

JFM

Japan Finance Organization
for Municipalities

ANNUAL REPORT 2023

JFM

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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 2023, the final day of the fiscal year, which was JPY 133.48 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.

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Japanese traditional songs represent Japan's beautiful landscapes.

Japan has traditional songs that are loved and sung by everyone in Japan, from children to adults. Parents and grandparents sing them as lullabies to newborn babies. Mothers and fathers sing them with their children when bathing. Children sing them in choirs and as nursery rhymes in nursery schools and elementary schools. They are learned naturally through daily life. The four seasons are an integral part of these traditional Japanese songs. The lyrics and melodies express the Japanese scenery of spring, summer, Autumn, and winter, the changing of the seasons, and the feelings the seasons awaken in people. Singing these Japanese songs, born of nature's beautiful majesty, passes on the unspoilt landscapes that live in the hearts of the Japanese people to future generations.

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 124.4 million
Number of Employees	102 (as of April 2023)
Outstanding Loans as of 31 March 2023	USD 174.6 billion
Outstanding Bonds and Bank Loans as of 31 March 2023	USD 151.0 billion
Credit Ratings as of 31 March 2023	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 the 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.
JFM focuses on related investigation and research and offers information with the aim of becoming a good partner in financial management for local governments.

2 Strengthening Confidence from 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 2023

Message from
the President and CEO



SATO Fumitoshi
President and CEO
2023

Sato Fumitoshi

Japan Finance Organization for Municipalities

In fiscal 2022, the supply constraints caused by the COVID-19 pandemic, combined with soaring energy and raw material prices against the backdrop of the Ukraine crisis, resulted in record inflation around the world, and policy rates were raised one after another, mainly in the United States and European countries. Although the Bank of Japan has maintained its stance of monetary easing, there have been some moves that could be regarded as policy corrections, and we recognize that the financial markets are under an unstable environment, as evidenced by the emergence of crises in some financial institutions overseas. While paying close attention to these circumstances, JFM will respond flexibly and appropriately to the implementation of various projects to ensure the stable continuation of its operations.

In fiscal 2023, JFM will provide loans to meet the financing needs of local governments for various projects included in the local government finance programme, such as the newly established decarbonization promotion projects, public facilities management promotion projects, water supply projects, and sewerage projects, for which high demand for financing is expected to continue.

In the area of funding operations, JFM will strengthen various ESG-related initiatives, including the issuance of green bonds, and will strive to constantly improve financing conditions through flexible and agile responses utilizing a variety of means, even under changing financial conditions, in order to meet the long-term and low-interest financing needs of local governments.

Also, in the area of local government support operations, we will further enhance the Business and Financial Management Enhancement Program by adding DX for local governments and other areas of support from this fiscal year. As a contribution to local government finances, a portion of JFM's management account reserve for interest rate volatility will be attributed to the Japanese national government in the amount of 100 billion yen in fiscal 2023 in order to secure funds for local allocation tax. Together with the previously planned amount, a total of over 150 billion yen will be attributed to the Japanese national government.

In addition, JFM has strengthened our promotion system for sustainability, which is a common issue worldwide, by establishing Sustainability Committee. Based on its newly formulated Sustainability Policy, JFM will give consideration to ESG factors throughout its entire business covering lending, funding, and local government support, and thereby will further contribute to the creation of sustainable local communities.

JFM, under the management philosophy and motto, "Supporting local governments through finance to create a future for regions," will strive to fulfill its required role as a joint funding organization and contribute to the sound financial management of local governments, which directly relates to the credibility of JFM itself, fully considering a wide range of opinions, issues and needs of local governments.

We appreciate the cooperation and support of all related persons.

JFM's value creation story

Mission

Supporting local governments through finance to create a future for regions

Use of diverse capital

Business activities that address a wide range of needs, etc. of local governments

Financial capital

- Strong financial foundation as a joint organization of local governments

Intellectual capital

- Extensive track record in lending
- Know-how accumulated since the days of the former Corporation

Human capital

- Professionals with diverse backgrounds

Social and Relationship capital

- Role as a public institution
- Cooperation with national and local governments

Lending

P.26

Long-term, low-interest loans to local governments

Sewerage and water services, hospitals, transportation businesses, etc.

Funding

P.36

Stable funding through a variety of means

Business foundation

- Governance
- Risk management
- Compliance
- Human resource development/Diversity

Institutional security for the sound financial management of local governments

- Local finance system (local allocation taxes, local government borrowings, etc.)
- Financial soundness legislation

Management Philosophy

- Being Responsive to Local Government Needs
- Strengthening Confidence from Capital Markets
- Ensuring Responsible Corporate Governance as a Joint Organization of Local Governments

Creating value in local communities

Support for Local Governments

P.39

Good partner for local governments

Fine-tuned support according to needs of local governments

Contribution to the stable financial management of local governments and the sustainable development of local communities

- Securing funds for local government projects
  - Improvement of the lives of local residents
  - Maintenance of social infrastructure
  - Development of disaster-resistant communities
  - Development of environmentally friendly communities
- Sound development of capital markets
- Improvement of local governments' problem-solving ability
- Creation of a pleasant work environment

Relevant SDGs



JFM Approach to Sustainability

JFM, as a joint organization of local governments, provides long-term, low-interest financing to local governments that provide a wide range of administrative services that are closely related to the lives of residents. JFM also contributes to the creation of sustainable local communities and, in turn, sustainable society by helping to resolve the issues faced by local governments through support for ensuring fiscal soundness.

In addition, JFM will consider ESG factors, such as consideration for the environment, improvement of the work environment, and the development of governance systems, throughout its entire business, and promote sustainability initiatives.

Overview of JFM Sustainability Policy

1. Introduction

- This policy sets forth the basic policy on sustainability matters of the Japan Finance Organization for Municipalities (JFM).

2. Implementation System

- The Sustainability Committee, which is chaired by the President and CEO and composed of all senior executive directors, etc., has been established.
- The committee deliberates on JFM's overall sustainability initiatives.

3. Basic Policy

- Pursuant to its mission and management philosophy, JFM will, throughout its entire business covering lending, funding and support for local governments, give consideration to ESG factors and thereby contribute to the sustainable development of local communities.

3.1 Consideration for the Environment

3.1.1. Loans to Projects that Contribute to Environmental Improvement

- Loans to various local governments-operated businesses that serve to improve the environment, including sewerage and water supply businesses.
- Use green bonds to procure loan capital.

3.1.2. Initiatives at JFM's Office

- Promote initiatives that contribute to reducing environmental burden, such as encouraging energy conservation and promoting green procurement.

3.2 Fulfilling Social Responsibility

3.2.1. Sustainable Development of Local Communities

- Provide long-term, low-interest loans to local governments offering a wide range of administrative services that are closely related to the lives of local residents, conduct research and studies regarding issues they are facing, provide support to them, and thereby contribute to the creation of sustainable local communities.

3.2.2. Contributing to Capital Markets

- Contribute to the sound development of capital markets as a key issuer in the public sector bond market.

3.2.3. Inclusive and Vibrant Work Environment

- Prohibits any type of harassment, ensures work-life balance, and human resource development that respects autonomy and a willingness to take on new challenges.

3.3. Robust Governance

3.3.1. Organizational Structure

- Autonomous and independent management system with the Representative Board, which is comprised of representatives from local governments, etc., serving as the highest decision-making body.
- Robust governance with checking functions, such as external audits and the Supervisory Committee, which consists of individuals with significant expertise in various fields.

3.3.2. Respect for Human Rights and Legal Compliance

- Respect for human rights, compliance with laws, regulations and ethical standards, and prompt and appropriate response to violations of rules.

4. Dialogue and Disclosure

4.1. Dialogue with Local Governments

- Identify and analyze local governments' needs through dialogue with them, and carry out business accordingly.

4.2. Dialogue with Investors

- Hold constructive dialogue with domestic and foreign investors.

4.3. Appropriate Disclosure

- Maintain and strengthen the confidence of the market and ensure transparency through active disclosure of information.

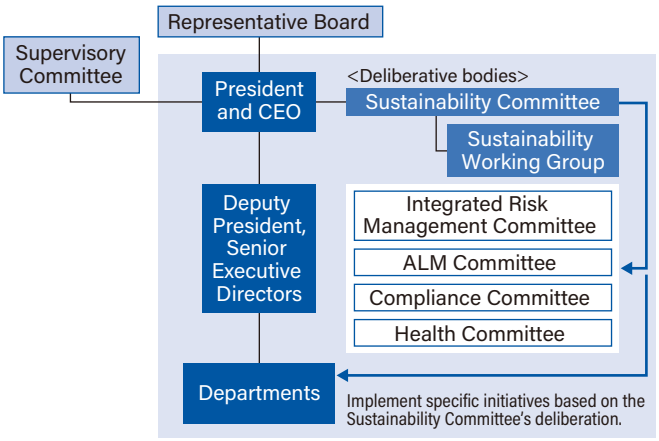
JFM Sustainability Committee

JFM has established the Sustainability Committee to promote sustainability initiatives.

The Sustainability Committee deliberates on Environmental issues, such as climate change; Social issues, such as diversity, the work environment, and human rights; and Governance issues, such as ethics and legal compliance.

The Committee is chaired by the President and CEO and composed of all senior executive directors, all director generals, a chief credit officer, and an internal auditor.

In addition, the Sustainability Working Group has been established under the Committee to examine and conduct research and studies on specific initiatives.



JFM's Action for Sustainability

JFM will give consideration to ESG factors throughout its entire business.

Major initiatives include the following.

Supporting Sustainable Community Development through Lending Operations

JFM contributes to the development of sustainable communities and the creation of sustainable local communities through lending to local governments who develop infrastructure and administrative services to local residents.

➡P.10 Support sustainable community development through lending operations

Improvement of Local Governments' Problem-Solving Ability Through Support for Local Governments

Depending on needs of local governments, JFM will carry out necessary investigations, research and support on various issues, such as ensuring fiscal soundness and financing, and support them in solving those issues.

➡P.13 Support for Local Governments — Case Study

Creation of an Inclusive and Vibrant Work Environment

JFM takes measures such as human resource development that respects the autonomy of employees, prohibition of acts of harassment, and ensuring good work-life balance, which lead to the development of a safe work environment where diverse human resources can play an active role.

➡P.56 Compliance ➡P.58 Human Capital

Ensuring Robust Governance

JFM has a structure including the Representative Board consisting of representatives from local governments, etc., the Supervisory Committee consisting of experts in each field, and external and internal audits. Under such a system, JFM will maintain a sound and appropriate financial structure.

➡P.46 Corporate Governance

Raising Funds by Sustainable Finance

JFM will take advantage of sustainable finance, including green bonds, to raise funds and direct ESG investment funds toward solving environmental issues in local communities.

➡P.12 Green Bonds

Consideration for the Environment at the Office

In addition to implementing environmentally friendly initiatives at the office throughout the organization, JFM will consider and promote further initiatives.

- JFM will encourage employees at its office to conserve electricity in all situations, including turning off lights if unnecessary or during breaks, using energy-saving equipment, and reducing overtime work.
- JFM will promote green procurement (purchasing goods with less environmental burden) and minimize environmental impact.
- JFM will promote paperless practices at various meetings, etc., and reuse of office supplies.

Information Disclosure

In addition to holding appropriate dialogue with local governments and investors, JFM will proactively disclose not only financial information but also non-financial information to ensure transparency.

➡P.59 Disclosure

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, measures against deteriorating infrastructure, and measures against large-scale and intensifying natural disasters.

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

■ JFM lending operations and SDGs mapping

Sewerage



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



Matsuo Purification Center (Iida City, Nagano Prefecture)

Transportation



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



0800 Series Low Floor Tram (Kumamoto City, Kumamoto Prefecture)

Hospital and Elderly Care Services



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



Kobe Proton Center (Kobe City, Hyogo Prefecture)

Disaster Management and Mitigation



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



Tsunami Evacuation Tower (Kuroshio Town, Kochi Prefecture)

Social Welfare and Educational Facilities Development



Maintaining educational facilities such as schools managed by local governments.



Susono Elementary School (Hirosaki City, Aomori Prefecture)

Regional Revitalization project



Projects implemented by local governments that contribute to the creation of regional economic cycles, and projects that contribute to the development of a vibrant economy and living area.



PRO-SEED Arena HIKONE (Hikone City, Shiga Prefecture)

Green Bonds

In response to growing global interest in the SDGs, the issuance of ESG bonds* has been expanding. In order to provide stable long-term, low-interest funding, JFM issued its first green bond in FY2019 to finance sewerage projects conducted by local governments, and has continuously issued them every fiscal year since then. Most recently, in February 2023, JFM issued its fourth green bond worth 500 million euros (equivalent to 71.1 billion yen).

The sewerage project, which was established using proceeds from JFM green bonds, plays an important role in both the environment and society by contributing to the improvement of public health, the conservation of the living conditions, and the conservation of water quality. For green bonds which have been issued, in cooperation with local governments, JFM prepares and publishes impact reports that summarize the use of proceeds, project details, environmental improvement effects, etc., to disseminate local governments' initiatives on the SDGs to investors in Japan and overseas.

The JFM green bond framework has received a second-party opinion from Moody's, a third-party organization, and has attained a "Very good" score which is the second highest on the 5-point rating scale. The first green bond issued in February 2020 was awarded a Special Prize in the foreign bond category at the Capital Eye Awards "BEST DEALS OF 2019."

*A general term for bonds that use their proceeds for projects that have some effect on improving the environment and contributing to society such as green bonds, which are used for projects that contribute to solving environmental issues; social bonds, which are used for projects that contribute to solving social issues; and sustainability bonds, which are used for projects that have both characteristics or for both projects. Unlike ordinary bonds, it is desirable to disclose to investors the use of proceeds, the process for project evaluation and selection, the management of proceeds, and the method of impact reporting.

■ JFM Green Bond Issuance

Series	Currency	Issue Amount(mn)	Tenor	Coupon(%)	Issue Date
1st	EUR	500	7-year	0.050	12 Feb 20
2nd	EUR	500	7-year	0.010	2 Feb 21
3rd	USD	750	3-year	1.500	27 Jan 22
4th	EUR	500	5-year	3.375	22 Feb 23

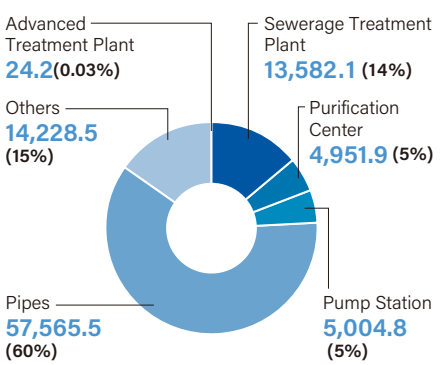
JFM conducted a survey on the environmental improvement effects, etc. of sewerage projects with the local governments to which loans were made between February 3, 2022 and March 30, 2022, for which the proceeds from the green bond issued in January 2022 were allocated. JFM published an impact report summarizing the results in December 2022. The following is a summary of the results.

■ Summary

Total extension of pipes (km)
319.5
Covered area population
18,935,043
Water management capacity (㎥)
4,653,649,358
Amount of electricity saved (kWh)
577,278

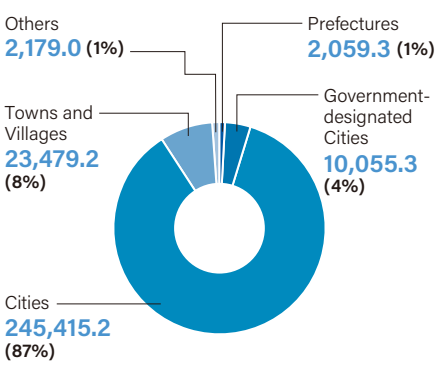
■ Loan Amount by Project Type

(1) (JPY mm)
(3)



■ Loan Amount by Type of Borrower

(2) (JPY mm)
(3)



(1) Breakdown of green bond eligible projects from 3 February 2022 to 30 March 2022 (approximately JPY 95 bn)
(2) Breakdown of all the sewerage projects related loans in FY2021
(3) Does not add up to 100 due to rounding off

Support for Local Governments — Case Study

Project to strengthen administration and financial management of local governments

In order to strengthen the administration and financial management of local governments and improve the quality of financial management, JFM conducts a joint project with the Ministry of Internal Affairs and Communications to dispatch advisers to individual municipalities, depending on the areas of support needed, such as management reform in municipal enterprises and joint public-private ventures, etc., public facility management, and DX in local governments.

Study No.1 Aridagawa Town, Wakayama Prefecture (area of support: application of municipal enterprise accounting)

Outline of the organization

Aridagawa is a town with a population of approximately 25,000 (according to the 2020 census) that was established in 2006 as a result of the merger of three towns. The town utilized the support to receive accounting and other advice for sewerage projects to which the financial provisions of the Local Public Enterprise Act were scheduled to apply from April 2023.

Comments from the adviser

Mr. Akitoshi Kikuchi (Former Director General, Iwate Chubu Water Supply Authority)

In Aridagawa Town, they were struggling with an interruption of the operation for application of the Act due to a situation of the contractor to whom the operation was entrusted. In such a situation, JFM received an urgent request for an adviser.

We immediately established an asset register by reconstructing and scrutinizing the unfinished asset register, confirming the allocation of overhead costs, etc. Then I provided advice on-site, or as necessary, on a series of procedures for applying the Act (preparation of projected balance sheet, preparation of the budget, specification of consumption tax, transfer to general account, etc.).

Thanks to the efforts of the person with bookkeeping qualifications in charge of Aridagawa Town, we were able to complete all operations for application of the Act in just six months from the situation where only about 40% of the asset register had been completed. I was also able to conduct business analysis based on the completed projected financial statements and provide advice on future business management, which is the final purpose of applying the Act.



Kibi Purification Center
(Aridagawa Town, Wakayama Prefecture)

Study No.2 Takamatsu City, Kagawa Prefecture (area of support: public facility management)

Outline of the organization

Takamatsu City is the capital of Kagawa Prefecture and a core city with a population of approximately 417,000 (according to the 2020 census). In revising the comprehensive management plan for public facilities, etc. and the plan for restructuring and developing public facilities, the city utilized the support to receive advice on methods and approaches for considering consolidation of the facilities, utilization of the facilities by the private sector, etc.

Comments from the adviser

Mr. Manabu Minami (Visiting Professor, Research Center for Public-Private Partnership, Toyo University)

Takamatsu City has developed as the gateway to Shikoku. The city had also taken advanced measures, such as evaluating all public facilities on the assumption that they would be consolidated. At the practical stage, however, in the large organization of a core city, the departments in charge were fragmented, and it was difficult to think beyond the vertically divided departments. Therefore, the development of complex and multifunctional facilities stagnated. In addition, sufficient efforts were not made to promote the use of the private sector's know-how and funds through the introduction of public-private partnership methods.

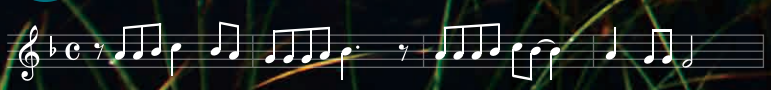
In this adviser dispatch system, I provided training to staff in charge of facilities, objectively analyzed the issues and actual usage of each facility as well as challenges facing the departments, explained the perspective of the private sector (course of action for utilization, profitability, etc.), and confirmed the course of action for the maximum utilization of public facilities.



A scene of the lecture
(Takamatsu City, Kagawa Prefecture)

Review and Plan

Natsu no omoide



Natsu ga kureba omoidasu harukana oze to-i sora

Lyricist : Shoko Ema
Composer : Yoshinao Nakada

Wetlands of Ozegahara in Tone District, Gunma Prefecture

Review of Operations for Fiscal 2022

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Management Plan for Fiscal 2023

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Hofu City, Yamaguchi Prefecture
Sanyu Sarubia Hall (The Hofu Public Hall)



Background to the plan

Hofu City has long been rooted in music culture and promotes community development with music as its theme. Renewal of the public hall, the symbol of the City, which had been popular with local people for about 60 years, was considered due to the emergence of earthquake-resistance and barrier-free issues.

Execution of loans

Utilized a JFM loan by using proceeds from Proper Management of Public Facilities and Infrastructures Bonds and Disaster Management and Mitigation Bonds. After large-scale renovation work, the public hall was reborn with excellent safety.

Effects and development

The public hall became established as a place for exchange of local culture. Equipped with an excellent design and state-of-the-art facilities, it has become a building leading the performing arts in the prefecture. Attractive events are held as a symbol of the city of music.

1 Lending Operations

In fiscal 2022, JFM provided loans totaling USD 11.9 billion.

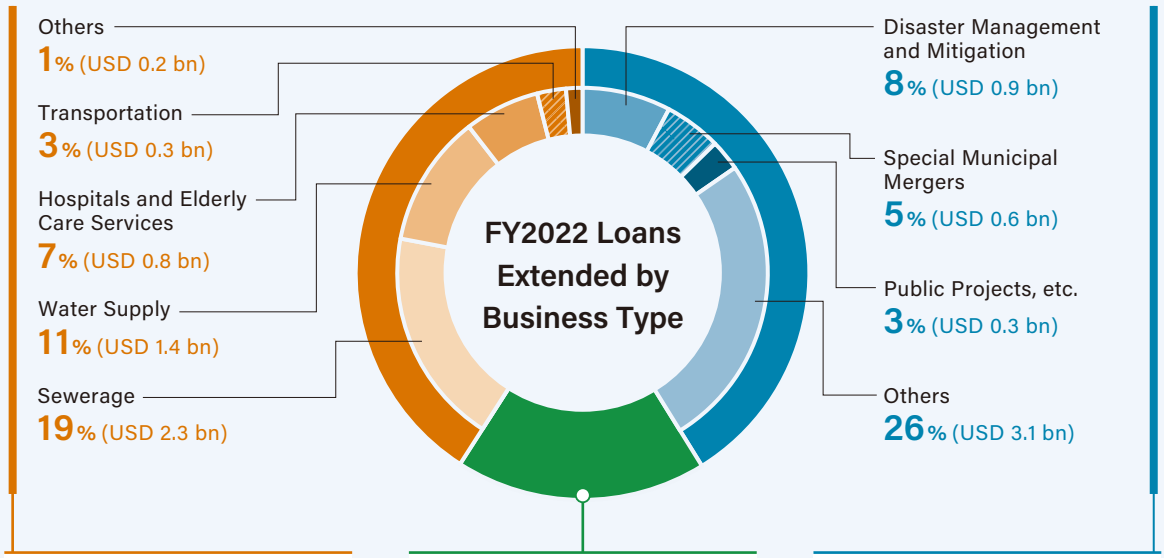
General account-related loans totaled USD 4.9 billion (41%) of the total lending volume, mainly represented by disaster management and mitigation and special municipal mergers. Loans for temporary financial countermeasures funding* were USD 2.1 billion (18%), and loans for municipal enterprise-related loans were USD 4.9 billion (41%), 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).

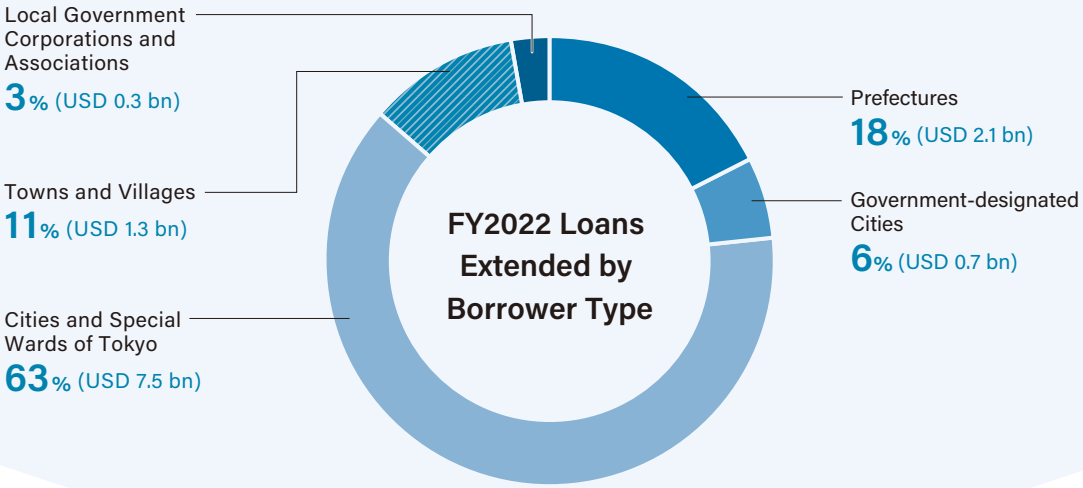
Lending Operations by Business Type in Fiscal 2022

Business	Number of Loans Made	Loan Amount (USD Millions)	
			% of total
General Account-related Loans			
Public Projects	605	325	2.7%
Public Housing	110	82	0.7%
Educational Facilities Development	243	116	1.0%
Social Welfare Facilities Development	180	54	0.5%
General Waste Dispoal	70	61	0.5%
General Service Facilities Development	8	3	0.0%
General Projects	62	40	0.3%
Regional Revitalization	204	94	0.8%
Disaster Prevention	352	87	0.7%
Local Road Development	347	170	1.4%
Special Municipal Mergers	450	593	5.0%
Disaster Management and Mitigation	1,715	920	7.7%
Proper Management of Public Facilities	776	963	8.1%
National Disaster Prevention	1,395	939	7.9%
Remote Place Improvement Projects	8	0	0.0%
Depopulation Measures	932	464	3.9%
Subtotal	7,457	4,912	41.3%
Municipal Enterprise–related Loans			
Water Supply	1,433	1,366	11.5%
Industrial Water Supply	50	48	0.4%
Transportation	44	300	2.5%
Electricity and Gas Supply	31	37	0.3%
Port Facilities	25	17	0.1%
Hospitals and Elderly Care Services	523	778	6.5%
Markets and Slaughterhouses	27	52	0.4%
Sewerage	2,736	2,246	18.9%
Tourism and Others	13	20	0.2%
Subtotal	4,882	4,863	40.9%
Temporary Financial Countermeasures Funding	355	2,126	17.9%
Loans Covering Decrease in Local Tax Revenues	-	-	0.0%
Total	12,694	11,901	100.0%

Note: Totals may not add up due to rounding.



