list-style-type: none"> – Providing loans to 2,140 local governments in Japan, including all prefectures (as of 31 March 2014)
Ratings	<ul style="list-style-type: none"> ■ AA- (negative: S&P) / Aa3 (stable: Moody’s) <ul style="list-style-type: none"> – The ratings of JFM are the same as those of the Japanese sovereign

*USD 1 = JPY 103.01 as of 31 March 2014.

Basic Framework of JFM's Business Operations



(1) As of 31 March 2014.

(2) USD 1 = JPY 103.01 as of 31 March 2014.

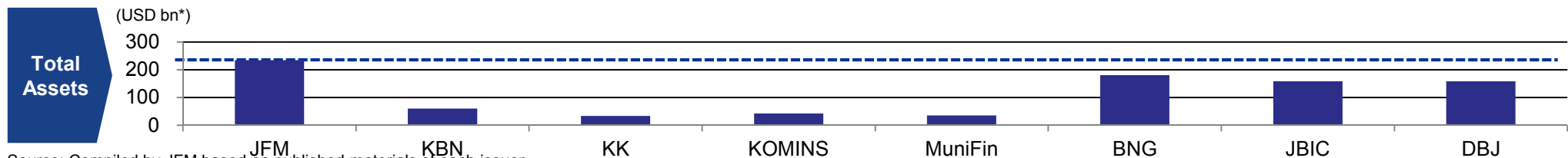
(3) A portion of the earnings from municipally operated racing (horse, bicycle, motorcycle and speedboat).

(4) Sometimes also translated as "Fund for Improvement of Operations of Municipalities".

Peer Group Comparison

- In terms of total assets, JFM is larger than its peer group entities.

Issuer	JFM	BNG (Bank Nederlandse)	KBN (Kommunalbanken)	KK (KommuneKredit)	KOMINS (Kommuninvest)	MuniFin (Municipality Finance)	JBIC	DBJ
Issuer Rating (Moody's/S&P)	Aa3/AA-	Aaa/AA+	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa3/AA-	Aa3/A+
Sovereign Rating	Aa3/AA-	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa3/AA-	Aa3/AA-
Country	Japan	Netherlands	Norway	Denmark	Sweden	Finland	Japan	Japan
Guarantee Structure	Local govts to bear all costs to satisfy JFM's obligations on dissolution	Implicit support from Dutch Ministry of Finance	Letter of support from Kingdom of Norway	Joint and several guarantee from local govts	Joint and several guarantee from local govts	Joint guarantee from local govts through Municipal Guarantee Board	Issues overseas bonds with explicit govt guarantee	Issues overseas bonds with and without explicit govt guarantee
Ownership	100% local govts	50% central 50% local govts (most of local govts)	100% central govts	100% local govts	100% local govts (most of local govts)	30.66% local govts pension fund 16% central govts 53.34% local govts (part of local govts)	100% central govts	100% central govts (potential privatization)
Establishment	1957/2008	1914	1926/1999	1898	1986	1989/1993	1950/1999/2008/2012	1951/1999/2008
Total Assets* (USD)	234.0 bn (Mar 2014)	180.6 bn (Dec 2013)	60.5bn (Dec 2013)	34.0 bn (Dec 2013)	42.9bn (Dec 2013)	36.0bn (Dec 2013)	158.7 bn (Mar 2014)	158.3 bn (Mar 2014)



Source: Compiled by JFM based on published materials of each issuer.

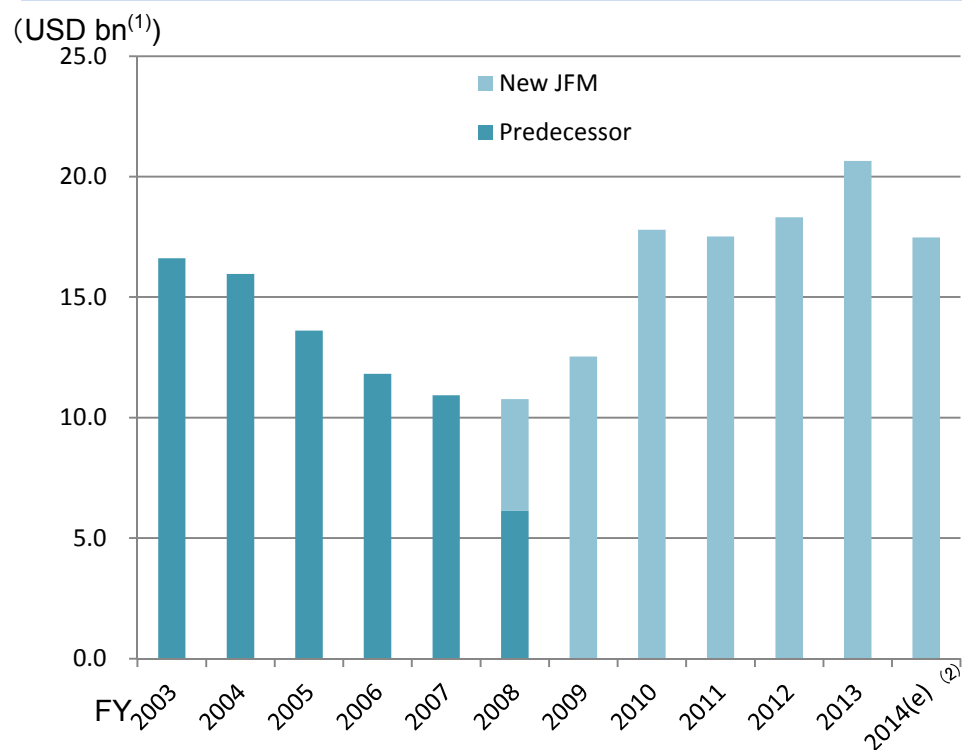
*Amounts are rounded to one decimal place based on the currency exchange rates as of 31 March 2014.



