

September 2017



Nabegataki Water fall, Kumamoto Prefecture Japan

**JFM**

Japan Finance Organization for Municipalities



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# 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.

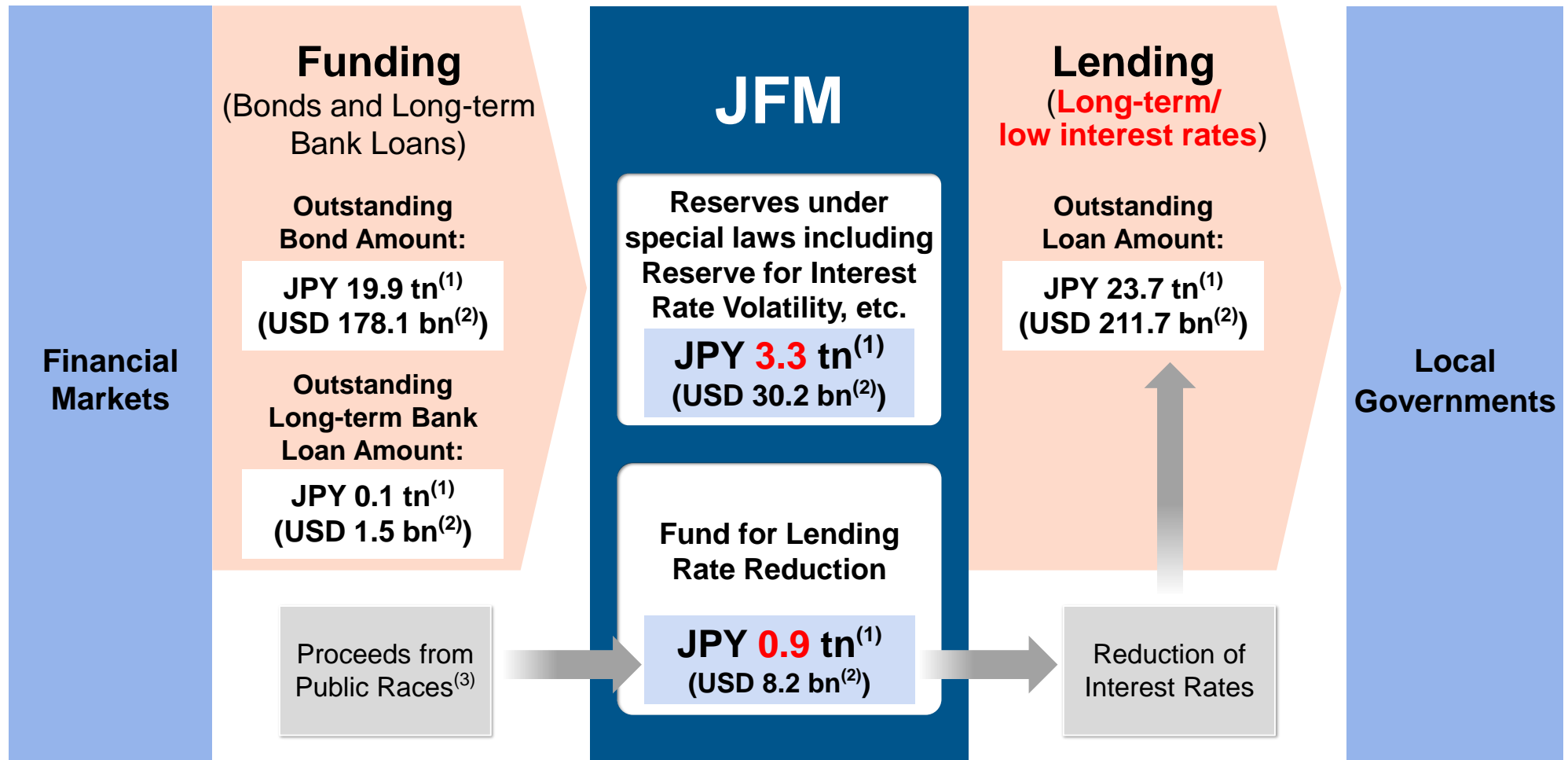
## A Joint Funding Organization for Local Governments

<b>Objective</b>	<ul style="list-style-type: none"> <li>■ To provide local governments with long-term funding at low interest rates</li> </ul>
<b>Establishment</b>	<ul style="list-style-type: none"> <li>■ The predecessor of JFM was established in 1957 as a government financial institution (the “predecessor”)</li> <li>■ JFM succeeded the predecessor on 1 October 2008 (reorganised on 1 June 2009)</li> </ul>
<b>Governing Law</b>	<ul style="list-style-type: none"> <li>■ Japan Finance Organization for Municipalities Law               <ul style="list-style-type: none"> <li>– Law No. 64 of 2007, as amended</li> </ul> </li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>■ JPY 16.6 bn (USD 148.2 mm) <sup>(1)</sup> <sup>(2)</sup></li> <li>■ 100% owned by Japanese local governments               <ul style="list-style-type: none"> <li>– Capitalized by all 1,789 local governments and some local government associations of Japan (as of 31 March 2017)</li> <li>(e.g., Tokyo, Osaka, Yokohama and Nagoya)</li> </ul> </li> </ul>
<b>Outstanding Loan Balance</b>	<ul style="list-style-type: none"> <li>■ JPY 23.7 tn (USD 211.7 bn) <sup>(1)</sup> <sup>(2)</sup> <ul style="list-style-type: none"> <li>– Providing loans to 2,165 public institutions in Japan including almost all local governments (as of 31 March 2017)</li> </ul> </li> </ul>
<b>Credit Ratings</b>	<ul style="list-style-type: none"> <li>■ A+ (stable: S&amp;P) / A1 (stable: Moody’s)               <ul style="list-style-type: none"> <li>– The ratings of JFM are the same as those of the Japanese sovereign</li> </ul> </li> </ul>

(1) As of 31 March 2017.

(2) USD 1 = JPY 112.05 as of 31 March 2017.

# Basic Framework of JFM's Business Operations



(1) As of 31 March 2017.

(2) USD 1 = JPY 112.05 as of 31 March 2017.

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

# Peer Group Comparison

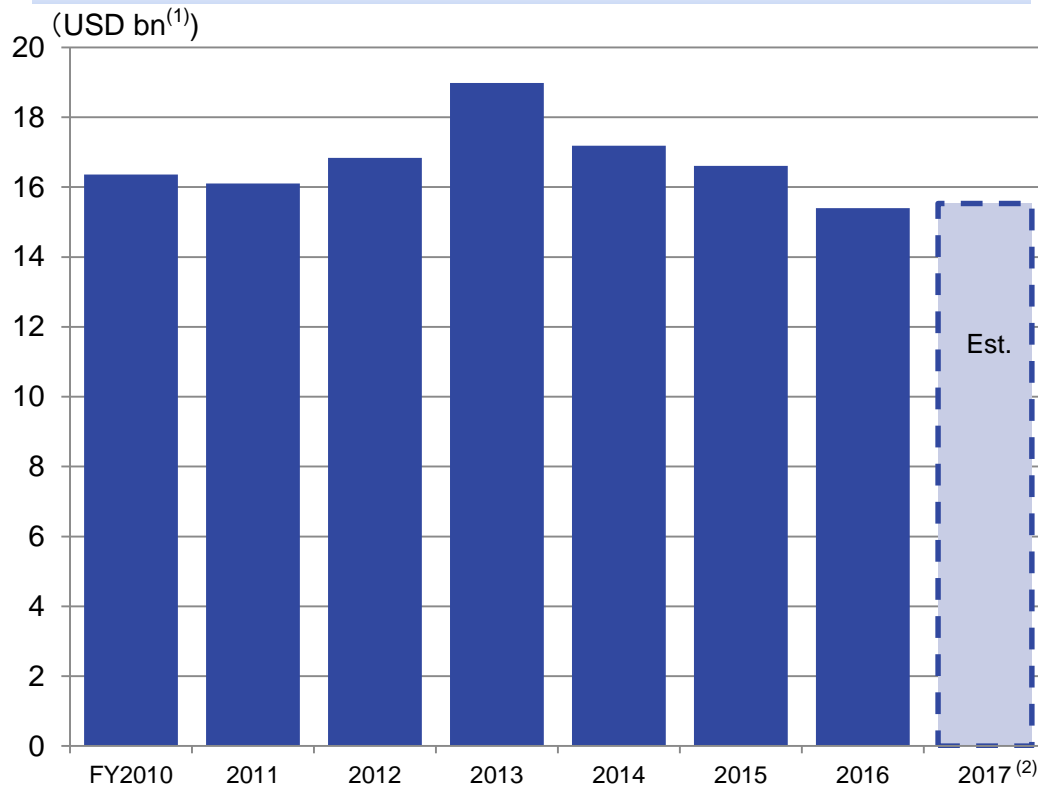
Issuer	JFM	AFL (Agence France Locale)	BNG (Bank Nederlandse)	KBN (Kommunalbanken)	KK (KommuneKredit)	KOMINS (Kommuninvest)	MuniFin (Municipality Finance)	JBIC	DBJ
Issuer Rating (Moody's/S&P)	A1/A+	Aa3/ -	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa1/AA+	A1/A+	A1/A
Sovereign Rating	A1/A+	Aa2/AA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa1/AA+	A1/A+	A1/A+
Country	Japan	France	Netherlands	Norway	Denmark	Sweden	Finland	Japan	Japan
Guarantee Structure	Local govts to bear all costs to satisfy JFM's obligations in the event of dissolution	Explicit support from French local govts	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	With explicit central govt guarantee for overseas bonds	With / Without explicit central govt guarantee for overseas bonds
Ownership	100% Local govts	100% Local govts	50% Central govt 50% local govts	100% Central govt	100% Local govts	100% Local govts	30.66% Local govts pension fund 53.34% Local govts 16% Central govt	100% Central govt	100% Central govt (potential privatization)
Establishment	1957/2008	2013	1914	1926/1999	1898	1986	1989/1993	1950/1999/ 2008/2012	1951/1999/ 2008