Municipal Enterprise–related Loans	Temporary Financial Countermeasures Funding	General Account-related Loans
41% (USD 4.9 bn)	18% (USD 2.1 bn)	41% (USD 4.9 bn)



Total

USD 11.9 bn

Note: Totals may not add up due to rounding.

2 *Funding Operations*

1. Overview[*1]

In fiscal 2022, JFM raised a total of USD 13.4 billion, which includes USD 12.5 billion in JFM bonds (non-government guaranteed) and USD 1.0 billion through long-term bank loans. With regard to JFM bonds, a total of USD 8.5 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 6.5 billion was issued in the fiscal year. In order to cope with highly volatile market conditions through the period, JFM increased 5-year, 10-year and 20-year of the regular issuance and FLIP from the initial plan by utilizing the budget of the Open Issuance scheme.

In overseas offerings, JFM issued EUR denominated benchmark bonds in 5-year tenor (EUR 1.25 billion) in September 2022 and its fourth green bond in EUR 5-year tenor (EUR 500 million) in February 2023. In addition to these successful public offerings, JFM issued a total of USD 77 million equivalent[*3] Private Placements and USD 107 million equivalent[*3] Uridashi Bonds. Through these activities, the total volume of international bonds issued for fiscal 2022 amounted to USD 2.0 billion.

Private placements with pension funds for local government officials totaled USD 4.0 billion.

As a result, JFM's outstanding bonds were USD 147.0 billion and outstanding long-term bank loans totaled USD 3.9 billion as of 31 March 2023.

Notes: 1. Issued amounts are calculated based on issue prices.
2. Issued amounts of JPY denominated bonds are converted at the exchange rate at the end of fiscal 2022 and those of Non JPY denominated bonds are calculated at the timing of pricing.
3. Totals may not add up due to rounding.

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 a minimum issue amount of JPY 3 billion (USD 22.5 million), with flexibility in terms of issue amount and maturity to meet the needs of investors.

Funding in Fiscal 2022

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Type of Bond	Plan (Initial)	Achieved
Domestic Public Offerings	USD 4.9 bn	USD 6.5 bn
10-year	USD 2.0 bn	USD 2.3 bn
20-year	USD 0.7 bn	USD 1.0 bn
5-year	USD 0.1 bn	USD 0.2 bn
30-year	USD 0.1 bn	USD 0.1 bn
Opportunistic Issuance*1	USD 1.8 bn	USD 2.8 bn
Overseas Offerings - MTN	USD 2.2 bn	USD 2.0 bn
Open Issuance	USD 1.8 bn	-
Total	USD 9.0 bn	USD 8.5 bn

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

Type of Bond	Plan	Achieved
10-year	USD 1.9 bn	USD 1.9 bn
20-year	USD 2.1 bn	USD 2.1 bn
Total	USD 4.0 bn	USD 4.0 bn

2. Long-term Bank Loans

	Plan	Achieved
Long-term Bank Loans	USD 0.6 bn	USD 1.0 bn

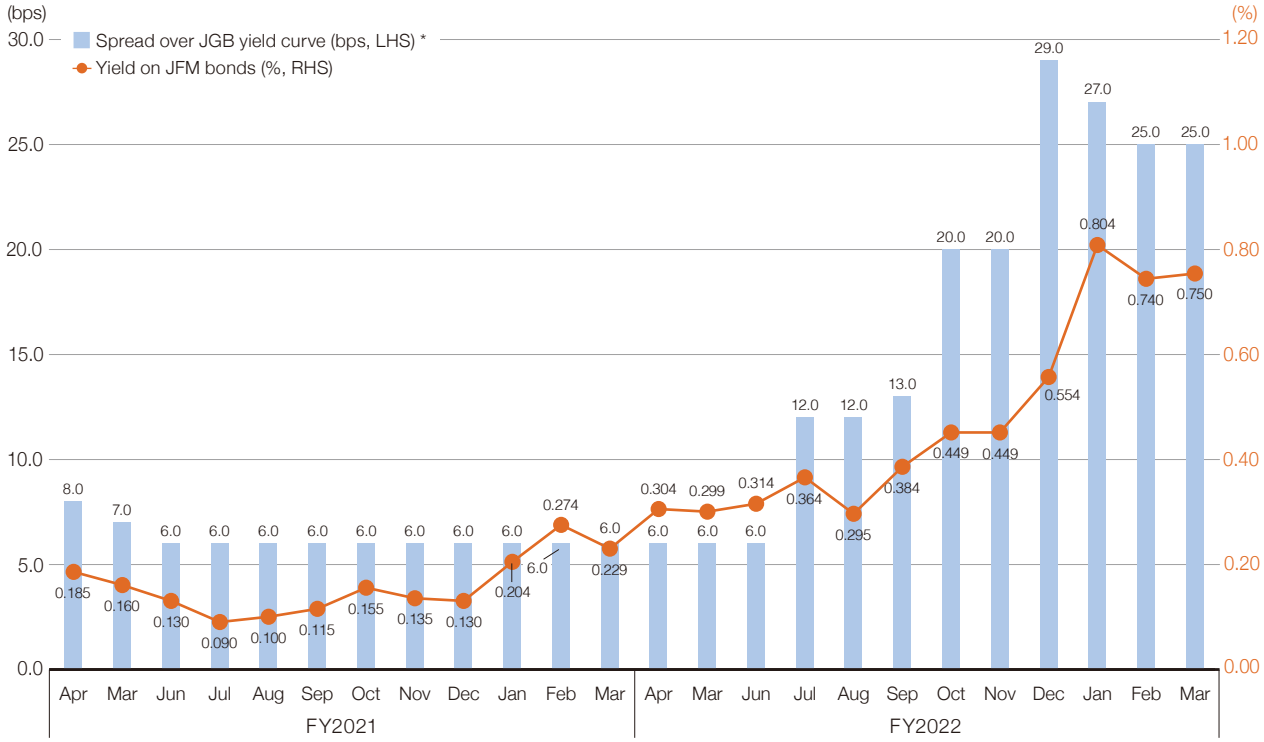
Notes: 1. Details of issuance such as tenor, issue size and issue market will be determined as necessary based on the lending status, market conditions and other factors.
2. Totals may not add up due to rounding.

Issue Spreads

In the domestic market, JFM bonds have been priced under interest rates rise environment. The premium of JFM 10-year domestic bonds over Japanese government bond (JGB) was 6 bp until June but it became wider and it reached 29bp in December under volatile market conditions. After the peak, the bonds were priced at 25 spreads over JGB in February and March 2023. The spreads over JGB of other tenors of JFM domestic bonds became wider during fiscal 2022, but they were same as municipal bonds.

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 2022, JFM's income was USD 1.6 billion, a decrease of USD 0.1 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 0.1 billion from the previous year, totaling USD 0.9 billion. As a result ordinary income decreased by USD 0.1 billion from the previous year, totaling USD 0.8 billion.

Pursuant to the relevant laws, a portion of the revenue generated by the refinancing of bonds and borrowed money of JFM* is to be directed into the reserves for interest rate volatility. As a result of such provisions as well as other factors, net income remains similar level to the previous year at USD 0.3 billion.

Note: The difference between fiscal 2021 and 2022 is calculated using the exchange rate as of 31 March 2023.

*This revenue is calculated based on the difference between JFM's funding rates at the time the loans were made and the current refinancing rates.

2. Balance Sheet

As of 31 March 2023, JFM's total assets amounted to USD 184.0 billion, a decrease of USD 2.1 billion from the previous year. This mainly resulted from a decrease in loans by USD 1.9 billion.

Total liabilities decreased by USD 2.3 billion, totaling USD 181.0 billion. This decrease primarily reflected a decrease of USD 3.6 billion in bonds.

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

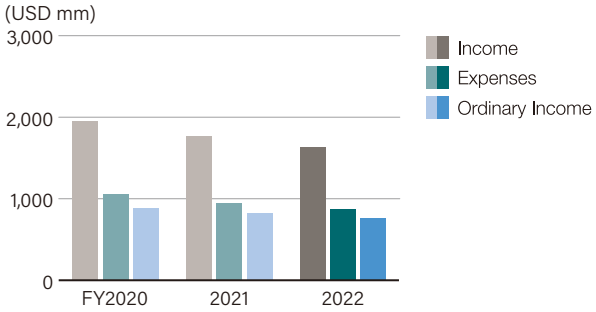
Financial highlights since fiscal 2020 are on the next page.

Financial Highlights

1. Income Statement

(USD Millions)

	FY2020	2021	2022	YoY
Income	1,947	1,767	1,633	-134
Expenses	1,061	941	871	-70
Ordinary Income	886	826	762	-64
Net Income	205	242	270	29

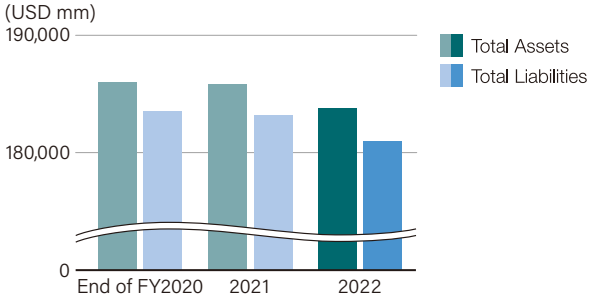


Note: Totals may not add up due to rounding.

2. Balance Sheet

(USD Millions)

	End of FY2020	End of FY2021	End of FY2022	YoY
Total Assets	186,227	186,057	183,970	-2,087
Loans	173,392	176,437	174,559	-1,878
Others	12,835	9,620	9,411	-209
Total Liabilities	183,675	183,299	181,019	-2,280
Bonds	152,913	150,607	147,037	-3,570
Borrowed money	2,203	2,993	3,944	951
Cash collateral received for financial instruments	251	1,105	1,281	177
Fund for lending rate reduction	6,895	6,895	6,921	27
Reserves under special laws	21,379	21,664	21,782	119
Reserve for interest rate volatility	16,482	16,482	16,482	-
Management account reserve for interest rate volatility	4,802	5,114	5,256	142
Reserve for interest rate reduction	95	68	45	-23
Others	36	36	52	16
Total Net Assets	2,552	2,758	2,951	194



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 11.5 billion in fiscal 2023, USD 1.0 billion or 7.8% decrease from fiscal 2022.

Lending Plan

	FY2023	FY2022	YoY
Planned Amount	USD 11.5 bn	USD 12.5 bn	-7.8%

Lending Plan by Business Type for Fiscal 2023

(USD Millions)

Business	FY2023 Funding Plan(A)	FY2022 Funding Plan(B)	Difference (A)-(B)=(C)	Change (%) (C)/(B)×100	The amount of JFM Funds in the LGBP
General Account-related Loans					
Public Projects	294.4	239.7	54.7	22.8	266.0
Public Housing	91.4	83.9	7.5	8.9	92.1
Educational Facilities Development	179.1	48.7	130.4	267.7	124.4
Social Welfare Facilities Development	66.7	59.9	6.7	11.3	66.7
General Waste Dispoal	83.9	42.7	41.2	96.5	98.1
General Projects	45.7	44.2	1.5	3.4	62.9
Regional Revitalization	74.2	63.7	10.5	16.5	63.7
Disaster Prevention	74.9	86.2	-11.2	-13.0	101.9
Local Road Development	191.8	168.6	23.2	13.8	223.3
Special Municipal Mergers	618.1	631.6	-13.5	-2.1	516.2
Disaster Management and Mitigation	902.0	962.7	-60.7	-6.3	1,257.1
Proper Management of Public Facilities	1,262.4	797.9	464.5	58.2	1,294.6
National Disaster Prevention	767.9	720.0	47.9	6.7	754.4
Decarbonization Promotion Projects	12.7	-	12.7	All increased	269.7
Remote Place Improvement Projects	13.5	12.0	1.5	12.5	19.5
Depopulation Measures	506.4	491.5	15.0	3.0	696.7
Subtotal	5,185.0	4,453.1	731.9	16.4	5,907.3
Municipal Enterprise–related Loans					
Water Supply	1,431.7	1,513.3	-81.7	-5.4	1,502.1
Industrial Water Supply	55.4	59.2	-3.7	-6.3	49.4
Transportation	218.8	242.7	-24.0	-9.9	203.0
Electricity and Gas Supply	51.7	50.2	1.5	3.0	54.7
Port Facilities	18.7	18.0	0.7	4.2	17.2
Hospitals and Elderly Care Services	797.1	829.3	-32.2	-3.9	950.0
Markets and Slaughterhouses	53.9	58.4	-4.5	-7.7	15.7
Sewerage	2,425.1	2,399.6	25.5	1.1	2,613.9
Tourism and Others	7.5	15.0	-7.5	-50.0	3.7
Subtotal	5,059.9	5,185.8	-125.9	-2.4	5,409.8
Temporary Financial Countermeasures Funding	1,292.3	2,872.3	-1,580.0	-55.0	983.7
Total	11,537.3	12,511.2	-973.9	-7.8	12,300.7

Notes: 1. Business names are classified based on the LGBP for fiscal 2023.
2. Totals may not add up due to rounding.

JFM Funds in Local Government Borrowing Programme

	FY2023	FY2022	YoY
JFM Funds	USD 12.3 bn	USD 13.1 bn	-6.0%
General Account-related Loans	USD 5.9 bn	USD 5.8 bn	1.5%
Municipal Enterprise-related Loans	USD 5.4 bn	USD 5.5 bn	-1.7%
Temporary Financial Countermeasures Funding	USD 1.0 bn	USD 1.8 bn	-44.1%

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 64 for more information on JFM funds in the LGBP.
3. Totals may not add up due to rounding.

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 2023, JFM plans to issue USD 8.6 billion of JFM bonds through these methods.

Moreover, private placements with pension funds for local government officials are projected to amount to USD 4.0 billion in fiscal 2023. In addition to issuing JFM bonds, JFM plans to raise USD 0.6 billion through long-term bank loans.

As for government-guaranteed bonds, JFM Plans to issue USD 0.6 billion during fiscal 2023.

Funding Plan for Fiscal 2023

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Types of Bond	FY2023 (Plan)	FY2022 (Achieved)
Domestic Public Offerings	USD 4.8 bn	USD 6.5 bn
10-year	USD 2.0 bn	USD 2.3 bn
20-year	USD 0.8 bn	USD 1.0 bn
5-year	USD 0.1 bn	USD 0.2 bn
30-year	USD 0.1 bn	USD 0.1 bn
Opportunistic Issuance	USD 1.6 bn	USD 2.8 bn
Overseas Offerings - MTN	USD 2.2 bn	USD 2.0 bn
Open Issuance	USD 1.5 bn	-
Total	USD 8.6 bn	USD 8.5 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.
3. Totals may not add up due to rounding.

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

Types of Bond	FY2023 (Plan)	FY2022 (Achieved)
10-year	USD 1.9 bn	USD 1.9 bn
20-year	USD 2.1 bn	USD 2.1 bn
Total	USD 4.0 bn	USD 4.0 bn

2. Long-term Bank Loans

	FY2023 (Plan)	FY2022 (Achieved)
Long-term Bank Loans	USD 0.6 bn	USD 1.0 bn

3. Government-guaranteed Domestic Bonds

Types of Bond	FY2023 (Plan)	FY2022 (Achieved)
4-year	USD 0.6 bn	-
Total	USD 0.6 bn	-

3 Scheduled Payment to the National Treasury

In accordance with 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 as below.

- USD 0.7 billion for securing funds for local allocation tax for fiscal 2023
- Up to USD 1.7 billion due to the increase in concession amount charged for Forest Environment Concession Tax, which promotes forest maintenance over a period of five years from fiscal 2020 through fiscal 2024
- Up to USD 11.2 million for securing funds of the Trust Fund Bureau for exemptions of early redemption charges in relation to concessions of water supply and sewerage business over a period of six years from fiscal 2018 through 2023



茜色

Operations

Momiji

Aki no yuhi ni teru yama momiji

Lyricist : Tatsuyuki Takano
Composer : Teichi Okano

Autumn leaves in Arashiyama, Kyoto Prefecture

Lending Operations

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Funding Operations

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Support for Local Governments 39

薄浅葱

Miyako City, Iwate Prefecture Taro General City Branch



Background to the plan

The old government building was aging. Due to tsunami damage caused by the Great East Japan Earthquake, housing locations of local residents have changed significantly, which resulted in the need for a facility with consideration of convenience and access.

Execution of loans

Considering that the redemption period of the building maintenance cost would be long, a JFM loan was used because JFM is highly reliable and provides long-term and low-interest loans. A new government building attached to a train station was completed.

Effects and development

The new government building is a complex facility including Shin Taro Station of the Sanriku Railway Rias Line. It not only provides administrative services, but also promotes the use of railways by citizens, which leads to the expansion of areas of local residents' movements.

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 two 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 FY 2023			
			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[*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	25	3	25	3
		Social Welfare Facilities Development	25	3	25	3
		General Waste Dispoal	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 Natuaral Disaster Prevention	30	5	30	5
		Decarbonization Promotion Projects	30	5	30	5
	Remote Place Improvement Projects[*2]		30	5	40	5
	Depopulation Measures[*2]		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

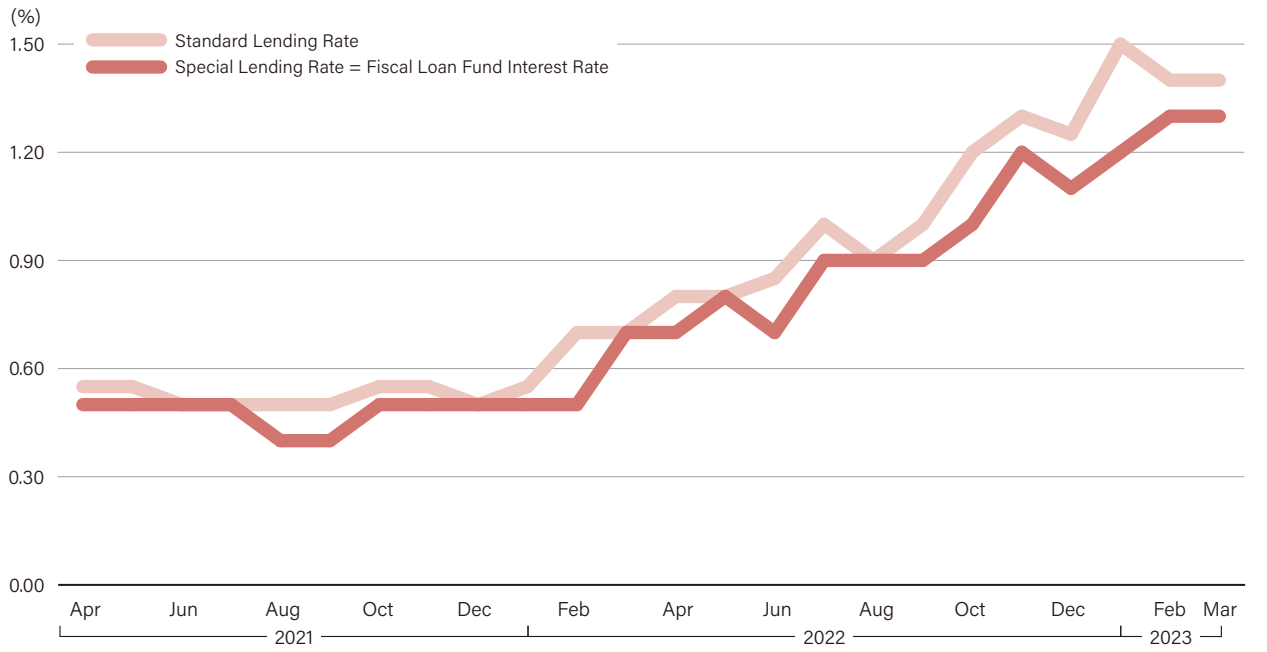
JFM sets standard lending rates, which are determined to balance its funding cost, and also offers special lending rates at a discount to the standard rates by making use of its Fund for Lending Rate Reduction.

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 in which 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 2020 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.

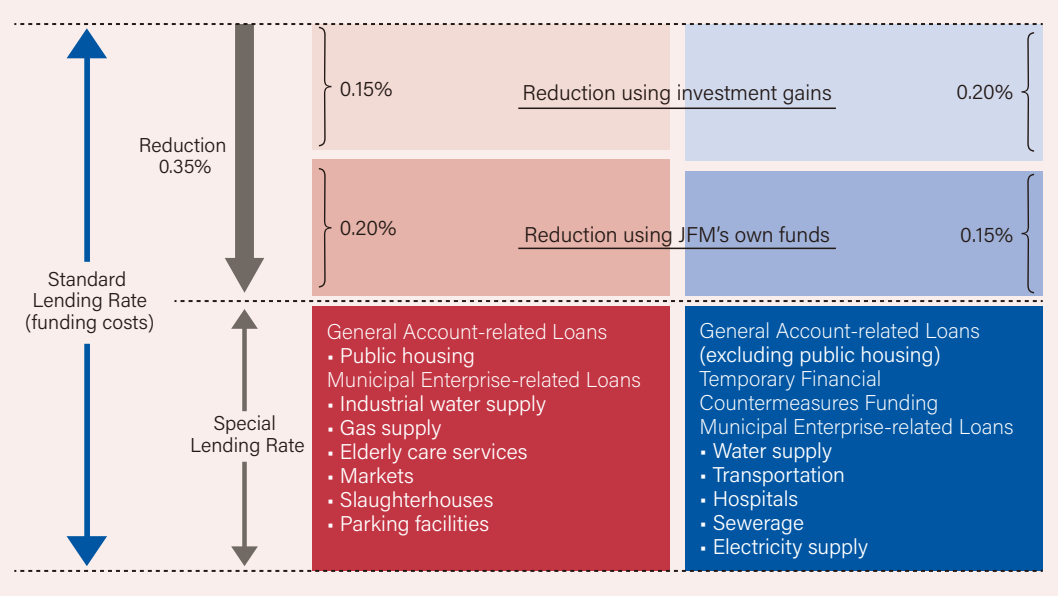
Trends of Lending Rates



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).

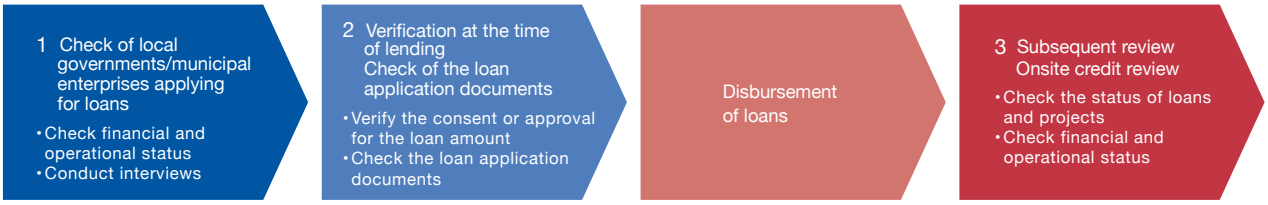
3 Credit Check System

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 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.

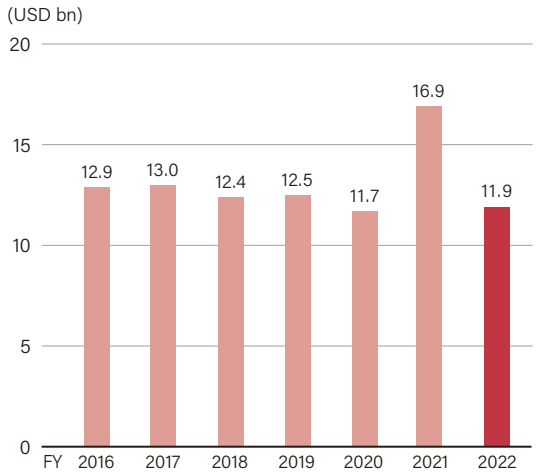


4 Trends in Lending Operations

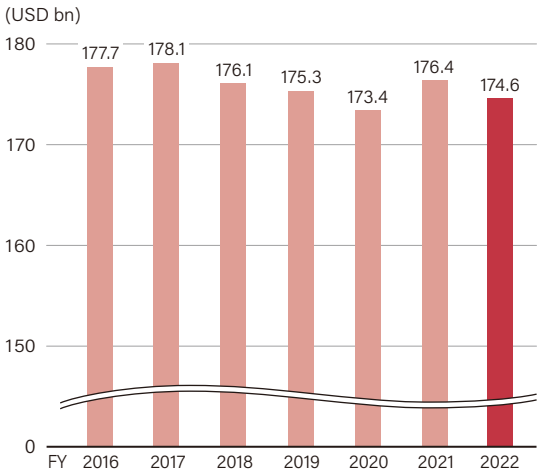
1. Overview

Annual lending volume has been hovering around USD 10 to 15 billion, except for fiscal 2021 when the volume jumped due to the COVID-19 pandemic. At the end of fiscal 2022, outstanding loans were USD 174.6 billion.

