JFM

Japan Finance Organization for Municipalities

ANNUAL REPORT 2025

JFM

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Note to Financial Statements

The conversion of 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 2025, the final day of the fiscal year, which was JPY 149.48 to USD 1. This conversion should not be interpreted as suggesting that all amounts shown could be converted to U.S. dollars at such rate.

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Profile of JFM

(As of 1 October 2025)

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	NAITO Hisashi
Capital	USD 111.1 million
Number of Employees	111 (as of April 2025)
Outstanding Loans as of 31 March 2025	USD 151.9 billion
Outstanding Bonds and Bank Loans as of 31 March 2025	USD 128.5 billion
Credit Ratings as of 31 March 2025	S&P: A+ Moody's: A1 R&I: AA+

Management Philosophy

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

1 *Being Responsive to Local Government Needs*

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

JFM focuses on related investigation and research and offers information with the aim of becoming a good partner in financial management for local governments.

2 *Strengthening Confidence from Capital Markets*

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

3 *Ensuring Responsible Corporate Governance as a Joint Organization of Local Governments*

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

Message 2025

Message from
the President and CEO

NAITO Hisashi
President and CEO
2025

Naito Hisashi

Japan Finance Organization for Municipalities

Japan Finance Organization for Municipalities (JFM) is a joint funding organization established under the law of Japan, wholly owned by all local governments in Japan, with the objective of accurately meeting the funding needs of these governments by providing long-term, low-interest financing. With a solid financial foundation, JFM is dedicated to supporting the sound fiscal management of local governments and contributing to the realization of sustainable communities through its three core functions: lending, funding, and supporting local governments.

In light of recent developments in the financial market environment, domestically, the Bank of Japan's interest rate hike has ushered in what is now referred to as a "world with interest rates." Internationally, central banks in Europe and the United States have transitioned from tightening to easing their monetary policies, marking the beginning of a new phase in global finance. Furthermore, amidst an environment of heightened uncertainty—driven by factors such as the impact of U.S. tariff policies, political instability in various countries, and the emergence of geopolitical risks—the outlook for interest rates and exchange rates remains unclear. Nevertheless, JFM remains resolute in its commitment to fulfilling its prescribed role with precision and reliability, ensuring that it continues to meet the evolving needs of local governments in these challenging times.

First, regarding lending operations, as of the end of fiscal 2024, the outstanding loan balance is expected to reach JPY 22.7 trillion. In line with the Local Government Borrowing Programme, loans have been provided for high-priority projects for local governments, such as "Disaster Management and Mitigation Project", "Depopulation Measure Project", and "Child and Child-rearing Support Project". In addition, loans are extended for projects closely related to residents' daily lives, such as "Water Supply and Sewage Project" and "Hospitals Project". Moving forward, we will continue to utilize earnings from Public Racing (horse racing, bicycle racing, motorcycle racing, and speedboat racing), collected by the implementing bodies to reduce loan interest rates and provide low-interest financing to local governments.

To finance these loans, JFM primarily issues JFM bonds in the financial markets. As of the end of fiscal 2024, the outstanding balance of bonds and long-term bank loans is expected to reach JPY 19.2 trillion. To date, we have gained strong market confidence, accurately capturing investor demand in issuing bonds. Going forward, we will continue to respond flexibly and precisely to changes in the financial market environment, ensuring favorable financing conditions.

In regard to local government support, JFM aims to be a trusted advisor in the fiscal management of local governments. To achieve this, we implement various initiatives by organically linking three pillars: "Research and Studies", "Personnel Training Support" and "Information Dissemination". Notably, in its program to enhance the management and financial capabilities of local governments by dispatching advisors upon request, JFM will expand its support to include initiatives such as wide-area regional cooperation, digital transformation for tax administration, and Regional Revitalization 2.0, while significantly increasing the number of dispatched advisors. Moreover, JFM will actively and diligently conduct research studies and information dissemination activities that address urgent local policy needs, such as countermeasures against declining birthrates, depopulation, and the enhancement of child-rearing environments, thereby further contributing to the fiscal soundness and financial stability of local governments.

In addition, as part of its sustainability efforts, JFM will continue to issue Green Bonds both domestically and internationally, while incorporating ESG considerations into all of its business activities, including lending, funding, and local government support, thereby further contributing to the realization of sustainable communities.

