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Japan Finance Organization for Municipalities

ANNUAL REPORT 2020

JFM

Japan Finance Organization
for Municipalities

ANNUAL REPORT

2020



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Note to Financial Statements

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of 31 March 2020, the final day of the fiscal year, which was JPY 108.70 to USD 1. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

ANNUAL REPORT 2020 JFM

Wishes in Japanese traditional patterns

Traditional Japanese patterns were devised in ancient times and are still widely used in Japanese society today. Each pattern expresses a certain wish, such as happiness, healthy growth for children, or longevity. Various patterns continue to be used on daily items, in product designs, and in rituals, as a plea for good luck in all endeavors. JFM has incorporated several of these auspicious patterns in the design of its Annual Report 2020 as we wish for community growth, successful development, and valuable communications and connections toward the future.

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Profile of JFM

Name	Japan Finance Organization for Municipalities (JFM)
Establishment	1 August 2008 (Reorganized on 1 June 2009)
Governing Law	Japan Finance Organization for Municipalities Law (Law No. 64 of 2007, as amended)
Address	Shisei Kaikan, 1-3 Hibiya Koen, Chiyoda-ku, Tokyo
President and CEO	SATO Fumitoshi
Capital	USD 152.7 million
Number of Employees	88 (As of April 2020)
Outstanding Loans as of 31 March 2020	USD 215.3 billion
Outstanding Bonds and Bank Loans as of 31 March 2020	USD 186.0 billion
Credit Ratings as of 31 March 2020	S&P: A+ Moody's: A1 R&I: AA+



Management Philosophy

Japan Finance Organization for Municipalities (JFM), as a joint funding organization wholly contributed by all Japanese local governments, sets forth the following three policies as its management philosophy with the purpose of contributing to fiscal soundness of local governments through our financing activities.

- ### 1 Being Responsive to Local Government Needs

As a reliable provider of long-term and low-interest funds for local governments, JFM closely supports local government funding based on their needs as well as the environment.
- ### 2 Strengthening Confidence from the Capital Markets

JFM aims to strengthen its market confidence and secure low-cost funding through appropriate disclosure as required in capital markets, as well as its sound financial standing maintained through prudent risk management. Furthermore, JFM, as a leading public-sector bond issuer, is committed to contributing to the sound development of capital markets.
- ### 3 Ensuring Responsible Corporate Governance as a Joint Organization of Local Governments

JFM ensures responsible corporate governance through prudent risk management, monitoring and recommendations by the Supervisory Committee, as well as audits by external accounting auditors and deepen communication with local governments as a responsible joint organization of local governments.

Message 2020

Message from the President and CEO



SATO Fumitoshi
President and CEO
2020

Sato Fumitoshi

I have been appointed as President and CEO of the JFM as of August 1, 2020.

The JFM was established in 2008, amid reforms to governmental policy and finances, as a jointly-founded regional government organization and with the strong recognition by regional governments for the need of a joint regional financing function to accompany decentralization. The JFM has continuously maintained stable management by providing long-term and low-interest loans to local governments since its establishment.

The JFM is expanding business based on the following management principles set forth on our 10th anniversary: “Being Responsive to Local Government Needs,” “Strengthening Capital Market Confidence,” “Ensuring Responsible Corporate Governance as a Joint Organization of Local Governments,” and our new motto “Supporting local economies through finance to create a future for regions.”

In our lending operations, in addition to securing the total funding necessary for the JFM, we have expanded our lending projects by adding projects, such as measures to counter depopulation, to support the higher priority policy needs in regions.

Amidst a strong interest in the SDGs in financial markets, as part of our funding operations, the JFM has begun to issue green bonds in the euro market in February of this year for the first time.

With respect to our regional government support operations, we have developed a case study

search index and a financial analysis chart called “Octagon,” enhanced supporting tools and embarked on joint research with universities and specialized organizations.

The JFM has transferred its management account reserve for interest rate volatility with an amount of 2.7 trillion yen to the Japanese government for the purpose of providing financial resources for issues to be addressed by the regional governments, including revitalization. The JFM is planning to further provide a total of 230 billion yen over 5 years starting from fiscal 2020 for the purpose of promoting forestry management.

Regional governments, amidst a steady decrease in the Japanese population, are facing various administrative issues, such as promoting the revitalization of regions, measures against the declining birth rate and an aging population, deteriorating infrastructure, measures against large-scale and intensifying natural disasters. Moreover, the spread of COVID-19 is producing a major impact on the world economy and is changing societal norms as well as the way we live our daily lives.

The JFM will continue to make every effort to contribute to the sound financial management of regional governments, which directly relates to the credibility of the JFM itself, by properly understanding local policy needs and improving upon the confidence the market has in us and the knowledge we have accumulated. We appreciate your continued cooperation and support in these endeavors.

Japan Finance Organization for Municipalities

JFM at a Glance

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 1,789¹ local governments²
- 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

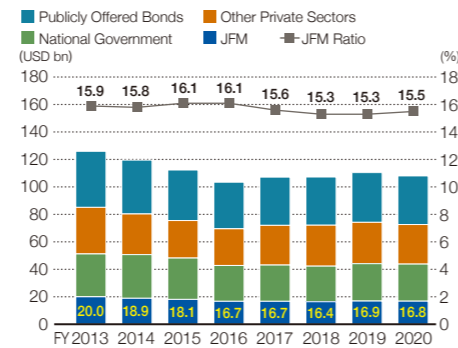
- Japanese local governments include 47 prefectures and a total of 1,741¹ cities and special wards of Tokyo, government-designated cities, as well as towns and villages
- Revenue sources for the local governments are secured by the national government
 - The national government allocates a part of national 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 governments³

Lending

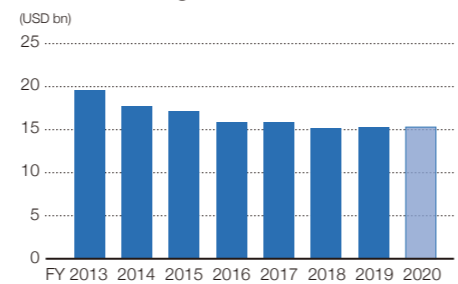
- JFM funds have accounted for around 15%–16% of the LGBP since fiscal 2013
- JFM provides loans to almost all local governments
- Loans planned to be made in fiscal year (FY) 2020 ending 31 March 2021 are amounted to USD 15.3 bn
- Maximum term to maturity of JFM loans is 40 years

Note: Figures in USD are converted at USD 1 = JPY 108.70 as of 31 March 2020, unless otherwise noted.

LGBP—Funding Sources for Local Governments

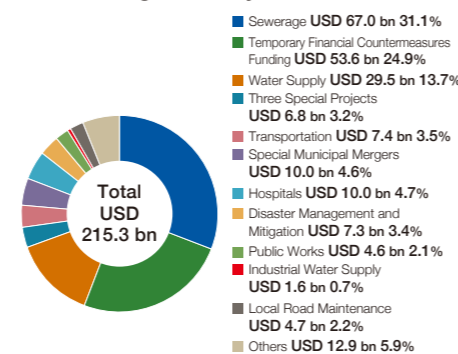


Annual Lending Volume

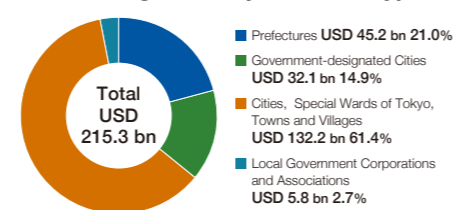


*Planned amount; subject to change depending on market conditions and other factors.

Outstanding Loans by Business



Outstanding Loans by Borrower Type



Funding

- Leading issuer in the Japanese bond market with an average annual funding volume of USD 17–19 bn
- 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-guaranteed bonds will be issued
- In fiscal 2019, JFM issued a total of USD 1.6 bn^(*) worth of international bonds through two benchmark transactions and two Uridashi Bonds

* excludes USD 1.0 bn benchmark transaction issued on 12 March 2019 which we have prefunded for fiscal year 2019.

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 26.0 bn of reserves for interest rate volatility for the purpose of dealing with interest rate risk resulting from a duration gap between lending (8.01 years) and funding (7.33 years)
- The duration gap of 0.68 years¹ 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 weight³: 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 2020.

*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.

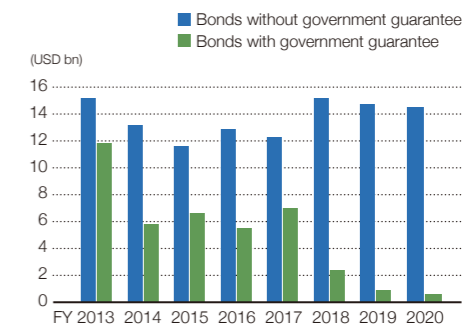
*3: Value for investors in Japan. For overseas bonds, the value is determined by respective authorities in each country (as of 31 March 2020).

Funding Plan

Type of Funding Instruments	FY2020 (plan) ⁽¹⁾	FY2019 (achieved)
Non-Guaranteed Bonds	USD 16.3 bn	USD 14.7 bn
Domestic Public Offerings	USD 6.8 bn	USD 8.7 bn
Domestic Private Placements	USD 4.9 bn	USD 4.4 bn
Overseas Offerings - GMTN		USD 1.6 bn ⁽²⁾
Benchmark	USD 2.8 bn	USD 1.5 bn
Uridashi Bonds		USD 94 mm
Private Placements		—
Open Issuance ⁽³⁾	USD 1.8 bn	—
Guaranteed Bonds ⁽⁴⁾	USD 0.6 bn	USD 0.9 bn
Long-Term Bank Loans	USD 0.7 bn	USD 0.8 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) Excludes USD 1.0 bn benchmark transaction issued on 12 March 2019 which we have prefunded for fiscal year 2019.

Bond Issuance

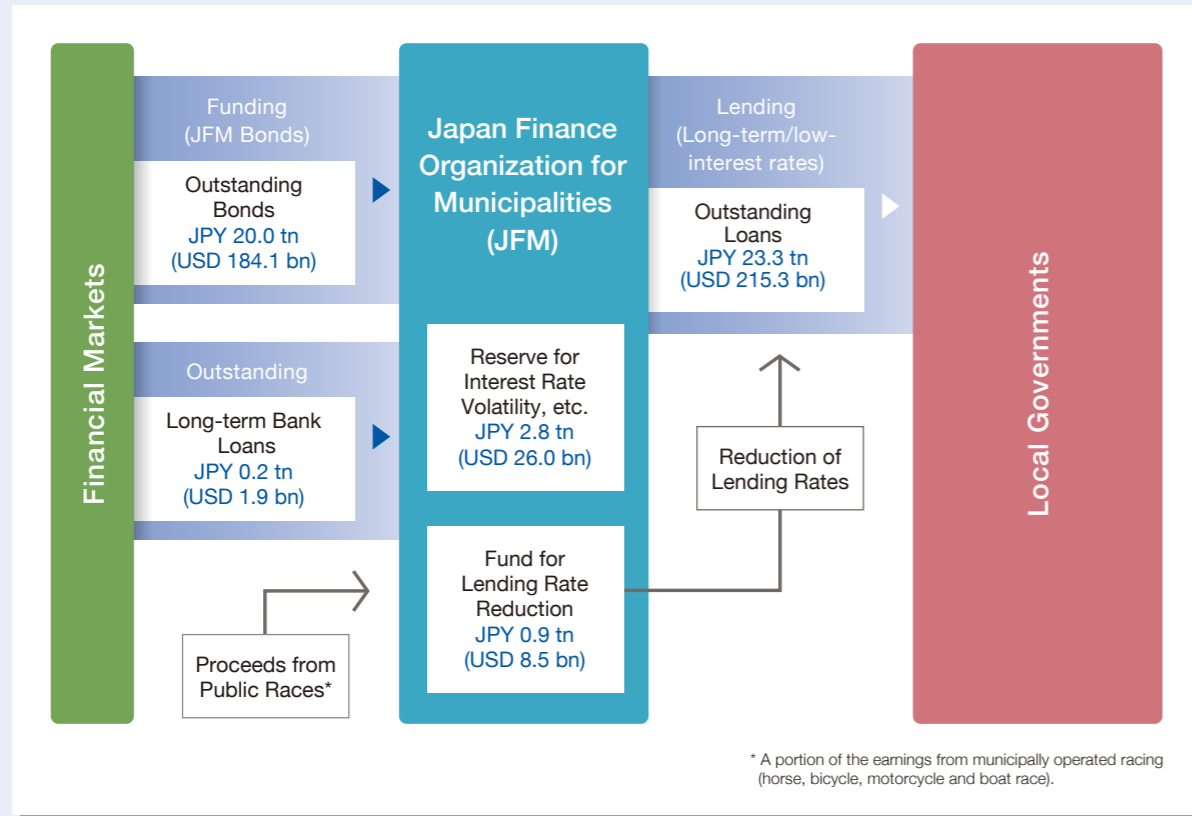


*Planned amount; subject to change depending on lending status, market conditions and other factors.

Outstanding Non-JPY Public Bonds (non-guaranteed)

Issue Date	Currency	Issue Amount	Coupon(%)	Tenor
12-Feb-20	EUR	500 mm	0.050	7y
5-Sep-19	USD	1,000 mm	1.750	5y
12-Mar-19	USD	1,000 mm	3.000	5y
27-Sep-18	USD	1,000 mm	3.375	5y
24-Apr-18	USD	1,000 mm	3.250	5y
8-Sep-17	USD	1,000 mm	2.000	3y
20-Apr-17	USD	1,000 mm	2.625	5y
25-Oct-16	USD	1,000 mm	2.125	7y
13-Apr-16	USD	1,500 mm	2.125	5y
12-Feb-16	USD	500 mm	2.125	5y
21-Apr-15	USD	1,000 mm	2.000	7y
13-Feb-15	USD	1,000 mm	2.375	10y
22-Sep-14	EUR	1,000 mm	0.875	7y

Outline of JFM Operations



As of 31 March 2020

Public Institution Wholly Owned by Japanese Local Governments

JFM is a joint funding organization for all local governments, wholly owned by Japanese local governments under the Japan Finance Organization for Municipalities Law (Act No. 64 of 2007, as amended; the "JFM Law").

JFM loans are provided exclusively to local governments, and local governments must, in principle, receive consents or approvals of the Minister for Internal Affairs and Communications or their respective prefectural governors when they borrow from JFM. Within this structure, JFM has never had a default since its establishment.

Joint Funding Organization for All Local Governments

JFM contributes to the sound financial operation of local governments and improves the welfare of local residents with the aim of efficiently and effectively complementing local government fund-raising by providing long-term funding at low-interest rates to local governments.

For social infrastructure improvements to be implemented by local governments, long-term funding is usually desirable given that it takes a long time to recoup such capital expenditures, and also the cost burden should be shared across generations. However, local governments generally raise funds in capital markets for terms of 10 years or less.

In response to this situation, JFM issues bonds in capital markets with a wide variety of maturities ranging from medium-term to super long-term to provide stable and low-interest funds to local governments.

Under the JFM Law (Article 52, Section 1), local governments have an obligation to bear the cost necessary to satisfy all JFM obligations in the event JFM is to be dissolved and its obligations remain unpaid.

Solid Financial Foundation

JFM primarily issues 10-year bonds to raise funds and extends long-term loans to local governments, which creates a duration gap between lending and funding. To cope with the interest rate risk associated with bond refinancing (a potential negative margin caused by the interest payable exceeding the interest receivable), JFM maintains reserves for interest rate volatility.

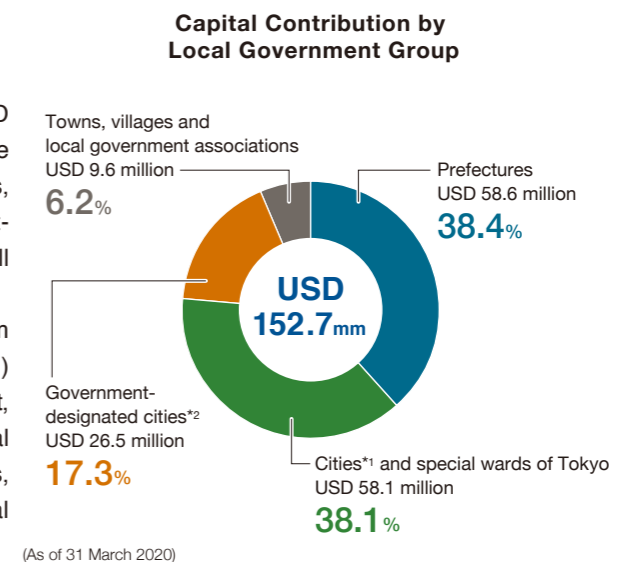
Reduction of Lending Rates by Utilizing the Fund for Lending Rate Reduction

JFM receives a portion of the earnings from various racing events (horse, bicycle, motorcycle and boat races) operated by local governments, which is directed to the Fund for Lending Rate Reduction. The investment gains from the fund are used for lowering interest rates on JFM loans.

Capital

As of 31 March 2020, JFM's capital was USD 152.7 million contributed by 1,789 Japanese local governments, i.e., all of the prefectures, cities, special wards of Tokyo, government-designated cities, towns and villages, as well as some local government associations.

The amount of capital contribution from each local government is decided based on 1) outstanding JFM loans to each local government, and 2) the amount of revenue of each local government (mainly comprised of local taxes, Local Allocation Tax and temporary financial countermeasures funding).



Notes: 1. Excludes government-designated cities.

2. Government-designated cities:

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

Review and Plan

Review of Operations for Fiscal 2019

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Management Plan for Fiscal 2020

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1 Lending Operations

In fiscal 2019, JFM provided loans totaling USD 15.3 billion.

General account-related loans totaled USD 4.3 billion (28%) of the total lending volume, mainly represented by disaster management and mitigation and special municipal mergers. Loans for temporary financial countermeasures funding* were USD 4.2 billion (28%) and loans for municipal enterprise-related loans were USD 6.8 billion (44%), of which sewerage and water supply businesses were the main contributors.

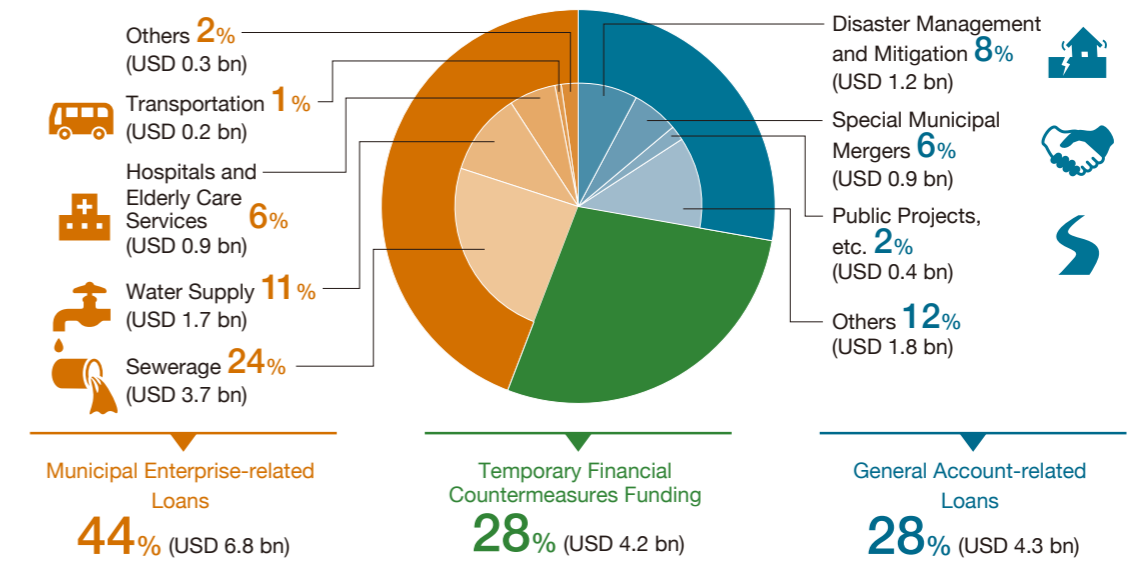
Note: Represents local government funding to cover shortfalls in local government revenue sources pursuant to the provisions of the Local Government Finance Law (Act No. 109 of 1948, as amended).

Lending Operations by Business Type in Fiscal 2019

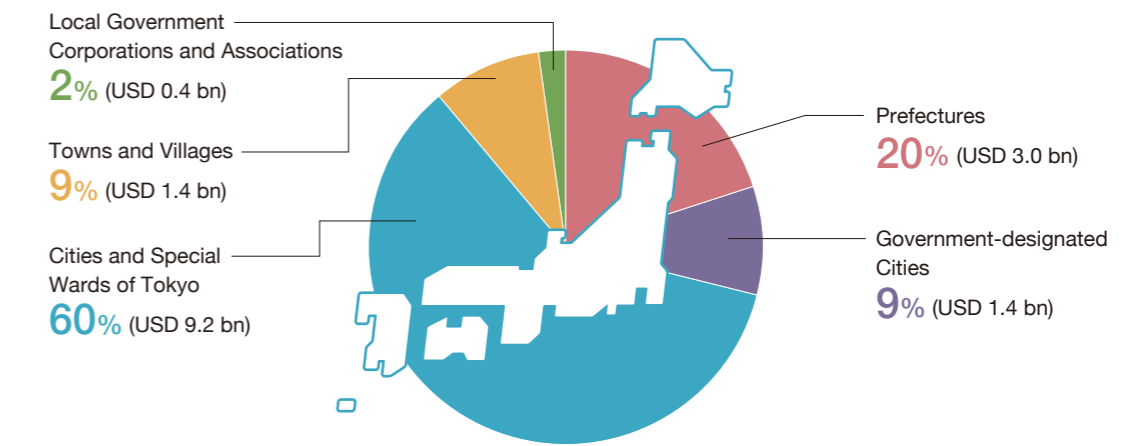
Business	Number of Loans Made	Loan Amount (USD in millions)	
			% of total
General Account-related Loans			
Public Projects, etc.	499	362	2.4
Public Housing	159	129	0.8
Educational Facilities Development	209	98	0.6
Social Welfare Facilities Development	136	68	0.4
General Waste Disposal	80	64	0.4
General Service Facilities Development	5	15	0.1
General Projects	72	49	0.3
Regional Revitalization	188	94	0.6
Disaster Prevention	437	126	0.8
Local Road Development	305	191	1.2
Special Municipal Mergers	545	912	6.0
Disaster Management and Mitigation	2,172	1,238	8.1
Optimization of the Public Facilities	1	0	0.0
Proper Management of Public Facilities and Infrastructures	598	703	4.6
National Disaster Prevention	7	2	0.0
Anti Depopulation Measure Project	795	229	1.5
Subtotal	6,208	4,281	28.0
Municipal Enterprise-related Loans			
Water Supply	1,281	1,677	11.0
Industrial Water Supply	89	75	0.5
Transportation	33	221	1.4
Electricity and Gas Supply	40	81	0.5
Port Facilities	22	27	0.2
Hospitals and Elderly Care Services	488	916	6.0
Markets and Slaughterhouses	35	83	0.5
Sewerage	2,773	3,718	24.3
Tourism and Others	17	3	0.0
Subtotal	4,778	6,801	44.4
Refinancing Loans for Facilities Affected by Earthquake	-	-	0.0
Temporary Financial Countermeasures Funding	637	4,232	27.6
Total	11,623	15,315	100.0

Note: Totals may not add up due to rounding.

FY2019 Loans Extended by Business Type



FY2019 Loans Extended by Borrower Type



Total
USD 15.3 bn

Note: Totals may not add up due to rounding.

2 Funding Operations

1. Overview¹

In fiscal 2019, JFM raised a total of USD 16.4 billion including USD 14.7 billion in JFM bonds (non-government guaranteed), and USD 0.9 billion in government-guaranteed bonds for the repayment of existing bonds issued by Japan Finance Corporation for Municipal Enterprises (the "Predecessor"). And, with the aim of diversifying funding source, JFM raised USD 0.8 billion through long-term bank loans.

With regard to JFM bonds, a total of USD 10.3 billion was raised by the regular issuance of 5-year, 10-year, 20-year and 30-year domestic bonds, as well as opportunistic issuances through JFM's Flexible Issuance Programme ("FLIP") and the MTN Programme.

As for domestic public offerings, a total of USD 8.7 billion was issued in the fiscal year. In order to cope with highly volatile market condition through the period, JFM increased 10-year, 20-year, 30-year of the regular issuance and FLIP from the initial plan by utilizing the budget of Open Issuance scheme.

In overseas offerings, JFM issued USD denominated benchmark bonds in 5-year tenor (USD 1.0 billion) in September 2019 and also issued inaugural EUR denominated green bond in 7-year tenor (EUR 0.5 billion). In addition to these successful public offerings, JFM issued a total of USD 94 million equivalent Uridashi bonds in two tranches. Through these activities, the total volume of international bonds issued for fiscal 2019 amounted to USD 1.6 billion².

Private placements with pension funds for local government officials were totaled USD 4.4 billion.

As a result, JFM's outstanding bonds were USD 184.1 billion, including the Predecessor's bonds to which JFM succeeded. Outstanding long-term bank loans totaled USD 1.9 billion as of 31 March 2020.

Notes: 1. Issued amounts are calculated based on issue prices.

2. Includes an offering of USD, AUD and EUR denominated bonds, converted at the exchange rate at the time of pricing. JFM prefunded USD 1.0 billion 5-year tenor benchmark bond in March 2020, which is excluded from the total volume of fiscal 2019.

Flexible Issuance Programme ("FLIP")

FLIP is JFM's unique framework for domestic bond issuance which is similar to the MTN programme in some ways. JFM issues domestic bonds under the FLIP, in order to meet both the needs of investors in the domestic market and the borrowing needs of local governments in a timely and flexible manner. FLIP permits minimum and maximum issue sizes of JPY 3 billion (USD 27.6 million) and JPY 20 billion (USD 184.0 million), respectively.

Funding in Fiscal 2019

1. JFM Bonds (non-government-guaranteed)

(1) Domestic and overseas offerings

Type of Bonds	Plan (Initial)	Achieved
Domestic Public Offerings	USD 6.9 bn	USD 8.7 bn
10-year	USD 2.4 bn	USD 3.3 bn
20-year	USD 1.0 bn	USD 1.4 bn
5-year	USD 0.2 bn	USD 0.2 bn
30-year	USD 0.2 bn	USD 0.3 bn
Opportunistic Issuance	USD 3.1 bn	USD 3.6 bn
Overseas Offerings - MTN	USD 2.3 bn	USD 1.6 bn
Open Issuance ¹	USD 1.4 bn	-
Total	USD 10.5 bn	USD 10.3 bn

(2) Private Placements with Pension Funds for Local Government Officials

Type of Bonds	Plan	Achieved
10-year	USD 2.2 bn	USD 2.2 bn
20-year	USD 2.2 bn	USD 2.2 bn
Total	USD 4.4 bn	USD 4.4 bn

2. Government-guaranteed Domestic Bonds

Type of Bonds	Plan	Achieved
10-year	USD 0.9 bn	USD 0.9 bn
Total	USD 0.9 bn	USD 0.9 bn

3. Long-term Bank Loans

	Plan	Achieved
Long-term Bank Loans	USD 0.7 bn	USD 0.8 bn

Notes 1 : 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.

2. Issue Spreads

In the domestic market, JFM bonds had been priced under the low-interest-rate environment on the back of the introduction of BOJ's QQE with yield curve control.

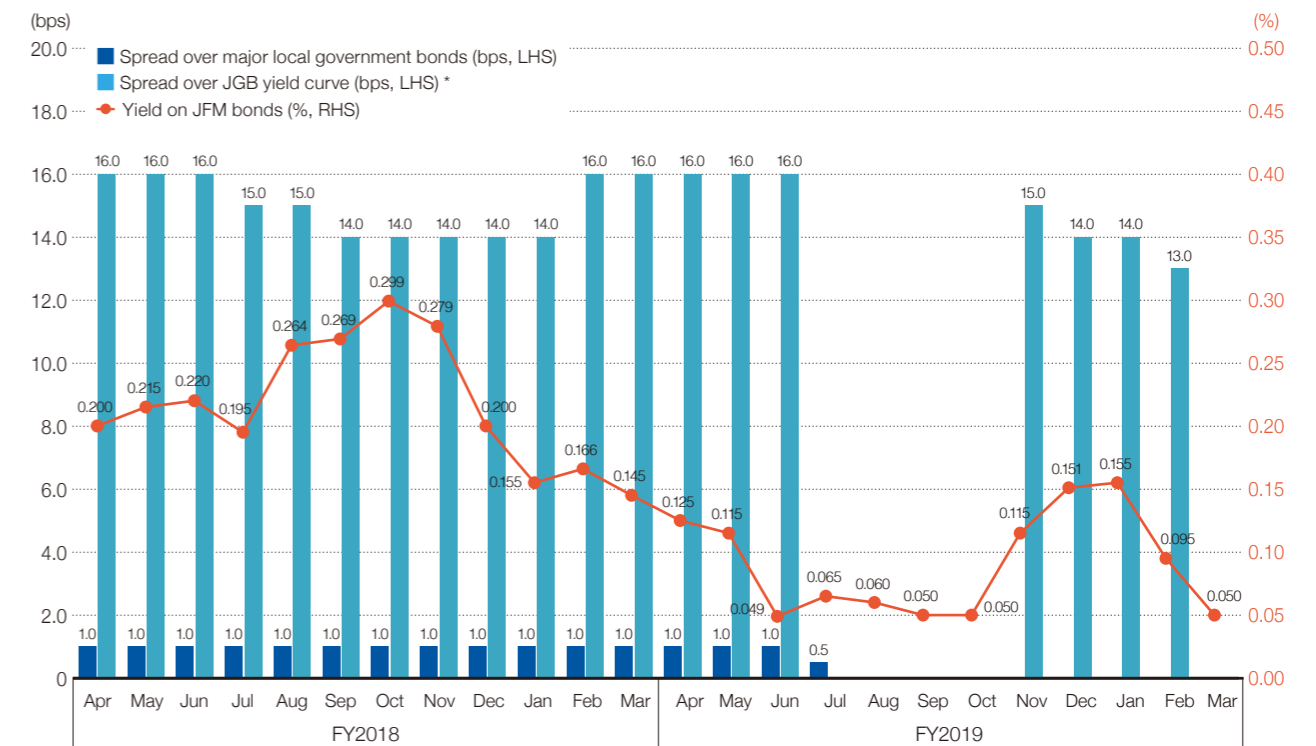
Due to the negative Japanese government's bond ("JGB") yield environment from July to September 2019 and March 2020, JFM 10-year domestic bonds were priced with a floored absolute yield. From November 2019 to February 2020, JFM 10-year domestic bonds were priced over respective JGB yield curve due to the increase in yield, starting from 16.0 bps and gradually tightened by 1.0 bp on November, December and February, resulting in 13.0 bps in February.

During the period from July 2019 to March 2020, bonds were priced with a yield from 0.050% to 0.155%.