Annual Lending Volume



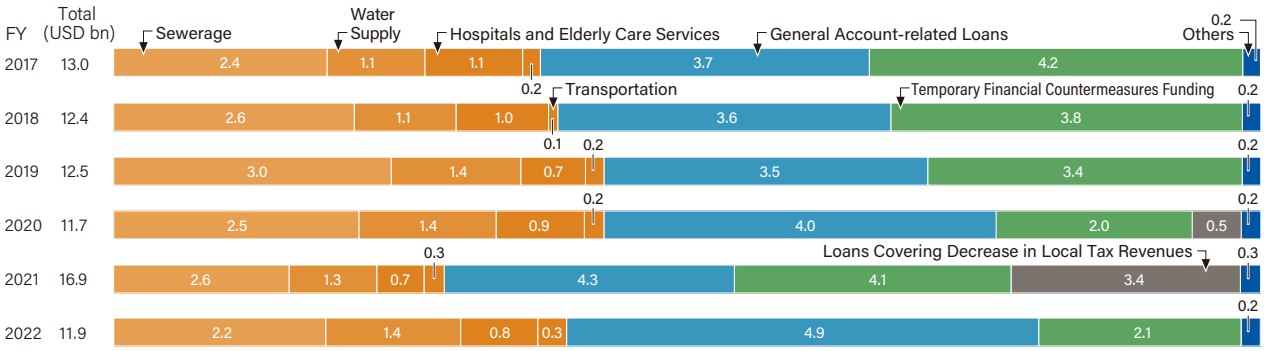
Outstanding Loans



2. Annual Lending Volume by Business and Borrower

In fiscal 2022, the loan amount of sewerage was USD 2.2 billion, accounting for the largest share of lending, at 18.9% of the total. This was followed by USD 2.1 billion for temporary financial countermeasures funding and USD 1.4 billion for water supply, representing 17.9% and 11.5% respectively.

Long-term Loans Extended by Business

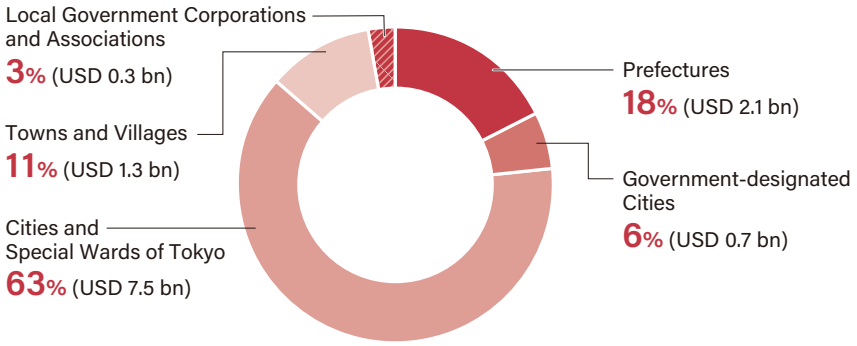


Note: Totals may not add up due to rounding.

FY2022 Loans Extended by Borrower

Total

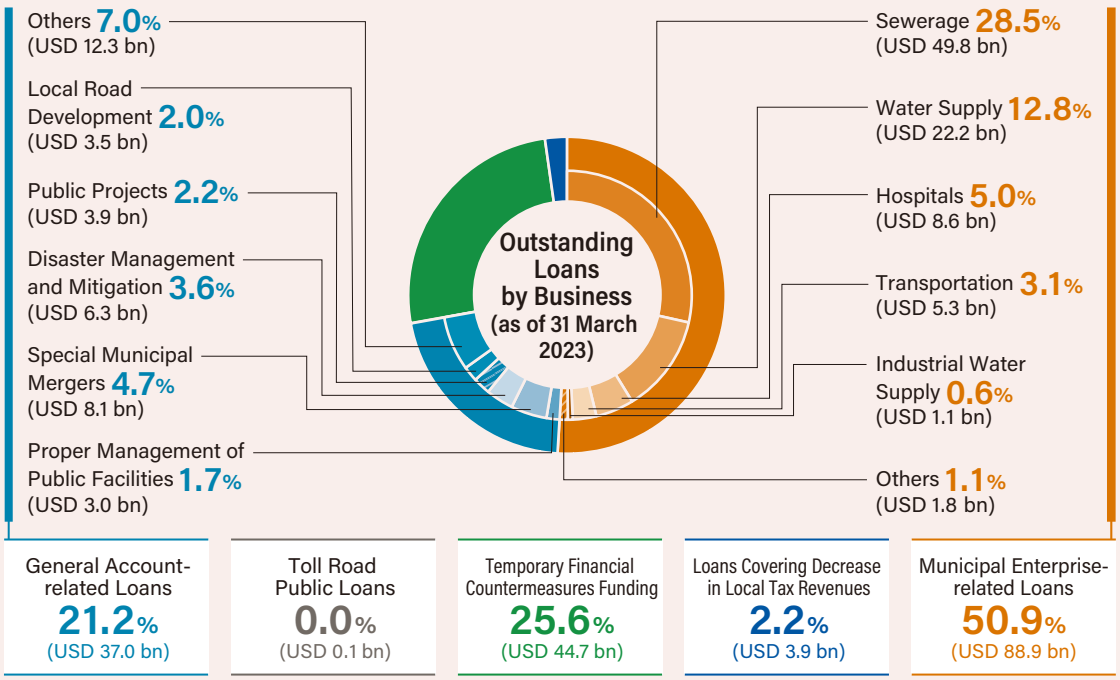
USD 11.9 bn



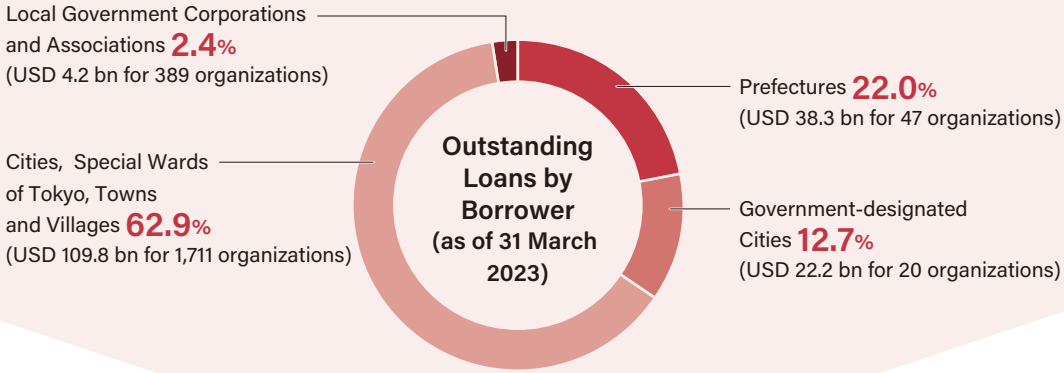
3. Outstanding Loans by Business and Borrower

At the end of fiscal 2022, the outstanding loans were USD 174.6 billion, of which the sewerage business accounted for the largest share at 28.5%, followed by temporary financial countermeasures funding at 25.6% and water supply at 12.8%.

There was a total of 2,167 local governments, local government corporations and associations with outstanding JFM loans, including all prefectures. Cities, special wards of Tokyo, towns and villages accounted for the largest portion at 62.9% of the total, followed by prefectures at 22.0% and government-designated cities at 12.7%. Local government associations and corporations represented the remaining 2.4%.



*1 Development projects for local roads, rivers and other waterways, and high school building.



Total

USD 174.6 bn

Note: Totals may not add up due to rounding.

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 2021, the water supply coverage was 97.5% of the population. The water supply business (including small-scale water supply) operated by local governments totaled 1,787 projects and provided about 13.4 billion cubic meters of water annually for approximately 123.3 million people.

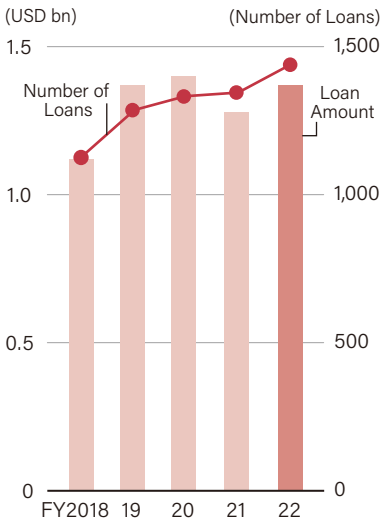
In fiscal 2022, loans extended to the water supply business amounted to USD 1.4 billion.

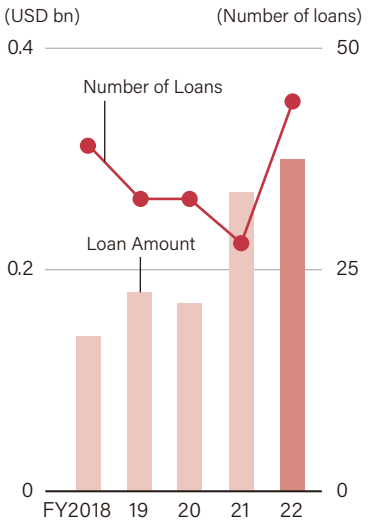


Kaneda Raw Water Reservoir (Kisarazu City, Chiba Prefecture)



Kumamoto City 0800 Series Low Floor Tram (Kumamoto City, Kumamoto Prefecture)





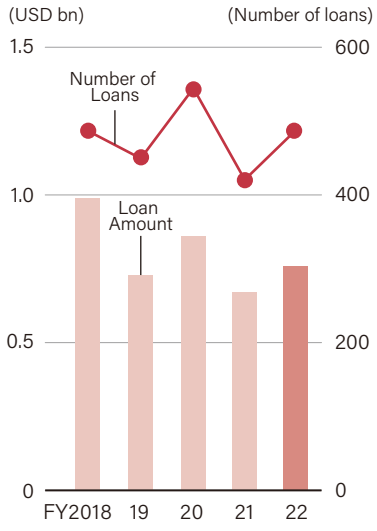
Hospital Business

At the end of fiscal 2021, hospital projects managed by local governments totaled 681 with 853 hospitals, which included 813 general hospitals and 40 mental hospitals.

In fiscal 2022, loans extended to the hospital business (including those run by local independent administrative institutions) totaled USD 0.8 billion.



Atsugi City Hospital (Atsugi City, Kanagawa Prefecture)



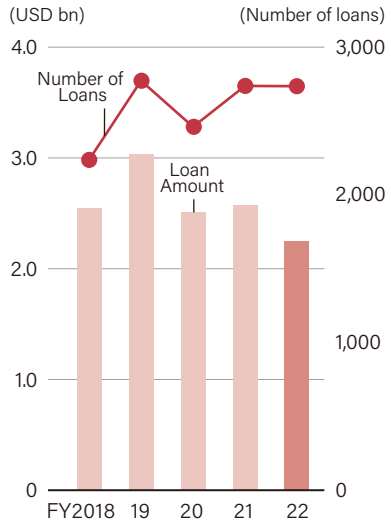
Sewerage Business

At the end of fiscal 2021, the sewerage system covered 92.6% of the nation's total population. There were 3,605 projects involved, with a total annual sewerage processing capacity (combined storm water and sewerage treatment, excluding river basin sewerage) of around 15.2 billion cubic meters serving areas with a population of nearly 105.1 million people.

In fiscal 2022, loans extended to the sewerage business totaled USD 2.2 billion.



Sewage Purification Center (Shiojiri City, Nagano Prefecture)



Disaster Management and Mitigation

Disaster management and mitigation represents 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.

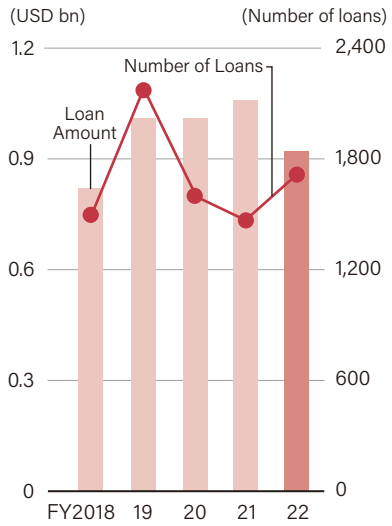
In fiscal 2022, loans extended for disaster management and mitigation amounted to USD 0.9 billion.

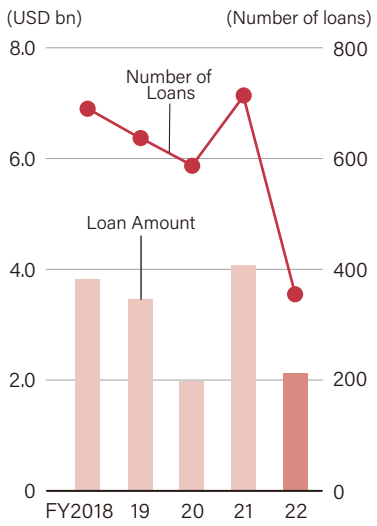
Temporary Financial Countermeasures Funding

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 2022, loans extended for temporary financial countermeasures funding amounted to USD 2.1 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.

JFM Bonds

To be issued by JFM without government guarantees. Under Article 40, Paragraph 2 of the JFM Law, all holders of JFM bonds have a preferential right to be paid prior to other unsecured indebtedness.

- **Domestic Bonds**
  - Public Offerings
    - ▪Regular issuance of 5-year, 10-year, 20-year and 30-year bonds
    - ▪Opportunistic bond issuance (maturities except for 5-year, 10-year, 20-year and 30-year)
  - Private Placements with Pension Funds for Local Government Officials
- **International Bonds** — Bonds issued in international markets through the MTN Programme

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.

Since fiscal 2019, JFM has issued green bonds 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 2023)	
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 2023).

4 *Trends in Funding Operations*

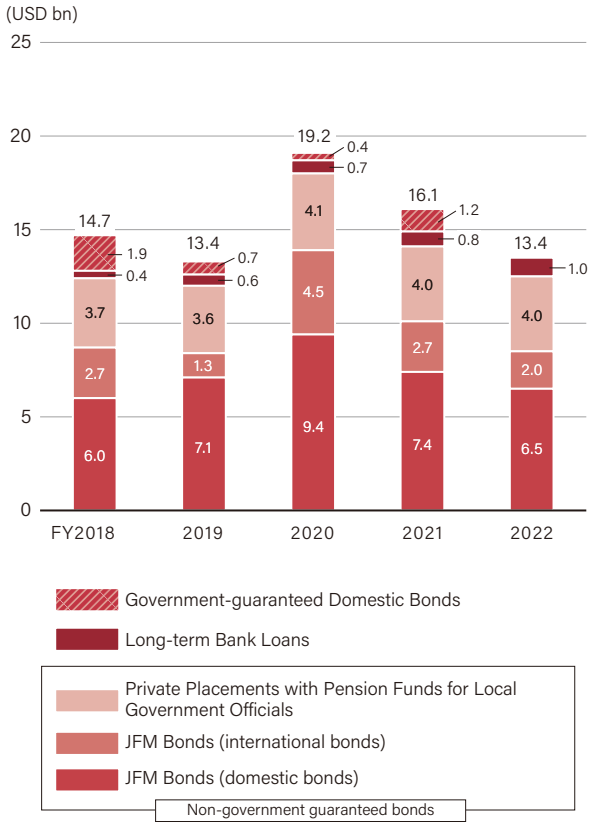
JFM issues JFM bonds (non-government guaranteed bonds to be issued through domestic public offerings or under the MTN Programme, or private placements with pension funds for local government officials) and government-guaranteed bonds for the purpose of refinancing existing government-guaranteed bonds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

In fiscal 2022, JFM raised a total of USD 13.4 billion, decreased from the previous year. This was mainly the result of a decrease in the amount of non-government guaranteed bonds and no issuance of government-guaranteed bonds.

As of 31 March 2023, outstanding bonds were USD 147.1 billion. Outstanding long-term bank loans totaled USD 3.9 billion. The total amount of outstanding bonds and long-term bank loans was USD 151.0 billion, which was comprised of USD 121.2 billion in the general account and USD 29.8 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.

Note: The figures related to outstanding volume are based on face value.

Funding Volume



Note: Totals may not add up due to rounding.

Outstanding Bonds and Bank Loans



JFM will, according to the needs of local governments, conduct the necessary research on and give support for issues related to the overall fiscal management of local governments, such as securing fiscal soundness and financing, and will strive to meet their wide range of expectations as a good adviser to local governments.

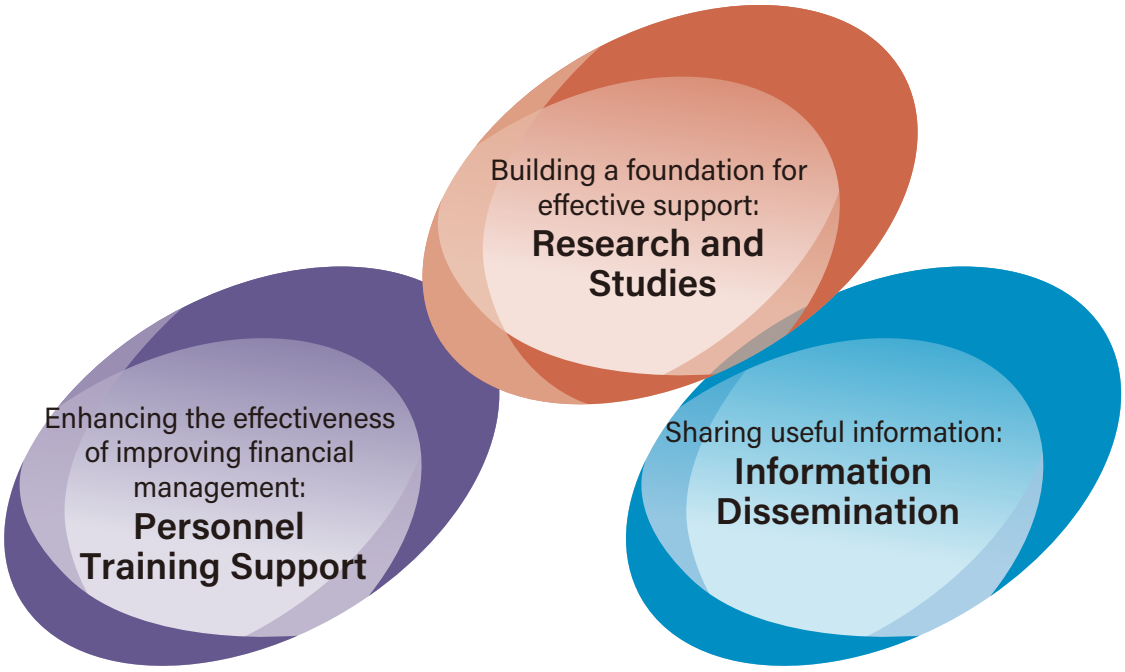
Basic Stance

JFM will continue to provide comprehensive support for local governments to ensure and improve the fiscal soundness of local governments. JFM will do so in response to, as well as in anticipation of, changes in social conditions, such as the demographic structure, and changes in the policy needs of local governments, such as aging infrastructure.

When implementing support for local governments, JFM will take a broad, medium- to long-term perspective, while taking into consideration that efforts to ensure and improve the soundness of the fiscal management of local governments will lead to the maintenance of JFM's creditworthiness and the enhancement of its management base.

In addition, JFM will conduct high-quality research and studies on various fiscal issues, to utilize the findings and results of advanced cases for personnel training support and information dissemination, which will lead to the resolution of issues faced by local governments. In such a way, the three pillars of "research and studies," "personnel training support," and "information dissemination" will be organically linked.

Three Pillars of Support for Local Governments



Support for Local Governments

Personnel Training Support for More Solid Financial Management

Hold seminars, trainings and on-site lectures for local governments for the purpose of solving issues and questions regarding financial management and funding, as well as set up a new operation to send advisors to individual cities and towns in order to improve the quality of local governments' financial management.

Project to strengthen administration and finance management of local governments	Send advisors to cities and towns depending on individual situations and requests as a joint project with the Ministry of Internal Affairs and Communications, regarding topics such as municipal enterprise accounting applications and local public accounting development, in order to improve the quality of local governments' financial management.
Hold JFM seminars	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.
Hold local government seminars	Hold introductory seminars on funding and investment, and joint accommodation type training with Japan Academy of Municipal Personnel and Japan Intercultural Academy of Municipalities.
Hold on-site lectures	Hold on-site and on-line lectures on topics which are of interest to local governments at their training workshops by local government financial advisors.
Practical support for financial management and funding	Provide 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 by phone, email, web conference, etc.
Conduct e-learning	Utilize e-learning to develop and provide training contents related to local government finance while delivering lectures held at JFM seminars.



Topics

E-learning site launched to offer a wide variety of training programs, related to finance, investment, and accounting.

Research and Studies for More Effective Support

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

 Collaboration project with GRIPS	Work on the project on education, research and studies in collaboration with the National Graduate Institute for Policy Studies (GRIPS) in the medium and long term, with the theme of local government finance under social structural transformation such as the era of depopulation.
 Research and studies on regional financing	Conduct research on borrowing environment of local governments from local financial institutions.
 Studies on local government finance	Conduct studies on local financial issues faced by local governments by cooperating with the Ministry of Internal Affairs and Communications (MIC) with the aim of resolving policy issues of local governments and achieving sustainable local government financial management.
 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.
 Research and studies on advanced case of local governments	Conduct research by cooperating with specialized agencies on advanced case study on topics of interest to local governments with the intention of sharing them on the advanced case studies search system.
 Grant for researchers studying local government finance	Provide research grant to contribute to the development of research on local government finance and sound management of public enterprise.
 Financial analysis and diagnosis by utilizing the financial information	Enhance the analysis content of the fiscal analysis chart "New Octagon" and consider expanding financial analysis and diagnosis by utilizing the financial information of local governments.
 Studies to understand the needs and issues of local governments	Offer support for issues related to the overall financial management of local governments, which includes ensuring financial health and fund-raising.

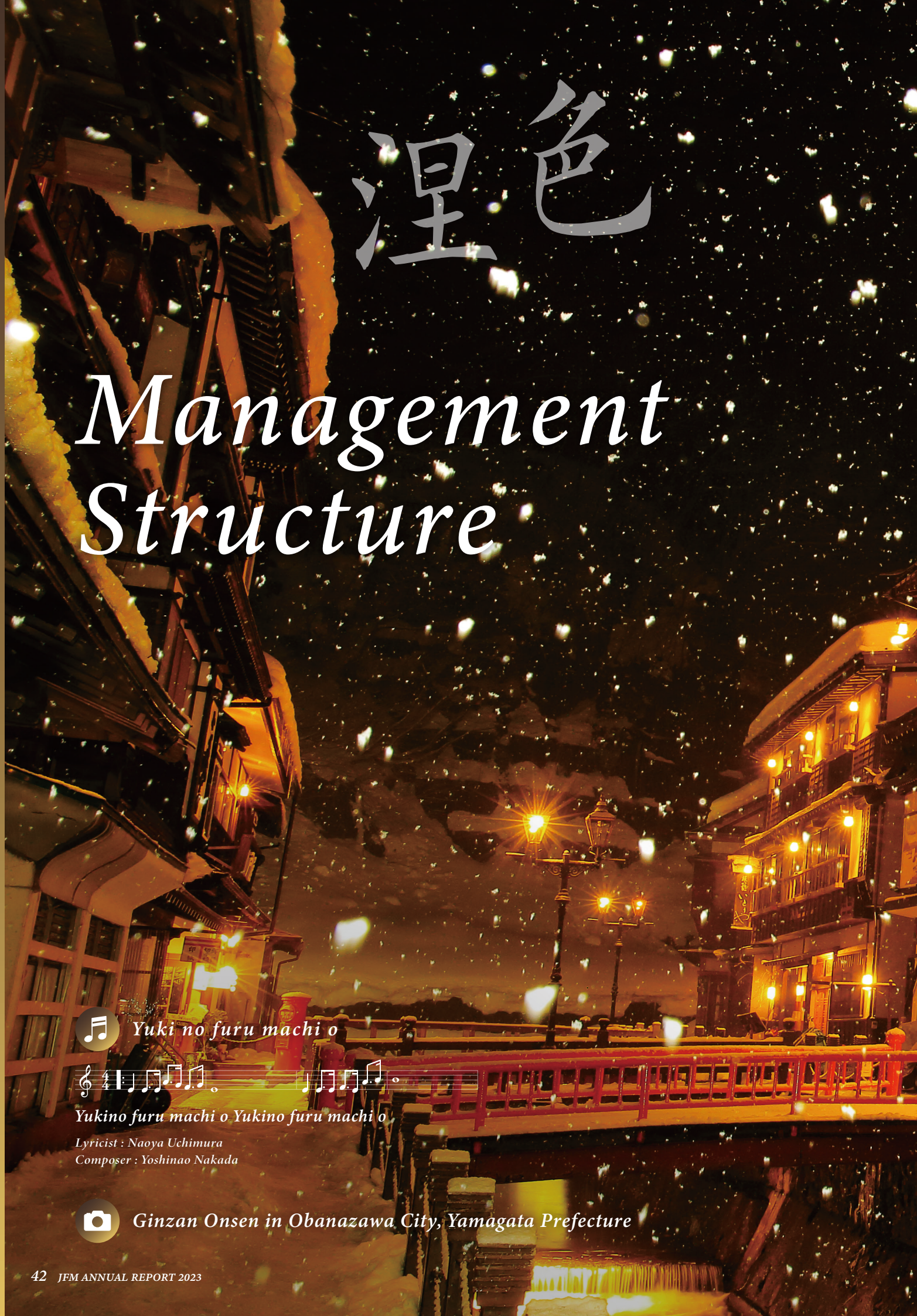
Information Dissemination for More Efficient Knowledge

Strengthen information dissemination by effectively using the website.

 Provide the "New Octagon" financial analysis chart	Provide local governments' financial analysis chart "New Octagon" which is a tool to analyze the financial status and changes in local governments.
 Operation of advanced case search system	Consolidation of advanced cases that contribute to solving issues faced by local governments, such as finance management and management of municipal enterprise.



Provide learning materials and relevant economic and financial data/knowledge



Management Structure

Yuki no furu machi o

Yukino furu machi o Yukino furu machi o

Lyricist : Naoya Uchimura
Composer : Yoshinao Nakada

Ginzan Onsen in Obanazawa City, Yamagata Prefecture

Outline

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Muroran City, Hokkaido Prefecture
Muroran Public Regional Wholesale Market



Background to the plan

The public regional wholesale market had long been known as a key wholesale market for marine products in Muroran, but the fact that it was aging and its lack of earthquake-resistant strength became apparent. New facilities were planned to be visitor-friendly in addition to the improvement of the functions and sanitation of the market.