All of us at JFM are fully committed to realizing our mission of "Supporting local governments through finance to create a future for regions." We will continue to diligently carry out our work to accurately meet the funding needs of local governments through stable fundraising, and to further enhance our support services for them. Through these efforts, we aim to contribute to the sound fiscal management of local governments and the realization of sustainable communities. We kindly ask for the continued cooperation and support of all relevant parties.

Mission

Supporting local governments through finance to create a future for regions

Use of diverse capital

Financial capital
- Strong financial foundation as a joint organization of local governments

Intellectual capital
- Extensive track record in lending
- Know-how accumulated since the days of the former corporation

Human capital
- Professionals with diverse backgrounds

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

Business activities that address a wide range of needs of local governments

Lending
P.26

Long-term, low-interest loans to local governments

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

Funding
P.36

Stable funding through a variety of means

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

Institutional security for the sound financial management of local governments
- Local finance system (local allocation taxes, local government borrowings, etc.)
- Financial soundness legislation

Management Philosophy

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

Creating value in local communities

Support for Local Governments

P.39

Good partner for local governments

Fine-tuned support according to needs of local governments

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

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

Relevant SDGs

JFM Approach to Sustainability

Overview of JFM Sustainability Policy

1. Introduction

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

2. Implementation System

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

3. Basic Policy

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

3.1. Consideration for the Environment

3.1.1. Loans to Projects that Contribute to Environmental Improvement

- Loans to various local government-operated businesses that serve to improve the environment, including sewerage and water supply businesses.
- Use Green Bonds to procure loan capital.

3.1.2. Initiatives at JFM's Office

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

3.2. Fulfilling Social Responsibility

3.2.1. Sustainable Development of Local Communities

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

3.2.2. Contributing to Capital Markets

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

3.2.3. Inclusive and Vibrant Work Environment

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

3.3. Robust Governance

3.3.1. Organizational Structure

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

3.3.2. Respect for Human Rights and Legal Compliance

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

4. Dialogue and Disclosure

4.1. Dialogue with Local Governments

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

4.2. Dialogue with Investors

- Hold constructive dialogue with domestic and foreign investors.

4.3. Appropriate Disclosure

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

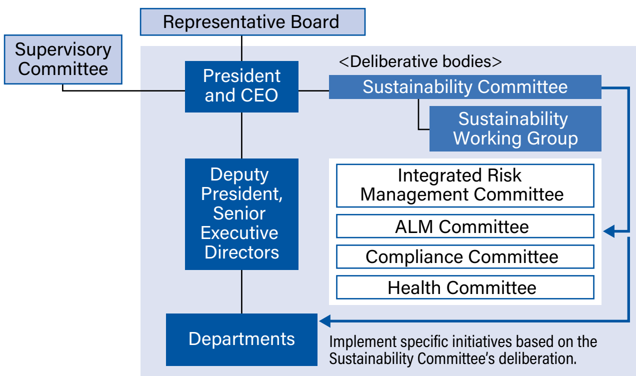
JFM Sustainability Committee

JFM has established the Sustainability Committee to promote sustainability initiatives.

The Sustainability Committee deliberates on environmental issues (e.g., climate change), social issues (e.g., diversity, the work environment, and human rights), and governance issues (e.g., ethics and legal compliance).

The Committee is chaired by the President and CEO and composed of all Senior Executive Directors, Direct Generals, Chief Credit Officer, Internal Auditor.

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



JFM's Action for Sustainability

JFM will give consideration to ESG factors throughout its entire business.
Major initiatives include the following.

Supporting Sustainable Community Development through Lending Operations

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

➡P.10 Support sustainable community development through lending operations

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

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

➡P.11 Support for Local Governments — Case Study

Creation of an Inclusive and Vibrant Work Environment

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

➡P.56 Compliance ➡P.58 Human Capital

Ensuring Robust Governance

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

➡P.46 Corporate Governance

Raising Funds by Sustainable Finance

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

➡P.12 Green Bonds

Consideration for the Environment at the Office

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

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

Information Disclosure

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

➡P.59 Disclosure

Column Greenhouse Gas (GHG) Emissions

JFM aims to contribute to the realization of a decarbonized society by setting a goal to achieve net zero GHG emissions for Scope 1 and Scope 2[*1] by 2050, in line with the Japanese government's target "Carbon Neutrality by 2050".

