

JFM

Japan Finance Organization
for Municipalities

ANNUAL REPORT 2022

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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 2022, the final day of the fiscal year, which was JPY 122.40 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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The Pillow Book - Depicting the Beauty of the Four Seasons and Reflecting the Spirit of Japan

The *Makura no Soshi*, or “Pillow Book,” is the world’s first example of essay as literature. It was written by Sei Shonagon during Japan’s Heian era, in roughly the year 1001. The famed first line of the book, which begins *haru wa akebono* (“For spring, it is...”), touches on the charms of the seasons. Sei Shonagon used a unique perspective, drawing beauty from time in her depictions of nature. The spirit gazing at beautiful vistas intricately woven by the seasons and the changing face of nature is one that continues unchanged in the hearts of the Japanese people even now, over 1,000 years later. The photographs on the cover of this annual report and the Table of Contents page are beautiful slices of time from the spring, summer, fall, and winter.

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 135.6 million
Number of Employees	92 (as of April 2022)
Outstanding Loans as of 31 March 2022	USD 192.4 billion
Outstanding Bonds and Bank Loans as of 31 March 2022	USD 167.5 billion
Credit Ratings as of 31 March 2022	S&P: A+ Moody's: A1 R&I: AA+



Management Philosophy

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

1

Being Responsive to Local Government Needs

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

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 the Capital Markets

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

3

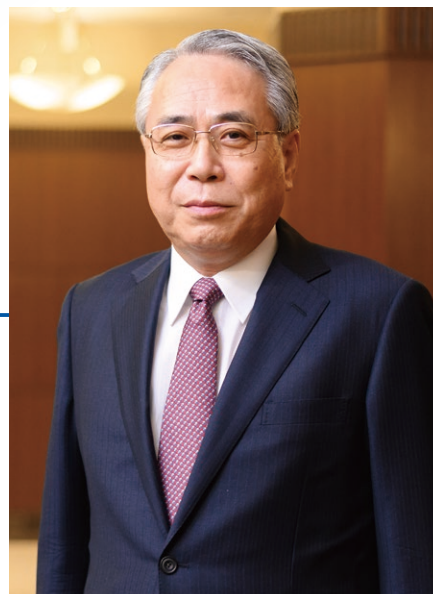
Ensuring Responsible Corporate Governance as a Joint Organization of Local Governments

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

Japan Finance Organization for Municipalities

Message 2022

Message from
the President and CEO



SATO Fumitoshi
President and CEO
2022

Sato Fumitoshi

The JFM is a joint funding organization established under the law of Japan, which is wholly owned by all the Japanese local governments, with the objective to provide long-term and low-interest funds for local governments.

Fiscal 2021 was another year in which COVID-19 raged around the world. In the United States, the reduction of the quantitative easing monetary policy started in November last year. In addition, the invasion of Ukraine by Russia and the economic sanctions imposed in response, as well as the further rise in energy prices, have had a major impact on the global economy. In Japan, the Japanese government has compiled “Economic measures to overcome new coronavirus infections and to carve out a new era” and a related supplementary budget and initial budget for fiscal 2022 have been compiled.

The JFM has decided to lend appropriately for the proper management of public facilities, for which JFM funds are allocated more than twice in fiscal 2022 municipal bond plan as much as in fiscal 2021, as well as the remote place improvement projects, for which JFM funds were allocated for the first time. These are based on strong requests from local governments, and we believe that they meet the expectations of local governments for JFM funds as a form of “mutual aid”.

Also, the JFM will strive to improve the funding condition and support local governments’ funding demands timely and appropriately, in line with the trends of ESG investment such as green bond issuances.

In our local government support operations, the JFM will continue to steadily implement “Project to strengthen administration and finance management of local governments” in which the JFM sends advisers to local governments based on their situations and requests. Additionally, the JFM further will expand e-learning and enhances the analytical content of the financial analysis chart “New Octagon” through the use of ICT technology.

The JFM, under the management philosophy and motto “Supporting local economies through finance to create a future for regions”, will continue to make more effort 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 the JFM itself, fully considering a wide range of opinions, issues and needs of local governments, while the environment surrounding the JFM and local governments is changing significantly. We appreciate the cooperation and support of all related persons.

JFM at a Glance

The Joint Funding Organization for All Japanese Local Governments

- High credit quasi-sovereign issuer, wholly owned by Japanese local governments with the capital contribution from 1,789¹ local governments²
- Operates as a non-profit organization under the JFM Law with the objective to provide long-term and low-interest-rate loans exclusively to Japanese local governments
- JFM has never experienced any default on its loans.

Japanese Local Governments

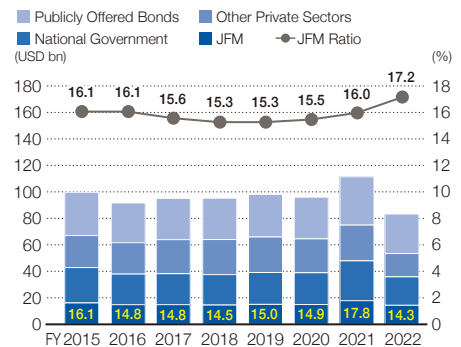
- Japanese local governments include 47 prefectures and a total of 1,741¹ cities and special wards of Tokyo, government-designated cities, as well as towns and villages.
- Revenue sources for the local governments are secured by the national government.
 - The national government allocates a part of national tax revenue to the local governments, in order to adjust revenue disparities among the local governments (Local Allocation Tax system) .
 - The national government also prepares the Local Government Borrowing Programme (LGBP) each fiscal year, which specifies the amount of local government borrowing as well as funding sources.
 - In the case of each local government funding, consent or approval must, in principle, be obtained from the relevant authorities.
- The national government also establishes a legal framework to monitor fiscal indices for each local government and implement early correction measures if the local governments with the indices exceeding the early warning limits or reconstruction limits shall restore their financial soundness.
- Thus, none of the local governments has defaulted.
- BIS 0% risk weight for Japanese local governments³

Lending

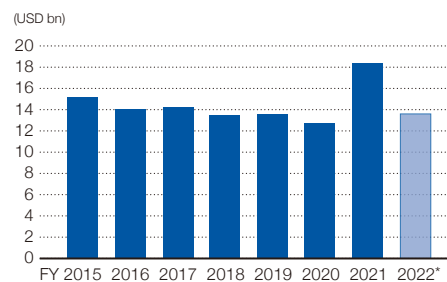
- JFM funds have accounted for around 15%-18% of the LGBP since fiscal 2015.
- JFM provides loans to almost all local governments.
- Loans planned to be made in fiscal 2022 ending 31 March 2023 are amounted to USD 13.6 bn.
- Maximum term to maturity of JFM loans is 40 years.

Note: Figures in USD are converted at USD 1 = JPY 122.40 as of 31 March 2022, unless otherwise noted.

LGBP Volume by Funding Source (Initial Plan)

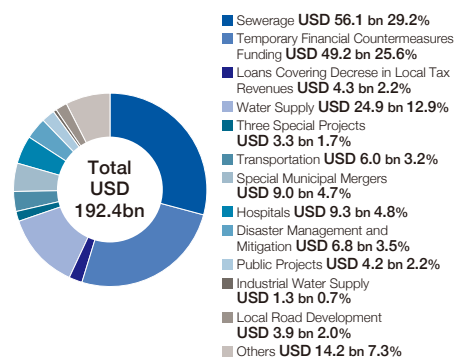


Annual Lending Volume

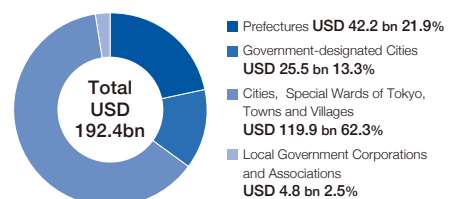


*Planned amount; subject to change depending on market conditions and other factors.

Outstanding Loans by Business¹



Outstanding Loans by Borrower¹



Funding

- Leading issuer in the Japanese bond market with an average annual funding volume of USD 16 bn over the past five fiscal years.
- Aiming to diversify its funding sources and expand its investor base – continues to access the international market through benchmark transactions as well as private placements, making use of its MTN Programme.
- In the international market, only non-government guaranteed bonds will be issued.
- In fiscal 2021, JFM issued a total of USD 2.9 bn worth of international bonds through 3 benchmark transactions and Uridashi Bonds.

Support Structure

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

Solid Risk Management

- JFM maintained USD 18.0 bn of reserves for interest rate volatility for the purpose of dealing with interest rate risk resulting from a duration gap between lending (7.85 years) and funding (7.53 years).
- The duration gap of 0.32 years¹ in the general account qualifies JFM's management target of the duration gap below 2 years.

Credit Ratings

- A1 (Moody's), A+ (S&P)
- The ratings of JFM are the same as those of the Japanese sovereign.
- BIS risk weight³: 10% for JFM bonds (non-guaranteed) denominated in JPY

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

¹: As of 31 March 2022.

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

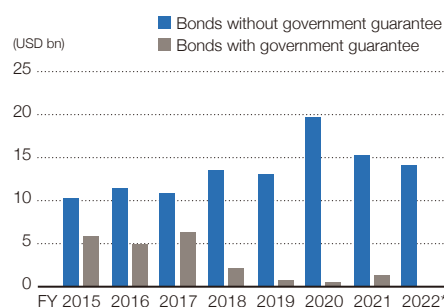
³: Value for investors in Japan. For overseas bonds, the value is determined by respective authorities in each country (as of 31 March 2022).

Funding Plan

Type of Funding Instruments	FY2022 (Plan) ⁽¹⁾	FY2021 (Achieved)
Non-Guaranteed Bonds	USD 14.1 bn	USD 15.3 bn
Domestic Public Offerings	USD 5.4 bn	USD 8.0 bn
Domestic Private Placements	USD 4.3 bn	USD 4.4 bn
Overseas Offerings - GMTN		USD 2.9 bn ⁽²⁾
Benchmark	USD 2.5 bn	USD 2.9 bn ⁽²⁾
Uridashi Bonds		USD 68 mm ⁽²⁾
Private Placements		- ⁽²⁾
Open Issuance ⁽³⁾	USD 2.0 bn	-
Guaranteed Bonds⁽⁴⁾	-	USD 1.3 bn
Long-Term Bank Loans	USD 0.6 bn	USD 0.9 bn

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

Bond Issuance

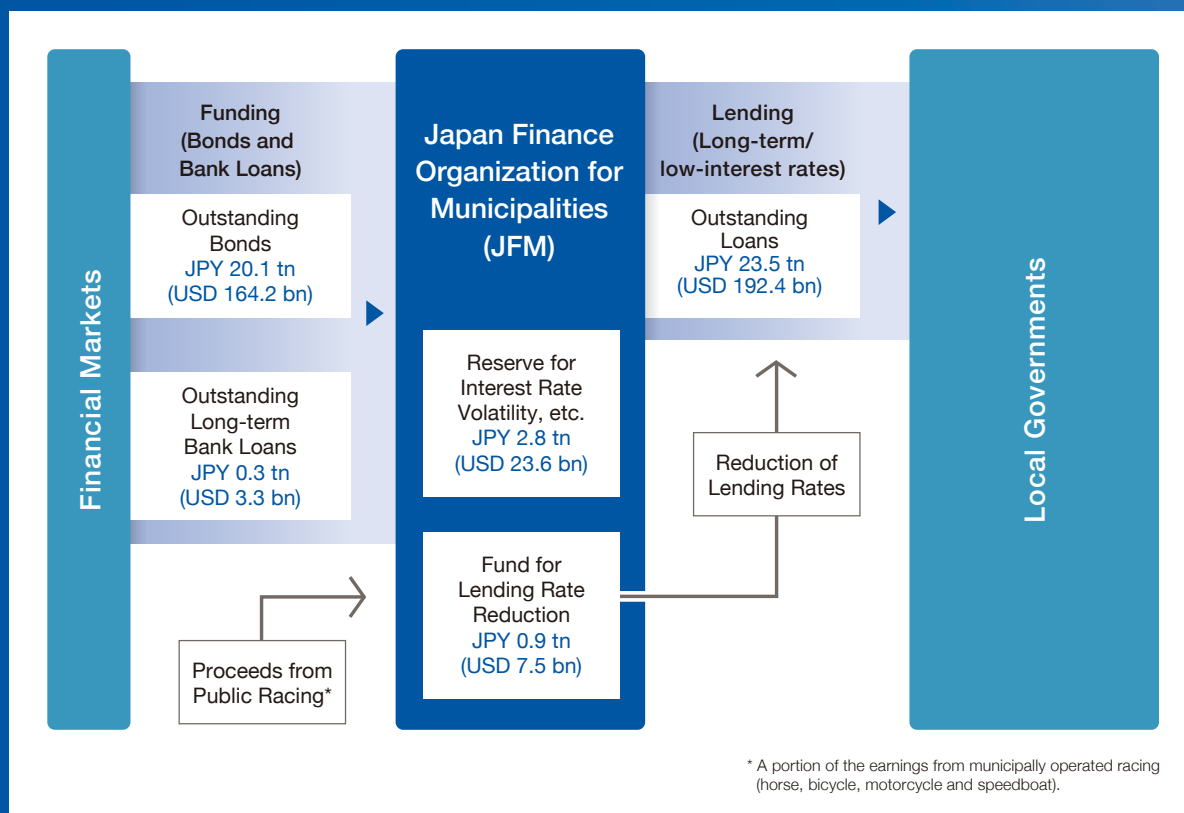


*Planned amount; subject to change depending on lending status, market conditions and other factors.

Outstanding Non-JPY Public Bonds¹ (non-guaranteed)

Issue Date	Currency	Issue Amount	Coupon(%)	Tenor
27-Jan-22	USD	750 mm	1.500	3y
3-Sep-21	EUR	1,000 mm	0.100	10y
20-Apr-21	USD	1,250 mm	1.125	5y
10-Feb-21	USD	1,250 mm	1.375	10y
2-Feb-21	EUR	500 mm	0.010	7y
2-Sep-20	USD	1,500 mm	0.625	5y
21-May-20	USD	1,500 mm	1.000	5y
12-Feb-20	EUR	500 mm	0.050	7y
5-Sep-19	USD	1,000 mm	1.750	5y
12-Mar-19	USD	1,000 mm	3.000	5y
27-Sep-18	USD	1,000 mm	3.375	5y
24-Apr-18	USD	1,000 mm	3.250	5y
20-Apr-17	USD	1,000 mm	2.625	5y
25-Oct-16	USD	1,000 mm	2.125	7y
21-Apr-15	USD	1,000 mm	2.000	7y
13-Feb-15	USD	1,000 mm	2.375	10y

Outline of JFM Operations



As of 31 March 2022

Public Institution Wholly Owned by Japanese Local Governments

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

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

Joint Funding Organization for All Local Governments

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

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

markets for terms of 10 years or less.

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

Under the JFM Law, 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

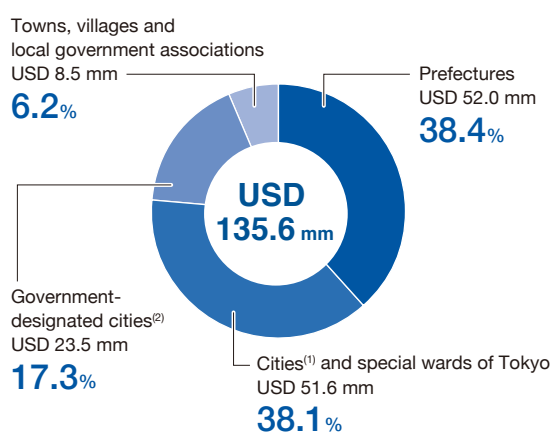
JFM receives a portion of the earnings from various racing events (horse, bicycle, motorcycle and speedboat) operated by local governments, which is directed to the Fund for Lending Rate Reduction. The investment gains from the fund are used for lowering interest rates on JFM loans.

Capital

As of 31 March 2022, JFM's capital was USD 135.6million 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 2022)

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.

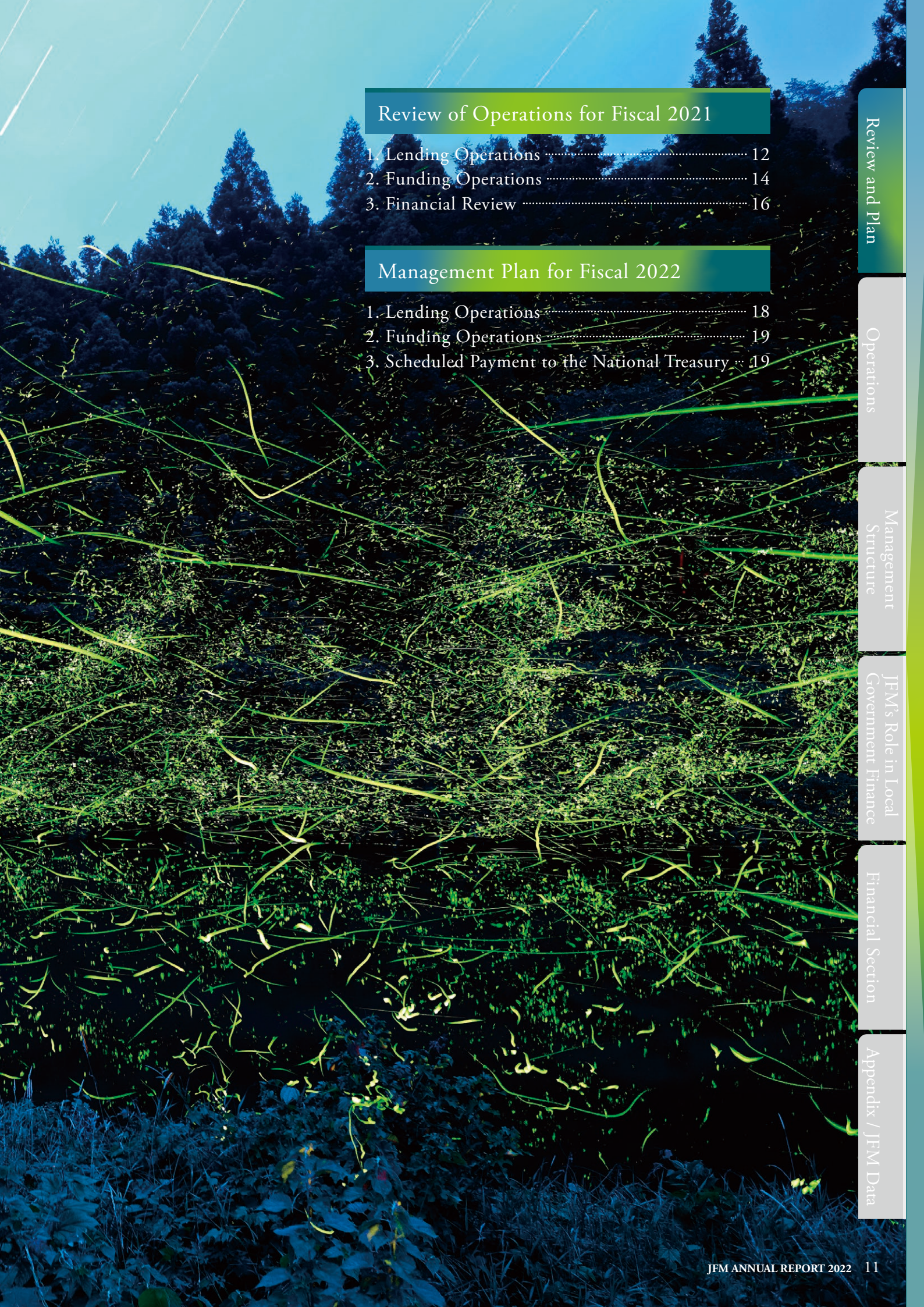
Review and Plan

NATSUWA YORU.

*“For summer, it is the night that is most beautiful.
It is better when the moon is out.
But a moonless night sky is also pretty with fireflies
dancing everywhere in the dark,
or even the faint light from one or two fireflies in the dark is pretty.
Rain at night is also nice in the summer.”*



Fireflies dance in Nishiki River, Yamaguchi Prefecture



Review of Operations for Fiscal 2021

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Management Plan for Fiscal 2022

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1. Lending Operations

In fiscal 2021, JFM provided loans totaling USD 18.4 billion.

General account-related loans totaled USD 4.7 billion (25%) of the total lending volume, mainly represented by disaster management and mitigation and special municipal mergers. Loans for temporary financial countermeasures funding¹ were USD 4.4 billion (24%), loans covering decrease in local tax revenues² were USD 3.7 billion (20%) and loans for municipal enterprise-related loans were USD 5.5 billion (30%), of which sewerage and water supply businesses were the main contributors.