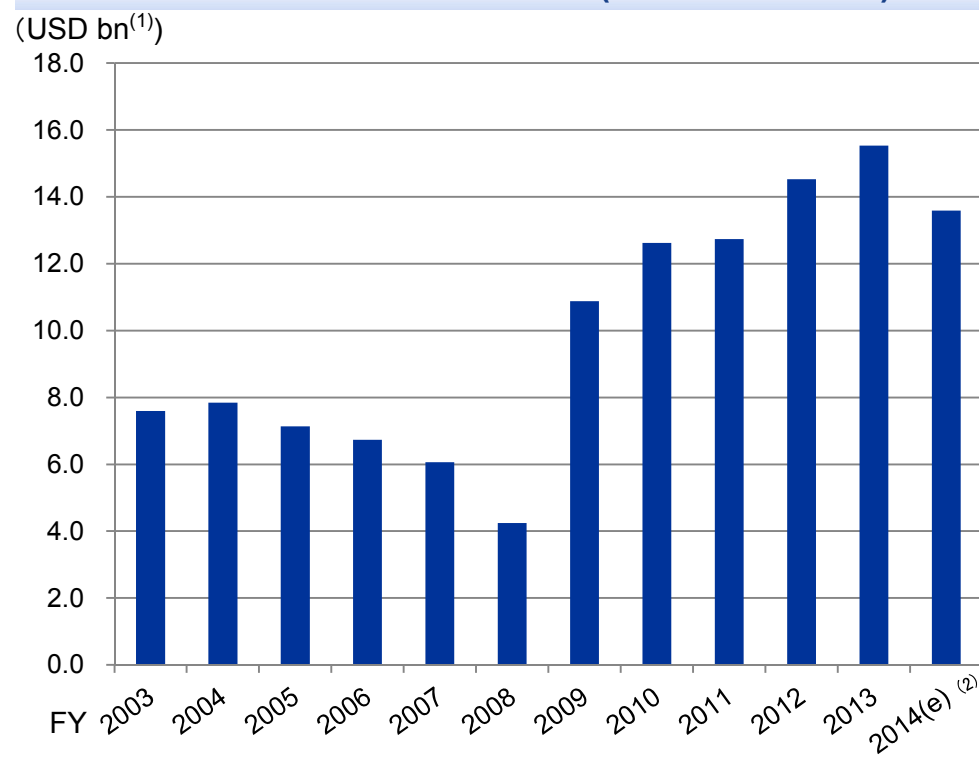
Lending and Funding Operations

- Lending volume has increased since JFM's lending scope was expanded in FY2009 due to reorganisation.
- Loans planned to be made in FY2014 amount to USD 17.5 bn⁽¹⁾⁽²⁾.
- The volume of non-guaranteed bond issuance has increased since 2009, corresponding to the increase in the lending volume.
- We currently plan to raise a total of USD 13.6 bn⁽¹⁾ in FY2014 by issuing non-guaranteed bonds.

Annual Lending Volume



Bond Issuance (Non-Guarantee)

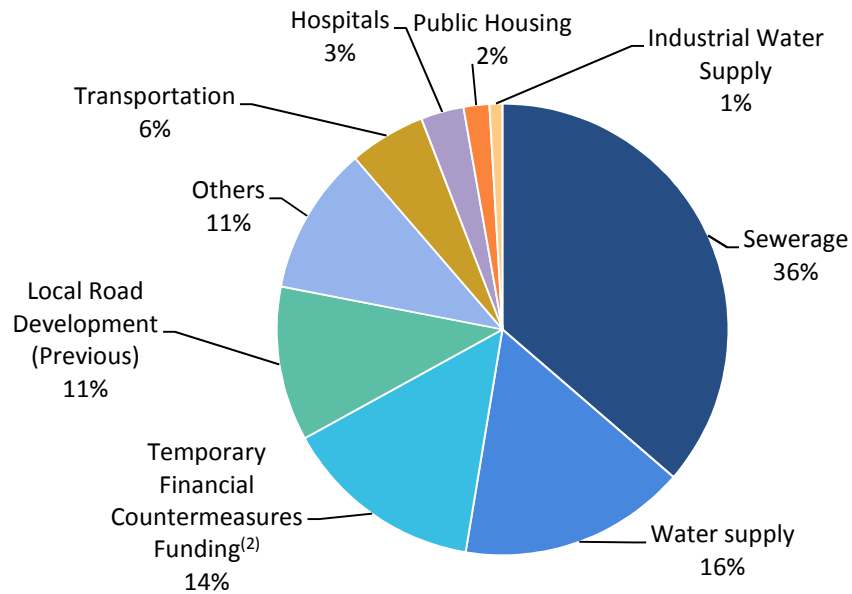


(1) USD 1 = JPY 103.01 as of 31 March 2014.

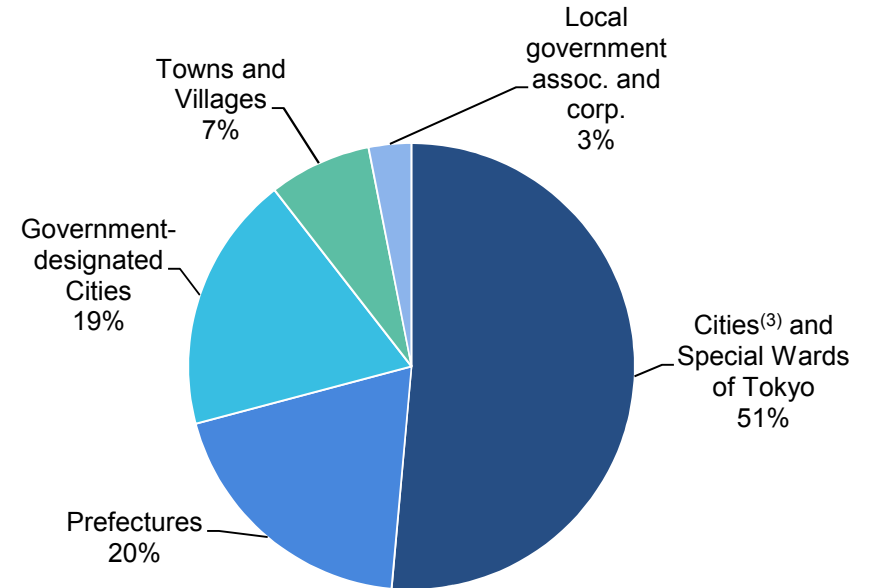
(2) Planned amount; subject to change depending on lending status, market conditions and other factors.