JFM calculates the GHG emissions for Scope 1 and Scope 2, targeting fuel usage and electricity usage at business locations[*2]. In fiscal 2024, JFM's GHG emissions were 82.1tCO_2.

	Target	Indicator
Greenhouse Gas (GHG) Emissions (Scope 1 & 2)	Net-zero by 2050	82.1tCO_2

We will continue to work on reducing GHG emissions by turning off unnecessary lighting and utilizing energy-saving devices.

Notes: 1. Scope 1: Direct emissions from the reporting company itself, such as fuel combustion and industrial processes
Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by others
(Defined by the international standard "GHG Protocol" established for calculating and reporting GHG emissions.)
2. Calculations include fuel usage of company-owned vehicles and electricity usage at business locations (excluding portions related to air conditioning equipment, where usage fees are generally included in common service charges).

Support sustainable development through lending operations

Local governments are facing various administrative issues, such as promoting the revitalization of regions, measures against the declining birth rate and an aging population, measures against deteriorating infrastructure, and measures against large-scale and intensifying natural disasters. To address these challenges, JFM provides loans to local governments who develop infrastructure and administrative services for residents of the region and contributes to sustainable development of the region's community and environment.

■ JFM lending operation and SDGs mapping

Sewerage

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

Lending operations in fiscal 2024
Number of borrowers: 765
Loan amount: USD 2.0 billion

Matsuo Purification Center
(Iida City, Nagano Prefecture)

Hospitals

Maintaining hospitals, medical facilities managed by local governments.

Lending operations in fiscal 2024
Number of borrowers: 198
Loan amount: USD 552 million

Kobe Proton Center
(Kobe City, Hyogo Prefecture)

Disaster Management and Mitigation

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

Lending operations in fiscal 2024
Number of borrowers: 825
Loan amount: USD 917 million

Tsunami Evacuation Tower
(Kuroshio Town, Kochi Prefecture)

Educational and Social Welfare Facilities Development

Maintaining educational and social welfare facilities such as schools, child welfare facilities managed by local governments.

Lending operations in fiscal 2024
Number of borrowers: 186
Loan amount: USD 215 million

Susono Elementary School
(Hirosaki City, Aomori Prefecture)

SUSTAINABLE DEVELOPMENT GOALS

Support for Local Governments — Case Study

Project to strengthen administration and financial management of local governments

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

Dispatch trends in fiscal 2024

Number of applications: 1,131 Number of dispatches: 3,546

Study No. 1 Shinano Town, Nagano Prefecture (area of support: management improvement of municipal enterprise)

Outline of the organization

Shinano Town is located at the northern tip of Nagano Prefecture and has a population of approximately 8,000 people (according to the 2020 National Census). This project was utilized to receive advice on revising the management strategy of the sewerage business scheduled for fiscal 2024 and on the future direction of the sewerage business.

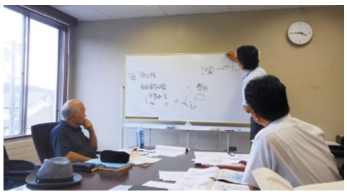
Comments from the adviser

Mr. ENDO Seisaku (Research Center for Public Policy Studies of Hokkaido University Public Policy School)

Shinano Town is the birthplace of the famous haiku poet KOBAYASHI Issa and is a representative tourist destination in Nagano Prefecture, known for the Kurohime Highlands and Lake Nojiri. To preserve the water quality of Lake Nojiri, an officially designated lake, the town has long been developing public sewers, special environmental protection public sewers, agricultural village wastewater treatment facilities, and combined treatment septic tanks. Although the population coverage rate for wastewater treatment is high at 90%, the financial management of the sewerage business was in a difficult situation.

I have a connection with Mayor SUZUKI as we are both alumni of Hokkaido University. Additionally, the staff of the Nagano Prefecture Municipal Affairs Division and the town's Water and Sewerage Division have a high level of awareness of the issues, and we have been brainstorming together to consider the restructuring of the small-scale sewerage system. As a result, we have had opportunities to explain to the council, and the momentum of improvement is building.

I feel that we are close to solving the two issues of "water quality preservation" of Lake Nojiri, famous for the excavation of Naumann elephants, and the "financial soundness of the sewerage business."