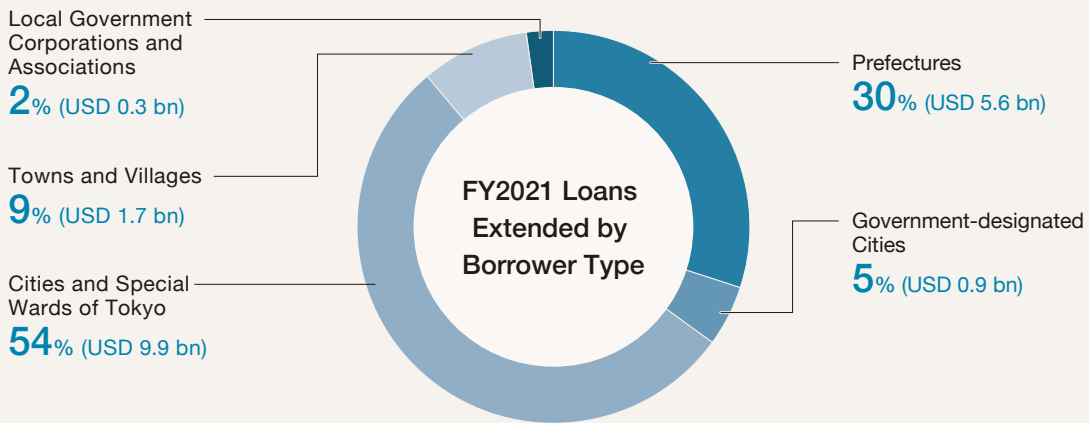
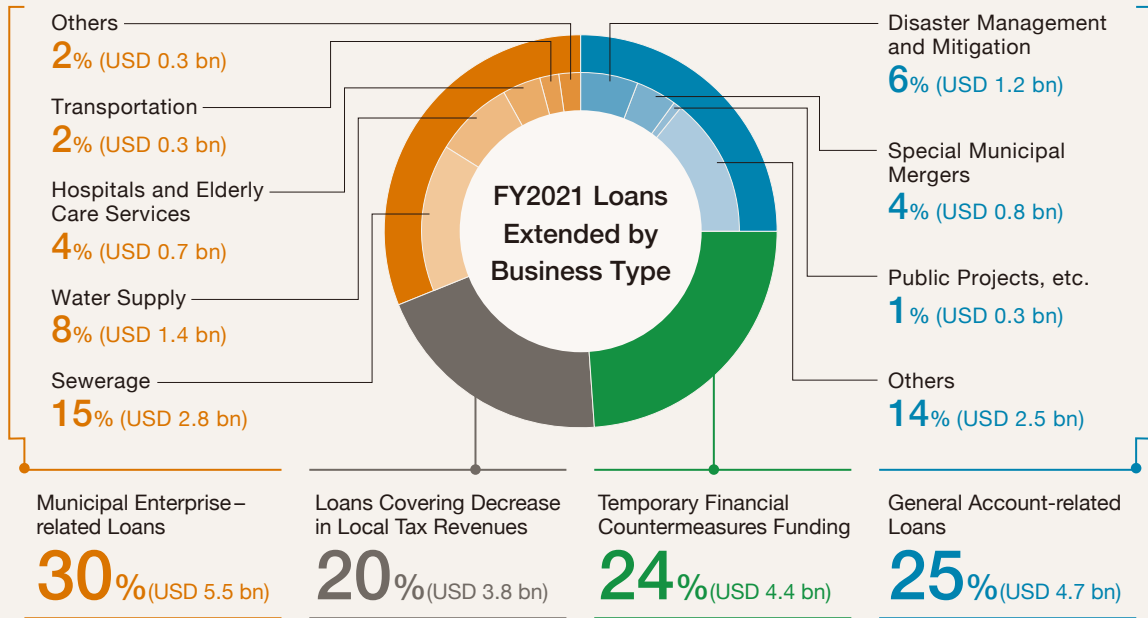
Notes:

1. Represents local government funding to cover short-falls in local government revenue sources pursuant to the provisions of the Local Government Finance Law (Act No. 109 of 1948, as amended).
2. Represents local government funding to cover short-falls in local tax revenues pursuant to the provisions of the Local Government Finance Law (Act No. 109 of 1948, as amended).

Lending Operations by Business Type in Fiscal 2021

Business	Number of Loans Made	Loan Amount (USD Millions)	
			% of total
General Account-related Loans			
Public Projects, etc.	485	271	1.5%
Public Housing	120	94	0.5%
Educational Facilities Development	177	76	0.4%
Social Welfare Facilities Development	178	65	0.4%
General Waste Disposal	50	30	0.2%
General Service Facilities Development	8	5	0.0%
General Projects	73	41	0.2%
Regional Revitalization	124	58	0.3%
Disaster Prevention	387	84	0.5%
Local Road Development	320	182	1.0%
Special Municipal Mergers	342	747	4.1%
Disaster Management and Mitigation	1,467	1,152	6.3%
Proper Management of Public Facilities and Infrastructures	478	648	3.5%
National Disaster Prevention	1,254	771	4.2%
Anti-depopulation Measure Project	903	462	2.5%
Subtotal	6,366	4,685	25.5%
Municipal Enterprise-related Loans			
Water Supply	1,340	1,399	7.6%
Industrial Water Supply	52	58	0.3%
Transportation	28	297	1.6%
Electricity and Gas Supply	37	64	0.3%
Port Facilities	25	18	0.1%
Hospitals and Elderly Care Services	455	739	4.0%
Markets and Slaughterhouses	45	126	0.7%
Sewerage	2,738	2,805	15.3%
Tourism and Others	19	14	0.1%
Subtotal	4,739	5,520	30.0%
Refinancing Loans for Facilities Affected by Earthquake	-	-	0.0%
Temporary Financial Countermeasures Funding	714	4,443	24.2%
Loans Covering Decrease in Local Tax Revenues	486	3,746	20.4%
Total	12,305	18,393	100.0%

Note: Totals may not add up due to rounding.



Total
USD 18.4 bn

Note: Totals may not add up due to rounding.

2. Funding Operations

1. Overview^{*1}

In fiscal 2021, JFM raised a total of USD 17.5 billion including USD 15.3 billion in JFM bonds (non-government guaranteed), and USD 1.3 billion in government-guaranteed bonds for the repayment of existing bonds issued by Japan Finance Corporation for Municipal Enterprises (the “Predecessor”). In addition, JFM raised USD 0.9 billion through long-term bank loans.

With regard to JFM bonds, a total of USD 11.0 billion was raised by the regular issuance of 5-year, 10-year, 20-year and 30-year domestic bonds, as well as opportunistic issuances through JFM’s Flexible Issuance Programme (“FLIP”) and the MTN Programme.

As for domestic public offerings, a total of USD 8.0 billion was issued in the fiscal year. In order to cope with highly volatile market condition through the period, JFM increased 5-year, 10-year, 20-year and 30-year of the regular issuance and FLIP from the initial plan by utilizing the budget of Open Issuance scheme.

In overseas offerings, JFM issued USD denominated benchmark bonds in 5-year tenor (USD 1.25 billion) in

May and EUR denominated benchmark bonds in 10-year tenor (EUR 1.0 billion) in September. In January 2022, JFM also issued its first USD denominated green bond in 3-year tenor (USD 0.75 billion). In addition to these successful public offerings, JFM issued a total of USD 68 million equivalent Uridashi Bonds. Through these activities, the total volume of international bonds issued for fiscal 2021 amounted to USD 2.9 billion.

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

As a result, JFM’s outstanding bonds were USD 164.2 billion, including the Predecessor’s bonds to which JFM succeeded. Outstanding long-term bank loans totaled USD 3.3 billion as of 31 March 2022.

Notes: 1. Issued amounts are calculated based on issue prices.
2. 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 24.5 million), with flexibility in terms of issue amount and maturity to meet the needs of investors.

Funding in Fiscal 2021

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Type of Bonds	Plan (Initial)	Achieved
Domestic Public Offerings	USD 6.3 bn	USD 8.0 bn
10-year	USD 2.3 bn	USD 3.2 bn
20-year	USD 0.9 bn	USD 1.0 bn
5-year	USD 0.2 bn	USD 0.3 bn
30-year	USD 0.2 bn	USD 0.2 bn
Opportunistic Issuance ^{*1}	USD 2.8 bn	USD 3.3 bn
Overseas Offerings - MTN	USD 2.9 bn	USD 2.9 bn
Open Issuance	USD 2.2 bn	-
Total	USD 11.4 bn	USD 11.0 bn

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

Type of Bonds	Plan	Achieved
10-year	USD 2.1 bn	USD 2.1 bn
20-year	USD 2.2 bn	USD 2.2 bn
Total	USD 4.3 bn	USD 4.4 bn

2. Government-guaranteed Domestic Bonds

Type of Bonds	Plan	Achieved
4-year	USD 2.0 bn	USD 1.3 bn
Total	USD 2.0 bn	USD 1.3 bn

3. Long-term Bank Loans

	Plan	Achieved
Long-term Bank Loans	USD 0.6 bn	USD 0.9 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

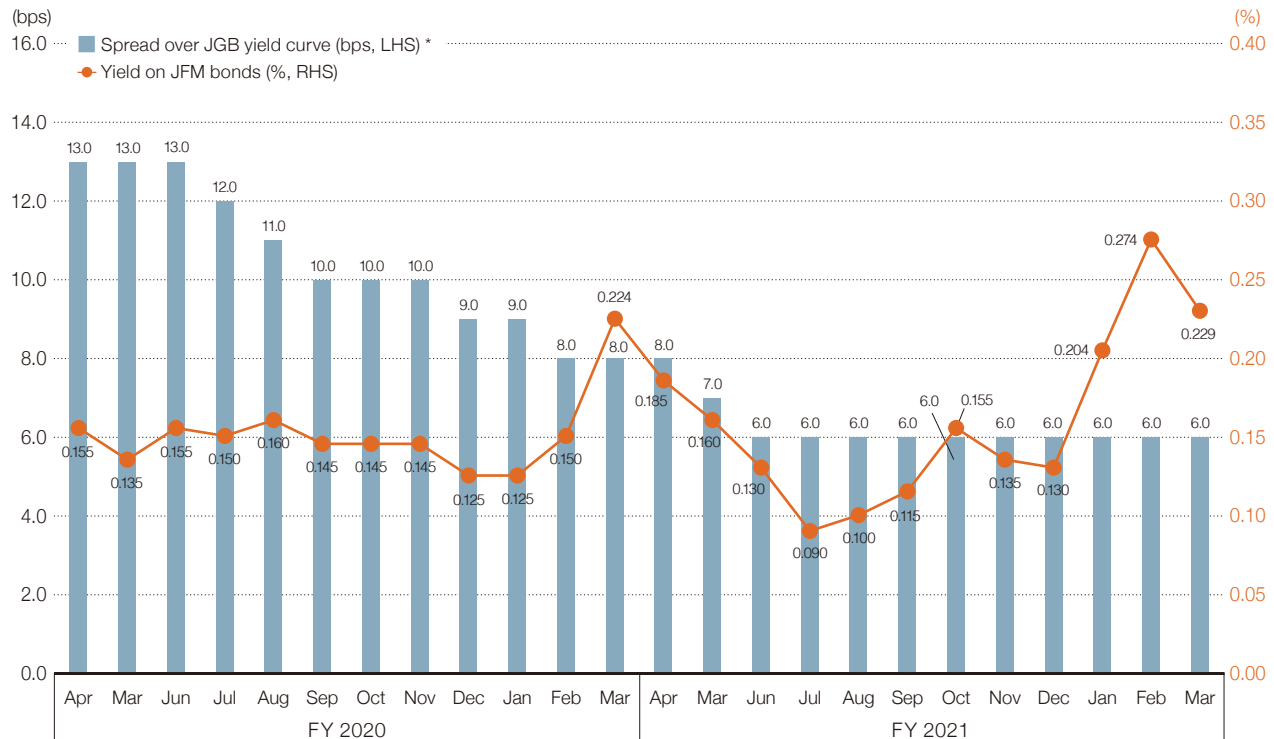
In the domestic market, JFM bonds had been priced under the low-interest-rate environment on the back of the introduction of BOJ's QE with yield curve control. Due to the strong investors' demands in the relatively stable environment of Japanese government's bond ("JGB") yield, the premium of JFM 10-year domestic bonds over respective JGB yield curve tightened by 1.0 bp in May and June, after that, JFM continued issuing 6.0 bp spreads. During the fiscal 2021, the yield of JFM

10-year bonds ranged from 0.090% to 0.274%.

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

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

Issue Conditions of JFM 10-Year Domestic Bonds



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

3. Financial Review

1. Income Statement

In fiscal 2021, JFM's income was USD 1.9 billion, a decrease of USD 0.2 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 fiscal year resulting in USD 1.0 billion. As a result, ordinary income has decreased by USD 0.1 billion from previous year, resulting in USD 0.9 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 2020 and 2021 is calculated using the exchange rate as of 31 March 2022.

*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 2022, JFM's total assets amounted to USD 202.9 billion, a decrease of USD 0.2 billion from the previous year. This mainly resulted from a decrease in cash and bank deposits by USD 6.2 billion.

Total liabilities decreased by USD 0.4 billion resulting in USD 199.9 billion. This decrease primarily reflected a decrease of USD 2.5 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 2019 are on the next page.

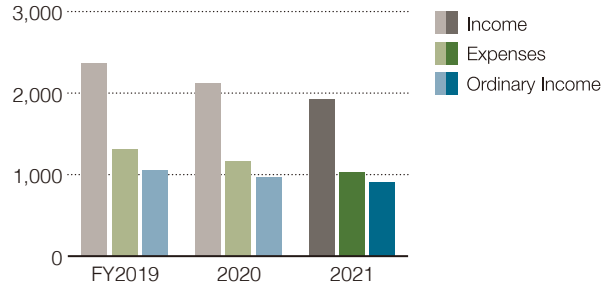
Financial Highlights

1. Income Statement

(USD Millions)

	FY2019	2020	2021	YoY
Income	2,367	2,124	1,927	-197
Expenses	1,313	1,157	1,026	-132
Ordinary Income	1,054	966	901	-65
Net Income	211	224	264	40

(USD mm)



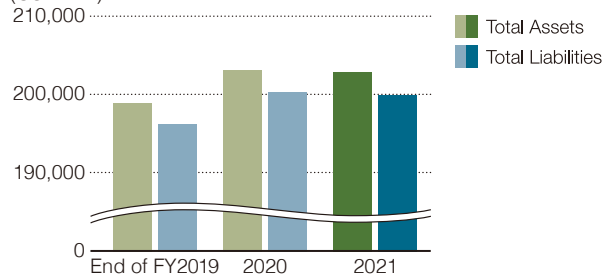
Note: Totals may not add up due to rounding.

2. Balance Sheet

(USD Millions)

	End of FY2019	End of FY2020	End of FY2021	YoY
Total Assets	198,911	203,085	202,899	-186
Loans	191,173	189,088	192,409	3,321
Others	7,738	13,997	10,491	-3,506
Total Liabilities	196,265	200,302	199,892	-410
Bonds	163,509	166,755	164,240	-2,514
Borrowed money	1,659	2,402	3,264	862
Cash collateral received for financial instruments	474	274	1,205	931
Fund for lending rate reduction	7,519	7,519	7,519	-
Reserves under special laws	23,062	23,314	23,625	311
Reserve for interest rate volatility	17,974	17,974	17,974	-
Management account reserve for interest rate volatility	4,948	5,236	5,577	341
Reserve for interest rate reduction	140	104	74	-30
Others	43	39	39	-0.2
Total Net assets	2,646	2,783	3,007	225

(USD mm)



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 13.6 billion in fiscal 2022, USD 6.9 billion or 33.5% decrease from fiscal 2021.

Lending Plan

	FY2022	FY2021	YoY
Planned Amount	USD 13.6 bn	USD 20.5 bn	-33.5%

Lending Plan by business type for fiscal 2022

(USD Millions)

Business	FY2022 Funding Plan(A)	FY2021 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, etc.	261.4	259.0	2.5	0.9	294.9
Public Housing	91.5	101.3	-9.8	-9.7	102.1
Educational Facilities Development	53.1	66.2	-13.1	-19.8	119.3
Social Welfare Facilities Development	65.4	73.5	-8.2	-11.1	74.3
General Waste Disposal	46.6	53.9	-7.4	-13.6	89.9
General Projects	48.2	49.0	-0.8	-1.7	67.8
Regional Revitalization	69.4	87.4	-18.0	-20.6	70.3
Disaster Prevention	94.0	109.5	-15.5	-14.2	112.7
Local Road Development	183.8	210.0	-26.1	-12.5	247.5
Special Municipal Mergers	688.7	762.3	-73.5	-9.6	656.0
Disaster Management and Mitigation	1,049.8	1,187.1	-137.3	-11.6	1,370.9
Proper Management of Public Facilities and Infrastructures	870.1	678.9	191.2	28.2	1,705.9
National Disaster Prevention	785.1	710.8	74.3	10.5	822.7
Remote Place Improvement Projects	13.1	-	13.1	All increased	13.1
Anti-depopulation Measure Project	535.9	485.3	50.7	10.4	596.4
Subtotal	4,856.2	4,834.2	22.1	0.5	6,344.0
Municipal Enterprise-related Loans					
Water Supply	1,650.3	1,664.2	-13.9	-0.8	1,721.4
Industrial Water Supply	64.5	60.5	4.1	6.8	62.9
Transportation	264.7	236.1	28.6	12.1	321.1
Electricity and Gas Supply	54.7	40.0	14.7	36.7	60.5
Port Facilities	19.6	15.5	4.1	26.3	23.7
Hospitals and Elderly Care Services	904.4	829.2	75.2	9.1	1,072.7
Markets and Slaughterhouses	63.7	72.7	-9.0	-12.4	26.1
Sewerage	2,616.8	2,935.5	-318.6	-10.9	2,712.4
Tourism and Others	16.3	3.3	13.1	400.0	3.3
Subtotal	5,655.2	5,857.0	-201.8	-3.4	6,004.1
Temporary Financial Countermeasures Funding	3,132.4	4,913.4	-1,781.0	-36.2	1,919.9
Loans Covering Decrease in Local Tax Revenues	-	4,902.0	-4,902.0	-100.0	-
Total	13,643.8	20,506.5	-6,862.7	-33.5	14,268.0

Notes: 1. Business names are classified based on the LGBP for fiscal 2022.
2. Totals may not add up due to rounding.

JFM Funds in Local Government Borrowing Programme

	FY2022	FY2021	YoY
JFM Funds	USD 14.3 bn	USD 17.8 bn	-20.0%
General Account-related Loans	USD 6.3 bn	USD 5.4 bn	18.5%
Municipal Enterprise-related Loans	USD 6.0 bn	USD 6.1 bn	-2.3%
Temporary Financial Countermeasures Funding	USD 1.9 bn	USD 6.3 bn	-69.7%

Notes: 1. The amount of JFM funds in the LGBP does not match JFM's lending plan due to the timing for consent or approval (booked amount in the LGBP) being different from JFM's plan for disbursements during the corresponding period.
2. See page 60 for more information on JFM funds in the LGBP.
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 2022, JFM plans to issue USD 9.8 billion of JFM bonds through these methods.

Moreover, private placements with pension funds for local government officials are projected to amount to USD 4.3 billion in fiscal 2022. In addition to issuing JFM bonds, JFM plans to raise USD 0.6 billion through long-term bank loans.

Funding Plan for Fiscal 2022

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Type of Bonds	FY2022 (Plan)	FY2021 (Achieved)
Domestic Public Offerings	USD 5.4 bn	USD 8.0 bn
10-year	USD 2.2 bn	USD 3.2 bn
20-year	USD 0.8 bn	USD 1.0 bn
5-year	USD 0.2 bn	USD 0.3 bn
30-year	USD 0.2 bn	USD 0.2 bn
Opportunistic Issuance	USD 2.0 bn	USD 3.3 bn
Overseas Offerings - MTN	USD 2.5 bn	USD 2.9 bn
Open Issuance	USD 2.0 bn	-
Total	USD 9.8 bn	USD 11.0 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

Type of Bonds	FY2022 (Plan)	FY2021 (Achieved)
10-year	USD 2.0 bn	USD 2.1 bn
20-year	USD 2.3 bn	USD 2.2 bn
Total	USD 4.3 bn	USD 4.4 bn

2. Government-guaranteed Domestic Bonds

Type of Bonds	FY2022 (Plan)	FY2021 (Achieved)
4-year	-	USD 1.3 bn
Total	-	USD 1.3 bn

3. Long-term Bank Loans

	FY2022 (Plan)	FY2021 (Achieved)
Long-term Bank Loans	USD 0.6 bn	USD 0.9 bn

3. Scheduled Payment to the National Treasury

In accordance with the provisions of Article 14 of the Supplementary Provisions of the Law, an amount of up to USD 1.9 billion is being attributed to the government over a period of 5 years from fiscal 2020 through 2024 for the purpose of securing the increase in the concession amount charged for Forest Environment Concession

Tax, and USD 0.4 billion shall be transferred in fiscal 2022. In addition, an amount of up to USD 12.3 million from fiscal 2018 through fiscal 2023 shall be attributed to the government for exemptions of early redemption charges in relation to concessions of water supply and sewerage businesses.

