

## The Joint Funding Organization for All Japanese Local Governments

- High credit quasi-sovereign issuer, wholly owned by Japanese local governments with the capital contribution from 1,789\*1 local governments\*2
- Operates as a non-profit organization under the JFM Law with the objective to provide long-term and low-interest-rate loans exclusively to Japanese local governments
- JFM has never experienced any default on its loans.

## Japanese Local Governments

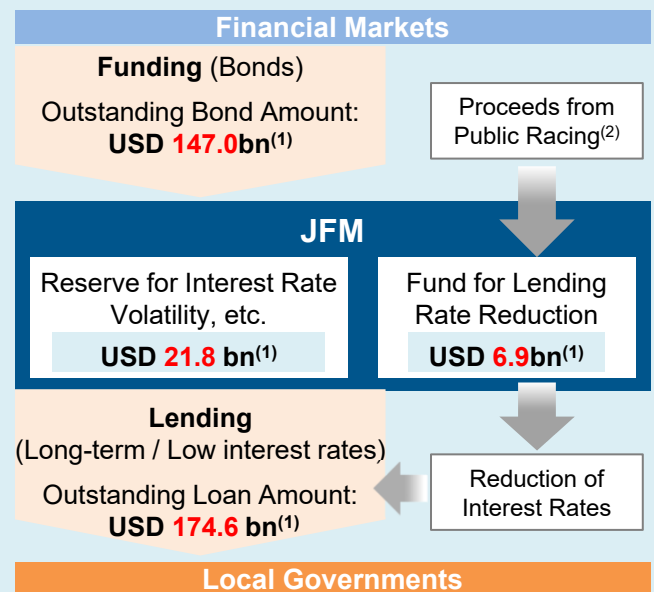
- Japanese local governments include 47 prefectures and a total of 1,741\*1 cities and special wards of Tokyo, government-designated cities, as well as towns and villages.
- Revenue sources for the local governments are secured by the national government.
  - The national government allocates a part of national tax revenue to the local governments, in order to adjust revenue disparities among the local governments (Local Allocation Tax system).
  - The national government also prepares the Local Government Borrowing Programme (LGBP) each fiscal year, which specifies the amount of local government borrowing as well as funding sources.
  - In the case of each local government funding, consent or approval must, in principle, be obtained from the relevant authorities.
- The national government also establishes a legal framework to monitor fiscal indices for each local government and implement early correction measures if the local governments with the indices exceeding the early warning limits or reconstruction limits shall restore their financial soundness.
- Thus, none of the local governments has defaulted.
- BIS 0% risk weight for Japanese local governments\*3

## Lending

- JFM funds have accounted for around 15-18% of the LGBP since fiscal 2016.
- JFM provides loans to almost all local governments.
- Loans planned to be made in fiscal 2023 ending 31 March 2024 are amounted to USD 11.5 bn.
- Maximum term to maturity of JFM loans is 40 years.

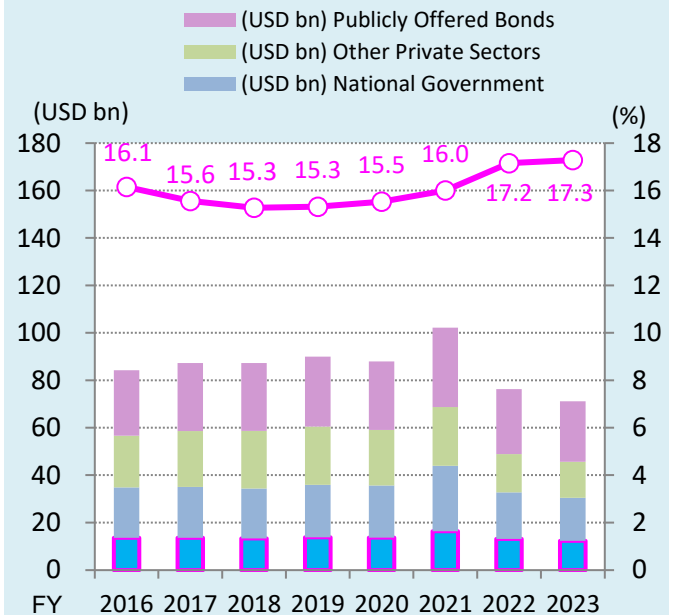
Note: Figures in USD are converted at USD 1 = JPY 133.48 as of 31 March 2023, unless otherwise noted.

## Basic Framework of JFM's Business Operations

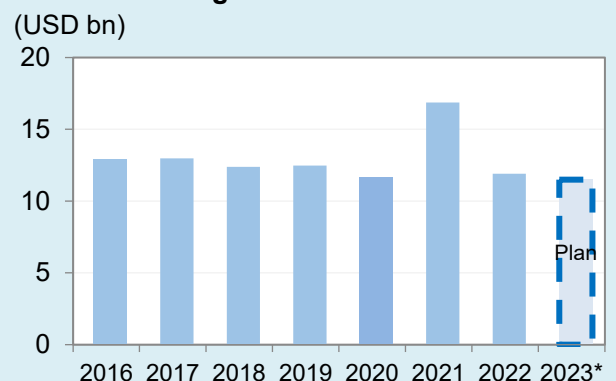


- (1) Figures are as of 31 March 2023  
 (2) A portion of the earnings from municipally operated racing (horse, bicycle, motorcycle and speedboat).