A scene of Mr. ENDO giving advice (Shinano Town, Nagano Prefecture)

Study No. 2 Yanai Water Supply Authority (area of support: management improvement of municipal enterprise)

Outline of the organization

The Yanai Regional Water Supply Authority is a partial administrative association that supplies water to the water service entities in the Yanai region of Yamaguchi Prefecture. This project was utilized to prepare for the integration of water services and management of Yanai City and four towns (Yanai City, Suo-Oshima Town, Kaminoseki Town, Tabuse Town, and Hirao Town) on April 1, 2025.

Comments from the adviser

Mr. SATO Yuya (Associate Professor, Waseda University Research Council & Faculty of Commerce)

The Yanai Regional Water Supply Authority has been supplying water to one city and four towns in the Yanai region, but each constituent city and town has been facing issues such as declining water supply revenue and facility deterioration.

As a solution to these problems, the integration of water services has been considered. However, due to differences in rate disparities and facility development levels, we have been promoting interest coordination through the Management and Financial Management Enhancement Project, centered on the advisor.

As a result, we have reached the signing of a "Basic Agreement" to set the integration date as April 1, 2025.

Hizumi Purification Plant (Yanai Water Supply Authority)

Note: Study Nos. 1 and 2 are examples from fiscal 2023. The advisors' comments reflect their perspectives at the time of implementation.

Green Bonds

In response to growing global interest in the SDGs, the issuance of ESG bonds*1 has been expanding. In order to provide stable long-term, low-interest funding, JFM issued its first Green Bond in FY2019 to finance sewerage projects conducted by local governments, and has continuously issued them every fiscal year since then. Most recently, in January 2025, JFM issued its sixth Green Bond worth EUR 500 million (JPY 20.0 billion).

Furthermore, starting from fiscal 2024, domestic Green Bonds have been issued in Japan with the use of proceeds allocated to finance the Japanese local governments' water supply projects (1st issuance: June, JPY 21.0 billion 2nd issuance: December, JPY 20.0 billion).

The sewerage and water supply projects, which were established using proceeds from JFM Green Bonds, play an important role in both environmental and social aspects by contributing to the efficient use of water resources, the improvement of public health, the preservation of the living conditions, and the protection of water quality. For Green Bonds which have been issued, in cooperation with local governments, JFM prepares and publishes impact reports that summarize the use of proceeds, project details, environmental improvement effects, etc., to disseminate local governments' initiatives on the SDGs to investors in Japan and overseas.

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

Note: 1. A general term for bonds that use their proceeds for projects that have some effect on improving the environment and contributing to society such as Green Bonds, which are used for projects that contribute to solving environmental issues; social bonds, which are used for projects that contribute to solving social is-sues; and sustainability bonds, which are used for projects that have both characteristics or for both projects. Unlike ordinary bonds, it is desirable to disclose to investors the use of proceeds, the process for project evaluation and selection, the management of proceeds, and the method of impact reporting.

■ JFM International Green Bond Issuance

Series	Currency	Issue Amount(mm)	Tenor	Coupon(%)	Issue Date
1st	EUR	500	7-year	0.050	12 Feb 20
2nd	EUR	500	7-year	0.010	2 Feb 21
3rd	USD	750	3-year	1.500	27 Jan 22
4th	EUR	500	5-year	3.375	22 Feb 23
5th	EUR	500	5-year	2.875	23 Jan 24
6th	EUR	500	5-year	2.750	16 Jan 25

■ JFM Domestic Green Bond Issuance

Series	Currency	Issue Amount		Tenor	Coupon(%)	Issue Date
		JPY in billions	USD in millions			
1st	JPY	21	140	5-year	0.638	19 Jun 24
2nd	JPY	20	134	5-year	0.809	20 Dec 24

For information regarding JFM's Green Bonds, also visit the following website;
https://www.jfm.go.jp/en/investors/bond/green_bond2.html

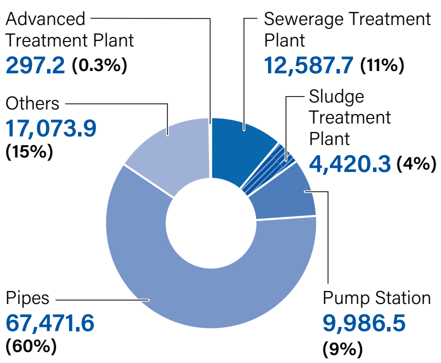
JFM conducted a survey on the environmental improvement effects, etc. of sewerage projects with the local governments to which loans were made between 29 January 2024 and 28 March 2024, for which the proceeds from the Green Bond issued in January 2024 were allocated. JFM published an impact report summarizing the results in December 2024. The following is a summary of the results.