Operations

A large flock of birds, likely geese, is captured in flight against a vibrant sunset sky. The sky transitions from a deep orange near the horizon to a bright yellow at the top. In the background, silhouetted mountains rise above a body of water. The foreground shows the dark silhouettes of reeds and water lilies. The overall scene is peaceful and evocative of an autumn evening.

AKIWA YUGURE.

*“For autumn, it is the evening that is most beautiful.
The sky shines red, and just as the sun is about to sink
Into the mountains, you see three or four crows flying home,
sometimes it’s only one or two.
But somehow that sight makes me sigh and finds a way into my heart.
Wild geese flying in lines far away in the distance are also a beautiful sight.
Or the sound of wind and insects singing their songs after the sun
has completely gone down.”*



Goose take off in Izunuma, Miyagi Prefecture

Lending Operations

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Funding Operations

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Local Government Support Operations 36

JFM and Sustainable Development Goals 38

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 FY2022				
		Fixed Lending Rate		Adjustable Lending Rate ¹		
		Maturity	Grace Period for Principal Repayment	Maturity	Grace Period for Principal Repayment	
General Account-related Loans	Public Projects, etc. ²	Within(Years) 25	Within(Years) 5	Within(Years) 25	Within(Years) 5	
	Public Housing	25	5	25	5	
	Educational and Social Welfare Facilities Projects	Educational Facilities Development	25	3	25	3
		Social Welfare Facilities Development	25	3	25	3
		General Waste Disposal	20	3	20	3
	Unsubsidized Projects	General Projects ²	30	5	30	5
		Regional Revitalization	30	5	30	5
		Disaster Prevention	30	5	30	5
		Local Road Development	20	5	20	5
		Special Municipal Mergers	30	5	30	5
		Disaster Management and Mitigation	30	5	30	5
		Public Facilities Optimization	30	5	30	5
Emergency Natural Disaster Prevention	30	5	30	5		
Remote Place Improvement Projects ²	30	5	40	5		
Anti-depopulation Measure Project 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.

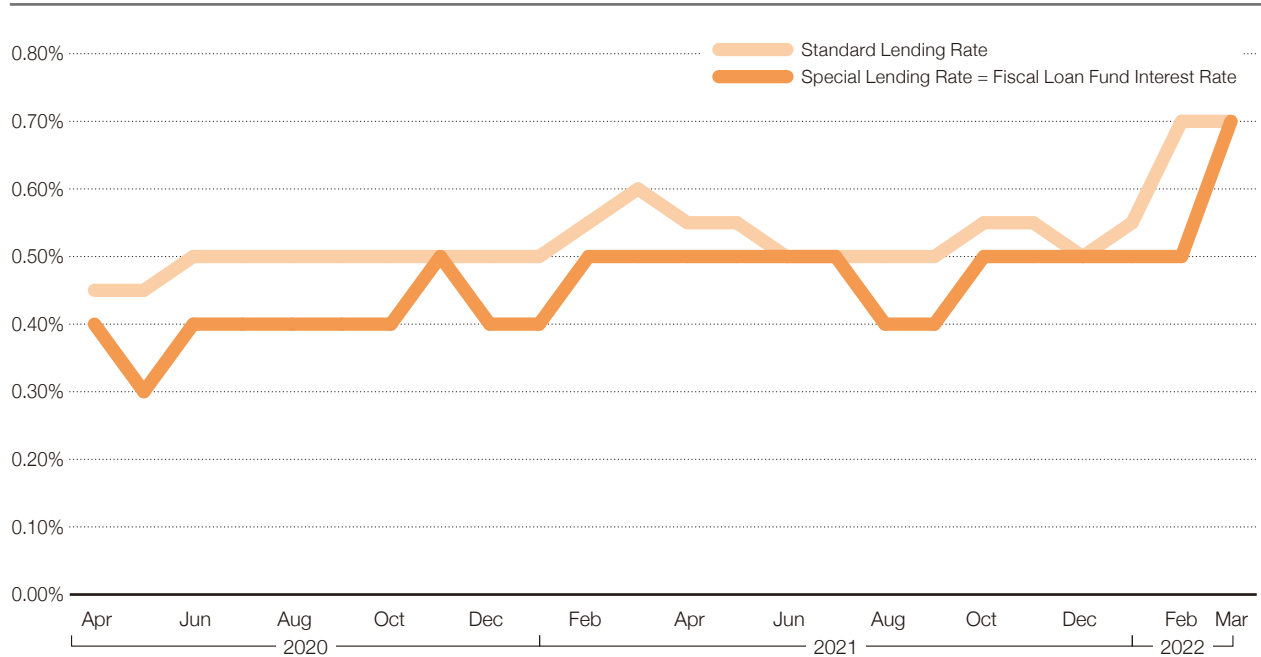
1. Loan Interest Rates

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 that the discounted present value of the cash flows of the funds raised to make the loans equals the discounted present value of the cash flows to be generated by those loans with their respective terms to maturity, grace period

for principal repayment and repayment methods. The special lending rate is set at 0.35% per annum below the standard rate.

The trends of JFM loan interest rates since April 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

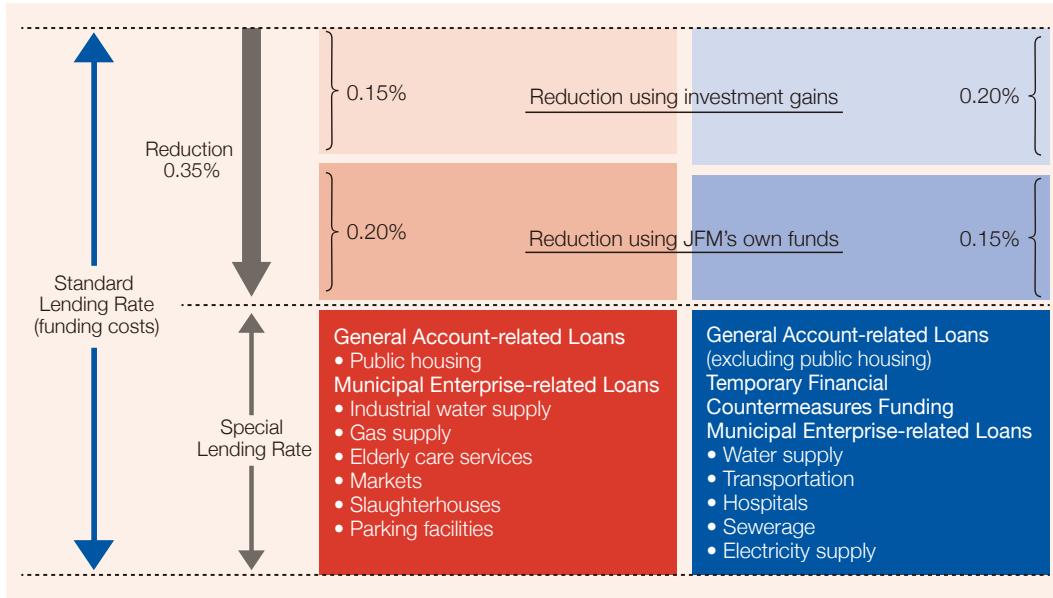


Note: The lending rates above represent a 30-year fixed rate loan with a 5-year grace period for semi-annually equal total payment.

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 the consent or approval for loans.

1) JFM checks the financial and operational status of local governments and municipal enterprises to which it plans to lend, in light of the fiscal indicators as stipulated in the Law Relating to the Financial Soundness of Local Governments of Japan (Act No. 94 of 2007). This credit check process may include an

interview of the staff of prefectures, cities, towns, and villages.

2) JFM reviews loan applications submitted by local governments to determine if conditions are met. The conditions include the consent or approval, any required resolution by the local government assembly and budget appropriation for loans.

3) After a loan is disbursed, JFM conducts an onsite review to verify the use of funds and to check the operational status of the project and the financial and operational status of the borrower.



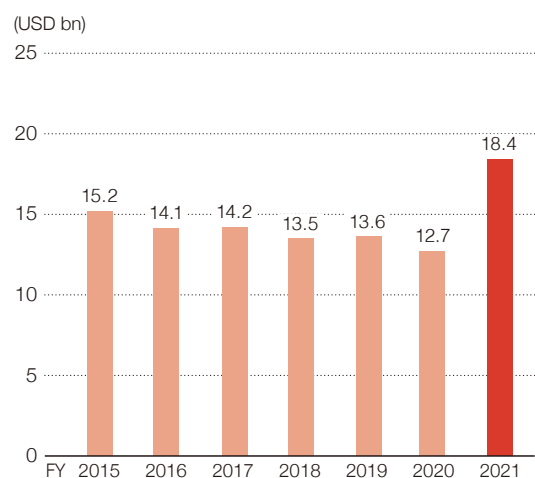
4. Trends in Lending Operations

1. Overview

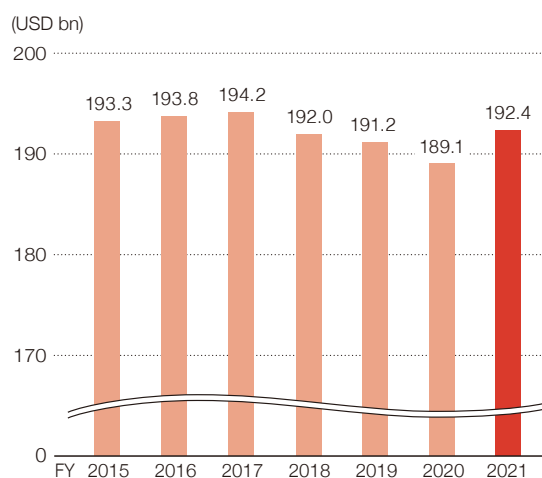
JFM's annual lending volume had dropped since fiscal 2015 due mainly to decrease in the budget of disaster management and mitigation and temporary financial

countermeasures funding but the lending volume amounted to USD 18.4 billion in fiscal 2021 due to cope with the impact of COVID-19. At the fiscal year-end, outstanding loans were USD 192.4 billion.

Annual Lending Volume



Outstanding Loans

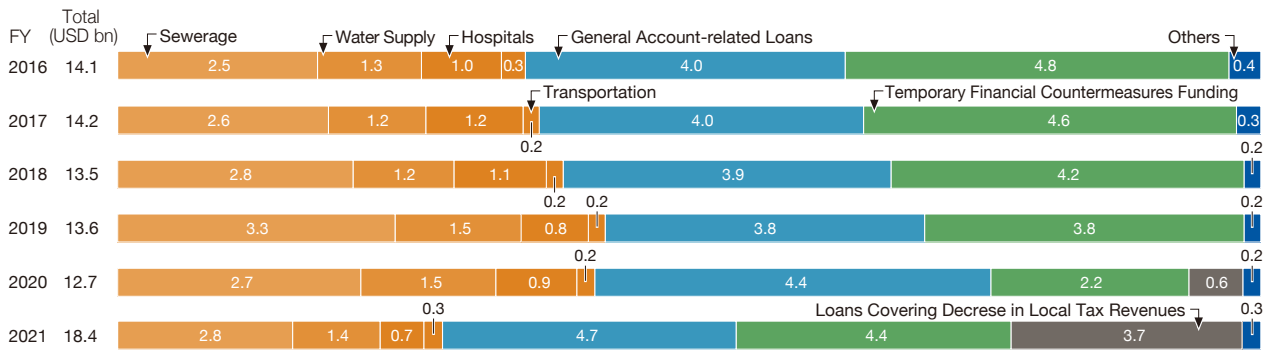


2. Annual Lending Volume by Business and Borrower

In fiscal 2021, temporary financial countermeasures funding was USD 4.4 billion, accounting for the largest

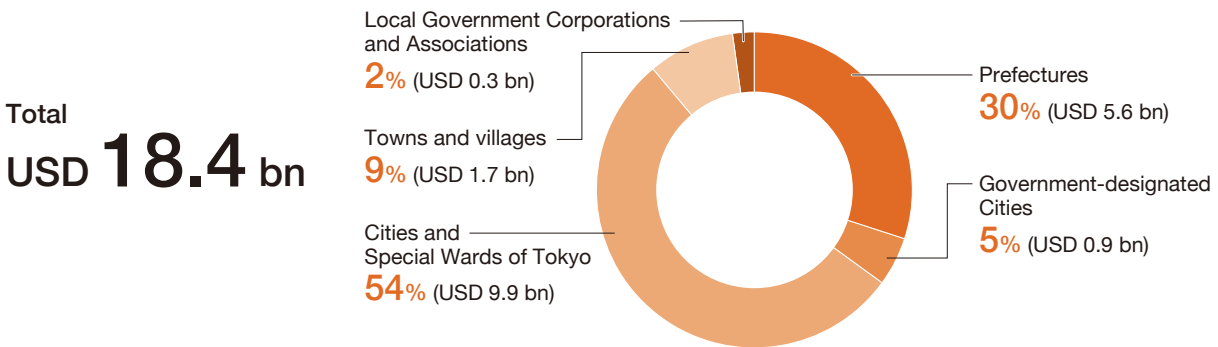
share of lending, at 24% of the total. Ranked next were USD 3.7 billion in the loans covering decrease in local tax revenues, representing 20% of the total, and USD 2.8 billion in the sewerage, for 15% of the total.

Long-Term Loans Extended by Business



Note: Totals may not add up due to rounding.

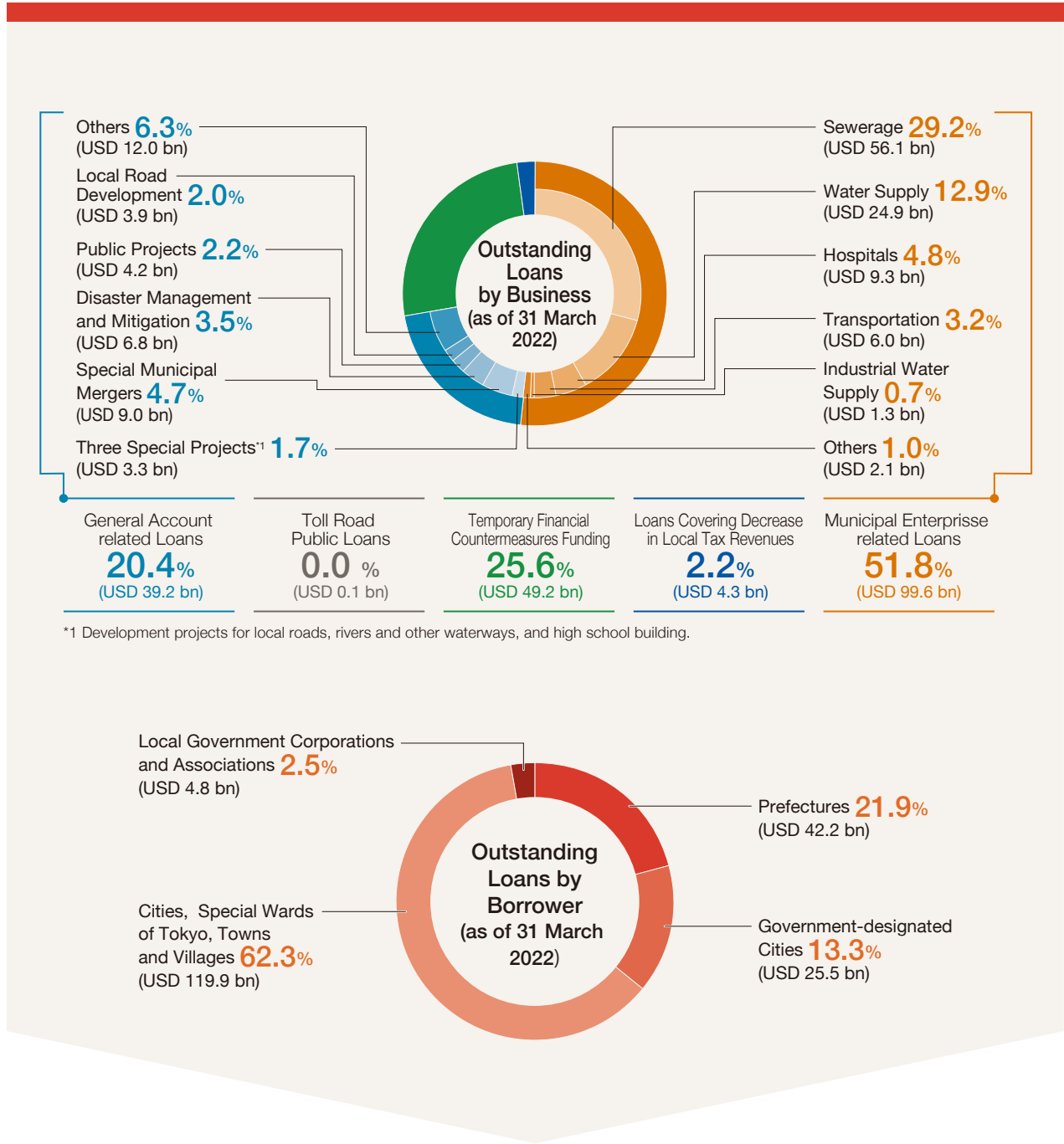
FY2021 Loans Extended by Borrower



3. Outstanding Loans by Business and Borrower

At the end of fiscal 2021, the outstanding loans were USD 192.4 billion, of which the sewerage business accounted for the largest share at 29.2%, followed by temporary financial countermeasures funding at 25.6% and water supply at 12.9%.

There was a total of 2,175 local governments, local government associations and corporations with outstanding JFM loans, including all prefectures. Cities, special wards of Tokyo, towns and villages accounted for the largest portion at 62.3% of the total, followed by prefectures at 21.9% and government-designated cities at 13.3%. Local government associations and corporations represented the remaining 2.5%.



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

Total
USD 192.4 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 2020, the water supply coverage was 97.3% of the population. The water supply business (including small-scale water supply) operated by local governments totaled 1,794 projects and provided about 13.5 billion cubic meters of water annually for approximately 123.29 million people.

In fiscal 2021, loans extended to the water supply business amounted to USD 1.4 billion.

Transportation Business

At the end of fiscal 2020, the transportation projects managed by local governments totaled 85 projects and public transportation is used by approximately 2.5 billion people annually (6.77 million people on an average daily basis).

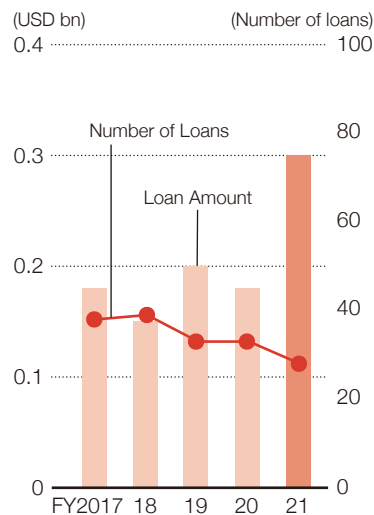
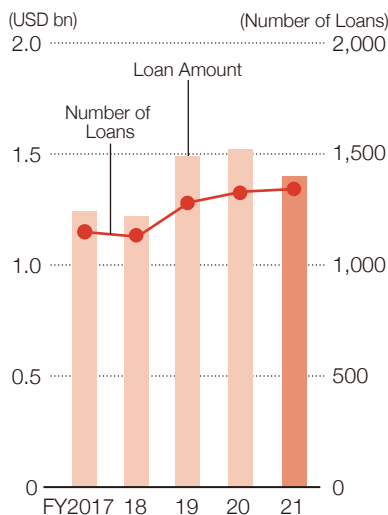
In fiscal 2021, loans extended to the transportation business amounted to USD 0.3 billion.



Kaneda Raw Water Reservoir (Kisarazu City, Chiba Prefecture)



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



Hospitals Business

At the end of fiscal 2020, hospital projects managed by local governments totaled 683 with 856 hospitals, which included 816 general hospitals and 40 mental hospitals.

In fiscal 2021, loans extended to the hospitals business (including those run by local independent administrative institutions) totaled USD 0.7 billion.



Atsugi City Hospital (Atsugi City, Kanagawa Prefecture)

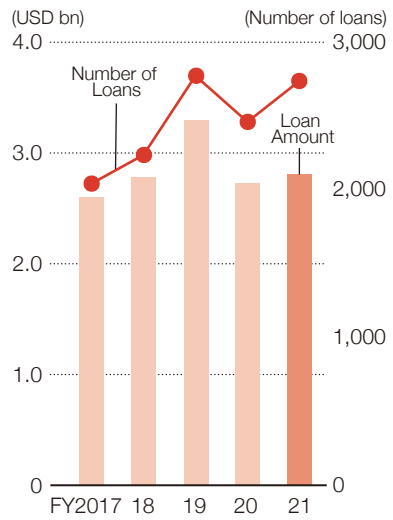
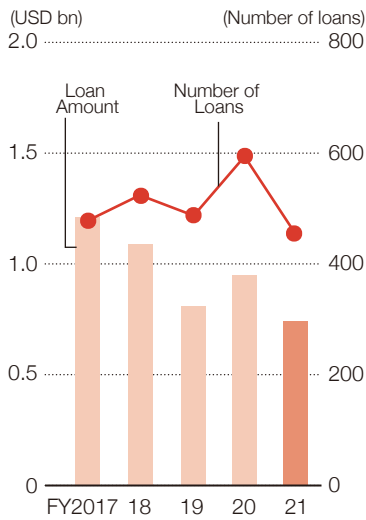
Sewerage Business

At the end of fiscal 2020, the sewerage system covered 92.1% of the nation's total population. There were 3,606 projects involved, with a total annual sewerage processing capacity (combined storm water and sewerage treatment, excluding river basin sewerage) of around 15.3 billion cubic meters serving areas with a population of nearly 105.26 million people.