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

# Lending and Funding Operations

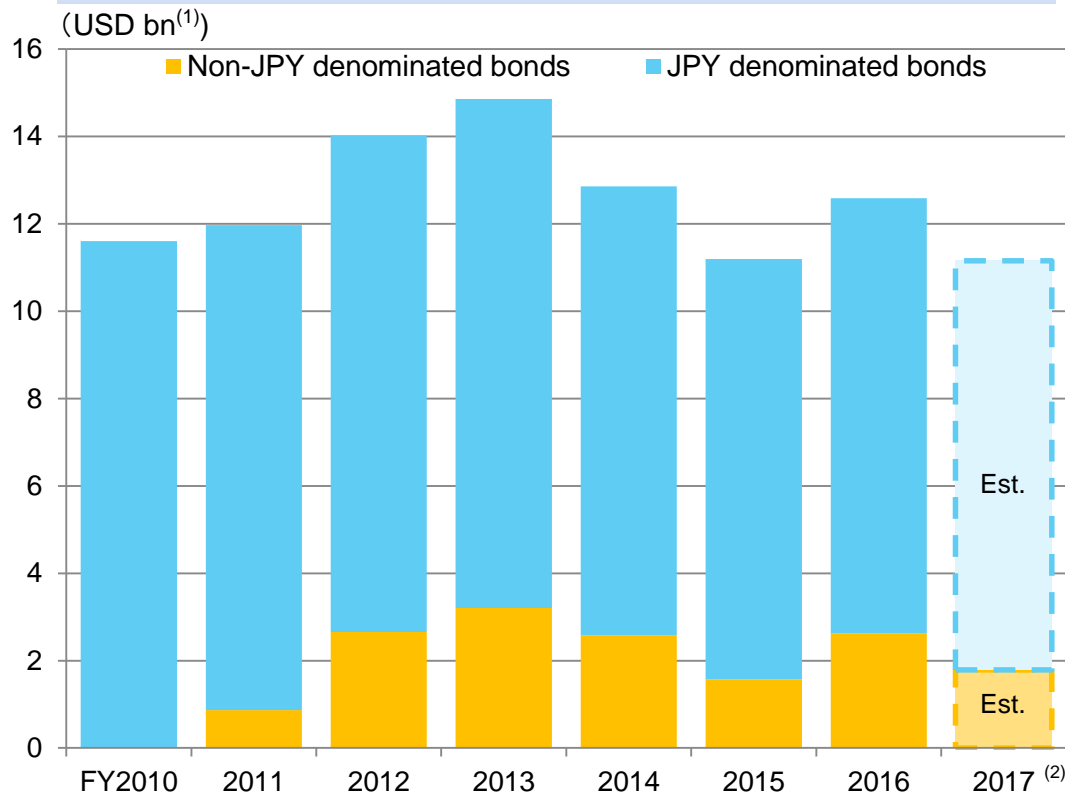
- Annual lending volume has been hovering around USD16bn-17bn since fiscal 2010 except for fiscal 2013 when the volume jumped due mainly to the introduction of the Great East Japan Earthquake related lending.

## Annual Lending Volume



- JFM has annually issued around USD11bn-14bn of non-guaranteed bonds.
- Non-JPY denominated bonds have been issued continuously since 2011.

## Bond Issuance (Non-Guaranteed)



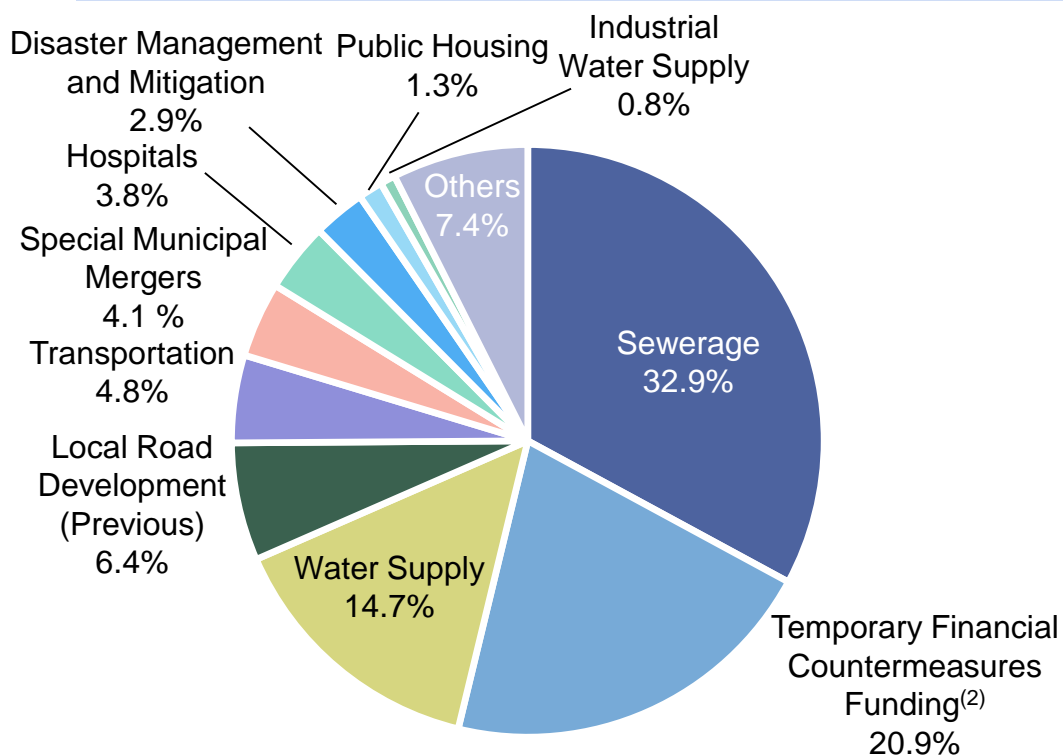
(1) USD 1 = JPY 112.05 as of 31 March 2017.

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

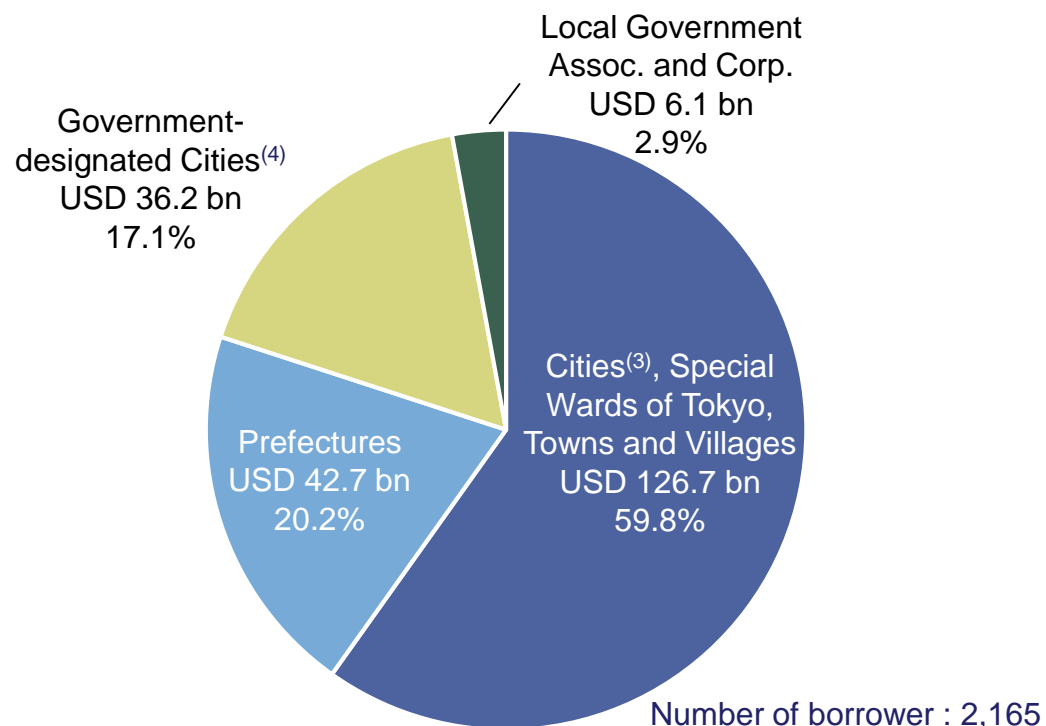


# Breakdown of JFM's Outstanding Loan Portfolio

## By Usage<sup>(1)</sup>



## By Borrower<sup>(1)</sup>



**Total of USD 211.7 bn<sup>(1)(5)</sup> (JPY 23.7 tn)**

(1) As of 31 March 2017.

(2) 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) 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 similar matters, for which prefectures are responsible in principle.

(5) USD 1 = JPY 112.05 as of 31 March 2017.

# Capital Markets Activities

# Funding Plan

Type of Bonds	FY 2016	FY 2017	
	FY ended 31 March 2017 (achieved) <sup>(1)</sup>	FY ending 31 March 2018 (Plan) <sup>(1)(2)</sup>	FY ending 31 March 2018 (Achieved) <sup>(1)(3)</sup>
Non-guaranteed (JFM Bonds)	USD 12.6 bn	USD 12.0 bn	USD 7.7 bn
Domestic Issuance	USD 10.0 bn	USD 9.4 bn	USD 5.7 bn
<b>GMTN</b>	USD 2.6 bn	USD 1.8 bn	USD 2.0 bn
Open Issuance <sup>(4)</sup>	-	USD 0.8 bn	-
Guaranteed Domestic issuance only	USD 5.4 bn	USD 6.8 bn	USD 3.7 bn
Bank Loans	USD 0.4 bn	USD 0.1 bn	USD 0.0 bn
<b>Total Funding Amount</b>	<b>USD 18.4 bn</b>	<b>USD 18.9 bn</b>	<b>USD 11.4 bn</b>

(1) USD 1 = JPY 112.05 as of 31 March 2017.

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

(3) Expected achievement of the first half of FY 2017 ended on 30<sup>th</sup> September

(4) Details of issuance such as tenor, issue size and issue market will be determined as necessary based on the lending status, market conditions and other factors.

# Funding Activities in International Capital Markets

JFM continues to access international capital markets through public issuances as well as private placements.