Breakdown of JFM's Loans

By Business⁽¹⁾



By Borrower⁽¹⁾



Total of USD 224 bn⁽⁴⁾ (JPY 23.0 tn)

(1) As of 31 March 2014.

(2) Sometimes also translated as "Extraordinary Financial Countermeasures Funding".

It represents the funding by local governments to cover shortfalls in the local allocation tax pursuant to the provisions of the Local Government Finance Act (Law No. 109 of 1948).

(3) Excludes government-designated cities.

(4) USD 1 = JPY 103.01 as of 31 March 2014.

Financial Performance (as of 31 March 2014)

Balance Sheets

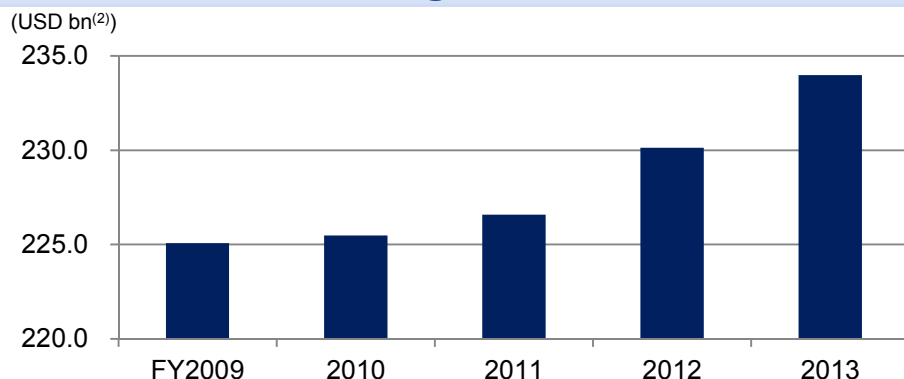
	As of 31 March 2014			
	(JPY bn)	YoY (JPY bn)	(USD bn ⁽²⁾)	YoY (USD bn ⁽²⁾)
Total Assets	24,101	+396	234	+3.8
Loans	23,083	+414	224	+4.0
Total Liabilities	23,959	+367	233	+3.6
Bonds	19,424	+747	189	+7.3
Reserves under special laws	3,459	-488	34	-4.7
Total Net Assets	143	+29.3	1.4	+0.3
Capital	16.6	0	0.2	0

Statements of Income

	FY ended 31 March 2014			
	(JPY bn)	YoY (JPY bn)	(USD bn ⁽²⁾)	YoY (USD bn ⁽²⁾)
Income	458	-28.8	4.4	-0.3
Interest Income	455	-30.5	4.4	-0.3
Expenses	270	-3.7	2.6	-0.0
Interest Expenses	261	-4.7	2.5	-0.0
Ordinary Income	188	-25.0	1.8	-0.2
Net Special Gains (Losses)⁽¹⁾	(162)	+30.7	(1.6)	+0.3
Net Income	26.5	+5.7	0.3	+0.1

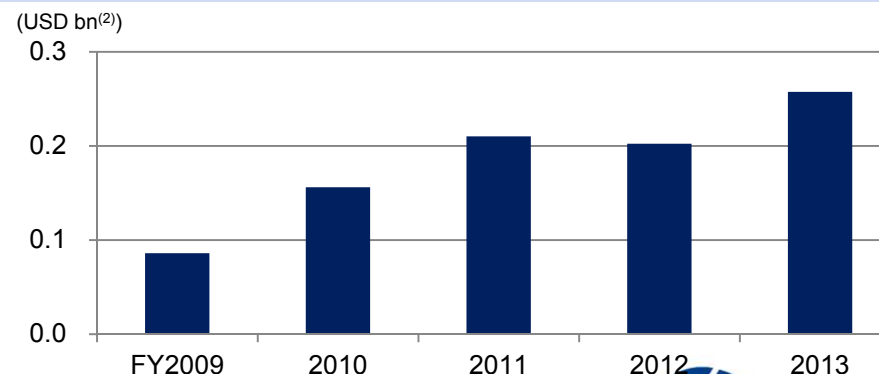
(1) Net Special Gains (Losses) represents the difference between the amounts show in (a) the Special Gains and (b) the Special Losses line items in our audited Statements of Income for FY2013.

Increasing Total Assets



(2) USD 1 = JPY 103.01 as of 31 March 2014.

Stable Income



Capital Market Activities

Funding Activities in Overseas Markets

JFM continues to access overseas markets through benchmark transactions as well as private placements.

■ Benchmark Issuance (Outstanding)

- One or more benchmark offerings in overseas markets per year depending on market conditions, funding needs and other factors.

Program	Format	Currency	Issue Amount	Coupon (%)	Issue Date	Maturity Date
EMTN	Reg. S	USD	1,000 mm	1.500	12 Sep 2012	12 Sep 2017
	Reg. S	USD	1,000 mm	1.375	5 Feb 2013	5 Feb 2018
GMTN	144A / Reg.S	USD	1,500 mm	2.500	12 Sep 2013	12 Sep 2018
	144A / Reg.S	USD	1,000 mm	2.125	6 Mar 2014	6 Mar 2019
	Reg. S	EUR	1,000 mm	0.875	22 Sep 2014	22 Sep 2021