In fiscal 2021, loans extended to the sewerage business totaled USD 2.8 billion.



Sewerage 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.

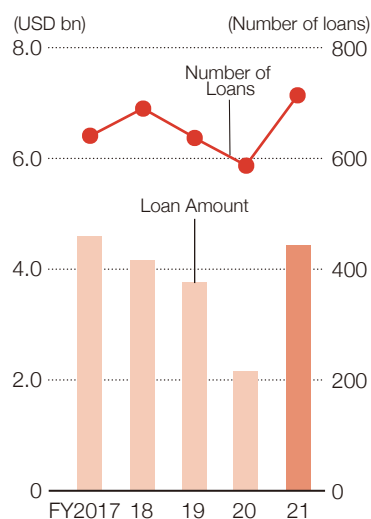
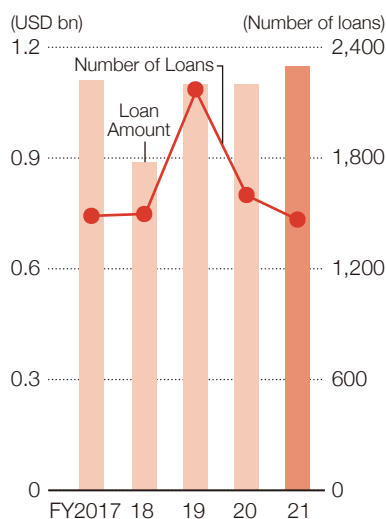
In fiscal 2021, loans extended for Disaster Management and Mitigation amounted to USD 1.2 billion.

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 2021, loans extended for temporary financial countermeasures funding amounted to USD 4.4 billion.



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

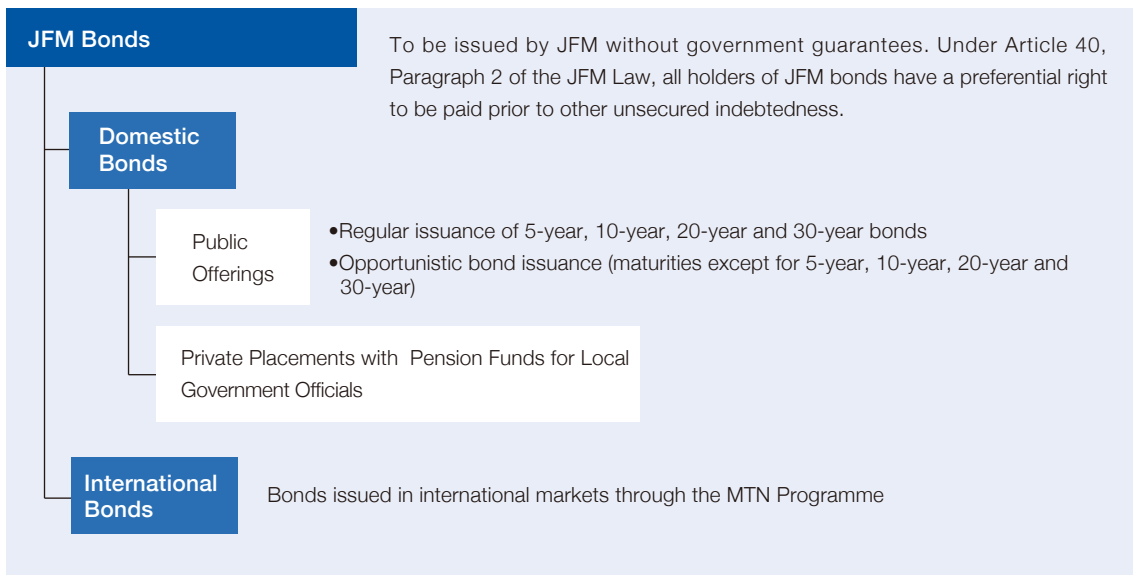
1. Issue Type

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

JFM issues government-guaranteed bonds only for

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

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



Government-Guaranteed Bonds

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

Long-term Bank Loans

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

2. Basic Funding Policy

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

1. Diversification of Funding Methods

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

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

2. Proactive Disclosure and Investor Relations

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

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

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 2022)
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 2022).

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.

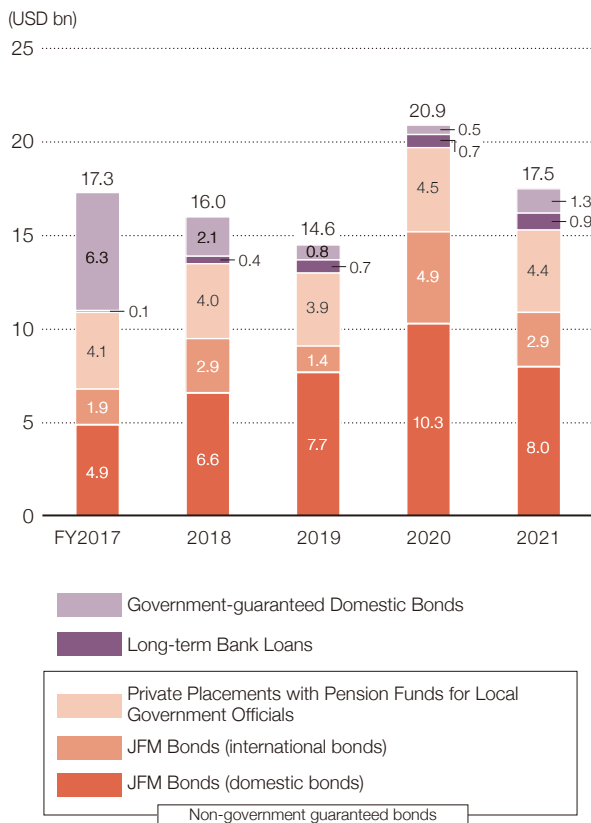
In fiscal 2021, JFM raised a total of USD 17.5 billion, decreased from the previous year. This was mainly the result of a decrease in the amount of non-government guaranteed bonds while the issuance volume of govern-

ment-guaranteed bonds increased.

As of 31 March 2022, outstanding bonds were USD 164.3 billion. Outstanding long-term bank loans totaled USD 3.3 billion. The total amount of outstanding bonds and long-term bank loans was USD 167.5 billion, which was comprised of USD 128.4 billion in the general account and USD 39.1 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



Support for Local Governments

1. Research and Studies

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.

Initiatives



▶ 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.



▶ 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.



▶ 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 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.



▶ Studies to understand the needs and issues of local governments

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

2. Personnel Training Support

Initiatives



▶ 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 quality of local governments' financial management.



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

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

3. Information Dissemination

Initiatives



▶ 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.

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

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 quality of local governments' financial management.



▶ Hold local government seminar

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

Strengthen information dissemination by effectively using the website.



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



Topics

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





JFM and SDGs related operations

Support sustainable community development through lending operations

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

To address these challenges, JFM 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.



Nagano Prefecture, Iida City, Matsuo Purification Center

Transportation



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



Kumamoto Prefecture, Kumamoto City, 0800 Series Low Floor Tram

Hospitals and Elderly Care Services



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



Hyogo Prefecture, Kobe City, Kobe Proton Center

Disaster Management and Mitigation



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



Kochi Prefecture, Kuroshio Town, Tsunami Evacuation Tower

Social Welfare and Educational Facilities Development



Maintaining educational facilities such as schools managed by local governments.



Aomori Prefecture, Hirosaki City, Susono Elementary School

Supporting local governments through local government support operations

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

Green bond issuance

JFM issued inaugural USD denominated green bond in January 2022 with an amount of USD 750 million for the purpose of allocating the net proceeds to sewerage business as well as the previous year. JFM is planning to publish its third impact report summarizing the description of projects and environment impacts and support the SDGs activities managed by local governments in Japan continuously. JFM green bond framework have obtained the highest level of assurance from Vigeo Eiris, a second party opinion provider.

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



Management Structure

FUYUWA TSUTOMETE.

*“For winter, it is the early morning that is most beautiful.
It is beautiful when snow has fallen during the night.
But splendid too when the ground is white with the frost.
But even when there is no snow or frost, the cold makes you feel that it is a winter morning.
People rush to start a fire on those chilly mornings.
Then they run from room to room carrying hot charcoal for the stoves. It's all very winter like.
But the morning cold starts to disappear around noon then
you find that the charcoal in the stoves has turned into white ash that looks a little foolish.”*



Diamond dust in Tokachi, Hokkaido



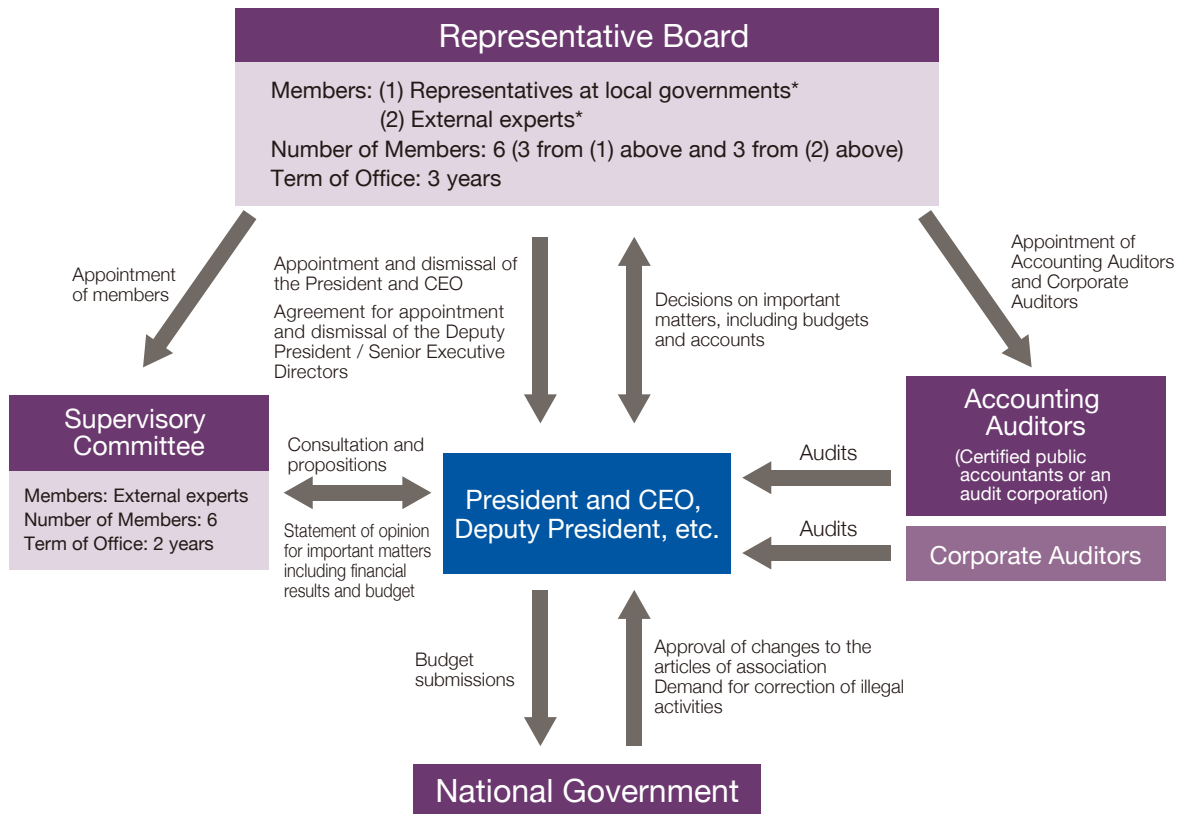
Corporate Governance

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

1. Corporate Governance

Corporate Governance System



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

1. Representative Board

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

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

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

2. Supervisory Committee

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

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

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

3. Audits by Corporate Auditors

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

4. Audits by External Accounting Auditors

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

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

In addition, to enhance the communicative value of the auditor's report by providing greater transparency about the audit, "key audit matters" (KAM) were voluntarily introduced and the independent auditor described each KAM in the auditor's report for the fiscal 2021.

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 2021, 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

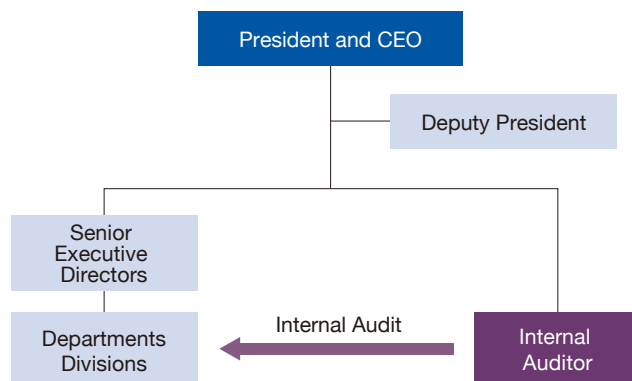
An internal auditor, who is independent from other departments, divisions and offices, examines and assesses the appropriateness and effectiveness of JFM's internal control systems, thereby helping ensure reliable financial reporting and appropriate and efficient operations.

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



Management Structure

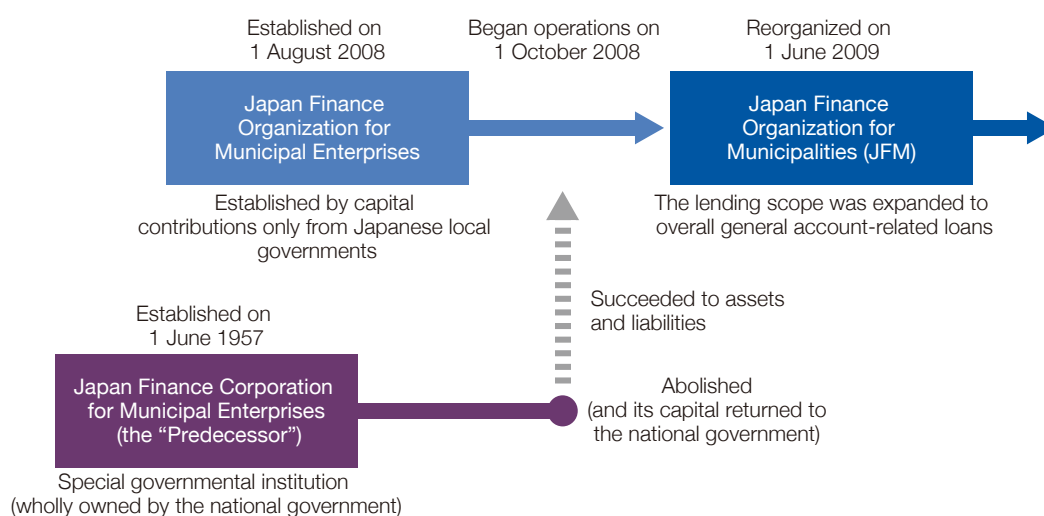
General Account and Management Account

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

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

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

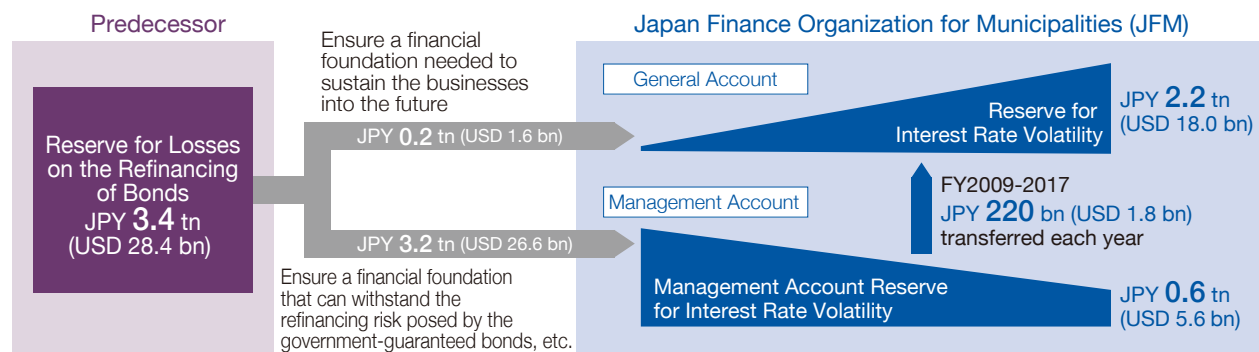
With regard to the management account, JFM issues government-guaranteed bonds solely for the purpose of refinancing government-guaranteed bonds of the Predecessor.



When JFM was founded, it succeeded to the Reserve for Losses on the Refinancing of Bonds in the amount of approximately JPY 3.4 trillion (USD 28.4 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 18.0 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.



Management Structure

General Account and Management Account

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 forest environment transfer tax increase.

1. Overall Risk Management

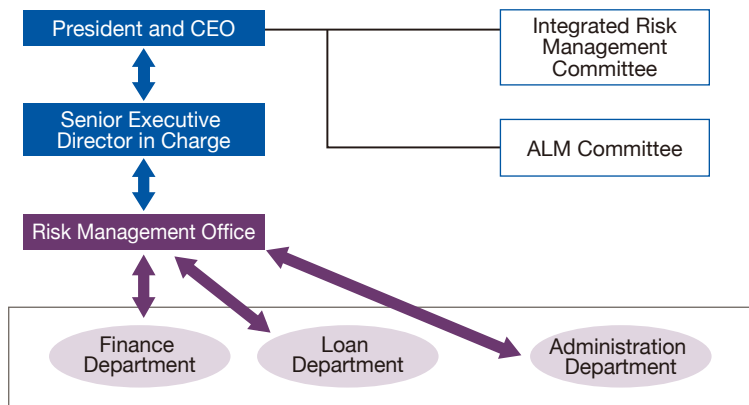
1. Risk Management System

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

Accordingly, JFM has developed a system for appropri-

ate 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 2022, JFM's total outstanding loans stood at USD 192.4 billion. The amount of loans outstanding made to local governments whose fiscal indicators exceeded the early warning limits or the reconstruction limits accounted for 0.03% in aggregate of total loans outstanding as of 31 March 2022.

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 on page 51 to address the interest rate risk resulting from a duration gap between lending and funding.

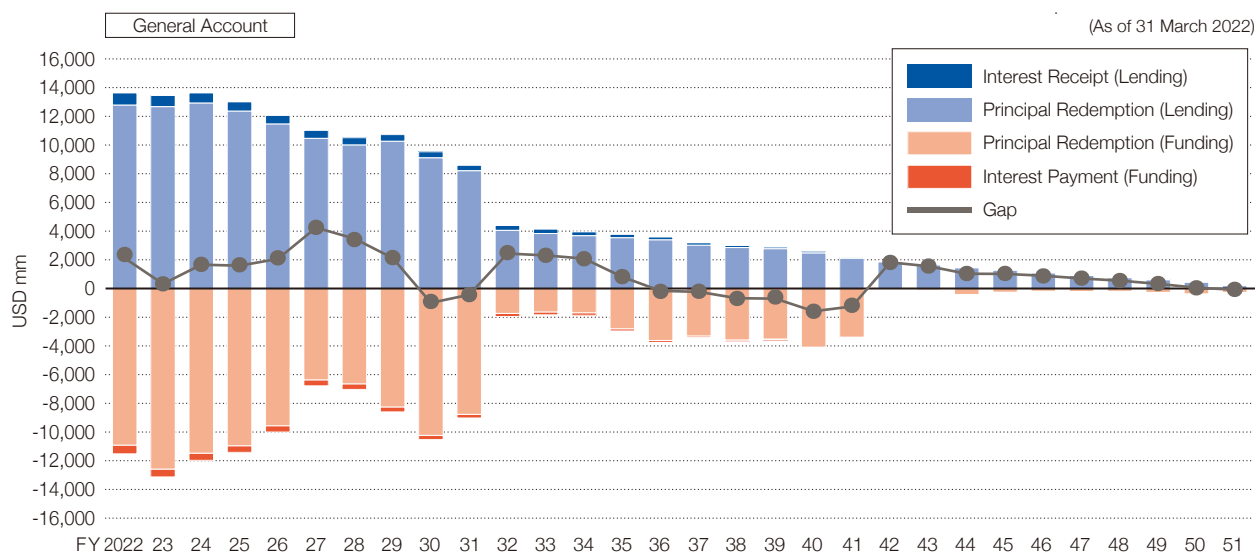
• Pipeline risk

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.