## ■ Public Issuance (Outstanding)

Programme	Issue Date	Format	Currency	Issue Amount	Coupon (%)	Tenor
GMTN	8 Sep 2017	Rule 144A / Reg.S	USD	1,000 mm	2.000	3y
	20 Apr 2017	Rule 144A / Reg.S	USD	1,000 mm	2.625	5y
	25 Oct 2016	Rule 144A / Reg.S	USD	1,000 mm	2.125	7y
	13 Apr 2016	Rule 144A / Reg.S	USD	1,500 mm	2.125	5y
	12 Feb 2016	Rule 144A / Reg.S	USD	500 mm	2.125	5y
	21 Apr 2015	Rule 144A / Reg.S	USD	1,000 mm	2.000	7y
	13 Feb 2015	Rule 144A / Reg.S	USD	1,000 mm	2.375	10y
	22 Sep 2014	Reg.S	EUR	1,000 mm	0.875	7y
	6 Mar 2014	Rule 144A / Reg.S	USD	1,000 mm	2.125	5y
	12 Sep 2013	Rule 144A / Reg.S	USD	1,500 mm	2.500	5y
EMTN	5 Feb 2013	Reg.S	USD	1,000 mm	1.375	5y

## ■ Private Placements

- Issuance in various major currencies through the GMTN Programme to meet specific investor demands

## ■ Uridashi Bonds

- Issuance targeting Japanese retail investors



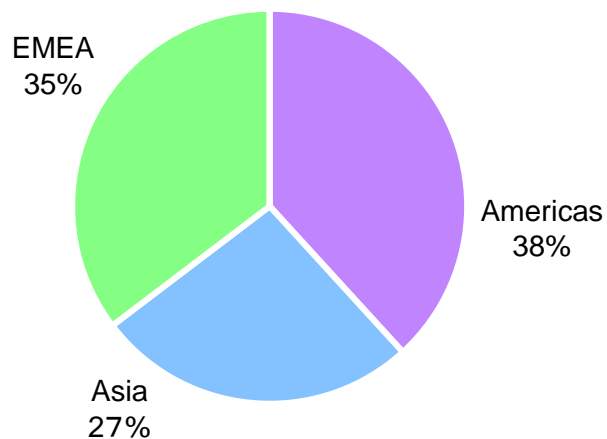
# 2.000% USD 1.0bn 3yr Bonds Deal Summary (Sep-2017)

**Established credit curve** of JFM by issuing the 3yr notes which was the first deal in Japanese non-government guaranteed bonds space

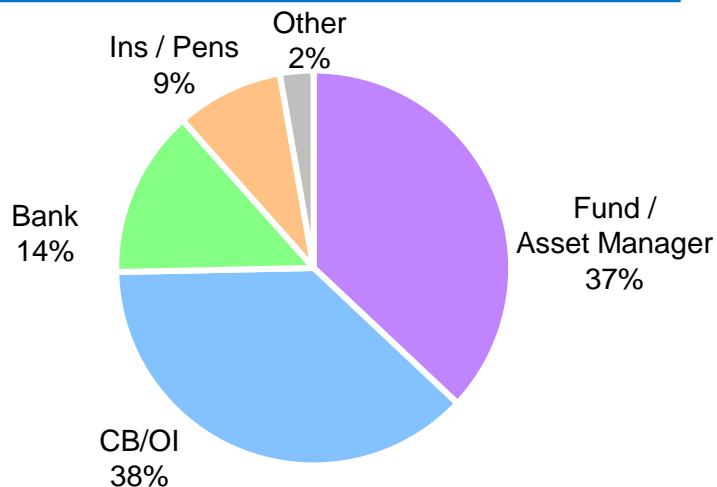
**Achieved good quality of book** with strong demands from CB/OI which accounted for over 1/3 of the total distribution

**Final order book USD 2.3bn+**

## Distribution by Geography



## Distribution by Investor



## Issue Details

<b>Issuer:</b>	Japan Finance Organization for Municipalities ("JFM")
<b>Format:</b>	144A / Reg.S (GMTN Programme)
<b>Ratings:</b>	A1 / A+ (Moody's / S&P)
<b>Tenor:</b>	3yr
<b>Issue Size:</b>	USD 1.0 billion
<b>Pricing Date:</b>	31 <sup>st</sup> August 2017
<b>Issue Date:</b>	8 <sup>th</sup> September 2017
<b>Maturity Date:</b>	8 <sup>th</sup> September 2020
<b>Re-offer Spread:</b>	MS+47bp (US CT3+66.1bp)
<b>Coupon:</b>	2.000%
<b>Issue Price:</b>	99.740%
<b>Listing:</b>	London / TOKYO PRO-BOND Market
<b>Lead Managers:</b>	BofAML / Barclays / GS / Nomura





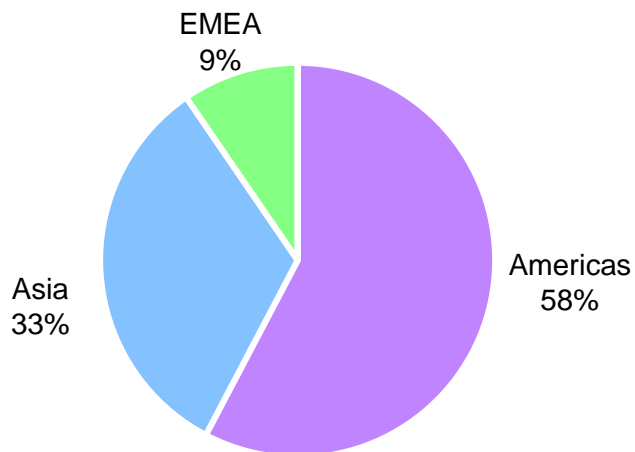
# 2.625% USD 1.0bn 5yr Bonds Deal Summary (Apr-2017)

Priced at the tightest level (MS+74bp) since the downgrade of JGB (Sep 2015)

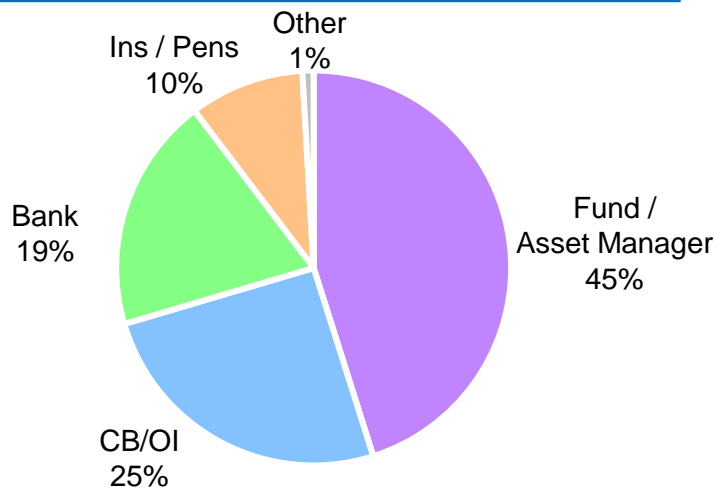
Achieved good quality of book with diversification of investors including CB/OI

Final order book USD 2.2bn+

## Distribution by Geography



## Distribution by Investor



## Issue Details

<b>Issuer:</b>	Japan Finance Organization for Municipalities ("JFM")
<b>Format:</b>	144A / Reg.S (GMTN Programme)
<b>Ratings:</b>	A1 / A+ (Moody's / S&P)
<b>Tenor:</b>	5yr
<b>Issue Size:</b>	USD 1.0 billion
<b>Pricing Date:</b>	12 <sup>th</sup> April 2017
<b>Issue Date:</b>	20 <sup>th</sup> April 2017
<b>Maturity Date:</b>	20 <sup>th</sup> April 2022
<b>Re-offer Spread:</b>	MS+74bp (US CT5+84.6bp)
<b>Coupon:</b>	2.625%
<b>Issue Price:</b>	99.823%
<b>Listing:</b>	London / TOKYO PRO-BOND Market
<b>Lead Managers:</b>	Barclays / JPM / Nomura



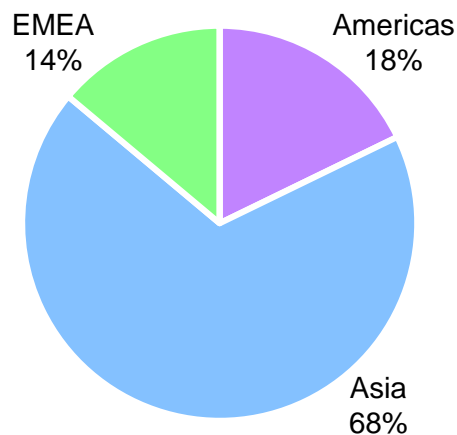
# 2.125% USD 1.0bn 7yr Bonds Deal Summary (Oct-2016)

Rare 7yr USD benchmark  
in the SSA sector

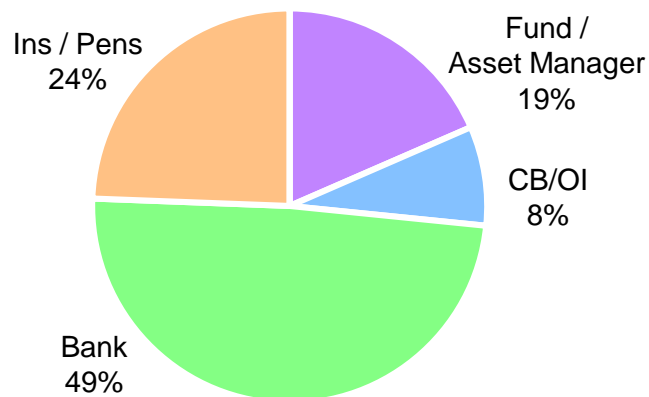
Re-established existing  
JFM's USD curve

Final order book  
USD 1.8bn+

## Distribution by Geography



## Distribution by Investor



## Issue Details

<b>Issuer:</b>	Japan Finance Organization for Municipalities ("JFM")
<b>Format:</b>	144A / Reg.S (GMTN Programme)
<b>Ratings:</b>	A1 / A+ (Moody's / S&P)
<b>Tenor:</b>	7yr
<b>Issue Size:</b>	USD 1.0 billion
<b>Pricing Date:</b>	18 <sup>th</sup> October 2016
<b>Issue Date:</b>	25 <sup>th</sup> October 2016
<b>Maturity Date:</b>	25 <sup>th</sup> October 2023
<b>Re-offer Spread:</b>	MS+83bp (US CT7+70.2bp)
<b>Coupon:</b>	2.125%
<b>Issue Price:</b>	99.297%
<b>Listing:</b>	London / TOKYO PRO-BOND Market
<b>Lead Managers:</b>	BofAML / Citi / Daiwa / Mizuho