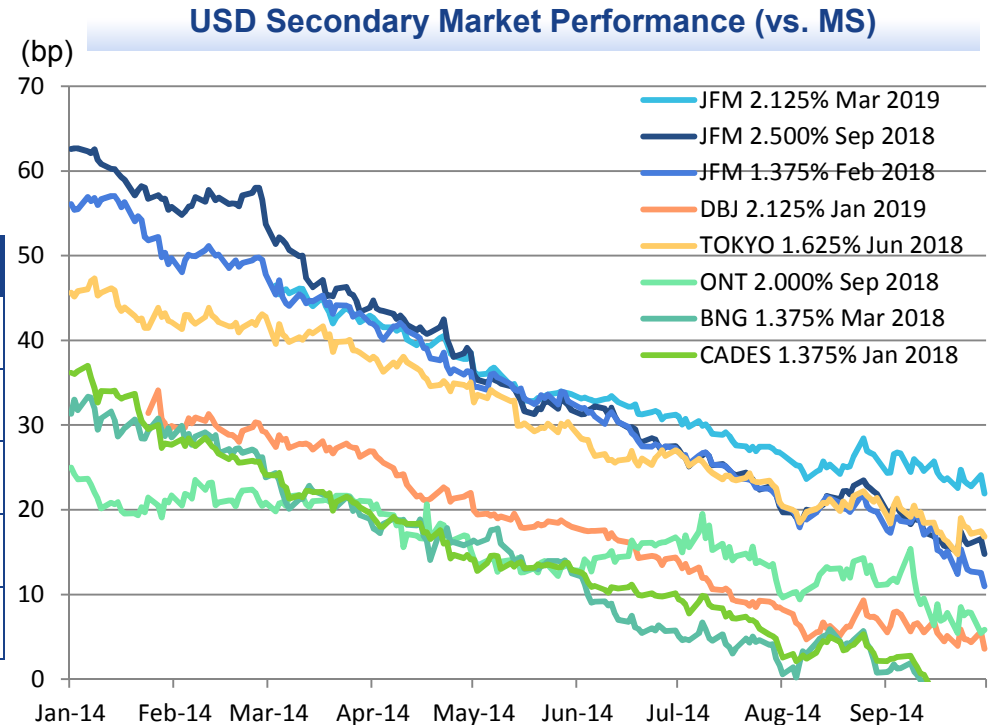
■ Private Placements

- Issuances in various major currencies through the MTN Programme to meet specific investor demand.

■ Uridashi Bonds

- Issuances targeting Japanese retail investors.

■ JFM has no plan to issue government-guaranteed bonds in overseas markets for the future



Source: Bloomberg

Funding Plan for FY2014

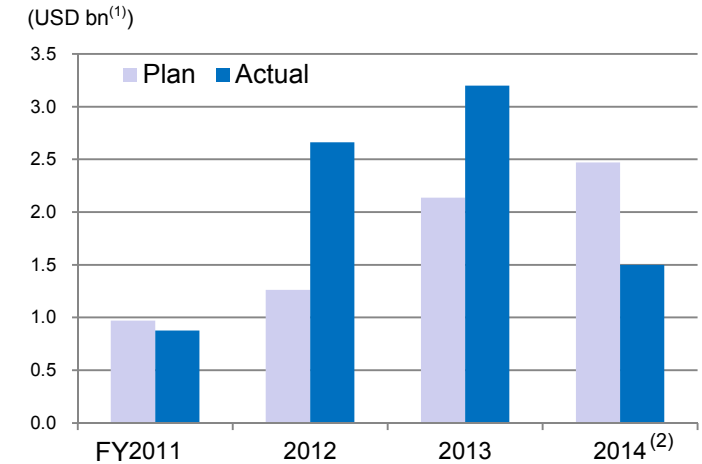
FY 2013

FY 2014

Type of Bonds	FY ended 31 March 2014 (achieved)	FY ending 31 March 2015 (plan) ⁽²⁾	
Non-guaranteed	JPY 1,627 bn	JPY 1,400 bn	USD 13.6 bn ⁽¹⁾
Domestic Issuance	JPY 1,305 bn	JPY 1,125 bn	USD 10.9bn ⁽¹⁾
MTN	JPY 322 bn	JPY 255 bn	USD 2.5 bn⁽¹⁾
Open Issuance*	—	JPY 20 bn	USD 0.2 bn ⁽¹⁾
Guaranteed	JPY 1,280 bn	JPY 630 bn	USD 6.1 bn ⁽¹⁾

* Open Issuance: Details of issuance such as tenor, issue amount and issue market will be determined as necessary based on the lending status, market conditions and other factors.

MTN Bond Issuance



Plan indicates initially planned issue amount. Revisions are not reflected.

Overseas Issuance

- In FY2014, JFM plans to raise a total of **USD 2.5 bn⁽¹⁾⁽²⁾**
 - So far, JFM has issued approximately **USD 1.5bn⁽³⁾** through benchmark transaction and private placements.
 - We continue to watch market conditions closely with a view to considering a potential issue of another series of oversea benchmark bonds within this fiscal year.

(1) USD 1 = JPY 103.01 as of 31 March 2014.

(2) Planned amount is subject to change depending on lending status, market conditions and other factors.

(3) Includes AUD 85mm, converted at USD 1 = AUD 1.0718 as of April 17 2014, and EUR 1 bn, converted at USD 1 = EUR 0.7737 as of September 11 2014.

Credit Highlights

Credit Highlights

1. Solid Institutional Framework

- JFM is a joint funding organization for all local governments, established under the special law.
- JFM has strong ties with the national government.
- If JFM's obligations cannot be satisfied in full during the dissolution process, local governments bear all of the costs to satisfy such obligations in full, via payments to JFM.

2. High Quality of Assets

- Loans are provided exclusively to local governments.
- Local governments must have the consent or approval of the Minister* or respective prefectural governors when they undertake borrowings from JFM.
- Local governments have support from the national level via the Local Allocation Tax system.
- JFM has never experienced a default on its lending for more than 50 years since its establishment.

3. Sound Financial Foundation

- JFM maintains appropriate reserves.
- JFM conducts prudent ALM.

*Minister for Internal Affairs and Communications.