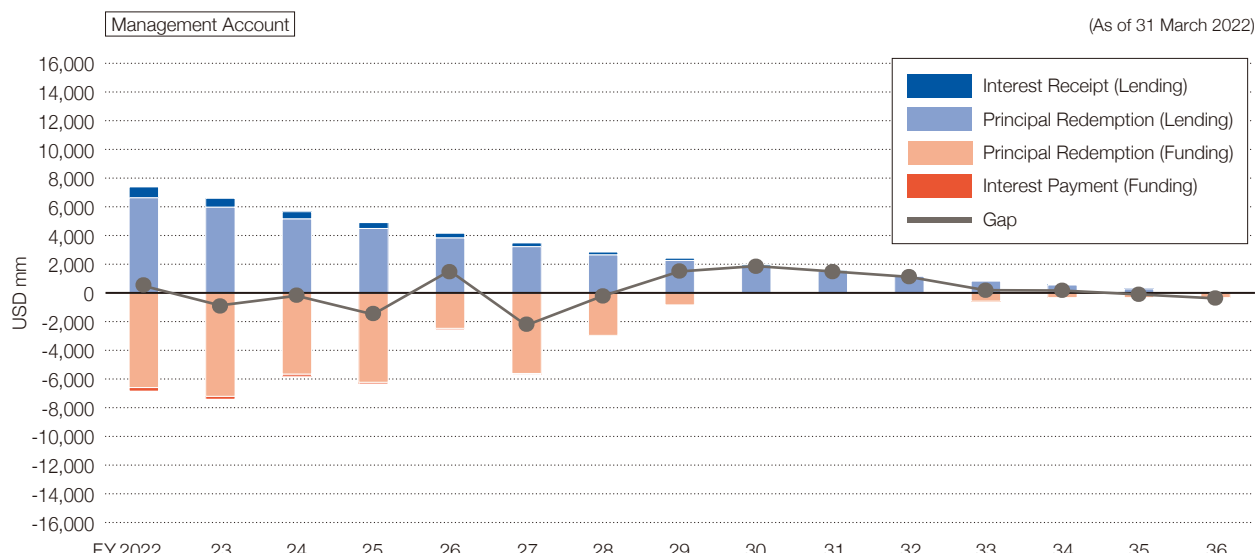
Managing interest rate risk associated with bond refinancing

- 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 2021, the total amount of the reserves stood at USD 23.6 billion, which consisted of USD 18.0 billion in the general account and USD 5.6 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 target for five years from fiscal 2018, in which the duration gap is to be maintained below approximately two years.
- To achieve its objective, from the viewpoint of controlling the duration on assets (lending), the interest rates for temporary financial countermeasures funding which accounts for approximately 1/3 of the overall outstanding loans in the general account, are revised every 5 or 10 years. In addition, the JFM will revise its lending rate by the 30th year at the latest for its loans with maturities longer than 30 years. And, in terms of funding, the JFM has taken measures to manage the duration on liabilities (bonds and loans) by issuing bonds with maturities longer than 10 years continuously under the ultra-low interest rate circumstances and carefully choosing maturities of bonds to be issued by utilizing its FLIP and Open Issuance scheme.
- The management account, which manages assets related to loans extended by the Predecessor, is exposed to interest rate risk. To address such risk, the JFM contributes to the required reserves for interest rate volatility as described above. In accordance with 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) 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
 - (2) 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 7.85 years • Funding duration 7.53 years • Duration gap 0.32 years (YoY change: -0.08 years)



• Lending duration 4.43 years • Funding duration 3.53 years • Duration gap 0.90 years (YoY change: -0.02 years)

JFM as a whole
 • Lending duration 7.10 years • Funding duration 6.58 years • Duration gap 0.52 years (YoY change: -0.07 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 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

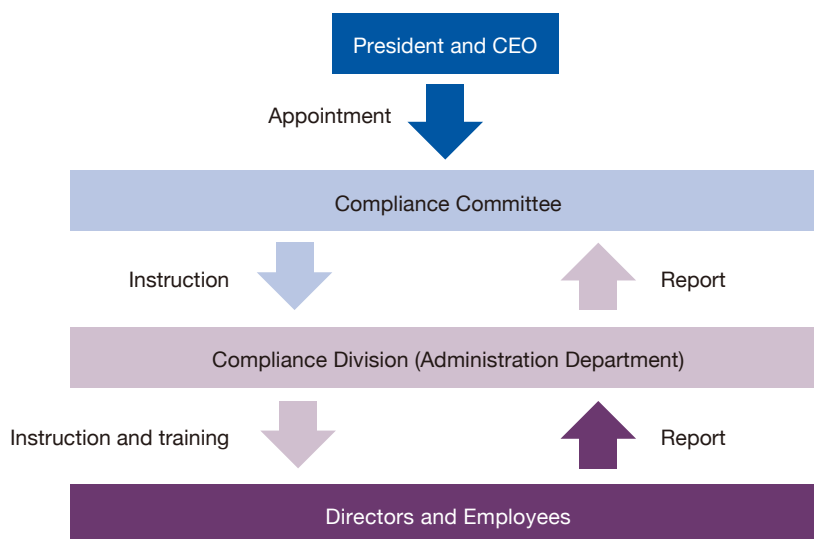
Based on the Compliance Rules, JFM has established the Compliance Committee.

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 the compliance division to oversee compliance arrangements. This unit deploys compliance-based initiatives (providing system guidance and training or producing manuals) in keeping with the committee’s guidelines.

Compliance System



1. Basic Stance on Information Disclosure

From the viewpoint of investor protection, JFM strives to ensure the transparency of JFM's management by

disclosing information on its financial conditions and other relevant information.

2. Materials for Disclosure

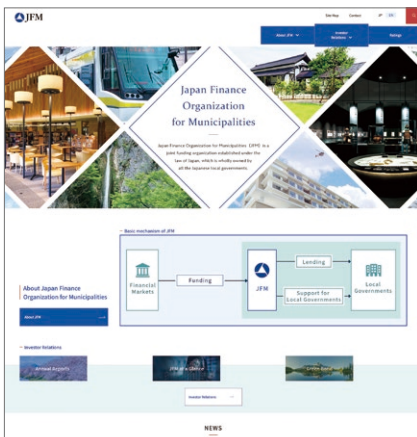
The following materials are available on JFM's website (www.jfm.go.jp/en/).

1. Materials for Disclosure Pursuant to Laws and Regulations

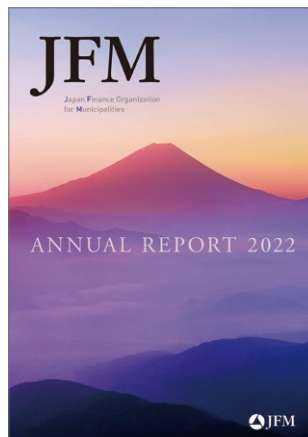
- Financial statements
- Business reports and statement of accounts (in Japanese only)
- Explanatory documents based on Article 36, Paragraph 3 of the JFM Law (Documents corresponding to annual securities reports specified in the Financial Instruments and Exchange Act and the Internal Control Report)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

2. Other Documents for Disclosure

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



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



Annual Report

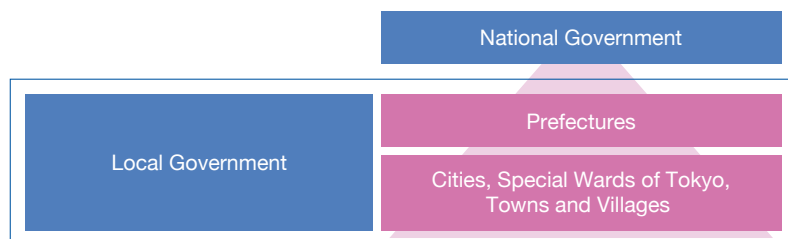
1. Japanese Local Government System

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.

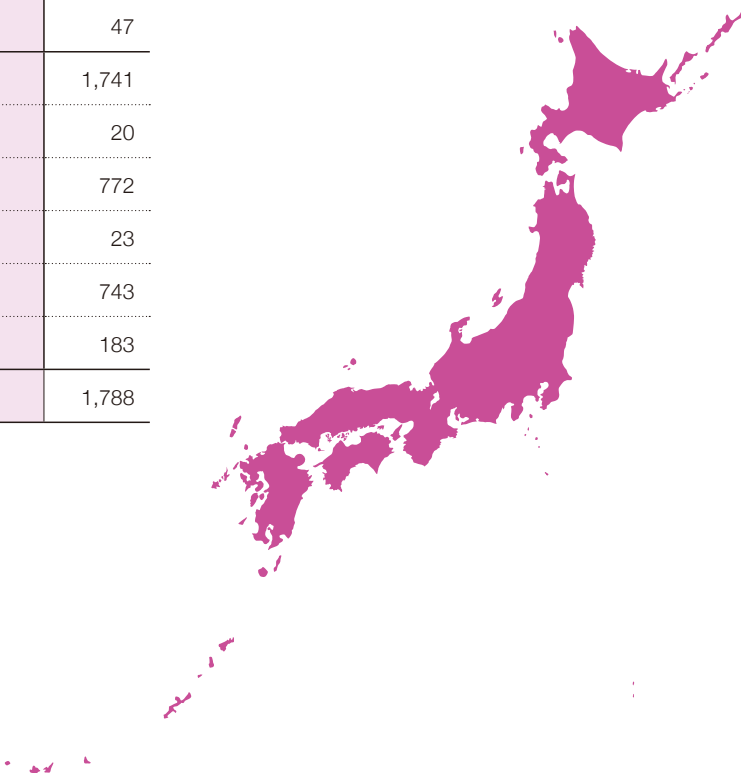
The Japanese local government system adopts a two-tier system with prefectures serving broader geographic areas, and cities, special wards of Tokyo, as well as government-designated cities, towns and villages providing local services.



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 2022)

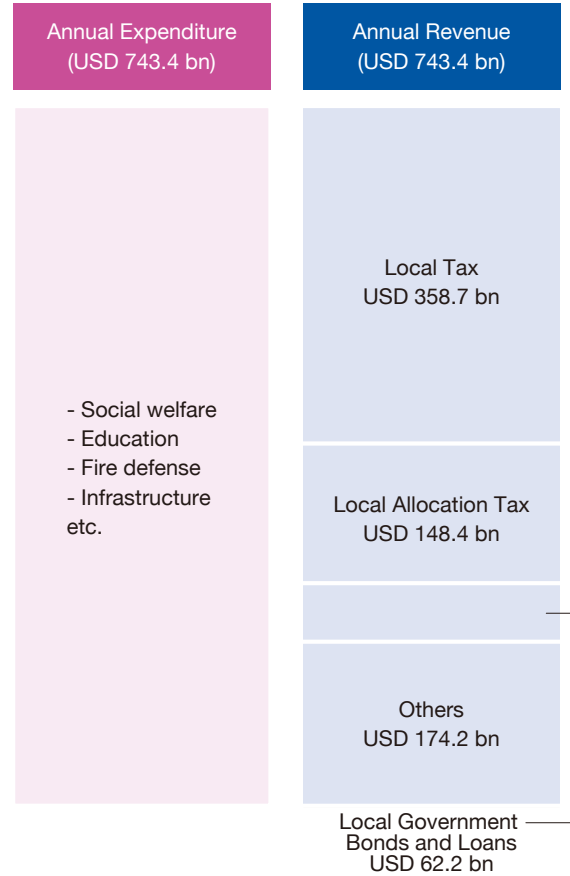


2. Local Government Finance Programme

Each local government is unique in terms of its natural and historic situations, industrial structures, population sizes, and other attributes. As a result, each local government handles diverse administration. The term “local government finance” collectively refers to funding for individual local governments engaging in such administration. Just as with national finance, local government finance plays a major role in the nation’s economy and the lives of citizens. In fiscal 2022, local government finance will total JPY 91.0 trillion (USD 743.4 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 FY2022)



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

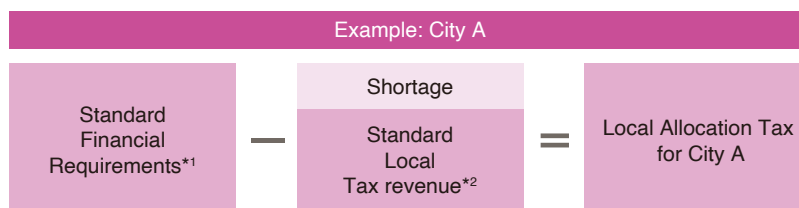
Note: Totals may not add up due to rounding.

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 comprises certain percentages of national taxes, including personal and corporate income taxes and consumption taxes. Local Allocation Tax is an important source of funds for local governments to maintain an appropriate level of public services.

Local Allocation Tax System



Notes: 1. Standard financial requirements are the amount of funds necessary to provide standard public services. The requirements are calculated for each local government according to the standard specified by the Ministry of Internal Affairs and Communications.
2. Local governments have taxation rights in Japan, but there are regional imbalances in tax revenues.

4. Local Government Borrowings

Local government borrowings are bonds and loans to be issued by local governments for securing necessary external funds, and mature no earlier than the first fiscal year. In principle, a local government should cover expenditures with its revenues other than local government

borrowings. However, local governments can finance through borrowings in the case that it is desirable to share costs with future residents such as for constructions of facilities, or that large temporary expenses are required due to disasters.

5. Security of Local Government Borrowings

The following framework secures principal and interest payments of local government borrowings. On the back of this framework, the BIS risk weighting for local government borrowings is 0%, based on the standardized approach (as of 31 March 2022).

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

3) Supervision of financial soundness

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

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

6. Local Government Borrowing Programme

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

1) Consent (approval) based on LGBP

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

2) Secured funding sources for local government borrowings

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

3) Guideline for local government borrowings

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

7. JFM Funds in Local Government Borrowing Programme

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

Local Government Borrowing Programme

(USD in billions)

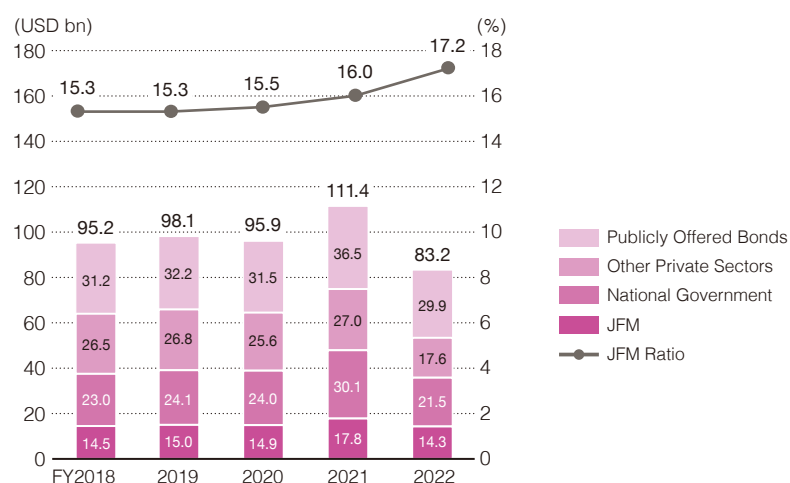
		FY2021	FY2022	Share
Private Funds	Publicly Offered Bonds	37	30	36%
	Other Private Sectors	27	18	21%
Public Funds	JFM	18	14	17%
	National Government	30	21	26%
Total		111	83	100%

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 2018, 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

Note: Totals may not add up due to rounding.

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Balance Sheets

(As of 31 March 2021 and 2022)

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

Item	Fiscal 2020 (31 March 2021)	Fiscal 2021 (31 March 2022)		Item	Fiscal 2020 (31 March 2021)	Fiscal 2021 (31 March 2022)	
	Amount				Amount		
Assets				Liabilities			
Loans (Note 5)	¥23,144,389	¥23,550,819	\$192,408,658	Bonds (Notes 9 and 10)	¥20,410,767	¥20,103,035	\$164,240,486
Securities (Note 19)	593,000	920,000	7,516,340	Borrowed money (Note 11)	294,000	399,500	3,263,889
Cash and bank deposits	1,106,432	353,491	2,888,002	Cash collateral received for financial instruments	33,480	147,451	1,204,665
Cash collateral paid for financial instruments	3,282	812	6,634	Other liabilities	4,670	4,644	37,947
Other assets	6,914	6,193	50,599	Reserve for bonuses (Note 12)	59	59	489
Tangible fixed assets (Note 8)	2,654	2,572	21,017	Reserve for bonuses for directors and corporate auditors (Note 12)	10	10	84
Intangible fixed assets (Note 8)	933	976	7,982	Reserve for retirement benefits (Notes 12 and 15)	52	64	528
				Reserve for retirement benefits for directors and corporate auditors (Note 12)	21	15	124
				Fund for lending rate reduction	920,287	920,287	7,518,689
				Basic fund for lending rate reduction (Note 14)	920,287	920,287	7,518,689
				Reserves under special laws	2,853,636	2,891,692	23,624,942
				Reserve for interest rate volatility (Note 13)	2,200,000	2,200,000	17,973,856
				Management account reserve for interest rate volatility (Note 13)	640,921	682,675	5,577,418
				Reserve for interest rate reduction	12,714	9,017	73,668
				Total liabilities	24,516,985	24,466,761	199,891,843
				Net Assets			
				Capital	16,602	16,602	135,638
				Retained earnings	265,772	298,035	2,434,931
				General account surplus reserve	265,772	298,035	2,434,931
				Valuation, translation adjustments and others	437	(4,342)	(35,477)
				Management account surplus reserve	57,808	57,808	472,297
				Total net assets	340,621	368,104	3,007,389
Total assets	¥24,857,606	¥24,834,865	\$202,899,232	Total liabilities and net assets	¥24,857,606	¥24,834,865	\$202,899,232

See notes to financial statements.

Statements of Income

(For the years ended 31 March 2021 and 2022)

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

Item	Fiscal 2020 (1 April 2020 to 31 March 2021)	Fiscal 2021 (1 April 2021 to 31 March 2022)	
	Amount	Amount	
Income	¥259,923	¥235,867	\$1,927,025
Interest income	250,780	222,071	1,814,311
Fees and commissions	83	76	629
Other operating income	7	15	131
Other income	9,052	13,703	111,954
Contributions from fund for lending rate reduction (Note 14)	9,041	13,691	111,862
Others	11	11	92
Expenses	141,675	125,548	1,025,723
Interest expenses	134,580	118,786	970,481
Fees and commissions	292	294	2,403
Other operating expenses	3,713	3,081	25,177
General and administrative expenses	3,088	3,385	27,662
Other expenses	0	-	-
Ordinary income	118,247	110,319	901,302
Special gains	64,454	43,697	357,008
Reversal of management account reserve for interest rate volatility (Note 13)	60,000	40,000	326,798
Reversal of reserve for interest rate reduction	4,454	3,697	30,210
Special losses	155,314	121,754	994,723
Provision for management account reserve for interest rate volatility (Note 13)	95,314	81,754	667,925
Payment to national treasury (Notes 6 and 13)	60,000	40,000	326,798
Net income	¥27,388	¥32,263	\$263,587

See notes to financial statements.

Statements of Appropriation of Profit [General account]

(For the year ended 31 March 2021)

(Millions of yen)

1 Profit available for appropriation		¥27,388
Net income	¥27,388	
Accumulated deficit brought forward	-	
2 Profit appropriated		
Surplus reserve	27,388	27,388

Statements of Appropriation of Profit [General account]

(For the year ended 31 March 2022)

(Millions of yen)

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

(Thousands of U.S. dollars)

1 Profit available for appropriation		\$263,587
Net income	\$263,587	
Accumulated deficit brought forward	-	
2 Profit appropriated		
Surplus reserve	263,587	263,587

Notes: 1. Profit was appropriated at the end of the fiscal year in accordance with the provisions of Article 39, Section 1 of the Japan Finance Organization for Municipalities Law (Law No. 64, 2007; hereinafter the "Law").

2. Surplus reserve appropriated was posted as general account surplus reserve on the balance sheets.

See notes to financial statements.

Statements of Appropriation of Profit [Management account]

(For the year ended 31 March 2021)

(Millions of yen)

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

Statements of Appropriation of Profit [Management account]

(For the year ended 31 March 2022)

(Millions of yen)

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

(Thousands of U.S. dollars)

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

See notes to financial statements.

Statements of Changes in Net Assets

(For the year ended 31 March 2021)

(Millions of yen)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account surplus reserve	Total retained earnings				
Balance as of 1 April 2020	¥16,602	¥238,383	¥238,383	¥254,985	¥11,101	¥57,808	¥323,896
Changes during accounting period							
Net income	-	27,388	27,388	27,388	-	-	27,388
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(10,663)	-	(10,663)
Net changes during accounting period	-	27,388	27,388	27,388	(10,663)	-	16,725
Balance as of 31 March 2021	¥16,602	¥265,772	¥265,772	¥282,374	¥437	¥57,808	¥340,621

(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 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 2022)

(Thousands of U.S. dollars)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account surplus reserve	Total retained earnings				
Balance as of 1 April 2021	\$135,638	\$2,171,344	\$2,171,344	\$2,306,982	\$3,576	\$472,297	\$2,782,855
Changes during accounting period							
Net income	-	263,587	263,587	263,587	-	-	263,587
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(39,053)	-	(39,053)
Net changes during accounting period	-	263,587	263,587	263,587	(39,053)	-	224,534
Balance as of 31 March 2022	\$135,638	\$2,434,931	\$2,434,931	\$2,570,569	\$(35,477)	\$472,297	\$3,007,389

See notes to financial statements.