There were strong demands from the investor for 5-year, 20-year and 30-year JFM bonds. 5 year bonds attracted investors as substitutes for JGB, while 20-year and 30-year bonds had been supported by investors looking for higher yields.

JFM's international bonds have been issued based on investor demands and market conditions by referring to credit spreads observed in the international primary and secondary markets at the time of pricing.

Issue Conditions of JFM 10-Year Domestic Bonds



Note: Spreads over the JGB curve are theoretical values calculated by JFM.

3 Financial Review

1. Income Statement

In fiscal 2019, JFM's income was USD 2.7 billion, a decrease of USD 0.3 billion from the previous year. This decrease was mainly due to a decrease in interest income caused by a decrease in the average interest rate on loans as a result of redemptions of loans made in the past with relatively high interest rates. Expenses also decreased by USD 0.2 billion from the previous fiscal year resulting in USD 1.5 billion. Due to the increase in funds for interest rate volatility, net income increased by USD 0.02 billion from previous year, resulting in USD 0.2 billion.

2. Balance Sheet

As of 31 March 2020, JFM's total assets amounted to USD 224.0 billion, a decrease of USD 2.2 billion from the previous year. This mainly resulted from a decrease in loans by USD 1.0 billion.

Total liabilities decreased by USD 2.5 billion resulting in USD 221.0 billion. This decrease primarily reflected a decrease of USD 3.5 billion in bonds.

Total net assets were USD 3.0 billion, up USD 0.3 billion. This mainly reflected net income of USD 0.2 billion in the general account being recorded as the general account surplus reserve.

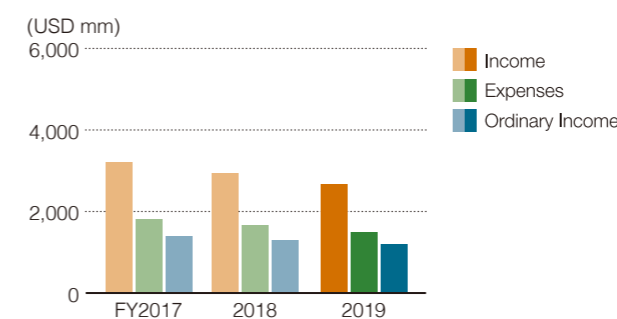
Financial highlights since fiscal 2017 are on the next page.

Financial Highlights

1. Income Statement

(USD Millions)

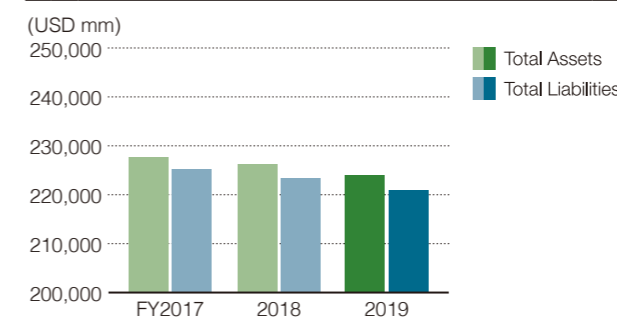
	FY2017	2018	2019	YoY
Income	3,197	2,933	2,665	-268
Expenses	1,799	1,651	1,478	-173
Ordinary Income	1,398	1,283	1,187	-95
Net Income	240	213	237	24



2. Balance Sheet

(USD Millions)

	End of FY2017	End of FY2018	End of FY2019	YoY
Total Assets	227,745	226,212	223,981	-2,231
Loans	218,659	216,220	215,268	-952
Others	9,085	9,992	8,713	-1,279
Total Liabilities	225,284	223,496	221,001	-2,495
Bonds	186,610	187,601	184,116	-3,484
Cash collateral received for financial instruments	113	254	534	280
Fund for lending rate reduction	8,466	8,466	8,466	-
Reserves under special laws	28,565	25,938	25,969	30
Reserve for interest rate volatility	20,239	20,239	20,239	-
Management account reserve for interest rate volatility	8,008	5,493	5,571	78
Reserve for interest rate reduction	318	206	158	-48
Others	1,530	1,236	1,915	679
Total Net assets	2,460	2,716	2,980	264



Note: Totals may not add up due to rounding.

1 Lending Operations

JFM's lending plan is formulated based on the amount of local government borrowing for which the consent or approval is scheduled to be given by the Minister for Internal Affairs and Communications or the respective prefectural governors, under the Local Government Borrowing Programme (the "LGBP").

Based on the LGBP, JFM plans to extend loans in the amount of USD 15.3 billion in fiscal 2020, which is the same amount as fiscal 2019.

Lending Plan

	FY2020	FY2019	YoY
Planned Amount	USD 15.3 bn	USD 15.3 bn	0.0%

JFM Funds in Local Government Borrowing Programme

	FY2020	FY2019	YoY
JFM Funds	USD 16.8 bn	USD 16.9 bn	-0.9%
General Account-related Loans	USD 5.9 bn	USD 5.5 bn	5.8%
Municipal Enterprise-related Loans	USD 7.1 bn	USD 7.4 bn	-4.5%
Temporary Financial Countermeasures Funding	USD 3.8 bn	USD 4.0 bn	-3.6%

Notes: 1. The amount of JFM funds in the LGBP does not match JFM's lending plan due to the timing for consent or approval (booked amount in the LGBP) being different from JFM's plan for disbursements during the corresponding period.
2. See page 60 for more information on JFM funds in the LGBP.

2 Funding Operations

In order to raise funds for lending operations, JFM primarily issues non-government guaranteed bonds through domestic public offerings and overseas offerings. For fiscal 2020, JFM plans to issue USD 11.4 billion of JFM bonds through these methods.

In addition, private placements with pension funds for local government officials are projected to amount to USD 4.9 billion in fiscal 2020. In addition to issuing JFM bonds, JFM plans to raise USD 0.7 bn through long-term bank loans.

As for government-guaranteed bonds, JFM plans to issue USD 0.6 billion during fiscal 2020.

Funding Plan for FY2020

1. JFM bonds (non-government guaranteed)

(1) Domestic and Overseas Offerings

Type of Bonds	FY2020 (Plan)	FY2019 (Achieved)
Domestic Public Offerings	USD 6.8 bn	USD 8.7 bn
10-year	USD 2.4 bn	USD 3.3 bn
20-year	USD 1.0 bn	USD 1.4 bn
5-year	USD 0.2 bn	USD 0.2 bn
30-year	USD 0.2 bn	USD 0.3 bn
Opportunistic Issuance	USD 3.0 bn	USD 3.6 bn
Overseas Offerings - MTN	USD 2.8 bn	USD 2.1 bn
Open Issuance	USD 1.8 bn	-
Total	USD 11.4 bn	USD 10.8 bn

Notes: 1. Subject to change depending on lending status, market conditions and other factors.
2. For Open Issuance, 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.

(2) Private Placements with Pension Funds for Local Government Officials

Type of Bonds	FY2020 (Plan)	FY2019 (Achieved)
10-year	USD 2.4 bn	USD 2.2 bn
20-year	USD 2.5 bn	USD 2.2 bn
Total	USD 4.9 bn	USD 4.4 bn

2. Government-guaranteed Domestic Bonds

Type of Bonds	FY2020 (Plan)	FY2019 (Achieved)
10-year	-	USD 0.9 bn
4-year	USD 0.6 bn	-
Total	USD 0.6 bn	USD 0.9 bn

3. Long-term Bank Loans

	FY2020 (Plan)	FY2019 (Achieved)
Long-term Bank Loans	USD 0.7 bn	USD 0.8 bn

3 Scheduled Payment to the National Treasury

In accordance with the Supplementary Provisions of the Law, a portion of JFM's management account reserve for interest rate volatility is being attributed to the Japanese national government over a period of 5 years from fiscal 2020 through fiscal 2024, with the aim of transferring up to USD 2.1 billion over this period for the purpose of forest environment transfer tax increase.

Furthermore, an amount of up to USD 13.8 million from fiscal 2018 through fiscal 2023 shall be attributed to the government for exemptions of early redemption charges in relation to concessions of water supply and sewerage businesses and the relevant amount shall be transferred to the government in fiscal 2020.

Operations

Bishamondo Temple, Kyoto Prefecture

Lending Operations

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Funding Operations

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Local Government Support Operations

JFM and Sustainable Development Goals

JFM's primary objective is to contribute to the sound operation of the local government financing and to improve the welfare of local residents by providing long-term funding at low-interest rates to local governments.

1 Outline

As public funds included in the LGBP, JFM loans are offered to local governments which have the consent or approval of the Minister for Internal Affairs and Communications or the respective prefectural governors.

1. Eligible Borrowers

JFM provides loans exclusively to local governments.

2. Types of Loans

JFM classifies general loans into the following three categories depending on the term.

- Long-Term Loans
Loans provided to local governments that have the consent or approval, and mature in or after the second fiscal year.
- Short-Term Loans
Loans to be repaid with revenues in the same fiscal year.

3. Lending Scopes and Maturities of Loans

JFM lends mainly to the following local government businesses with respective loan maturities.

Business Type		Loans for Fiscal 2020				
		Fixed Lending Rate		Adjustable Lending Rate ¹		
		Maturity	Grace Period for Principal Repayment	Maturity	Grace Period for Principal Repayment	
General Account-related Loans	Public Projects, etc. ²	Within (Years) 25	Within (Years) 5	Within (Years) 25	Within (Years) 5	
	Public Housing	25	5	25	5	
	Educational and Social Welfare Facilities Projects	Educational Facilities Development ²	25	3	25	3
		Social Welfare Facilities Development	25	3	25	3
		General Waste Disposal	20	3	20	3
	Unsubsidized Projects	General Projects ²	30	5	30	5
		Regional Revitalization	30	5	30	5
		Disaster Prevention	30	5	30	5
		Local Road Development	20	5	20	5
		Special Municipal Mergers	30	5	30	5
		Disaster Management and Mitigation	30	5	30	5
		Public Facilities Optimization	30	5	30	5
		Emergency Natural Disaster Prevention	30	5	30	5
	Anti-depopulation Measure Project		30	5	40	5
Municipal Enterprise-related Loans	Water Supply	30	5	40	5	
	Industrial Water Supply	30	5	40	5	
	Transportation ²	30	5	40	5	
	Electricity Supply ²	30	5	30	5	
	Gas Supply	25	5	25	5	
	Port Facilities ²	30	5	40	5	
	Hospitals ²	30	5	30	5	
	Markets	30	5	40	5	
	Slaughterhouses	30	5	30	5	
Sewerage	30	5	40	5		
Temporary Financial Countermeasures Funding	Prefectures and Government-Designated Cities	-	-	30	3	
	Cities, Towns and Villages	-	-	20	3	

Notes: 1. Adjustable lending rates are reviewed depending on the maturity of the loan every 5 years, every 10 years or every 15 years or 20th, or 30th anniversary of the initial disbursement. Lending rates for Temporary Financial Countermeasures Fundings are reviewed every 5 years or 10 years.
2. Figures represent maximum maturities and grace period for principal payment.

2 Loan Interest Rates

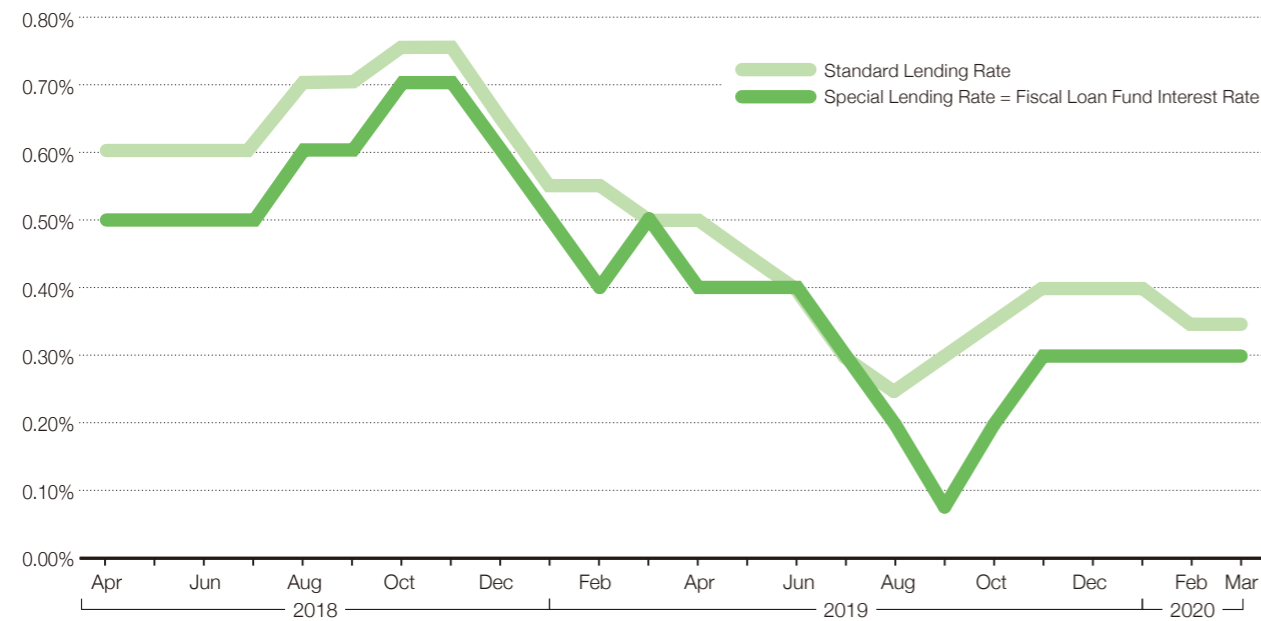
JFM sets standard lending rates, which are determined to balance its funding cost, and also offers special lending rates at a discount to the standard rates by making use of its Fund for Lending Rate Reduction.

1. Loan Interest Rates

JFM offers two types of loan interest rates: the standard lending rate and the special lending rate. The standard lending rate is calculated in order to balance JFM's funding cost with interest income from its lending. Specifically, this rate is determined in a manner that the discounted present value of the cash flows of the funds raised to make the loans equals the discounted present value of the cash flows to be generated by those loans with their respective terms to maturity, grace period for principal repayment and repayment methods. The special lending rate is set at 0.35% per annum below the standard rate.

The trends of JFM loan interest rates since April 2018 are shown below. The special lending rate has been at the same level as the national government's lending rates that are applicable to loans for specific public projects (the Fiscal Loan Fund). This is due to the floor rates of the special lending rates being set equal to respective lending rates of the Fiscal Loan Fund which have identical terms on redemptions to those of JFM loans.

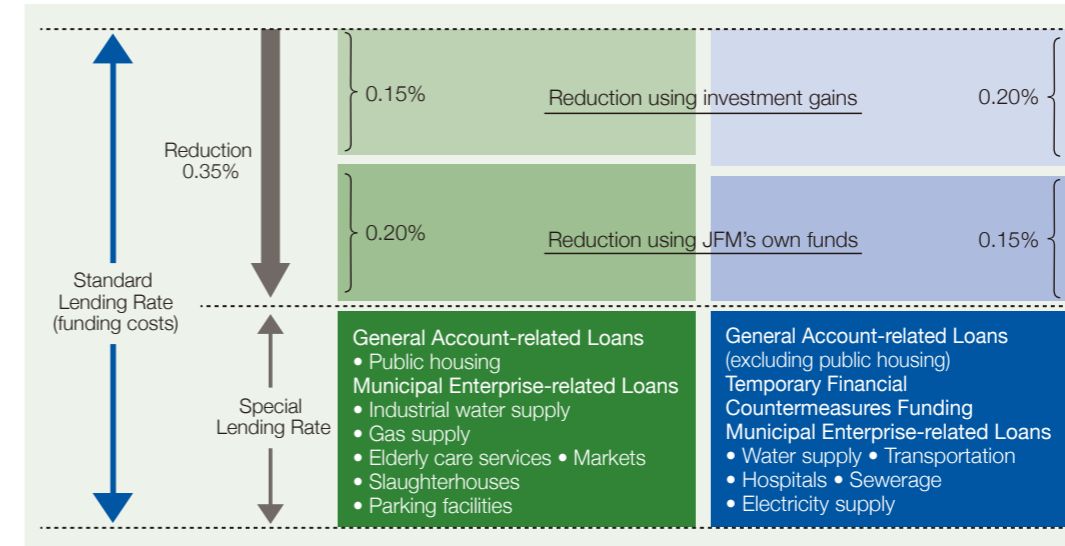
Trends of Lending Rates



Note: The lending rates above represent a 30-year fixed rate loan with a 5-year grace period for semi-annually equal total payment.

2. Lending Rate Reduction

The interest rate differentials between the special lending rates and the standard lending rates are covered by investment gains in the Fund for Lending Rate Reduction. The fund is comprised of a portion of proceeds that local governments earn from municipally operated racing in accordance with the Local Government Finance Law, and also JFM's own funds.

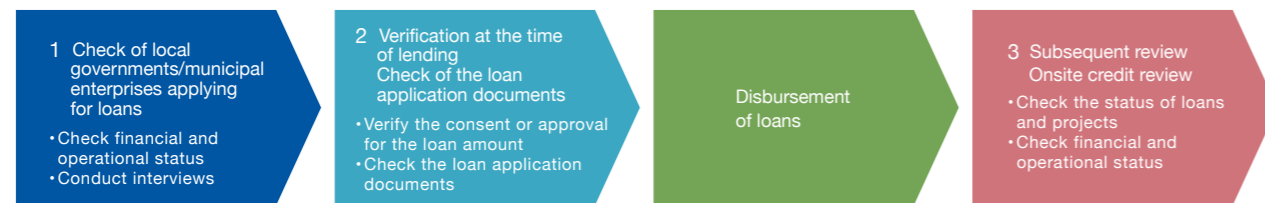


Notes: 1. The minimum interest rates for JFM loans are set at the same level as the interest rates of the Fiscal Loan Fund provided by the national government.
 2. The discount rates using the investment gains (0.15% or 0.20%) applicable to each business category are determined by the Minister for Internal Affairs and Communications, pursuant to the Ministerial Ordinance on Finance and Accounting of Japan Finance Organization for Municipalities (Ordinance No. 87 of the Ministry of Internal Affairs and Communications, 2008).

3 Credit Check System

JFM conducts the following credit check process for all loans on the assumption that the details and legality of each project as well as assurance of loan repayment have been confirmed during the consultation and checking process to obtain the consent or approval for loans.

- 1) JFM checks the financial and operational status of local governments and municipal enterprises to which it plans to lend, in light of the fiscal indicators as stipulated in the Law Relating to the Financial Soundness of Local Governments of Japan (Act No. 94 of 2007). This credit check process may include an interview of the staff of prefectures, cities, towns and villages.
- 2) JFM reviews loan applications submitted by local governments to determine if conditions are met. The conditions include the consent or approval, any required resolution by the local government assembly and budget appropriation for loans.
- 3) After a loan is disbursed, JFM conducts an onsite review to verify the use of funds and to check the operational status of the project and the financial and operational status of the borrower.



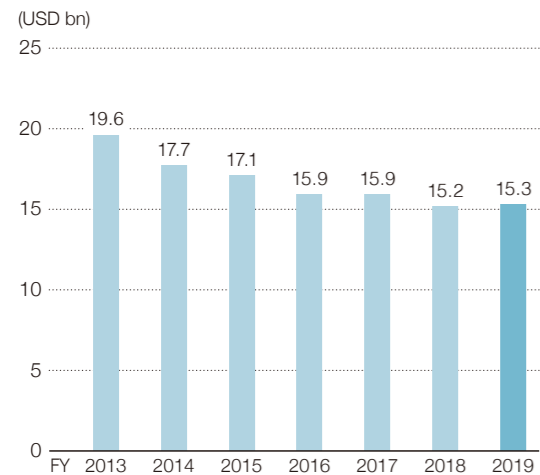
4 Trends in Lending Operations

1. Overview

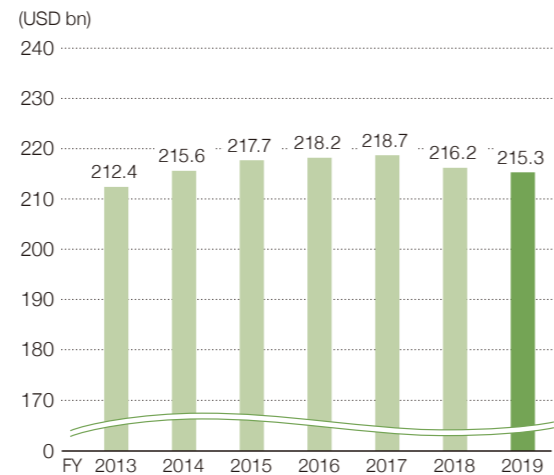
JFM's annual lending volume has dropped since fiscal 2013 due mainly to decrease in the budget of disaster management and mitigation and temporary financial countermeasures funding.

In fiscal 2019, the lending volume amounted to USD 15.3 billion. At fiscal year-end, outstanding loans were USD 215.3 billion.

Annual Lending Volume



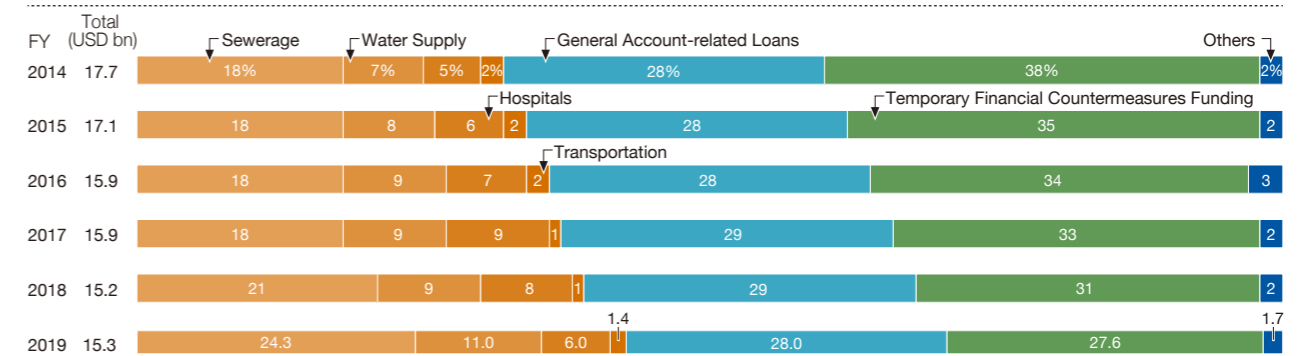
Outstanding Loans



2. Annual Lending Volume by Business and Borrower

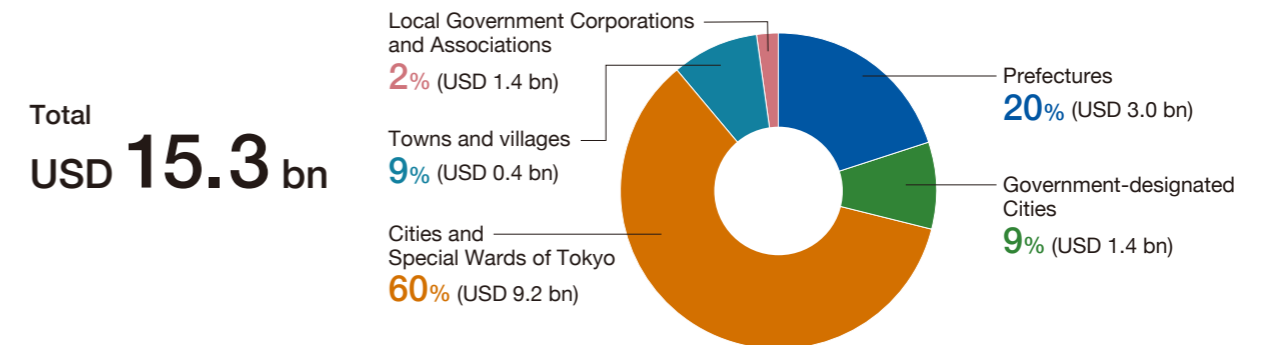
In fiscal 2019, loans for temporary financial countermeasures funding were USD 4.2 billion, accounting for the largest share of lending, at 27.6% of the total. Ranked next were USD 3.7 billion in the sewerage business, representing 24.3% of the total, and USD 1.7 billion in the water supply, for 11.0% of the total.

Long-Term Loans Extended by Business



Notes: Totals may not add up due to rounding.

FY2019 Loans Extended by Borrower

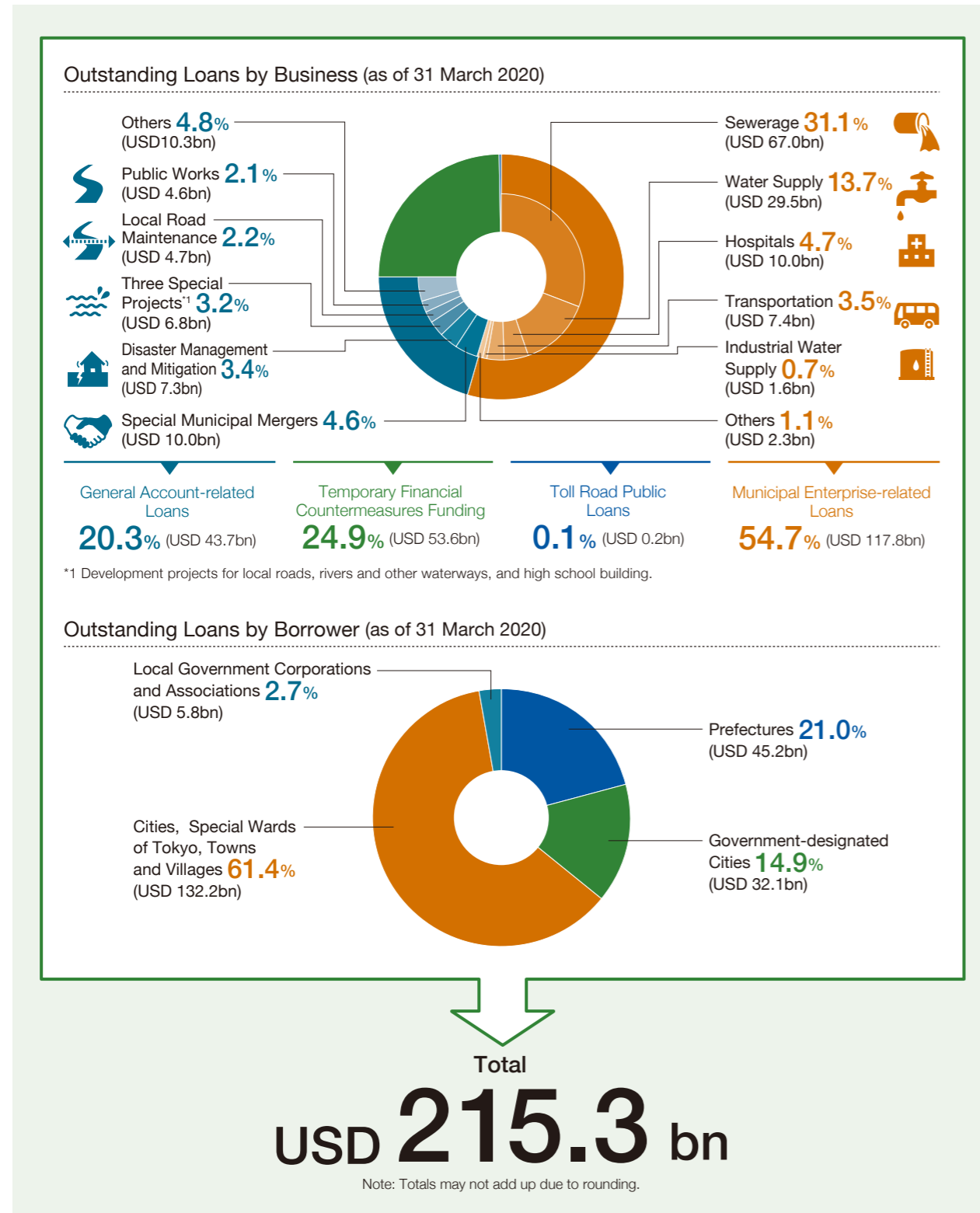


Note: Totals may not add up due to rounding.

3. Outstanding Loans by Business and Borrower

At the end of fiscal 2019, the outstanding loans were USD 215.3 billion, of which the sewerage business accounted for the largest share at 31.1%, followed by temporary financial countermeasures funding at 24.9% and water supply at 13.7%.

There was a total of 2,176 local governments, local government associations and corporations with outstanding JFM loans, including all prefectures. Cities, special wards of Tokyo, towns and villages accounted for the largest portion at 61.4% of the total, followed by prefectures at 21.0% and government-designated cities at 14.9%. Local government associations and corporations represented the remaining 2.7%.



5 Lending Operations by Business

JFM provides loans to local government businesses specified in the LGBP that the national government formulates each fiscal year.

The major JFM-funded businesses are as follows.

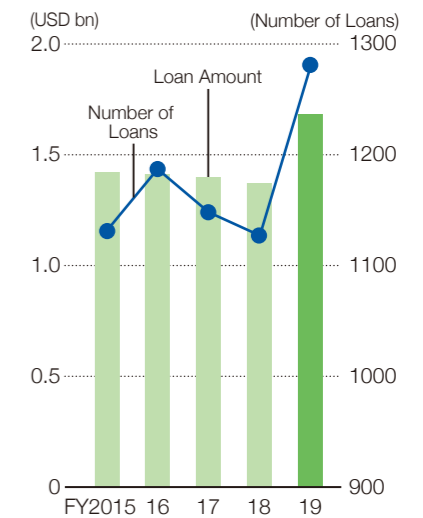
Water Supply Business

At the end of fiscal 2018, the water supply coverage was 97.3% of the population. The water supply business (including small-scale water supply) operated by local governments totaled 1,882 projects and provided about 13.5 billion cubic meters of water annually for approximately 124.02 million people.

In fiscal 2019, loans extended to the water supply business amounted to USD 1.7 billion.



Kaneda Raw Water Reservoir (Kisarazu City, Chiba Prefecture)



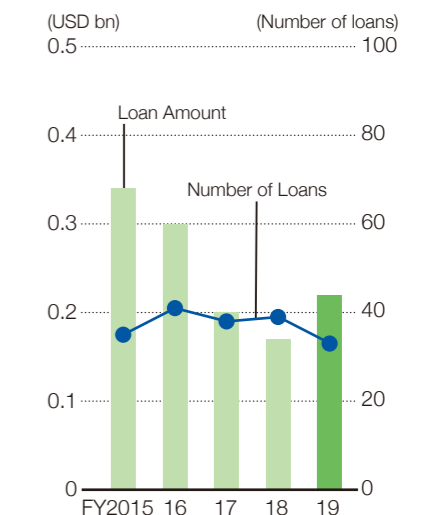
Transportation Business

At the end of fiscal 2018, the transportation projects managed by local governments totaled 86 projects and public transportation is used by approximately 3.5 billion people annually (9.54 million people on an average daily basis).

In fiscal 2019, loans extended to the transportation business amounted to USD 0.2 billion.