Appendix

History of JFM

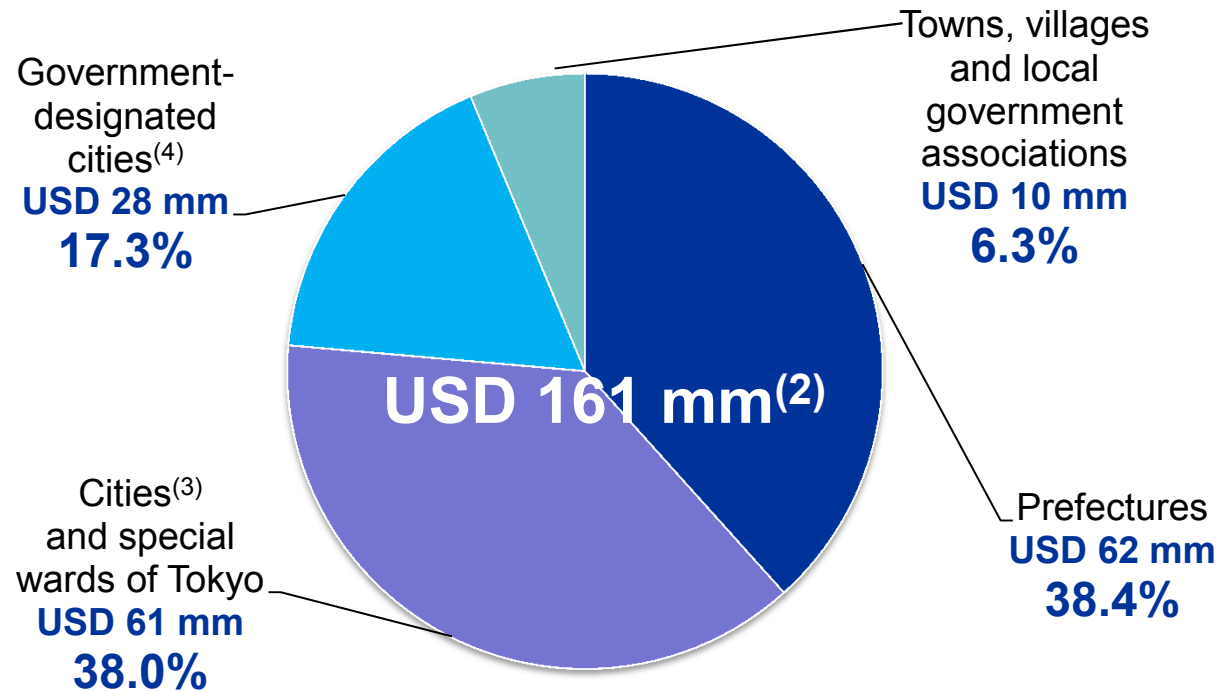
- As a result of the reorganisation mandated by the policy-based financial reform, JFM's ownership transferred from the national government to local governments.
- Despite the structural change, JFM has strong ties with the national government, playing a vital role in the funding system for local governments.

Date	Event	Source of Capital
1 June 1957	<Foundation> Japan <u>Finance Corporation</u> for Municipal Enterprises	National Government
	 <div style="border: 1px solid black; border-radius: 15px; padding: 5px; display: inline-block;"> Substantially all rights and obligations are succeeded to </div>	
1 October 2008	< Start-up of Operation > Japan <u>Finance Organization</u> for <u>Municipal Enterprises</u>	Local Governments
1 June 2009	<Reorganization> Japan Finance Organization for <u>Municipalities</u> (<u>The expansion of lending scope</u>)	Local Governments

JFM Shareholders

- JFM has paid-in capital of JPY 16.6 bn (USD 161 mm⁽¹⁾⁽²⁾) contributed by 1,790⁽¹⁾ Japanese local governments.

Amount of Capital Contribution⁽¹⁾



(1) As of 31 March 2014.

(2) USD 1 = JPY 103.01 as of 31 March 2014.

(3) Excludes Government-designated cities.

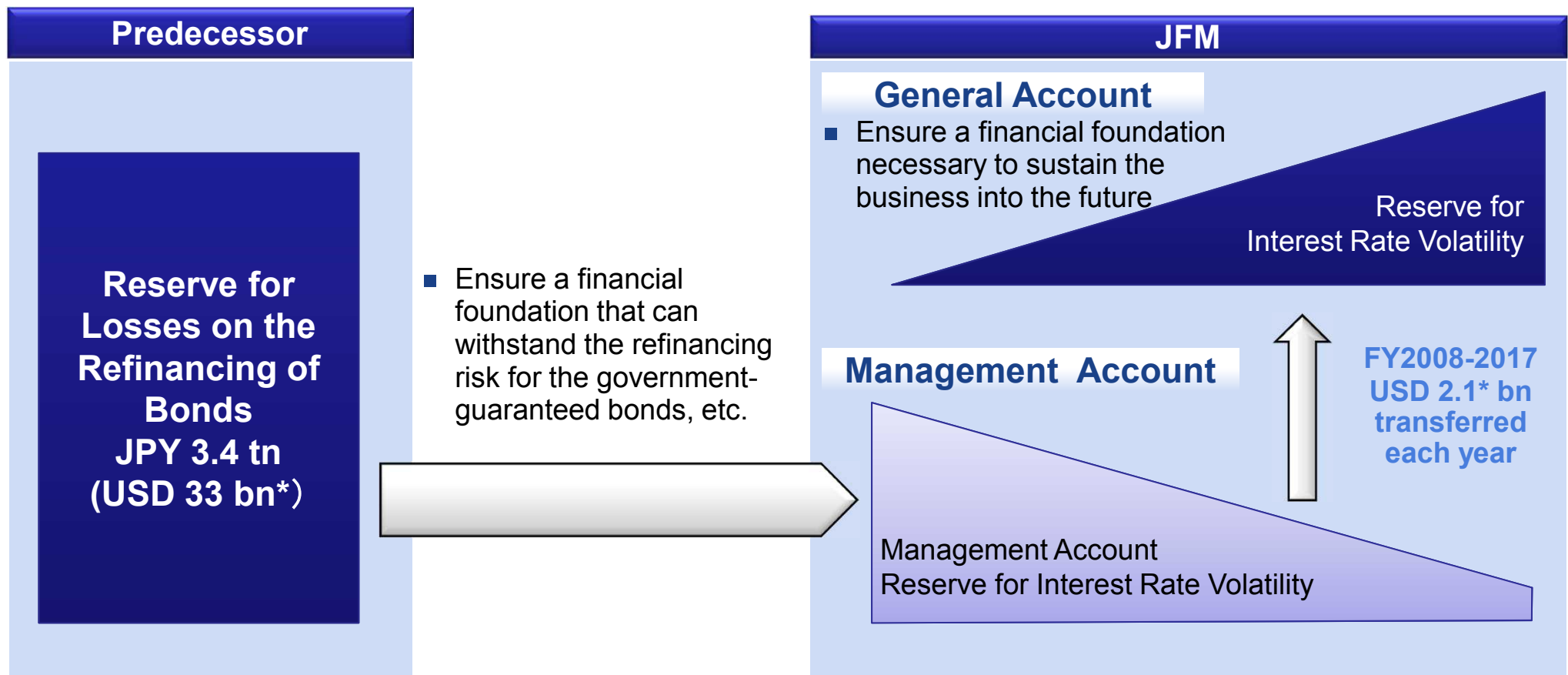
(4) Government-designated cities:

Cities with populations of 500,000 or more designated in accordance with Paragraph 1, Article 252-19 of the Local Autonomy Act. Such government-designated cities are allowed to administer certain matters such as social welfare, food sanitation, urban planning and so on, for which prefectures are responsible in principle.