■ Summary

Total extension of pipes (km)
603.5
Covered area population
21,314,872
Water management capacity (m³)
3,316,519,888
Amount of electricity saved (kWh)
18,108,765

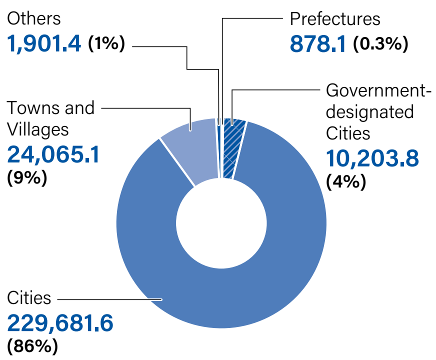
■ Loan Amount by Project Type [*1, 3]

(JPY mm)



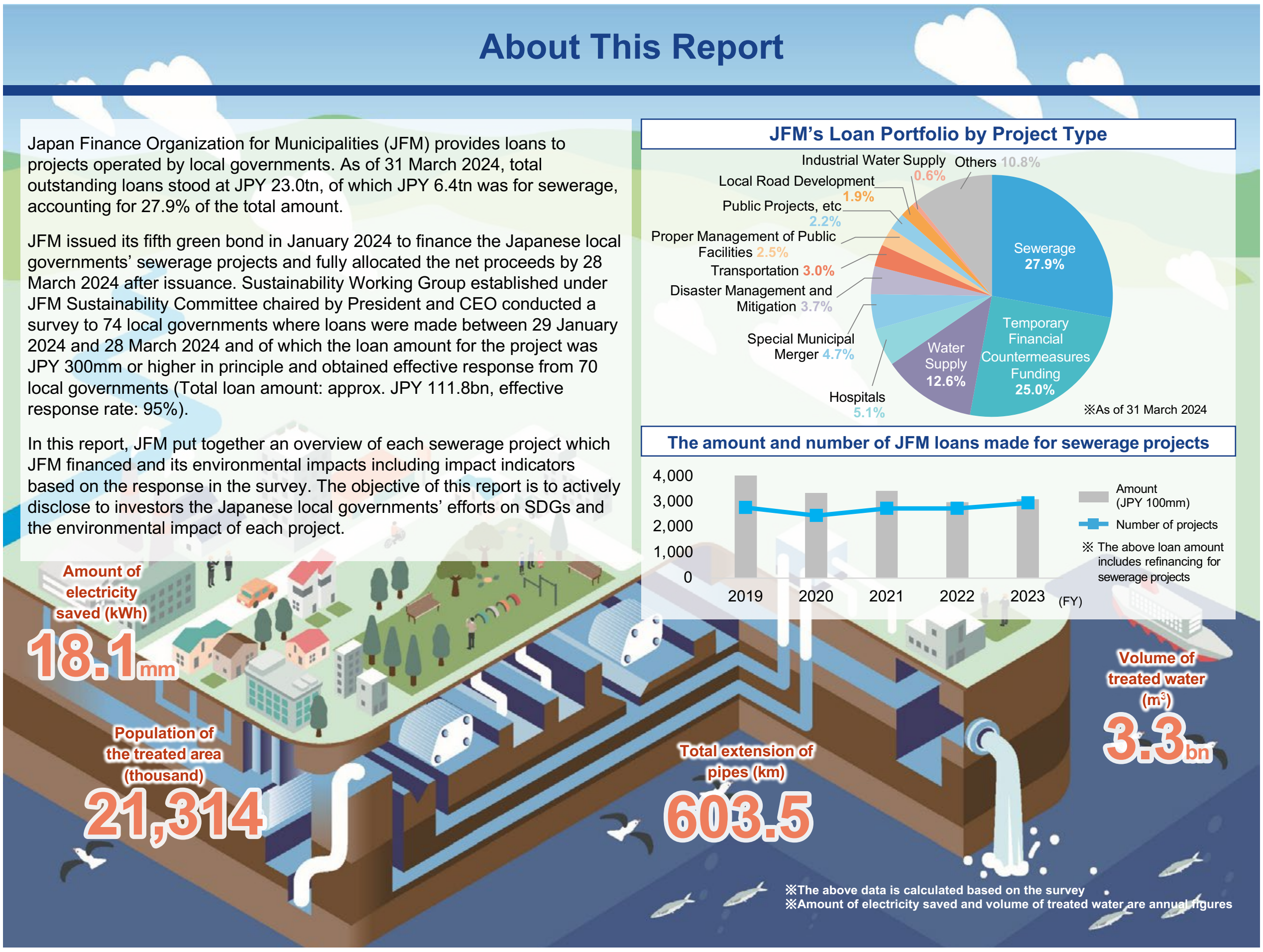
■ Loan Amount by Borrower Type [*2, 3]