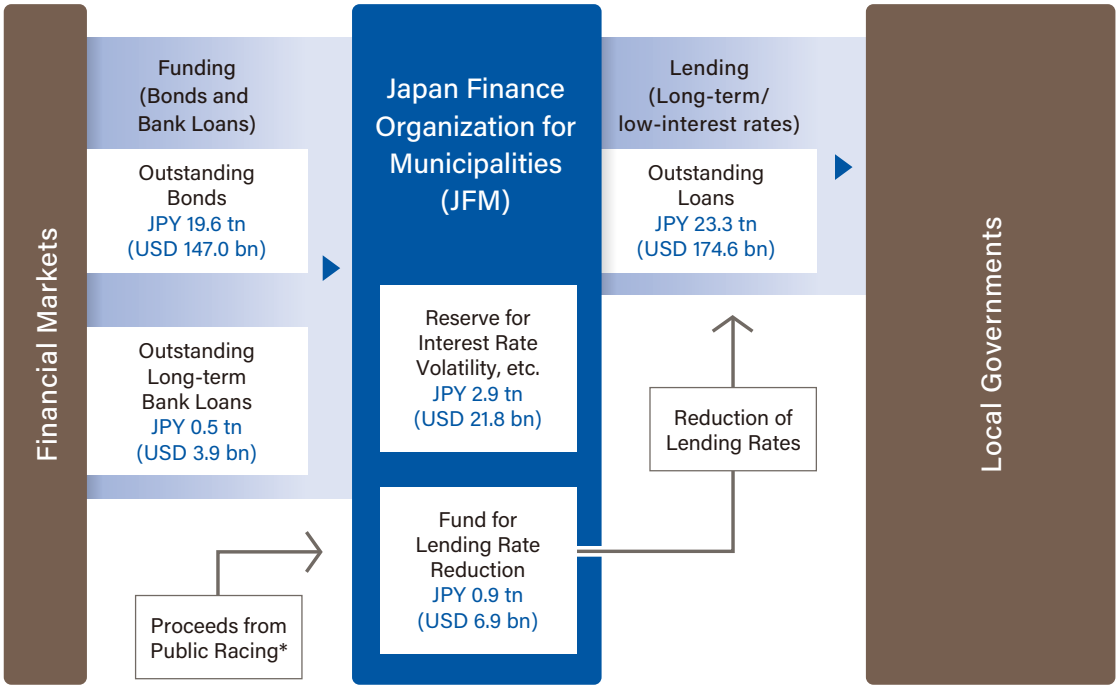
Execution of loans

Muroran City was making progress toward becoming a compact city and public facilities were being rebuilt and integrated. JFM was the most prioritized lender for these projects because of its favorable interest rate and high reliability. A JFM loan was also used in this project.

Effects and development

The market was relocated and functional facilities, in terms of sanitation, unloading efficiency, etc., were established. Muroran City will disseminate its appealing aspects through facility tours and events.

1 *Outline of JFM Operations*



As of 31 March 2023

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

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 consent or approval 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, 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

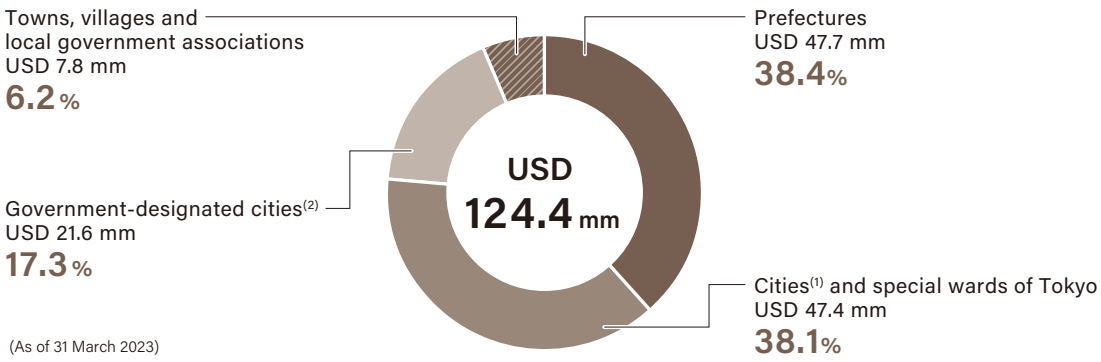
JFM receives a portion of the earnings from various racing events (horse, bicycle, motorcycle and speedboat) operated by local governments, which is directed to the Fund for Lending Rate Reduction. The investment gains from the fund are used for lowering interest rates on JFM loans.

2 *Capital*

As of 31 March 2023, USD 124.4 million of JFM's capital was 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 taxes and temporary financial countermeasures funding).

Capital Contribution by Local Government Group



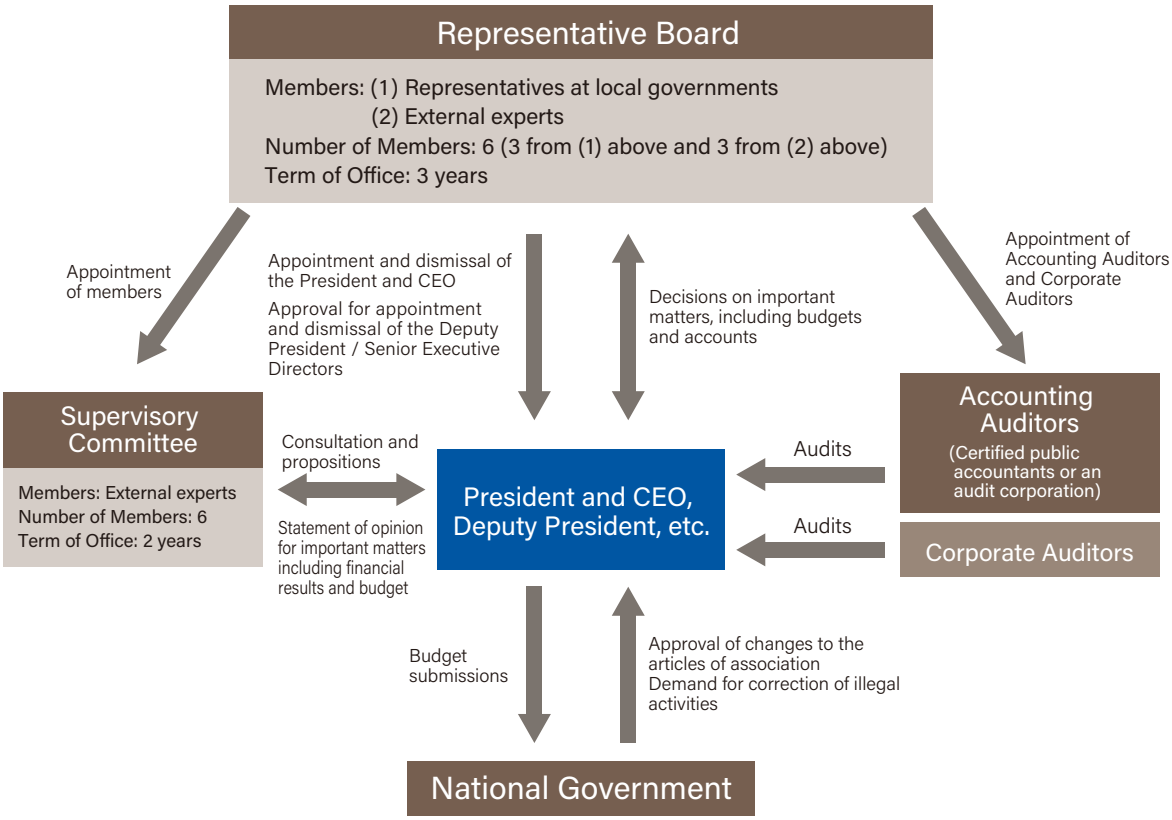
(As of 31 March 2023)

Notes: 1. Excludes government-designated cities.
2. Government-designated cities:
Cities with populations of 500,000 or more designated in accordance with Paragraph 1, Article 252-19 of the Local Autonomy Act. Such government-designated cities are allowed to administer certain matters such as social welfare, food safety, urban planning and so on, for which prefectures are responsible in principle.
3. Totals may not add up due to rounding.

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



1. Representative Board

As an organization autonomously managed by local governments, JFM has a 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 comprised of 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 accounting 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 2022, 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*

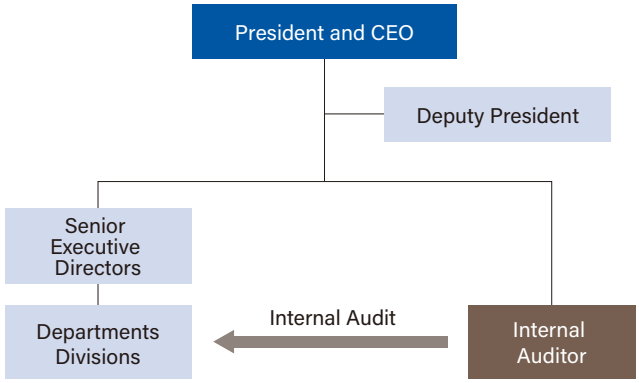
An internal auditor, who is independent from other departments, divisions and offices, examines and assesses the appropriateness and effectiveness of JFM's internal control systems, thereby helping ensure reliable financial reporting and appropriate and efficient operations.

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



The Representative Board

Chairman



KOUNO Shunji
Chairman, Committee for Local Taxes and Finance of National Governors' Association/ Governor, Miyazaki prefecture

Deputy Chairman



USHIKOSHI Toru
Chairman, Finance Committee of Japan Association of City Mayors/ Mayor, Omachi City, Nagano prefecture

Deputy Chairman



YOSHIDA Takayuki
Chairman, National Association of Towns & Villages/ Mayor, Saka town, Hiroshima prefecture

Member



OBATA Junko
Professor, Nihon University Law School

Member



JINNO Naohiko
Professor Emeritus, The University of Tokyo

Member



IKEDA Koji
Chairman, Hirogin Holdings, Inc.

The Supervisory Committee

Chairman



MITANI Takahiro
Chairman, Tanshi Association

Deputy Chairman



SUZUKI Yutaka
Auditor, Aoyama Gakuin/ Professor Emeritus, Aoyama Gakuin University

Member



SEIICHI Tomoko
Professor, Seinan Gakuin University

Member



YONEDA Yasuharu
Professor Emeritus, Shinshu University

Member



TAMAOKI Hitomi
Chief Executive Officer, Tsumugi Co., Ltd.

Member



KAMIZAKI Masanori
Former Director, Jiji Press, Ltd.

Directors and Corporate Auditors

President and CEO

SATO Fumitoshi

1 August 2020 - Present



Deputy President

KATO Junichi

1 October 2021 - Present



Senior Executive Director

KAWAKUBO Toshihiro

(Corporate Planning Department, Local Government Support Department)

7 July 2023 - Present



Senior Executive Director

KOYAMA Tetsushi

(Administration Department, Loan Department, Credit)

1 October 2022 - Present



Senior Executive Director

OKAMOTO Noboru

(Finance Department)

20 July 2020 - Present



Corporate Auditor

SEWAKI Hajime

1 October 2022 - Present



Corporate Auditor

OMORI Masaaki

(part-time)

1 August 2018 - Present

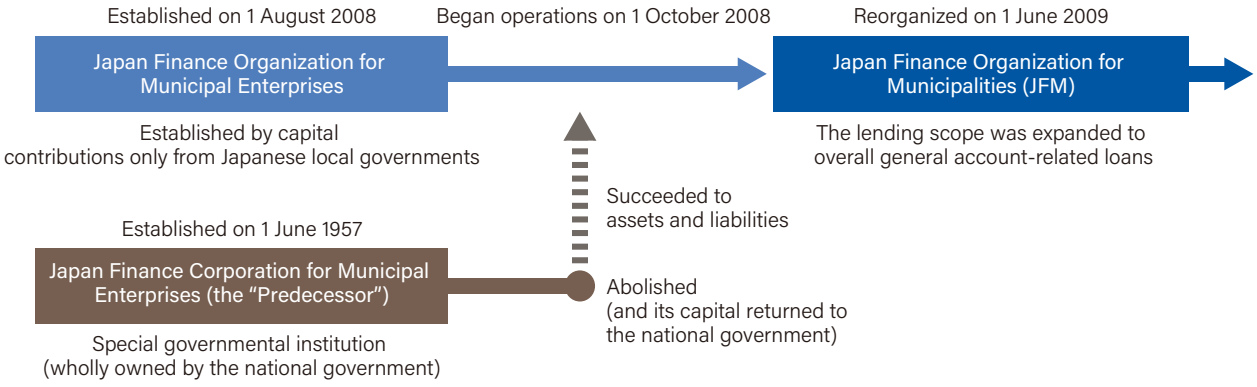


Japan Finance Organization for Municipal Enterprises was established on 1 August 2008, with capital contributed by all prefectures, cities, special wards of Tokyo, government-designated cities, towns and villages, as well as some local government associations, to provide funds to local governments. JFM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

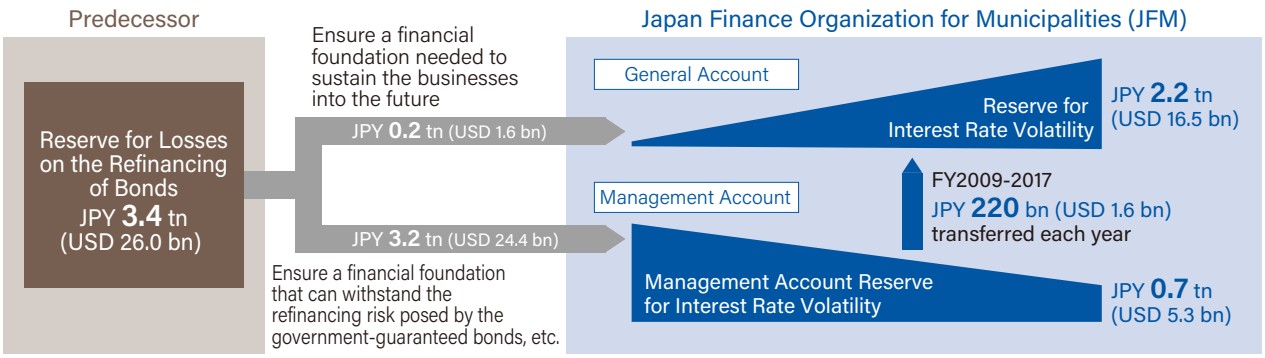
Under the JFM Law, JFM is required to manage loans and bonds issued since JFM began its operations in the general account of JFM, whereas loans and operations carried over from the Predecessor are administered in the separate account known as the management account of JFM.

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 26.0 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 16.5 billion) needed to ensure the future continuity of JFM's operations was 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, mainly for the purpose of securing funds for local allocation tax and forest environment transfer tax increase.

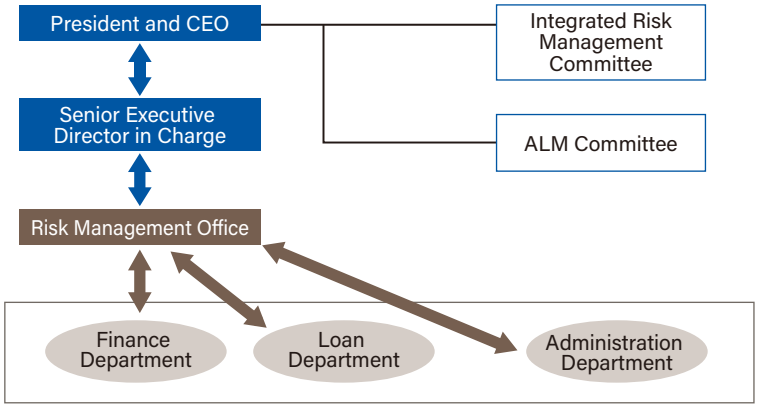
1 Overall Risk Management

1. Risk Management System

JFM adopts an integrated risk management approach to respond to various risks, while pursuing 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 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.

1) 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 (No. 94, 2007), 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 (No. 59, 1981) or the Financial Reconstruction Law (No. 132, 1998) but performs self-assessment of loans in accordance with the JFM's internal rules in order to manage risks appropriately.

As of 31 March 2023, JFM's total outstanding loans stood at USD 174.6 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 0.04% in aggregate of total loans outstanding as of 31 March 2023.

2) 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 ISDA (International Swaps and Derivatives Association) Master Agreements and CSA (Credit Support Annex) with all derivatives counterparties to reduce credit risk.

2. 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 and price change risk.

1) Interest rate 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 measures described below to address the interest rate risk resulting from a duration gap between lending and funding.

- 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.

Managing interest rate risk associated with bond refinancing

- The JFM maintains necessary reserves to cope with the interest rate risk resulting from a duration gap between lending and funding. At the end of fiscal 2022, the total amount of the reserves stood at USD 21.7 billion, which consisted of USD 16.5 billion in the general account and USD 5.3 billion in the management account.

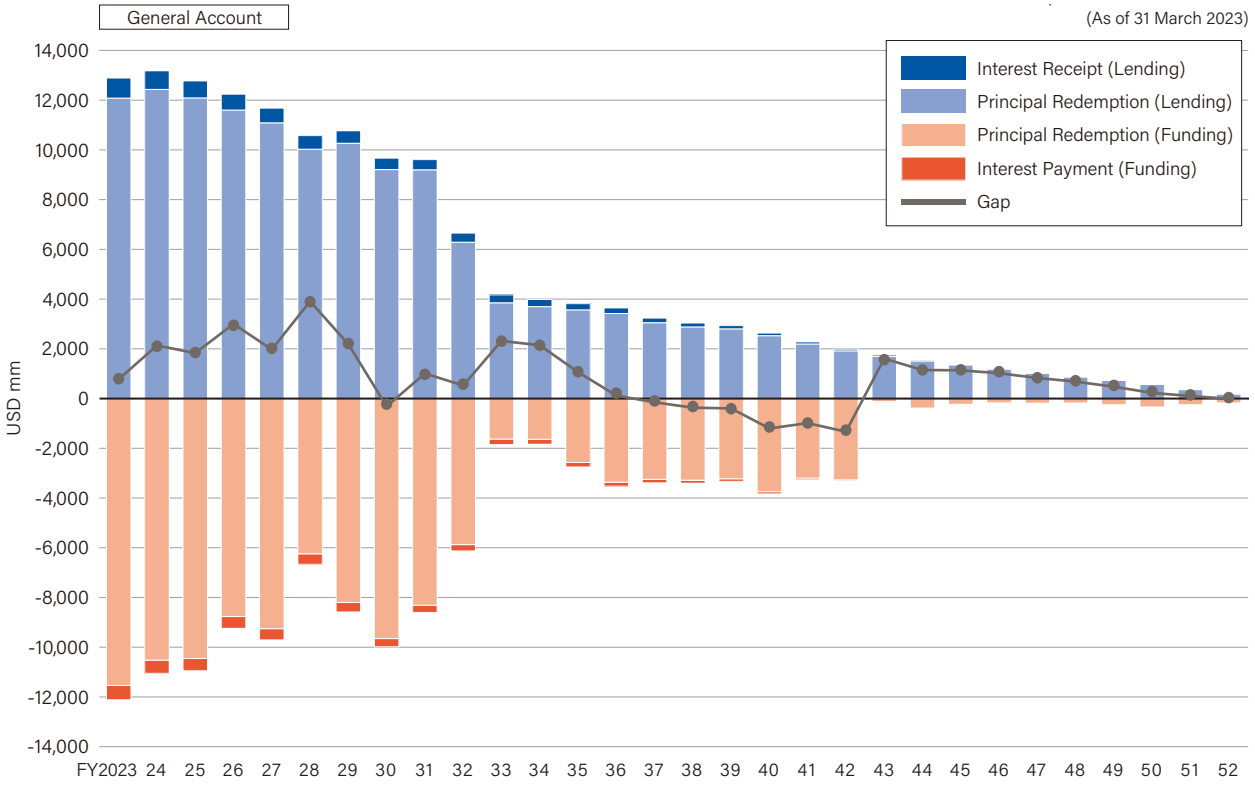
- As assets and liabilities in the JFM's general account will expand as a result of lending to local governments and funding, the JFM carries out an ALM analysis of this account in a timely and appropriate manner to further enhance the effectiveness of its management of interest rate risk. In order to reduce exposure to interest rate risk, the JFM has established a medium-term management indicator for three years from fiscal 2023, 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 interest rate environment at the time and carefully choosing maturities of bonds to be issued by utilizing its FLIP and Open Issuance scheme.

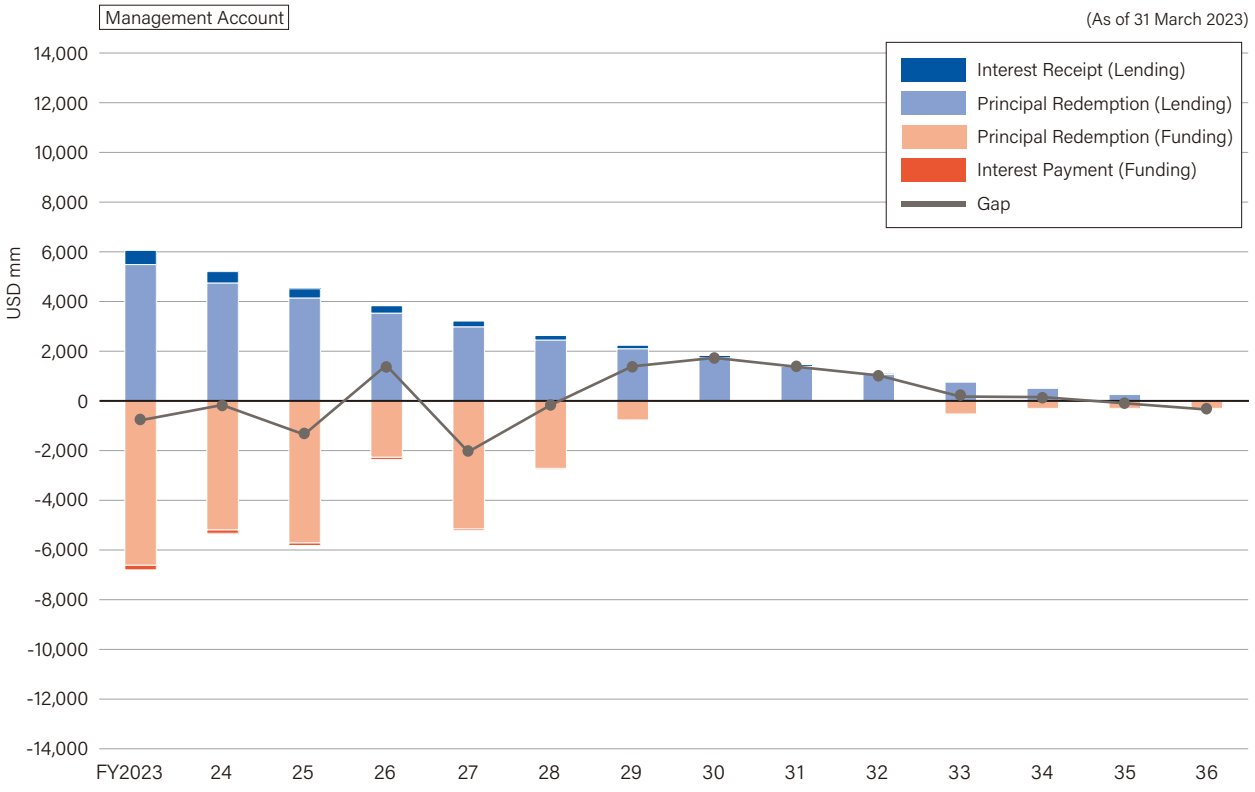
- The management account, which manages assets related to loans extended by the Predecessor, is exposed to interest rate risk. To address such risk, the JFM contributes to the required reserves for interest rate volatility as described above. In accordance with the provisions of Article 14 of the Supplementary 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 following transfers are scheduled:
  (1) 100 billion yen for securing funds for local allocation tax for fiscal 2023
  (2) Up to 230 billion yen due to the increase in concession amount charged for Forest Environment Concession Tax, which promotes forest maintenance over a period of five years from fiscal 2020 through fiscal 2024; and
  (3) Up to 1.5 billion yen for securing funds of the Trust Fund Bureau for exemptions of early redemption charges in relation to concessions of water supply and sewerage business over a period of six years from fiscal 2018 through 2023.

  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.

Maturity Ladder (JFM Loans, Bonds and Bank Loans)



· Lending duration 7.64 years · Funding duration 7.42 years · Duration gap 0.22 years (YoY change: -0.10 years)



· Lending duration 4.17 years · Funding duration 3.14 years · Duration gap 1.03 years (YoY change: +0.13 years)

JFM as a whole
· Lending duration 6.99 years · Funding duration 6.56 years · Duration gap 0.43 years (YoY change: -0.09 years)

2) 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 forward contracts.

3. 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.

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. In addition, in order to prepare for a contingency, JFM has a backup server outside JFM so that its business operations can be continued. Furthermore, JFM has taken necessary countermeasures against COVID-19 (e.g., deciding its business structure in terms of business continuity and the management and employees' health while considering the spread of COVID-19).

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.