General Account and Management Account

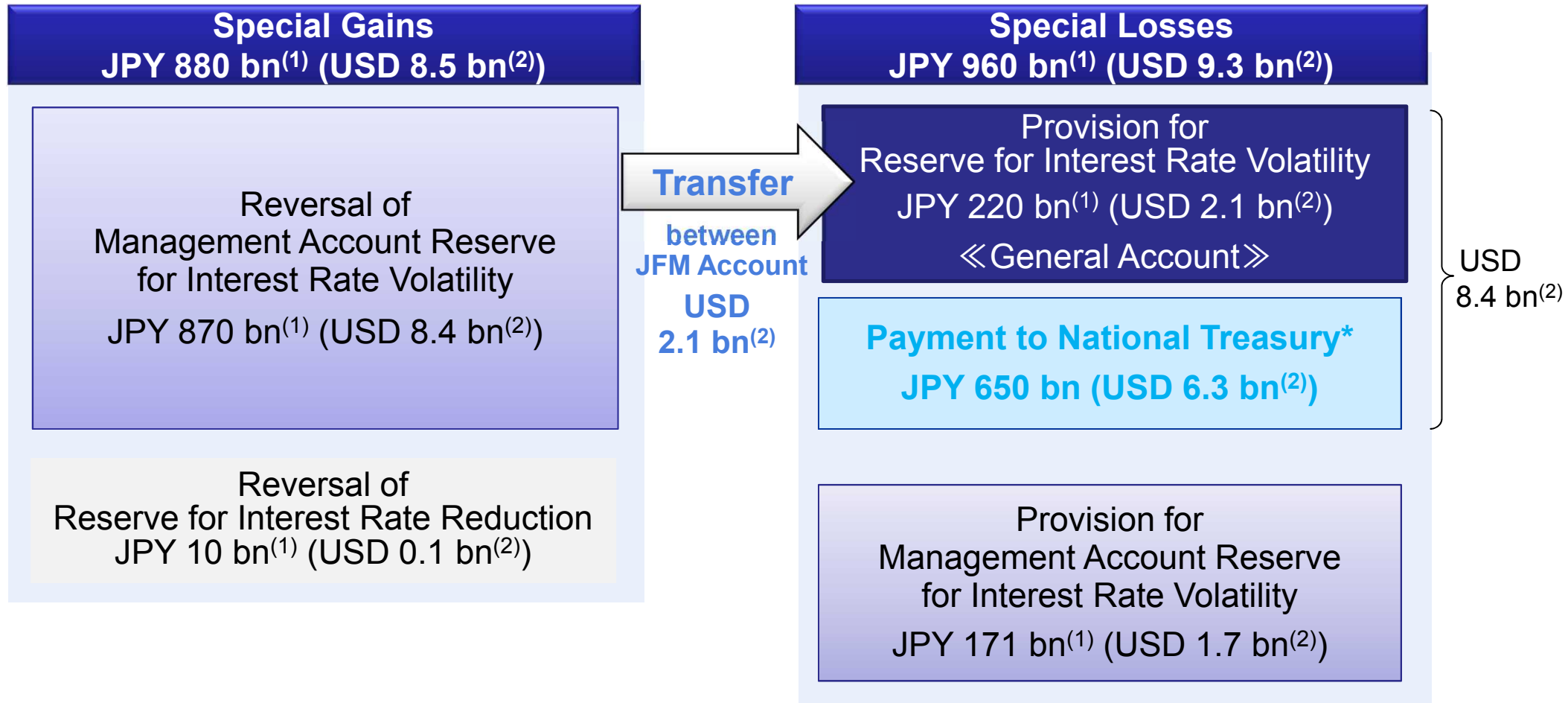
- **General Account:** New loans to be extended and new bonds to be issued by JFM (since 2008).
- **Management Account:** Legacy operations to manage loans carried over from the predecessor.

JFM's Reserves under Special Laws



*USD 1 = JPY 103.01 as of 31 March 2014.

Special Gains and Special Losses



***Payment to National Treasury:** JPY 1 tn (USD 9.7 bn⁽²⁾) scheduled to be paid between FY2012 and FY2014

(1) As of 31 March 2014.

(2) USD 1 = JPY 103.01 as of 31 March 2014.

Managing Interest Rate Risk

Providing local governments with long-term funding, JFM is exposed to interest rate risk resulting from a duration gap between lending and funding.

- Lending: Maximum maturities of 30 years (Loan duration: 9.11 years*)
- Funding: Issuing bonds mainly with 10 year maturities (Bond duration: 8.04 years*)

Duration gap:
1.07 years*

To address such interest rate risk, JFM takes the following measures:

■ Reserves for Interest Rate Volatility

- JFM maintains reserves for interest rate volatility to deal with the interest rate risk resulting from a duration gap between lending and funding.

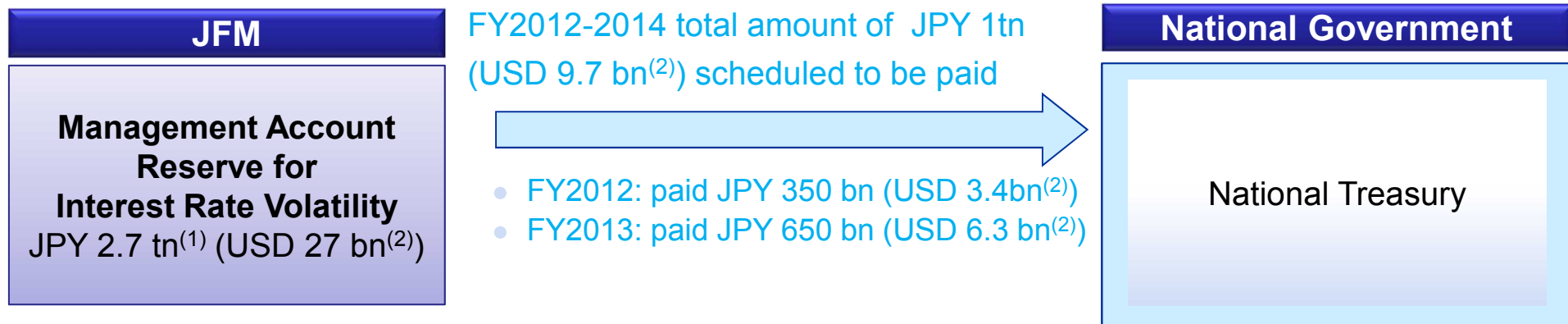
■ ALM Committee

- The ALM Committee carries out medium- and long-term management and risk analysis through scenario, Value at Risk, duration and other analyses.