Statements of Cash Flows

(For the years ended 31 March 2021 and 2022)

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

Item	Fiscal 2020 (1 April 2020 to 31 March 2021)	Fiscal 2021 (1 April 2021 to 31 March 2022)	
	Amount	Amount	
I Cash flows from operating activities			
Net income	¥27,388	¥32,263	\$263,587
Depreciation and amortization	512	495	4,046
Interest income	(250,780)	(222,071)	(1,814,311)
Interest expenses	134,580	118,786	970,481
Increase in reserve for bonuses	0	0	6
Increase/(decrease) in reserve for bonuses for directors and corporate auditors	(0)	-	-
Increase/(decrease) in reserve for retirement benefits	(9)	12	98
Decrease in reserve for retirement benefits for directors and corporate auditors	(10)	(5)	(48)
Decrease in fund for lending rate reduction	(9,041)	(13,691)	(111,862)
Increase in management account reserve for interest rate volatility	95,314	81,754	667,925
Decrease in reserve for interest rate reduction	(4,454)	(3,697)	(30,210)
Net (increase)/decrease in loans	255,225	(406,430)	(3,320,507)
Net increase/(decrease) in bonds	396,027	(308,649)	(2,521,649)
Net increase in borrowed money	91,000	105,500	861,928
Interest received	251,747	222,793	1,820,211
Interest paid	(133,682)	(118,238)	(966,004)
Others	(26,153)	111,819	913,555
Net cash provided by/(used in) operating activities	827,664	(399,361)	(3,262,754)
II Cash flows from investing activities			
Proceeds from redemption of securities	1,858,500	3,458,300	28,254,085
Purchases of securities	(2,086,000)	(3,785,300)	(30,925,654)
Purchases of tangible fixed assets	(6)	(21)	(178)
Purchases of intangible fixed assets	(203)	(249)	(2,040)
Net cash used in investing activities	(227,710)	(327,271)	(2,673,787)
III Cash flows from financing activities			
Payment to national treasury	(60,000)	(40,000)	(326,797)
Revenue from contributions made from municipally operated racing	9,041	13,691	111,862
Net cash used in financing activities	(50,958)	(26,308)	(214,935)
IV Effect of exchange rate changes on cash and cash equivalents	-	-	-
V Net increase/(decrease) in cash and cash equivalents	548,994	(752,940)	(6,151,476)
VI Cash and cash equivalents at beginning of year	557,437	1,106,432	9,039,478
VII Cash and cash equivalents at end of year	¥1,106,432	¥353,491	\$2,888,002

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 2022, the final day of the fiscal year, which was ¥122.40 to U.S. \$1. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

2. Summary of Significant Accounting Policies

(1) Securities

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

(2) Derivative transactions

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

(3) Depreciation and amortization

(a) Tangible fixed assets

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

Buildings: 23 to 47 years

Others: 2 to 19 years

(b) Intangible fixed assets

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

(4) Deferred assets

Bond issuance costs are expensed in full when

incurred.

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

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

(6) Reserves

(a) Reserve for possible loan losses

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

(b) Reserve for bonuses

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

(c) Reserve for bonuses for directors and corporate auditors

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

(d) Reserve for retirement benefits

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

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

The reserve for retirement benefits for directors and corporate auditors is provided for payment of retirement benefits to directors and corporate auditors, in the amount deemed accrued at the fiscal year-end based on the internal policies.

(7) Revenue recognition

The JFM applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 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 statements of cash flows consist of “Cash and bank deposits” on the balance sheets.

(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 Minis-

try 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 2021: 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 loans and the JFM has never experienced any loan losses, as stated in Note 5 “Loans”.
- The JFM provides loans exclusively to local governments and there is a system to prevent local governments from default, as stated in Note 7 “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. Changes in Accounting Policies

(1) Adoption of revenue recognition accounting standards

The JFM has adopted the revenue recognition accounting standards from the beginning of this fiscal year. The application of the standards has no impact on the annual financial statements.

(2) Adoption of accounting standards for fair value measurement

The JFM has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) and the “Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) from the beginning of this fiscal year. In accordance with Paragraph 19 of the “Accounting Standard for Fair Value Measurement”, the JFM applies the new accounting policies set forth by the standard prospectively. The adoption of the standard has no impact on the annual financial statements.

5. Loans

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

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

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

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

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

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

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 be-

ing attributed to the Japanese national government over a period of five years from fiscal 2020 through fiscal 2024, with the aim of transferring up to 230 billion yen over this period.

In addition, 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 2020, 60 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 2020 through fiscal 2024 (Ordinance No. 1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2020)." In fiscal 2021, 40 billion yen (326,797 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 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)."

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 three years from fiscal 2022 through fiscal 2024, with the aim of transferring up to 130 billion yen over this period.

In fiscal 2022, the JFM will reverse 50 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 period from fiscal 2022 through 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 2021 through fiscal 2024 (Ordinance No. 2 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2022)."

7. Financial Instruments

(1) Status of financial instruments

(a) Policy for financial instruments

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

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

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

(b) Details and risks of financial instruments

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

The JFM has set aside reserves for interest rate fluctuations (the reserve for interest rate volatility), and has set up the ALM Committee separately from the Integrated Risk Management Committee to comprehensively analyze and manage the JFM's assets and liabilities in a timely and appropriate

manner. At the meeting, medium- and long-term management analysis as well as risk analysis and evaluation are conducted through scenario analysis, VaR analysis, and duration analysis, among other methods. In addition, the JFM reflects the findings in its bond issuance plans and other aspects of management and endeavors to reduce interest rate risk.

(c) Risk management for financial instruments

(i) Credit risk

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

A. Credit risk on loans

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

- The Japanese national government includes principal and interest payments of local government bonds and loans in the expenditure of the Local Government Finance Program, and secures the total amount of local allocation tax which balances local governments' total expenditures including principal and interest payments, and total revenue. Thus, the national government effectively secures revenue sources for principal and interest payments by local governments. The national government also secures revenue sources for principal and interest payments by individual local governments by including a portion of such principal and interest in the Standard Financial Needs when calculating local allocation tax.
- Under the consultation system for local government bonds and loans, credit reviews must include checks on the repayment status of local governments, and tax revenue and necessary revenue sources to be secured. Additionally, under the Early Warning System, the local governments whose principal and interest payments or financial deficits exceed a certain level must apply for approval to issue bonds or obtain loans, so that the credit standing of local government bonds and loans is maintained.
- Under the Law Relating to the Financial Soundness of Local Governments (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 target for five years from fiscal 2018, in which the duration gap is to be maintained below approximately two years.
- To achieve its objective, from the viewpoint of controlling the duration on assets (lending), the interest rates for temporary financial countermeasures funding which accounts for approximately 1/3 of the overall outstanding loans in the general account, are revised every 5 or 10 years. In addition, the JFM will revise its lending rate by the 30th year at the latest for its loans with maturities longer than 30 years. And, in terms of funding, the JFM has taken measures to manage the duration on liabilities (bonds and loans) by issuing bonds with maturities longer than 10 years continuously under the ultra-low interest rate circumstances and carefully choosing maturities of bonds to be issued by utilizing its FLIP and Open Issuance scheme.
- The management account, which manages assets related to loans extended by the Predecessor, is exposed to interest rate risk. To address such risk, the JFM contributes to the required reserves for interest rate volatility as described above. In accordance with 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:
 - 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 contracts.

C. Quantitative information on market risk

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

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

With respect to these financial instruments in the general account, based on an assumption that the risk variables, except for interest rate risk, hold steady, for an indicative interest rate that is 10 basis points higher than the actual rate, it is assumed that the fair value of the net amount (assets side), after offsetting such financial instruments with the

financial liabilities, would decline by 26,577 million yen and 29,584 million yen (241,703 thousand U.S. dollars) as of 31 March 2021 and 2022, respectively. On the contrary, for an indicative interest rate that is 10 basis points lower than the actual rate, it is assumed that the fair value of the net amount (assets side), after offsetting such financial instruments with the financial liabilities, would increase by 26,936 million yen and 29,985 million yen (244,982 thousand U.S. dollars) as of 31 March 2021 and 2022, respectively.

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

With respect to these financial instruments in the management account, based on an assumption that the risk variables, except for interest rate risk, hold steady, for an indicative interest rate that is 10 basis points higher than the actual rate, it is assumed that the fair value of the net amount (assets side), after offsetting such financial instruments with the financial liabilities, would decline by 7,601 million yen and 6,319 million yen (51,628 thousand U.S. dollars) as of 31 March 2021 and 2022, respectively. On the contrary, for an indicative interest rate that is 10 basis points lower than the actual rate, it is assumed that the fair value of the net amount

(assets side), after offsetting such financial instruments with the financial liabilities, would increase by 7,683 million yen and 6,383 million yen (52,155 thousand U.S. dollars) as of 31 March 2021 and 2022, 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 2021 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
(1) Loans	¥23,144,389	¥24,261,858	¥1,117,468
(2) Securities			
Held-to-maturity securities	593,000	593,000	-
(3) Cash and bank deposits	1,106,432	1,106,432	-
(4) Cash collateral paid for financial instruments	3,282	3,282	-
Total assets	24,847,103	25,964,572	1,117,468
(1) Bonds	20,410,767	20,921,734	510,966
(2) Borrowed money	294,000	295,557	1,557
(3) Cash collateral received for financial instruments	33,480	33,480	-
Total liabilities	20,738,247	21,250,771	512,524
Derivative transactions ^(*)	-	-	-
Hedge accounting applied	-	-	-
Total of derivative transactions	-	-	-

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	-	-	-

(Thousands of U.S. dollars)

	Book value	Fair value	Difference
(1) Loans	\$192,408,658	\$197,793,048	\$5,384,390
(2) Securities			
Held-to-maturity securities	7,516,340	7,516,340	-
(3) Cash and bank deposits	2,888,002	2,888,002	-
(4) Cash collateral paid for financial instruments	6,634	6,634	-
Total assets	202,819,634	208,204,024	5,384,390
(1) Bonds	164,240,486	166,443,869	2,203,383
(2) Borrowed money	3,263,889	3,255,900	(7,989)
(3) Cash collateral received for financial instruments	1,204,665	1,204,665	-
Total liabilities	168,709,040	170,904,434	2,195,394
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 2021 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount		Fair value	Method for calculating fair value
				Of which 1 year or more		
Principal accounting method	Interest rate swap transactions 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	(*1)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,938,045	1,619,503	(*2)	
Deferral hedge accounting for foreign exchange contracts	Foreign exchange contracts	Foreign currency-denominated deposits	4,000	-	(*2)	
Total			¥1,962,045	¥1,639,503		

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		Fair value	Method for calculating fair value
				Of which 1 year or more		
Principal accounting method	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	(*1)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,979,994	1,733,986	(*2)	
Deferral hedge accounting for foreign exchange contracts	Foreign exchange contracts	Foreign currency-denominated deposits	14,000	-	(*2)	
Total			¥2,013,994	¥1,753,986		

(Thousands of U.S. dollars)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount		Fair value	Method for calculating fair value
				Of which 1 year or more		
Principal accounting method	Interest rate swap transactions 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	\$163,399	\$163,399	(*1)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	16,176,427	14,166,559	(*2)	
Deferral hedge accounting for foreign exchange contracts	Foreign exchange contracts	Foreign currency-denominated deposits	114,379	-	(*2)	
Total			\$16,454,205	\$14,329,958		

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

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

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

As of 31 March 2021

(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	¥1,827,111	¥1,807,446	¥1,738,903	¥1,639,048	¥1,550,567	¥6,474,349	¥6,434,507	¥1,618,862	¥53,593
Securities Held-to-maturity securities	593,000	-	-	-	-	-	-	-	-
Deposits	1,106,432	-	-	-	-	-	-	-	-

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	-	-	-	-	-	-	-	-

(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	\$14,974,371	\$14,533,552	\$14,064,611	\$13,518,988	\$12,873,586	\$53,880,460	\$54,284,943	\$13,748,764	\$529,383
Securities Held-to-maturity securities	7,516,340	-	-	-	-	-	-	-	-
Deposits	2,888,002	-	-	-	-	-	-	-	-

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

As of 31 March 2021

(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	¥2,345,072	¥2,142,677	¥2,335,910	¥1,927,159	¥1,855,037	¥5,839,242	¥3,581,596	¥263,500	¥125,000
Borrowed money	1,000	-	86,200	83,400	88,000	31,800	3,600	-	-

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	-	-

(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	\$17,505,538	\$19,084,232	\$16,446,053	\$16,462,722	\$11,175,216	\$49,403,606	\$30,871,281	\$2,324,346	\$996,732
Borrowed money	-	704,248	681,373	718,954	853,758	276,144	29,412	-	-

Note 4. 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	¥-	¥-	¥-	¥-

(Thousands of U.S. dollars)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	\$-	\$-	\$197,793,048	\$197,793,048
(2) Securities				
Held-to-maturity securities	-	7,516,340	-	7,516,340
(3) Cash and bank deposits	-	2,888,002	-	2,888,002
(4) Cash collateral paid for financial instruments	-	6,634	-	6,634
Total assets	-	10,410,976	197,793,048	208,204,024
(1) Bonds	-	166,443,869	-	166,443,869
(2) Borrowed money	-	3,255,900	-	3,255,900
(3) Cash collateral received for financial instruments	-	1,204,665	-	1,204,665
Total liabilities	-	170,904,434	-	170,904,434
Derivative transactions				
Hedge accounting applied	-	-	-	-
Total of derivative transactions	\$-	\$-	\$-	\$-

(iii) 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 2022.

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.

(iv) Information on the Level 3 fair value of financial assets and liabilities whose fair value is recorded in the balance sheet

Not applicable

8. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets as of 31 March 2021 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2020 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2021 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2021	Depreciation and amortization during the year	Balance as of 31 March 2021 (Net book value)
Tangible fixed assets							
Buildings	¥1,187	¥-	¥-	¥1,187	¥538	¥30	¥649
Land	1,659	-	-	1,659	-	-	1,659
Other tangible fixed assets	606	18	-	625	279	110	345
Total tangible fixed assets	3,454	18	-	3,472	818	140	2,654
Intangible fixed assets							
Software	1,844	205	359	1,691	760	371	930
Other intangible fixed assets	1	2	1	2	-	-	2
Total intangible fixed assets	¥1,846	¥208	¥360	¥1,694	¥760	¥371	¥933

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

(Thousands of U.S. dollars)

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	\$9,703	\$75	\$-	\$9,778	\$4,624	\$224	\$5,154
Land	13,560	-	-	13,560	-	-	13,560
Other tangible fixed assets	5,108	428	69	5,467	3,164	917	2,303
Total tangible fixed assets	28,371	503	69	28,805	7,788	1,141	21,017
Intangible fixed assets							
Software	13,816	3,264	2,236	14,844	6,883	2,905	7,961
Other intangible fixed assets	24	21	24	21	-	-	21
Total intangible fixed assets	\$13,840	\$3,285	\$2,260	\$14,865	\$6,883	\$2,905	\$7,982

9. 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 20,410,767 million yen and 20,103,035 million yen (164,240,486 thousand U.S. dollars) as of 31 March 2021 and 2022, respectively.

10. Bonds

Bonds as of 31 March 2021 consisted of the following:

(Millions of yen)

Type of bond	Date of issue	Balance as of 1 April 2020	Balance as of 31 March 2021	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 11-123)	4/19/2010-1/21/2020	¥4,469,844	¥3,817,710 (512,860)	0.001 to 1.400	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 1-7)	9/26/2013-2/24/2017	420,059	420,046 (200,000)	0.001 to 0.576	8Y
Government-guaranteed bonds issued by the JFM (domestic) 6-year bonds (Series 13-20)	4/24/2014-10/28/2016	520,315	320,175 (120,000)	0.001 to 0.202	6Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 7-11)	6/30/2016-8/28/2020	200,111	220,112 (160,000)	0.001	4Y
Government-guaranteed bonds issued by the JFM (international) Global U.S. dollar bonds (Series 1)	1/13/2011	83,170	-	4.0	10Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 17-28)	4/20/2015-11/20/2020	125,000	135,000 (35,000)	0.001 to 0.15	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 11-142)	4/22/2010-3/18/2021	3,360,000	3,385,000 (400,000)	0.049 to 1.465	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 1-89)	6/25/2009-3/18/2021	1,575,000	1,765,000	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-12)	6/26/2014-11/20/2020	105,000	150,000	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	30,000	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-F69, F71-F73, F75-F80, F82-F85, F87-F90, F92-F93, F95-F98, F100-F109, F111-F112, F115-F139, F141-F153, F155-F164, F166-F169, F171-F210, F212-F243, F245-F276, F278-F310, F312-F400, and F402-F607)	7/23/2009-3/24/2021	2,600,288	3,117,917 (216,500)	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, 47-87)	5/1/2014-2/10/2021	1,517,247	1,935,253 [USD 14,057 million] [AUD 1,662 million] [EUR 2,080 million] (318,542)	0.010 to 5.092	3Y to 15Y
Non-guaranteed bonds issued by the JFM (international) (Floater, Series 39)	7/22/2013	9,863	-	Floating rate	7Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A7-A134)	4/27/2010-3/24/2021	2,510,000	2,260,000 (300,000)	0.069 to 1.480	10Y

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Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B65)	11/24/2015-3/24/2021	311,500	429,000	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-C65)	11/24/2015-3/24/2021	462,500	594,000	0.190 to 1.154	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D60)	4/21/2016-3/24/2021	590,000	740,000	0.190 to 0.778	20Y
Bonds issued by the JFM - Sub-total	-	18,959,899	19,399,215 (2,262,902)	-	-
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	84,973	84,976	2.07 to 2.29	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	84,973	84,976	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 1-5)	6/22/2005-7/18/2007	184,860	144,985 (80,000)	1.6 to 2.2	15Y
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 1-25)	7/30/2002-6/16/2008	569,858	569,883	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	189,909	189,915	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	23,960	21,790 (2,170)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	968,589	926,574 (82,170)	-	-
Total	-	¥20,013,462	¥20,410,767 (2,345,072)	-	-

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 20,410,767 million yen as of 31 March 2021.

2. Amounts in square brackets under "Balance as of 31 March 2021" for "Non-guaranteed bonds issued by the JFM (international)— (Series 43-45, 47-87)" are denominated in foreign currencies.

3. Amounts in parentheses under "Balance as of 31 March 2021" are to be repaid within one year.

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
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

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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	-	-

(Thousands of U.S. dollars)

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	\$31,190,445	\$27,001,634 (4,003,268)	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	3,431,749	1,797,652	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	2,615,816	1,634,283 (1,634,283)	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	1,798,301	1,800,561	0.001	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 19-30)	4/21/2016-11/18/2021	1,102,941	1,102,941 (245,098)	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	27,655,229	27,573,530 (3,962,418)	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	408,497	408,497	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	14,419,935	15,441,176	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	1,225,490	1,470,588	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	326,797	326,797	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	25,473,182	26,989,759 (2,242,647)	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	163,399	163,399	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	15,810,894	16,156,882 [USD 14,556 million] [AUD 1,584 million] [EUR 2,080 million] (2,009,868)	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	18,464,052	17,238,562 (2,450,980)	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	3,504,902	4,424,020	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	4,852,941	5,845,588	0.190 to 1.154	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D72)	4/21/2016-3/24/2022	6,045,752	7,271,242	0.190 to 0.778	20Y
Bonds issued by the JFM - Sub-total	-	158,490,322	156,647,111	-	-
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	694,254	694,279	2.07 to 2.29	20Y

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Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	694,254	694,279	-	-
Government-guaranteed bonds issued by the Predecessor (domestic) 15-year bonds (Series 2-5)	4/18/2006-7/18/2007	1,184,522	531,039 (531,039)	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	4,655,912	4,656,114 (408,484)	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	1,551,599	1,551,649	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	178,023	160,294 (17,729)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	7,570,056	6,899,096	-	-
Total	-	\$166,754,632	\$164,240,486	-	-

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 (164,240,486 thousand U.S. dollars) 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.