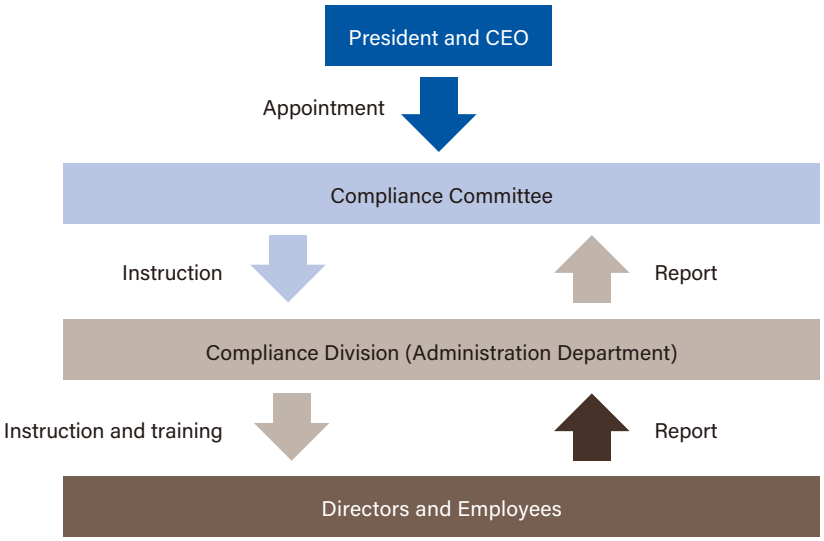
2 Compliance System

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 a 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



3 Actions

1. Code of Ethics and Anti-bribery

JFM has prohibited the receipt of gifts, etc. from interested parties to maintain ethics pertaining to the duties of officers and employees, in accordance with the Code of Ethics for Officers and Employees. In such a way, JFM has worked to prevent acts that may cause public suspicion or distrust of the fairness of the execution of duties.

2. Prohibition of Harassment and Discrimination

JFM will prohibit and strive to prevent acts of harassment and discriminatory behavior in the workplace based on Regulations on Prevention of Harassment, etc. and others. The aim is to ensure a work environment where officers and employees can fully exercise their abilities. The officers and employees will act with full awareness of appropriate words and actions, etc.

In addition to providing necessary training to officers and employees, JFM will establish an organizational structure against harassment, etc., such as a consultation system, and strictly deal with cases of harassment, etc.

3. Elimination of Relations with Anti-social Forces

JFM will recognize its social responsibility and public mission, and will take a firm stance against anti-social forces that pose a threat to social order and security. Anti-social forces will be eliminated in bidding procedures, etc.

4. Proactive Disclosure and Accountability Practices

JFM will proactively disclose information and be accountable for its business activities in order to promote fair business based on the accurate understanding and criticism of the public.

5. Maintenance of Professional Confidentiality

Officers and employees will maintain the confidentiality of information obtained in the course of their duties.

6. Implementation of Training to Establish Compliance

Each year at JFM, the Compliance Committee will formulate a compliance action plan based on the Compliance Rules. Based on the action plan, JFM will mainly implement the following initiatives.

1) JFM has provided training on the importance of compliance and its role within the organization, in accordance with the responsibilities of each officer and employee, to ensure that organizational efforts are firmly established.
2) JFM has established a system to be prepared for misconduct by collecting examples of cases of non-compliance and disseminating them to officers and employees.
3) JFM will review the Compliance Manual in a timely manner and respond appropriately to revisions of the laws and regulations, etc.

7. Appropriate Response to Violations and Whistleblowing System

In accordance with the Compliance Rules, etc., JFM has established a system to promptly respond to compliance violation cases and has taken strict measures such as disciplinary action for violation, as well as organizational measures to prevent recurrence.

In addition, JFM has established a whistleblowing system utilizing external lawyers in addition to reporting within the organization.

1 Basic Policy

JFM carries out its business in response to the diversifying needs of local governments and the changing trends in financial markets. In order to respond to diverse and advanced duties, it is necessary for employees from diverse backgrounds, including those who have worked in other organizations, to share their knowledge and experience and mutually enhance each other.

Based on JFM's work environment development policy and human resource development policy, JFM will promote human resource development appropriately, taking into account the backgrounds and capabilities of each employee, and ensure a work environment in which diverse employees can play an active role.

2 Securing and Developing Diverse Human Resources

JFM will provide a work environment where employees who have worked for the national government, local governments, private companies, etc., can mutually enhance their knowledge and experience. In addition, JFM will provide a place where each employee, irrespective of gender, age, etc., can fully demonstrate their potential.

Based on the training plan formulated according to each employee's background and years of experience, necessary training such as on-the-job training and practical training on finance will be provided. In addition, JFM will respect the autonomy of employees and provide support measures, etc. that contribute to the development of their own capabilities.

3 Safe and Healthy Work Environment

In order to create an environment in which each employee can maximize his or her potential, JFM prohibits acts of harassment and discriminatory behavior, and has established a system to respond promptly if any issue arises.

JFM will further promote the following initiatives to ensure a good work-life balance.

(1) Development of a telework environment
(2) Reduction of overtime work
(3) Development of childcare and nursing care leave, etc. and promotion of proactive use of them
(4) Establishment of a Health Committee and implementation of measures to maintain and improve physical and mental health

4 Status of Human Capital

*As of April, 2023

Number of employees	102
Percentage of male and female employees	Male: 64.7% Female: 35.3%
Average age	40.6
Percentage of annual paid leave taken (CY 2022)	67.9%
Average monthly overtime hours (FY 2022)	16 hours
Percentage of female employees at the manager level	37.1%

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 (https://www.jfm.go.jp/en/)



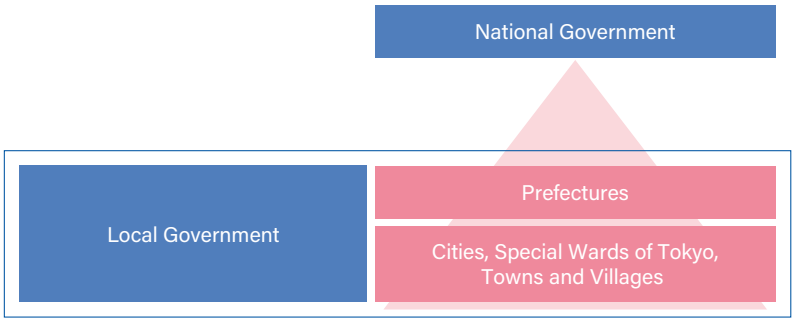
Annual Report

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.

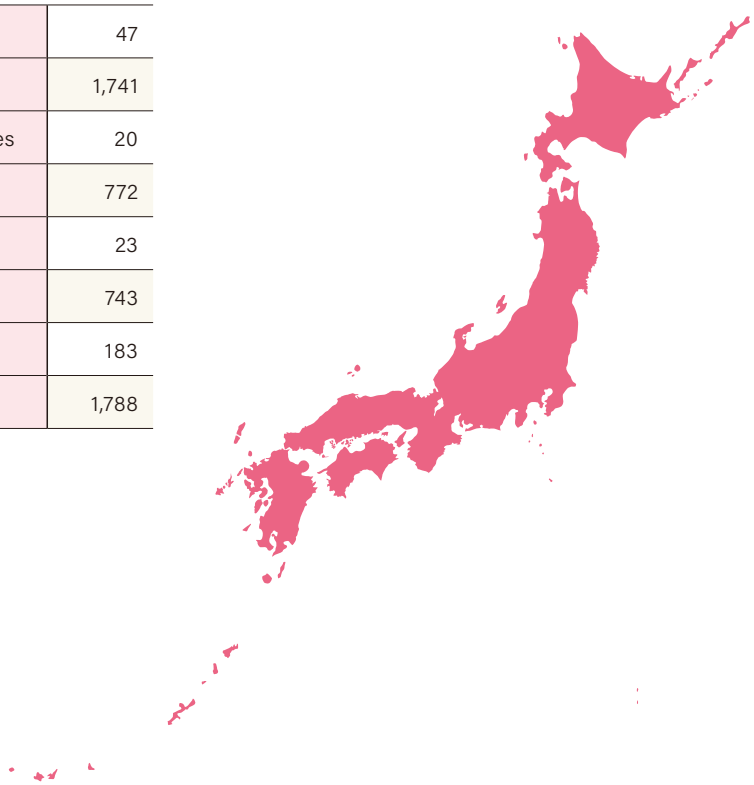
The Japanese local government system adopts a two-tier system with prefectures serving broader geographic areas, and cities, special wards of Tokyo, as well as government-designated cities, towns and villages providing local services.



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 2023)

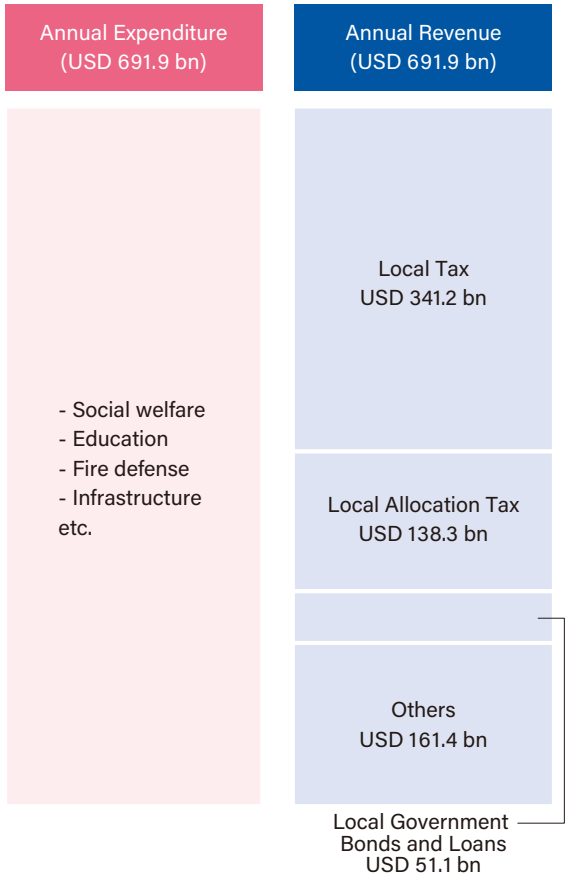


2 Local Government Finance Programme

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 administrative duties. 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 2023, local government finance will total JPY 92.3 trillion (USD 691.9 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 FY2023)

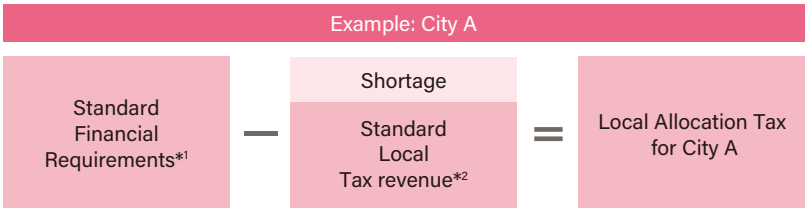


Notes: 1. The above program includes Great East Japan Earthquake-related budgets.
2. Total may not add up due to rounding.

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 is composed of 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 2023).

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 fiscal indicators exceeding certain early warning limits to restore fiscal soundness through their own efforts
(iii) Local governments with 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 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 along with the 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

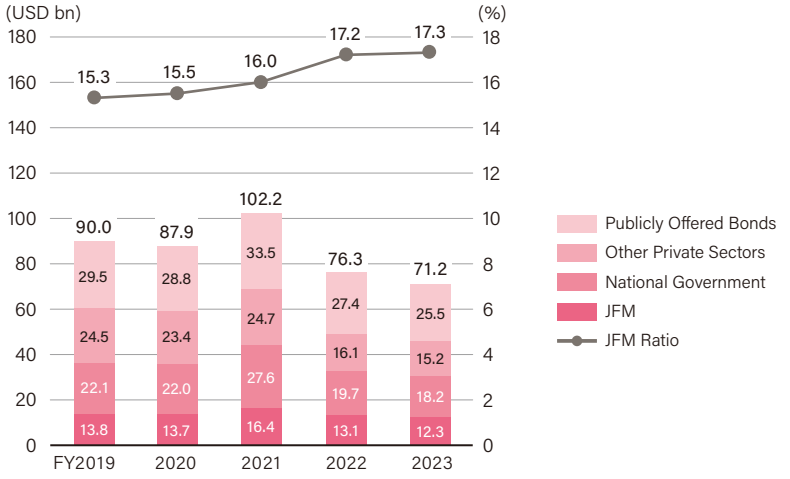
(USD in billions)

		FY2022	FY2023	Share
1. Private Funds	Publicly Offered Bonds	27	26	36%
	Other Private Sectors	16	15	21%
2. Public Funds	JFM	13	12	17%
	National Government	20	18	26%
Total		76	71	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 2019, JFM funds have accounted for around 15-18% 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 Sheet

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

Item	Fiscal 2021 (As of 31 March 2022)	Fiscal 2022 (As of 31 March 2023)		Item	Fiscal 2021 (As of 31 March 2022)	Fiscal 2022 (As of 31 March 2023)	
	Amount				Amount		
Assets				Liabilities			
Loans (Note 4)	¥23,550,819	¥23,300,200	$174,559,491	Bonds (Notes 8 and 9)	¥20,103,035	¥19,626,484	$147,036,895
Securities (Note 19)	920,000	747,000	5,596,344	Borrowed money (Note 10)	399,500	526,500	3,944,411
Cash and bank deposits	353,491	497,337	3,725,933	Cash collateral received for financial instruments	147,451	171,013	1,281,188
Cash collateral paid for financial instruments	812	1,016	7,612	Other liabilities	4,644	6,832	51,190
Other assets	6,193	5,748	43,065	Reserve for bonuses (Note 11)	59	54	411
Tangible fixed assets (Note 7)	2,572	2,795	20,943	Reserve for bonuses for directors and corporate auditors (Note 11)	10	8	67
Intangible fixed assets (Note 7)	976	2,231	16,716	Reserve for retirement benefits (Notes 11 and 14)	64	74	562
				Reserve for retirement benefits for directors and corporate auditors (Note 11)	15	15	118
				Fund for lending rate reduction	920,287	923,873	6,921,441
				Basic fund for lending rate reduction (Note 13)	920,287	923,873	6,921,441
				Reserves under special laws	2,891,692	2,907,523	21,782,469
				Reserve for interest rate volatility (Note 12)	2,200,000	2,200,000	16,481,870
				Management account reserve for interest rate volatility (Note 12)	682,675	701,566	5,255,965
				Reserve for interest rate reduction	9,017	5,957	44,634
				Total liabilities	24,466,761	24,162,382	181,018,752
				Net Assets			
				Capital	16,602	16,602	124,379
				Retained earnings	298,035	334,114	2,503,106
				General account appropriated surplus reserve	298,035	334,114	2,503,106
				Valuation, translation adjustments and others	(4,342)	(14,579)	(109,224)
				Management account surplus reserve	57,808	57,808	433,091
				Total net assets	368,104	393,946	2,951,352
Total assets	**¥24,834,865**	**¥24,556,329**	**$183,970,104**	**Total liabilities and net assets**	**¥24,834,865**	**¥24,556,329**	**$183,970,104**

See notes to financial statements.

Statement of Income

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

Item	Fiscal 2021 (For the year ended 31 March 2022)	Fiscal 2022 (For the year ended 31 March 2023)	
	Amount	Amount	
Income	¥235,867	¥217,989	$1,633,122
Interest income	222,071	201,415	1,508,957
Fees and commissions	76	71	537
Other operating income	15	81	608
Other income	13,703	16,420	123,020
Contributions from fund for lending rate reduction (Note 13)	13,691	16,410	122,945
Others	11	10	75
Expenses	125,548	116,212	870,634
Interest expenses	118,786	109,678	821,684
Fees and commissions	294	282	2,115
Other operating expenses	3,081	2,424	18,166
General and administrative expenses	3,385	3,826	28,669
Ordinary income	110,319	101,776	762,488
Special gains	43,697	53,192	398,504
Gain on disposal of fixed assets	-	133	997
Reversal of management account reserve for interest rate volatility (Note 12)	40,000	50,000	374,588
Reversal of reserve for interest rate reduction	3,697	3,059	22,919
Special losses	121,754	118,890	890,697
Provision for management account reserve for interest rate volatility (Note 12)	81,754	68,890	516,109
Payment to the national treasury (Notes 5 and 12)	40,000	50,000	374,588
Net income	¥32,263	¥36,079	$270,295

See notes to financial statements.

Statement of Appropriation of Profit [General account]

(For the year ended 31 March 2022)

(Millions of yen)

I Profit available for appropriation			¥32,263
Net income		¥32,263	
Accumulated deficit brought forward	-		
II Profit appropriated			
Surplus reserve		32,263	32,263

Statement of Appropriation of Profit [General account]

(For the year ended 31 March 2023)

(Millions of yen)

I Profit available for appropriation			¥36,079
Net income		¥36,079	
Accumulated deficit brought forward	-		
II Profit appropriated			
Surplus reserve		36,079	36,079

(Thousands of U.S. dollars)

I Profit available for appropriation			$270,295
Net income		$270,295	
Accumulated deficit brought forward	-		
II Profit appropriated			
Surplus reserve		270,295	270,295

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 appropriated surplus reserve on the balance sheet.

See notes to financial statements.

Statement of Appropriation of Profit [Management account]

(For the year ended 31 March 2022)

(Millions of yen)

I	Profit available for appropriation		¥-
	Net income	¥-	
	Accumulated deficit brought forward	-	
II	Profit appropriated		
	Surplus reserve	-	-

Statement of Appropriation of Profit [Management account]

(For the year ended 31 March 2023)

(Millions of yen)

I	Profit available for appropriation		¥-
	Net income	¥-	
	Accumulated deficit brought forward	-	
II	Profit appropriated		
	Surplus reserve	-	-

(Thousands of U.S. dollars)

I	Profit available for appropriation		$-
	Net income	$-	
	Accumulated deficit brought forward	-	
II	Profit appropriated		
	Surplus reserve	-	-

See notes to financial statements.

Statement of Changes in Net Assets

(For the year ended 31 March 2022)

(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 appropriated surplus reserve	Total retained earnings				
Balance as of 1 April 2021	¥16,602	¥265,772	¥265,772	¥282,374	¥437	¥57,808	¥340,621
Changes during accounting period							
Net income	-	32,263	32,263	32,263	-	-	32,263
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(4,780)	-	(4,780)
Net changes during accounting period	-	32,263	32,263	32,263	(4,780)	-	27,482
Balance as of 31 March 2022	¥16,602	¥298,035	¥298,035	¥314,637	¥(4,342)	¥57,808	¥368,104

(For the year ended 31 March 2023)

(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 appropriated surplus reserve	Total retained earnings				
Balance as of 1 April 2022	¥16,602	¥298,035	¥298,035	¥314,637	¥(4,342)	¥57,808	¥368,104
Changes during accounting period							
Net income	-	36,079	36,079	36,079	-	-	36,079
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(10,236)	-	(10,236)
Net changes during accounting period	-	36,079	36,079	36,079	(10,236)	-	25,842
Balance as of 31 March 2023	¥16,602	¥334,114	¥334,114	¥350,716	¥(14,579)	¥57,808	¥393,946

(For the year ended 31 March 2023)

(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 appropriated surplus reserve	Total retained earnings				
Balance as of 1 April 2022	$124,379	$2,232,811	$2,232,811	$2,357,190	$(32,532)	$433,091	$2,757,749
Changes during accounting period							
Net income	-	270,295	270,295	270,295	-	-	270,295
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(76,692)	-	(76,692)
Net changes during accounting period	-	270,295	270,295	270,295	(76,692)	-	193,603
Balance as of 31 March 2023	$124,379	$2,503,106	$2,503,106	$2,627,485	$(109,224)	$433,091	$2,951,352

See notes to financial statements.

Statement of Cash Flows

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

Item	Fiscal 2021 (For the year ended 31 March 2022)	Fiscal 2022 (For the year ended 31 March 2023)	
	Amount	Amount	
I Cash flows from operating activities			
Net income	¥32,263	¥36,079	$270,295
Depreciation and amortization	495	511	3,829
Interest income	(222,071)	(201,415)	(1,508,957)
Interest expenses	118,786	109,678	821,684
Increase/(decrease) in reserve for bonuses	0	(5)	(38)
Decrease in reserve for bonuses for directors and corporate auditors	-	(1)	(10)
Increase in reserve for retirement benefits	12	10	78
Increase/(decrease) in reserve for retirement benefits for directors and corporate auditors	(5)	0	5
Decrease in fund for lending rate reduction	(13,691)	(16,410)	(122,945)
Increase in management account reserve for interest rate volatility	81,754	68,890	516,109
Decrease in reserve for interest rate reduction	(3,697)	(3,059)	(22,919)
Net (increase)/decrease in loans	(406,430)	250,618	1,877,576
Net decrease in bonds	(308,649)	(477,336)	(3,576,093)
Net increase in borrowed money	105,500	127,000	951,453
Interest received	222,793	201,860	1,512,292
Interest paid	(118,238)	(108,678)	(814,191)
Others	111,819	13,231	99,124
Net cash provided by/(used in) operating activities	(399,361)	973	7,292
II Cash flows from investing activities			
Proceeds from redemption of securities	3,458,300	2,741,500	20,538,657
Purchases of securities	(3,785,300)	(2,568,500)	(19,242,583)
Purchases of tangible fixed assets	(21)	(145)	(1,091)
Purchases of intangible fixed assets	(249)	(534)	(4,005)
Proceeds from sales of tangible fixed assets	-	555	4,165
Net cash provided by/(used in) investing activities	(327,271)	172,875	1,295,143
III Cash flows from financing activities			
Payment to the national treasury	(40,000)	(50,000)	(374,588)
Revenue from contributions made from municipally operated racing	13,691	19,997	149,813
Net cash used in financing activities	(26,308)	(30,002)	(224,775)
IV Effect of exchange rate changes on cash and cash equivalents	-	-	-
V Net increase/(decrease) in cash and cash equivalents	(752,940)	143,846	1,077,660
VI Cash and cash equivalents at beginning of year	1,106,432	353,491	2,648,273
VII Cash and cash equivalents at end of year	¥353,491	¥497,337	$3,725,933

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 2023, the final day of the fiscal year, which was ¥133.48 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: 41 to 47 years

Others: 2 to 20 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) Revenue recognition

The JFM applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, 31 March 2020) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, 31 March 2020), and recognizes revenue when control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

(8) 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.

(9) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of "Cash and bank deposits" on the balance sheet.

(10) 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.

(11) 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) 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.

(12) 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.

(13) 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.

(14) Consumption taxes

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

3. Significant Accounting Estimates

Reserve for possible loan losses

(a) Amount of reserve for possible loan losses recorded in fiscal 2022: N/A

(b) Information on significant accounting estimates for identified items

The JFM has not recorded reserves for possible loan losses due to the following reasons:

- Currently, there are no bankrupt and quasi-bankrupt, etc. loans and the JFM has never experienced any loan losses, as stated in Note 4 "Loans".
- The JFM provides loans exclusively to local governments and there is a system to prevent local governments from default, as stated in Note 6 "Financial Instruments (c) (i) A. Credit risk on loans".

The above situation is expected to remain the same for the next fiscal year and will not materially impact the financial statements for the next fiscal year.

4. Loans

There are no bankrupt and quasi-bankrupt loans, doubtful 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 and quasi-bankrupt loans represent loans to borrowers who are in bankruptcy due to a petition to commence bankruptcy proceedings, reorganization proceedings or rehabilitation proceedings, and loans equivalent to these.

Doubtful loans represent loans other than bankrupt and quasi-bankrupt loans that the borrower is not in bankruptcy but on which principal and interest are unlikely to be collected as stipulated in a contract due to the borrower's deteriorating financial conditions and operating results.

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

5. 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 in fiscal 2023, with the aim of transferring 100 billion yen for securing funds for local allocation tax.

In addition, for the purpose of securing the increase in the concession amount charged for Forest Environment Concession Tax, 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.

Lastly, for the purpose of securing the Trust Fund Bureau Fund for exemptions of early redemption charges in relation to concessions of water supply and sewerage businesses 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 six years from fiscal 2018 through fiscal 2023, with the aim of transferring up to 1.5 billion yen over this period.

In fiscal 2021, 40 billion 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 "Ministerial Ordinance Specifying the Amount to be Attributed to the National Government pursuant to the provisions of Article 14 of the Supplementary Provision of the Law for the period from fiscal 2021 through fiscal 2024 (Ordinance No. 1 of

the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2020; hereinafter the "Ministerial ordinance for attribution to the national government")." The ministerial ordinance was amended by "Partial Amendment of the Ministerial Ordinance Specifying the Amount to be Attributed to the National Government pursuant to the provisions of Article 14 of the Supplementary Provision of the Law for the period from fiscal 2021 through fiscal 2024 (Ordinance No. 4 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2021)."

In fiscal 2022, 50 billion yen (374,588 thousand U.S. dollars) 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 "Ministerial Ordinance Specifying the Amount to be Attributed to the National Government pursuant to the provisions of Article 14 of the Supplementary Provision of the Law for the period from fiscal 2022 through fiscal 2024 (Ordinance No. 1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2020; hereinafter the "Ministerial ordinance for attribution to the national government")." The ministerial ordinance was amended by "Partial Amendment of the Ministerial Ordinance Specifying the Amount to be Attributed to the National Government pursuant to the provisions of Article 14 of the Supplementary Provision of the Law for the period from fiscal 2021 through fiscal 2024 (Ordinance No. 2 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2022)."

Additional information

In accordance with the provisions of Article 14 of 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 two years for fiscal 2023 and fiscal 2024, with the aim of transferring up to 180 billion yen over this period.

In fiscal 2023, the JFM will reverse 150 billion yen from the management account reserve for interest rate volatility and transfer the same amount to the national treasury, in accordance with the "Ministerial Ordinance Specifying the Amount to be Attributed to the National Government pursuant to the provisions of Article 14 of the Supplementary Provisions of the Law for the periods for fiscal 2023 and fiscal 2024 (Ordinance No.1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2020)." The ministerial ordinance was amended by the "Ministerial Ordinance for Partial Revision of the Ministerial Ordinance for Specifying the Amount to be Attributed to the National Government pursuant to the provisions of Article 14 of the Supplementary Provisions of the Law for the period from fiscal 2022 through fiscal 2024 (Ordinance No. 1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2023)."

6. 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 required 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 (No. 94, 2007), 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" (No. 59, 1981) or the "Financial Reconstruction Law" (No. 132, 1998) 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 ISDA (International Swaps and Derivatives Association) Master Agreements and 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 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 indicator

for five years from fiscal 2018, in which the duration gap is to be maintained below approximately two years.