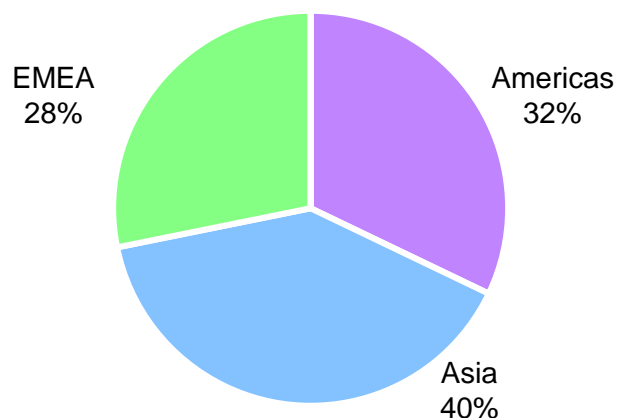
# 2.125% USD 1.5bn 5yr Bonds Deal Summary (Apr-2016)

Made mandate announcement 1 week prior to the pricing to cultivate potential demand

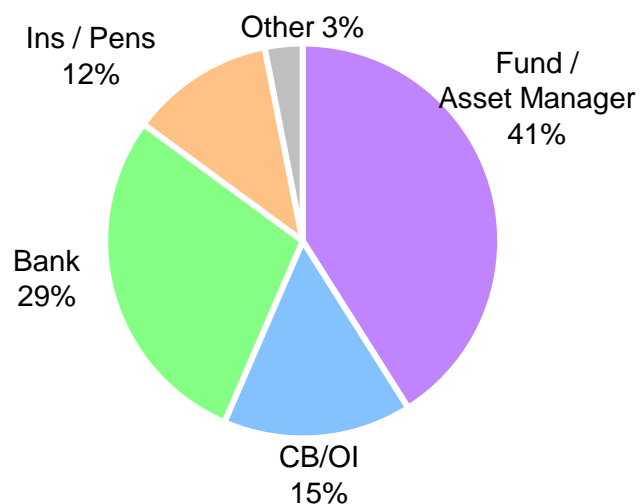
Well diversified geographical and investor base under improved market sentiment

Final order book exceeded USD 2.75bn

## Distribution by Geography



## Distribution by Investor



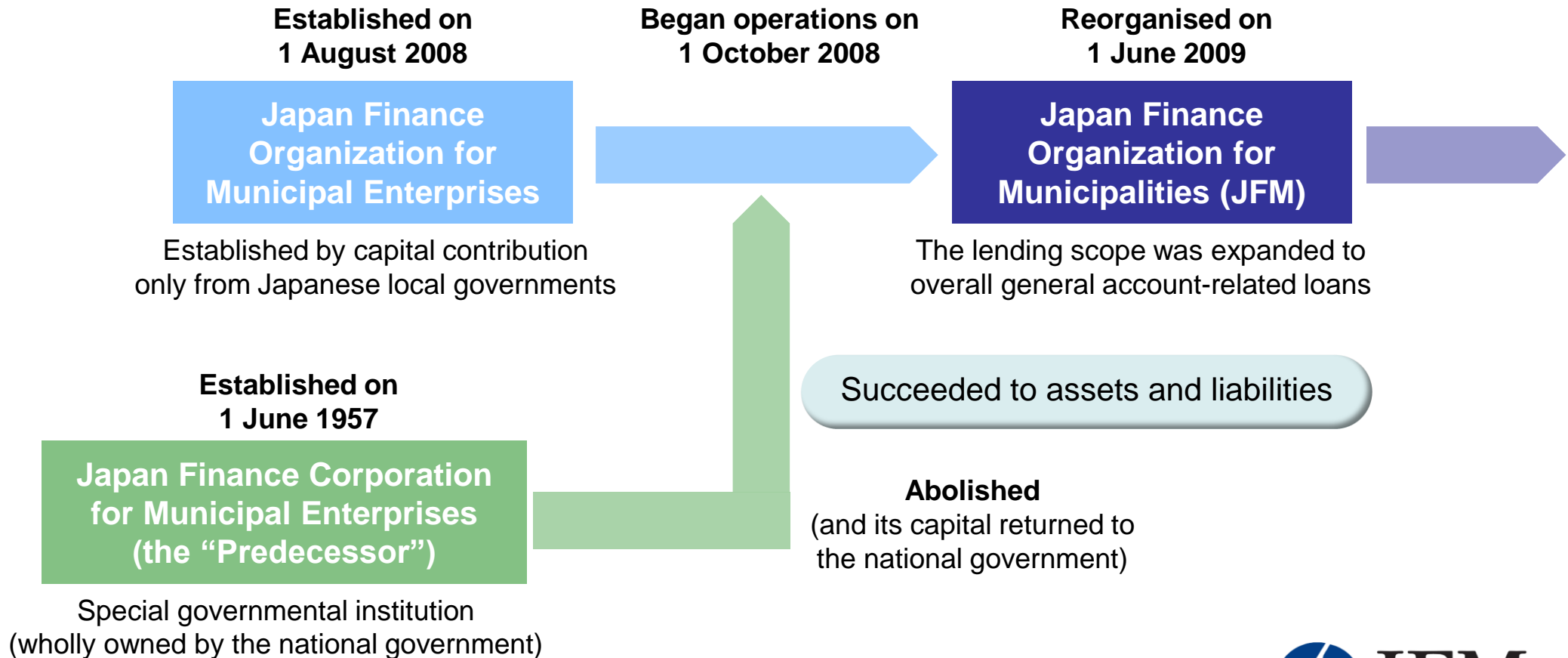
## Issue Details

<b>Issuer:</b>	Japan Finance Organization for Municipalities ("JFM")
<b>Format:</b>	144A / Reg.S (GMTN Programme)
<b>Ratings:</b>	A1 / A+ (Moody's / S&P)
<b>Tenor:</b>	5yr
<b>Issue Size:</b>	USD 1.5 billion
<b>Pricing Date:</b>	6 <sup>th</sup> April 2016
<b>Issue Date:</b>	13 <sup>th</sup> April 2016
<b>Maturity Date:</b>	13 <sup>th</sup> April 2021
<b>Re-offer Spread:</b>	MS+100bp (UST5+96.7bp)
<b>Coupon:</b>	2.125%
<b>Issue Price:</b>	99.780%
<b>Listing:</b>	London / TOKYO PRO-BOND Market
<b>Lead Managers:</b>	BofAML / Daiwa / GS / JPM

# 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 maintains strong ties with the national government, playing a vital role in the funding system for local governments.

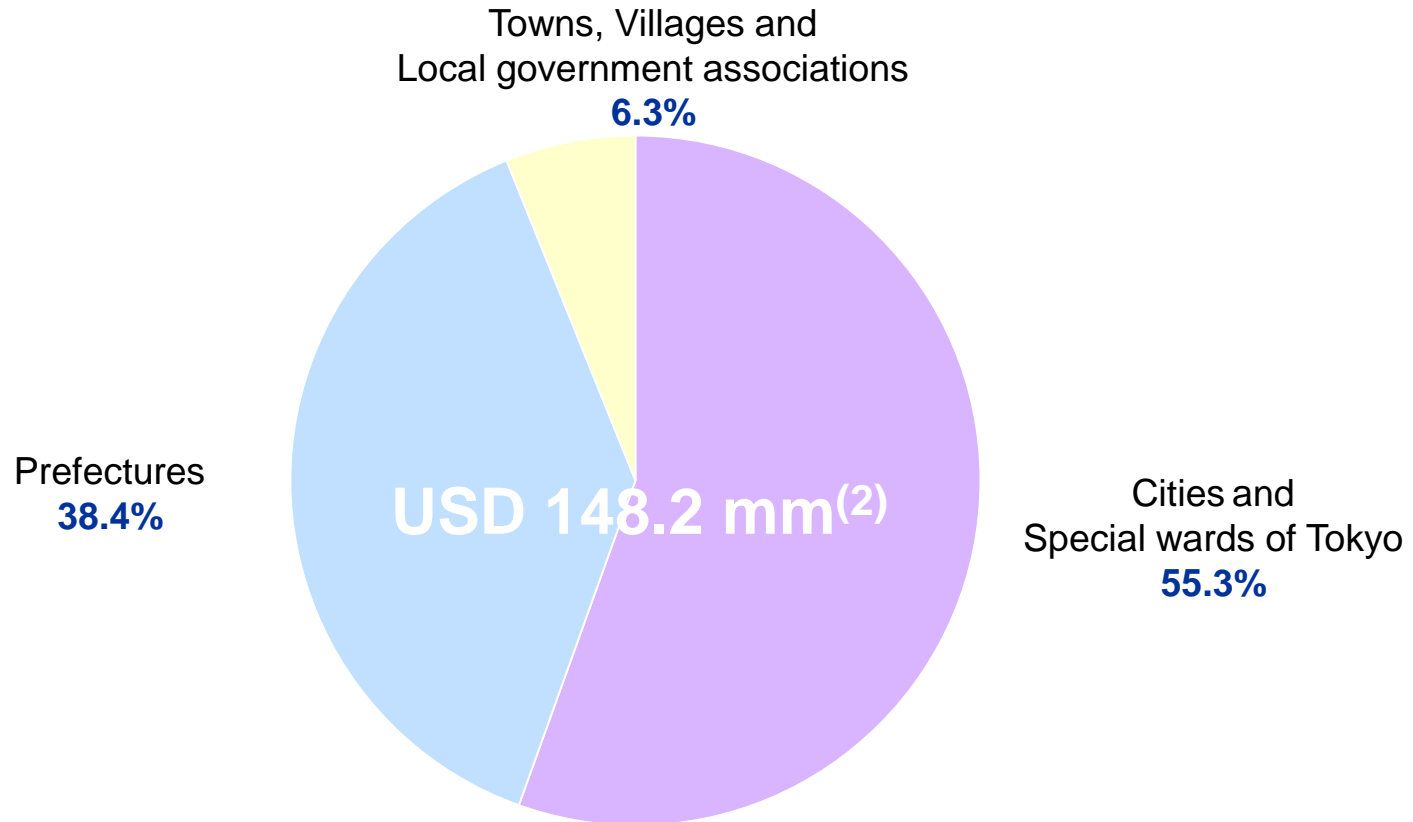




# JFM Shareholders

- JFM has paid-in capital of JPY 16.6 bn (USD 148.2 mm<sup>(1)(2)</sup>) contributed by 1,789<sup>(1)</sup> Japanese local governments.