Kumamoto City 0800 Type Line (Kumamoto City, Kumamoto Prefecture)



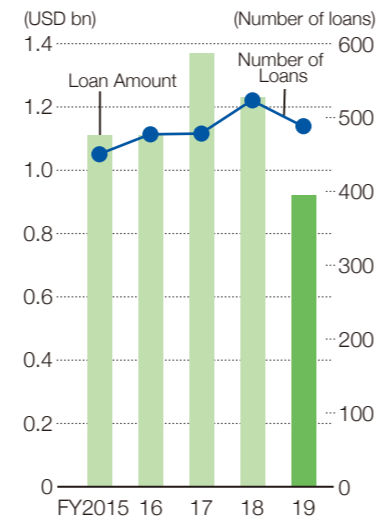
Hospitals Business

At the end of fiscal 2018, hospital projects managed by local governments totaled 628 with 776 hospitals, which included 744 general hospitals and 32 mental hospitals.

In fiscal 2019, loans extended to the hospitals business (including those run by local independent administrative institutions) totaled USD 0.9 billion.



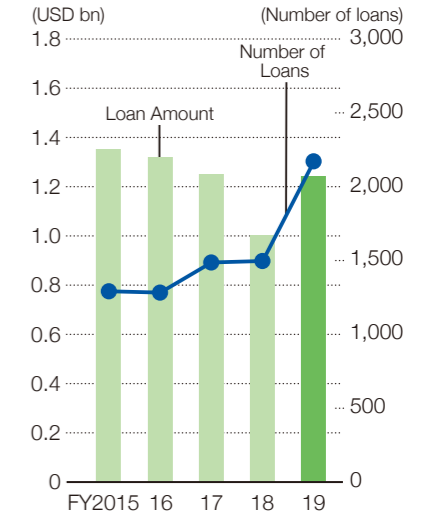
Atsugi City Hospital (Atsugi City, Kanagawa Prefecture)



Disaster Management and Mitigation

Disaster management and mitigation represent projects to support and build strong disaster-resistant cities and towns by extending loans to facilities that can gather information promptly in case of emergent situations and other projects that can increase disaster prevention capability.

In fiscal 2019, loans extended for Disaster Management and Mitigation amounted to USD 1.2 billion.



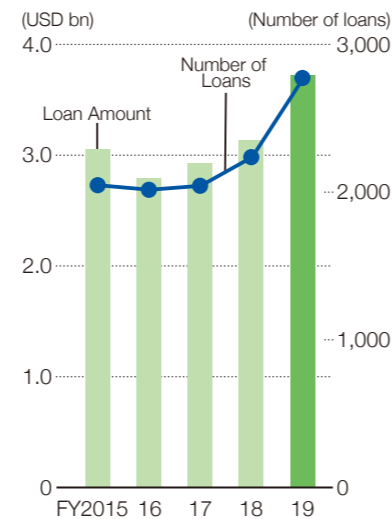
Sewerage Business

At the end of fiscal 2018, the sewerage system covered 91.4% of the nation's total population. There were 3,628 projects involved, with a total annual sewerage processing capacity (combined storm water and sewerage treatment, excluding river basin sewerage) of around 14.8 billion cubic meters serving areas with a population of nearly 105 million people.

In fiscal 2019, loans extended to the sewerage business totaled USD 3.7 billion.



Sewage Purification Center (Shiojiri City, Nagano Prefecture)

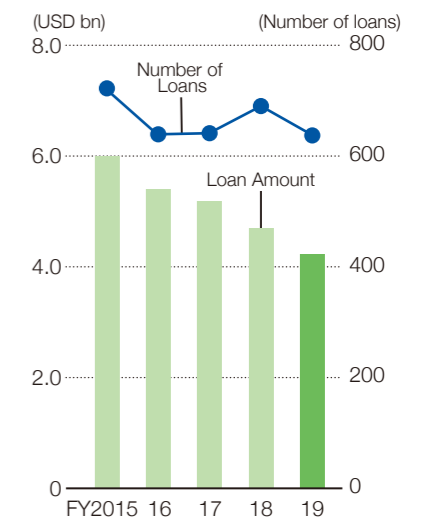


Temporary Financial Countermeasures Funding

Temporary financial countermeasures funding represents the funding for local governments in order to cover general resource shortfalls pursuant to the provisions of the Local Government Finance Law.

In order to secure the payments of the principal and interest of funds borrowed by local governments under temporary financial countermeasures funding, the national government includes the entire amount of such payments in the total amount of Local Allocation Tax grants, which are to be allocated to local governments in subsequent years.

In fiscal 2019, loans extended for temporary financial countermeasures funding amounted to USD 4.2 billion.



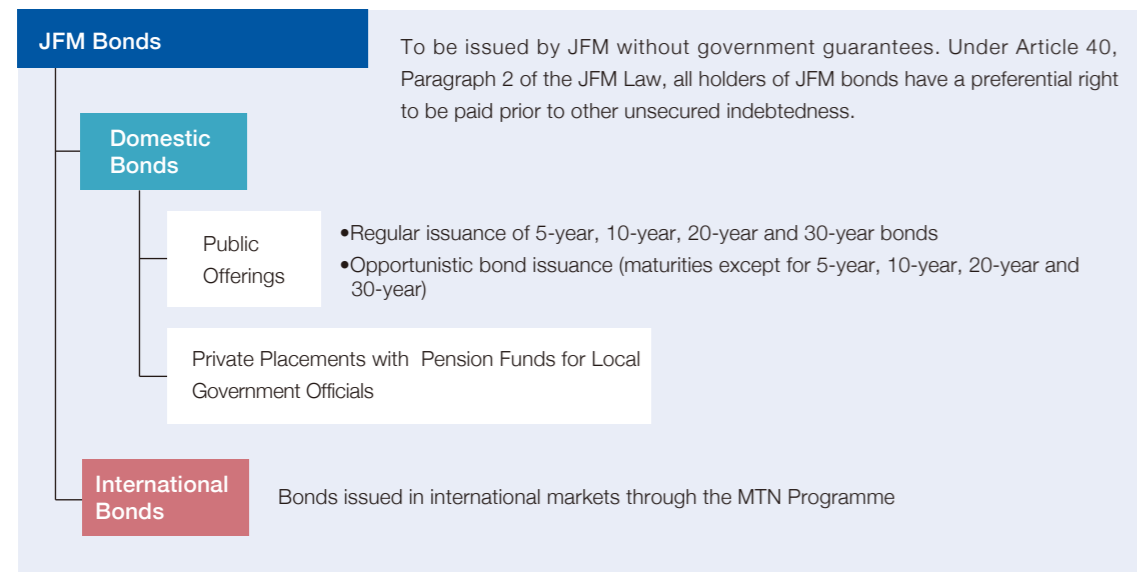
As a joint funding organization for local governments, JFM raises funds in a consistent manner to provide local governments with long-term and low-interest funds, while endeavoring to focus on market fluctuations.

1 Issue Type

JFM primarily issues non-government guaranteed bonds (i.e., JFM bonds) through public offerings in order to raise funds for its lending operations. Private placements with pension funds for local government officials are also taken as a means of fund-raising.

JFM issues government-guaranteed bonds only for refinancing the existing government-guaranteed bonds of the Predecessor in order to manage the Predecessor's assets to which JFM has succeeded.

In addition to issuing bonds, JFM raises money from long-term bank loans as a supplemental source for overall funding operations.



Government-Guaranteed Bonds
To be issued only in the domestic market denominated in Japanese yen for the purpose of refinancing outstanding government guaranteed bonds issued by the Predecessor.

Long-term Bank Loans
JFM utilizes long-term bank loans as a complementary means of fundraising.

2 Basic Funding Policy

To secure stable funding at fair value, JFM pursues diversified funding options and strives to build confidence in capital markets by proactively disclosing information and thoroughly fulfilling responsibilities. JFM also endeavors to seek more flexible funding operations than ever in response to volatile market conditions and shift in investor demands on the back of the change of monetary policy of major central banks.

1. Diversification of Funding Methods

From the viewpoint of stable funding, JFM endeavors to issue bonds with various maturities and structures, including medium-term and super-long-term bonds in response to the market environment and market needs, in order to broaden its investor base, while also considering funding costs and risk management.

JFM's basic means of funding is the issuance of bonds. JFM accesses the domestic market through the regular issuance of 5-year, 10-year, 20-year and 30-year bonds, and also continues to take advantage of its Flexible Issuance Programme (FLIP) for opportunistic funding as well as long-term bank loans. JFM also utilizes the MTN Programme, being committed to the regular issuance of benchmark bonds to the international investors and Uridashi bonds to Japanese retail investors. In addition to that, JFM is going to issue private placement bonds in a flexible manner.

2. Proactive Disclosure and Investor Relations

JFM proactively discloses information on its operations, financial conditions and risk management status in order to support investment decisions by investors. In this context, JFM announces its annual funding plan prior to the start of the new fiscal year and its second half-year funding plan in August.

In addition, JFM performs investor relations activities, including presentation meetings and/or one-on-one meetings with investors in both domestic and international markets. JFM thereby helps investors correctly understand JFM's management and bonds as well as strengthens market confidence toward JFM.

In fiscal 2019, JFM issued green bond financing sewerage projects managed by local governments.

3. Contribution to the Sound Development of Capital Markets

While capturing funding opportunities in response to the needs of capital markets, JFM will further strengthen its role as a leading public-sector bond issuer and be committed to contributing to the sound development of capital markets.

3 Features of JFM Bonds

JFM bonds are generally recognized as having high credit standing with the following features.

- JFM's assets can be deemed to be highly stable based on the fact that JFM lends exclusively to local governments, and no local governments have ever defaulted.
- JFM has a solid financial foundation, backed by its reserve for interest rate volatility and the Fund for Lending Rate Reduction prescribed in the JFM Law.
- JFM is a joint funding organization established with a capital contribution from Japanese local governments encompassing all prefectures, cities, special wards of Tokyo, government-designated cities, towns and villages, as well as some local government associations.
- Under the JFM Law, local governments have an obligation to bear the costs necessary to satisfy all JFM obligations in the event JFM is to be dissolved and its obligations remain unpaid.

JFM has received the highest credit rating among the Japanese public-sector bond issuers from Standard and Poor's (S&P), Moody's Investors Service (Moody's) and Rating and Investment Information, Inc. (R&I). The BIS risk weighting is 10% for JFM bonds denominated in yen.

In addition to JGBs and local government bonds, interest received by foreign investors (non-residents, foreign corporations, etc.) on JFM's domestic bonds in book-entry form as well as JFM's international bonds (both of which include government-guaranteed bonds) shall be exempted from Japanese income tax, subject to certain procedural requirements.

Issuer Credit Rating	S&P : A+ Moody's : A1 R&I : AA+ (As of 31 March 2020)	
BIS Risk Weighting (denominated in yen)	JFM bonds : 10%	For reference : Japanese Government Bonds : 0% Japanese Government-Guaranteed Bonds : 0% Local Government Bonds : 0%
Preferential Rights for JFM Bonds	All holders of JFM bonds (as well as JFM's government-guaranteed bonds) have a preferential right to be paid prior to other unsecured indebtedness, and such preferential right shall rank immediately after the general preferential rights as provided for in the Civil Code of Japan (Law No. 89 of 1896, as amended). (Article 40, Paragraph 2 and Paragraph 3 of the JFM Law)	

Note: The risk weights are values for investors in Japan. For international bonds, the values are determined by respective authorities in each country. (as of 31 March 2020)

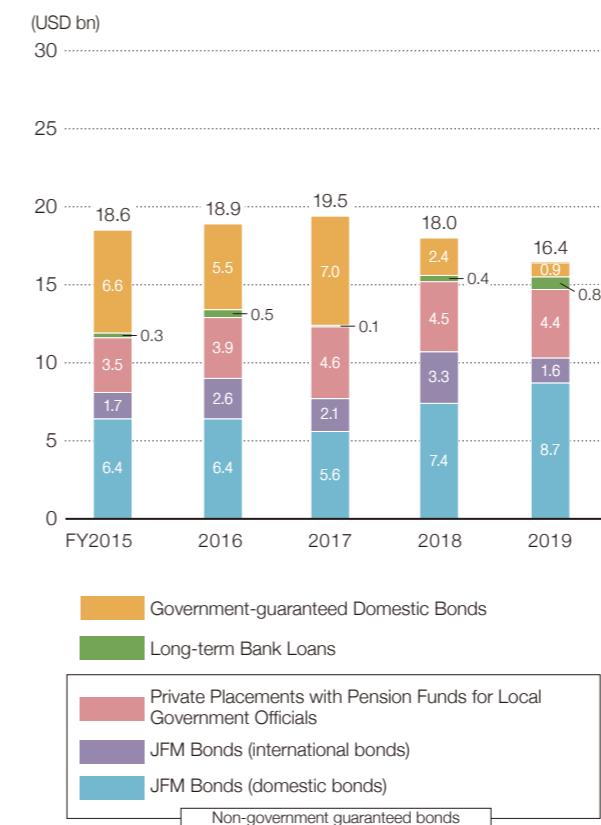
4 Trends in Funding Operations

JFM issues JFM bonds (non-government guaranteed bonds to be issued through domestic public offerings or under the MTN Programme, or private placements with pension funds for local government officials) and government-guaranteed bonds for the purpose of refinancing existing government guaranteed bonds of the Predecessor. And, from the perspective of diversifying funding source, long-term bank loans are also important for JFM's funding operations.

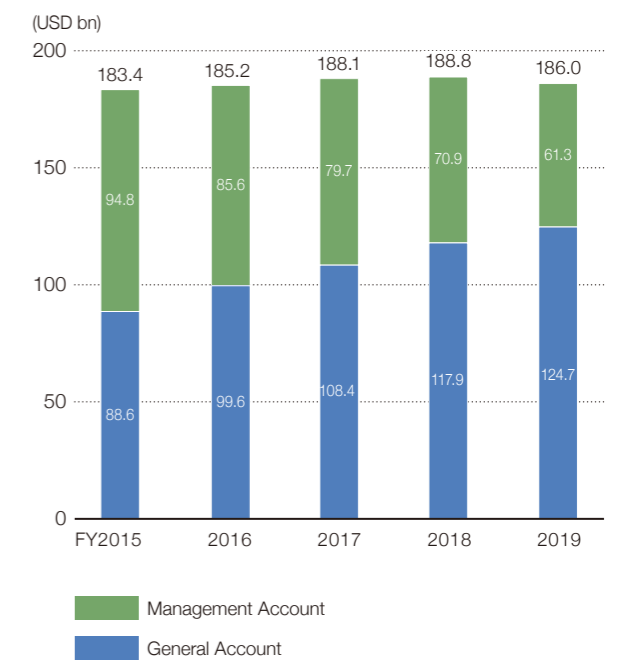
In fiscal 2019, JFM raised a total of USD 16.4 billion, slightly decreased from the previous year. This was mainly the result of a decrease in the amount of guaranteed and non-guaranteed JFM bonds and private placements with pension funds issued during fiscal 2019 while the issuance volume of JFM bank loans increased.

As of 31 March 2020, outstanding bonds were USD 184.1 billion. Outstanding long-term bank loans totaled USD 1.9 billion. The total amount of outstanding bonds and long-term bank loans was USD 186.0 billion, which was comprised of USD 124.7 billion in the general account and USD 61.3 billion in the management account. Since the end of fiscal 2016 the volume of outstanding debt in the general account exceeds that of the management account as a result of the trend that the management account has been decreasing while the general account has been increasing.

Funding Volume



Outstanding Bonds and Bank Loans



Support for Local Governments

JFM, as a joint funding organization owned by local governments, offers support for sound financial management of local governments by utilizing the expertise and experience as a market participant. As a close advisor of local governments, JFM offers various support services such as research and studies, personnel training and information dissemination, as per local government needs.

1. Research and Studies

Conduct research on financial management of local governments, regional finance, local government finance in other countries and provide results and necessary support to local governments which can be used for human resource development, practical support, and information dissemination.

1 Research and studies on local government finance

Conduct research on local government finance such as research on the future of local public enterprise system in collaboration with the Ministry of Internal Affairs and Communications

2 Research and studies on regional financing

Conduct research on borrowing environment of local governments from local financial institutions.

3 Research and studies on local government finance in other countries

Conduct research by cooperating with specialized agencies on local government finance and its operation in other countries such as the latest funding methods of local governments-owned joint funding organizations.

4 Studies to understand the needs and issues of local governments

JFM offers support for issues related to the overall financial management of local governments, which includes ensuring financial health and fund-raising.

5 Gathering advanced cases

Collect and accumulate advanced cases of matters which are of high practical interest to local governments.

3. Information Dissemination

Strengthen information dissemination by effectively using the website.

11 Operation of advanced case search system

Operation of database search system with keyword research which has more than 800 advanced cases to help in solving issues in local governments.

12 Operation of the "Octagon" financial analysis chart

Operation of local government's financial analysis chart "Octagon" which is a tool to analyze the financial status and changes in local governments.

13 Provide learning materials and relevant economic and financial data/knowledge

Provide necessary materials and videos related to local government funding and management.

2. Personnel Training Support

Hold seminars for local governments and provide personnel training support for local governments in order to acquire necessary financial knowledge such as funding methods to ensure sound financial management of local governments.

6 Hold JFM local government finance seminars, JFM municipal enterprise seminar and more

Hold seminars on timely issues related to local finance and local public enterprises that are of great interest to local governments such as joint seminars for chiefs and executives of local public organizations with local administrative and financial research committee.

7 Local government seminar

Introductory seminar on funding and investment and joint accommodation type training with Japan Academy of Municipal Personnel and Japan Municipal Training and Research Foundation.

8 Hold on-site lectures

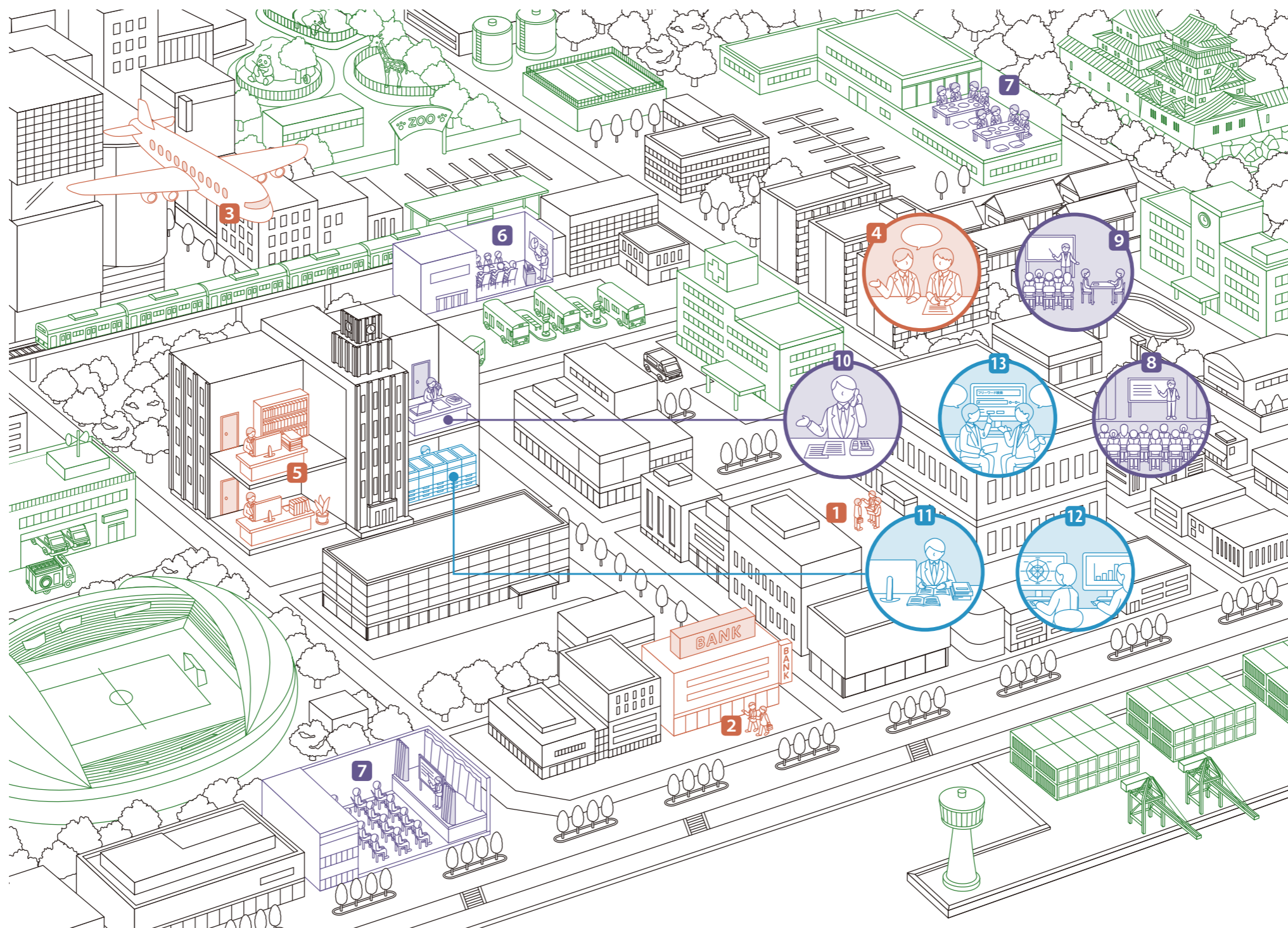
Hold on-site lectures in local governments by sending JFM staff and outside experts as lecturers and lecture on topics which are of interest to local governments.

9 Expansion of municipal enterprise accounting applications and support for formulating municipal enterprise management strategies

Send experts to workshops held by local governments and support local governments apply accounting applications and formulate management strategies.

10 Practical support for financial management and funding

Provide individual practical support from local government finance advisors on financial management and funding for local governments such as helping local governments issue publicly offered local bonds.



Buildings, facilities and equipment marked prominently are examples of municipal installations funded by JFM.



JFM and SDGs related operations

Support sustainable community development through lending operations

Local governments are facing various administrative issues, such as promoting the revitalization of regions, measures against the declining birth rate and an aging population, deteriorating infrastructure, measures against large-scale and intensifying natural disasters.

To address these challenges, JFM provide loans to local governments who develop infrastructure and administrative services to their residents of the region and contribute to a sustainable development of the region's community and environment.

JFM lending operations and SDG mapping

Sewerage



Public sewerage, basin sewerage, agricultural settlement drainage facilities, wastewater treatment facilities.



Nagano Prefecture, Iida City Matsuo Purification Center

Transportation



Rail track, automobile transportation, railway/ship operation maintenance business.



Kumamoto Prefecture, Kumamoto City 0800 Series Low Floor Tram

Hospitals and Elderly Care Services



Maintaining hospitals, medical facilities, elderly care facilities managed by local governments.



Hyogo Prefecture, Kobe City, Kobe Proton Center

Disaster Management and Mitigation



Building facilities and network for large scale disaster prevention. Updating public facilities with earthquake-resistant capacity.



Kochi Prefecture, Tsunami Evacuation Tower

Social Welfare and Educational Facilities Development



Maintaining educational facilities such as schools managed by local governments.



Aomori Prefecture, Hirosaki City, Tateno Elementary School

Supporting local governments through local government support operations

JFM offers various support for sound financial management of local governments by providing services such as research and studies, personnel training and information dissemination, as per local government needs.



Issued first green bond in February 2020

JFM issued its first green bond in February 2020 with an amount of EUR 500 million for the purpose of allocating the net proceeds to sewerage business. JFM has published impact report summarizing the description of projects and environment impacts and is planning to continuously support the SDG activities managed by local governments in Japan. JFM green bond framework obtained the highest level of assurance from Vigeo Eiris, a second party opinion provider.

(Link to JFM green bond homepage : <http://www.jfm.go.jp/en/investors/greenbond.html>)

Management Structure

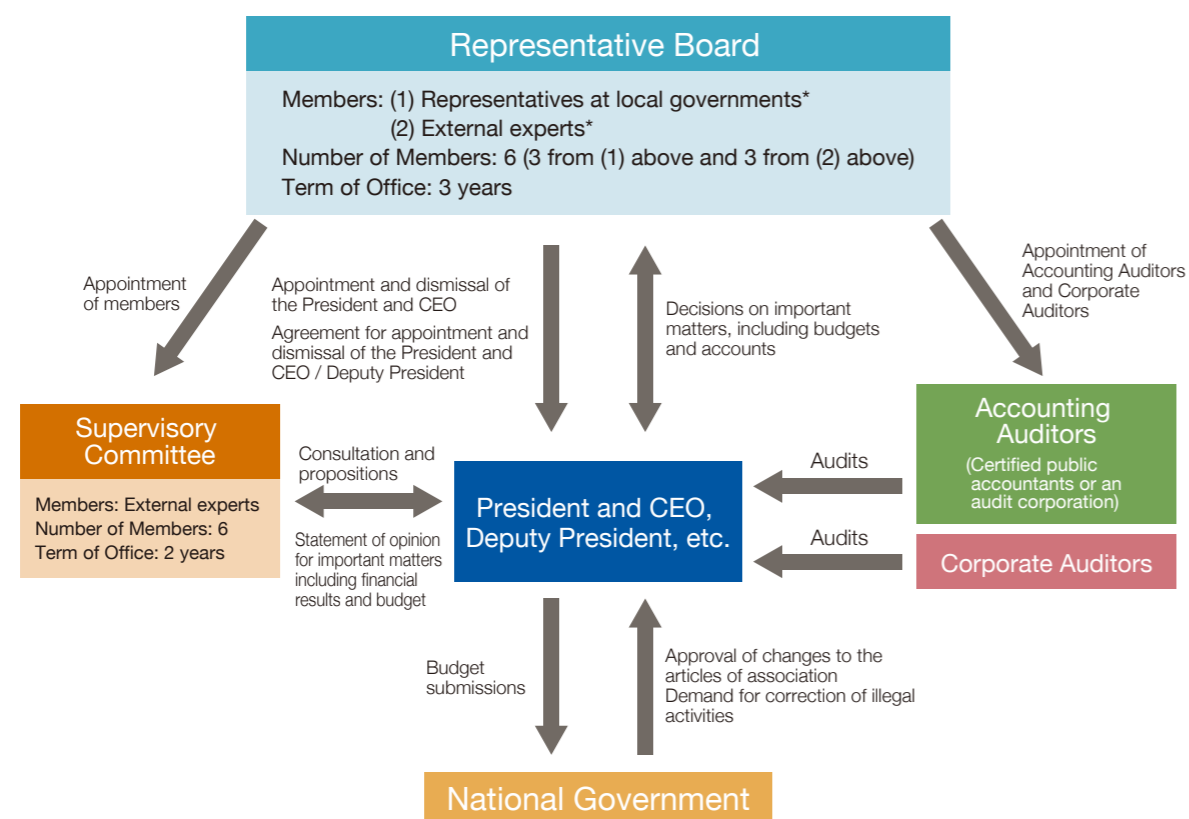
Corporate Governance

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JFM ensures responsible corporate governance through the participation of external experts on the Representative Board and the Supervisory Committee and audits by external accounting auditors.

1 Corporate Governance

Corporate Governance System



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

1. Representative Board

As an organization autonomously managed by local governments, JFM has the Representative Board as its supreme decision-making body.

To ensure independence and transparency, the Representative Board consists of one prefectural governor, one city mayor, one town/village mayor and three members from among experts in local administration, economics, finance, law or accounting.

The Representative Board has the authority to make decisions on important matters related to the overall management of JFM, including budgets, settlement of accounts and business plans and to appoint and dismiss the President and CEO as well as Corporate Auditors. As its supervisory function, the Board is also authorized to obtain from the President and CEO information relating to JFM's operations and financial condition, and to order the President and CEO to take corrective actions with respect to any illegal or other inappropriate activities.

2. Supervisory Committee

JFM has focused on establishing highly transparent management that incorporates unbiased opinions of external parties, and responsible corporate governance. To ensure such a governing structure, JFM has the Supervisory Committee as a deliberative committee comprising external experts.

The Representative Board appoints the members of the Supervisory Committee from among experts in local administration, economics, finance, law or accounting, and other experts in the academic world.

The Supervisory Committee has the function of monitoring the operations of JFM and may offer its opinions on important matters such as JFM's operations including budgets, settlement of accounts and business plans. The Committee may also, if necessary, request that the President and CEO reports on those matters. The President and CEO must respect and report the Committee's opinions to the Representative Board.

3. Audits by Corporate Auditors

The Corporate Auditors are responsible for auditing the accounts of JFM, and may, at their discretion, submit reports to the Representative Board, the President and CEO and the Minister for Internal Affairs and Communications.

4. Audits by External Accounting Auditors

As JFM raises funds in capital markets, the proper disclosure of information and external checks on accounting procedures are essential in order to build market confidence toward JFM.

From this viewpoint, JFM has its financial statements audited not only by corporate auditors but also by external accounting auditors (certified public accountants or an audit corporation) appointed by the Representative Board.

2 Internal Control over Financial Reporting

Pursuant to the Ministerial Ordinance on Finance and Accounting of Japan Finance Organization for Municipalities, JFM has set up a system which is similar to the internal control reporting system under the Financial Instruments and Exchange Law in Japan. In accordance with the system, JFM prepares the Internal Control Report to evaluate the effectiveness of internal control over financial reporting to ensure the reliability of its financial statements, the base date of which is the end of the fiscal year (31 March), and it is audited by the external auditors and released together with the financial statements.

As for the Internal Control Report in which JFM viewed its internal controls on financial reporting as effective as of the end of fiscal 2020, the accounting auditors gave their opinion (unqualified audit opinion pursuant to Ministerial Ordinance Article 32, Paragraph 2, Clause 1) that, in all material respects, evaluation results of JFM's internal controls over financial reporting were in conformity with the standards of evaluation for internal controls over financial reporting generally accepted in Japan.

3 Internal Audit

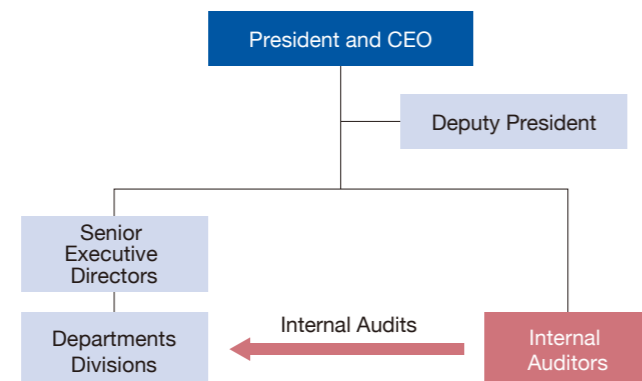
An internal auditor, who is independent from other departments, divisions and offices, examines and assesses the appropriateness and effectiveness of JFM's internal control systems, thereby helping ensure reliable financial reporting and appropriate and efficient operations.

On completing this task, the internal auditor submits a report to the president and CEO.

If the internal auditor identifies deficiencies, related divisions and offices must immediately take the required corrective actions. The internal auditor will then submit to the president and CEO an internal audit report that includes the progress of corrective actions.

The internal auditor also performs follow-up audits and reports the results to the president and CEO as necessary.