- Based on the management indicator, 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 interest rate environment at the time 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 the provisions of 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 following transfers are scheduled:
- 100 billion yen for securing funds for local allocation tax for fiscal 2023
- Up to 230 billion yen due to the increase in concession amount charged for Forest Environment Concession Tax, which promotes forest maintenance over a period of five years from fiscal 2020 through fiscal 2024; and
- Up to 1.5 billion yen for securing funds of the Trust Fund Bureau for exemptions of early redemption charges in relation to concessions of water supply and sewerage business over a period of six years from fiscal 2018 through 2023.

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 forward 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 indicator by 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 indicator 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 as of 31 March 2022 and 2023 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 29,584 million yen and 27,521 million yen (206,182 thousand U.S. dollars), respectively. On the contrary, for an indicative interest rate as of 31 March 2022 and 2023 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 29,985 million yen and 27,891 million yen (208,953 thousand U.S. dollars), 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 indicator 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 as of 31 March 2022 and 2023 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 6,319 million yen and 5,727 million yen (42,911 thousand U.S. dollars), respectively. On the contrary, for an indicative interest rate as of 31 March 2022 and 2023 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 6,383 million yen and 5,780 million yen (43,303 thousand U.S. dollars), 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.

(2) Items related to fair value of financial instruments

The book value, fair value and difference between them as of 31 March 2022 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
(1) Loans	¥23,550,819	¥24,209,869	¥659,049
(2) Securities			
Held-to-maturity securities	920,000	920,000	-
(3) Cash and bank deposits	353,491	353,491	-
(4) Cash collateral paid for financial instruments	812	812	-
Total assets	24,825,123	25,484,172	659,049
(1) Bonds	20,103,035	20,372,729	269,694
(2) Borrowed money	399,500	398,522	(977)
(3) Cash collateral received for financial instruments	147,451	147,451	-
Total liabilities	20,649,986	20,918,702	268,716
Derivative transactions(*)			
Hedge accounting applied	-	-	-
Total of derivative transactions	-	-	-

The book value, fair value and difference between them as of 31 March 2023 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
(1) Loans	¥23,300,200	¥23,626,650	¥326,449
(2) Securities			
Held-to-maturity securities	747,000	747,000	-
(3) Cash and bank deposits	497,337	497,337	-
(4) Cash collateral paid for financial instruments	1,016	1,016	-
Total assets	24,545,554	24,872,004	326,449
(1) Bonds	19,626,484	19,553,561	(72,923)
(2) Borrowed money	526,500	525,123	(1,376)
(3) Cash collateral received for financial instruments	171,013	171,013	-
Total liabilities	20,323,997	20,249,697	(74,300)
Derivative transactions(*)			
Hedge accounting applied	-	-	-
Total of derivative transactions	-	-	-

(Thousands of U.S. dollars)

	Book value	Fair value	Difference
(1) Loans	$174,559,491	$177,005,173	$2,445,682
(2) Securities			
Held-to-maturity securities	5,596,344	5,596,344	-
(3) Cash and bank deposits	3,725,933	3,725,933	-
(4) Cash collateral paid for financial instruments	7,612	7,612	-
Total assets	183,889,380	186,335,062	2,445,682
(1) Bonds	147,036,895	146,490,572	(546,323)
(2) Borrowed money	3,944,411	3,934,095	(10,316)
(3) Cash collateral received for financial instruments	1,281,188	1,281,188	-
Total liabilities	152,262,494	151,705,855	(556,639)
Derivative transactions(*)			
Hedge accounting applied	-	-	-
Total of derivative transactions	-	-	-

(*) Assets and liabilities resulting from derivative transactions are presented on a net basis with liabilities in parentheses.

Note 1. Items related to securities and derivative transactions

(1) Securities

Notes on securities classified by holding purpose are described in Note 19.

(2) 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 2022 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount	Of which 1 year or more	Fair value	Method for calculating fair value
Principal accounting	Interest rate swap transactions Receive/fixed and pay/floating	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	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,979,994	1,733,986	(*3)	
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	14,000	-	(*3)	
Total			¥2,013,994	¥1,753,986		

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 2023 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount	Of which 1 year or more	Fair value	Method for calculating fair value
Principal accounting	Interest rate swap transactions Receive/fixed and pay/floating	Bonds Long-term borrowed money	-	-	-	(*1)
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	¥20,000	¥20,000	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	2,005,257	1,570,017	(*3)	
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	10,000	-	(*3)	
Total			¥2,035,257	¥1,590,017		

(Thousands of U.S. dollars)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount	Of which 1 year or more	Fair value	Method for calculating fair value
Principal accounting	Interest rate swap transactions Receive/fixed and pay/floating	Bonds Long-term borrowed money	-	-	-	(*1)
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	$149,835	$149,835	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	15,022,906	11,762,193	(*3)	
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	74,918	-	(*3)	
Total			$15,247,659	$11,912,028		

(*1) The fair value of interest rate swaps for which the principal accounting is applied is calculated by the discounted cash flow method, which uses observable inputs such as interest rates.
(*2) 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.
(*3) Since currency swaps and foreign exchange forward 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 2022

(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	¥1,832,862	¥1,778,906	¥1,721,508	¥1,654,724	¥1,575,726	¥6,594,968	¥6,644,476	¥1,682,848	¥64,796
Securities									
Held-to-maturity securities	920,000	-	-	-	-	-	-	-	-
Deposits	353,491	-	-	-	-	-	-	-	-

As of 31 March 2023

(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	¥1,802,401	¥1,761,538	¥1,716,614	¥1,648,313	¥1,573,696	¥6,506,316	¥6,563,314	¥1,681,801	¥46,201
Securities									
Held-to-maturity securities	747,000	-	-	-	-	-	-	-	-
Deposits	497,337	-	-	-	-	-	-	-	-

(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	$13,503,161	$13,197,025	$12,860,465	$12,348,771	$11,789,758	$48,743,755	$49,170,771	$12,599,654	$346,131
Securities									
Held-to-maturity securities	5,596,344	-	-	-	-	-	-	-	-
Deposits	3,725,933	-	-	-	-	-	-	-	-

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

As of 31 March 2022

(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	¥2,142,677	¥2,335,910	¥2,012,996	¥2,015,037	¥1,367,846	¥6,047,001	¥3,778,644	¥284,500	¥122,000
Borrowed money	-	86,200	83,400	88,000	104,500	33,800	3,600	-	-

As of 31 March 2023

(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 30years through 40 years
Bonds	¥2,335,910	¥2,012,996	¥2,069,380	¥1,367,846	¥1,782,405	¥5,555,523	¥4,080,144	¥304,000	¥122,000
Borrowed money	86,200	83,400	88,000	104,500	140,000	20,800	3,600	-	-

(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	$17,500,075	$15,080,888	$15,503,301	$10,247,576	$13,353,354	$41,620,640	$30,567,462	$2,277,495	$913,995
Borrowed money	645,790	624,813	659,275	782,889	1,048,845	155,829	26,970	-	-

(3) Items related to breakdown by level of fair value of financial instruments

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate the fair value.

Level 1: Fair value calculated using quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Fair value calculated using inputs that are directly or indirectly observable other than Level 1 inputs.

Level 3: Fair value calculated using significant and unobservable inputs.

In cases where multiple inputs are used that have a significant impact on the calculation of fair value, the fair value is classified as the lowest priority level in the calculation of fair value.

(i) Financial assets and liabilities for which fair value is used as the balance sheet amount
Not applicable
(ii) Financial assets and liabilities for which fair value is not used as the balance sheet amount

As of 31 March 2022

(Millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	¥-	¥-	¥24,209,869	¥24,209,869
(2) Securities				
Held-to-maturity securities	-	920,000	-	920,000
(3) Cash and bank deposits	-	353,491	-	353,491
(4) Cash collateral paid for financial instruments	-	812	-	812
Total assets	-	1,274,303	24,209,869	25,484,172
(1) Bonds	-	20,372,729	-	20,372,729
(2) Borrowed money	-	398,522	-	398,522
(3) Cash collateral received for financial instruments	-	147,451	-	147,451
Total liabilities	-	20,918,702	-	20,918,702
Derivative transactions Hedge accounting applied	-	-	-	-
Total of derivative transactions	¥-	¥-	¥-	¥-

As of 31 March 2023

(Millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	¥-	¥-	¥23,626,650	¥23,626,650
(2) Securities				
Held-to-maturity securities	-	747,000	-	747,000
(3) Cash and bank deposits	-	497,337	-	497,337
(4) Cash collateral paid for financial instruments	-	1,016	-	1,016
Total assets	-	1,245,353	23,626,650	24,872,004
(1) Bonds	-	19,553,561	-	19,553,561
(2) Borrowed money	-	525,123	-	525,123
(3) Cash collateral received for financial instruments	-	171,013	-	171,013
Total liabilities	-	20,249,697	-	20,249,697
Derivative transactions Hedge accounting applied	-	-	-	-
Total of derivative transactions	¥-	¥-	¥-	¥-

(Thousands of U.S. dollars)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	$-	$-	$177,005,173	$177,005,173
(2) Securities				
Held-to-maturity securities	-	5,596,344	-	5,596,344
(3) Cash and bank deposits	-	3,725,933	-	3,725,933
(4) Cash collateral paid for financial instruments	-	7,612	-	7,612
Total assets	-	9,329,889	177,005,173	186,335,062
(1) Bonds	-	146,490,572	-	146,490,572
(2) Borrowed money	-	3,934,095	-	3,934,095
(3) Cash collateral received for financial instruments	-	1,281,188	-	1,281,188
Total liabilities	-	151,705,855	-	151,705,855
Derivative transactions Hedge accounting applied	-	-	-	-
Total of derivative transactions	$-	$-	$-	$-

Note 1: Description of valuation techniques and inputs used to calculate fair value

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 2023.

For early redemption, the actual amount of early redemption during the past certain period is calculated as a percentage of the regular redemption amount during the past certain period, and multiplied by the regular redemption amount in subsequent years. For loans subject to interest rate review, the average rate of interest rate reduction of the loans subject to interest rate review is applied to the applicable interest rate at the time of calculation of fair value.

As the estimated amount of early redemption and the interest rate reduction rate are unobservable, the fair value is classified as Level 3.

(2) Securities

All securities are negotiable certificates of deposit and short-term, and the fair value approximates the book value. Therefore, the fair value is classified as Level 2 and 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. All deposits with maturities are short-term and the fair value approximates the book value. Therefore, the fair value is classified as Level 2 and 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 fair value is classified as Level 2 and 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. Although the JFM can quote a market price, the market is not active, the fair value is classified as Level 2.

Deferral hedge accounting is used for currency swaps, and the fair value of foreign currency-denominated bonds is calculated by discounting the total amount of principal and interest accounted for as an integral part of the relevant currency swap by the interest rate that would be applied if similar bonds were issued. Therefore, the fair value is classified as Level 2.

Hedge accounting is used for interest rate swaps, and the fair value of floating rate bonds is calculated by discounting the total amount of principal and interest accounted for as an integral part of the relevant interest rate swap by the interest rate that would be applied if similar bonds were issued. Therefore, the fair value is classified as Level 2.

(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. Therefore, the fair value is classified as Level 2.

(3) Cash collateral received for financial instruments

Cash collateral is associated with derivative transactions. The fair value is classified as Level 2 and 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

Derivative transactions

The fair value of interest rate swaps is calculated by the discounted cash flow method, which uses observable inputs such as interest rates. Therefore, the fair value is classified as Level 2.

Note 2: Information on the Level 3 fair value of financial assets and liabilities whose fair value is recorded in the balance sheet

Not applicable

7. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets as of 31 March 2022 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2021 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2022 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2022	Depreciation and amortization during the year	Balance as of 31 March 2022 (Net book value)
Tangible fixed assets							
Buildings	¥1,187	¥9	¥-	¥1,196	¥565	¥27	¥630
Land	1,659	-	-	1,659	-	-	1,659
Other tangible fixed assets	625	52	8	669	387	112	281
Total tangible fixed assets	3,472	61	8	3,525	953	139	2,572
Intangible fixed assets							
Software	1,691	399	273	1,816	842	355	974
Other intangible fixed assets	2	2	2	2	-	-	2
Total intangible fixed assets	¥1,694	¥402	¥276	¥1,819	¥842	¥355	¥976

Tangible and intangible fixed assets as of 31 March 2023 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2022 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2023 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2023	Depreciation and amortization during the year	Balance as of 31 March 2023 (Net book value)
Tangible fixed assets							
Buildings	¥1,196	¥-	¥186	¥1,010	¥495	¥20	¥515
Land	1,659	-	327	1,332	-	-	1,332
Other tangible fixed assets	669	784	1	1,452	504	118	947
Total tangible fixed assets	3,525	784	515	3,795	999	139	2,795
Intangible fixed assets							
Software	1,816	475	216	2,075	997	372	1,077
Other intangible fixed assets	2	1,153	2	1,153	-	-	1,153
Total intangible fixed assets	¥1,819	¥1,628	¥219	¥3,229	¥997	¥372	¥2,231

(Thousands of U.S. dollars)

Type of assets	Balance as of 1 April 2022 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2023 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2023	Depreciation and amortization during the year	Balance as of 31 March 2023 (Net book value)
Tangible fixed assets							
Buildings	$8,966	$-	$1,395	$7,571	$3,709	$153	$3,862
Land	12,435	-	2,456	9,979	-	-	9,979
Other tangible fixed assets	5,014	5,878	9	10,883	3,781	889	7,102
Total tangible fixed assets	26,415	5,878	3,860	28,433	7,490	1,042	20,943
Intangible fixed assets							
Software	13,612	3,561	1,624	15,549	7,475	2,787	8,074
Other intangible fixed assets	19	8,641	18	8,642	-	-	8,642
Total intangible fixed assets	$13,631	$12,202	$1,642	$24,191	$7,475	$2,787	$16,716

8. 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 20,103,035 million yen and 19,626,484 million yen (147,036,895 thousand U.S. dollars) as of 31 March 2022 and 2023, respectively.

9. Bonds

Bonds as of 31 March 2022 consisted of the following:

(Millions of yen)

Type of bond	Date of issue	Balance as of 1 April 2021	Balance as of 31 March 2022	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 23-123)	4/18/2011-1/21/2020	¥3,817,710	¥3,305,000 (490,000)	0.001 to 1.300	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 1-7)	9/26/2013-2/24/2017	420,046	220,032	0.001 to 0.576	8Y
Government-guaranteed bonds issued by the JFM (domestic) 6-year bonds (Series 16-20)	5/28/2015-10/28/2016	320,175	200,036 (200,036)	0.001 to 0.150	6Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 8-13)	6/29/2017-8/26/2021	220,112	220,388	0.001	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 19-30)	4/21/2016-11/18/2021	135,000	135,000 (30,000)	0.001 to 0.040	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 23-154)	4/21/2011-3/17/2022	3,385,000	3,375,000 (485,000)	0.049 to 1.418	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 1-96)	6/25/2009-1/21/2022	1,765,000	1,890,000	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-14)	6/26/2014-11/18/2021	150,000	180,000	0.446 to 1.864	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-3)	2/26/2019-9/24/2020	40,000	40,000	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F14, F16-F17, F24, F28-F29, F37, F42-F43, F45-F47, F49, F51-F52, F54-F56, F59-F68, F71-F73, F75-F80, F82-F85, F87-F90, F92-F93, F95-F98, F100-F109, F111-F112, F115-F134, F136-F139, F141-F143, F145-F153, F155-F164, F166-F169, F171-F179, F181-F210, F212-F243, F245-F276, F278-F298, F300-F310, F312-F319, F321-F369, F371-F400, and F403-F669)	7/23/2009-3/24/2022	3,117,917	3,303,546 (274,500)	0.001 to 2.334	2Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F211, F244)	2/26/2014-7/25/2014	20,000	20,000	Floating rate	20Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-45, 47-49, 53-58, and 61-92)	5/1/2014-1/27/2022	1,935,253	1,977,602 [USD 14,556 million] [AUD 1,584 million] [EUR 2,080 million] (246,007)	0.010 to 5.092	3Y to 15Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A15-A146)	4/21/2011-3/24/2022	2,260,000	2,110,000 (300,000)	0.069 to 1.460	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B77)	11/24/2015-3/24/2022	429,000	541,500	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-C77)	11/24/2015-3/24/2022	594,000	715,500	0.190 to 1.154	20Y

Type of bond	Date of issue	Balance as of 1 April 2021	Balance as of 31 March 2022	Coupon rate (%)	Maturity
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D72)	4/21/2016-3/24/2022	740,000	890,000	0.190 to 0.778	20Y
Bonds issued by the JFM - Sub-total	-	19,399,215	19,173,606	-	-
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	84,976	84,979	2.07 to 2.29	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	84,976	84,979	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 2-5)	4/18/2006-7/18/2007	144,985	64,999 (64,999)	2.0 to 2.2	15Y
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 1-25)	7/30/2002-6/16/2008	569,883	569,908 (49,998)	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	189,915	189,921	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	21,790	19,620 (2,170)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	926,574	844,449	-	-
Total	-	¥20,410,767	¥20,103,035	-	-

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 20,103,035 million yen as of 31 March 2022.
2. Amounts in square brackets under "Balance as of 31 March 2022" for "Non-guaranteed bonds issued by the JFM (international)— (Series 43-45, 47-49, 53-58 and 61-92)" are denominated in foreign currencies.
3. Amounts in parentheses under "Balance as of 31 March 2022" are to be repaid within one year.

Bonds as of 31 March 2023 consisted of the following:

(Millions of yen)

Type of bond	Date of issue	Balance as of 1 April 2022	Balance as of 31 March 2023	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 35-123)	4/23/2012-1/21/2020	¥3,305,000	¥2,815,000 (680,000)	0.001 to 0.977	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 4-7)	7/30/2015-2/24/2017	220,032	220,019 (100,000)	0.001 to 0.311	8Y
Government-guaranteed bonds issued by the JFM (domestic) 6-year bonds (Series 18-20)	5/30/2016-10/28/2016	200,036	-	0.001	6Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 11-13)	8/28/2020-8/26/2021	220,388	220,262	0.001	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 21-32)	4/20/2017-12/20/2022	135,000	137,000 (20,000)	0.001 to 0.249	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 35-166)	4/19/2012-3/20/2023	3,375,000	3,200,000 (415,000)	0.049 to 1.006	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 1-103)	6/25/2009-1/23/2023	1,890,000	2,020,000	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-16)	6/26/2014-10/21/2022	180,000	200,000	0.446 to 1.864	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-3)	2/26/2019-9/24/2020	40,000	40,000	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F11, F13-F14, F16, F24, F28-F29, F37, F42-F43, F45-F47, F49, F51-F52, F54-F56, F59-F68, F71-F73, F75-F80, F82-F85, F87-F90, F92-F93, F95-F98, F100-F109, F112, F115-F125, F127-F134, F136-F139, F142-F143, F145-F152, F155-F164, F166-F169, F172-F179, F181-F210, F213-F243, F245-F250, F252-F270, F272-F276, F278-F298, F300-F310, F317-F319, F325, F329-F333, F338-F345, F348-F369, F371-F400, and F403-F733)	7/23/2009-3/31/2023	3,303,546	3,402,175 (283,500)	0.001 to 2.334	2Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F211, F244)	2/26/2014-7/25/2014	20,000	20,000	Floating rate	20Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-44, 47-49, 54, 57-58, 61-98, and 100-101)	5/1/2014-2/22/2023	1,977,602	1,999,004 [USD 12,529 million] [AUD 1,564 million] [EUR 3,880 million] (435,075)	0.010 to 5.092	3Y to 15Y
Non-guaranteed bonds issued by the JFM (international) (Series 99)	10/26/2022	-	3,730 [USD 25 million]	Floating rate	5Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A27-A158)	4/19/2012-3/27/2023	2,110,000	1,960,000 (300,000)	0.069 to 1.020	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B89)	11/24/2015-3/27/2023	541,500	641,500	0.069 to 0.834	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C89)	11/24/2015-3/27/2023	715,500	845,500	0.190 to 1.453	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D84)	4/21/2016-3/27/2023	890,000	1,040,000	0.190 to 1.453	20Y
Bonds issued by the JFM - Sub-total	-	19,173,606	18,814,191	-	-

Type of bond	Date of issue	Balance as of 1 April 2022	Balance as of 31 March 2023	Coupon rate (%)	Maturity
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	84,979	84,982	2.07 to 2.29	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	84,979	84,982	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 4-5)	4/24/2007-7/18/2007	64,999	-	2.0 to 2.2	15Y
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 1-25)	7/30/2002-6/16/2008	569,908	519,932 (99,995)	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	189,921	189,927	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	19,620	17,450 (2,170)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	844,449	727,310	-	-
Total	-	¥20,103,035	¥19,626,484	-	-

(Thousands of U.S. dollars)

Type of bond	Date of issue	Balance as of 1 April 2022	Balance as of 31 March 2023	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 35-123)	4/23/2012-1/21/2020	$24,760,263	$21,089,303 (5,094,396)	0.001 to 0.977	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 4-7)	7/30/2015-2/24/2017	1,648,431	1,648,330 (749,176)	0.001 to 0.311	8Y
Government-guaranteed bonds issued by the JFM (domestic) 6-year bonds (Series 18-20)	5/30/2016-10/28/2016	1,498,623	-	0.001	6Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 11-13)	8/28/2020-8/26/2021	1,651,099	1,650,155	0.001	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 21-32)	4/20/2017-12/20/2022	1,011,387	1,026,371 (149,835)	0.001 to 0.249	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 35-166)	4/19/2012-3/20/2023	25,284,686	23,973,630 (3,109,080)	0.049 to 1.006	10Y
Non-guaranteed bonds issued by the JFM (domestic) 15-year bonds (Series 1-3)	1/31/2013-1/22/2014	374,588	374,588	1.161 to 1.334	15Y
Non-guaranteed bonds issued by the JFM (domestic) 20-year bonds (Series 1-103)	6/25/2009-1/23/2023	14,159,425	15,133,353	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-16)	6/26/2014-10/21/2022	1,348,517	1,498,352	0.446 to 1.864	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-3)	2/26/2019-9/24/2020	299,670	299,670	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F11, F13-F14, F16, F24, F28-F29, F37, F42-F43, F45-F47, F49, F51-F52, F54-F56, F59-F68, F71-F73, F75-F80, F82-F85, F87-F90, F92-F93, F95-F98, F100-F109, F112, F115-F125, F127-F134, F136-F139, F142-F143, F145-F152, F155-F164, F166-F169, F172-F179, F181-F210, F213-F243, F245-F250, F252-F270, F272-F276, F278-F298, F300-F310, F317-F319, F325, F329-F333, F338-F345, F348-F369, F371-F400, and F403-F733)	7/23/2009-3/31/2023	24,749,375	25,488,280 (2,123,914)	0.001 to 2.334	2Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F211, F244)	2/26/2014-7/25/2014	149,835	149,835	Floating rate	20Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-44, 47-49, 54, 57-58, 61-98, and 100-101)	5/1/2014-2/22/2023	14,815,721	14,976,060 [USD 12,529 million] [AUD 1,564 million] [EUR 3,880 million] (3,259,482)	0.010 to 5.092	3Y to 15Y
Non-guaranteed bonds issued by the JFM (international) (Series 99)	10/26/2022	-	27,944 [USD 25 million]	Floating rate	5Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A27-A158)	4/19/2012-3/27/2023	15,807,612	14,683,848 (2,247,528)	0.069 to 1.020	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B89)	11/24/2015-3/27/2023	4,056,788	4,805,963	0.069 to 0.834	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C89)	11/24/2015-3/27/2023	5,360,354	6,334,282	0.190 to 1.453	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D84)	4/21/2016-3/27/2023	6,667,666	7,791,429	0.190 to 1.453	20Y
Bonds issued by the JFM - Sub-total	-	143,644,040	140,951,393	-	-

Type of bond	Date of issue	Balance as of 1 April 2022	Balance as of 31 March 2023	Coupon rate (%)	Maturity
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	636,648	636,670	2.07 to 2.29	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	636,648	636,670	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 4-5)	4/24/2007-7/18/2007	486,958	-	2.0 to 2.2	15Y
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 1-25)	7/30/2002-6/16/2008	4,269,617	3,895,207 (749,146)	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	1,422,848	1,422,894	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	146,988	130,731 (16,257)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	6,326,411	5,448,832	-	-
Total	-	$150,607,099	$147,036,895	-	-

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 19,626,484 million yen (147,036,895 thousand U.S. dollars) as of 31 March 2023.
2. Amounts in square brackets under "Balance as of 31 March 2023" for "Non-guaranteed bonds issued by the JFM (international)— (Series 43-44, 47-49, 54, 57-58, 61-98 and 100-101)" and "Non-guaranteed bonds issued by the JFM (international)— (Series 99)" are denominated in foreign currencies.
3. Amounts in parentheses under "Balance as of 31 March 2023" are to be repaid within one year.
4. Annual schedule of redemption within five years after the fiscal year-end:

As of 31 March 2022

(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	¥2,142,677	¥2,335,910	¥2,012,996	¥2,015,037	¥1,367,846

As of 31 March 2023

(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	¥2,335,910	¥2,012,996	¥2,069,380	¥1,367,846	¥1,782,405

(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	$17,500,075	$15,080,888	$15,503,301	$10,247,576	$13,353,354

10. Borrowed Money

Borrowed money as of 31 March 2022 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2021	Balance as of 31 March 2022	Average interest rate (%)	Repayment date
Short-term borrowed money	¥-	¥-	-	-
Long-term borrowed money (repayment within 1 year)	¥1,000	¥-	-	-
Long-term borrowed money (excluding repayment within 1 year)	¥293,000	¥399,500	0.219	5/29/2023-3/16/2040
Total	¥294,000	¥399,500	-	-

Borrowed money as of 31 March 2023 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2022	Balance as of 31 March 2023	Average interest rate (%)	Repayment date
Short-term borrowed money	¥-	¥-	-	-
Long-term borrowed money (repayment within 1 year)	¥-	¥86,200	0.529	5/29/2023-3/15/2024-
Long-term borrowed money (excluding repayment within 1 year)	¥399,500	¥440,300	0.150	4/4/2024-3/16/2040
Total	¥399,500	¥526,500	-	-

(Thousands of U.S. dollars)

Classification of borrowed money	Balance as of 1 April 2022	Balance as of 31 March 2023	Average interest rate (%)	Repayment date
Short-term borrowed money	$-	$-	-	-
Long-term borrowed money (repayment within 1 year)	$-	$645,790	0.529	5/29/2023-3/15/2024-
Long-term borrowed money (excluding repayment within 1 year)	$2,992,958	$3,298,621	0.150	4/4/2024-3/16/2040
Total	$2,992,958	$3,944,411	-	-

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 2022

(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	¥-	¥86,200	¥83,400	¥88,000	¥104,500

As of 31 March 2023

(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	¥86,200	¥83,400	¥88,000	¥104,500	¥140,000

(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	$645,790	$624,813	$659,275	$782,889	$1,048,846

11. Reserves

Reserves as of 31 March 2022 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2021	Increase during the year	Decrease during the year		Balance as of 31 March 2022
			Intended purpose	Other	
Reserve for bonuses	¥59	¥59	¥59	¥-	¥59
Reserve for bonuses for directors and corporate auditors	10	10	10	-	10
Reserve for retirement benefits	52	22	2	7	64
Reserve for retirement benefits for directors and corporate auditors	21	9	13	1	15

Reserves as of 31 March 2023 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2022	Increase during the year	Decrease during the year		Balance as of 31 March 2023
			Intended purpose	Other	
Reserve for bonuses	¥59	¥54	¥59	¥-	¥54
Reserve for bonuses for directors and corporate auditors	10	8	10	-	8
Reserve for retirement benefits	64	18	1	7	74
Reserve for retirement benefits for directors and corporate auditors	15	9	6	1	15

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2022	Increase during the year	Decrease during the year		Balance as of 31 March 2023
			Intended purpose	Other	
Reserve for bonuses	$449	$411	$449	$-	$411
Reserve for bonuses for directors and corporate auditors	77	67	77	-	67
Reserve for retirement benefits	484	140	9	53	562
Reserve for retirement benefits for directors and corporate auditors	113	70	51	14	118

12. Reserve for Interest Rate Volatility

Reserve for interest rate volatility as of 31 March 2022 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2021	Increase during the year		Decrease during the year		Balance as of 31 March 2022
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	¥2,200,000	¥-	¥-	¥-		¥2,200,000
Management account reserve for interest rate volatility	640,921	81,754		40,000	¥-	682,675
Total	¥2,840,921	¥81,754	¥-	¥40,000	¥-	¥2,882,675

Reserve for interest rate volatility as of 31 March 2023 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2022	Increase during the year		Decrease during the year		Balance as of 31 March 2023
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	¥2,200,000	¥-	¥-	¥-		¥2,200,000
Management account reserve for interest rate volatility	682,675	68,890		50,000	¥-	701,566
Total	¥2,882,675	¥68,890	¥-	¥50,000	¥-	¥2,901,566

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2022	Increase during the year		Decrease during the year		Balance as of 31 March 2023
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	$16,481,870	$-	$-	$-		$16,481,870
Management account reserve for interest rate volatility	5,114,444	516,109		374,588	$-	5,255,965
Total	$21,596,314	$516,109	$-	$374,588	$-	$21,737,835

Note: The "Decrease during the year" for the "Management account reserve for interest rate volatility" in the amount of 50,000 million yen (374,588 thousand U.S. dollars) consists of the payment to the national treasury in accordance with the ministerial ordinance for attribution to the national government.