(JPY mm)



Notes: 1. Breakdown of Green Bond eligible projects from 29 January 2024 to 28 March 2024 (approximately JPY 111.8 bn)
2. Breakdown of all the sewerage projects related loans in fiscal 2023
3. Does not add up to 100 due to rounding off

■ JFM Green Bond Impact Report



JFM Green Bond Impact Report 2024

Review and Plan

Review of Operations for Fiscal 2024

Management Plan for Fiscal 2025

Kokeizan Eihoji Temple in summer, Tajimi City, Gifu Prefecture

JFM Lending Operations - Proper Management of Public Facilities

Tajimi City, Gifu Prefecture

Tajimi City Shokuiku Center

Background to the plan

As part of its educational initiatives, Tajimi city has been placing a strong emphasis on "shokuiku" (food and nutrition education). The city has planned the construction of a large-scale facility that will consolidate the functions of two existing school lunch kitchens and dishwashing center, in order to provide school meals to children.

Execution of loans

Although the schedule overlapped with other construction projects, funding was secured through loans from JFM, given their favorable low interest rates and long-term financing options.

Effects and development

The city has implemented various initiatives, including facility tours for local children, food and nutrition education seminars for parents and children during the summer holidays, and training sessions, with the aim of promoting awareness among children about the importance of food.

SDG Mapping for Proper Management of Public Facilities

1. Lending Operations

In fiscal 2024, JFM provided loans totaling USD 9.6 billion.