*As of 31 March 2014.

Payment to National Treasury

- Part of JFM's management account reserve for interest rate volatility is to be paid to the national treasury pursuant to Article 14 of the Supplementary Provisions to the JFM Law.



Conditions specified in Article 14 of the Supplementary Provisions to the JFM Law:

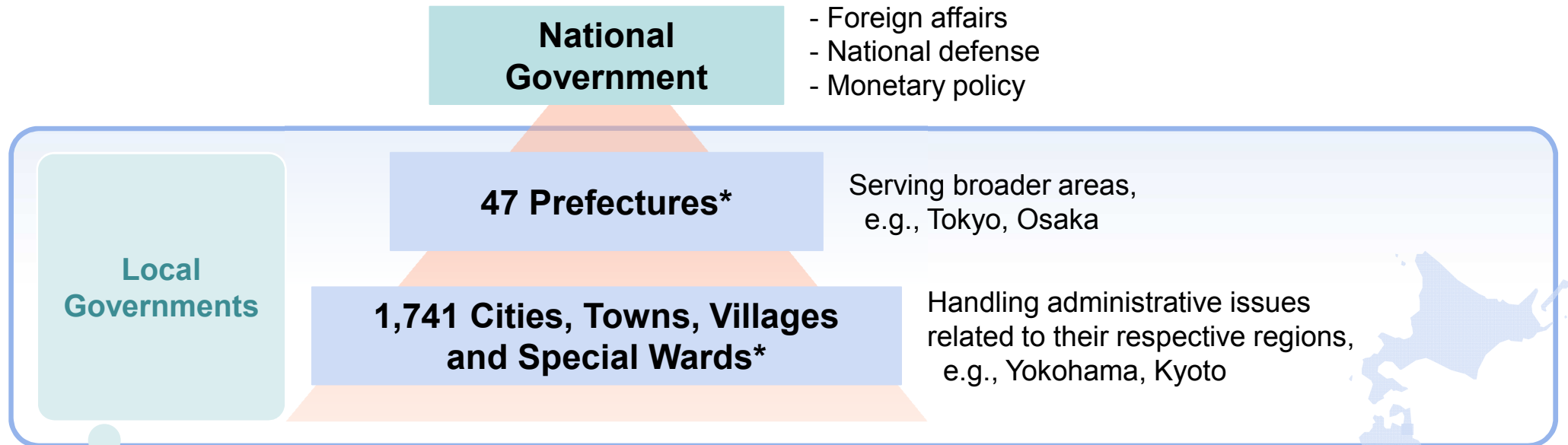
The Minister for Internal Affairs and Communications and the Minister of Finance shall cause an amount that is determined to be in excess to be paid to the national treasury under the conditions that:

- The businesses of JFM are determined to have been executed smoothly in light of the condition of JFM management; and
- The management account reserves for interest rate volatility and certain other reserves are determined to exceed the amount necessary for the smooth operation of the business of managing and collecting the receivables succeeded from the predecessor into the future.

(1) As of 31 March 2013.

(2) USD 1 = JPY 103.01 as of 31 March 2014.