13. Fund for Lending Rate Reduction

Fund for lending rate reduction as of 31 March 2022 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2021	Increase during the year		Decrease during the year		Balance as of 31 March 2022
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥920,287	¥13,691	¥-	¥13,691	¥-	¥920,287
Total	¥920,287	¥13,691	¥-	¥13,691	¥-	¥920,287

Fund for lending rate reduction as of 31 March 2023 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2022	Increase during the year		Decrease during the year		Balance as of 31 March 2023
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥920,287	¥19,997	¥-	¥16,410	¥-	¥923,873
Total	¥920,287	¥19,997	¥-	¥16,410	¥-	¥923,873

(Thousands of U.S. dollars)

Classification of fund	Balance as of 1 April 2022	Increase during the year		Decrease during the year		Balance as of 31 March 2023
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	$6,894,573	$149,813	$-	$122,945	$-	$6,921,441
Total	$6,894,573	$149,813	$-	$122,945	$-	$6,921,441

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.

14. Reserve for Retirement Benefits

As of and for the year ended 31 March 2022

(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
Pension expenses: 22 million yen
Employee retirement benefits paid: 2 million yen
Contributions to the defined benefit plan: 7 million yen
Reserve for retirement benefits at the end of the fiscal year: 64 million yen

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

Funded retirement benefit obligation: 196 million yen
Plan assets: (186) million yen
Balance: 10 million yen
Unfunded retirement benefit obligation: 54 million yen
Net liability for retirement benefits in the balance sheet: 64 million yen
Reserve for retirement benefits at the end of the fiscal year: 64 million yen
Net liability for retirement benefits in the balance sheet: 64 million yen

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: 22 million yen

As of and for the year ended 31 March 2023

(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: 64 million yen (484 thousand U.S. dollars)
Pension expenses: 18 million yen (140 thousand U.S. dollars)
Employee retirement benefits paid: 1 million yen (9 thousand U.S. dollars)
Contributions to the defined benefit plan: 7 million yen (53 thousand U.S. dollars)
Reserve for retirement benefits at the end of the fiscal year: 74 million yen (562 thousand U.S. dollars)

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

Funded retirement benefit obligation: 189 million yen (1,421 thousand U.S. dollars)
Plan assets: (174) million yen ((1,307) thousand U.S. dollars)
Balance: 15 million yen (114 thousand U.S. dollars)
Unfunded retirement benefit obligation: 59 million yen (448 thousand U.S. dollars)
Net liability for retirement benefits in the balance sheet: 74 million yen (562 thousand U.S. dollars)
Reserve for retirement benefits at the end of the fiscal year: 74 million yen (562 thousand U.S. dollars)
Net liability for retirement benefits in the balance sheet: 74 million yen (562 thousand U.S. dollars)

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: 18 million yen (140 thousand U.S. dollars)

15. Net Income by Account

(For the year ended 31 March 2022)

Net income of the general account was 32,263 million yen, while there was no net income of management account.

(For the year ended 31 March 2023)

Net income of the general account was 36,079 million yen (270,295 thousand U.S. dollars), while there was no net income of management account.

16. Revenues

Revenues from contracts with customers are mainly as follows:

Fees and commissions

Fees and commissions includes commissions related to the lending of funds entrusted by Japan Finance Corporation, and revenue is recognized at the point in time when the obligations is deemed to be satisfied when the loan is executed or the interest collected is paid to the customer.

17. Information by Account (Balance sheet)

Balance sheet of general account and management account as of 31 March 2022 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥18,611,519	¥4,939,300		¥23,550,819
Securities	920,000			920,000
Cash and bank deposits	353,491			353,491
Cash collateral paid for financial instruments	812			812
Other assets	3,260	2,932		6,193
Tangible fixed assets	2,572			2,572
Intangible fixed assets	976			976
Due from general account		600,043	¥(600,043)	
Total assets	19,892,632	5,542,276	(600,043)	24,834,865
(Liabilities)				
Bonds	15,313,128	4,789,906		20,103,035
Borrowed money	399,500			399,500
Cash collateral received for financial instruments	147,451			147,451
Other liabilities	1,776	2,868		4,644
Reserve for bonuses	59			59
Reserve for bonuses for directors and corporate auditors	10			10
Reserve for retirement benefits	64			64
Reserve for retirement benefits for directors and corporate auditors	15			15
Fund for lending rate reduction	920,287			920,287
Basic fund for lending rate reduction	920,287			920,287
Due to management account	600,043		(600,043)	
Reserves under special laws	2,200,000	691,692		2,891,692
Reserve for interest rate volatility	2,200,000			2,200,000
Management account reserve for interest rate volatility		682,675		682,675
Reserve for interest rate reduction		9,017		9,017
Total liabilities	19,582,337	5,484,467	(600,043)	24,466,761
(Net Assets)				
Capital	16,602			16,602
Retained earnings	298,035			298,035
General account appropriated surplus reserve	298,035			298,035
Valuation, translation adjustments and others	(4,342)			(4,342)
Management account surplus reserve		57,808		57,808
Total net assets	310,295	57,808		368,104
Total liabilities and net assets	¥19,892,632	¥5,542,276	¥(600,043)	¥24,834,865

Balance sheets of general account and management account as of 31 March 2023 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥19,153,208	¥4,146,992		¥23,300,200
Securities	747,000			747,000
Cash and bank deposits	497,337			497,337
Cash collateral paid for financial instruments	1,016			1,016
Other assets	3,336	2,411		5,748
Tangible fixed assets	2,795			2,795
Intangible fixed assets	2,231			2,231
Due from general account		601,213	¥(601,213)	
Total assets	20,406,925	4,750,616	(601,213)	24,556,329
(Liabilities)				
Bonds	15,643,892	3,982,591		19,626,484
Borrowed money	526,500			526,500
Cash collateral received for financial instruments	171,013			171,013
Other liabilities	4,140	2,691		6,832
Reserve for bonuses	54			54
Reserve for bonuses for directors and corporate auditors	8			8
Reserve for retirement benefits	74			74
Reserve for retirement benefits for directors and corporate auditors	15			15
Fund for lending rate reduction	923,873			923,873
Basic fund for lending rate reduction	923,873			923,873
Due to management account	601,213		(601,213)	
Reserves under special laws	2,200,000	707,523		2,907,523
Reserve for interest rate volatility	2,200,000			2,200,000
Management account reserve for interest rate volatility		701,566		701,566
Reserve for interest rate reduction		5,957		5,957
Total liabilities	20,070,788	4,692,807	(601,213)	24,162,382
(Net Assets)				
Capital	16,602			16,602
Retained earnings	334,114			334,114
General account appropriated surplus reserve	334,114			334,114
Valuation, translation adjustments and others	(14,579)			(14,579)
Management account surplus reserve		57,808		57,808
Total net assets	336,137	57,808		393,946
Total liabilities and net assets	¥20,406,925	¥4,750,616	¥(601,213)	¥24,556,329

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	$143,491,225	$31,068,266		$174,559,491
Securities	5,596,344			5,596,344
Cash and bank deposits	3,725,933			3,725,933
Cash collateral paid for financial instruments	7,612			7,612
Other assets	25,000	18,065		43,065
Tangible fixed assets	20,943			20,943
Intangible fixed assets	16,716			16,716
Due from general account		4,504,144	$(4,504,144)	
Total assets	152,883,773	35,590,475	(4,504,144)	183,970,104
(Liabilities)				
Bonds	117,200,276	29,836,619		147,036,895
Borrowed money	3,944,411			3,944,411
Cash collateral received for financial instruments	1,281,188			1,281,188
Other liabilities	31,023	20,167		51,190
Reserve for bonuses	411			411
Reserve for bonuses for directors and corporate auditors	67			67
Reserve for retirement benefits	562			562
Reserve for retirement benefits for directors and corporate auditors	118			118
Fund for lending rate reduction	6,921,441			6,921,441
Basic fund for lending rate reduction	6,921,441			6,921,441
Due to management account	4,504,144		(4,504,144)	
Reserves under special laws	16,481,870	5,300,599		21,782,469
Reserve for interest rate volatility	16,481,870			16,481,870
Management account reserve for interest rate volatility		5,255,965		5,255,965
Reserve for interest rate reduction		44,634		44,634
Total liabilities	150,365,511	35,157,385	(4,504,144)	181,018,752
(Net Assets)				
Capital	124,379			124,379
Retained earnings	2,503,106			2,503,106
General account appropriated surplus reserve	2,503,106			2,503,106
Valuation, translation adjustments and others	(109,224)			(109,224)
Management account surplus reserve		433,091		433,091
Total net assets	2,518,261	433,091		2,951,352
Total liabilities and net assets	$152,883,772	$35,590,476	$(4,504,144)	$183,970,104

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 appropriated surplus reserve and management account surplus reserve

"Net income" of the general account is posted as "General account appropriated 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.

18. Information by Account (Statement of income)

Statements of income of general account and management account from 1 April 2021 through 31 March 2022 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
Income	¥124,505	¥116,609	¥(5,246)	¥235,867
Interest income	110,310	111,760		222,071
Fees and commissions	76			76
Other operating income	15			15
Other income	13,703			13,703
Contributions from fund for lending rate reduction	13,691			13,691
Others	11			11
Administrative fee for management account	398		(398)	
Interest on due from general account		5	(5)	
Transfer from general account for fund for lending rate reduction		4,843	(4,843)	
Expenses	92,242	38,553	(5,246)	125,548
Interest expenses	81,002	37,784		118,786
Fees and commissions	199	94		294
Other operating expenses	2,839	242		3,081
General and administrative expenses	3,352	33		3,385
Interest on due to management account	5		(5)	
Transfer to management account for fund for lending rate reduction	4,843		(4,843)	
Administrative fee for general account		398	(398)	
Ordinary income	32,263	78,056	-	110,319
Special gains	-	43,697	-	43,697
Reversal of management account reserve for interest rate volatility		40,000		40,000
Reversal of reserve for interest rate reduction		3,697		3,697
Special losses	-	121,754	-	121,754
Provision for management account reserve for interest rate volatility		81,754		81,754
Payment to the national treasury		40,000		40,000
Net income	¥32,263	¥-	¥-	¥32,263

Statements of income of general account and management account from 1 April 2022 through 31 March 2023 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
Income	¥125,769	¥96,771	¥(4,552)	¥217,989
Interest income	108,891	92,524		201,415
Fees and commissions	71			71
Other operating income	81			81
Other income	16,420			16,420
Contributions from fund for lending rate reduction	16,410			16,410
Others	10			10
Administrative fee for management account	305		(305)	
Interest on due from general account		3	(3)	
Transfer from general account for fund for lending rate reduction		4,243	(4,243)	
Expenses	89,823	30,940	(4,552)	116,212
Interest expenses	79,124	30,553		109,678
Fees and commissions	207	74		282
Other operating expenses	2,424			2,424
General and administrative expenses	3,819	7		3,826
Interest on due to management account	3		(3)	
Transfer to management account for fund for lending rate reduction	4,243		(4,243)	
Administrative fee for general account		305	(305)	
Ordinary income	35,945	65,830	-	101,776
Special gains	133	53,059	-	53,192
Gain on disposal of fixed assets	133			133
Reversal of management account reserve for interest rate volatility		50,000		50,000
Reversal of reserve for interest rate reduction		3,059		3,059
Special losses	-	118,890	-	118,890
Provision for management account reserve for interest rate volatility		68,890		68,890
Payment to the national treasury		50,000		50,000
Net income	¥36,079	¥-	¥-	¥36,079

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
Income	$942,237	$724,989	$(34,104)	$1,633,122
Interest income	815,786	693,171		1,508,957
Fees and commissions	537			537
Other operating income	608			608
Other income	123,020			123,020
Contributions from fund for lending rate reduction	122,945			122,945
Others	75			75
Administrative fee for management account	2,286		(2,286)	
Interest on due from general account		29	(29)	
Transfer from general account for fund for lending rate reduction		31,789	(31,789)	
Expenses	672,939	231,799	(34,104)	870,634
Interest expenses	592,785	228,899		821,684
Fees and commissions	1,557	558		2,115
Other operating expenses	18,166			18,166
General and administrative expenses	28,613	56		28,669
Interest on due to management account	29		(29)	
Transfer to management account for fund for lending rate reduction	31,789		(31,789)	
Administrative fee for general account		2,286	(2,286)	
Ordinary income	269,298	493,190	-	762,488
Special gains	997	397,507	-	398,504
Gain on disposal of fixed assets	997			997
Reversal of management account reserve for interest rate volatility		374,588		374,588
Reversal of reserve for interest rate reduction		22,919		22,919
Special losses	-	890,697	-	890,697
Provision for management account reserve for interest rate volatility		516,109		516,109
Payment to the national treasury		374,588		374,588
Net income	$270,295	$-	$-	$270,295

19. Fair Value of Marketable Securities

Marketable held-to-maturity securities as of 31 March 2022 consisted of the following:

(Millions of yen)

	Type	Book value	Fair value	Difference
Securities with fair values exceeding the balance sheet amount	Negotiable certificates of deposit	-	-	-
	Sub total	-	-	-
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	¥920,000	¥920,000	-
	Sub total	920,000	920,000	-
Total		¥920,000	¥920,000	-

Marketable held-to-maturity securities as of 31 March 2023 consisted of the following:

(Millions of yen)

	Type	Book value	Fair value	Difference
Securities with fair values exceeding the balance sheet amount	Negotiable certificates of deposit	-	-	-
	Sub total	-	-	-
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	¥747,000	¥747,000	-
	Sub total	747,000	747,000	-
Total		¥747,000	¥747,000	-

(Thousands of U.S. dollars)

	Type	Book value	Fair value	Difference
Securities with fair values exceeding the balance sheet amount	Negotiable certificates of deposit	-	-	-
	Sub total	-	-	-
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	$5,596,344	$5,596,344	-
	Sub total	5,596,344	5,596,344	-
Total		$5,596,344	$5,596,344	-

Note: Fair value of negotiable certificates of deposit is book value.

20. 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 forward 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, such as interest rate swaps and currency swaps, 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 is omitted for interest rate swaps that qualify for exceptional accrual method and currency swaps and forward contracts that qualify for deferral hedge accounting.

(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 ISDA Master Agreements and 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.

Building a better working world

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 sheet as at March 31, 2023, and the statements of income, appropriation of profit, changes in net assets, and cash flows for the year 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, 2023, and its financial performance and its cash flows for the year then ended in accordance with the Law and regulations applicable to the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Applying hedge accounting to derivative transactions against pipeline risk (interest rate risk)	
Description of Key Audit Matter	Auditor's Response
As stated in Note 6 "Financial Instruments," the JFM applies hedge accounting to interest rate swaps used to hedge against pipeline risk, whereby losses would be incurred or profits would decrease 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. As stated in Note 20 "Information on Derivative Transactions," in applying hedge accounting, the JFM designated bonds and long-term borrowed money as hedged items and interest rate swaps as hedging instruments and adopted deferral hedge accounting. Since the JFM ensured hedging instruments and hedged items have the same major terms, when entering into hedge transactions, the JFM deemed these to be highly effective. When entering into interest rate swap transactions for which future bond issuance is designated as the hedged item, the JFM determines whether the bond issuance is a forecast transaction and accordingly applies hedge accounting. Unrealized gain or loss from hedging instruments of (14,579) million yen ((109,224) thousand U.S. dollars) was recorded on the balance sheet at the fiscal year end. With the diversification of financing methods and the sophistication of risk management methods, derivative transactions to hedge against interest rate risks are expected to become more complicated, and the notional amount of interest rate swaps will be the same as financing amounts (around several to tens of billions of yen per transaction). Therefore, considering the size and frequency of transactions, if a derivative transaction entered into does not qualify for hedge accounting as a result, principle accounting treatment for the derivative transaction must be applied, which may have a great impact on profits and losses. Based on the above, given that applying hedge accounting to derivative transactions to hedge against pipeline risk (interest rate risk) is particularly significant in the current fiscal year we determined it to be a key audit matter.	The audit procedures we performed to consider whether the JFM's derivative transactions qualify for hedge accounting include the following, among others: (1) Evaluation of design and operating effectiveness of internal controls We evaluated the design and operating effectiveness of the controls related to entering into derivative transactions and applying hedge accounting. (2) Consideration of whether all of JFM's derivative transactions are accurately identified without exception We performed the following procedures to consider whether all derivative transactions contracted by the JFM are recorded in the derivative transactions control table: ・ We inspected the authorized document in which the counterparties with which the JFM may possibly enter into derivative transactions are determined at the beginning of the current fiscal year, and obtained external confirmations for derivative transactions up until the end of the current fiscal year from all counterparties described in this document. ・ We considered whether any transactions other than those recorded in the derivative transactions control table are included in the obtained external confirmations. ・ We considered whether any derivative transactions are included in external confirmations obtained from financial institutions other than those that the JFM determined to be counterparties. (3) Consideration of the assessment of hedge effectiveness by the JFM We performed the following procedures to consider whether the JFM enters into hedge transactions such that the JFM ensures hedging instruments and hedged items have the same major terms to offset interest rate risks associated with bonds and long-term borrowed money: ・ We considered whether the notional amount and contract period of all interest rate swaps recorded in the derivative transaction control table match the principal amount and redemption period (or maturity) of the bond and long-term borrowed money to be hedged. ・ We considered whether the interest payment and receipt conditions on interest rate swaps are such that fixed interest on bonds and long-term borrowed money is substantially converted into floating interest. ・ If a hedged item is a forecast transaction, we considered whether the interest payment and receipt conditions on interest rate swaps are such that floating interest is substantially converted into fixed interest. (4) Consideration of the assessment of probability, etc. of forecast transactions by the JFM We performed the following procedures to evaluate the adequacy of determinations by the JFM that the future bond issuance is a forecast transaction (i.e., the contract has not been formed but it is highly probable and its key terms can be reasonably forecasted) and thus qualify as the hedged item: ・ We inspected historical bond issuance experience of the JFM, as well as its lending and funding plans, and made inquiries of the persons in charge in the finance department. ・ We considered whether the expected amount of future bond issuances to be hedged is within the range of the average issuance for a given period in the past and whether the period from lending to future bond issuance to be hedged is generally less than one year. (5) Consideration of the accounting treatment related to the discontinuation of hedge accounting We performed the following procedures to consider, if hedge accounting was discontinued for interest rate swaps, whether gains and losses on settlement at the time of cancellation were transferred to unrealized gain or loss from hedging instruments and amortized as an adjustment of the interest to be hedged: ・ We considered whether interest rate swaps have been cancelled and the gains and losses on settlement at the time of cancellation by inspecting evidence of agreements with counterparties to terminate the contracts. ・ We considered whether these gains and losses on settlement were transferred to unrealized gain or loss from hedging instruments. ・ We considered whether the amortized amounts of the unrealized gain or loss from hedging instruments were allocated to profit or loss over the period until maturity of the hedged item by recalculating these amounts.

Other Information

The other information comprises the information included in the JFM's Annual Report 2023 that contains audited financial statements but does not include the financial statements and our auditor's report thereon. The JFM's Annual Report 2023 is expected to be made available to us after the date of this auditor's report. The President is responsible for preparation and disclosure of the other information. The Corporate Auditors are responsible for overseeing the JFM's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the President, the Corporate Auditors for the Financial Statements

The President is responsible for the preparation and fair presentation of these financial statements in accordance with the Law and regulations applicable to the JFM and accounting principles generally accepted in Japan, and for such internal control as the 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, the 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 the JFM and accounting principles generally accepted in Japan, matters related to going concern.

The 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, 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 the President.
- Conclude on the appropriateness of the 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 the 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.

From the matters communicated with the Corporate Auditors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the JFM which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2023 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

June 29, 2023

伊澤 賢司
Kenji Izawa
Designated Engagement Partner
Certified Public Accountant

細野 和也
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Designated Engagement Partner
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橋本 宣幸
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Certified Public Accountant

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Redemption of Loans in Fiscal 2022

Classification		Principal		Interest	
		Number of loans	Amount (USD millions)	Number of loans	Amount (USD millions)
Regular redemption of long-term loans	General loans	458,846	13,590	522,806	1,502
	Loans to local government corporations	123	29	123	1
	Subtotal	458,969	13,618	522,929	1,503
Prepayment of long-term loans	General loans	294	161	68	0
	Loans to local government corporations	-	-	-	-
	Subtotal	294	161	68	0
Redemption of loans with pre-consent or pre-approval		-	-	-	-
Redemption of short-term loans		-	-	-	-
Total		459,263	13,779	522,997	1,503

Note: Totals may not add up due to rounding.

Outstanding Loans by Business

(As of 31 March 2023)

Business		Number of Loans Made	Loan Amount (USD millions)	
				% of Total
General Account-related Loans	Public Projects	5,883	3,892	2.2%
	Public Housing	3,040	1,465	0.8%
	Disaster Prevention	1,261	764	0.4%
	Educational Facilities Development	2,001	727	0.4%
	Social Welfare Facilities Development	2,055	829	0.5%
	General Waste Disposal	571	422	0.2%
	General Projects	1,057	604	0.2%
	Regional Revitalization	1,945	676	0.4%
	Disaster Prevention	3,242	1,271	0.7%
	Local Road Development	6,647	3,450	2.0%
	Special Municipal Merger	6,431	8,133	4.7%
	Disaster Management and Mitigation	12,763	6,263	3.6%
	Public Facilities Optimization	88	136	0.1%
	Proper Management of Public Facilities	2,850	2,955	1.7%
	National Disaster Prevention	3,377	2,078	1.2%
	Remote Place Improvement Projects	8	0	0.0%
	Depopultion Measures	3,518	1,220	0.7%
	Construction of General Aid Facilities	39	44	0.0%
	Others	7,849	2,065	1.2%
	subtotal	64,625	36,995	21.2%
Municipal Enterprise-related Loans	Water Supply	51,725	22,249	12.7%
	Transportation	854	5,340	3.1%
	Hospitals and Elderly Care Services	5,134	8,766	5.0%
	Sewerage	115,467	49,752	28.5%
	Industrial Water Supply	1,960	1,108	0.6%
	Electricity and Gas	631	495	0.3%
	Port Facilities	692	264	0.2%
	Markets and Slaughterhouses	692	850	0.4%
	Tourism and Others	171	98	0.1%
	subtotal	177,326	88,921	50.9%
Temporary Financial Countermeasures Funding		9,669	44,672	25.6%
Loans Covering Decrease in Local Tax Revenues		486	3,918	2.2%
Total		252,106	174,506	100.0%
Local Government Road Corporation, Toll Roads[*1]		42	53	0.0%
Grand Total		252,148	174,559	100.0%

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

Additional Data Regarding Liquidity Risk

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. JFM holds high quality liquid assets in order to prevent any disruptions regarding redemptions and interest payments for the following month's JFM bonds.