## Amount of Capital Contribution<sup>(1)</sup>



(1) As of 31 March 2017.

(2) USD 1 = JPY 112.05 as of 31 March 2017.

# Local Government System in Japan

## National Government

- Foreign affairs
- National defense
- Monetary policy

## Local Governments

### 1,789 Prefectures, Cities, Towns, Villages, and Special Wards\*

#### - Prefectures:

Serving broader areas,  
e.g., Tokyo, Kanagawa, Osaka, Aichi

#### - Cities, Towns, Villages, and Special Wards:

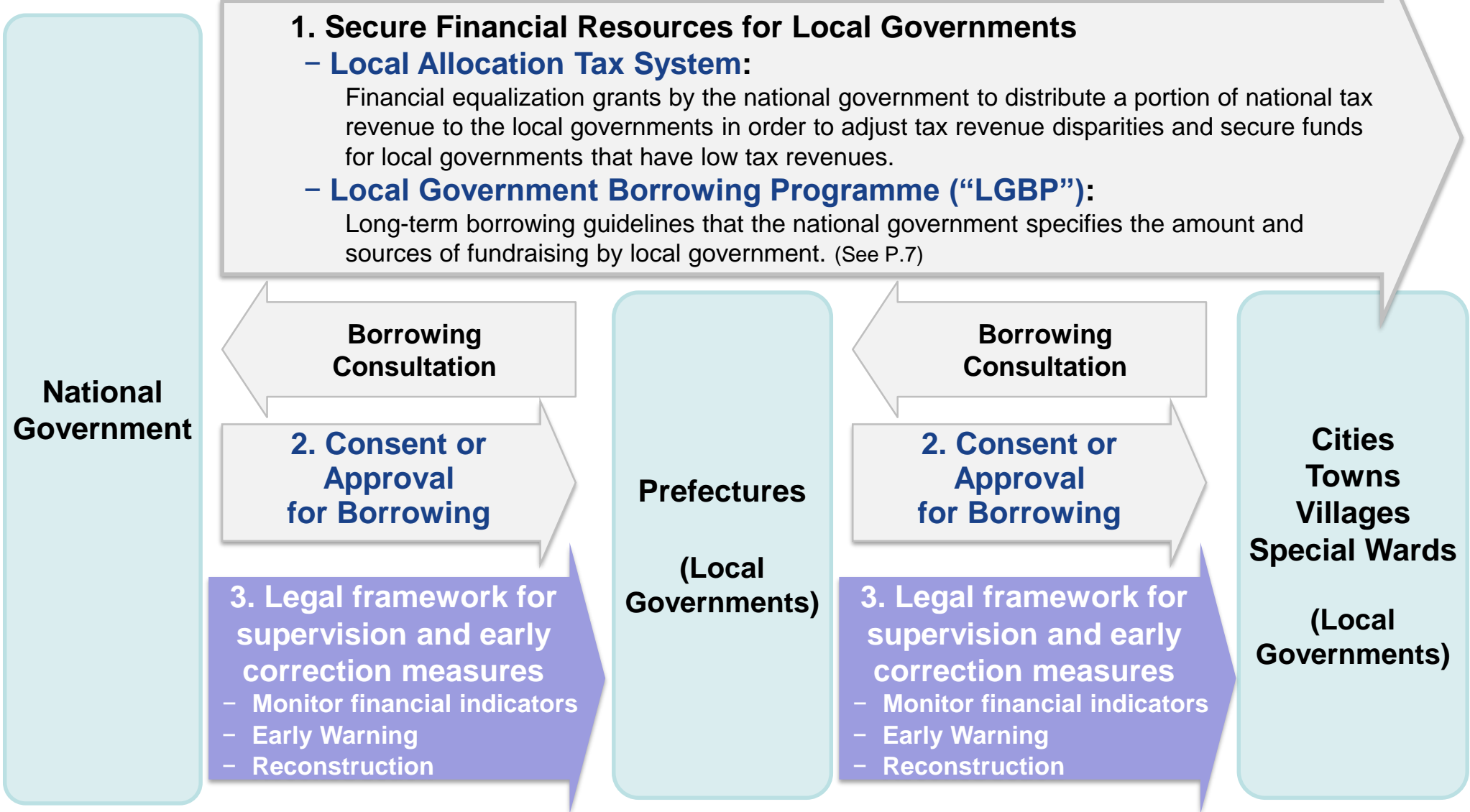
Public Services closely related to the daily lives of citizens such as public health, social welfare, education and similar services.  
e.g., Yokohama, Nagoya, Sapporo

- Local governments are responsible for a wide range of services closely related to the daily lives of citizens such as:

- Water supply and sewerage systems
- Roads
- Public health
- Social welfare
- Education
- Policing
- Fire fighting
- Disaster prevention
- Transportation

\*As of 31 March 2017.

# Systems Designed to Secure Financial Soundness of Local Governments

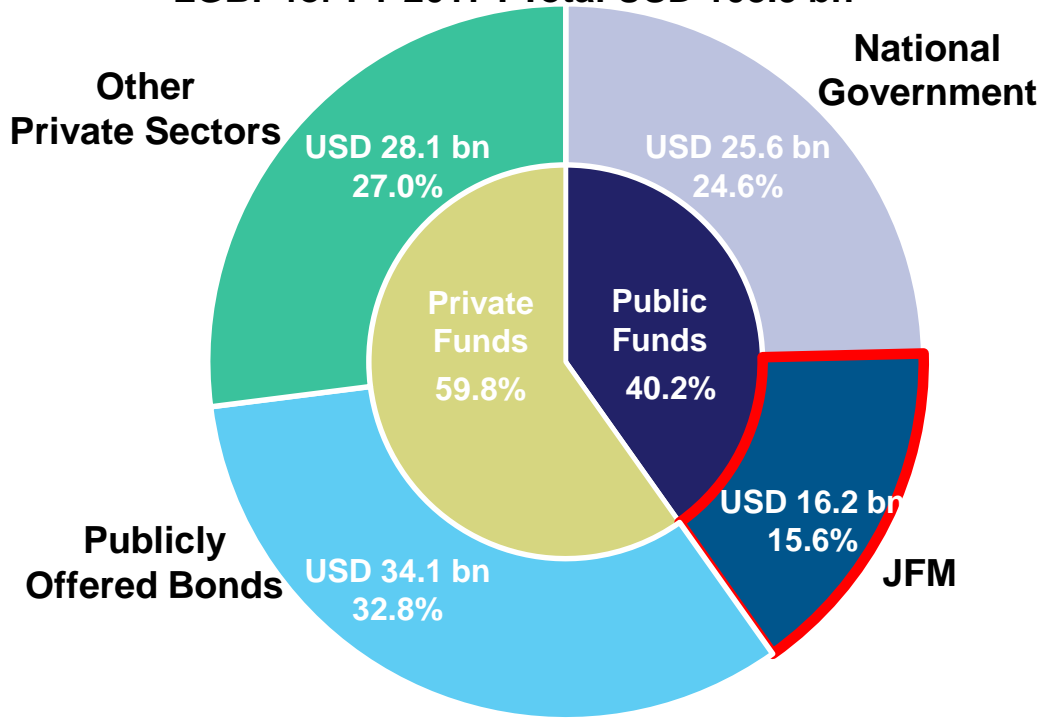


# Local Government Borrowing Programme

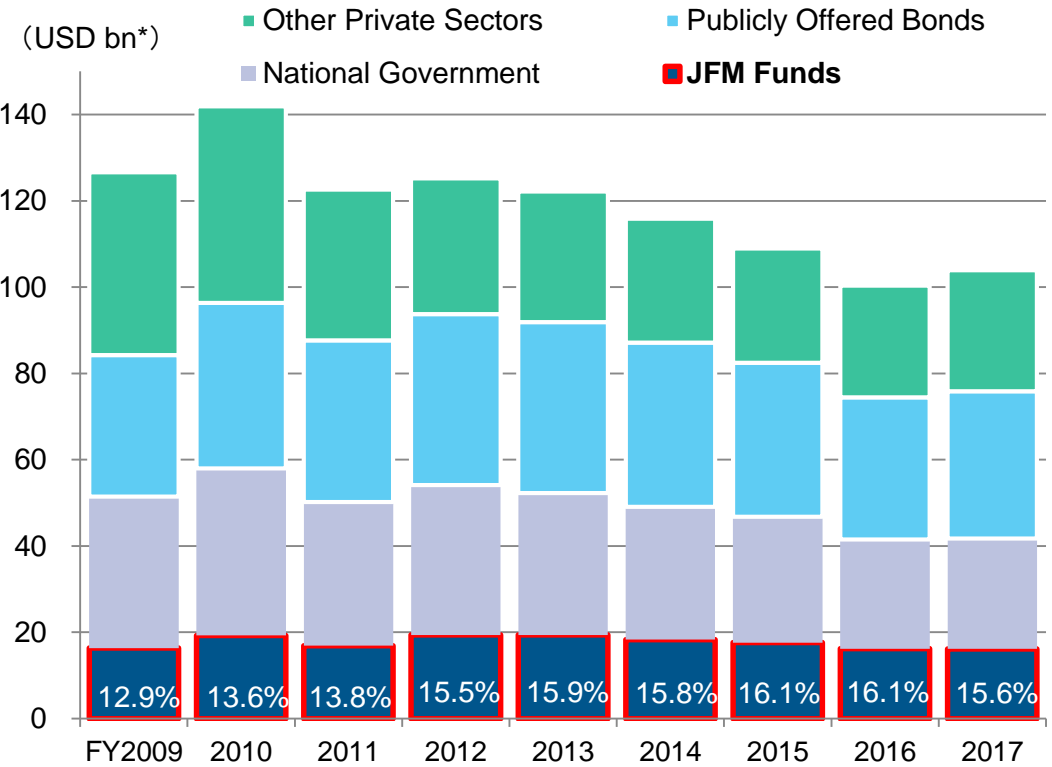
- Long-term borrowing guidelines prepared by the national government each fiscal year
- Specifies the amount and sources of local government fundraising
- Each local government raises funds within the specified amount
- The total amount of JFM funds is based on the LGBP, and JFM funds account for around 16% of total local government funding.