Internal Audit System

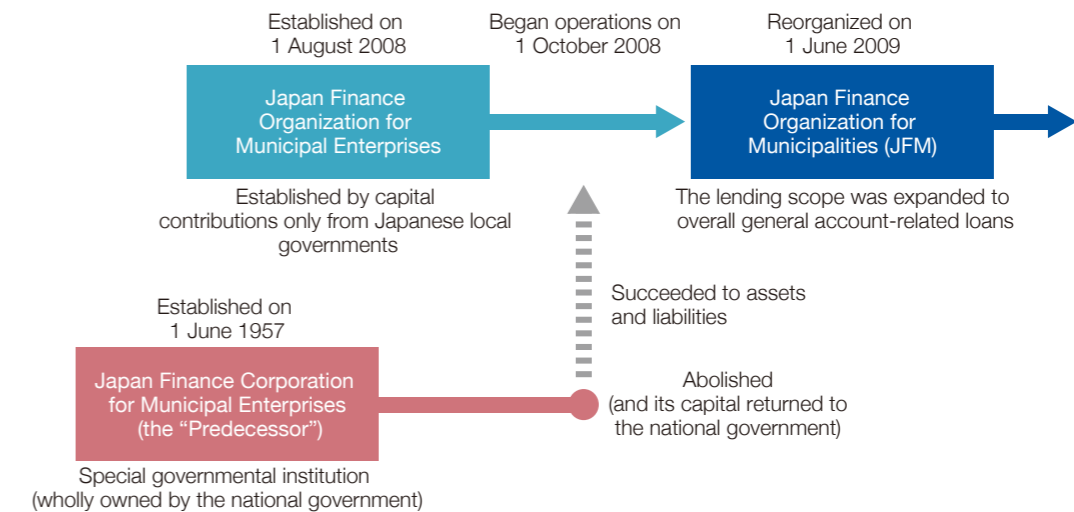


Japan Finance Organization for Municipal Enterprises was established on 1 August 2008, with capital contributed by all prefectures, cities, special wards of Tokyo, government-designated cities, towns and villages, as well as some local government associations, to provide funds to local governments. JFM commenced its operations after succeeding to the assets and liabilities of the Predecessor on 1 October 2008.

As a result of the reorganization on 1 June 2009, JFM's lending scope was extended to overall general account-related loans.

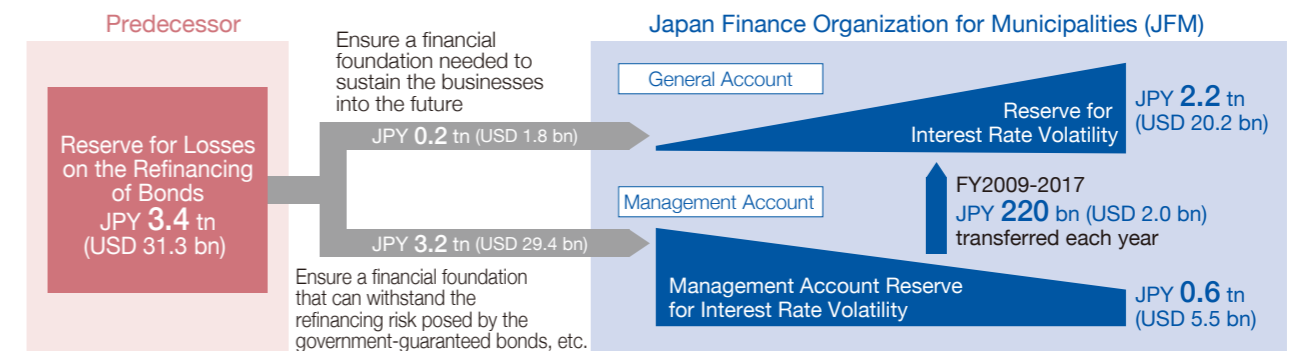
Under the JFM Law, JFM requires managing loans and bonds issued since JFM began its operations in the general account of JFM, whereas loans and operations carried over from the Predecessor are administered in the separate account known as the management account of JFM.

With regard to the management account, JFM issues government-guaranteed bonds solely for the purpose of refinancing government-guaranteed bonds of the Predecessor.



When JFM was founded, it succeeded to the Reserve for Losses on the Refinancing of Bonds in the amount of approximately JPY 3.4 trillion (USD 31.3 billion) to ensure its future stable management from the Predecessor.

Of this amount which was recorded in the management account, the JPY 2.2 trillion (USD 20.2 billion) needed to ensure the future continuity of JFM's operations is being transferred to the general account in equal installments over 10 years, with the remainder which is expected to remain in the management account to ensure a sufficient financial foundation to appropriately manage the Predecessor's bonds and loans and prepare for the risk with refinancing bonds of the Predecessor.



Under the JFM Law, if any assets remain when the asset management operations of the Predecessor are completed and the management account is closed, those assets shall be returned to the national treasury.

Even before the management account is closed, in the event that the businesses of JFM are determined to have been executed smoothly in light of the condition of the management of JFM, the Minister for Internal Affairs and Communications and the Minister of Finance shall, if the management account reserve for interest rate volatility and the management account surplus reserve are determined to exceed the amount necessary for the smooth operation of the asset management operations of the Predecessor in the future, cause the amount that is determined to be in excess to belong to the national treasury (Article 14 of the Supplementary Provisions of the JFM Law).

In accordance with this provision, JFM has transferred a portion of its reserve for interest rate volatility within the management account to the Japanese national government and such portion has been allocated to the national treasury to secure financial resources of the Local Allocation Tax for regional revitalization.

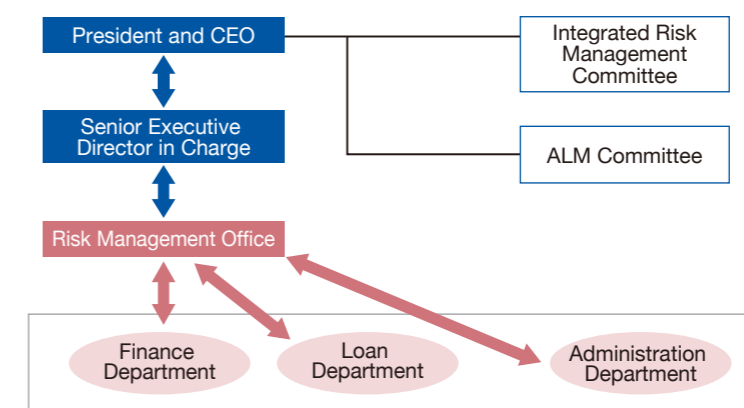
1 Overall Risk Management

1. Risk Management System

JFM adopts an integrated risk management approach to respond to various risks, while pursuing for a higher level of risk analysis and management.

Accordingly, JFM has developed a system for appropriate risk management, including the establishment of the Integrated Risk Management Committee, which supervises JFM's overall risk management, and the Risk Management Office to ensure comprehensive risk management. Risk management can then be appropriately reflected in management decisions.

Risk Management System



2. Characteristics of JFM's Risks

JFM lends to local governments with the maximum maturity of 40 years while JFM raises funds primarily by issuing 10-year bonds. Among other risks, JFM considers the interest rate risk associated with bond refinancing as its major risk (the risk of the negative margin caused by the interest payable exceeding the interest receivable).

To address such interest rate risk, JFM maintains reserves for interest rate fluctuations (the Reserve for Interest Rate Volatility) and has set up the ALM Committee to comprehensively analyze and manage JFM's assets and liabilities in a timely and appropriate manner.

The ALM Committee conducts medium-term and long-term management and risk analysis through scenario analysis, VaR analysis, duration analysis, and other analyses. JFM reflects the findings in its bond issuance plans and other aspects of management and endeavors to lower interest rate risk.

2 Management of Specific Risks

1. Credit Risk

Credit risk is the risk of loss arising from deterioration in the financial condition of a borrower and other situations, which could cause an asset to lose value or become worthless. Loans and financial transactions involve credit risk.

1) Credit risk associated with loans

JFM lends exclusively to local governments. Local government bonds and loans have a zero risk weighting under the regulations of the Bank for International Settlements (as of 31 March 2020). For the reasons outlined below, JFM believes it is unlikely that any of its borrowers will default those loans. In fact, JFM and its Predecessor have never experienced any loan losses.

- Financial sources for the payment of the principal and interest of local government bonds and loans are secured through the following mechanisms. First, local governments can obtain local tax revenues pursuant to their right to impose tax. Second, in addition to such local tax revenues, Local Allocation Tax grants are allocated as follows: (i) the national government includes certain local government debt servicing costs, i.e., expenditures for the payment of the principal and interest of certain local government bonds and loans including those issued or borrowed with consents or approvals, in the amount of “expenditures” in the Local Government Finance Programme formulated by the national government; and (ii) the total amount of Local Allocation Tax grants is calculated so that the total amount of local government expenditures, including such debt servicing costs, is equivalent to the total amount of the local government revenues, in the Local Government Finance Programme. Thus, the national government effectively secures revenue sources for the payment of principal and interest of such local governments bonds and loans in terms of the total amount. When calculating the amount of Local Allocation Tax grants to be allocated to an individual local government, a part of the “expenditures” for the payment of the principal and interest of such local government bonds and loans are included.
- Before issuing a loan, JFM checks the financial and operational status of the local government, including its debt servicing costs, tax revenues and necessary funds. In addition, when reviewing the ability of a local government to repay the loan, where such local government’s expenditures exceed the revenue generated by local taxes, JFM takes into account the Local Allocation Tax grants from the national government described above.
- The Early Correction Measure requires certain local governments, such as those whose debt servicing costs or financial deficits exceed specified levels, to obtain approval from the Minister for Internal Affairs and Communications or their respective prefectural governors in cases where they issue additional bonds or borrow additional loans. In addition, local governments whose fiscal indicators exceed certain early warning limits must make their own efforts toward achieving fiscal soundness, and local governments whose fiscal indicators exceed certain “reconstruction limits” must take necessary actions to restore fiscal soundness under the oversight of the national government with regard to redemption of local government bonds and loans, and other operations. This system facilitates the maintenance of the credit standing of local government bonds and loans.

As of 31 March 2020, JFM’s total outstanding loans stood at USD 215.3 billion. The amount of loans outstanding made to local governments whose fiscal indicators exceeded the early warning limits or the reconstruction limits accounted for less than 0.03 % in aggregate of total loans outstanding as of 31 March 2020.

2) Credit risk associated with market transactions

JFM is, however, exposed to the risk of loss arising from credit events, such as deterioration in the financial condition of a counterparty, which causes an asset to lose value or become worthless. JFM works to appropriately manage credit risk of this type by constantly monitoring counterparties’ financial standings and taking measures including suspension of new deals and cancellation of transactions with counterparties that have come to poor credit standings. Moreover, JFM limits counterparties to financial institutions that meet the credit rating and other criteria, and conducts transactions within the credit lines for each counterparty in order to diversify risks.

In addition, JFM entered into the ISDA (International Swaps and Derivatives Association) Master Agreements and the CSA (Credit Support Annex) with its derivatives counterparties to reduce the credit risk resulting from fluctuations in the value of derivative transactions.

2. Market Risk

Market risk is the risk of losses resulting from changes in the value of assets and liabilities due to fluctuations in risk factors such as interest rates, securities prices and foreign exchange rates, or the risk of loss resulting from changes in earnings generated from assets and liabilities. Market risk includes interest rate risk, foreign exchange risk, inflation risk and price fluctuation risk.

1) Interest rate risk

- Interest rate risk associated with bond refinancing

JFM is exposed to the interest rate risk resulting from a duration gap between lending and funding. To address such risk, JFM takes measures described on page 49.

- Interest rate risk associated with a gap in lending and funding schedules

JFM generally raises funds required to finance a loan by issuing bonds prior to the loan disbursements. Proceeds from bond issuances may not be earmarked for a particular loan. Thus, fluctuations in interest rates in the period where lending and funding schedules differ affect the profitability of loans ("pipeline" risk). In order to hedge against pipeline risk, JFM utilizes interest rate swaps.

Managing interest rate risk associated with bond refinancing

- JFM maintains reserves to prepare for interest rate risk associated with bond refinancing. At the end of fiscal 2019, the total amount of the reserves stood at USD 25.8 billion, which consisted of USD 20.2 billion in the general account and USD 5.6 billion in the management account.

- As assets and liabilities in the general account are expected to expand as a result of an increase in loans and fund-raising, JFM carries out an ALM analysis of this account in order to further enhance the effectiveness of its interest rate risk management. Furthermore, JFM has established a medium-term management target of 5 years from fiscal 2018, in which the duration gap is maintained below 2 years. In order to implement the management target, JFM takes the following measures:

- (1) Controlling lending duration – Lending rates for loans for temporary financial countermeasures funding, which account for approximately one third of JFM's outstanding loans in the general account, are revised every 5 years or 10 years depending on the loans. In addition, JFM will revise its lending rate by the 30th year at the latest for its loans with maturities longer than 30 years.

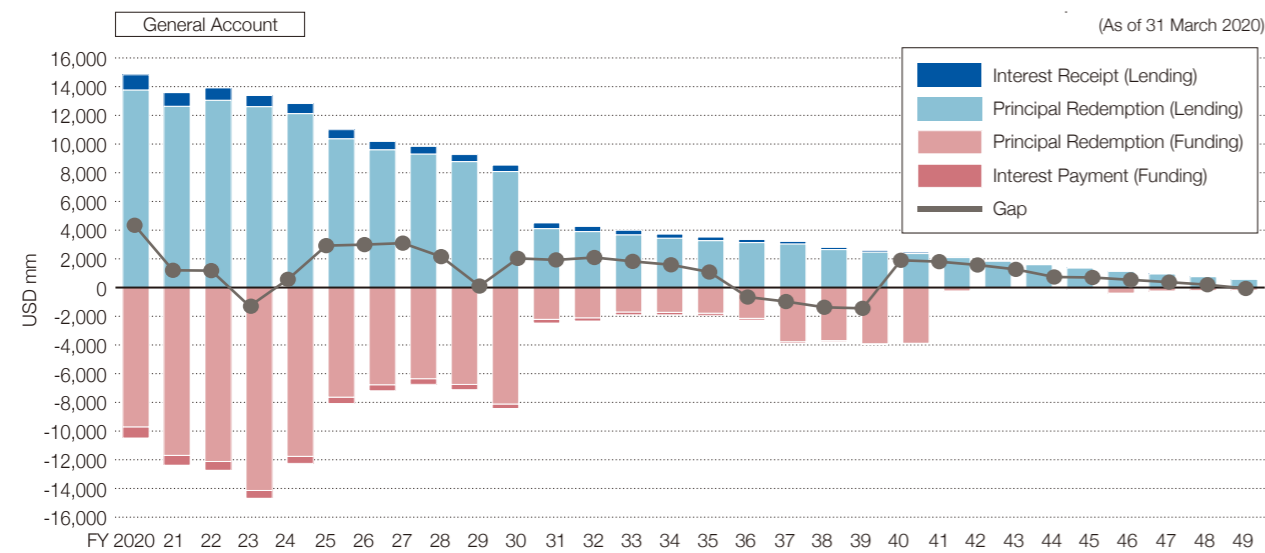
- (2) Extending funding duration – Utilizing its FLIP and Open Issuance scheme, JFM aims to extend the funding duration by carefully choosing maturities of bonds to be issued e.g., continuously issuing long-dated bonds with maturities over 10 years.

- At the end of fiscal 2019, the duration gap in the general account was 0.68 years, staying within the management target.

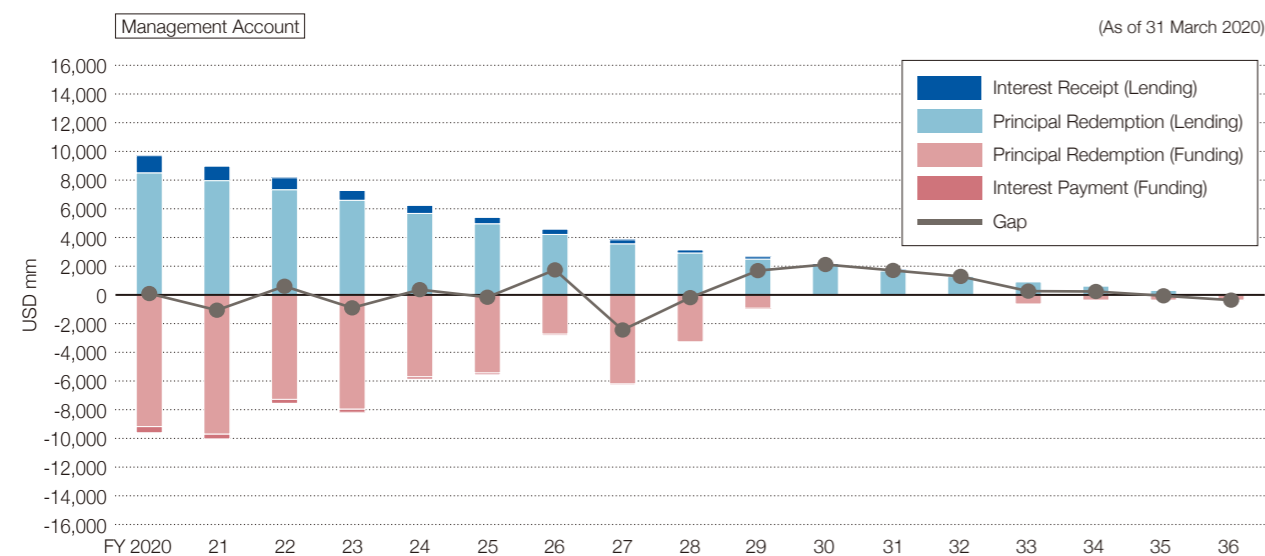
- In the management account, which manages assets transferred from the Predecessor, JFM maintains USD 5.6 billion of the management account reserve for interest rate volatility as described above. As no new lending from the management account has been made since October 2008, JFM expects that the interest rate risk in the management account will decline overall as the size of the account declines over time.

- Pursuant to Article 14 of the Supplementary Provisions of the JFM Law, a portion of JFM's management account reserve for interest rate volatility is being attributed to the Japanese national government over a period of 5 years from fiscal 2020 through fiscal 2024, with the aim of transferring up to USD 2.1 billion over this period. Furthermore, it has been also determined that an additional amount of up to USD 13.8 million from fiscal 2018 through fiscal 2023 shall be attributed to the government. The amount of transfer is to be within the amount which the Minister for Internal Affairs and Communications and the Minister of Finance deem as an amount exceeding the requisite amount of reserve necessary for the smooth operation of JFM's management account at the time of transfer and in the future, in light of JFM's financial condition. Even after these transfers, JFM does not expect the transfers to have a material effect on JFM's business, results of operations or financial condition, due primarily to sufficient amount of the reserve for this account.

Maturity Ladder (JFM Loans, Bonds and Bank Loans)



• Lending duration 8.01 years • Funding duration 7.33 years • Duration gap 0.68 years (YoY change: -0.19 years)



• Lending duration 4.99 years • Funding duration 4.13 years • Duration gap 0.86 years (YoY change: -0.05 years)

JFM as a whole
 • Lending duration 7.11 years • Funding duration 6.28 years • Duration gap 0.83 years (YoY change: -0.15 years)

2) Foreign exchange and other risks

Various risks associated with bond principal and interest payments are generally hedged by swap transactions. These risks include foreign exchange risk related to foreign currency denominated bonds and interest rate risk related to floating rate bonds. JFM's investments of surplus funds are exposed to the risk of losses on the sale of securities resulting from price declines and the risk of realized losses on foreign currency denominated deposits resulting from fluctuations in foreign exchange rates. Accordingly, in principle, JFM reduces the price fluctuation risk by holding investments until maturity and hedges foreign exchange risk by using forward foreign exchange contracts.

3. Liquidity Risk

Liquidity risk is the risk that JFM would incur losses because of difficulty in funding, or because of funding at far higher interest rates than under ordinary conditions. It also includes the risk that JFM would incur losses because of the inability to conduct market transactions or because of transactions at prices far more unfavorable than under normal conditions due to market disruption or other situations. However, JFM's current exposure to liquidity risk is low because loans are made based on a pre-set schedule, and the daily cash and liquidity management is carried out. Moreover, JFM has entered into overdraft agreements with a wide range of financial institutions to prepare for unexpected fund shortfalls, and invests surplus funds only in short-term financial products.

In addition, JFM has implemented a policy to maintain a certain amount of liquid assets so that, in the event of market disruption, JFM may continue to timely make its payments of interest and principal on the bonds and other debt securities.

4. Operational Risk

Operational risk is the risk of loss resulting from inadequate operation processes, inadequate activities by management and staff, and inadequate computer systems, or from external events.

1) Administrative risk

Administrative risk is the risk of loss resulting from the neglect or inadequacy of attention by management and employees to properly conduct administrative work, or from accidents and/or violation of laws caused by them in the course of the administrative work process. JFM endeavors to mitigate its exposure to administrative risk by preparing operational manuals, holding educational seminars and training sessions, and reducing operational workload through systematization.

2) Systems risk

Systems risk is the risk of the confidentiality, integrity and availability of information assets being impaired as a result of computer system inadequacies or the fraudulent use of computer systems. JFM has established and implemented the Systems Risk Management Policy and the Systems Risk Management Standard to appropriately manage systems risk and ensure smooth business operations.

5. Contingency Measures

JFM has prepared the Contingency Plan to minimize the scope of losses and the impact on operations and restore normal operations promptly and efficiently in the event that computer systems break down or cannot be used due to unexpected incidents, disasters or malfunctions. Furthermore, in order to prepare for a contingency, JFM has a backup server outside JFM so that its business operations can be continued.

1 Basic Policy

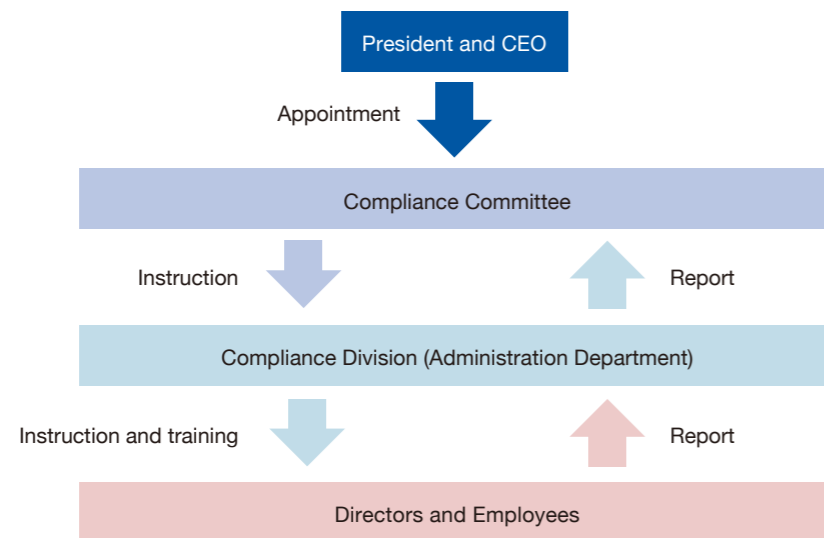
JFM has prepared the Compliance Rules to ensure that operations are conducted in accordance with laws and regulations and indicate what actions management and staff should take when a breach of laws or regulations is identified. The rules include the following basic policy on compliance.

- Management and employees must be aware of JFM's social responsibility and public mission and realize that a breach of laws or regulations would cause a great hindrance to JFM's business operations, such as a loss in credibility of JFM as a whole. Management and staff must also observe laws and regulations and fulfill their duties with integrity and fairness.
- Management and employees must strive to earn the trust of society by appropriately disclosing information on JFM's operations.

2 Compliance System

Based on the Compliance Rules, JFM has established the Compliance Committee. JFM's deputy president serves as the chairman of the committee, with senior executive directors and department heads serving as committee members. The committee deliberates on important compliance issues, such as the formulation, revision and abolition of compliance-related rules and regulations and the preparation of guidelines and action plans for compliance. JFM has also established the compliance division to oversee compliance arrangements. This unit deploys compliance-based initiatives (providing system guidance and training or producing manuals) in keeping with the committee's guidelines.

Compliance System



1 Basic Stance on Information Disclosure

From the viewpoint of investor protection, JFM strives to ensure the transparency of JFM's management by disclosing information on its financial conditions and other relevant information.

2 Materials for Disclosure

The following materials are available on JFM's website (www.jfm.go.jp/en/).

1. Materials for Disclosure Pursuant to Laws and Regulations

- Financial statements
- Business reports and statement of accounts (in Japanese only)
- Explanatory documents based on Article 36, Paragraph 3 of the JFM Law (Documents corresponding to annual securities reports specified in the Financial Instruments and Exchange Act and the Internal Control Report) (in Japanese only)

2. Other Documents for Disclosure

- Budgets, business plans, funding plans, and medium-term plans on income and expenditures
- Management plan
- Funding plan
- Brochure
- Annual Report
- JFM News magazine
- JFM Green Bond



Website (<http://www.jfm.go.jp/en/>)



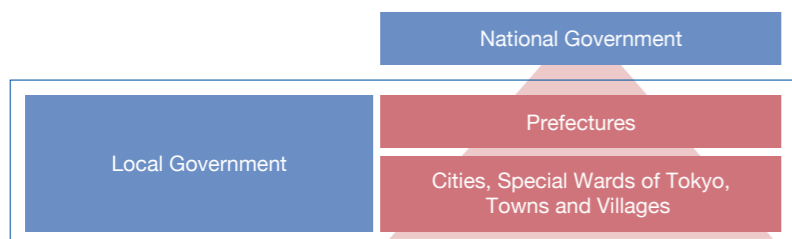
Annual Report

1 Japanese Local Government System

Local governments are responsible for extensive areas of public administration for the welfare of citizens.

While the national government focuses on administrative affairs for the state as a member of the international community, local governments engage in administration that relates to the daily lives of citizens. Local governments are responsible for social welfare, education, fire defense, and infrastructure such as road and waterways.

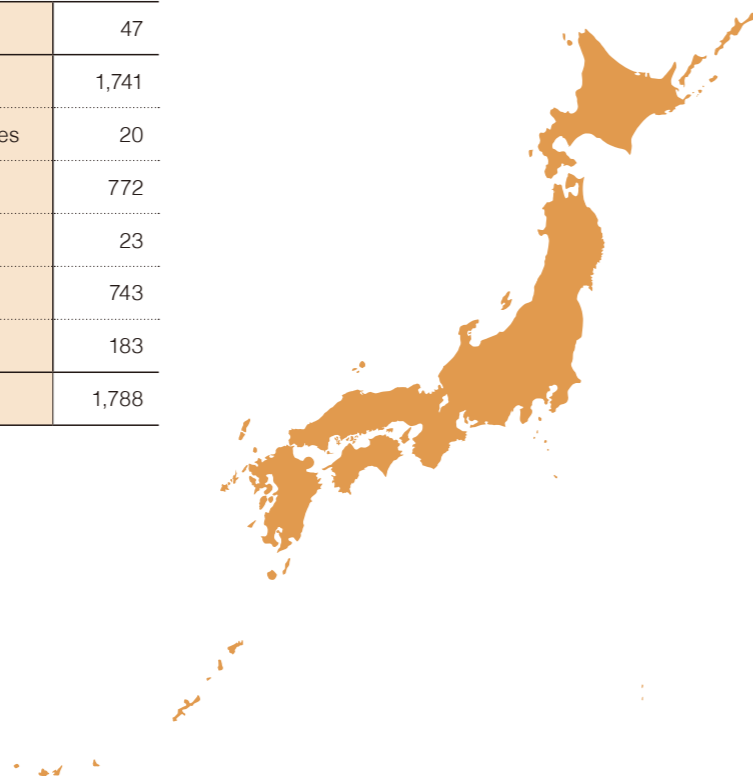
The Japanese local government system adopts a two-tier system with prefectures serving broader geographic areas, and cities, special wards of Tokyo, as well as government-designated cities, towns and villages providing local services.



Number of Japanese Local Governments

Prefectures	47
Cities, special wards of Tokyo, etc.	1,741
Government-designated cities	20
Cities	772
Special wards of Tokyo	23
Towns	743
Villages	183
Total	1,788

(As of 1 April 2020)



2 Local Government Finance Programme

Each local government is unique in terms of its natural and historic situations, industrial structures, population sizes, and other attributes. As a result, each local government handles diverse administration. The term “local government finance” collectively refers to funding for individual local governments engaging in such administration. Just as with national finance, local government finance plays a major role in the nation’s economy and the lives of citizens. In fiscal 2020, local government finance will total JPY 91.7 trillion (USD 843.6 billion) (based on the Local Government Finance Programme (the “LGFP”).

Because local governments engage in numerous activities that closely relate to residents, they need to provide stable public services regardless of regional differences stemming from varying populations, industry densities, and/or tax revenue fluctuations over years. Accordingly, the national government formulates the LGFP each fiscal year based on assessments of the scales of local government finance and forecasts of overall revenues and expenditures. In response to annual national budget plans, the national government balances the total amount of local government revenues and expenditures in the LGFP. Under this Programme, revenue sources for all local governments, including Local Allocation Tax grants as well as bonds and loans to be issued or borrowed, are secured so that local governments can ensure uniform public service standards.

Local Government Finance Programme (Initial Plan for FY2020)

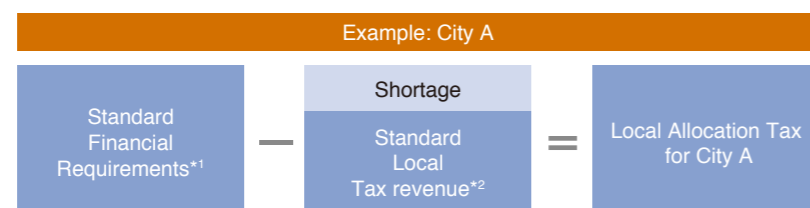
Annual Expenditure (USD 843.6 bn)	Annual Revenue (USD 843.6 bn)
- Social Welfare - Education - Fire Defense - Infrastructure, etc.	Local Tax USD 401.1 bn
	Local Allocation Tax USD 158.2 bn
	Local Government Bonds and Loans USD 85.6 bn
	Others USD 199.6 bn

Note: The above programme includes Great East Japan Earthquake related budgets.

3 Local Allocation Tax

Local governments would ideally cover the expenditures necessary to provide public services with their local tax revenues. In reality, however, tax revenues are distributed unevenly. In order to adjust disparities and secure funds for local governments that have low tax revenues, the national government distributes Local Allocation Tax, which comprises certain percentages of national taxes, including personal and corporate income taxes and consumption taxes. Local Allocation Tax is an important source of funds for local governments to maintain an appropriate level of public services.

Local Allocation Tax System



Notes: 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 taxation rights in Japan, but there are regional imbalances in tax revenues.

4 Local Government Borrowings

Local government borrowings are bonds and loans to be issued by local governments for securing necessary external funds, and mature no earlier than the first fiscal year. In principle, a local government should cover expenditures with its revenues other than local government borrowings. However, local governments can finance through borrowings in the case that it is desirable to share costs with future residents such as for constructions of facilities, or that large temporary expenses are required due to disasters.