JFM's fund inflows and outflows 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 JFM are limited which makes it possible to predict next month's inflows and outflows. JFM finance management division 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 which is independent from the finance management division.

(As of 31 March 2023)

(USD millions)

Item	31 March 2022		31 March 2023	
Total of liquid assets *1	$862		$562	
	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	3,075	3,075	1,878	1,878
Total cash outflows	-	3,075	-	1,878
Cash inflows from investment *2	2,607	2,307	2,045	1,409
Cash inflows from collection of loans	0	0	0	0
Other cash inflows *3	0	0	0	0
Total cash inflows *4	2,607	2,307	2,045	1,409
High quality liquid assets	-	862	-	562
Net cash outflows	-	769	-	470
Liquidity coverage ratio	-	112%	-	120%
Total of semi liquid assets *5	-	1,524	-	917
Semi liquidity coverage ratio *6	-	310%	-	315%

Notes 1. Amount includes bank current deposits, short term Japanese government bonds held by 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 the 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 bank ordinary 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 2023)

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	286	3,675	5,531	4,967	8,900	1,685
Aomori	168	220	2,178	2,032	1,475	392
Iwate	237	428	2,706	1,862	912	262
Miyagi	280	791	4,492	2,737	2,646	418
Akita	194	219	4,434	2,123	983	67
Yamagata	199	578	2,788	1,293	1,886	255
Fukushima	370	713	3,648	1,764	3,082	422
Ibaraki	469	1,035	7,192	3,633	1,445	310
Tochigi	246	557	3,198	1,811	957	257
Gunma	177	244	3,261	1,614	1,718	243
Saitama	236	2,284	6,887	5,416	1,956	463
Chiba	346	1,291	5,478	5,550	916	210
Tokyo	77	600	2,263	2,287	164	35
Kanagawa	178	1,760	3,360	5,783	1,372	396
Niigata	247	409	7,426	2,808	920	116
Toyama	225	221	3,391	2,002	569	145
Ishikawa	112	185	2,744	1,238	1,262	335
Fukui	174	181	2,179	1,251	709	71
Yamanashi	124	189	2,578	790	894	121
Nagano	286	332	4,000	1,813	3,079	404
Gifu	221	1,194	4,244	1,594	1,379	329
Shizuoka	265	292	4,978	2,960	864	219
Aichi	186	2,080	5,260	4,542	904	195
Mie	377	1,158	3,904	2,380	1,094	220
Shiga	183	574	3,834	1,707	599	109
Kyoto	174	280	3,730	3,422	1,178	224
Osaka	65	1,825	6,347	9,226	993	297
Hyogo	290	3,495	8,212	7,146	2,230	647
Nara	235	674	2,469	1,527	2,161	556
Wakayama	120	394	1,865	1,798	1,838	531
Tottori	336	705	1,227	856	1,871	319

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
278	181	-	-	14,995	10,508	6.0
118	129	-	-	3,939	2,772	1.6
220	146	-	-	4,075	2,697	1.5
125	63	-	-	7,543	4,008	2.3
9	12	-	-	5,620	2,421	1.4
173	71	-	-	5,046	2,197	1.3
164	112	-	-	7,264	3,010	1.7
274	221	-	-	9,380	5,199	3.0
20	18	-	-	4,421	2,643	1.5
237	179	-	-	5,393	2,280	1.3
332	136	-	-	9,411	8,299	4.8
552	301	3	2	7,295	7,354	4.2
33	102	-	-	2,537	3,024	1.7
49	153	-	-	4,959	8,092	4.6
236	162	-	-	8,829	3,495	2.0
151	92	-	-	4,336	2,460	1.4
32	20	-	-	4,150	1,778	1.0
59	22	-	-	3,121	1,525	0.9
116	26	-	-	3,712	1,127	0.6
177	83	-	-	7,542	2,632	1.5
13	7	-	-	5,857	3,124	1.8
71	54	1	0	6,179	3,526	2.0
67	16	13	28	6,430	6,862	3.9
29	27	-	-	5,404	3,786	2.2
179	52	-	-	4,795	2,441	1.4
38	46	-	-	5,120	3,972	2.3
466	541	-	-	7,871	11,888	6.8
396	304	4	1	11,132	11,592	6.6
88	30	-	-	4,953	2,789	1.6
105	51	-	-	3,928	2,775	1.6
30	12	-	-	3,464	1,892	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	285	699	2,736	1,383	347	63
Okayama	179	608	4,386	2,165	1,257	190
Hiroshima	458	1,507	4,058	3,049	989	232
Yamaguchi	395	423	4,117	1,937	635	88
Tokushima	184	331	1,553	943	872	231
Kagawa	153	181	1,795	913	751	178
Ehime	62	228	2,238	1,398	761	203
Kochi	168	676	1,958	1,093	1,033	227
Fukuoka	92	1,367	5,566	6,171	2,357	799
Saga	69	270	1,642	1,175	647	218
Nagasaki	134	418	2,715	1,916	785	156
Kumamoto	157	665	2,719	1,414	1,887	409
Oita	75	212	2,379	1,040	216	54
Miyazaki	123	495	1,993	1,132	755	162
Kagoshima	179	1,000	2,331	1,210	972	217
Okinawa	208	659	1,633	1,226	942	246
Total	10,004	38,323	169,623	118,098	66,162	13,922

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
73	31	-	-	3,441	2,175	1.2
82	65	-	-	5,904	3,027	1.7
20	21	11	12	5,536	4,820	2.8
62	20	-	-	5,209	2,467	1.4
4	1	-	-	2,613	1,505	0.9
539	150	-	-	3,238	1,422	0.8
17	4	-	-	3,078	1,833	1.1
15	47	-	-	3,174	2,043	1.2
358	181	10	9	8,383	8,527	4.9
144	62	-	-	2,502	1,725	1.0
13	15	-	-	3,647	2,505	1.4
74	168	-	-	4,837	2,656	1.5
0	0	-	-	2,670	1,306	0.7
17	3	-	-	2,888	1,793	1.0
14	7	-	-	3,496	2,435	1.4
48	21	-	-	2,831	2,152	1.2
6,317	4,164	42	53	252,148	174,559	100.0

Bond Issuance in Fiscal 2022

1. JFM Bonds

(1) International Bonds

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
93	5	Euro	EUR	25	2.229	100.000	5 Jul 2022	5 Jul 2027
94	3	Euro	AUD	58	3.600	99.990	25 Jul 2022	24 Jul 2025
95	6	Euro	EUR	25	1.957	100.000	26 Jul 2022	26 Jul 2028
96	5	Euro	EUR	1,250	2.375	99.544	8 Sep 2022	8 Sep 2027
97	5	Euro	USD	17	3.720	99.990	28 Sep 2022	28 Sep 2027
98	5	Euro	AUD	54	4.180	99.990	28 Sep 2022	28 Sep 2027
99	5	Euro	USD	25	SOFR+73bp	100.000	26 Oct 2022	26 Oct 2027
100	5	Euro	AUD	21	3.750	99.990	2 Feb 2023	20 Jan 2028
101	5	Euro	EUR	500	3.375	99.810	22 Feb 2023	22 Feb 2028

(2) Domestic Public Offerings

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
155	10	30	225	0.304	100	21 Apr 2022	28 Apr 2032
156	10	30	225	0.299	100	24 May 2022	28 May 2032
157	10	30	225	0.314	100	20 Jun 2022	28 Jun 2032
158	10	25	187	0.364	100	22 Jul 2022	28 Jul 2032
159	10	25	187	0.295	100	19 Aug 2022	27 Aug 2032
160	10	25	187	0.384	100	20 Sep 2022	28 Sep 2032
161	10	26	195	0.449	100	21 Oct 2022	28 Oct 2032
162	10	26	195	0.449	100	17 Nov 2022	26 Nov 2032
163	10	24	180	0.554	100	20 Dec 2022	28 Dec 2032
164	10	25	187	0.804	100	23 Jan 2023	28 Jan 2033
165	10	20	150	0.740	100	20 Feb 2023	28 Feb 2033
166	10	24	180	0.750	100	20 Mar 2023	28 Mar 2033
97	20	15	112	0.772	100	21 Apr 2022	28 Apr 2042
98	20	20	150	0.796	100	20 Jun 2022	27 Jun 2042
99	20	20	150	0.944	100	22 Jul 2022	28 Jul 2042
100	20	15	112	0.947	100	20 Sep 2022	26 Sep 2042
101	20	18	135	1.114	100	21 Oct 2022	28 Oct 2042
102	20	18	135	1.172	100	20 Dec 2022	26 Dec 2042
103	20	24	180	1.433	100	23 Jan 2023	28 Jan 2043
31	5	13	97	0.115	100	22 Jul 2022	28 Jul 2027
32	5	19	142	0.249	100	20 Dec 2022	28 Dec 2027
15	30	10	75	1.055	100	21 Apr 2022	26 Apr 2052
16	30	10	75	1.467	100	21 Oct 2022	28 Oct 2052
F670	5	20	150	0.085	100	26 Apr 2022	26 May 2027

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F671	9	20	150	0.293	100	26 Apr 2022	20 Mar 2031
F672	11	3	22	0.328	100	26 Apr 2022	25 Feb 2033
F673	13	3	22	0.430	100	26 Apr 2022	26 Mar 2035
F674	7	10	75	0.218	100	27 Apr 2022	26 Apr 2029
F675	9	3	22	0.292	100	27 Apr 2022	27 Oct 2031
F676	11	3	22	0.328	100	27 Apr 2022	25 Nov 2032
F677	11	3	22	0.328	100	27 Apr 2022	26 Nov 2032
F678	21	3	22	0.808	100	27 Apr 2022	27 Apr 2043
F679	11	3	22	0.340	100	28 Apr 2022	26 Nov 2032
F680	13	3	22	0.449	100	28 Apr 2022	28 Mar 2035
F681	19	3	22	0.752	100	28 Apr 2022	26 Apr 2041
F682	9	6	45	0.273	100	31 May 2022	29 May 2031
F683	19	3	22	0.721	100	31 May 2022	30 May 2041
F684	5	5	37	0.116	100	24 Jun 2022	24 Aug 2027
F685	14	6	45	0.672	100	24 Jun 2022	24 Dec 2036
F686	15	3	22	0.711	100	24 Jun 2022	24 Dec 2037
F687	12	3	22	0.525	100	27 Jul 2022	26 Jan 2035
F688	15	4	30	0.669	100	27 Jul 2022	24 Jul 2037
F689	15	4	30	0.669	100	27 Jul 2022	27 Jul 2037
F690	8	6	45	0.313	100	28 Jul 2022	26 Jul 2030
F691	15	3	22	0.679	100	28 Jul 2022	28 Jul 2037
F692	19	3	22	0.911	100	28 Jul 2022	28 Jan 2042
F693	7	6	45	0.279	100	27 Sep 2022	27 Sep 2029
F694	5	5	37	0.180	100	29 Sep 2022	29 Nov 2027
F695	7	20	150	0.305	100	29 Sep 2022	27 Sep 2029
F696	6	3	22	0.249	100	26 Oct 2022	25 Oct 2028
F697	7	20	150	0.353	100	26 Oct 2022	26 Sep 2029
F698	11	3	22	0.592	100	26 Oct 2022	26 May 2033
F699	6	3	22	0.264	100	27 Oct 2022	26 Oct 2028
F700	9	10	75	0.449	100	27 Oct 2022	27 Oct 2031
F701	12	3	22	0.762	100	27 Oct 2022	27 Mar 2035
F702	15	3	22	0.905	100	27 Oct 2022	27 Oct 2037
F703	6	3	22	0.298	100	28 Oct 2022	27 Oct 2028
F704	8	3	22	0.442	100	28 Oct 2022	20 Jun 2030
F705	11	3	22	0.714	100	28 Oct 2022	23 Mar 2034
F706	11	3	22	0.714	100	28 Oct 2022	24 Mar 2034
F707	11	3	22	0.714	100	28 Oct 2022	27 Mar 2034
F708	3	5	37	0.048	100	24 Nov 2022	24 Jun 2025

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F709	8	4	30	0.365	100	24 Nov 2022	22 Nov 2030
F710	15	3	22	0.891	100	24 Nov 2022	24 Nov 2037
F711	8	3	22	0.362	100	25 Nov 2022	25 Mar 2031
F712	11	3	22	0.553	100	25 Nov 2022	24 Jun 2033
F713	7	4	30	0.286	100	28 Nov 2022	28 Nov 2029
F714	9	4	30	0.393	100	28 Nov 2022	27 Nov 2031
F715	11	3	22	0.627	100	28 Nov 2022	27 Mar 2034
F716	5	5	37	0.253	100	22 Dec 2022	22 Feb 2028
F717	9	10	75	0.533	100	22 Dec 2022	22 Dec 2031
F718	15	3.5	26	0.919	100	22 Dec 2022	22 Dec 2037
F719	7	20	150	0.568	100	24 Feb 2023	24 Dec 2029
F720	15	5.5	41	1.137	100	24 Feb 2023	24 Feb 2038
F721	19	3	22	1.347	100	24 Feb 2023	24 Jun 2042
F722	20	3	22	1.371	100	24 Feb 2023	24 Feb 2043
F723	30	3	22	1.579	100	24 Feb 2023	24 Mar 2053
F724	3	20	150	0.100	100	27 Feb 2023	25 Feb 2026
F725	3	24	180	0.100	100	27 Feb 2023	26 Feb 2026
F726	6	3	22	0.465	100	27 Feb 2023	27 Feb 2029
F727	7	5	37	0.562	100	27 Feb 2023	27 Feb 2030
F728	9	3	22	0.744	100	27 Feb 2023	26 Feb 2032
F729	19	3	22	1.353	100	27 Feb 2023	27 Feb 2042
F730	20	4.5	34	1.095	100	23 Mar 2023	23 Mar 2043
F731	5	5	37	0.281	100	31 Mar 2023	30 May 2028
F732	20	3.5	26	1.196	100	24 Mar 2023	24 Mar 2043
F733	20	6	45	1.161	100	27 Mar 2023	27 Mar 2043

2. Private Placements with Pension Funds for Local Government Officials

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
A147	10	20	150	0.334	100	22 Apr 2022	22 Apr 2032
A148	10	15	112	0.329	100	25 May 2022	25 May 2032
A149	10	15	112	0.344	100	21 Jun 2022	21 Jun 2032
A150	10	10	75	0.394	100	25 Jul 2022	23 Jul 2032
A151	10	15	112	0.325	100	22 Aug 2022	20 Aug 2032
A152	10	10	75	0.414	100	22 Sep 2022	17 Sep 2032
A153	10	10	75	0.479	100	24 Oct 2022	22 Oct 2032
A154	10	10	75	0.479	100	18 Nov 2022	18 Nov 2032
A155	10	10	75	0.584	100	20 Dec 2022	20 Dec 2032
A156	10	10	75	0.834	100	24 Jan 2023	24 Jan 2033
A157	10	15	112	0.770	100	21 Feb 2023	21 Feb 2033
A158	10	10	75	0.780	100	27 Mar 2023	25 Mar 2033

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
B78	10	5.5	41	0.334	100	22 Apr 2022	22 Apr 2032
B79	10	5	37	0.329	100	25 May 2022	25 May 2032
B80	10	7.5	56	0.344	100	21 Jun 2022	21 Jun 2032
B81	10	15	112	0.394	100	25 Jul 2022	23 Jul 2032
B82	10	10.5	79	0.325	100	22 Aug 2022	20 Aug 2032
B83	10	7	52	0.414	100	22 Sep 2022	17 Sep 2032
B84	10	5.5	41	0.479	100	24 Oct 2022	22 Oct 2032
B85	10	7.5	56	0.479	100	18 Nov 2022	18 Nov 2032
B86	10	7	52	0.584	100	20 Dec 2022	20 Dec 2032
B87	10	14.5	109	0.834	100	24 Jan 2023	24 Jan 2033
B88	10	8	60	0.770	100	21 Feb 2023	21 Feb 2033
B89	10	7	52	0.780	100	27 Mar 2023	25 Mar 2033
C78	20	8.5	64	0.792	100	22 Apr 2022	22 Apr 2042
C79	20	7	52	0.797	100	25 May 2022	23 May 2042
C80	20	10	75	0.816	100	21 Jun 2022	20 Jun 2042
C81	20	17.5	131	0.964	100	25 Jul 2022	25 Jul 2042
C82	20	12	90	0.841	100	22 Aug 2022	22 Aug 2042
C83	20	9.5	71	0.967	100	22 Sep 2022	22 Sep 2042
C84	20	7.5	56	1.134	100	24 Oct 2022	24 Oct 2042
C85	20	9.5	71	1.269	100	18 Nov 2022	18 Nov 2042
C86	20	9.5	71	1.192	100	20 Dec 2022	19 Dec 2042
C87	20	18.5	139	1.453	100	24 Jan 2023	23 Jan 2043
C88	20	11	82	1.424	100	21 Feb 2023	20 Feb 2043
C89	20	9.5	71	1.378	100	27 Mar 2023	27 Mar 2043
D73	20	20	150	0.792	100	22 Apr 2022	22 Apr 2042
D74	20	15	112	0.797	100	25 May 2022	23 May 2042
D75	20	15	112	0.816	100	21 Jun 2022	20 Jun 2042
D76	20	10	75	0.964	100	25 Jul 2022	25 Jul 2042
D77	20	15	112	0.841	100	22 Aug 2022	22 Aug 2042
D78	20	10	75	0.967	100	22 Sep 2022	22 Sep 2042
D79	20	10	75	1.134	100	24 Oct 2022	24 Oct 2042
D80	20	10	75	1.269	100	18 Nov 2022	18 Nov 2042
D81	20	10	75	1.192	100	20 Dec 2022	19 Dec 2042
D82	20	10	75	1.453	100	24 Jan 2023	23 Jan 2043
D83	20	15	112	1.424	100	21 Feb 2023	20 Feb 2043
D84	20	10	75	1.378	100	27 Mar 2023	27 Mar 2043

Outstanding International Bonds

1. JFM Bonds
(As of 31 March 2023)

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
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
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
54	7	Global	USD	1,000	2.125	99.297	25 Oct 2016	25 Oct 2023
58	10	Euro	AUD	22	3.418	100	26 Jun 2017	21 Jun 2027
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
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
73	5	Global	USD	1,500	1.000	99.888	21 May 2020	21 May 2025
74	10	Euro	AUD	210	1.866	100	11 Jun 2020	11 Jun 2030
75	10	Euro	AUD	120	1.831	100	12 Jun 2020	12 Jun 2030
76	10	Euro	USD	60	1.290	100	22 Jul 2020	22 Jul 2030
77	5	Global	USD	1,500	0.625	99.432	2 Sep 2020	2 Sep 2025
78	15	Euro	AUD	40	1.878	100	15 Oct 2020	15 Oct 2035
79	5	Euro	AUD	43	0.400	99.99	28 Oct 2020	28 Oct 2025
80	10	Euro	AUD	70	1.436	100	28 Oct 2020	28 Oct 2030
81	15	Euro	AUD	250	2.004	100	27 Nov 2020	27 Nov 2035
82	10	Euro	AUD	200	1.490	100	27 Nov 2020	27 Nov 2030
83	10	Euro	AUD	30	1.453	100	27 Nov 2020	27 Nov 2030
84	10	Euro	AUD	100	1.485	100	9 Dec 2020	9 Dec 2030
85	5	Euro	AUD	40	0.470	99.99	17 Dec 2020	17 Dec 2025
86	7	Euro	EUR	500	0.010	101.07	2 Feb 2021	2 Feb 2028
87	10	Global	USD	1,250	1.375	99.064	10 Feb 2021	10 Feb 2031
88	5	Global	USD	1,250	1.125	99.884	20 Apr 2021	20 Apr 2026
89	10	Euro	EUR	1,000	0.100	99.801	3 Sep 2021	3 Sep 2031
90	5	Euro	USD	52	1.060	99.990	27 Oct 2021	27 Oct 2026
91	5	Euro	AUD	28	1.200	99.990	27 Oct 2021	27 Oct 2026
92	3	Global	USD	750	1.500	99.930	27 Jan 2022	27 Jan 2025
93	5	Euro	EUR	25	2.229	100.000	5 Jul 2022	5 Jul 2027
94	3	Euro	AUD	58	3.600	99.990	25 Jul 2022	24 Jul 2025
95	6	Euro	EUR	25	1.957	100.000	26 Jul 2022	26 Jul 2028
96	5	Euro	EUR	1,250	2.375	99.544	8 Sep 2022	8 Sep 2027
97	5	Euro	USD	17	3.720	99.990	28 Sep 2022	28 Sep 2027
98	5	Euro	AUD	54	4.180	99.990	28 Sep 2022	28 Sep 2027
99	5	Euro	USD	25	SOFR+73bp	100.000	26 Oct 2022	26 Oct 2027
100	5	Euro	AUD	21	3.750	99.990	2 Feb 2023	20 Jan 2028
101	5	Euro	EUR	500	3.375	99.810	22 Feb 2023	22 Feb 2028

Organization History

History of the JFM

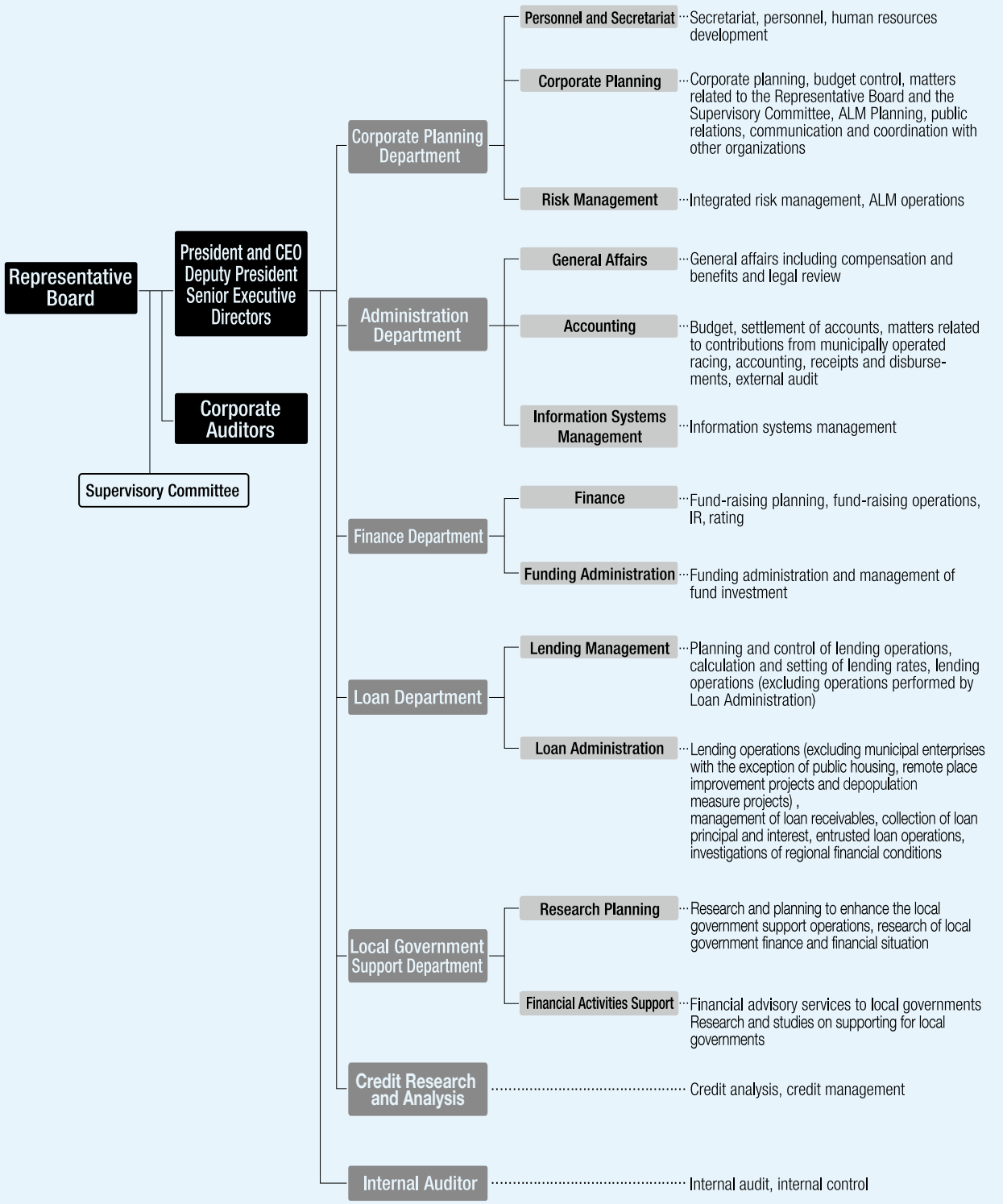
FY2008	The Japan Finance Organization for Municipal Enterprises (the Predecessor of the JFM) was established pursuant to the Japan Finance Organization for Municipal Enterprises Law on 1 August 2008. Succeeded the assets and assumed the liabilities of the Predecessor and commenced operations on 1 October 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 2023



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(Photo provided by the Tokyo Institute for Municipal Research)

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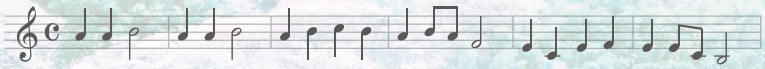
Sakura sakura



Sakura sakura yayoino sorawa miwatasu kagiri

Lyricist : Unknown Composer : Unknown

Cherry blossoms on Mount Yoshino in Nara Prefecture