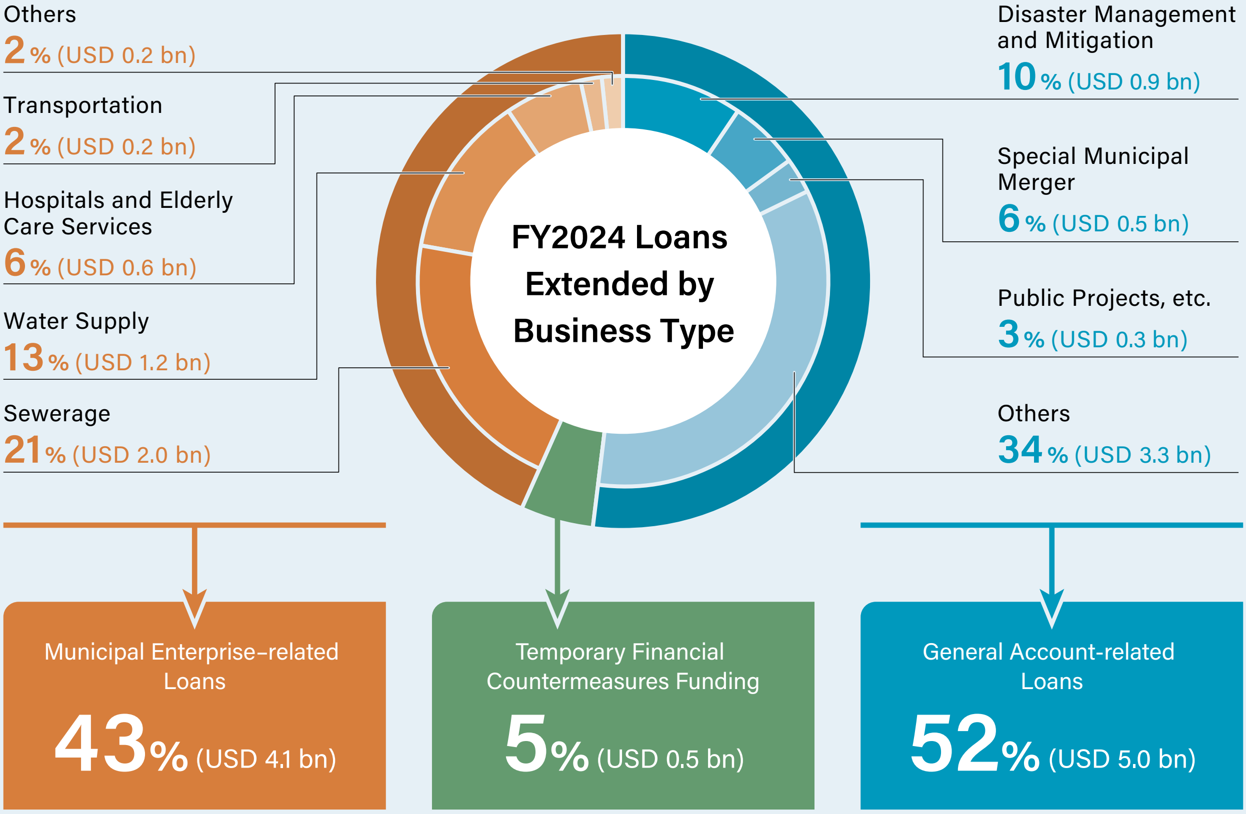
General account-related loans totaled USD 5.0 billion (52%) of the total lending volume, mainly represented by proper management of public facilities and disaster management and mitigation. Loans for temporary financial countermeasures funding*1 were USD 0.5 billion (5%), and loans for municipal enterprise-related loans were USD 4.1 billion (43%), of which sewerage and water supply businesses were the main contributors.

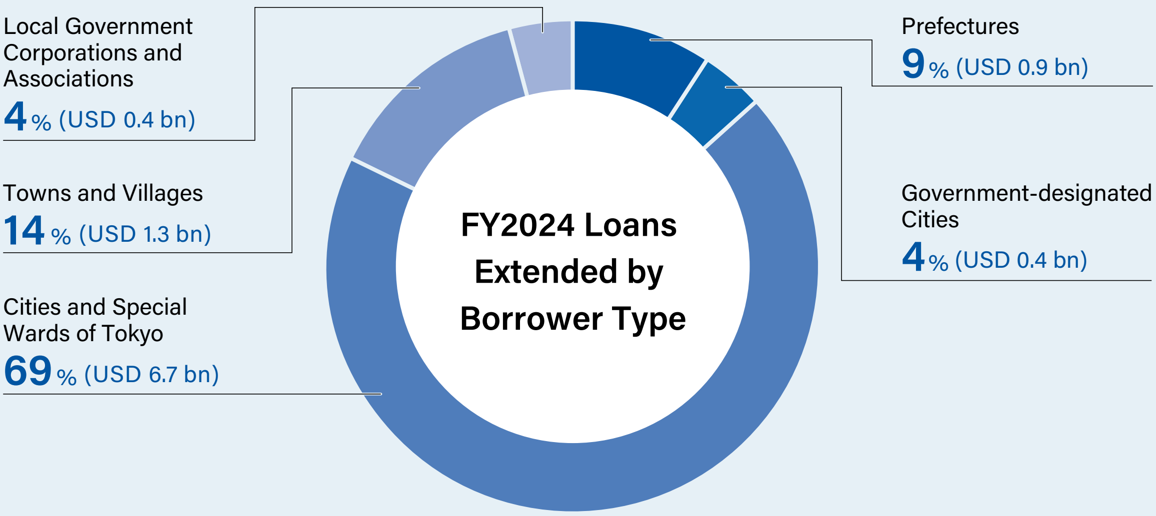
Note: 1. Represents local government funding to cover shortfalls in local government revenue sources pursuant to the provisions of the Local Government Finance Law (Act No. 109 of 1948, as amended).