4. Annual schedule of redemption within five years after the fiscal year-end:

As of 31 March 2021

(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	¥2,345,072	¥2,142,677	¥2,335,910	¥1,927,159	¥1,855,037

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

(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	\$17,505,538	\$19,084,232	\$16,446,053	\$16,462,722	\$ 11,175,216

11. Borrowed Money

Borrowed money as of 31 March 2021 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2020	Balance as of 31 March 2021	Average interest rate (%)	Repayment date
Short-term borrowed money	¥-	¥-	-	-
Long-term borrowed money (repayment within 1 year)	¥-	¥1,000	0.080	9/27/2021
Long-term borrowed money (excluding repayment within 1 year)	¥203,000	¥293,000	0.259	5/29/2023-3/16/2040
Total	¥203,000	¥294,000	-	-

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	-	-

(Thousands of U.S. dollars)

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)	\$8,170	\$-	-	-
Long-term borrowed money (excluding repayment within 1 year)	\$2,393,791	\$3,263,889	0.219	5/29/2023-3/16/2040
Total	\$2,401,961	\$3,263,889	-	-

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 2021

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Borrowed money	¥1,000	¥-	¥86,200	¥83,400	¥88,000

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

(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	\$-	\$704,248	\$681,373	\$718,954	\$853,758

12. Reserves

Reserves as of 31 March 2021 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2020	Increase during the year	Decrease during the year		Balance as of 31 March 2021
			Intended purpose	Other	
Reserve for bonuses	¥58	¥59	¥58	¥-	¥59
Reserve for bonuses for directors and corporate auditors	10	10	10	-	10
Reserve for retirement benefits	62	6	2	13	52
Reserve for retirement benefits for directors and corporate auditors	32	6	15	1	21

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

(Thousands of U.S. dollars)

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	\$483	\$489	\$483	\$-	\$489
Reserve for bonuses for directors and corporate auditors	84	84	84	-	84
Reserve for retirement benefits	430	182	23	61	528
Reserve for retirement benefits for directors and corporate auditors	172	78	112	14	124

13. Reserve for Interest Rate Volatility

Reserve for interest rate volatility as of 31 March 2021 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2020	Increase during the year	Decrease during the year		Balance as of 31 March 2021
			Amount provided	Amount withdrawn	
Reserve for interest rate volatility	¥2,200,000	¥-	¥-	¥-	¥2,200,000
Management account reserve for interest rate volatility	605,607	95,314		¥-	640,921
Total	¥2,805,607	¥95,314	¥-	¥60,000	¥2,840,921

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		¥-	682,675
Total	¥2,840,921	¥81,754	¥-	¥40,000	¥2,882,675

(Thousands of U.S. dollars)

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	\$17,973,856	\$-	\$-	\$-	\$17,973,856
Management account reserve for interest rate volatility	5,236,291	667,925		\$-	5,577,418
Total	\$23,210,147	\$667,925	\$-	\$326,798	\$23,551,274

Note: The “Decrease during the year” for the “Management account reserve for interest rate volatility” in the amount of 40,000 million yen (326,798 thousand U.S. dollars) consists of the payment to the national treasury in accordance with the ministerial ordinance for attribution to the national government.

14. Fund for Lending Rate Reduction

Fund for lending rate reduction as of 31 March 2021 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2020	Increase during the year		Decrease during the year		Balance as of 31 March 2021
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥920,287	¥9,041	¥-	¥9,041	¥-	¥920,287
Total	¥920,287	¥9,041	¥-	¥9,041	¥-	¥920,287

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

(Thousands of U.S. dollars)

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	\$7,518,689	\$111,862	\$-	\$111,862	\$-	\$7,518,689
Total	\$7,518,689	\$111,862	\$-	\$111,862	\$-	\$7,518,689

- 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.

15. Reserve for Retirement Benefits

As of and for the year ended 31 March 2021

(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:	62 million yen
Pension expenses:	0 million yen
Employee retirement benefits paid:	2 million yen
Contributions to the defined benefit plan:	<u>7 million yen</u>
Reserve for retirement benefits at the end of the fiscal year:	<u>52 million yen</u>

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

Funded retirement benefit obligation:	184 million yen
Plan assets:	<u>(181) million yen</u>
Balance:	2 million yen
Unfunded retirement benefit obligation:	<u>49 million yen</u>
Net liability for retirement benefits in the balance sheet:	<u>52 million yen</u>
Reserve for retirement benefits at the end of the fiscal year:	<u>52 million yen</u>
Net liability for retirement benefits in the balance sheet:	<u>52 million yen</u>

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: 0 million yen

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 (430 thousand U.S. dollars)
Pension expenses:	22 million yen (182 thousand U.S. dollars)
Employee retirement benefits paid:	2 million yen (23 thousand U.S. dollars)
Contributions to the defined benefit plan:	<u>7 million yen (61 thousand U.S. dollars)</u>
Reserve for retirement benefits at the end of the fiscal year:	<u>64 million yen (528 thousand U.S. dollars)</u>

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

Funded retirement benefit obligation:	196 million yen (1,605 thousand U.S. dollars)
Plan assets:	<u>(186) million yen ((1,520) thousand U.S. dollars)</u>
Balance:	10 million yen (85 thousand U.S. dollars)
Unfunded retirement benefit obligation:	<u>54 million yen (443 thousand U.S. dollars)</u>
Net liability for retirement benefits in the balance sheet:	<u>64 million yen (528 thousand U.S. dollars)</u>
Reserve for retirement benefits at the end of the fiscal year:	<u>64 million yen (528 thousand U.S. dollars)</u>
Net liability for retirement benefits in the balance sheet:	<u>64 million yen (528 thousand U.S. dollars)</u>

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: 22 million yen (182 thousand U.S. dollars)

16. Net Income by Account

(For the year ended 31 March 2021)

Net income of the general account was 27,388 million yen, while there was no net income of management account.

(For the year ended 31 March 2022)

Net income of the general account was 32,263 million yen (263,587 thousand U.S. dollars), while there was no net income of management account.

17. Information by Account (Balance sheets)

Balance sheets of general account and management account as of 31 March 2021 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥17,329,790	¥5,814,599		¥23,144,389
Securities	593,000			593,000
Cash and bank deposits	1,106,432			1,106,432
Cash collateral paid for financial instruments	3,282			3,282
Other assets	3,381	3,533		6,914
Tangible fixed assets	2,654			2,654
Intangible fixed assets	933			933
Due from general account		600,823	¥(600,823)	
Total assets	19,039,474	6,418,956	(600,823)	24,857,606
(Liabilities)				
Bonds	14,706,147	5,704,619		20,410,767
Borrowed money	294,000			294,000
Cash collateral received for financial instruments	33,480			33,480
Other liabilities	1,779	2,891		4,670
Reserve for bonuses	59			59
Reserve for bonuses for directors and corporate auditors	10			10
Reserve for retirement benefits	52			52
Reserve for retirement benefits for directors and corporate auditors	21			21
Fund for lending rate reduction	920,287			920,287
Basic fund for lending rate reduction	920,287			920,287
Due to management account	600,823		(600,823)	
Reserves under special laws	2,200,000	653,636		2,853,636
Reserve for interest rate volatility	2,200,000			2,200,000
Management account reserve for interest rate volatility		640,921		640,921
Reserve for interest rate reduction		12,714		12,714
Total liabilities	18,756,661	6,361,147	(600,823)	24,516,985
(Net Assets)				
Capital	16,602			16,602
Retained earnings	265,772			265,772
General account surplus reserve	265,772			265,772
Valuation, translation adjustments and others	437			437
Management account surplus reserve		57,808		57,808
Total net assets	282,812	57,808		340,621
Total liabilities and net assets	¥19,039,474	¥6,418,956	¥(600,823)	¥24,857,606

Balance sheets 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 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

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	\$152,054,895	\$40,353,763		\$192,408,658
Securities	7,516,340			7,516,340
Cash and bank deposits	2,888,002			2,888,002
Cash collateral paid for financial instruments	6,634			6,634
Other assets	26,642	23,957		50,599
Tangible fixed assets	21,017			21,017
Intangible fixed assets	7,982			7,982
Due from general account		4,902,319	\$(4,902,319)	
Total assets	162,521,512	45,280,039	(4,902,319)	202,899,232
(Liabilities)				
Bonds	125,107,261	39,133,225		164,240,486
Borrowed money	3,263,889			3,263,889
Cash collateral received for financial instruments	1,204,665			1,204,665
Other liabilities	14,514	23,433		37,947
Reserve for bonuses	489			489
Reserve for bonuses for directors and corporate auditors	84			84
Reserve for retirement benefits	528			528
Reserve for retirement benefits for directors and corporate auditors	124			124
Fund for lending rate reduction	7,518,689			7,518,689
Basic fund for lending rate reduction	7,518,689			7,518,689
Due to management account	4,902,319		(4,902,319)	
Reserves under special laws	17,973,856	5,651,086		23,624,942
Reserve for interest rate volatility	17,973,856			17,973,856
Management account reserve for interest rate volatility		5,577,418		5,577,418
Reserve for interest rate reduction		73,668		73,668
Total liabilities	159,986,418	44,807,744	(4,902,319)	199,891,843
(Net Assets)				
Capital	135,638			135,638
Retained earnings	2,434,931			2,434,931
General account surplus reserve	2,434,931			2,434,931
Valuation, translation adjustments and others	(35,477)			(35,477)
Management account surplus reserve		472,297		472,297
Total net assets	2,535,092	472,297		3,007,389
Total liabilities and net assets	\$162,521,510	\$45,280,041	\$(4,902,319)	\$202,899,232

Notes: 1. General account and management account

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

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

2. General account surplus reserve and management account surplus reserve

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

3. Due from general account and due to management account

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

18. Information by Account (Statements of income)

Statements of income of general account and management account from 1 April 2020 through 31 March 2021 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
Income	¥127,026	¥138,908	¥(6,011)	¥259,923
Interest income	117,492	133,288		250,780
Fees and commissions	83			83
Other operating income	7			7
Other income	9,052			9,052
Contributions from fund for lending rate reduction	9,041			9,041
Others	11			11
Administrative fee for management account	391		(391)	
Interest on due from general account		5	(5)	
Transfer from general account for fund for lending rate reduction		5,615	(5,615)	
Expenses	99,637	48,049	(6,011)	141,675
Interest expenses	87,135	47,445		134,580
Fees and commissions	189	102		292
Other operating expenses	3,622	91		3,713
General and administrative expenses	3,069	19		3,088
Other expenses	0			0
Interest on due to management account	5		(5)	
Transfer to management account for fund for lending rate reduction	5,615		(5,615)	
Administrative fee for general account		391	(391)	
Ordinary income	27,388	90,859	-	118,247
Special gains	-	64,454	-	64,454
Reversal of management account reserve for interest rate volatility		60,000		60,000
Reversal of reserve for interest rate reduction		4,454		4,454
Special losses	-	155,314	-	155,314
Loss on disposal of fixed assets				
Provision for management account reserve for interest rate volatility		95,314		95,314
Payment to national treasury		60,000		60,000
Net income	¥27,388	¥-	¥-	¥27,388

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
Loss on disposal of fixed assets				
Provision for management account reserve for interest rate volatility		81,754		81,754
Payment to national treasury		40,000		40,000
Net income	¥32,263	¥-	¥-	¥32,263

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
Income	\$1,017,199	\$952,693	\$(42,867)	\$1,927,025
Interest income	901,232	913,079		1,814,311
Fees and commissions	629			629
Other operating income	131			131
Other income	111,954			111,954
Contributions from fund for lending rate reduction	111,862			111,862
Others	92			92
Administrative fee for management account	3,253		(3,253)	
Interest on due from general account		43	(43)	
Transfer from general account for fund for lending rate reduction		39,571	(39,571)	
Expenses	753,612	314,978	(42,867)	1,025,723
Interest expenses	661,782	308,699		970,481
Fees and commissions	1,633	770		2,403
Other operating expenses	23,196	1,981		25,177
General and administrative expenses	27,387	275		27,662
Interest on due to management account	43		(43)	
Transfer to management account for fund for lending rate reduction	39,571		(39,571)	
Administrative fee for general account		3,253	(3,253)	
Ordinary income	263,587	637,715	-	901,302
Special gains	-	357,008	-	357,008
Reversal of management account reserve for interest rate volatility		326,798		326,798
Reversal of reserve for interest rate reduction		30,210		30,210
Special losses	-	994,723	-	994,723
Loss on disposal of fixed assets				
Provision for management account reserve for interest rate volatility		667,925		667,925
Payment to national treasury		326,798		326,798
Net income	\$263,587	\$-	\$-	\$263,587

19. Fair Value of Marketable Securities

Marketable held-to-maturity securities as of 31 March 2021 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	¥593,000	¥593,000	-
	Sub total	593,000	593,000	-
Total		¥593,000	¥593,000	-

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	-

(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	\$7,516,340	\$7,516,340	-
	Sub total	7,516,340	7,516,340	-
Total		\$7,516,340	\$7,516,340	-

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 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.



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Independent Auditor's Report

The President
Japan Finance Organization for Municipalities

Opinion

Pursuant to Article 37, paragraph 1 of the Japan Finance Organization for Municipalities Law (the "Law"), we have audited the accompanying financial statements of Japan Finance Organization for Municipalities (the "JFM"), which comprise the balance sheets as at March 31, 2021 and 2022, and the statements of income, appropriation of profit, changes in net assets, and cash flows for the years then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the JFM as at March 31, 2021 and 2022, and its financial performance and its cash flows for the years 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.

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Applying hedge accounting to derivative transactions against pipeline risk (interest rate risk)

Description of Key Audit Matter	Auditor's Response
<p>As stated in Note 7 "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.</p> <p>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.</p> <p>Since the JFM ensured hedging instruments and hedged items have the same major terms, as the assessment of hedge effectiveness, the JFM deemed these to be highly effective and thus did not assess effectiveness.</p> <p>Unrealized gain or loss from hedging instruments of (4,342) million yen (35,477) thousand U.S. dollars) was recorded on the balance sheet for the current fiscal year.</p> <p>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.</p> <p>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.</p>	<p>The audit procedures we performed to evaluate whether the JFM's derivative transactions qualify for hedge accounting include the following, among others:</p> <ul style="list-style-type: none"> We evaluated the design and tested the operating effectiveness of the controls related to entering into derivative transactions and applying hedge accounting. In order to evaluate whether all derivative transactions contracted by the JFM are recorded in the derivative transactions control table, we inspected the authorized document that determined it may possibly enter into derivative transactions at the beginning of the current fiscal year, and have obtained external confirmations for derivative transactions up until the end of the current fiscal year from all counterparties described in this document. We considered no transactions in the obtained external confirmations other than recorded in the derivative transactions control table and considered no derivative transactions in the obtained external confirmations from financial institutions other than the counterparties the JFM determined. In order to evaluate whether 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, 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 also 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.

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	<ul style="list-style-type: none"> In order to evaluate, if the application of hedge accounting was discontinued for interest rate swaps, whether gains and losses on settlement at the time of cancellation were transferred to the unrealized gain or loss from hedging instruments and amortized as an adjustment of the interest to be hedged, we inspected evidences of agreement with the counterparty to terminate the contracts and considered gains and losses on settlement at the time of cancellation. We considered these gains and losses on settlement to be transferred to the unrealized gain or loss from hedging instruments. We recalculated the amortized amounts of the unrealized gain or loss from hedging instruments, and considered the amounts to be amortized to profit or loss by maturity of the hedged item.
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Other Information

The other information comprises the information included in the JFM's Annual Report 2022 that contains audited financial statements but does not include the financial statements and our audit report thereon. The JFM's Annual Report 2022 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.

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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.

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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, 2022 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 28, 2022

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Hiroyuki Kanda
Designated Engagement Partner
Certified Public Accountant

細野 和也
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Appendix / JFM Data

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Members of the Representative Board and the Supervisory Committee

The Representative Board members of JFM as of 10 March 2022 are as follows:

Name	Title	Background
KOUNO Shunji	Chairman	Chairman, Committee for Local Taxes and Finance of National Governors' Association Governor, Miyazaki prefecture
USHIKOSHI Toru	Deputy Chairman	Chairman, Finance Committee of Japan Association of City Mayors Mayor, Omachi City, Nagano prefecture
ARAKI Yasuomi	Deputy Chairman	Chairman, National Association of Towns & Villages Mayor, Kashima town, Kumamoto prefecture
OBATA Junko	Member	Professor, Nihon University Law School
JINNO Naohiko	Member	Professor Emeritus, The University of Tokyo
IKEDA Koji	Member	Chairman, Hirogin Holdings, Inc.

The Supervisory Committee members of JFM as of 1 August 2022 are as follows:

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

Redemption of Loans in Fiscal 2021

Classification		Principal		Interest	
		Number of loans	Amount (USD millions)	Number of loans	Amount (USD millions)
Regular redemption of long-term loans	General loans	461,206	14,825	521,811	1,813
	Loans to local government corporations	162	39	162	2
	Subtotal	461,368	14,864	521,973	1,815
Prepayment of long-term loans	General loans	328	209	291	0
	Loans to local government corporations	-	-	-	-
	Subtotal	328	209	291	0
Redemption of loans with pre-consent or pre-approval		-	-	-	-
Redemption of short-term loans		-	-	-	-
Total		461,696	15,073	522,264	1,815

Note: Totals may not add up due to rounding.

Outstanding Loans by Business

(As of 31 March 2022)

	Business	Number of Loans Made	Loan Amount (USD millions)	
				% of Total
General Account-related Loans	Public Projects, etc.	5,334	4,207	2.2%
	Public Housing	3,277	1,704	0.9%
	National Disaster Prevention	1,264	926	0.5%
	Educational Facilities Development	1,792	722	0.4%
	Social Welfare Facilities Development	1,898	915	0.5%
	General Waste Disposal	519	430	0.2%
	General Projects	1,001	681	0.3%
	Regional Revitalization	1,817	688	0.4%
	Disaster Management and Mitigation	12,875	6,835	3.5%
	Local Road Development	6,364	3,915	2.0%
	Special Municipal Mergers	6,154	8,961	4.7%
	Disaster Prevention	3,064	1,389	0.7%
	Others	16,548	7,843	4.1%
		subtotal	61,907	39,217
Municipal Enterprise-related Loans	Water Supply	53,446	24,864	12.9%
	Transportation	848	6,005	3.2%
	Hospitals and Elderly Care Services	4,979	9,419	4.9%
	Sewerage	119,445	56,123	29.2%
	Industrial Water Supply	2,049	1,267	0.7%
	Electricity and Gas	696	596	0.3%
	Port Facilities	737	297	0.2%
	Markets and Slaughterhouses	716	926	0.4%
	Tourism and Others	178	101	0.1%
		subtotal	183,094	99,599
	Temporary Financial Countermeasures Funding	9,340	49,204	25.6%
	Loans Covering Decrease in Local Tax Revenues	488	4,301	2.2%
	Total	254,829	192,320	100.0%
	Local Government Road Corporation, Toll Roads ¹	63	89	0.0%
	Grand Total	254,892	192,409	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 2022)

(USD millions)

Item	31 March 2021		31 March 2022	
	Before applying cash outflow/inflow rate	After applying cash outflow/inflow rate	Before applying cash outflow/inflow rate	After applying cash outflow/inflow rate
Total of liquid assets ^{*1}	\$817		\$940	
Outflows related to unsecured funding (excluding debt securities)	0	0	0	0
Debt securities	2,827	2,827	3,354	3,354
Total cash outflows	-	2,827	-	3,354
Cash inflows from investment ^{*2}	3,072	2,120	2,843	2,515
Cash inflows from collection of loans	0	0	0	0
Other cash inflows ^{*3}	0	0	0	0
Total cash inflows ^{*4}	3,072	2,120	2,843	2,515
High quality liquid assets	-	817	-	940
Net cash outflows	-	707	-	838
Liquidity coverage ratio	-	116%	-	112%
Total of semi liquid assets ^{*5}	-	7,740	-	1,662
Semi liquidity coverage ratio ^{*6}	-	1,211%	-	310%

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 normal bank cash deposits.