5 Security of Local Government Borrowings

The following framework secures principal and interest payments of local government borrowings. On the back of this framework, the BIS risk weighting for local government borrowings is 0%, based on the standardized approach (as of 31 March 2020).

1) Secured funds for repayments of local government borrowings

The national government effectively secures revenue sources for repayments of local government borrowings from both macro and micro perspectives.

- (i) Local tax revenues are secured by taxation rights of local governments.
- (ii) The national government includes repayments of local government borrowings (i.e., principal and interest payments) in the amount of expenditures in the LGFP.
- (iii) The total amount of Local Allocation Tax grants is set aside so that the total amount of local government expenditures, including the principal and interest payments, is equivalent to the total amount of local government revenues in the LGFP.
- (iv) In the calculation of Local Allocation Tax grants to be allocated to an individual local government, a portion of the principal and interest payments are included in the Standard Financial Requirements of an individual local government.

Note: In (ii), (iii) and (iv) above, only the local government borrowings to which the consent or approval has been given are covered.

2) Issuance restriction

Local governments with a real debt payment ratio of 18% or higher, or those with a real deficit ratio exceeding specified levels, are restricted from additional borrowings under the Local Government Finance Law.

3) Supervision of financial soundness

The Law Relating to the Financial Soundness of Local Governments of Japan, which was promulgated in June 2007, requires local governments to fulfill the following measures in order to securely manage their fiscal soundness:

- (i) Specified fiscal indicators to be disclosed
- (ii) Local governments with those fiscal indicators exceeding certain early warning limits to restore fiscal soundness through their own efforts
- (iii) Local governments with those fiscal indicators exceeding certain reconstruction limits to take necessary actions under the supervision of the national government or the respective prefectural governments, in order to restore their fiscal soundness

6 Local Government Borrowing Programme

The LGBP is an annual plan that the national government prepares for local government funding. The LGBP is closely linked to the national government budget-making. The LGBP plays the following crucial roles in terms of local government finance.

1) Consent (approval) based on the LGBP

The LGBP specifies the total scheduled amount of local government borrowings including the amount by business type. Typically, the consent or approval for local government borrowings is given based on the LGBP.

2) Secured funding sources for local government borrowings

The national government balances the amount of local government funding needs and the amount of funding sources, and specifies funding sources for each business under the LGBP.

3) Guideline for local government borrowings

The LGBP is published as well as local financial plan which specifies the guideline for each business on local government borrowings.

7 JFM Funds in Local Government Borrowing Programme

The sources for local government funding are classified into national government funds, JFM funds and private funds.

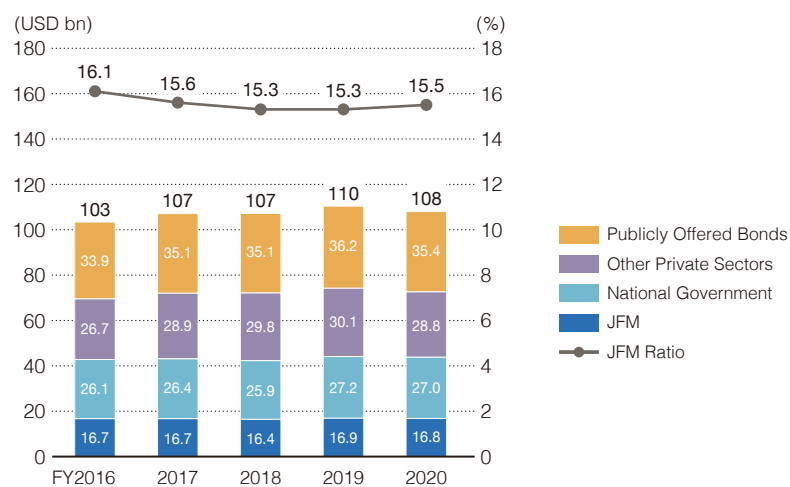
Local Government Borrowing Programme

		FY2019	FY2020	Share
Private Funds	Publicly Offered Bonds	USD 36 bn	USD 35 bn	33%
	Other Private Sectors	USD 30 bn	USD 29 bn	27%
Public Funds	JFM	USD 17 bn	USD 17 bn	15%
	National Government	USD 27 bn	USD 27 bn	25%
Total		USD 110 bn	USD 108 bn	100%

Note: The figures above are the planned numbers originally published by the Ministry of Internal Affairs and Communications and not the actual numbers.

Since fiscal 2016, JFM funds have accounted for around 15–16% of the LGBP. JFM plays a major role in Japanese local government finance, making a substantial contribution to project implementation and financial management of local governments.

LGBP Volume by Funding Source (Initial Plan)



Source: The Ministry of Internal Affairs and Communications

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Balance Sheets

As of 31 March 2019 and 2020

(Millions of yen) (Thousands of U.S. dollars)

Item	Fiscal 2018 (31 March 2019)		Fiscal 2019 (31 March 2020)		Item	Fiscal 2018 (31 March 2019)		Fiscal 2019 (31 March 2020)	
	Amount		Amount			Amount		Amount	
Assets					Liabilities				
Loans (Note 3)	¥23,503,092	¥23,399,615	\$215,267,851		Bonds (Notes 7 and 8)	¥20,392,179	¥20,013,462	\$184,116,493	
Securities (Note 17)	180,000	365,500	3,362,466		Borrowed money (Note 9)	128,000	203,000	1,867,525	
Cash and bank deposits	870,480	557,437	5,128,216		Cash collateral received for financial instruments	27,630	58,073	534,250	
Cash collateral paid for financial instruments	22,847	12,391	113,993		Other liabilities	6,261	5,040	46,366	
Other assets	8,859	7,881	72,508		Reserve for bonuses (Note 10)	57	58	535	
Tangible fixed assets (Note 6)	2,884	2,777	25,549		Reserve for bonuses for directors and corporate auditors (Note 10)	10	10	96	
Intangible fixed assets (Note 6)	1,035	1,097	10,098		Reserve for retirement benefits (Notes 10 and 13)	52	62	572	
					Reserve for retirement benefits for directors and corporate auditors (Note 10)	24	32	295	
					Fund for lending rate reduction	920,287	920,287	8,466,307	
					Basic fund for lending rate reduction (Note 12)	920,287	920,287	8,466,307	
					Reserves under special laws	2,819,505	2,822,777	25,968,515	
					Reserve for interest rate volatility (Note 11)	2,200,000	2,200,000	20,239,190	
					Management account reserve for interest rate volatility (Note 11)	597,076	605,607	5,571,370	
					Reserve for interest rate reduction	22,429	17,169	157,955	
					Total liabilities	24,294,008	24,022,803	221,000,954	
					Net Assets				
					Capital	16,602	16,602	152,733	
					Retained earnings	212,616	238,383	2,193,044	
					General account surplus reserve	212,616	238,383	2,193,044	
					Valuation, translation adjustments and others	8,163	11,101	102,129	
					Management account surplus reserve	57,808	57,808	531,821	
					Total net assets	295,191	323,896	2,979,727	
Total assets	¥24,589,199	¥24,346,700	\$223,980,681		Total liabilities and net assets	¥24,589,199	¥24,346,700	\$223,980,681	

See notes to financial statements.

Statements of Income

(For the years ended 31 March 2019 and 2020)

(Millions of yen) (Thousands of U.S. dollars)

Item	Fiscal 2018 (1 April 2018 to 31 March 2019)		Fiscal 2019 (1 April 2019 to 31 March 2020)	
	Amount		Amount	
Income	¥318,863	¥289,727	\$2,665,385	
Interest income	313,785	282,623	2,600,028	
Fees and commissions	93	87	805	
Other operating income	21	8	78	
Other income	4,962	7,008	64,474	
Contributions from fund for lending rate reduction (Note 12)	4,949	6,996	64,361	
Others	12	12	113	
Expenses	179,428	160,663	1,478,049	
Interest expenses	172,436	154,271	1,419,241	
Fees and commissions	300	299	2,752	
Other operating expenses	3,270	2,926	26,923	
General and administrative expenses	3,397	3,166	29,133	
Other expenses	23	-	-	
Ordinary income	139,434	129,063	1,187,336	
Special gains	406,190	105,259	968,349	
Reversal of management account reserve for interest rate volatility (Note 11)	400,064	100,000	919,963	
Reversal of reserve for interest rate reduction	6,125	5,259	48,386	
Special losses	522,445	208,555	1,918,633	
Loss on disposal of fixed assets	-	23	219	
Provision for management account reserve for interest rate volatility (Note 11)	122,381	108,531	998,451	
Payment to national treasury (Notes 4 and 11)	400,064	100,000	919,963	
Net income	¥23,179	¥25,767	\$237,052	

See notes to financial statements.

Statements of Appropriation of Profit [General account]

(For the year ended 31 March 2019)

(Millions of yen)

1 Profit available for appropriation		¥23,179	
Net income	¥23,179		
Accumulated deficit brought forward	-		
2 Profit appropriated			
Surplus reserve	23,179		23,179

Statements of Appropriation of Profit [General account]

(For the year ended 31 March 2020)

(Millions of yen)

1 Profit available for appropriation		¥25,767	
Net income	¥25,767		
Accumulated deficit brought forward	-		
2 Profit appropriated			
Surplus reserve	25,767		25,767

(Thousands of U.S. dollars)

1 Profit available for appropriation		\$237,052	
Net income	\$237,052		
Accumulated deficit brought forward	-		
2 Profit appropriated			
Surplus reserve	237,052		237,052

Notes: 1. Profit was appropriated at the end of the fiscal year in accordance with the provisions of Article 39, Section 1 of the Japan Finance Organization for Municipalities Law (Law No. 64, 2007; hereinafter the "Law").
2. Surplus reserve appropriated was posted as general account surplus reserve on the balance sheets.

See notes to financial statements.

Statements of Appropriation of Profit [Management account]

(For the year ended 31 March 2019)

(Millions of yen)

1 Profit available for appropriation		¥-	
Net income	¥-		
Accumulated deficit brought forward	-		
2 Profit appropriated			
Surplus reserve	-		-

Statements of Appropriation of Profit [Management account]

(For the year ended 31 March 2020)

(Millions of yen)

1 Profit available for appropriation		¥-	
Net income	¥-		
Accumulated deficit brought forward	-		
2 Profit appropriated			
Surplus reserve	-		-

(Thousands of U.S. dollars)

1 Profit available for appropriation		\$-	
Net income	\$-		
Accumulated deficit brought forward	-		
2 Profit appropriated			
Surplus reserve	-		-

See notes to financial statements.

Statements of Changes in Net Assets

(For the year ended 31 March 2019)

(Millions of yen)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account surplus reserve	Total retained earnings				
Balance as of 1 April 2018	¥16,602	¥191,890	¥191,890	¥208,492	¥5,268	¥53,666	¥267,427
Cumulative effects of error correction (Note 19)	-	(2,453)	(2,453)	(2,453)	-	4,142	1,688
Balance at the beginning of current period after retrospective adjustment for error correction	16,602	189,436	189,436	206,038	5,268	57,808	269,116
Changes during accounting period							
Net income	-	23,179	23,179	23,179	-	-	23,179
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	2,895	-	2,895
Net changes during accounting period	-	23,179	23,179	23,179	2,895	-	26,074
Balance as of 31 March 2019	¥16,602	¥212,616	¥212,616	¥229,218	¥8,163	¥57,808	¥295,191

(For the year ended 31 March 2020)

(Millions of yen)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account surplus reserve	Total retained earnings				
Balance as of 1 April 2019	¥16,602	¥212,616	¥212,616	¥229,218	¥8,163	¥57,808	¥295,191
Changes during accounting period							
Net income	-	25,767	25,767	25,767	-	-	25,767
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	2,937	-	2,937
Net changes during accounting period	-	25,767	25,767	25,767	2,937	-	28,704
Balance as of 31 March 2020	¥16,602	¥238,383	¥238,383	¥254,985	¥11,101	¥57,808	¥323,896

(For the year ended 31 March 2020)

(Thousands of U.S. dollars)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account surplus reserve	Total retained earnings				
Balance as of 1 April 2019	\$152,733	\$1,955,992	\$1,955,992	\$2,108,725	\$75,106	\$531,821	\$2,715,652
Changes during accounting period							
Net income	-	237,052	237,052	237,052	-	-	237,052
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	27,023	-	27,023
Net changes during accounting period	-	237,052	237,052	237,052	27,023	-	264,075
Balance as of 31 March 2020	\$152,733	\$2,193,044	\$2,193,044	\$2,345,777	\$102,129	\$531,821	\$2,979,727

See notes to financial statements.

Statements of Cash Flows

(For the years ended 31 March 2019 and 2020)

(Millions of yen) (Thousands of U.S. dollars)

Item	Fiscal 2018 (1 April 2018 to 31 March 2019)	Fiscal 2019 (1 April 2019 to 31 March 2020)	
	Amount	Amount	
I Cash flows from operating activities			
Net income	¥23,179	¥25,767	\$237,052
Depreciation and amortization	726	606	5,584
Interest income	(313,785)	(282,623)	(2,600,028)
Interest expenses	172,436	154,271	1,419,241
Increase in reserve for bonuses	0	0	4
Increase in reserve for bonuses for directors and corporate auditors	2	0	1
Increase in reserve for retirement benefits	5	9	87
Increase in reserve for retirement benefits for directors and corporate auditors	0	7	71
Decrease in fund for lending rate reduction	(4,949)	(6,996)	(64,361)
Increase/(decrease) in management account reserve for interest rate volatility	122,381	108,531	998,451
Decrease in reserve for interest rate reduction	(6,125)	(5,259)	(48,386)
Net (increase)/decrease in loans	265,147	103,477	951,952
Net increase/(decrease) in bonds	105,848	(380,219)	(3,497,878)
Net increase/(decrease) in borrowed money	(31,500)	75,000	689,972
Interest received	314,710	283,600	2,609,016
Interest paid	(171,555)	(153,475)	(1,411,921)
Others	51,734	43,807	403,017
Net cash provided by/(used in) operating activities	528,254	(33,493)	(308,126)
II Cash flows from investing activities			
Proceeds from redemption of securities	578,000	934,200	8,594,296
Purchases of securities	(588,000)	(1,119,700)	(10,300,828)
Purchases of tangible fixed assets	(91)	(411)	(3,785)
Purchases of intangible fixed assets	(336)	(634)	(5,840)
Net cash used in investing activities	(10,427)	(186,546)	(1,716,157)
III Cash flows from financing activities			
Payment to national treasury	(400,064)	(100,000)	(919,963)
Revenue from contributions made from municipally operated racing	4,949	6,996	64,360
Net cash used in financing activities	(395,114)	(93,003)	(855,603)
IV Effect of exchange rate changes on cash and cash equivalents	-	-	-
V Net increase/(decrease) in cash and cash equivalents	122,712	(313,043)	(2,879,886)
VI Cash and cash equivalents at beginning of year	747,767	870,480	8,008,102
VII Cash and cash equivalents at end of year	¥870,480	¥557,437	\$5,128,216

See notes to financial statements.

Notes to Financial Statements

1. Basis of Presentation

Japan Finance Organization for Municipalities (hereinafter, the "JFM") has prepared financial statements in accordance with the Japan Finance Organization for Municipalities Law (Law No. 64, 2007; hereinafter the "Law"), the ordinances based on the Law and other regulations applicable to the JFM and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Since the JFM does not have any subsidiaries or affiliates, it does not prepare consolidated financial statements. Amounts less than 1 million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of 31 March 2020, the final day of the fiscal year, which was ¥108.70 to U.S. \$1. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

2. Summary of Significant Accounting Policies

(1) Securities

Held-to-maturity securities are carried at amortized cost (straight-line method).

(2) Derivative transactions

Derivative transactions are carried at fair value with changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for hedge accounting.

(3) Depreciation and amortization

(a) Tangible fixed assets

Depreciation of tangible fixed assets is calculated by the straight-line method based on the estimated useful lives and the residual value determined by management. The estimated useful lives of major items are as follows:

Buildings: 23 to 47 years

Others: 2 to 19 years

(b) Intangible fixed assets

Amortization of intangible fixed assets is calculated by the straight-line method based on the estimated useful lives and the residual value determined by management. Software for internal use owned by the JFM is amortized over 5 years.

(4) Deferred assets

Bond issuance costs are expensed in full when incurred.

(5) Translation of assets and liabilities denominated in foreign currencies into Japanese yen

Monetary assets and liabilities denominated in foreign currencies, for which foreign currency swaps or foreign exchange forward contracts are used to hedge the risk of foreign currency fluctuation, are translated at the contracted rate as these swap contracts or the forward contracts qualify for deferral hedge accounting.

(6) Reserves

(a) Reserve for possible loan losses

The JFM has never experienced any loan losses. Accordingly, no reserve for possible loan losses has been maintained.

(b) Reserve for bonuses

The reserve for bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the fiscal year.

(c) Reserve for bonuses for directors and corporate auditors

The reserve for bonuses for directors and corporate auditors is provided for payment of bonuses to directors and corporate auditors, in the amount of estimated bonuses, which are attributable to the fiscal year.

(d) Reserve for retirement benefits

The reserve for retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation and fair value of plan assets at the fiscal year-end. The reserve for retirement benefits and pension expenses are calculated using the simplified method, which assumes the JFM's retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year-end.

(e) Reserve for retirement benefits for directors and corporate auditors

The reserve for retirement benefits for directors and corporate auditors is provided for payment of retirement

benefits to directors and corporate auditors, in the amount deemed accrued at the fiscal year-end based on the internal policies.

(7) Hedge accounting

(a) Hedge accounting method

Interest rate swaps used to hedge the risk of interest rate fluctuations that qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. If swap contracts or forward contracts used to hedge the risk of foreign currency fluctuation qualify for deferral hedge accounting, the foreign currency-denominated assets and liabilities are translated at the contracted rate.

(b) Hedging instruments and hedged items

(i) Hedging instruments . . . Interest rate swaps

Hedged items Bonds and long-term borrowed money

(ii) Hedging instruments . . . Currency swaps

Hedged items Foreign currency-denominated bonds

(iii) Hedging instruments . . . Foreign exchange forward contracts

Hedged items Foreign currency-denominated bank deposits

(c) Hedging policy

The JFM uses hedging instruments as a means of hedging exposure to interest rate risk and foreign exchange risk. Hedged items are identified by each individual contract.

As a means of hedging foreign exchange fluctuation risks associated with the receipt of interest and principal of foreign currency-denominated bank deposits, a foreign exchange forward contract is entered into at the time of each deposit by the JFM.

(d) Assessment of hedge effectiveness

The JFM ensures hedging instruments and hedged items have the same major terms when entering into hedge transactions to offset market fluctuation risks associated with bonds and long-term borrowed money. Accordingly, the JFM deems these to be highly effective and thus does not assess effectiveness. Moreover, a periodic assessment of hedge effectiveness for interest rate swaps and currency swaps and forward contracts that qualify for deferral hedge accounting is omitted when the exceptional accrual method is applied.

(8) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows consist of “Cash and bank deposits” on the balance sheets.

(9) Fund for lending rate reduction

In accordance with the provisions of Article 46, Section 1 of the Law, the JFM has established the fund for lending rate reduction to reserve contributions as stipulated in Article 32-2 of the Local Government Finance Law (Law No. 109, 1948). Also, pursuant to the provisions of Article 46, Section 5 of the Law, income arising from the investment of the fund (hereinafter, “investment income”) is used to reduce interest rates of the loans to municipalities, and if there is any surplus in the investment income after this interest rate reduction process, the surplus amount is added to the fund. Further, pursuant to the provisions of Article 46, Section 6 of the Law, if there is any shortfall after the interest rate reduction process, the shortfall is covered by withdrawal of the fund within the limits of the total of the additional portion to the fund made up to the previous fiscal year and the contributions made in the most current fiscal year.

(10) Reserve for interest rate volatility and management account reserve for interest rate volatility

The reserve for interest rate volatility is set aside to prepare for interest rate risk associated with refinancing of the JFM bonds (excluding the bonds issued by the former Japan Finance Corporation for Municipal Enterprises; hereinafter, the “Predecessor”) pursuant to the provisions of Article 38, Sections 1 and 3 of the Law, and Article 9, Sections 8 and 10 of the Supplementary Provisions of the Law, and is calculated and accounted for based on the provisions of Article 34 of the Ministerial Ordinance on Finance and Accounting of Japan Finance Organization for Municipalities (Ordinance No. 87 of the Ministry of Internal Affairs and Communications, 2008; hereinafter, “Ordinance on Finance and Accounting”) and Articles 22 and 23 of the Government Ordinance on preparation of relevant government ordinances and provisional measures for the abolishment of the Japan Finance Corporation for Municipal Enterprises Law (Government Ordinance No. 226, 2008; hereinafter, “Preparation Ordinance”).

The management account reserve for interest rate volatility is set aside to manage interest rate risk associated with refinancing of bonds issued by the Predecessor pursuant to the provisions of Article 9, Sections 9 and 10, and Article 13, Sections 5 and 7 of the Supplementary Provisions of the Law, and is calculated and accounted for based on the provisions of Articles 1 through 3 of the Ministerial Ordinance on the operations of the Management Account at Japan Finance Organization for Municipal Enterprises (Ordinance No. 2 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2008; hereinafter, “Management Account Operations

Ordinance”) and Articles 3 and 5 of the Supplementary Provisions of the above ordinance.

(11) Reserve for interest rate reduction

Reserve for interest rate reduction is set aside to reduce interest rates on the loans made by the Predecessor to local governments pursuant to the provisions of Article 9, Section 13, and Article 13, Section 8 of the Supplementary Provisions of the Law, and Article 26, Sections 1, 3 and 4 of the Preparation Ordinance, and is calculated and accounted for based on the provisions of Article 5 of the Management Account Operations Ordinance.

(12) Management account surplus reserve

Profits generated in the management account are accounted for as the management account surplus reserve separately from retained earnings in accordance with the provisions of Article 13, Section 8 of the Supplementary Provisions of the Law and Article 26, Section 2 of the Preparation Ordinance.

(13) Consumption taxes

National and local consumption taxes are accounted for using the tax exclusion method.

3. Loans

There are no bankrupt loans, non-accrual loans, past due loans (three months or more), or restructured loans. Since the JFM has never experienced loan losses in the past, it does not record a reserve for possible loan losses.

Bankrupt loans represent loans to borrowers as defined in Article 96, Section 1, Clause 3 (a) through (e) and Clause 4 of the Enforcement Ordinance of the Corporate Income Tax Law (Government Ordinance No. 97, 1965), and on which accrued interest is not accounted in revenue as there is no expectation of collection of either principal or interest because they are past due for a considerable period of time or for other reasons (excluding loans on which bad debts are written off; hereinafter, “Non-accrual loans”).

Non-accrual loans represent loans on which accrued interest is not accounted in revenue, excluding loans to bankrupt borrowers and loans with grace periods for interest payments to assist in corporate reorganization or to support business.

Past due loans (three months or more) represent loans on which payment of principal or interest is in arrears for more than three months, calculated from the day following the contractual due date, excluding bankrupt loans and non-accrual loans.

Restructured loans represent loans, given certain favorable terms and conditions, such as reduction or exemption of interest, grace periods for interest or principal payments, and debt waivers, to assist borrowers in corporate rehabilitation or to support business, excluding bankrupt loans, non-accrual loans and past due loans (three months or more).

4. Payment to the National Treasury of a Portion of the JFM’s Management Account Reserve for Interest Rate Volatility

In accordance with the Supplementary Provisions of the Law, a portion of the JFM’s management account reserve for interest rate volatility is being attributed to the Japanese national government over a period of three years from fiscal 2017 through fiscal 2019, with the aim of transferring up to 900 billion yen over this period.

The Act on Promotion of Private Finance Initiative (Law No. 60, 2018) was amended on 20 June 2018 and it was determined that an amount of up to 230 billion yen of a portion of the JFM’s Management Account Reserve for Interest Rate Volatility would be transferred to the national treasury over a six-year period ending 31 March 2024 for securing funds of the Trust Fund Bureau Fund for exemptions of early redemption charges in relation to concessions of water supply and sewerage businesses.

In fiscal 2018, 400,064 million yen was reversed from the Management Account Reserve for Interest Rate Volatility and the same amount was transferred to the national treasury by the JFM, pursuant to Article 14 of the Supplementary Provision of the Law for fiscal 2018 (Ordinance No. 1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2018).

In fiscal 2019, 100,000 million yen (919,963 thousand U.S. dollars) was transferred to the national treasury by the JFM, pursuant to Article 14 of the Supplementary Provision of the Law for fiscal 2019 (Ordinance No. 4 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2019).

Additional information

In accordance with the Supplementary Provisions of the Law, a portion of the JFM’s management account reserve for interest rate volatility is being attributed to the Japanese national government over a period of five years from fiscal 2020 through fiscal 2024, with the aim of transferring up to 230 billion yen over this period.

In fiscal 2020, 60 billion yen is scheduled to be transferred to the national treasury by the JFM, pursuant to Article 14 of the Supplementary Provision of the Law from fiscal 2020 through fiscal 2024 (Ordinance No. 1 of the Ministry of

Internal Affairs and Communications, and the Ministry of Finance, 2020).

5. Financial Instruments

(1) Status of financial instruments

(a) Policy for financial instruments

In order to maintain a sound and good financial standing as well as the solid confidence of capital markets, which are experiencing increasing volatility and face various risks, such as geopolitical risk, the JFM needs to appropriately manage these risks including interest rate risk.

The JFM adopts an integrated risk management approach to appropriately respond to risks while endeavoring to further advance its risk analysis and management.

Accordingly, the JFM has developed a system for appropriate risk management, including the establishment of the Integrated Risk Management Committee, which supervises the JFM's overall risk management, and the Risk Management Office, which monitors the risks in each department. The content of risk management can then be appropriately reflected in management decisions.

(b) Details and risks of financial instruments

The JFM makes loans to local governments. The maximum term to maturity is 40 years, but the majority of the funds for these loans are raised mainly through issuance of 10-year bonds. Therefore, a large duration gap is created between lending and funding, and the JFM is exposed to the interest rate risk associated with bond and long-term borrowed money refinancing.

The JFM has set aside reserves for interest rate fluctuations (the reserve for interest rate volatility), and has set up the ALM Committee separately from the Integrated Risk Management Committee to comprehensively analyze and manage the JFM's assets and liabilities in a timely and appropriate manner. At the meeting, medium- and long-term management analysis as well as risk analysis and evaluation are conducted through scenario analysis, VaR analysis, and duration analysis, among other methods. In addition, the JFM reflects the findings in its bond issuance plans and other aspects of management and endeavors to reduce interest rate risk.

(c) Risk management for financial instruments

(i) Credit risk

Credit risk is the risk of loss arising from a credit event, such as deterioration in the financial condition of a borrower, which causes an asset to lose value or become worthless. In addition to credit risk associated with loans, market transactions also involve credit risk.

A. Credit risk on loans

The JFM extends loans exclusively to local governments. Local governments have a zero Basel Committee on Banking Supervision risk weighting and the JFM does not expect any default on loans made to local governments for the reasons outlined below. The JFM and the Predecessor have never experienced any loan losses.

- The Japanese national government includes principal and interest payments of local government bonds and loans in the expenditure of the Local Government Finance Program, and secures the total amount of local allocation tax which balances local governments' total expenditures including principal and interest payments, and total revenue. Thus, the national government effectively secures revenue sources for principal and interest payments by local governments. The national government also secures revenue sources for principal and interest payments by individual local governments by including a portion of such principal and interest in the Standard Financial Needs when calculating local allocation tax.
- Under the consultation system for local government bonds and loans, credit reviews must include checks on the repayment status of local governments, and tax revenue and necessary revenue sources to be secured. Additionally, under the Early Warning System, the local governments whose principal and interest payments or financial deficits exceed a certain level must apply for approval to issue bonds or obtain loans, so that the credit standing of local government bonds and loans is maintained.
- Under the Law Relating to the Financial Soundness of Local Governments, which was promulgated in June 2007 (No. 94), local governments whose fiscal indicators exceed the early warning limits must make their own efforts toward achieving fiscal soundness, and local governments whose fiscal indicators exceed the reconstruction limits must take necessary actions to restore their finances under the supervision of the national government or the respective prefectural governments with regard to redemption of local government bonds and loans, and other operations.
- The JFM is not subject to the "Banking Law" (1981, No. 59) or the "Financial Reconstruction Law" (1998, No. 132) but performs self-assessment of loans in accordance with the JFM's internal rules in order to manage risks appropriately.

B. Credit risk on transactions

The JFM is exposed to the risk of loss arising from credit events, such as deterioration in the financial condition of a counterparty, which causes an asset to lose value or become worthless. However, the JFM appropriately manages credit risk of this type by constantly monitoring counterparties' financial standing, taking measures including suspension of new deals and cancellation of transactions in case of a deterioration of their credit standings. Moreover, the JFM limits counterparties to financial institutions that achieve a certain credit rating and other criteria, and conducts transactions within the credit lines for each counterparty in order to diversify risks. In addition, the JFM enters into the ISDA (International Swaps and Derivatives Association) Master Agreements and the CSA (Credit Support Annex) with all derivatives counterparties to reduce credit risk.

(ii) Market risk

Market risk is the risk of loss resulting from changes in the value of assets and liabilities due to fluctuations in risk factors such as interest rates, securities prices and foreign exchange rates, or the risk of loss resulting from changes in earnings generated from assets and liabilities. Market risk includes interest rate risk, foreign exchange risk, inflation risk and price change risk.

A. Interest rate risk

Interest rate risk is the risk of losses incurred or a decrease in profits due to fluctuations in interest rates when there is an interest rate or duration gap between assets and liabilities. The interest rate risk at the JFM includes the interest rate risk associated with bond and borrowed money refinancing and pipeline risk.

-Interest rate risk associated with bond and borrowed money refinancing-

The JFM makes loans to local governments. The maximum term to maturity is 40 years, but the majority of the funds for these loans are raised mainly through issuance of 10-year bonds, which creates interest rate risk associated with bond refinancing. The JFM takes the following measures to address the interest rate risk resulting from a duration gap between lending and funding.