## Funding measures of local governments

LGBP for FY 2017 : Total USD 103.9 bn\*



## Funding amount of local governments (Initial plan)



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

\* USD 1 = JPY 112.05 as of 31 March 2017.

Source: Ministry of Internal Affairs and Communications

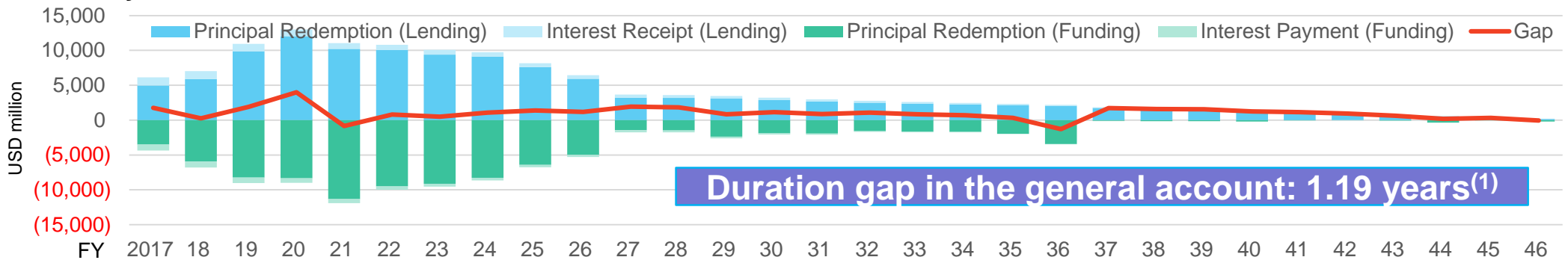


# Managing Interest Rate Risk

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 40 years (Loans (assets) duration : 8.53 years<sup>(1)</sup>)
- Funding: Issuing bonds mainly with 10-year maturities (Bonds (liabilities) duration: 7.34 years<sup>(1)</sup>)

## Maturity Ladder in the General Account<sup>(2)</sup>



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

### ■ Reserves for Interest Rate Volatility

- JFM maintains reserves for interest rate volatility (totalled USD 30.2 bn<sup>(1)(2)</sup>) 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.

(1) As of 31 March 2017.

(2) 1 USD = JPY 112.05 as of 31 March 2017



# Financial Performance

## Balance Sheet

(USD bn<sup>(1)</sup>)

	As of 31 Mar. 2017
<b>Total Assets</b>	<b>221.2</b>
<b>Loans</b>	<b>211.7</b>
<b>Total Liabilities</b>	<b>219.1</b>
<b>Bonds</b>	<b>178.1</b>
<b>Reserves</b>	<b>30.2</b>
<b>Total Net Assets</b>	<b>2.2</b>
<b>Capital</b>	<b>148mm</b>

## Statement of Income

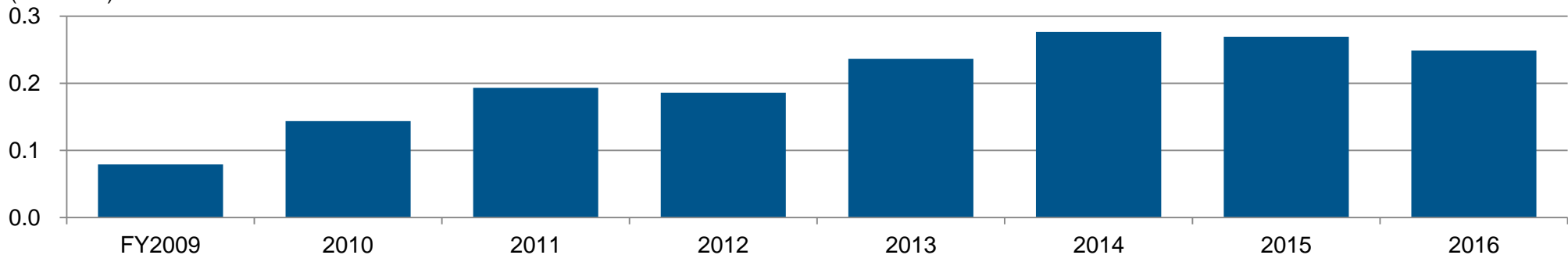
(USD bn<sup>(1)</sup>)

	As of 31 Mar. 2017
<b>Income</b>	<b>3.36</b>
<b>Interest Income</b>	<b>3.33</b>
<b>Expenses</b>	<b>1.93</b>
<b>Interest Expenses</b>	<b>1.86</b>
<b>Ordinary Income</b>	<b>1.43</b>
<b>Net Special Gains (Losses)<sup>(2)</sup></b>	<b>(1.18)</b>
<b>Net Income</b>	<b>0.25</b>

(2) 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 Statement of Income for 12 months ended 31 March 2017.

## Stable Net Income

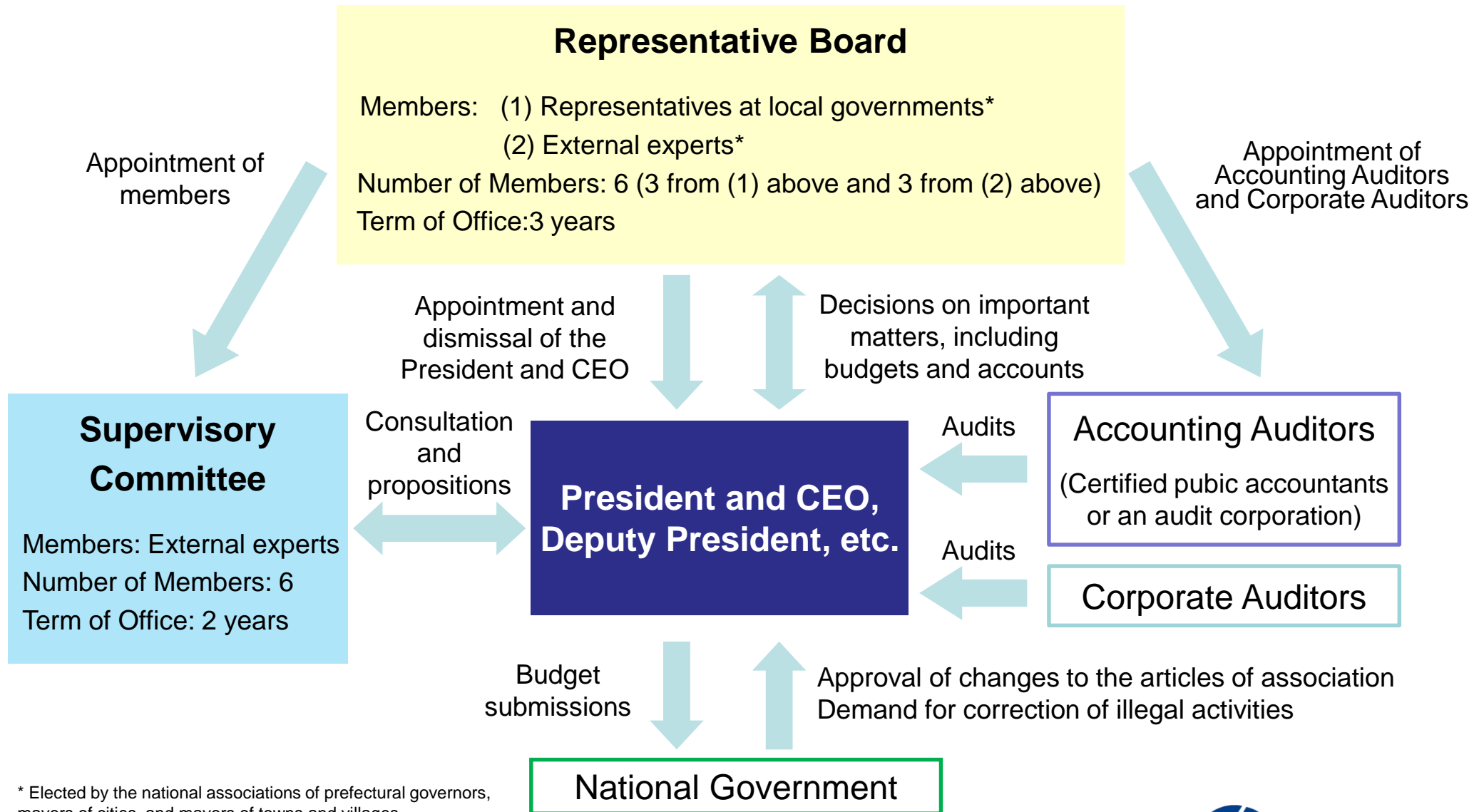
(USD bn<sup>(1)</sup>)



(1) USD 1 = JPY 112.05 as of 31 March 2017.