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

Outstanding Loans by Borrower

(As of 31 March 2022)

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	4,010	5,539	5,450	8,857	1,809
Aomori	179	260	2,177	2,240	1,485	424
Iwate	244	477	2,717	2,046	901	273
Miyagi	305	949	4,558	3,079	2,656	450
Akita	203	253	4,579	2,226	1,032	73
Yamagata	205	641	2,850	1,410	1,942	289
Fukushima	381	773	3,658	1,940	3,093	457
Ibaraki	470	1,115	7,162	3,967	1,441	335
Tochigi	257	601	3,230	1,966	930	255
Gunma	194	293	3,346	1,759	1,758	263
Saitama	241	2,458	6,848	5,945	1,921	506
Chiba	367	1,287	5,462	6,064	936	220
Tokyo	85	738	2,261	2,503	170	37
Kanagawa	194	1,900	3,349	6,458	1,355	425
Niigata	258	424	7,774	3,254	960	134
Toyama	241	250	3,542	2,277	564	168
Ishikawa	127	219	2,838	1,423	1,296	370
Fukui	191	221	2,195	1,359	751	83
Yamanashi	136	233	2,700	858	940	125
Nagano	276	366	4,129	2,041	3,177	451
Gifu	225	1,336	4,353	1,754	1,379	349
Shizuoka	281	349	5,086	3,123	855	240
Aichi	202	2,193	5,343	5,097	919	214
Mie	388	1,301	4,017	2,608	1,103	243
Shiga	190	658	3,998	1,913	610	115
Kyoto	185	333	3,726	3,786	1,175	251
Osaka	79	2,068	6,216	10,294	970	319
Hyogo	302	3,888	8,378	7,863	2,247	722
Nara	250	771	2,489	1,689	2,157	598
Wakayama	104	411	1,840	1,934	1,734	543
Tottori	348	806	1,271	937	1,913	358

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
291	208	-	-	14,973	11,477	6.0
114	137	-	-	3,955	3,061	1.6
218	153	-	-	4,080	2,948	1.5
126	68	-	-	7,645	4,546	2.4
12	14	-	-	5,826	2,565	1.3
177	84	-	-	5,174	2,423	1.3
171	135	-	-	7,303	3,305	1.7
267	229	1	0	9,341	5,646	2.9
20	21	-	-	4,437	2,843	1.5
248	211	-	-	5,546	2,525	1.3
329	151	-	-	9,339	9,060	4.7
573	346	3	4	7,341	7,920	4.1
33	118	-	-	2,549	3,396	1.8
52	225	-	-	4,950	9,007	4.7
242	145	-	-	9,234	3,957	2.1
149	105	-	-	4,496	2,800	1.5
34	22	-	-	4,295	2,034	1.1
65	26	-	-	3,202	1,689	0.9
137	32	-	-	3,913	1,247	0.6
179	95	1	0	7,762	2,953	1.5
16	9	-	-	5,973	3,447	1.8
74	64	5	1	6,301	3,776	2.0
73	18	21	50	6,558	7,573	3.9
30	33	-	-	5,538	4,185	2.2
168	59	-	-	4,966	2,746	1.4
34	51	2	0	5,122	4,421	2.3
497	583	-	-	7,762	13,263	6.9
403	346	5	2	11,335	12,820	6.7
51	32	-	-	4,947	3,090	1.6
96	57	-	-	3,774	2,944	1.5
33	14	-	-	3,565	2,114	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	284	748	2,712	1,548	330	68
Okayama	195	674	4,516	2,493	1,264	206
Hiroshima	464	1,595	4,188	3,442	980	256
Yamaguchi	406	489	4,226	2,141	622	90
Tokushima	188	336	1,531	1,036	895	250
Kagawa	158	210	1,808	983	746	188
Ehime	72	264	2,291	1,567	741	216
Kochi	166	745	1,876	1,185	990	231
Fukuoka	92	1,427	5,468	6,786	2,323	865
Saga	71	308	1,628	1,236	662	235
Nagasaki	139	439	2,750	2,096	760	164
Kumamoto	152	728	2,747	1,549	1,833	447
Oita	77	237	2,361	1,134	215	60
Miyazaki	133	559	2,038	1,240	748	178
Kagoshima	175	1,088	2,353	1,331	933	228
Okinawa	215	774	1,649	1,358	942	249
Total	10,381	42,202	171,773	130,389	66,211	15,026

Local Government Associations		Local Government Road Corporations		Total		
Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	Number of Loans Made	Loan Amount (USD millions)	% of Total
77	34	-	-	3,403	2,398	1.2
90	83	-	-	6,065	3,455	1.8
20	25	12	18	5,664	5,335	2.8
64	27	-	-	5,318	2,747	1.4
3	1	-	-	2,617	1,623	0.8
574	178	-	-	3,286	1,559	0.8
19	5	-	-	3,123	2,051	1.1
11	56	-	-	3,043	2,217	1.2
380	201	13	14	8,276	9,294	4.8
150	75	-	-	2,511	1,854	1.0
15	20	-	-	3,664	2,718	1.4
67	178	-	-	4,799	2,903	1.5
0	0	-	-	2,653	1,432	0.7
18	4	-	-	2,937	1,982	1.0
17	10	-	-	3,478	2,657	1.4
47	18	-	-	2,853	2,398	1.2
6,464	4,703	63	89	254,892	192,409	100.0

Note: Totals may not add up due to rounding.

Bond Issuance in Fiscal 2021

1. JFM Bonds

(1) International Bonds

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
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

(2) Domestic Public Offerings

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
143	10	30	245	0.185	100	19 Apr 2021	28 Apr 2031
144	10	35	286	0.160	100	25 May 2021	28 May 2031
145	10	35	286	0.130	100	17 Jun 2021	27 Jun 2031
146	10	35	286	0.090	100	19 Jul 2021	28 Jul 2031
147	10	30	245	0.100	100	20 Aug 2021	28 Aug 2031
148	10	35	286	0.115	100	21 Sep 2021	26 Sep 2031
149	10	30	245	0.155	100	21 Oct 2021	28 Oct 2031
150	10	30	245	0.135	100	18 Nov 2021	28 Nov 2031
151	10	35	286	0.130	100	20 Dec 2021	26 Dec 2031
152	10	30	245	0.204	100	21 Jan 2022	28 Jan 2032
153	10	30	245	0.274	100	18 Feb 2022	27 Feb 2032
154	10	35	286	0.229	100	17 Mar 2022	26 Mar 2032
90	20	15	123	0.501	100	19 Apr 2021	26 Apr 2041
91	20	25	204	0.457	100	17 Jun 2021	28 Jun 2041
92	20	20	163	0.448	100	19 Jul 2021	26 Jul 2041
93	20	15	123	0.449	100	21 Sep 2021	27 Sep 2041
94	20	15	123	0.492	100	21 Oct 2021	28 Oct 2041
95	20	15	123	0.481	100	20 Dec 2021	27 Dec 2041
96	20	20	163	0.543	100	21 Jan 2022	28 Jan 2042
29	5	20	163	0.005	100	19 Jul 2021	28 Jul 2026
30	5	15	123	0.001	100	18 Nov 2021	27 Nov 2026
13	30	20	163	0.737	100	19 Apr 2021	28 Apr 2051
14	30	10	82	0.736	100	18 Nov 2021	28 Nov 2051
F608	5	10	82	0.013	100	27 Apr 2021	28 May 2026
F609	6	3	25	0.010	100	27 Apr 2021	27 Nov 2026
F610	8	3	25	0.057	100	27 Apr 2021	27 Nov 2028
F611	9	3	25	0.135	100	27 Apr 2021	25 Oct 2030
F612	9	6	49	0.138	100	27 Apr 2021	28 Oct 2030
F613	9	3	25	0.115	100	28 Apr 2021	26 Apr 2030
F614	9	3	25	0.125	100	28 Apr 2021	20 Jun 2030
F615	15	4	33	0.332	100	28 Apr 2021	28 Apr 2036
F616	15	3	25	0.339	100	28 Apr 2021	30 Apr 2036
F617	21	3	25	0.491	100	28 Apr 2021	28 Mar 2042
F618	9	20	163	0.118	100	30 Apr 2021	30 Apr 2030
F619	11	6	49	0.186	100	30 Apr 2021	30 Mar 2032
F620	15	3	25	0.323	100	30 Apr 2021	30 Apr 2036
F621	5	10	82	0.012	100	27 May 2021	18 Jun 2026

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F622	9	6	49	0.112	100	27 May 2021	27 May 2030
F623	9	10	82	0.136	100	27 May 2021	28 Nov 2030
F624	21	3	25	0.482	100	31 May 2021	27 Dec 2041
F625	9	3	25	0.140	100	28 May 2021	28 Nov 2030
F626	15	3	25	0.326	100	28 May 2021	20 May 2036
F627	5	20	163	0.012	100	29 Jun 2021	29 Jul 2026
F628	5	6	49	0.014	100	29 Jun 2021	28 Aug 2026
F629	9	3	25	0.055	100	29 Jun 2021	28 Jun 2030
F630	9	25	204	0.085	100	29 Jun 2021	27 Dec 2030
F631	6	3	25	0.005	100	29 Jul 2021	19 Feb 2027
F632	15	3	25	0.243	100	29 Jul 2021	29 Jul 2036
F633	8	20	163	0.051	100	29 Jul 2021	27 Jul 2029
F634	15	4	33	0.249	100	30 Jul 2021	28 Jul 2036
F635	15	4	33	0.249	100	30 Jul 2021	29 Jul 2036
F636	18	3	25	0.332	100	29 Jul 2021	28 Mar 2039
F637	15	3	25	0.240	100	30 Jul 2021	30 Jul 2036
F638	16	3	25	0.277	100	30 Jul 2021	30 Jul 2037
F639	19	3	25	0.378	100	30 Jul 2021	30 Mar 2040
F640	5	6	49	0.009	100	30 Sep 2021	30 Nov 2026
F641	9	6	49	0.059	100	30 Sep 2021	30 Sep 2030
F642	6	3	25	0.012	100	28 Oct 2021	28 Oct 2027
F643	8	10	82	0.070	100	28 Oct 2021	26 Oct 2029
F644	9	20	163	0.116	100	28 Oct 2021	28 Oct 2030
F645	5	6	49	0.005	100	26 Nov 2021	26 Jan 2027
F646	9	6	49	0.040	100	24 Dec 2021	24 Dec 2030
F647	8	10	82	0.095	100	27 Jan 2022	25 Jan 2030
F648	9	20	163	0.153	100	27 Jan 2022	27 Jan 2031
F649	8	3	25	0.072	100	28 Jan 2022	28 Mar 2030
F650	9	6.5	53	0.121	100	28 Jan 2022	28 Jan 2031
F651	9	3	25	0.150	100	28 Jan 2022	28 May 2031
F652	9	3	25	0.169	100	28 Jan 2022	25 Jul 2031
F653	9	3	25	0.170	100	28 Jan 2022	28 Jul 2031
F654	11	3	25	0.219	100	28 Jan 2022	23 Aug 2032
F655	11	3	25	0.223	100	28 Jan 2022	24 Aug 2032
F656	11	3	25	0.224	100	28 Jan 2022	25 Aug 2032
F657	11	3	25	0.225	100	28 Jan 2022	26 Aug 2032
F658	11	3	25	0.225	100	28 Jan 2022	27 Aug 2032
F659	13	3	25	0.305	100	28 Jan 2022	26 Jan 2035
F660	5	6	49	0.001	100	31 Jan 2022	18 Feb 2027
F661	5	12	98	0.001	100	31 Jan 2022	19 Feb 2027
F662	5	6	49	0.001	100	31 Jan 2022	22 Feb 2027
F663	5	12	98	0.001	100	31 Jan 2022	24 Feb 2027
F664	5	6	49	0.001	100	31 Jan 2022	25 Feb 2027
F665	5	5.5	45	0.001	100	31 Jan 2022	28 May 2027
F666	5	6	49	0.001	100	31 Jan 2022	29 Jun 2027
F667	5	7	57	0.113	100	25 Feb 2022	23 Apr 2027
F668	9	3	25	0.259	100	25 Feb 2022	25 Aug 2031
F669	7	10	82	0.115	100	24 Mar 2022	23 Mar 2029

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)				
A135	10	20	163	0.215	100	19 Apr 2021	18 Apr 2031
A136	10	10	82	0.190	100	25 May 2021	23 May 2031
A137	10	10	82	0.160	100	21 Jun 2021	20 Jun 2031
A138	10	10	82	0.120	100	19 Jul 2021	18 Jul 2031
A139	10	20	163	0.130	100	20 Aug 2021	20 Aug 2031
A140	10	10	82	0.145	100	21 Sep 2021	19 Sep 2031
A141	10	10	82	0.185	100	21 Oct 2021	21 Oct 2031
A142	10	10	82	0.165	100	18 Nov 2021	18 Nov 2031
A143	10	20	163	0.160	100	20 Dec 2021	19 Dec 2031
A144	10	10	82	0.234	100	21 Jan 2022	21 Jan 2032
A145	10	10	82	0.304	100	18 Feb 2022	18 Feb 2032
A146	10	10	82	0.259	100	24 Mar 2022	24 Mar 2032
B66	10	5	41	0.215	100	19 Apr 2021	18 Apr 2031
B67	10	5.5	45	0.190	100	25 May 2021	23 May 2031
B68	10	9	74	0.160	100	21 Jun 2021	20 Jun 2031
B69	10	17.5	143	0.120	100	19 Jul 2021	18 Jul 2031
B70	10	11.5	94	0.130	100	20 Aug 2021	20 Aug 2031
B71	10	6	49	0.145	100	21 Sep 2021	19 Sep 2031
B72	10	6.5	53	0.185	100	21 Oct 2021	21 Oct 2031
B73	10	8	65	0.165	100	18 Nov 2021	18 Nov 2031
B74	10	8.5	69	0.160	100	20 Dec 2021	19 Dec 2031
B75	10	16	131	0.234	100	21 Jan 2022	21 Jan 2032
B76	10	10.5	86	0.304	100	18 Feb 2022	18 Feb 2032
B77	10	8.5	69	0.259	100	24 Mar 2022	24 Mar 2032
C66	20	6	49	0.521	100	19 Apr 2021	19 Apr 2041
C67	20	6	49	0.516	100	25 May 2021	24 May 2041
C68	20	9.5	78	0.477	100	21 Jun 2021	21 Jun 2041
C69	20	18	147	0.468	100	19 Jul 2021	19 Jul 2041
C70	20	12.5	102	0.445	100	20 Aug 2021	20 Aug 2041
C71	20	7	57	0.469	100	21 Sep 2021	20 Sep 2041
C72	20	7	57	0.512	100	21 Oct 2021	21 Oct 2041
C73	20	8.5	69	0.487	100	18 Nov 2021	18 Nov 2041
C74	20	9	74	0.501	100	20 Dec 2021	20 Dec 2041
C75	20	17.5	143	0.563	100	21 Jan 2022	21 Jan 2042
C76	20	11.5	94	0.638	100	18 Feb 2022	18 Feb 2042
C77	20	9	74	0.639	100	24 Mar 2022	24 Mar 2042
D61	20	20	163	0.521	100	19 Apr 2021	19 Apr 2041
D62	20	10	82	0.516	100	25 May 2021	24 May 2041
D63	20	10	82	0.477	100	21 Jun 2021	21 Jun 2041
D64	20	10	82	0.468	100	19 Jul 2021	19 Jul 2041
D65	20	20	163	0.445	100	20 Aug 2021	20 Aug 2041
D66	20	10	82	0.469	100	21 Sep 2021	20 Sep 2041
D67	20	10	82	0.512	100	21 Oct 2021	21 Oct 2041
D68	20	10	82	0.487	100	18 Nov 2021	18 Nov 2041
D69	20	20	163	0.501	100	20 Dec 2021	20 Dec 2041
D70	20	10	82	0.563	100	21 Jan 2022	21 Jan 2042
D71	20	10	82	0.638	100	18 Feb 2022	18 Feb 2042
D72	20	10	82	0.639	100	24 Mar 2022	24 Mar 2042

3. Government-guaranteed Domestic Bonds

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
12	4	80	654	0.001	100.22	30 Jun 2021	30 Jun 2025
13	4	80	654	0.001	100.29	26 Aug 2021	26 Aug 2025

Outstanding International Bonds

1. JFM Bonds

(As of 31 March 2022)

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
49	7	Global	USD	1,000	2.000	99.391	21 Apr 2015	21 Apr 2022
54	7	Global	USD	1,000	2.125	99.297	25 Oct 2016	25 Oct 2023
57	5	Global	USD	1,000	2.625	99.823	20 Apr 2017	20 Apr 2022
58	10	Euro	AUD	22	3.418	100	26 Jun 2017	21 Jun 2027
61	5	Euro	USD	44	2.570	99.99	30 Jan 2018	30 Jan 2023
62	5	Euro	AUD	28	2.760	99.99	30 Jan 2018	30 Jan 2023
63	5	Global	USD	1,000	3.250	99.982	24 Apr 2018	24 Apr 2023
64	10	Euro	AUD	73	3.370	100	26 Jun 2018	21 Jun 2028
65	4	Euro	AUD	125	2.400	99.99	26 Sep 2018	26 Sep 2022
66	5	Global	USD	1,000	3.375	99.499	27 Sep 2018	27 Sep 2023
67	11	Euro	EUR	80	1.106	100	24 Jan 2019	24 Jan 2030
68	5	Global	USD	1,000	3.000	99.682	12 Mar 2019	12 Mar 2024
69	5	Global	USD	1,000	1.750	99.890	5 Sep 2019	5 Sep 2024
70	5	Euro	USD	60	1.650	99.99	28 Jan 2020	28 Jan 2025
71	5	Euro	AUD	50	1.160	99.99	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	99.99	27 Oct 2021	27 Oct 2026
91	5	Euro	AUD	28	1.200	99.99	27 Oct 2021	27 Oct 2026
92	3	Global	USD	750	1.500	99.930	27 Jan 2022	27 Jan 2025

Organization History

History of the JFM

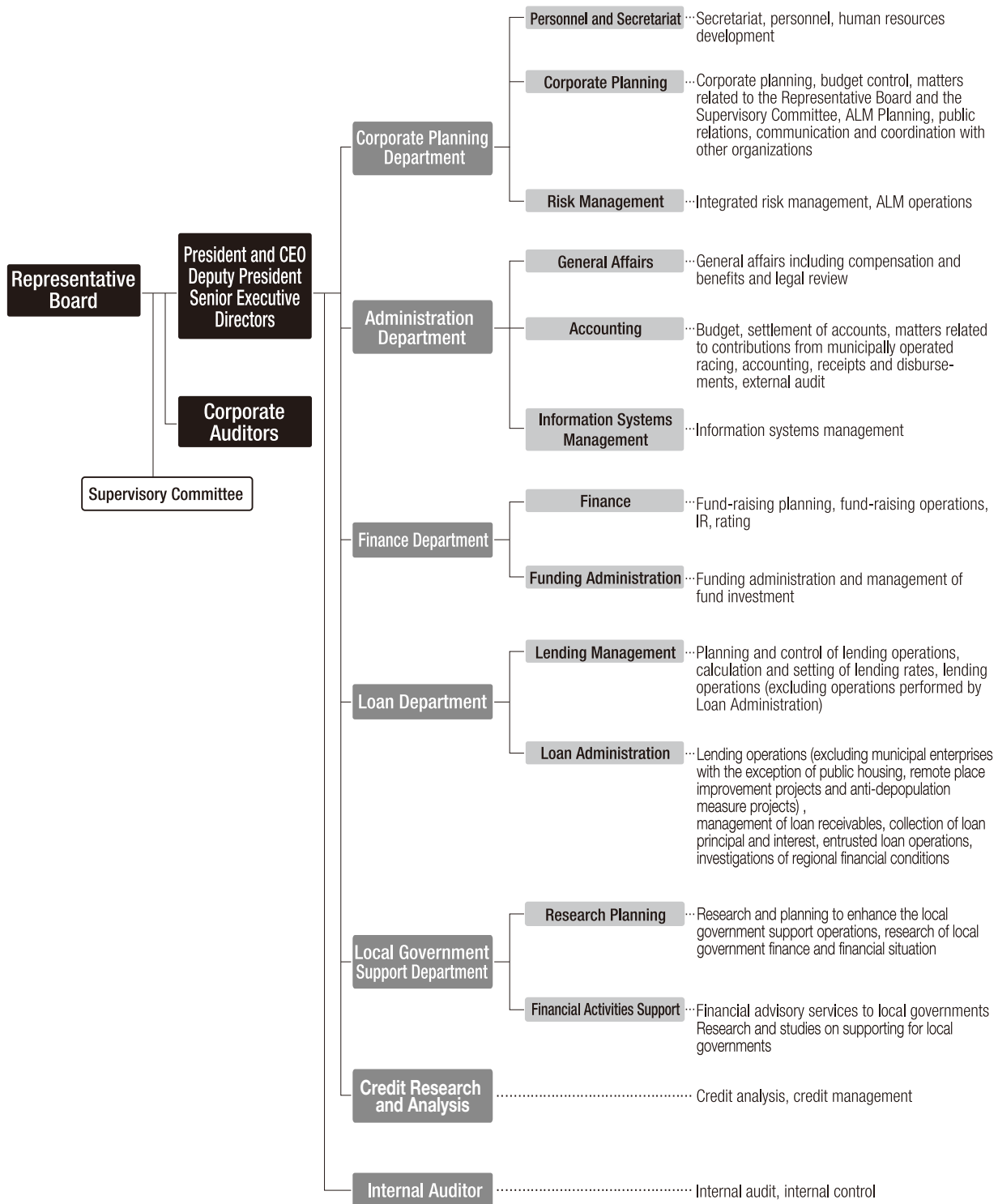
FY2008	The Japan Finance Organization for Municipal Enterprises (the Predecessor of the JFM) was established pursuant to the Japan Finance Organization for Municipal Enterprises Law on 1 August 2008. Succeeded the assets and assumed the liabilities of the Predecessor and commenced operations on 1 October 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 2022



Directors and Corporate Auditors

As of 1 October 2022

President and CEO	SATO Fumitoshi
Deputy President	KATO Junichi
Senior Executive Directors	SUZUKI Kiyoshi, KOYAMA Tetsushi, OKAMOTO Noboru
Corporate Auditors	SEWAKI Hajime, OMORI Masaaki (part-time)

Contact Information



(Photo provided by the Tokyo Institute for Municipal Research)

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Bloomberg ticker: JFM Govt



<https://www.jfm.go.jp/en/>

HARUWA AKEBONO.

*“For spring, it is the dawn that is most beautiful.
The skies on top of mountains
become lighter and lighter with the rising of the sun.
The long thin clouds that turn
light purple are a sight to be enjoyed, too.”*

Makura no Soshi



Mount Fuji, Yamanashi Prefecture