- The JFM maintains necessary reserves to cope with the interest rate risk resulting from a duration gap between lending and funding.
- As assets and liabilities in the JFM's general account will expand as a result of lending to local governments and funding, the JFM carries out an ALM analysis of this account in a timely and appropriate manner to further enhance the effectiveness of its management of interest rate risk. In order to reduce exposure to interest rate risk, the JFM has established a medium-term management target for five years from fiscal 2018, in which the duration gap is to be maintained below approximately two years.
- To achieve its objective, from the viewpoint of controlling the duration on assets (lending), the interest rates for temporary financial countermeasures funding which accounts for approximately 1/3 of the overall outstanding loans in the general account, are revised every 5 or 10 years. In addition, the JFM will revise its lending rate by the 30th year at the latest for its loans with maturities longer than 30 years. And, in terms of funding, the JFM has taken measures to manage the duration on liabilities (bonds and loans) by issuing bonds with maturities longer than 10 years continuously under the ultra-low interest rate circumstances and carefully choosing maturities of bonds to be issued by utilizing its FLIP and Open Issuance scheme.
- The management account, which manages assets related to loans extended by the Predecessor, is exposed to interest rate risk. To address such risk, the JFM contributes to the required reserves for interest rate volatility as described above. In accordance with Article 14 of the Supplementary Provisions of the Law, a portion of the JFM's management account reserve for interest rate volatility is to be transferred to the Japanese national government. The transfer is scheduled to occur over a period of three years from fiscal 2017 through fiscal 2019, with the aim of transferring up to 900 billion yen of which the transfer of 100 billion yen is pursuant to the January 2015 determination, and over a period of six years from fiscal 2018 through fiscal 2023, with the aim of transferring up to 1.5 billion yen for securing funds of the Trust Fund Bureau Fund for exemptions of early redemption charges in relation to concessions of water supply and sewerage businesses. In addition, the transfer is scheduled to occur over a period of five years from fiscal 2020 through fiscal 2024, with the aim of transferring up to 230 billion yen due to the increase in concession amount charged for Forest Environment Concession Tax, which promotes forest maintenance. The amount of transfer is to be within the amount which the Japanese national government deems as an amount exceeding the requisite amount of reserve necessary for the smooth operation of the JFM's management account at the time of transfer and in the future, in light of the JFM's financial condition.

-Pipeline risk-

The JFM is also exposed to pipeline risk, whereby losses would be incurred or profits decreased as a result of interest rate fluctuations during the time from when the JFM raises money until the point at which the money is loaned to local governments. The JFM, in principle, uses swap transactions to hedge against pipeline risk.

B. Foreign exchange and other risks

Various risks associated with bond principal and interest payments are hedged by swap transactions. These risks include foreign exchange risk related to foreign currency-denominated bonds and interest rate risk related to floating rate bonds.

The JFM's investments of surplus funds are exposed to the risk of losses on the sale of securities resulting from price declines and the risk of realized losses on the cancellation of foreign currency-denominated deposits resulting from fluctuations in foreign exchange rates. Accordingly, in principle, the JFM minimizes the risk of price fluctuation by holding investments until maturity, and hedges foreign exchange risk by using foreign exchange contracts.

C. Quantitative information on market risk

Loans, bonds and long-term borrowed money are primarily affected by interest rate risk, which is a major risk variable among the market risks.

With respect to loans, bonds and long-term borrowed money in the general account, the JFM establishes a management target for the duration gap in order to manage interest rate risk appropriately. With regard to the quantitative analysis of interest rate risk, while the JFM does not have a management target for the quantitative figures, it reports the results of calculating the quantitative information to the ALM Committee and tracks the status of the interest rate risk.

With respect to these financial instruments in the general account, based on an assumption that the risk variables, except for interest rate risk, hold steady, for an indicative interest rate that is 10 basis points higher than the actual rate, it is assumed that the fair value of the net amount (assets side), after offsetting such financial instruments with the financial liabilities, would decline by 38,399 million yen and 36,671 million yen (337,368 thousand U.S. dollars) as of 31 March 2019 and 2020, respectively. On the contrary, for an indicative interest rate that is 10 basis points lower than the actual rate, it is assumed that the fair value of the net amount (assets side), after offsetting such financial instruments with the financial liabilities, would increase by 39,013 million yen and 37,215 million yen (342,365 thousand U.S. dollars) as of 31 March 2019 and 2020, respectively.

With respect to loans and bonds in the management account, the JFM raises funds by the issuance of bonds as necessary in order to manage existing loans until their redemption. For this reason, while the JFM reports the calculation results of the quantitative information regarding the interest rate risk to the ALM Committee and confirms the status of interest rate risk as is the case in the general account, the JFM does not establish a management target or use the quantitative analysis for the management account.

With respect to these financial instruments in the management account, based on an assumption that the risk variables, except for interest rate risk, hold steady, for an indicative interest rate that is 10 basis points higher than the actual rate, it is assumed that the fair value of the net amount (assets side), after offsetting such financial instruments with the financial liabilities, would decline by 10,560 million yen and 8,642 million yen (79,506 thousand U.S. dollars) as of 31 March 2019 and 2020, respectively. On the contrary, for an indicative interest rate that is 10 basis points lower than the actual rate, it is assumed that the fair value of the net amount (assets side), after offsetting such financial instruments with the financial liabilities, would increase by 10,692 million yen and 8,742 million yen (80,428 thousand U.S. dollars) as of 31 March 2019 and 2020, respectively.

(iii) Liquidity risk

Liquidity risk is the risk that the JFM would incur losses due to difficulties in securing the necessary funds or the necessity of obtaining funds at far higher interest rates than under normal conditions as a result of a mismatch between the maturities of assets and liabilities or an unexpected outflow of funds (funding liquidity risk). It also includes the risk that the JFM would incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to market disruption or other difficult situations (market liquidity risk).

The JFM's exposure to liquidity risk is extremely low because loans are made to local governments according to a pre-set schedule, and the daily cash and liquidity management is carried out based on a monthly plan for fund management. Moreover, the JFM has entered into overdraft agreements with several financial institutions to prepare for the unexpected events, and invests surplus funds only in short-term financial products.

In addition, the JFM has implemented a plan to secure liquidity support assets in advance in order to prepare for potential market disruption which may prevent the JFM from securing the necessary funds for scheduled bond principal and interest payments.

(iv) Supplemental remarks on fair value of financial instruments

In addition to the amount based on the market price, the fair value of illiquid financial instruments includes a value that has been rationally calculated. Since certain assumptions were made when calculating the fair value, the value may differ in the event that the assumptions change.

(2) Items related to fair value of financial instruments

The book value, fair value and difference between them as of 31 March 2019 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
Loans	¥23,503,092	¥25,369,115	¥1,866,022
Securities held-to-maturity securities	180,000	180,000	-
Cash and bank deposits	870,480	870,480	-
Cash collateral paid for financial instruments	22,847	22,847	-
Total assets	24,576,420	26,442,443	1,866,022
Bonds	20,392,179	21,226,384	834,205
Borrowed money	128,000	130,272	2,272
Cash collateral received for financial instruments	27,630	27,630	-
Total liabilities	20,547,809	21,384,287	836,478
Derivative transactions	-	-	-
Hedge accounting applied	-	-	-
Total of derivative transactions	-	-	-

The book value, fair value and difference between them as of 31 March 2020 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
Loans	¥23,399,615	¥24,901,200	¥1,501,584
Securities held-to-maturity securities	365,500	365,500	-
Cash and bank deposits	557,437	557,437	-
Cash collateral paid for financial instruments	12,391	12,391	-
Total assets	24,334,943	25,836,528	1,501,584
Bonds	20,013,462	20,690,092	676,629
Borrowed money	203,000	204,988	1,988
Cash collateral received for financial instruments	58,073	58,073	-
Total liabilities	20,274,535	20,953,153	678,617
Derivative transactions	-	-	-
Hedge accounting applied	-	-	-
Total of derivative transactions	-	-	-

(Thousands of U.S. dollars)

	Book value	Fair value	Difference
Loans	\$215,267,851	\$ 229,081,880	\$ 13,814,029
Securities held-to-maturity securities	3,362,466	3,362,466	-
Cash and bank deposits	5,128,216	5,128,216	-
Cash collateral paid for financial instruments	113,993	113,993	-
Total assets	223,872,526	237,686,555	13,814,029
Bonds	184,116,493	190,341,234	6,224,741
Borrowed money	1,867,525	1,885,820	18,295
Cash collateral received for financial instruments	534,250	534,250	-
Total liabilities	186,518,268	192,761,304	6,243,036
Derivative transactions	-	-	-
Hedge accounting applied	-	-	-
Total of derivative transactions	-	-	-

Note 1. Method for calculating fair value of financial instruments and items related to marketable securities and derivative transactions

Assets

(1) Loans

The fair value of loans is calculated by discounting future cash flows assuming prepayment at the discount rate calculated using the Japanese government bond rates as of 31 March 2019 and 2020.

(2) Securities

All bonds are held until maturity, and the fair value of treasury discount bills is the market price.

Since all negotiable certificates of deposit are short-term, the fair value approximates the book value. As a result, the book value is deemed to be the fair value.

(3) Cash and bank deposits

The book value is used as the fair value for deposits without maturities. Since all deposits with maturities are short-term, the fair value approximates the book value. As a result, the book value is deemed to be the fair value.

(4) Cash collateral paid for financial instruments

Cash collateral is associated with derivative transactions. The book value is used as the fair value of cash collateral paid for financial instruments since both values are approximately equal as a result of each deposit period being short term.

Liabilities

(1) Bonds

The fair value of bonds issued by the JFM that have a market price is based on the market price. The fair value of bonds without a market price is calculated by discounting the future cash flows using the interest rate that would be applied when issuing similar bonds with the same total principal and interest and payment term.

Deferral hedge accounting is used for currency swaps, and the fair value of foreign currency-denominated bonds is thus calculated using the total of the fair value of that bond and the fair value of the swap transaction.

Hedge accounting is used for interest rate swaps, and the fair value of floating rate bonds is thus calculated by determining the present value using the total of the corresponding interest rate swap accounted for together with the principal and interest and discounting the future cash flows using the interest rate that would be applied when issuing a similar bond.

(2) Borrowed money

The fair value of long-term borrowed money is calculated by discounting the future cash flows using the interest rate that would presumably be applied when issuing bonds with the same total principal and interest and payment term.

On the other hand, the book value is used as the fair value of short-term borrowed money since both values are approximately equal as a result of each loan period being short term.

(3) Cash collateral received for financial instruments

Cash collateral is associated with derivative transactions. The book value is used as the fair value of cash collateral received for financial instruments since both values are approximately equal as a result of each deposit period being short term.

Derivative transactions

Transactions for which hedge accounting is applied

For derivative transactions for which hedge accounting is applied, the contractual amount or the amount equivalent to the principal in the contract under each hedge accounting method as of 31 March 2019 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount		Fair value	Method for calculating fair value
				Of which 1 year or more		
Principal accounting method	Interest rate swap transactions	Bonds Long-term borrowed money	-	-	-	Based on prices provided by the counterparty financial institution
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	¥35,000	¥20,000	(*1)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,474,819	1,436,071	(*2)	
Deferral hedge accounting for foreign exchange contracts	Foreign exchange contracts	Foreign currency-denominated deposits	3,000	-	(*2)	
Total			¥1,512,819	¥1,456,071		

For derivative transactions for which hedge accounting is applied, the contractual amount or the amount equivalent to the principal in the contract under each hedge accounting method as of 31 March 2020 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount		Fair value	Method for calculating fair value
				Of which 1 year or more		
Principal accounting method	Interest rate swap transactions	Bonds Long-term borrowed money	-	-	-	Based on prices provided by the counterparty financial institution
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	¥20,000	¥20,000	(*1)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,612,376	1,335,110	(*2)	
Deferral hedge accounting for foreign exchange contracts	Foreign exchange contracts	Foreign currency-denominated deposits	-	-	(*2)	
Total			¥1,632,376	¥1,355,110	-	

(Thousands of U.S. dollars)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount		Fair value	Method for calculating fair value
				Of which 1 year or more		
Principal accounting method	Interest rate swap transactions	Bonds Long-term borrowed money	-	-	-	Based on prices provided by the counterparty financial institution
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	\$183,993	\$183,993	(*1)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	14,833,266	12,282,529	(*2)	
Deferral hedge accounting for foreign exchange contracts	Foreign exchange contracts	Foreign currency-denominated deposits	-	-	(*2)	
Total			\$15,017,259	\$12,466,522	-	

(*1) Since interest rate swaps for which hedge accounting is applied are accounted for together with the bond being hedged, the fair value is presented together with the fair value of the relevant bond.

(*2) Since currency swaps and foreign exchange contracts for which deferral hedge accounting is applied are accounted for together with the foreign currency-denominated bond or foreign currency-denominated deposit being hedged, the fair value is presented together with the fair value of the relevant hedged item.

Note 2. The repayment schedule for monetary claims and securities with maturities is as follows:

As of 31 March 2019

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years through 10 years	After 10 years through 20 years	After 20 years through 30 years	After 30 years through 40 years
Loans	¥1,763,913	¥1,784,040	¥1,769,220	¥1,709,516	¥1,605,880	¥6,520,793	¥6,648,578	¥1,665,063	¥36,084
Securities held-to-maturity securities	180,000	-	-	-	-	-	-	-	-
Deposits	870,480	-	-	-	-	-	-	-	-

As of 31 March 2020

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years through 10 years	After 10 years through 20 years	After 20 years through 30 years	After 30 years through 40 years
Loans	¥1,803,890	¥1,806,270	¥1,770,897	¥1,681,255	¥1,567,759	¥6,503,382	¥6,555,776	¥1,663,603	¥46,779
Securities held-to-maturity securities	365,500	-	-	-	-	-	-	-	-
Deposits	557,437	-	-	-	-	-	-	-	-

(Thousands of U.S. dollars)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years through 10 years	After 10 years through 20 years	After 20 years through 30 years	After 30 years through 40 years
Loans	\$16,595,125	\$16,617,027	\$16,291,601	\$15,466,928	\$14,422,811	\$59,828,727	\$60,310,734	\$15,304,540	\$430,358
Securities held-to-maturity securities	3,362,466	-	-	-	-	-	-	-	-
Deposits	5,128,216	-	-	-	-	-	-	-	-

Note 3. The repayment schedule for bonds and borrowed money is as follows:

As of 31 March 2019

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years through 10 years	After 10 years through 20 years	After 20 years through 30 years	After 30 years through 40 years
Bonds	¥2,078,327	¥2,072,865	¥2,345,072	¥2,124,677	¥2,332,910	¥6,272,932	¥2,917,863	¥183,000	¥70,000
Borrowed money	10,000	-	1,000	-	86,200	30,800	-	-	-

As of 31 March 2020

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years through 10 years	After 10 years through 20 years	After 20 years through 30 years	After 30 years through 40 years
Bonds	¥2,072,865	¥2,345,072	¥2,124,677	¥2,332,910	¥1,827,159	¥5,897,181	¥3,117,760	¥206,000	¥94,000
Borrowed money	-	1,000	-	86,200	83,400	30,800	1,600	-	-

(Thousands of U.S. dollars)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years through 10 years	After 10 years through 20 years	After 20 years through 30 years	After 30 years through 40 years
Bonds	\$19,069,596	\$21,573,802	\$19,546,255	\$21,461,914	\$16,809,194	\$54,251,898	\$28,682,245	\$1,895,124	\$864,765
Borrowed money	-	9,200	-	793,008	767,249	283,349	14,719	-	-

6. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets as of 31 March 2019 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2018 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2019 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2019	Depreciation and amortization during the year	Balance as of 31 March 2019 (Net book value)
Tangible fixed assets							
Buildings	¥1,185	¥-	¥-	¥1,185	¥476	¥33	¥708
Land	1,659	-	-	1,659	-	-	1,659
Other tangible fixed assets	439	454	0	893	377	85	515
Total tangible fixed assets	3,284	454	0	3,738	853	119	2,884
Intangible fixed assets							
Software	2,930	339	3	3,266	2,353	606	912
Other intangible fixed assets	31	122	30	123	-	-	123
Total intangible fixed assets	¥2,962	¥461	¥33	¥3,389	¥2,353	¥606	¥1,035

Tangible and intangible fixed assets as of 31 March 2020 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2019 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2020 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2020	Depreciation and amortization during the year	Balance as of 31 March 2020 (Net book value)
Tangible fixed assets							
Buildings	¥1,185	¥2	¥-	¥1,187	¥508	¥32	¥679
Land	1,659	-	-	1,659	-	-	1,659
Other tangible fixed assets	893	45	332	606	168	123	438
Total tangible fixed assets	3,738	48	332	3,454	677	155	2,777
Intangible fixed assets							
Software	3,266	658	2,079	1,844	748	451	1,096
Other intangible fixed assets	123	1	123	1	-	-	1
Total intangible fixed assets	¥3,389	¥660	¥2,203	¥1,846	¥748	¥451	¥1,097

(Thousands of U.S. dollars)

Type of assets	Balance as of 1 April 2019 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2020 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2020	Depreciation and amortization during the year	Balance as of 31 March 2020 (Net book value)
Tangible fixed assets							
Buildings	\$10,903	\$24	\$-	\$10,927	\$4,678	\$295	\$6,249
Land	15,270	-	-	15,270	-	-	15,270
Other tangible fixed assets	8,216	423	3,057	5,582	1,552	1,139	4,030
Total tangible fixed assets	34,389	447	3,057	31,779	6,230	1,434	25,549
Intangible fixed assets							
Software	30,048	6,058	19,135	16,971	6,888	4,150	10,083
Other intangible fixed assets	1,135	14	1,134	15	-	-	15
Total intangible fixed assets	\$31,183	\$6,072	\$20,269	\$16,986	\$6,888	\$4,150	\$10,098

7. Assets Pledged as Collateral

Pursuant to the provisions of Article 40, Section 2 of the Law, the JFM's total assets are pledged as general collateral for the JFM bonds in the amount of 20,392,179 million yen and 20,013,462 million yen (184,116,493 thousand U.S. dollars) as of 31 March 2019 and 2020, respectively.

8. Bonds

Bonds as of 31 March 2019 consisted of the following:

(Millions of yen)

Type of bond	Date of issue	Balance as of 1 April 2018	Balance as of 31 March 2019	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 1-118)	6/15/2009-3/18/2019	¥4,792,105	¥5,053,012 (683,910)	0.005 to 1.500	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 1-7)	9/26/2013-2/24/2017	420,086	420,073	0.001 to 0.576	8Y
Government-guaranteed bonds issued by the JFM (domestic) 6-year bonds (Series 5-20)	4/26/2012-10/28/2016	1,130,594	810,455 (290,000)	0.001 to 0.385	6Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 7-10)	6/30/2016-2/26/2018	200,336	200,223	0.001	4Y
Government-guaranteed bonds issued by the JFM (international) Global U.S. dollar bonds (Series 1)	1/13/2011	83,170	83,170 [USD 1,000 million]	4.0	10Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 12-24)	4/22/2013-11/19/2018	160,000	135,000 (30,000)	0.001 to 0.360	5Y
Non-guaranteed bonds issued by the JFM (domestic) 7-year bonds (Series 1)	8/20/2012	20,000	20,000 (20,000)	0.446	7Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 1-118)	6/18/2009-3/22/2019	2,970,000	3,250,000 (245,000)	0.060 to 1.648	10Y
Non-guaranteed bonds issued by the JFM (domestic) 15-year bonds (Series 1-3)	1/31/2013-1/22/2014	50,000	50,000	1.161 to 1.334	15Y
Non-guaranteed bonds issued by the JFM (domestic) 20-year bonds (Series 1-73)	6/25/2009-3/22/2019	1,295,000	1,425,000	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-7)	6/26/2014-10/19/2018	55,000	75,000	0.569 to 1.864	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1)	2/26/2019	-	15,000	0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F17, F19, F20, F22-25, F27-29, F31, F34-F37, F39, F41-F52, F54-F153, F155-F164, F166-F169, F171-F210, F212-F243, F245-F276, F278-F456)	7/23/2009-3/26/2019	2,206,530	2,380,659 (153,500)	0.001 to 2.334	2Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F53, F211, F244)	2/1/2011-7/25/2014	35,000	35,000 (15,000)	Floating rate	9Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 15, 35, 40-45, 47-68)	3/1/2012-3/12/2019	1,257,266	1,340,300 [USD 10,200 million] [AUD 604 million] [NZD 58 million] [EUR 1,080 million]	0.875 to 5.092	3Y to 10Y
Non-guaranteed bonds issued by the JFM (international) (Floater, Series 30, 36, 38, 39)	6/6/2012-7/22/2013	40,376	20,230 [USD 230 million] (10,367)	Floating rate	5Y to 7Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A1-A110)	7/31/2009-3/26/2019	2,480,000	2,630,000 (280,000)	0.069 to 1.53	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B41)	11/24/2015-3/26/2019	159,000	229,500	0.069 to 0.511	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C41)	11/24/2015-3/26/2019	248,500	365,500	0.190 to 1.154	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D36)	4/21/2016-3/26/2019	300,000	450,000	0.190 to 0.778	20Y

Bonds issued by the JFM - Sub-total	-	17,902,966	18,988,125 (1,727,777)	-	-
Government-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 10-year bonds (Series 1-8)	10/16/2008-5/25/2009	562,285	140,000 (140,000)	1.3 to 1.6	10Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 10-year bonds (Series 1-4)	11/25/2008-5/28/2009	139,996	60,000 (60,000)	1.59 to 1.77	10Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1, 2)	1/26/2009-4/30/2009	84,967	84,970	2.07 to 2.29	20Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) Private placements with pension funds for local government officials (Series A1, A2)	4/30/2009-5/26/2009	120,000	120,000 (120,000)	1.69 to 1.73	10Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	907,249	404,970 (320,000)	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 10-year bonds (Series 884-886)	4/17/2008-6/19/2008	221,115	-	1.4 to 1.8	10Y
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 1-5)	6/22/2005-7/18/2007	184,815	184,838	1.6 to 2.2	15Y
Government-guaranteed bonds issued by the Predecessor (international) Euro-sterling bonds (Series 4), Global-yen bonds (Series 5), etc.	8/9/1999-6/25/2008	103,366	28,376 [GBP 150 million] (28,380)	1.9 to 5.75	10Y to 20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 10-year bonds (Series 30)	6/16/2008	49,999	-	1.97	10Y
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 1-25)	7/30/2002-6/16/2008	569,809	569,834	1.03 to 2.58	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004-9/20/2006	189,897	189,903	2.39 to 2.95	30Y
Non-guaranteed bonds issued by the Predecessor (domestic) Bonds with scheduled repayment (Series 1-3)	2/14/2003-6/9/2004	28,300	26,130 (2,170)	1.39 to 2.01	28Y
Non-guaranteed bonds issued by the Predecessor (domestic) Private placements with pension funds for local government officials (Series Special No.29-31)	4/30/2008-7/31/2008	127,000	-	1.59 to 1.91	10Y
Bonds issued by the Predecessor - Sub-total	-	1,474,304	999,082 (30,550)	-	-
Total	-	¥20,284,520	¥20,392,179 (2,078,327)	-	-

- Notes: 1. Pursuant to the provisions of Article 40, Section 2 of the Law, the JFM's total assets are pledged as general collateral for the JFM bonds in the amount of 20,392,179 million yen as of 31 March 2019.
2. Amounts in square brackets under "Balance as of 31 March 2019" for "Government-guaranteed bonds issued by the JFM (international)—Global U.S. dollar bonds (Series 1)," "Non-guaranteed bonds issued by the JFM (international)—(Series 15, 35, 40-45, 47-68)," "Non-guaranteed bonds issued by the JFM (international)—(Floater, Series 30, 36, 38, 39)" and "Government-guaranteed bonds issued by the Predecessor (international)—Euro-sterling bonds (Series 4), Global-yen bonds (Series 5), etc." are denominated in foreign currencies.
3. Amounts in parentheses under "Balance as of 31 March 2019" are to be repaid within one year.
4. Annual schedule of redemption within five years after the fiscal year-end:

Bonds as of 31 March 2020 consisted of the following:

(Millions of yen)					
Type of bond	Date of issue	Balance as of 1 April 2019	Balance as of 31 March 2020	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 1-123)	6/15/2009-1/21/2020	¥5,053,012	¥4,469,844 (652,530)	0.001 to 1.500	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 1-7)	9/26/2013-2/24/2017	420,073	420,059	0.001 to 0.576	8Y
Government-guaranteed bonds issued by the JFM (domestic) 6-year bonds (Series 9-20)	4/25/2013-10/28/2016	810,455	520,315 (200,000)	0.001 to 0.385	6Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 7-10)	6/30/2016-2/26/2018	200,223	200,111 (40,000)	0.001	4Y
Government-guaranteed bonds issued by the JFM (international) Global U.S. dollar bonds (Series 1)	1/13/2011	83,170	83,170 [USD 1,000 million] (83,170)	4.0	10Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 15-26)	4/17/2014-11/22/2019	135,000	125,000 (20,000)	0.001 to 0.230	5Y
Non-guaranteed bonds issued by the JFM (domestic) 7-year bonds (Series 1)	8/20/2012	20,000	-	0.446	7Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 1-130)	6/18/2009-3/23/2020	3,250,000	3,360,000 (360,000)	0.049 to 1.648	10Y
Non-guaranteed bonds issued by the JFM (domestic) 15-year bonds (Series 1-3)	1/31/2013-1/22/2014	50,000	50,000	1.161 to 1.334	15Y
Non-guaranteed bonds issued by the JFM (domestic) 20-year bonds (Series 1-81)	6/25/2009-3/23/2020	1,425,000	1,575,000	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-9)	6/26/2014-10/18/2019	75,000	105,000	0.446 to 1.864	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-2)	2/26/2019-1/28/2020	15,000	30,000	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F14, F16-F17,F24-F25, F27-F29, F31, F35-F37, F41-F43, F45-F52, F54-F69, F71-F73, F75-F85, F87-F90, F92-F93, F95-F98, F100-F112, F115-F139, F141-F153, F155-F164, F166-F169, F171-F210, F212-F243, F245-F276, F278-F513)	7/23/2009-2/28/2020	2,380,659	2,600,288 (81,000)	0.001 to 2.334	2Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F53, F211, F244)	2/1/2011-7/25/2014	35,000	20,000	Floating rate	9Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-45, 47-72)	5/1/2014-2/12/2020	1,340,300	1,517,247 [USD 11,260 million] [AUD 654 million] [NZD 58 million] [EUR 1,580 million] (184,232)	0.05 to 5.092	3Y to 11Y
Non-guaranteed bonds issued by the JFM (international) (Floater, Series 30, 39)	6/6/2012-7/22/2013	20,230	9,863 [USD 100 million] (9,863)	Floating rate	7Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A1-A122)	7/31/2009-3/25/2020	2,630,000	2,510,000 (400,000)	0.069 to 1.530	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B53)	11/24/2015-3/25/2020	229,500	311,500	0.069 to 0.511	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C53)	11/24/2015-3/25/2020	365,500	462,500	0.190 to 1.154	20Y

Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D48)	4/21/2016- 3/25/2020	450,000	590,000	0.190 to 0.778	20Y
Bonds issued by the JFM - Sub-total	-	18,988,125	18,959,899 (2,030,795)	-	-
Government-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 10-year bonds (Series 7-8)	4/15/2009- 5/25/2009	140,000	-	1.4 to 1.5	10Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 10-year bonds (Series 3-4)	4/28/2009- 5/28/2009	60,000	-	1.593 to 1.65	10Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009- 4/30/2009	84,970	84,973	2.07 to 2.29	20Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) Private placements with pension funds for local government officials (Series A1-A2)	4/30/2009- 5/26/2009	120,000	-	1.69 to 1.73	10Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	404,970	84,973	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 1-5)	6/22/2005- 7/18/2007	184,838	184,860 (39,900)	1.6 to 2.2	15Y
Government-guaranteed bonds issued by the Predecessor (international) Euro-sterling bonds (Series 4)	8/9/1999	28,376	-	5.75	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 1-25)	7/30/2002- 6/16/2008	569,834	569,858	1.03 to 2.58	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004- 9/20/2006	189,903	189,909	2.39 to 2.95	30Y
Non-guaranteed bonds issued by the Predecessor (domestic) Bonds with scheduled repayment (Series 1-3)	2/14/2003- 6/9/2004	26,130	23,960 (2,170)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	999,082	968,589 (42,070)	-	-
Total	-	¥20,392,179	¥20,013,462 (2,072,865)	-	-

(Thousands of U.S. dollars)

Type of bond	Date of issue	Balance as of 1 April 2019	Balance as of 31 March 2020	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 1-123)	6/15/2009-1/21/2020	\$46,485,858	\$41,120,921 (6,003,037)	0.001 to 1.500	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 1-7)	9/26/2013-2/24/2017	3,864,518	3,864,394	0.001 to 0.576	8Y
Government-guaranteed bonds issued by the JFM (domestic) 6-year bonds (Series 9-20)	4/25/2013-10/28/2016	7,455,890	4,786,711 (1,839,926)	0.001 to 0.385	6Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 7-10)	6/30/2016-2/26/2018	1,841,985	1,840,950 (367,985)	0.001	4Y
Government-guaranteed bonds issued by the JFM (international) Global U.S. dollar bonds (Series 1)	1/13/2011	765,132	765,132 [USD 1,000 million] (765,132)	4.0	10Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 15-26)	4/17/2014-11/22/2019	1,241,950	1,149,954 (183,993)	0.001 to 0.230	5Y
Non-guaranteed bonds issued by the JFM (domestic) 7-year bonds (Series 1)	8/20/2012	183,993	-	0.446	7Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 1-130)	6/18/2009-3/23/2020	29,898,804	30,910,764 (3,311,868)	0.049 to 1.648	10Y
Non-guaranteed bonds issued by the JFM (domestic) 15-year bonds (Series 1-3)	1/31/2013-1/22/2014	459,982	459,982	1.161 to 1.334	15Y
Non-guaranteed bonds issued by the JFM (domestic) 20-year bonds (Series 1-81)	6/25/2009-3/23/2020	13,109,476	14,489,420	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-9)	6/26/2014-10/18/2019	689,972	965,961	0.446 to 1.864	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-2)	2/26/2019-1/28/2020	137,994	275,989	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F14, F16-F17, F24-F25, F27-F29, F31, F35-F37, F41-F43, F45-F52, F54-F69, F71-F73, F75-F85, F87-F90, F92-F93, F95-F98, F100-F112, F115-F139, F141-F153, F155-F164, F166-F169, F171-F210, F212-F243, F245-F276, F278-F513)	7/23/2009-2/28/2020	21,901,194	23,921,698 (745,170)	0.001 to 2.334	2Y to 40Y
Non-guaranteed bonds issued by JFM (domestic) FLIP bonds (Floater, Series F53, F211, F244)	2/1/2011-7/25/2014	321,987	183,993	Floating rate	9Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-45, 47-72)	5/1/2014-2/12/2020	12,330,273	13,958,123 [USD 11,260 million] [AUD 654 million] [NZD 58 million] [EUR 1,580 million] (1,694,868)	0.05 to 5.092	3Y to 11Y
Non-guaranteed bonds issued by the JFM (international) (Floater, Series 30, 39)	6/6/2012-7/22/2013	186,113	90,736 [USD 100 million] (90,736)	Floating rate	7Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A1-A122)	7/31/2009-3/25/2020	24,195,032	23,091,076 (3,679,853)	0.069 to 1.530	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B53)	11/24/2015-3/25/2020	2,111,316	2,865,685	0.069 to 0.511	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C53)	11/24/2015-3/25/2020	3,362,466	4,254,830	0.190 to 1.154	20Y

Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D48)	4/21/2016-3/25/2020	4,139,834	5,427,783	0.190 to 0.778	20Y
Bonds issued by the JFM - Sub-total	-	174,683,769	174,424,102 (18,682,568)	-	-
Government-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 10-year bonds (Series 7-8)	4/15/2009-5/25/2009	1,287,948	-	1.4 to 1.5	10Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 10-year bonds (Series 3-4)	4/28/2009-5/28/2009	551,978	-	1.593 to 1.65	10Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	781,700	781,727	2.07 to 2.29	20Y
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) Private placements with pension funds for local government officials (Series A1-A2)	4/30/2009-5/26/2009	1,103,956	-	1.69 to 1.73	10Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	3,725,582	781,727	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 1-5)	6/22/2005-7/18/2007	1,700,444	1,700,649 (367,066)	1.6 to 2.2	15Y
Government-guaranteed bonds issued by the Predecessor (international) Euro-sterling bonds (Series 4)	8/9/1999	261,057	-	5.75	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 1-25)	7/30/2002-6/16/2008	5,242,265	5,242,493	1.03 to 2.58	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004-9/20/2006	1,747,043	1,747,099	2.39 to 2.95	30Y
Non-guaranteed bonds issued by the Predecessor (domestic) Bonds with scheduled repayment (Series 1-3)	2/14/2003-6/9/2004	240,386	220,423 (19,963)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	9,191,195	8,910,664 (387,029)	-	-
Total	-	\$187,600,546	\$184,116,493 (19,069,597)	-	-

Notes: 1. Pursuant to the provisions of Article 40, Section 2 of the Law, the JFM's total assets are pledged as general collateral for JFM bonds in the amount of 20,013,462 million yen (184,116,493 thousand U.S. dollars) as of 31 March 2020.
 2. Amounts in square brackets under "Balance as of 31 March 2020" for "Government-guaranteed bonds issued by the JFM (international)—Global U.S. dollar bonds (Series 1)," "Non-guaranteed bonds issued by the JFM (international)— (Series 43-45, 47-72)," "Non-guaranteed bonds issued by the JFM (international)— (Floater, Series 30, 39)" are denominated in foreign currencies.
 3. Amounts in parentheses under "Balance as of 31 March 2020" are to be repaid within one year.
 4. Annual schedule of redemption within five years after the fiscal year-end:

As of 31 March 2019

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Bonds	¥2,078,327	¥2,072,865	¥2,345,072	¥2,124,677	¥2,332,910

As of 31 March 2020

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Bonds	¥2,072,865	¥2,345,072	¥2,124,677	¥2,332,910	¥1,827,159

(Thousands of U.S. dollars)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Bonds	\$19,069,596	\$21,573,802	\$19,546,255	\$21,461,914	\$16,809,194

9. Borrowed Money

Borrowed money as of 31 March 2019 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2018	Balance as of 31 March 2019	Average interest rate (%)	Repayment date
Short-term borrowed money	-	-	-	-
Long-term borrowed money (repayment within 1 year)	¥80,000	¥10,000	0.210	3/9/2020
Long-term borrowed money (excluding repayment within 1 year)	79,500	118,000	0.445	9/27/2021-3/15/2029
Total	¥159,500	¥128,000	-	-

Borrowed money as of 31 March 2020 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2019	Balance as of 31 March 2020	Average interest rate (%)	Repayment date
Short-term borrowed money	-	-	-	-
Long-term borrowed money (repayment within 1 year)	¥10,000	-	-	-
Long-term borrowed money (excluding repayment within 1 year)	118,000	¥203,000	0.324	9/27/2021-3/16/2040
Total	¥128,000	¥203,000	-	-

(Thousands of U.S. dollars)

Classification of borrowed money	Balance as of 1 April 2019	Balance as of 31 March 2020	Average interest rate (%)	Repayment date
Short-term borrowed money	-	-	-	-
Long-term borrowed money (repayment within 1 year)	\$91,996	-	-	-
Long-term borrowed money (excluding repayment within 1 year)	1,085,557	\$1,867,525	0.324	9/27/2021-3/16/2040
Total	\$1,177,553	\$1,867,525	-	-

Notes: 1. Average interest rates are calculated by dividing the total amount of interest paid by the total amount of principal multiplied by repayment years.