# Corporate Governance System

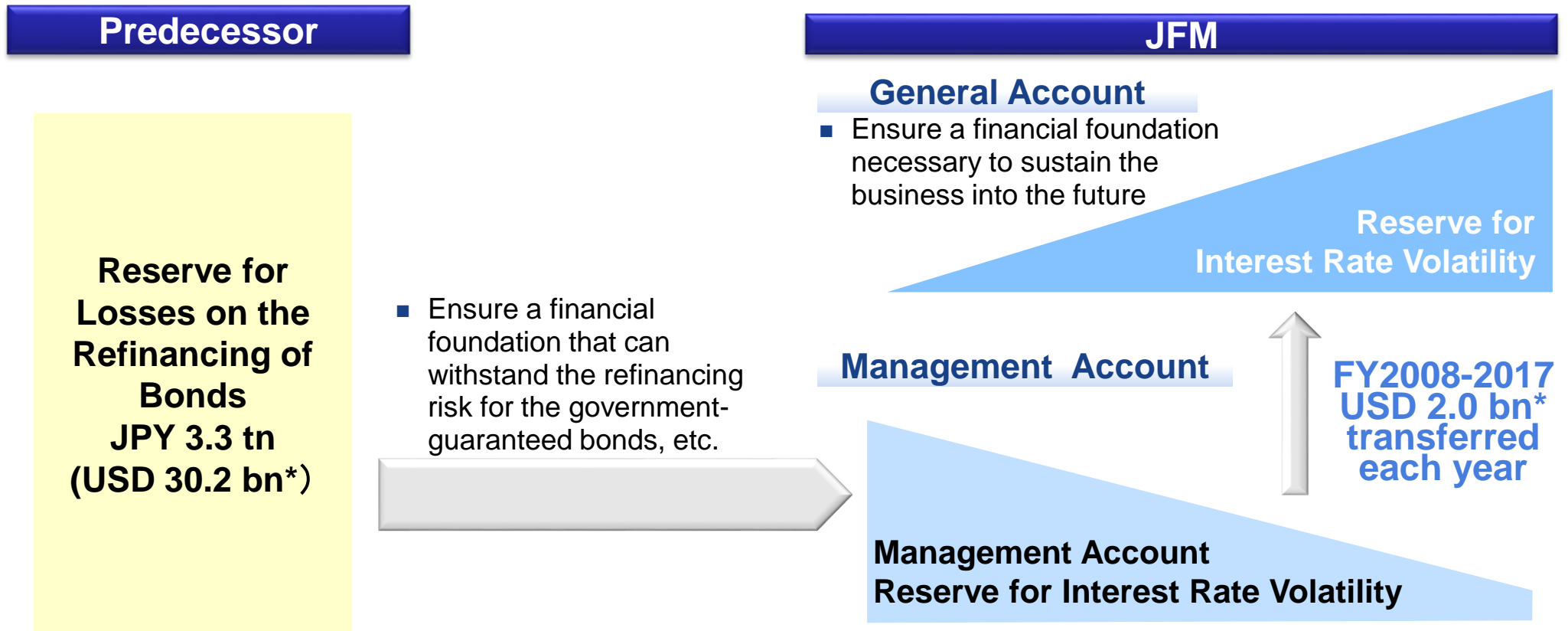


\* Elected by the national associations of prefectural governors, mayors of cities, and mayors of towns and villages.

# 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.

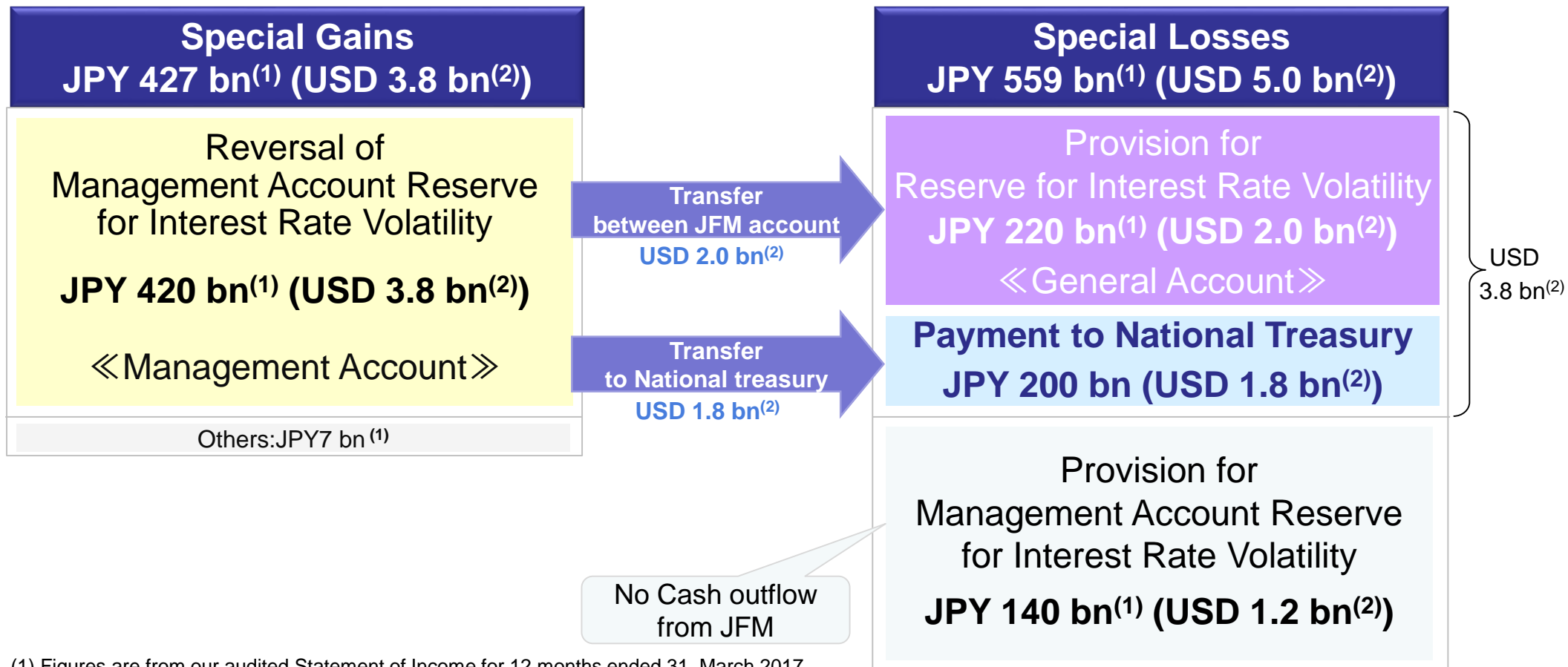
## JFM's Reserves under Special Laws



\* USD 1 = JPY 112.05 as of 31 March 2017.

# Special Gains and Special Losses during fiscal 2016

- In JFM's accounting, reversals of reserves are recognized as special gains, whereas provisions for reserves are recognized as special losses.
- A part of the management account reserve for interest rate volatility is to be attributed to the national treasury.

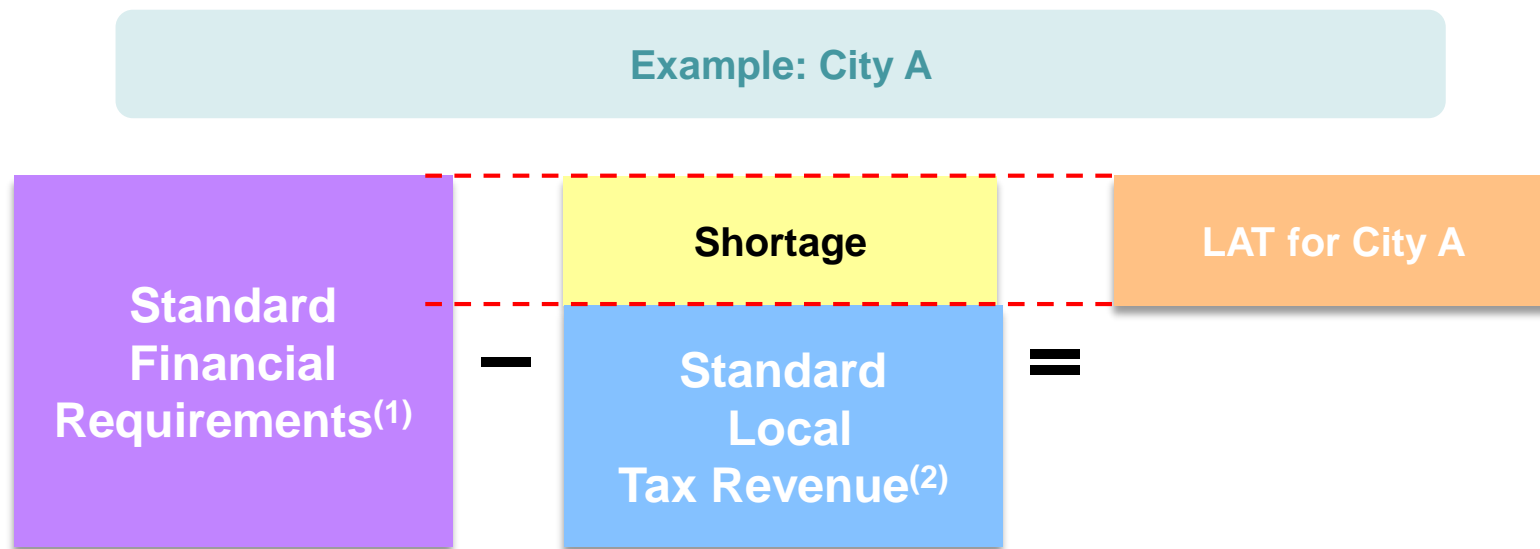


(1) Figures are from our audited Statement of Income for 12 months ended 31 March 2017

(2) USD 1 = JPY 112.05 as of 31 March 2017.

# 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 financial requirements and tax revenue as follows:



(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 Finance in Japan

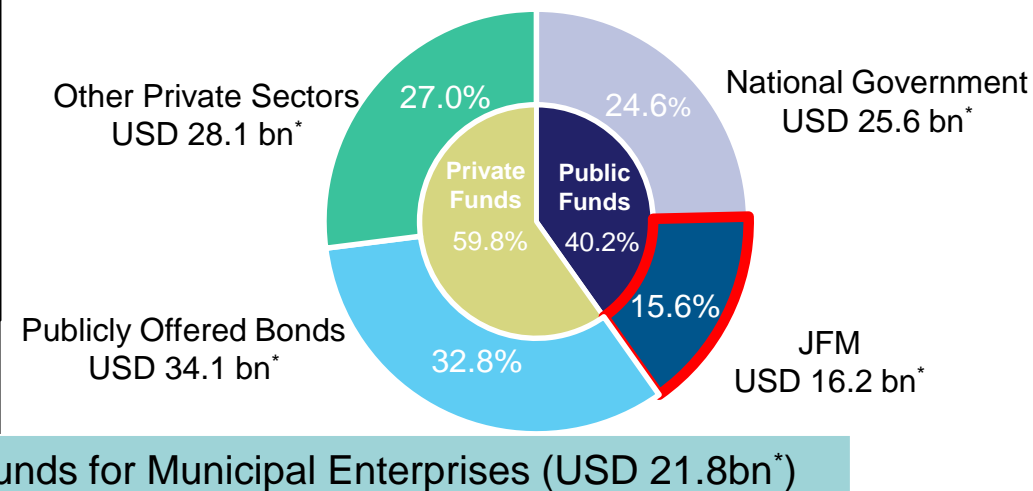
## Local Government Finance Programme (“LGFP”):

- The national government formulates LGFP each fiscal year based on assessments of the scale of local government finance and forecasts of overall revenues and expenditures. In the LGFP, the total amount of local government revenues and expenditures are balanced.
- LGFP secures revenue sources for all local governments, including Local Allocation Tax grants as well as bonds and loans to be issued or borrowed to ensure uniform public service standards.