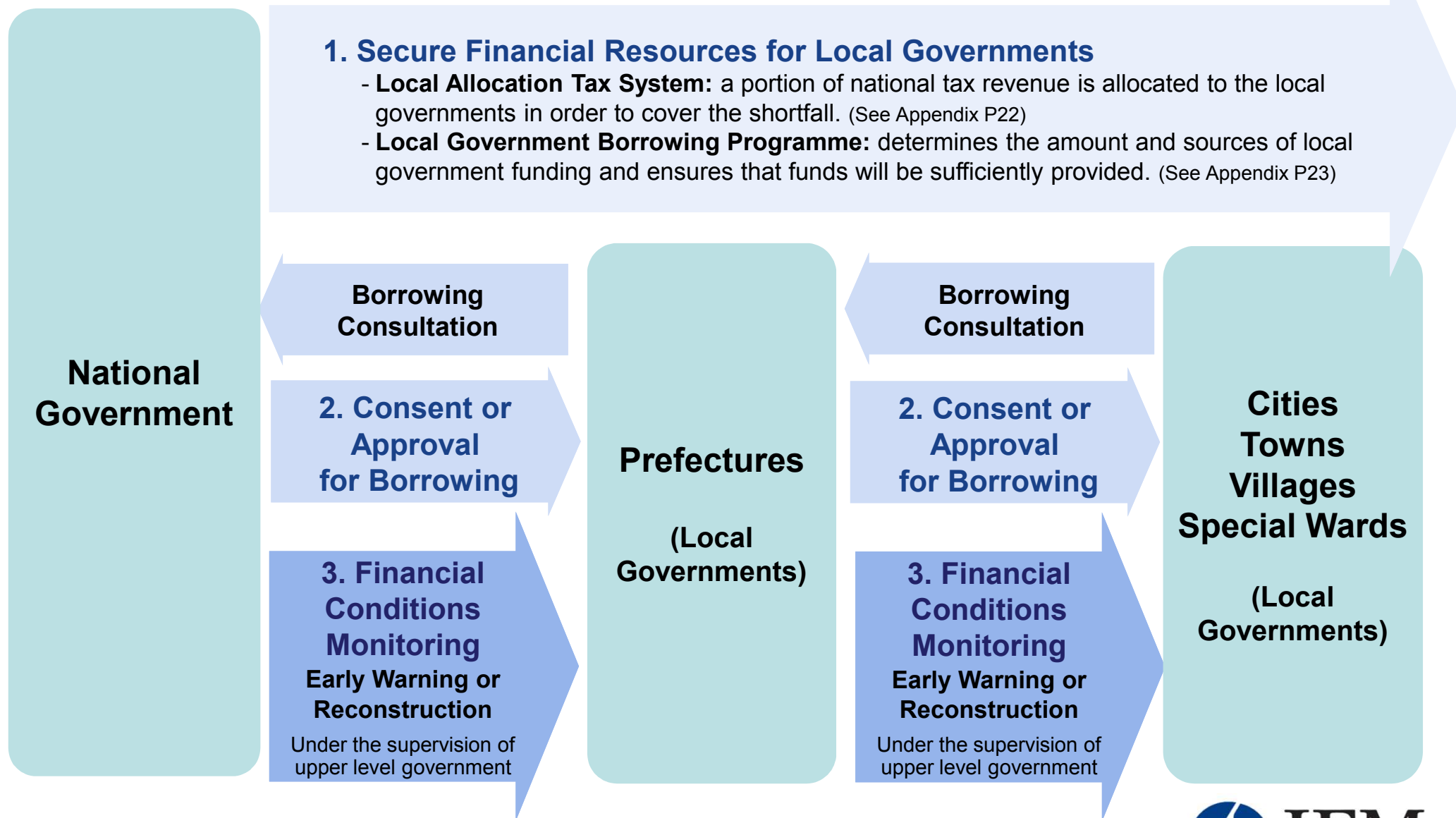
Local Government System in Japan



- Local governments are responsible for a wide range of services closely related to the daily lives of citizens such as:
 - Public health
 - Social welfare
 - Education
 - Policing
 - Fire fighting

*As of 5 April 2014.

Systems to Secure Financial Soundness of Japan's Local Governments



Local Allocation Tax System

- Under the Local Allocation Tax (“LAT”) system, the national government allocates a part of national tax revenue to local governments in order to adjust the imbalance of revenue sources among the local governments.
- LAT for each local government is decided based on its requirement and revenue as follows:

Example: City A



(1) Standard financial requirements are the amount of funds necessary to provide standard public services. The requirements are calculated for each local government according to the standard specified by the Ministry of Internal Affairs and Communications.

(2) Local governments have a right to tax only within their respective local regions in Japan. Regional imbalances in tax revenues are common.

Local Government Borrowing Programme

- The national government decides guidelines for the amount of local government borrowings according to the Local Government Borrowing Programme (the “LGBP”). Each local government raises funds within this amount.
- The total amount of JFM funds is based on the LGBP, prepared by the national government each fiscal year.
- JFM funds account for around 16% of local government funding.

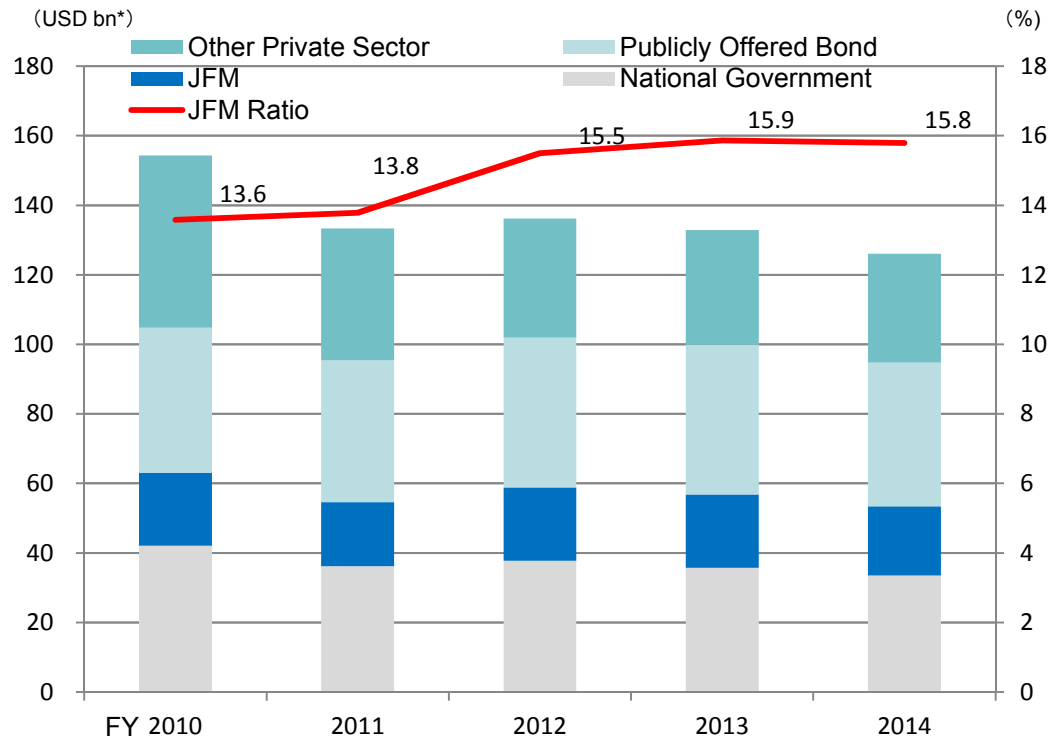
Funding measures of local governments

		FY 2013 (USD bn*)	FY 2014 (USD bn*)	Share
1 Private Funds	Publicly Offered Bond	43	41	33%
	Other Private Sector	33	31	25%
2 Public Funds	JFM	21	20	16%
	National Government	36	34	27%
Total		133	126	100%

The figures above are the originally planned numbers (not actual).

*USD 1 = JPY 103.01 as of 31 March 2014.

Funding amount of local governments (Initial plan)



Source: Ministry of Internal Affairs and Communications

Contact Information

Japan Finance Organization for Municipalities

Finance, Finance Department

Postal address:

Shisei Kaikan, 1-3 Hibiya Koen,

Chiyoda-ku

Tokyo 100-0012, Japan

Tel:

+81-3-3539-2697

Fax:

+81-3-3539-2615

E-mail:

funds-d@jfm.go.jp

Bloomberg ticker:

JFM Govt



(JFM in Tokyo)