2. Annual schedule of repayments within five years after the fiscal year-end:

As of 31 March 2019

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Borrowed money	¥ 10,000	¥-	¥ 1,000	¥-	¥86,200

As of 31 March 2020

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Borrowed money	¥-	¥ 1,000	¥-	¥ 86,200	¥83,400

(Thousands of U.S. dollars)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Borrowed money	\$-	\$9,200	\$-	\$793,008	\$767,249

10. Reserves

Reserves as of 31 March 2019 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2018	Increase during the year	Decrease during the year		Balance as of 31 March 2019
			Intended purpose	Other	
Reserve for bonuses	¥57	¥57	¥57	¥-	¥57
Reserve for bonuses for directors and corporate auditors	8	10	8	-	10
Reserve for retirement benefits	47	16	4	7	52
Reserve for retirement benefits for directors and corporate auditors	24	8	6	1	24

Reserves as of 31 March 2020 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2019	Increase during the year	Decrease during the year		Balance as of 31 March 2020
			Intended purpose	Other	
Reserve for bonuses	¥57	¥58	¥57	¥-	¥58
Reserve for bonuses for directors and corporate auditors	10	10	10	-	10
Reserve for retirement benefits	52	17	0	7	62
Reserve for retirement benefits for directors and corporate auditors	24	8	-	1	32

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2019	Increase during the year	Decrease during the year		Balance as of 31 March 2020
			Intended purpose	Other	
Reserve for bonuses	\$531	\$535	\$531	\$-	\$535
Reserve for bonuses for directors and corporate auditors	94	96	94	-	96
Reserve for retirement benefits	485	163	5	71	572
Reserve for retirement benefits for directors and corporate auditors	224	82	-	11	295

11. Reserve for Interest Rate Volatility

Reserve for interest rate volatility as of 31 March 2019 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2018	Cumulative effects of error correction	Balance at the beginning of current period after retrospective adjustment for error correction	Increase during the year		Decrease during the year		Balance as of 31 March 2019
				Amount provided	Amount withdrawn			
Reserve for interest rate volatility	¥2,200,000	¥-	¥2,200,000	¥-	¥-	¥-	¥2,200,000	
Management account reserve for interest rate volatility	870,453	4,306	874,759	122,381	-	400,064	¥-	597,076
Total	¥3,070,453	¥4,306	¥3,074,759	¥122,381	¥-	¥400,064	¥-	¥2,797,076

Reserve for interest rate volatility as of 31 March 2020 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2019	Increase during the year		Decrease during the year		Balance as of 31 March 2020
		Amount provided	Amount withdrawn			
Reserve for interest rate volatility	¥2,200,000	¥-	¥-	¥-	-	¥2,200,000
Management account reserve for interest rate volatility	597,076	108,531	-	100,000	¥-	605,607
Total	¥2,797,076	¥108,531	¥-	¥100,000	¥-	¥2,805,607

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2019	Increase during the year		Decrease during the year		Balance as of 31 March 2020
		Amount provided	Amount withdrawn			
Reserve for interest rate volatility	\$20,239,190	\$-	\$-	\$-	-	\$20,239,190
Management account reserve for interest rate volatility	5,492,882	998,451	-	919,963	\$-	5,571,370
Total	\$25,732,072	\$998,451	\$-	\$919,963	\$-	\$25,810,560

Note: The “decrease during the year” for the “management account reserve for interest rate volatility” in the amount of 100,000 million yen (919,963 thousand U.S. dollars) consists of the payment to the national treasury in accordance with an ordinance pursuant to Article 14 of the Supplementary Provisions of the Law for fiscal 2019 (Ordinance No. 4 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2019).

12. Fund for Lending Rate Reduction

Fund for lending rate reduction as of 31 March 2019 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2018	Increase during the year		Decrease during the year		Balance as of 31 March 2019
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥920,287	¥4,949	¥-	¥4,949	¥-	¥920,287
Total	¥920,287	¥4,949	¥-	¥4,949	¥-	¥920,287

Fund for lending rate reduction as of 31 March 2020 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2019	Increase during the year		Decrease during the year		Balance as of 31 March 2020
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥920,287	¥6,996	¥-	¥6,996	¥-	¥920,287
Total	¥920,287	¥6,996	¥-	¥6,996	¥-	¥920,287

(Thousands of U.S. dollars)

Classification of fund	Balance as of 1 April 2019	Increase during the year		Decrease during the year		Balance as of 31 March 2020
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	\$8,466,307	\$64,361	\$-	\$64,361	\$-	\$8,466,307
Total	\$8,466,307	\$64,361	\$-	\$64,361	\$-	\$8,466,307

Notes: 1. The “amount of reserve” in the “increase during the year” for the “basic fund for lending rate reduction” represents the payment of the amount stipulated in Article 46, Section 1 of the Law and received in accordance with Article 46, Section 2 of the Law.
 2. The “amount withdrawn” in the “decrease during the year” for the “basic fund for lending rate reduction” represents the payment of the amount reduced in the fund for interest rate reduction pursuant to the provisions of Article 46, Section 6 of the Law.

13. Reserve for Retirement Benefits

As of and for the year ended 31 March 2019

(1) Outline of retirement benefits system

The JFM has a defined benefit plan that contributes to the Corporate Pension Fund and offers lump-sum payments upon retirement of employees and a defined contribution plan. The reserve for retirement benefits and pension expenses are calculated using the simplified method.

(2) Defined benefit plan

(a) Reconciliation of outstanding amounts of reserve for retirement benefits:

Reserve for retirement benefits at the beginning of the fiscal year:	47 million yen
Pension expenses:	16 million yen
Employee retirement benefits paid:	4 million yen
Contributions to the defined benefit plan:	7 million yen
Reserve for retirement benefits at the end of the fiscal year:	<u>52 million yen</u>

(b) Retirement benefit obligation, plan assets, and reconciliation of retirement benefit asset and liability

Funded retirement benefit obligation:	184 million yen
Plan assets:	(171) million yen
Balance:	13 million yen
Unfunded retirement benefit obligation:	39 million yen
Net liability for retirement benefits in the balance sheet:	<u>52 million yen</u>
Reserve for retirement benefits at the end of the fiscal year:	<u>52 million yen</u>
Net liability for retirement benefits in the balance sheet:	<u>52 million yen</u>

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: 16 million yen

As of and for the year ended 31 March 2020

(1) Outline of retirement benefits system

The JFM has a defined benefit plan that contributes to the Corporate Pension Fund and offers lump-sum payments upon retirement of employees and a defined contribution plan. The reserve for retirement benefits and pension expenses are calculated using the simplified method.

(2) Defined benefit plan

(a) Reconciliation of outstanding amounts of reserve for retirement benefits:

Reserve for retirement benefits at the beginning of the fiscal year:	52 million yen	(485 thousand U.S. dollars)
Pension expenses:	17 million yen	(163 thousand U.S. dollars)
Employee retirement benefits paid:	0 million yen	(5 thousand U.S. dollars)
Contributions to the defined benefit plan:	7 million yen	(71 thousand U.S. dollars)
Reserve for retirement benefits at the end of the fiscal year:	<u>62 million yen</u>	<u>(572 thousand U.S. dollars)</u>

(b) Retirement benefit obligation, plan assets, and reconciliation of retirement benefit asset and liability

Funded retirement benefit obligation:	184 million yen	(1,694 thousand U.S. dollars)
Plan assets:	(168) million yen	((1,547) thousand U.S. dollars)
Balance:	15 million yen	(147 thousand U.S. dollars)
Unfunded retirement benefit obligation:	46 million yen	(425 thousand U.S. dollars)
Net liability for retirement benefits in the balance sheet:	<u>62 million yen</u>	<u>(572 thousand U.S. dollars)</u>
Reserve for retirement benefits at the end of the fiscal year:	<u>62 million yen</u>	<u>(572 thousand U.S. dollars)</u>
Net liability for retirement benefits in the balance sheet:	<u>62 million yen</u>	<u>(572 thousand U.S. dollars)</u>

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: 17 million yen (163 thousand U.S. dollars)

14. Net Income by Account

(For the year ended 31 March 2019)

Net income of general account was 23,179 million yen, while there was no net income of management account.

(For the year ended 31 March 2020)

Net income of the general account was 25,767 million yen (237,052 thousand U.S. dollars), while there was no net income of management account.

15. Information by Account (Balance sheets)

Balance sheets of general account and management account as of 31 March 2019 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥15,743,380	¥7,759,711		¥23,503,092
Securities	180,000			180,000
Cash and bank deposits	870,480			870,480
Cash collateral paid for financial instruments	22,847			22,847
Other assets	3,948	4,910		8,859
Tangible fixed assets	2,884			2,884
Intangible fixed assets	1,035			1,035
Due from general account		622,397	¥(622,397)	
Total assets	16,824,577	8,387,019	(622,397)	24,589,199
(Liabilities)				
Bonds	12,686,161	7,706,017		20,392,179
Borrowed money	128,000			128,000
Cash collateral received for financial instruments	27,630			27,630
Other liabilities	2,573	3,687		6,261
Reserve for bonuses	57			57
Reserve for bonuses for directors and corporate auditors	10			10
Reserve for retirement benefits	52			52
Reserve for retirement benefits for directors and corporate auditors	24			24
Fund for lending rate reduction	920,287			920,287
Basic fund for lending rate reduction	920,287			920,287
Due to management account	622,397		(622,397)	
Reserves under special laws	2,200,000	619,505		2,819,505
Reserve for interest rate volatility	2,200,000			2,200,000
Management account reserve for interest rate volatility		597,076		597,076
Reserve for interest rate reduction		22,429		22,429
Total liabilities	16,587,195	8,329,210	(622,397)	24,294,008
(Net Assets)				
Capital	16,602			16,602
Retained earnings	212,616			212,616
General account surplus reserve	212,616			212,616
Valuation, translation adjustments and others	8,163			8,163
Management account surplus reserve		57,808		57,808
Total net assets	237,382	57,808		295,191
Total liabilities and net assets	¥16,824,577	¥8,387,019	¥(622,397)	¥24,589,199

Balance sheets of general account and management account as of 31 March 2020 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥16,640,828	¥6,758,787		¥23,399,615
Securities	365,500			365,500
Cash and bank deposits	557,437			557,437
Cash collateral paid for financial instruments	12,391			12,391
Other assets	3,682	4,199		7,881
Tangible fixed assets	2,777			2,777
Intangible fixed assets	1,097			1,097
Due from general account		582,840	¥(582,840)	
Total assets	17,583,713	7,345,827	(582,840)	24,346,700
(Liabilities)				
Bonds	13,351,373	6,662,089		20,013,462
Borrowed money	203,000			203,000
Cash collateral received for financial instruments	58,073			58,073
Other liabilities	1,889	3,150		5,040
Reserve for bonuses	58			58
Reserve for bonuses for directors and corporate auditors	10			10
Reserve for retirement benefits	62			62
Reserve for retirement benefits for directors and corporate auditors	32			32
Fund for lending rate reduction	920,287			920,287
Basic fund for lending rate reduction	920,287			920,287
Due to management account	582,840		(582,840)	
Reserves under special laws	2,200,000	622,777		2,822,777
Reserve for interest rate volatility	2,200,000			2,200,000
Management account reserve for interest rate volatility		605,607		605,607
Reserve for interest rate reduction		17,169		17,169
Total liabilities	17,317,625	7,288,018	(582,840)	24,022,803
(Net Assets)				
Capital	16,602			16,602
Retained earnings	238,383			238,383
General account surplus reserve	238,383			238,383
Valuation, translation adjustments and others	11,101			11,101
Management account surplus reserve		57,808		57,808
Total net assets	266,087	57,808		323,896
Total liabilities and net assets	¥17,583,713	¥7,345,827	¥(582,840)	¥24,346,700

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	\$153,089,496	\$62,178,355		\$215,267,851
Securities	3,362,466			3,362,466
Cash and bank deposits	5,128,216			5,128,216
Cash collateral paid for financial instruments	113,993			113,993
Other assets	33,874	38,634		72,508
Tangible fixed assets	25,549			25,549
Intangible fixed assets	10,098			10,098
Due from general account		5,361,917	\$(5,361,917)	
Total assets	161,763,692	67,578,906	(5,361,917)	223,980,681
(Liabilities)				
Bonds	122,827,720	61,288,773		184,116,493
Borrowed money	1,867,525			1,867,525
Cash collateral received for financial instruments	534,250			534,250
Other liabilities	17,379	28,987		46,366
Reserve for bonuses	535			535
Reserve for bonuses for directors and corporate auditors	96			96
Reserve for retirement benefits	572			572
Reserve for retirement benefits for directors and corporate auditors	295			295
Fund for lending rate reduction	8,466,307			8,466,307
Basic fund for lending rate reduction	8,466,307			8,466,307
Due to management account	5,361,917		\$(5,361,917)	
Reserves under special laws	20,239,190	5,729,325		25,968,515
Reserve for interest rate volatility	20,239,190			20,239,190
Management account reserve for interest rate volatility		5,571,370		5,571,370
Reserve for interest rate reduction		157,955		157,955
Total liabilities	159,315,786	67,047,085	(5,361,917)	221,000,954
(Net Assets)				
Capital	152,733			152,733
Retained earnings	2,193,044			2,193,044
General account surplus reserve	2,193,044			2,193,044
Valuation, translation adjustments and others	102,129			102,129
Management account surplus reserve		531,821		531,821
Total net assets	2,447,906	531,821		2,979,727
Total liabilities and net assets	\$161,763,692	\$67,578,906	\$(5,361,917)	\$223,980,681

Notes: 1. General account and management account

In accordance with the provisions of Article 13, Section 1 of the Supplementary Provisions of the Law, management account is used to conduct administration, collection and other related operations of the assets that the JFM inherited from the Predecessor (management of the assets of the Predecessor).

Management account is separated from the other account (general account) pursuant to the provisions of Article 13, Section 3 of the Supplementary Provisions of the Law.

2. General account surplus reserve and management account surplus reserve

“Net income” of the general account is posted as “General account surplus reserve” in accordance with the provisions of Article 39, Section 1 of the Law, while “Net income” of management account is posted as “Management account surplus reserve” in accordance with the provisions of Article 13, Section 8 of the Supplementary Provisions of the Law.

3. Due from general account and due to management account

These amounts represent funds lent between the general account and management account pursuant to the provisions of Article 13, Section 4 of the Supplementary Provisions of the Law.

16. Information by Account (Statements of income)

Statements of income of general account and management account from 1 April 2018 through 31 March 2019 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
Income	¥136,945	¥189,867	¥(7,949)	¥318,863
Interest income	131,327	182,458		313,785
Fees and commissions	93			93
Other operating income	21			21
Other income	4,962			4,962
Contributions from fund for lending rate reduction	4,949			4,949
Others	12			12
Administrative fee for management account	540		(540)	
Interest on due from general account		30	(30)	
Transfer from general account for fund for lending rate reduction		7,378	(7,378)	
Expenses	113,765	73,611	(7,949)	179,428
Interest expenses	100,348	72,087		172,436
Fees and commissions	166	133		300
Other operating expenses	2,493	777		3,270
General and administrative expenses	3,324	72		3,397
Other expenses	23			23
Interest on due to management account	30		(30)	
Transfer to management account for fund for lending rate reduction	7,378		(7,378)	
Administrative fee for management account		540	(540)	
Ordinary income	23,179	116,255		139,434
Special gains		406,190		406,190
Reversal of management account reserve for interest rate volatility		400,064		400,064
Reversal of reserve for interest rate reduction		6,125		6,125
Special losses		522,445		522,445
Provision for management account reserve for interest rate volatility		122,381		122,381
Payment to national treasury		400,064		400,064
Net income	¥23,179	¥-	¥-	¥23,179

Statements of income of general account and management account from 1 April 2019 through 31 March 2020 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
Income	¥133,662	¥162,962	¥(6,897)	¥289,727
Interest income	126,123	156,499		282,623
Fees and commissions	87			87
Other operating income	8			8
Other income	7,008			7,008
Contributions from fund for lending rate reduction	6,996			6,996
Others	12			12
Administrative fee for management account	434		(434)	
Interest on due from general account		8	(8)	
Transfer from general account for fund for lending rate reduction		6,454	(6,454)	
Expenses	107,871	59,690	(6,897)	160,663
Interest expenses	95,472	58,798		154,271
Fees and commissions	179	119		299
Other operating expenses	2,627	299		2,926
General and administrative expenses	3,128	38		3,166
Interest on due to management account	8		(8)	
Transfer to management account for fund for lending rate reduction	6,454		(6,454)	
Administrative fee for management account		434	(434)	
Ordinary income	25,791	103,272	-	129,063
Special gains	-	105,259	-	105,259
Reversal of management account reserve for interest rate volatility		100,000		100,000
Reversal of reserve for interest rate reduction		5,259		5,259
Special losses	23	208,531	-	208,555
Loss on disposal of fixed assets	23			23
Provision for management account reserve for interest rate volatility		108,531		108,531
Payment to national treasury		100,000		100,000
Net income	¥25,767	¥-	¥-	¥25,767

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
Income	\$1,229,646	\$1,499,196	\$(63,457)	\$ 2,665,385
Interest income	1,160,289	1,439,739		2,600,028
Fees and commissions	805			805
Other operating income	78			78
Other income	64,474			64,474
Contributions from fund for lending rate reduction	64,361			64,361
Others	113			113
Administrative fee for management account	4,000		(4,000)	
Interest on due from general account		79	(79)	
Transfer from general account for fund for lending rate reduction		59,378	(59,378)	
Expenses	992,375	549,131	(63,457)	1,478,049
Interest expenses	878,312	540,929		1,419,241
Fees and commissions	1,653	1,099		2,752
Other operating expenses	24,172	2,751		26,923
General and administrative expenses	28,780	353		29,133
Interest on due to management account	79		(79)	
Transfer to management account for fund for lending rate reduction	59,378		(59,378)	
Administrative fee for management account		4,000	(4,000)	
Ordinary income	237,271	950,065	-	1,187,336
Special gains	-	968,349	-	968,349
Reversal of management account reserve for interest rate volatility		919,963		919,963
Reversal of reserve for interest rate reduction		48,386		48,386
Special losses	219	1,918,414	-	1,918,633
Loss on disposal of fixed assets	219			219
Provision for management account reserve for interest rate volatility		998,451		998,451
Payment to national treasury		919,963		919,963
Net income	\$237,052	\$-	\$-	\$237,052

17. Fair Value of Marketable Securities

Marketable held-to-maturity securities as of 31 March 2019 consisted of the following:

(Millions of yen)

	Type	Book value	Fair value	Difference
Securities with fair values exceeding the balance sheet amount	-	-	-	-
	Sub total	-	-	-
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	¥180,000	¥180,000	-
	Sub total	180,000	180,000	-
Total		¥180,000	¥180,000	-

Marketable held-to-maturity securities as of 31 March 2020 consisted of the following:

(Millions of yen)

	Type	Book value	Fair value	Difference
Securities with fair values exceeding the balance sheet amount	-	-	-	-
	Sub total	-	-	-
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	¥365,500	¥365,500	-
	Sub total	365,500	365,500	-
Total		¥365,500	¥365,500	-

(Thousands of U.S. dollars)

	Type	Book value	Fair value	Difference
Securities with fair values exceeding the balance sheet amount	-	-	-	-
	Sub total	-	-	-
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	\$3,362,466	\$3,362,466	-
	Sub total	3,362,466	3,362,466	-
Total		\$3,362,466	\$3,362,466	-

18. Information on Derivative Transactions
(1) Types of derivative transactions

Derivative transactions entered into by the JFM are interest rate swaps for interest rate related transactions, and currency swaps and foreign exchange forward contracts for currency related transactions.

(2) Policies and purposes of derivative transactions

The JFM uses interest rate swaps, currency swaps and foreign exchange forward contracts as a means of hedging exposure to interest rate and foreign exchange fluctuation risks, and does not enter into derivatives for speculative purposes.

Interest rate swaps are used to hedge exposure to interest rate risk on funding activities. Currency swaps and foreign exchange forward contracts are used to hedge exposure to foreign exchange risk associated with issuance of foreign currency-denominated bonds and foreign currency-denominated deposits.

Hedge accounting is applied to interest rate swaps, currency swaps and foreign exchange contracts.

(a) Hedge accounting method

Interest rate swaps used to hedge the risk of interest rate fluctuations that qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. If swap contracts or forward contracts used to hedge the risk of foreign currency fluctuation qualify for deferral hedge accounting, the foreign currency-denominated assets and liabilities are translated at the contracted rate.

(b) Hedging instruments and hedged items
(i) Hedging instruments: Interest rate swaps

Hedged items: Bonds and long-term borrowed money

(ii) Hedging instruments: Currency swaps

Hedged items: Foreign currency-denominated bonds

(iii) Hedging instruments: Foreign exchange forward contracts

Hedged items: Foreign currency-denominated bank deposits

(c) Hedging policy

The JFM uses hedging instruments as a means of hedging exposure to interest rate risk and foreign exchange risk. Hedged items are identified by each individual contract.

As a means of hedging foreign exchange fluctuation risks associated with the receipt of interest and principal of foreign currency-denominated bank deposits, a foreign exchange forward contract is entered into at the time of each deposit to hedge the risks.

(d) Assessment of hedge effectiveness

The JFM ensures hedging instruments and hedged items have the same major terms when entering into hedge transactions to offset market fluctuation risks associated with bonds and long-term borrowed money.

Accordingly, the JFM deems these to be highly effective and thus does not assess effectiveness. Moreover, a periodic assessment of hedge effectiveness for interest rate swaps and currency swaps and forward contracts that qualify for deferral hedge accounting is omitted when the exceptional accrual method is applied.

(3) Risks on derivative transactions

Major risks on derivative transactions are market risk and credit risk. Market risk is the risk of future revenue fluctuations due to market value changes. Credit risk is the risk of losses incurred when counterparties are unable to fulfill their contracts due to bankruptcy or other reasons.

As for derivative transactions used for hedging purposes, market risk is offset by the corresponding change in the underlying hedged items.

The JFM enters into the ISDA Master Agreements and the CSA with financial institutions, which are its derivative transactions counterparties, to reduce credit risk. Moreover, the JFM constantly monitors restructuring costs of the transactions and the counterparties' credit profiles, and deals with multiple counterparties.

(4) Risk management system for derivative transactions

Execution and management of derivative transactions are conducted by the Finance Department of the JFM with the approval of persons in charge in accordance with the operational guidelines which specify transaction authority and limits on the transaction amount.

Additionally, the total amount of derivative transactions, the status of risks, the assessed fair value, and the credit

risk on counterparties are regularly reported to the Integrated Risk Management Committee.

19. Notes on error correction
(1) Contents of errors

During fiscal 2018, the JFM discovered that the provisioned amount from the general account and the reversal amount of reserve for interest rate reduction in the management account for the loans extended by the Predecessor in fiscal 2007 were posted incorrectly. In order to correct this error, the management account reserve for interest rate volatility and the management account surplus reserve increased by 4,142 million yen and the reserve for interest rate reduction and the general account surplus reserve decreased by 2,453 million yen as of the beginning of the year ended 31 March 2019.

(2) Effects on the net assets as of the beginning balance of the year ended 31 March 2019

The effect of correcting this error on net assets of 1,688 million yen is shown as "Cumulative effects of error correction" on the "Statements of Changes in Net Assets."



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Independent Auditor's Report

The President
 Japan Finance Organization for Municipalities

Opinion

Pursuant to Article 37, paragraph 1 of the Japan Finance Organization for Municipalities Law (the "Law"), we have audited the accompanying financial statements of Japan Finance Organization for Municipalities (the "JFM"), which comprise the balance sheets as at March 31, 2019 and 2020, and the statements of income, appropriation of profit, changes in net assets, and cash flows for the years then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the JFM as at March 31, 2019 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Law and regulations applicable to JFM and accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the JFM in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of President, Corporate Auditors for the Financial Statements

President is responsible for the preparation and fair presentation of these financial statements in accordance with the Law and regulations applicable to JFM and accounting principles generally accepted in Japan, and for such internal control as president determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, president is responsible for assessing the JFM's ability to continue as a going concern and disclosing, as required by the Law and regulations applicable to JFM and accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors are responsible for overseeing the JFM's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the JFM's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by president.

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- Conclude on the appropriateness of president's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the JFM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the JFM to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with the Law and regulations applicable to JFM and accounting principles generally accepted in Japan.

We communicate with the Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the JFM which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the years ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

Ernst & Young ShinNihon LLC
 Tokyo, Japan

May 21, 2020

菅田 裕之
 Hiroyuki Kanda
 Designated Engagement Partner
 Certified Public Accountant

細野 和也
 Kazuya Hosono
 Designated Engagement Partner
 Certified Public Accountant

伊澤 賢司
 Kenji Izawa
 Designated Engagement Partner
 Certified Public Accountant

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Members of the Representative Board and the Supervisory Committee

The Representative Board members of the JFM as of 1 August 2020 are as follows:

Name	Title	Background
IDO Toshizo	Chairman	Vice Chairman, National Governors' Association Governor, Hyogo prefecture
MATSUURA Masataka	Deputy Chairman	Chairman, Finance committee of Japan Association of City Mayors Mayor, Matsue City, Shimane prefecture
ARAKI Yasuomi	Deputy Chairman	Chairman, National Association of Towns & Villages Mayor, Kashima Town, Kumamoto prefecture
OBATA Junko	Member	Professor, Sophia University Law School
JINNO Naohiko	Member	Professor Emeritus, The University of Tokyo
SUMIHIRO Isao	Member	Chairman of The Hiroshima Bank, Ltd.

The Supervisory Committee members of JFM as of 1 August 2020 are as follows:

Name	Title	Background
MITANI Takahiro	Chairman	Chairman, Tanshi Association
SUZUKI Yutaka	Deputy Chairman	Professor Emeritus, Aoyama Gakuin University
SEIICHI Tomoko	Member	Professor, Seinan Gakuin University
YONEDA Yasuharu	Member	Professor Emeritus, Shinshu University
TAMAOKI Hitomi	Member	Chief Executive Officer of Tsumugi Co., Ltd.
KAMIZAKI Masanori	Member	Director, Jiji Press, Ltd.

Redemption of Loans in Fiscal 2019

Classification		Principal		Interest	
		Number of loans	Amount (USD millions)	Number of loans	Amount (USD millions)
Regular redemption of long-term loans	General loans	454,546	16,118	511,757	2,600
	Loans to local government corporations	289	64	289	4
	Subtotal	454,835	16,181	512,046	2,604
Prepayment of long-term loans	General loans	256	81	34	0
	Loans to local government corporations	5	4	-	-
	Subtotal	261	85	34	0
Redemption of loans with pre-consent or pre-approval		-	-	-	-
Redemption of short-term loans		-	-	-	-
Total		455,096	16,266	512,080	2,604

Note: Totals may not add up due to rounding.