## LGBP - Funding Sources for Local Governments



## Annual Lending Volume



\* As of 31 March 2023. Planned amount; subject to change depending on market conditions and other factors.

## Funding

- Leading issuer in the Japanese bond market with an average annual funding volume of USD 15 bn over the past five fiscal years.
- Aiming to diversify its funding sources and expand its investor base – continues to access the international market through benchmark transactions as well as private placements, making use of its MTN Programme.
- In the international market, only non-government guaranteed bonds will be issued.
- In fiscal 2022, JFM issued a total of USD 2.0 bn worth of international bonds through 2 benchmark transactions, Private Placements and Uridashi Bonds.

## Support Structure

- Under the JFM Law, if JFM is to be dissolved and its obligations cannot be satisfied in full with its assets, local governments bear all costs necessary to satisfy the relevant obligations in full via payment to JFM.

## Solid Risk Management

- JFM maintained USD 21.8 bn of the reserves for interest rate volatility for the purpose of dealing with interest rate risk resulting from a duration gap between lending (7.64 years) and funding (7.42 years).
- The duration gap of 0.22 years\*<sup>1</sup> in the general account qualifies JFM's management target of the duration gap below 2 years.

## Credit Ratings

- A1 (Moody's), A+ (S&P)
- The ratings of JFM are the same as those of the Japanese sovereign.
- BIS risk weight\*<sup>3</sup>: 10% for JFM bonds (non-guaranteed) denominated in JPY

Note: A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.

\*1: As of 31 March 2023.

\*2: Local governments comprise all of the prefectures, cities and special wards of Tokyo, government-designated cities, towns and villages, as well as some local government associations.

\*3: Value for investors in Japan. For overseas bonds, the value is determined by respective authorities in each country (as of 31 March 2023).

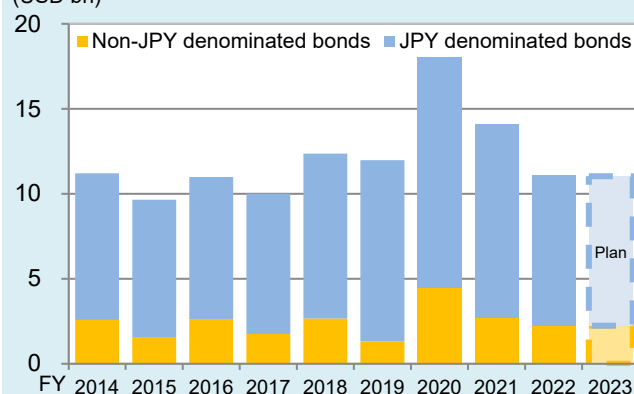
## Funding Plan

Type of Funding Instruments	FY2023 (initial plan) <sup>(1)</sup>	FY2022 (achieved)
<b>Non-Guaranteed Bonds</b>	USD 12.5 bn	USD 12.5 bn
Domestic Public Offerings	USD 4.8 bn	USD 6.5 bn
Domestic Private Placements	USD 4.0 bn	USD 4.0 bn
<b>Overseas Offerings - GMTN</b>		USD 2.0 bn <sup>(2)</sup>
Benchmark	USD 2.2 bn	USD 1.8 bn <sup>(2)</sup>
Uridashi Bonds		USD 107 mm <sup>(2)</sup>
Private Placements		USD 77 mm <sup>(2)</sup>
Open Issuance <sup>(3)</sup>	USD 1.5 bn	-
Guaranteed Bonds <sup>(4)</sup>	USD 0.6 bn	-
Long-term Bank Loans	USD 0.6 bn	USD 1.0 bn

- (1) Planned amount; subject to change depending on lending status, market conditions and other factors.
- (2) Includes USD, EUR and AUD denominated bonds, each converted at the exchange rate at the time of pricing.
- (3) 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.
- (4) Denominated in JPY only and issued in the domestic market for refinancing our predecessor's government guaranteed bonds.
- (5) Totals may not add up due to rounding.

## Non-Guaranteed Bond Issuance

(USD bn)



## Outstanding Non-JPY Public Bonds (non-guaranteed)

Issue Date	Currency	Issue Amount	Coupon (%)	Tenor
1 Sep 2023	USD	750 mm	5.125	3y
27 Apr 2023	USD	1,000 mm	4.125	5y
22 Feb 2023	EUR	500 mm	3.375	5y
8 Sep 2022	EUR	1,250mm	2.375	5y
27 Jan 2022	USD	750 mm	1.500	3y
3 Sep 2021	EUR	1,000 mm	0.100	10y
20 Apr 2021	USD	1,250 mm	1.125	5y
10 Feb 2021	USD	1,250 mm	1.375	10y
2 Feb 2021	EUR	500 mm	0.010	7y
2 Sep 2020	USD	1,500 mm	0.625	5y
21 May 2020	USD	1,500 mm	1.000	5y
12 Feb 2020	EUR	500 mm	0.050	7y

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