## Local Government Finance Programme (Initial Plan for FY2017)\*

Revenue Sources	Amount (USD bn)	(%)
Local Tax	371.9	47.4%
Local Allocation Tax	145.7	18.6%
National Government Disbursements	128.0	16.3%
Local Government Bonds and Loans	82.2	10.5%
Others	57.5	7.3%
Total	785.4	100.0%

## Local Government Borrowing Programme (LGBP) (USD 103.9bn\*)



\* USD 1 = JPY 112.05 as of 31 March 2017.

# JFM's Non-guaranteed Domestic Public Bonds

JFM has been issuing non-guaranteed domestic public bonds.

- In fiscal 2016, JFM has raised JPY 1,116.5bn in total (equivalent to USD 10.0 bn) of non-guaranteed bonds in the domestic market.
- 5, 10, 20 and 30-year bonds are regularly issued through the domestic public offerings while JFM can issue other maturities in the domestic market. (JPY bn)

Type of JFM Bonds	FY2016 Initial Plan	FY2016 Achieved	FY2017 Initial Plan
<b>Non-guaranteed Domestic Issuance</b>	<b>1,020.0</b> (USD 9.1 bn) <sup>(1)</sup>	<b>1,116.5</b> (USD 10.0 bn) <sup>(1)</sup>	<b>1,050.0</b> (USD 9.4 bn) <sup>(1)</sup>
<b>Domestic Public Bonds</b>	<b>600.0</b>	<b>692.5</b>	<b>550.0</b>
Regular Issuance	10-year	240.0	210.0
	20-year	120.0	130.0
	5-year	20.0	35.0
	30-year	20.0	20.0
Opportunistic Issuance	FLIP <sup>(2)</sup>	267.5	200.0
<b>Other Domestic Private Placements</b>	<b>420.0</b>	<b>424.0</b>	<b>500.0</b>

(1) 1 USD = JPY 112.05 as of 31 March 2017

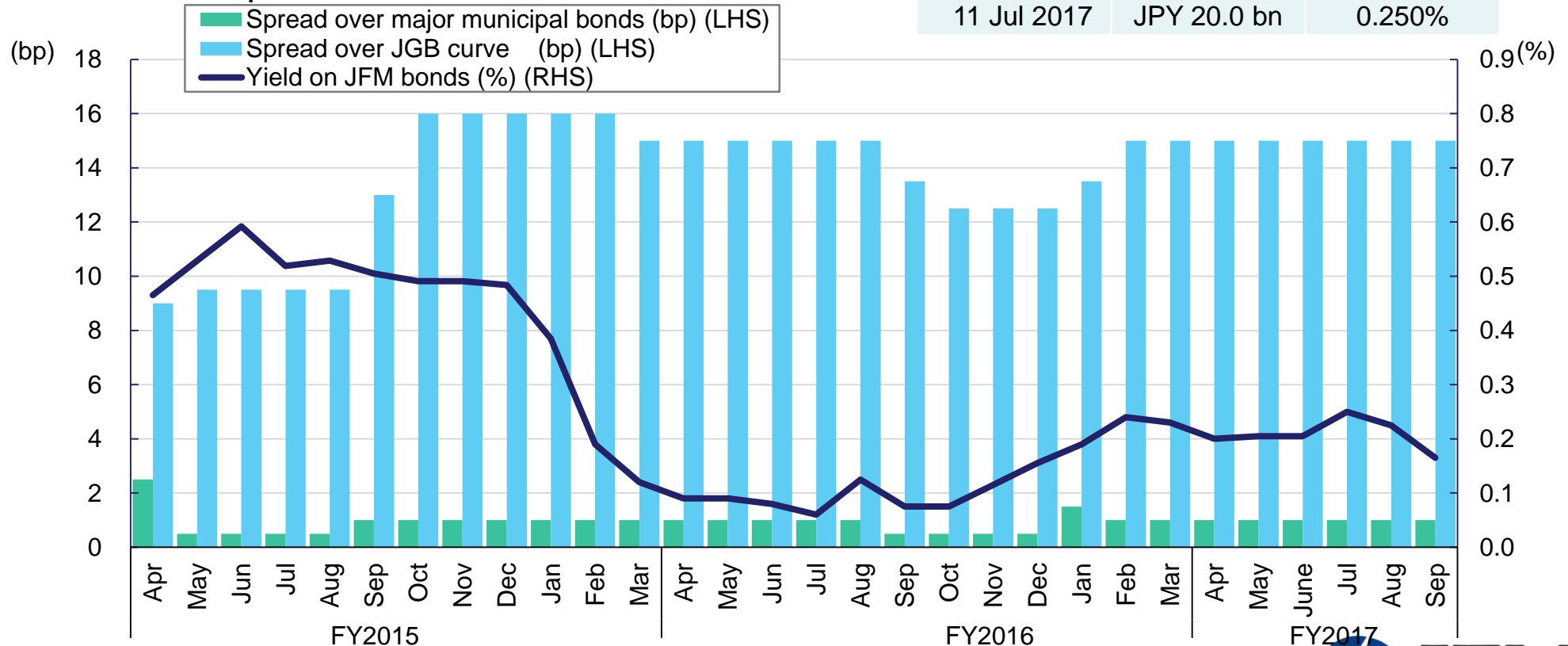
(2) Flexible Issuance Programme (FLIP) permits bonds to be issued with maturities from 2 years to 40 years except 5, 10, 20 and 30-years. FLIP also sets minimum and maximum issue amounts of JPY 3.0 billion and JPY 20billion, respectively.

# 10-year Non-guaranteed Domestic Public Bonds

10-year non-guaranteed domestic public bonds have been JFM's primary funding sources

- Account for 35% of JFM's non-guaranteed domestic public offering in FY2016
- Monthly issuance with issue price at par
- Issue amount is JPY 20 bn or larger each month
- Issued at par

Launch Date	Issue Amount	Coupon
12 Sep 2017	JPY 20.0 bn	0.165%
8 Aug 2017	JPY 20.0 bn	0.225%
11 Jul 2017	JPY 20.0 bn	0.250%



(1) Spread over JGB curve is theoretical value calculated by JFM

# Other Non-guaranteed Domestic Public Bonds

## 5-year Non-guaranteed Domestic Public Bonds

Launch Date	Issue Amount	Coupon
11 Apr 2017	JPY 20.0 bn	0.010% <sup>(1)</sup>
12 Oct 2016	JPY 15.0 bn	0.001% <sup>(1)</sup>
12 Apr 2016	JPY 20.0 bn	0.020% <sup>(1)</sup>

## 20-year Non-guaranteed Domestic Public Bonds

Launch Date	Issue Amount	Coupon
12 Sep 2017	JPY 20.0 bn	0.592%
11 Jul 2017	JPY 15.0 bn	0.673%
8 Jun 2017	JPY 20.0 bn	0.616%

## 30-year Non-guaranteed Domestic Public Bonds

Launch Date	Issue Amount	Coupon
11 Apr 2017	JPY 10.0 bn	0.946%
7 Oct 2016	JPY 10.0 bn	0.610%
12 Apr 2016	JPY 10.0 bn	0.569%

## Opportunistic Issuance

### Selective FLIP Bonds

Launch Date	Tenor	Issue Amount	Coupon
21 Jul 2017	11yr	JPY 3.0 bn	0.249%
21 Jul 2017	5.5yr	JPY 3.0 bn	0.050%
20 Jul 2017	8yr	JPY 3.0 bn	0.101%
20 Apr 2017	15.5yr	JPY 3.0 bn	0.408%
20 Apr 2017	12yr	JPY 3.0 bn	0.252%
19 Apr 2017	21yr	JPY 3.0 bn	0.623%
19 Apr 2017	12yr	JPY 6.0 bn	0.230%
20 Jan 2017	20.5yr	JPY 3.0 bn	0.681%
20 Jan 2017	15yr	JPY 3.0 bn	0.427%
20 Jan 2017	9yr	JPY 20.0 bn	0.189%

### Other Opportunistic Issuance

Launch Date	Tenor	Issue Amount	Coupon
9 Feb 2016	2yr	JPY 25.0 bn	0.030% <sup>(1)</sup>
10 Mar 2015	2yr	JPY 25.0 bn	0.100% <sup>(1)</sup>

(1) Bonds were priced on reoffer yield basis

# Credit Highlights

# Credit Highlights

## 1. Institutional Framework

- JFM is a joint funding organization for all local governments, established under a special law.
- The national government has an obligation to maintain fiscal soundness of each local government through fiscal equalization system and monitoring and early correction measure systems as a result of which no Japanese local government has ever defaulted.
- If JFM were to be dissolved and its obligations cannot be satisfied in full, local governments bear all of the costs to satisfy such obligations in full, via payments to JFM.

## 2. Quality of Assets

- JFM provides its loan exclusively to local governments.
- Local governments must obtain consents or approvals from the Minister\* or respective prefectural governors when they undertake borrowings from JFM.
- JFM has never experienced a default on its loans over 60 years since its establishment.

## 3. Financial Foundation

- JFM maintains reserves in accordance with special laws to cover interest rate risk.
- JFM conducts ALM to ensure effectiveness of its management of interest rate risk.

\*Minister for Internal Affairs and Communications.

# Contact Information

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