Outstanding Loans by Business

(As of 31 March 2020)

	Business	Number of Loans Made	Loan Amount (USD millions)	
				% of Total
General Account-related Loans	Public Projects, etc.	4,391	4,613	2.1
	Public Housing	3,772	2,320	1.1
	National Disaster Prevention	1,277	1,249	0.6
	Educational Facilities Development	1,387	705	0.3
	Social Welfare Facilities Development	1,542	1,022	0.5
	General Waste Disposal	429	426	0.2
	General Projects	872	758	0.4
	Regional Revitalization	1,625	715	0.3
	Disaster Management and Mitigation	10,663	7,294	3.5
	Local Road Development	5,790	4,651	2.2
	Special Municipal Mergers	5,674	9,977	4.6
	Disaster Prevention	2,543	1,569	0.7
	Others	16,205	8,365	3.8
	Subtotal		56,170	43,663
Municipal Enterprise-related Loans	Water Supply	54,914	29,538	13.6
	Transportation	844	7,390	3.4
	Hospitals and Elderly Care Services	4,561	10,216	4.7
	Sewerage	123,660	66,978	31.1
	Industrial Water Supply	2,208	1,580	0.7
	Electricity and Gas	808	728	0.3
	Port Facilities	851	378	0.2
	Markets and Slaughterhouses	714	883	0.4
	Tourism and Others	197	142	0.1
	Subtotal		188,757	117,833
Temporary Financial Countermeasures Funding		8,080	53,572	24.9
Total		253,007	215,067	99.9
Local Government Road Corporation, Toll Roads ¹⁾		113	200	0.1
Grand Total		253,120	215,268	100.0

Notes: 1. No loans will be extended to local government road corporations by the JFM. The outstanding loans shown above were extended by the Predecessor.
2. Totals may not add up due to rounding.

Additional data regarding liquidity risk

The JFM has been managing liquidity risk independently from March 2015 with reference to the Basel III regulation, by setting up an internal policy to secure liquid assets under the supervision of our ALM committee. The JFM holds high quality liquid assets in order to prevent any disruptions regarding redemptions and interest payments for the following month's JFM bonds.

Fund inflows and outflows of the JFM are mainly consisted of lending and collecting loans from municipalities, bond issuance related payment such as notional or interest amount payment when funding from the capital markets. Therefore, inflow and outflow of funds in the JFM are limited which makes it possible to predict next month's inflows and outflows. (The) finance management division of the JFM hold high quality liquid assets based on the calculation at the end of the month to secure liquidity for the following month, which is also monitored by the risk management division, a division who is independent from the finance management division.

(As of 31 March 2020)

(USD millions)

Total of liquid assets ¹⁾	31 March 2019		31 March 2020	
	\$690		\$690	
	Before applying cash outflow/inflow rate	After applying cash outflow/inflow rate	Before applying cash outflow/inflow rate	After applying cash outflow/inflow rate
Outflows related to unsecured funding (excluding debt securities)	0	0	0	0
Debt securities	2,411	2,411	2,364	2,364
Total cash outflows	-	2,411	-	2,364
Cash inflows from investment ²⁾	1,720	-	2,346	1,773
Cash inflows from collection of loans	0	-	0	0
Other cash inflows ³⁾	184	-	0	0
Total cash inflows ⁴⁾	1,904	1,808	2,346	1,773
High quality liquid assets	-	690	-	690
Net cash outflows	-	603	-	591
Liquidity coverage ratio	-	115	-	117
Total of semi liquid assets ⁵⁾	-	6,058	-	2,396
Semi liquidity coverage ratio ⁶⁾	-	1120	-	522

Note *1 Amount includes bank current deposits, short term Japanese government bonds held by the JFM. Bank current deposits are protected under deposit insurance system in Japan.

*2 Amount includes investment with par redemptions and certain maturities which is defined under JFM law, article 45 section 2 and 3.

*3 Amount of bond guaranteed by government of Japan.

*4 Maximum amount for cash inflows are 75% of cash outflows.

*5 Amount of normal bank cash deposits.

*6 Calculated by dividing the total amount of semi liquid assets and liquid assets by net cash outflows.

Outstanding Loans by Borrower

(As of 31 March 2020)

Borrower	Prefectures		Cities and Special Wards of Tokyo		Towns and Villages	
	Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)
Hokkaido	296	4,339	5,386	6,203	8,387	1,853
Aomori	193	339	2,085	2,413	1,434	413
Iwate	255	506	2,743	2,339	826	282
Miyagi	337	1,118	4,647	3,764	2,650	482
Akita	210	271	4,689	2,419	1,068	95
Yamagata	229	734	2,805	1,546	1,927	317
Fukushima	426	808	3,650	2,274	3,055	491
Ibaraki	486	1,300	6,933	4,292	1,436	379
Tochigi	272	738	3,235	2,043	845	257
Gunma	238	313	3,479	1,844	1,802	313
Saitama	249	2,409	6,647	6,354	1,836	526
Chiba	389	1,143	5,249	6,545	926	243
Tokyo	105	1,031	2,218	2,892	176	47
Kanagawa	212	2,031	3,289	7,731	1,238	433
Niigata	266	527	8,130	4,053	966	163
Toyama	252	263	3,695	2,683	552	209
Ishikawa	148	287	2,844	1,701	1,275	396
Fukui	218	304	2,246	1,462	808	102
Yamanashi	150	306	2,873	1,008	1,005	153
Nagano	261	354	4,240	2,389	3,209	530
Gifu	221	1,468	4,379	1,959	1,342	367
Shizuoka	309	451	5,154	3,331	813	246
Aichi	230	2,135	5,370	5,967	893	224
Mie	410	1,422	4,075	2,871	1,092	263
Shiga	197	731	4,173	2,132	603	128
Kyoto	195	285	3,699	4,413	1,139	279
Osaka	92	1,536	5,844	11,716	932	340
Hyogo	321	3,948	8,267	8,949	2,179	808
Nara	274	1,059	2,475	1,796	2,063	616
Wakayama	110	448	1,771	2,034	1,552	528
Tottori	357	890	1,303	997	1,867	413

Local Government Associations		Local Government Road Corporations		Total		
Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	% of Total
294	240	-	-	14,363	12,636	5.9
110	140	-	-	3,822	3,305	1.5
215	175	-	-	4,039	3,303	1.5
126	60	-	-	7,760	5,424	2.5
11	13	-	-	5,978	2,798	1.3
172	81	-	1	5,133	2,679	1.2
186	176	-	-	7,317	3,749	1.7
263	239	1	0	9,119	6,209	2.9
16	27	3	0	4,371	3,065	1.4
221	256	-	-	5,740	2,725	1.3
324	172	3	0	9,059	9,461	4.4
594	443	3	7	7,161	8,381	3.9
33	148	-	-	2,532	4,118	1.9
60	402	-	-	4,799	10,596	4.9
236	151	-	-	9,598	4,893	2.3
146	125	-	-	4,645	3,279	1.5
32	28	-	-	4,299	2,412	1.1
69	27	-	-	3,341	1,896	0.9
156	47	-	-	4,184	1,514	0.7
184	121	3	0	7,897	3,394	1.6
11	9	-	-	5,953	3,804	1.8
81	91	7	2	6,364	4,121	1.9
77	22	32	114	6,602	8,462	3.9
32	45	-	-	5,609	4,600	2.1
150	72	-	-	5,123	3,063	1.4
31	59	6	2	5,070	5,038	2.3
459	662	-	-	7,327	14,255	6.6
415	442	13	5	11,195	14,151	6.6
55	52	-	-	4,867	3,523	1.6
96	74	-	-	3,529	3,083	1.4
33	20	-	-	3,560	2,320	1.1

Borrower	Prefectures		Cities and Special Wards of Tokyo		Towns and Villages	
	Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)
Shimane	289	890	2,705	1,844	305	75
Okayama	243	800	4,632	3,085	1,277	252
Hiroshima	471	1,746	4,303	4,064	928	268
Yamaguchi	418	517	4,255	2,448	617	108
Tokushima	199	395	1,484	1,146	843	264
Kagawa	164	246	1,765	1,001	711	188
Ehime	87	265	2,298	1,849	664	235
Kochi	161	885	1,716	1,254	826	241
Fukuoka	95	1,348	5,265	7,923	2,210	908
Saga	65	341	1,663	1,473	670	269
Nagasaki	136	499	2,786	2,463	717	171
Kumamoto	152	704	2,733	1,837	1,681	457
Oita	84	234	2,274	1,268	195	65
Miyazaki	146	642	2,033	1,359	729	177
Kagoshima	178	1,263	2,328	1,530	871	261
Okinawa	229	936	1,613	1,492	918	238
Total	11,025	45,206	171,446	148,157	64,058	16,067

Local Government Associations		Local Government Road Corporations		Total		
Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	% of Total
77	37	-	-	3,376	2,846	1.3
106	128	-	-	6,258	4,265	2.0
16	19	14	32	5,732	6,129	2.8
108	56	-	-	5,398	3,128	1.5
3	1	-	-	2,529	1,806	0.8
619	234	-	-	3,259	1,669	0.8
19	9	-	-	3,068	2,357	1.1
10	76	-	-	2,713	2,456	1.1
388	233	21	36	7,979	10,447	4.9
101	94	-	-	2,499	2,178	1.0
15	27	5	1	3,659	3,162	1.5
45	59	2	0	4,613	3,057	1.4
0	0	-	-	2,553	1,568	0.7
14	7	-	-	2,922	2,186	1.0
18	18	-	-	3,395	3,072	1.4
51	20	-	-	2,811	2,686	1.2
6,478	5,638	113	201	253,120	215,269	100.0

Note: Totals may not add up due to rounding.

Bond Issuance in Fiscal 2019

1. JFM bonds

(1) International bonds

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
69	5	Global	USD	1,000	1.750	99.890	5 Sep 2019	5 Sep 2024
70	5	Euro	USD	60	1.650	99.990	28 Jan 2020	28 Jan 2025
71	5	Euro	AUD	50	1.160	99.990	28 Jan 2020	28 Jan 2025
72	7	Euro	EUR	500	0.050	99.867	12 Feb 2020	12 Feb 2027

(2) Domestic public offerings

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
119	10	25	230	0.125	100	18 Apr 2019	27 Apr 2029
120	10	30	276	0.115	100	23 May 2019	28 May 2029
121	10	25	230	0.049	100	14 Jun 2019	28 Jun 2029
122	10	30	276	0.065	100	19 Jul 2019	27 Jul 2029
123	10	30	276	0.060	100	20 Aug 2019	28 Aug 2029
124	10	30	276	0.050	100	20 Sep 2019	28 Sep 2029
125	10	30	276	0.050	100	18 Oct 2019	26 Oct 2029
126	10	35	322	0.115	100	22 Nov 2019	28 Nov 2029
127	10	30	276	0.151	100	20 Dec 2019	28 Dec 2029
128	10	30	276	0.155	100	24 Jan 2020	28 Jan 2030
129	10	30	276	0.095	100	25 Feb 2020	28 Feb 2030
130	10	30	276	0.050	100	23 Mar 2020	28 Mar 2030
74	20	15	138	0.434	100	18 Apr 2019	28 Apr 2039
75	20	15	138	0.323	100	14 Jun 2019	28 Jun 2039
76	20	20	184	0.268	100	19 Jul 2019	28 Jul 2039
77	20	20	184	0.200	100	20 Sep 2019	28 Sep 2039
78	20	20	184	0.251	100	18 Oct 2019	28 Oct 2039
79	20	20	184	0.345	100	20 Dec 2019	28 Dec 2039
80	20	20	184	0.354	100	24 Jan 2020	27 Jan 2040
81	20	20	184	0.232	100	23 Mar 2020	28 Mar 2040
25	5	10	92	0.010	100	18 Apr 2019	26 Apr 2024
26	5	10	92	0.001	100	22 Nov 2019	28 Nov 2024
8	30	15	138	0.646	100	18 Apr 2019	28 Apr 2049
9	30	15	138	0.446	100	18 Oct 2019	28 Oct 2049
2	40	15	138	0.646	100	28 Jan 2020	28 Jan 2060
F457	9	20	184	0.105	100	24 Apr 2019	28 Apr 2028
F458	17	3	28	0.360	100	24 Apr 2019	28 Apr 2036
F459	21	3	28	0.460	100	24 Apr 2019	27 Apr 2040
F460	5	7	64	0.012	100	25 Apr 2019	25 Jun 2024
F461	9	3	28	0.120	100	25 Apr 2019	15 Sep 2028
F462	11	3	28	0.157	100	25 Apr 2019	22 Nov 2029

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F463	21	3	28	0.465	100	25 Apr 2019	24 Feb 2040
F464	11	3	28	0.155	100	28 May 2019	20 Jun 2030
F465	21	3	28	0.436	100	28 May 2019	28 Dec 2039
F466	21	5	46	0.322	100	25 Jun 2019	28 Mar 2040
F467	5	20	184	0.010	100	26 Jun 2019	31 May 2024
F468	5	3	28	0.006	100	25 Jul 2019	25 Sep 2024
F469	5	13	120	0.006	100	25 Jul 2019	27 Sep 2024
F470	7	9	83	0.015	100	25 Jul 2019	1 Jul 2026
F471	7	4	37	0.015	100	25 Jul 2019	28 Jul 2026
F472	9	3	28	0.043	100	25 Jul 2019	28 Feb 2028
F473	9	20	184	0.060	100	25 Jul 2019	28 Jul 2028
F474	7	3	28	0.015	100	26 Jul 2019	22 Jul 2026
F475	15	3	28	0.160	100	26 Jul 2019	26 Jul 2034
F476	16	3	28	0.198	100	26 Jul 2019	26 Oct 2035
F477	17	3	28	0.218	100	26 Jul 2019	28 Jul 2036
F478	18	3	28	0.230	100	26 Jul 2019	28 Jul 2037
F479	22	3	28	0.317	100	26 Jul 2019	26 Jul 2041
F480	6	3	28	0.009	100	30 Jul 2019	28 May 2025
F481	6	3	28	0.010	100	30 Jul 2019	28 Jul 2025
F482	19	3	28	0.281	100	23 Aug 2019	28 Feb 2039
F483	21	3	28	0.295	100	30 Jul 2019	28 Mar 2040
F484	25	3	28	0.373	100	30 Jul 2019	28 Jul 2044
F485	5	20	184	0.007	100	21 Aug 2019	2 Dec 2024
F486	16	3	28	0.099	100	23 Aug 2019	23 Aug 2035
F487	5	7	64	0.003	100	27 Sep 2019	27 Jan 2025
F488	5	20	184	0.003	100	27 Sep 2019	25 Feb 2025
F489	7	20	184	0.041	100	24 Oct 2019	28 Oct 2026
F490	5	20	184	0.003	100	25 Oct 2019	25 Mar 2025
F491	11	3	28	0.050	100	24 Oct 2019	27 May 2030
F492	11	3	28	0.050	100	24 Oct 2019	28 May 2030
F493	17	3	28	0.217	100	24 Oct 2019	28 Oct 2036
F494	34	3	28	0.532	100	24 Oct 2019	28 Oct 2053
F495	5	9	83	0.003	100	25 Oct 2019	28 Feb 2025
F496	7	4	37	0.021	100	25 Oct 2019	28 Oct 2026
F497	11	3	28	0.050	100	25 Oct 2019	29 May 2030
F498	12	3	28	0.083	100	25 Oct 2019	28 Oct 2031
F499	18	3	28	0.238	100	25 Oct 2019	28 Oct 2037
F500	34	3	28	0.531	100	25 Oct 2019	24 Oct 2053
F501	11	3	28	0.050	100	31 Oct 2019	30 May 2030
F502	11	3	28	0.050	100	31 Oct 2019	31 May 2030
F503	11	3	28	0.050	100	31 Oct 2019	20 Jun 2030
F504	34	3	28	0.544	100	31 Oct 2019	31 Oct 2053
F505	12	3	28	0.106	100	27 Nov 2019	27 Jun 2031
F506	12	3	28	0.178	100	25 Dec 2019	28 Jul 2031
F507	7	20	184	0.027	100	30 Jan 2020	28 Jan 2027
F508	5	14	129	0.003	100	28 Feb 2020	28 Apr 2025

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F509	5	20	184	0.006	100	28 Feb 2020	28 Jul 2025
F510	7	6	55	0.021	100	28 Feb 2020	26 Feb 2027
F511	12	3	28	0.139	100	28 Feb 2020	27 Feb 2032
F512	18	4	37	0.251	100	28 Feb 2020	26 Feb 2038
F513	19	3	28	0.286	100	28 Feb 2020	26 Aug 2039

2. Private placements with pension funds and mutual aids for local government officials

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
A111	10	20	184	0.155	100	18 Apr 2019	18 Apr 2029
A112	10	10	92	0.145	100	23 May 2019	23 May 2029
A113	10	10	92	0.079	100	20 Jun 2019	20 Jun 2029
A114	10	20	184	0.095	100	19 Jul 2019	19 Jul 2029
A115	10	10	92	0.090	100	20 Aug 2019	20 Aug 2029
A116	10	10	92	0.080	100	20 Sep 2019	20 Sep 2029
A117	10	20	184	0.080	100	18 Oct 2019	18 Oct 2029
A118	10	10	92	0.145	100	22 Nov 2019	22 Nov 2029
A119	10	10	92	0.181	100	19 Dec 2019	19 Dec 2029
A120	10	20	184	0.185	100	24 Jan 2020	24 Jan 2030
A121	10	10	92	0.125	100	25 Feb 2020	25 Feb 2030
A122	10	10	92	0.080	100	25 Mar 2020	25 Mar 2030
B42	10	2	18	0.155	100	18 Apr 2019	18 Apr 2029
B43	10	4	37	0.145	100	23 May 2019	23 May 2029
B44	10	4.5	41	0.079	100	20 Jun 2019	20 Jun 2029
B45	10	9	83	0.095	100	19 Jul 2019	19 Jul 2029
B46	10	8.5	78	0.090	100	20 Aug 2019	20 Aug 2029
B47	10	6	55	0.080	100	20 Sep 2019	20 Sep 2029
B48	10	5.5	51	0.080	100	18 Oct 2019	18 Oct 2029
B49	10	7.5	69	0.145	100	22 Nov 2019	22 Nov 2029
B50	10	6.5	60	0.181	100	19 Dec 2019	19 Dec 2029
B51	10	12.5	115	0.185	100	24 Jan 2020	24 Jan 2030
B52	10	9	83	0.125	100	25 Feb 2020	25 Feb 2030
B53	10	7	64	0.080	100	25 Mar 2020	25 Mar 2030
C42	20	3.5	32	0.454	100	18 Apr 2019	18 Apr 2039
C43	20	4.5	41	0.451	100	23 May 2019	23 May 2039
C44	20	5	46	0.343	100	20 Jun 2019	20 Jun 2039
C45	20	11	101	0.288	100	19 Jul 2019	19 Jul 2039
C46	20	11.5	106	0.220	100	20 Aug 2019	19 Aug 2039
C47	20	7	64	0.220	100	20 Sep 2019	20 Sep 2039
C48	20	6	55	0.271	100	18 Oct 2019	18 Oct 2039
C49	20	8	74	0.389	100	22 Nov 2019	22 Nov 2039
C50	20	7.5	69	0.365	100	19 Dec 2019	19 Dec 2039
C51	20	15	138	0.374	100	24 Jan 2020	24 Jan 2040

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
C52	20	10	92	0.316	100	25 Feb 2020	24 Feb 2040
C53	20	8	74	0.252	100	25 Mar 2020	23 Mar 2040
D37	20	20	184	0.454	100	18 Apr 2019	18 Apr 2039
D38	20	10	92	0.451	100	23 May 2019	23 May 2039
D39	20	10	92	0.343	100	20 Jun 2019	20 Jun 2039
D40	20	10	92	0.288	100	19 Jul 2019	19 Jul 2039
D41	20	10	92	0.220	100	20 Aug 2019	19 Aug 2039
D42	20	10	92	0.220	100	20 Sep 2019	20 Sep 2039
D43	20	20	184	0.271	100	18 Oct 2019	18 Oct 2039
D44	20	10	92	0.389	100	22 Nov 2019	22 Nov 2039
D45	20	10	92	0.365	100	19 Dec 2019	19 Dec 2039
D46	20	10	92	0.374	100	24 Jan 2020	24 Jan 2040
D47	20	10	92	0.316	100	25 Feb 2020	24 Feb 2040
D48	20	10	92	0.252	100	25 Mar 2020	23 Mar 2040

3. Government-guaranteed domestic bonds

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
119	10	20	184	0.040	100	15 Apr 2019	13 Apr 2029
120	10	20	184	0.001	100	16 Jul 2019	13 Jul 2029
121	10	20	184	0.001	100	15 Oct 2019	15 Oct 2029
122	10	20	184	0.070	100	16 Dec 2019	14 Dec 2029
123	10	20	184	0.070	100	21 Jan 2020	21 Jan 2030

Outstanding International Bonds

1. JFM bonds (As of 31 March 2020)

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon	Issue Price (%)	Issue Date	Maturity Date
39	7	Euro	USD	100	3mL+65bp	100	22 Jul 2013	22 Jul 2020
43	10	Euro	AUD	85	5.092%	100	1 May 2014	1 May 2024
44	10	Euro	USD	90	3.250%	99.055	1 May 2014	2 May 2024
45	7	Euro	EUR	1,000	0.875%	99.293	22 Sep 2014	22 Sep 2021
47	10	Global	USD	1,000	2.375%	99.611	13 Feb 2015	13 Feb 2025
48	10	Euro	AUD	70	3.600%	100	18 Mar 2015	18 Mar 2025
49	7	Global	USD	1,000	2.000%	99.391	21 Apr 2015	21 Apr 2022
50	5	Euro	USD	13	2.010%	99.990	21 Dec 2015	21 Dec 2020
51	5	Euro	AUD	95	3.060%	99.990	21 Dec 2015	21 Dec 2020
52	5	Global	USD	500	2.125%	99.774	12 Feb 2016	12 Feb 2021
53	5	Global	USD	1,500	2.125%	99.780	13 Apr 2016	13 Apr 2021
54	7	Global	USD	1,000	2.125%	99.297	25 Oct 2016	25 Oct 2023
55	5	Euro	USD	53	2.390%	99.990	30 Jan 2017	28 Jan 2022
56	5	Euro	AUD	106	3.040%	99.990	30 Jan 2017	28 Jan 2022
57	5	Global	USD	1,000	2.625%	99.823	20 Apr 2017	20 Apr 2022
58	10	Euro	AUD	22	3.418%	99.850	26 Jun 2017	21 Jun 2027
59	3	Global	USD	1,000	2.000%	99.740	8 Sep 2017	8 Sep 2020
60	3	Euro	NZD	58	2.270%	99.980	20 Nov 2017	19 Nov 2020
61	5	Euro	USD	44	2.570%	99.990	30 Jan 2018	30 Jan 2023
62	5	Euro	AUD	28	2.760%	99.990	30 Jan 2018	30 Jan 2023
63	5	Global	USD	1,000	3.250%	99.982	24 Apr 2018	24 Apr 2023
64	10	Euro	AUD	73	3.370%	100	26 Jun 2018	21 Jun 2028
65	4	Euro	AUD	125	2.400%	99.990	26 Sep 2018	26 Sep 2022
66	5	Global	USD	1,000	3.375%	99.499	27 Sep 2018	27 Sep 2023
67	11	Euro	EUR	80	1.106%	100	24 Jan 2019	24 Jan 2030
68	5	Global	USD	1,000	3.000%	99.682	12 Mar 2019	12 Mar 2024
69	5	Global	USD	1,000	1.750%	99.890	5 Sep 2019	5 Sep 2024
70	5	Euro	USD	60	1.650%	99.990	28 Jan 2020	28 Jan 2025
71	5	Euro	AUD	50	1.160%	99.990	28 Jan 2020	28 Jan 2025
72	7	Euro	EUR	500	0.050%	99.867	12 Feb 2020	12 Feb 2027

Organization History

History of the JFM

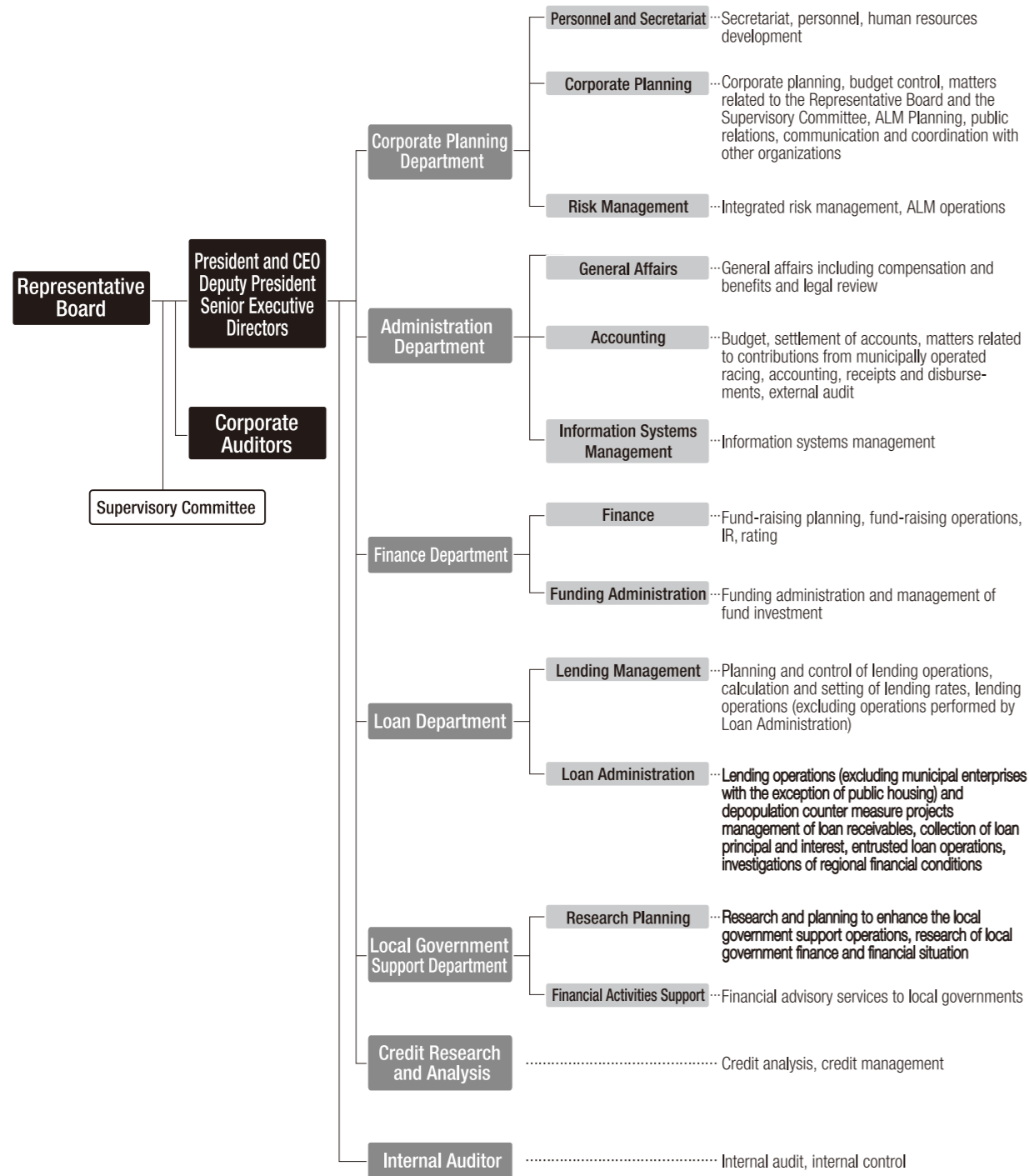
FY2008	The Japan Finance Organization for Municipal Enterprises (the Predecessor of the JFM) was established pursuant to the Japan Finance Organization for Municipal Enterprises Law on 1 August 2008. Succeeded the assets and assumed the liabilities of the Predecessor and commenced operations on 1 October 2008.
2009	Reorganized as the Japan Finance Organization for Municipalities based on the partial amendment of the Japan Finance Organization for Municipal Enterprises Law (1 June 2009).
2011	Created a new special lending rate programme by integrating the existing special lending rate and the extra-special lending rate programmes.
2015	Introduced semi-annual principal and interest equal repayment method and semi-annual capital equal repayment on JFM loans.
2017	Organized study group report on ideal JFM operation and business. Set forth updated management principles "Supporting local economies through finance to create a future for regions."

History of the Predecessor

FY1957	Established pursuant to the Japan Finance Corporation for Municipal Enterprises Law (1 June 1957).
1960	Started making loans entrusted by Agriculture, Forestry and Fisheries Finance Corporation.
1966	Started a lending programme that applied special lending rates.
1967	Started receiving subsidies from the national treasury.
1970	Started a programme of contributions of the earnings from municipally operated racing and established the Fund for Lending Rate Reduction.
1972	Started lending to local government road corporations and local government land development corporations.
1978	Included the three types of special projects (in the general account-related business category) in the scope of lending.
1983	Started issuing foreign currency-denominated bonds.
1989	Established the Reserve for Losses on Refinancing of Bonds.
1990	Started a lending programme that applied extra-special lending rates.
1998	Based on the policy titled "Regarding Reorganization and Rationalization of Special Public Institutions," which was approved by the Cabinet on 24 September 1997, one part-time senior executive director was added; the Japan Finance Corporation for Municipal Enterprises Management Council was established; and addressed the phased abolition of subsidies from the national treasury over a three-year period.
2001	Subsidies from the national treasury were abolished and the Reserve for Interest Rate Reduction was established. Started offering borrowers two interest rate options: fixed rates or adjustable rates. Established the prepayment with penalty system. Started issuing FILP agency bonds. The Special Public Institutions Reform Basic Law was passed, and the Reorganizations and Rationalization Plan for Special Public Institutions was approved by the Cabinet.
2002	The policy titled the "Reform of the Four Highway-Related Public Corporations, International Hub Airports and Policy-Based Finance Institutions" was approved by the Cabinet.
2005	The "Priority Policy for Administrative Reform," which included the proposal for abolition of the Predecessor in fiscal 2008, a new structure utilizing capital markets, and transitional measures to prepare for the abolition, was approved by the Cabinet.
2006	The Administrative Reform Promotion Law was passed. The Headquarters for the Promotion of the Reform of Policy-Based Finance and the Cabinet Headquarters for the Promotion of Administrative Reform (HQPAR) set forth the plan titled "System Design Regarding the Reform of Policy-Based Finance." The six associations of local governments submitted the "Local governments' draft proposal for designing a new system after the abolition of the Predecessor."
2007	The Japan Finance Organization for Municipal Enterprises Law was passed. The Act on Assurance of Sound Financial Status of Municipalities was passed. Implemented prepayment without penalty and other measures in accordance with the national government's policy on reducing local governments' debt service burden. The programme ended in fiscal 2008.
2008	Dissolved based on the Japan Finance Organization for Municipal Enterprises Law (1 October 2008).

Organization Chart

As of 1 April 2020



Directors and Corporate Auditors

(As of 1 October 2020)

President and CEO	SATO Fumitoshi
Deputy President	ENDO Yutaka
Senior Executive Directors	YOSHIKAWA Hiromi, TSUKADA Yuji, OKAMOTO Noboru
Corporate Auditors	ISONO Masayoshi, OMORI Masaaki(part-time)

Contact Information



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