Lending Operations by Business Type in Fiscal 2024

Business Type	Number of Loans Made	Loan Amount (USD Millions)	
			% of total
General Account-related Loans			
Public Projects, etc.	605	260	2.7%
Public Housing	167	76	0.8%
Educational Facilities Development	254	165	1.7%
Social Welfare Facilities Development	99	50	0.5%
General Waste Disposal	88	102	1.1%
General Service Facilities Development*1	3	1	0.0%
General Projects	59	44	0.5%
Regional Revitalisation	175	72	0.7%
Disaster Prevention	293	65	0.7%
Local Road Development	331	191	2.0%
Special Municipal Merger	312	542	5.6%
Disaster Management and Mitigation	1,561	917	9.5%
Proper Management of Public Facilities	922	941	9.8%
National Disaster Prevention	1,467	726	7.6%
Decarbonisation Promotion Projects	429	114	1.2%
Child and Child-rearing Support Projects	1	0	0.0%
Remote Area Improvement Projects	124	25	0.3%
Depopulation Measure	1,465	724	7.5%
Subtotal	8,355	5,015	52.2%
Municipal Enterprise-related Loans			
Water Supply	1,458	1,229	12.8%
Industrial Water Supply	60	35	0.4%
Transportation	46	156	1.6%
Electricity and Gas Supply	23	28	0.3%
Port Facilities	17	14	0.1%
Hospitals and Elderly Care Services	488	581	6.0%
Markets and Slaughterhouses	33	73	0.8%
Sewerage	2,784	2,019	21.0%
Tourism and Others	7	5	0.0%
Subtotal	4,916	4,140	43.1%
Temporary Financial Countermeasures Funding	43	457	4.8%
Total	13,314	9,612	100.0%

Notes: 1. General Service Facilities Development are designated for issuance when projects are carried out using funds provided through the national treasury under the Special Account for Reconstruction from the Great East Japan Earthquake.
2. Totals may not add up due to rounding.





Total

USD 9.6 bn

Note: Totals may not add up due to rounding.

2. Funding Operations

1. Overview

In fiscal 2024, JFM raised a total of USD 12.2 billion, which includes USD 10.7 billion in JFM bonds (non-government guaranteed), and USD 0.9 billion in government-guaranteed bonds for the repayment of existing bonds issued by Japan Finance Corporation for Municipal Enterprises (the"Predecessor"). In addition, JFM raised USD 0.6 billion through long-term bank loans.

With regard to JFM bonds, a total of USD 7.1 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 5.0 billion was issued in the fiscal year. In order to cope with highly volatile market conditions through the period, JFM increased the regular issuance of 5-year, 10-year, 20-year, and 30-year bonds, as well as FLIP from the initial plan by utilizing the budget of the Open Issuance scheme.

In overseas offerings, JFM issued USD denominated benchmark bonds in 5-year tenor (USD 1.5 billion) in April 2024. In January 2025, JFM also issued its sixth international Green Bond in EUR 5-year tenor (EUR 500 million). Through these activities, the total volume of international bonds issued in fiscal 2024 amounted to USD 2.1 billion.

Private placements with pension funds for local government officials totaled USD 3.6 billion.

As a result, JFM's outstanding bonds were USD 125.0 billion and outstanding long-term bank loans totaled USD 3.5 billion as of 31 March 2025.

Notes: 1. Issued amounts are calculated based on issue prices.
2. Issued amounts of JPY denominated bonds are converted at the exchange rate at the end of fiscal 2024 and those of non-JPY denominated bonds are calculated at the timing of pricing.
3. Totals may not add up due to rounding.

Flexible Issuance Programme (FLIP)
FLIP is JFM's unique framework for domestic bond issuance which is similar to the MTN Programme in some ways. JFM issues domestic bonds under FLIP in a minimum issue amount of JPY 3 billion (USD 20.1 million), with flexibility in terms of issue amount and maturity to meet the needs of investors.

Funding in Fiscal 2024

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Type of Bonds	Plan (Initial)	Achieved
Domestic Public Offerings	USD 4.1 bn	USD 5.0 bn
10-year	USD 1.8 bn	USD 2.2 bn
20-year	USD 0.7 bn	USD 0.7 bn
5-year	USD 0.1 bn	USD 0.3 bn
30-year	USD 0.1 bn	USD 0.2 bn
Opportunistic Issuance *1	USD 1.3 bn	USD 1.6 bn
Overseas Offerings - MTN	USD 2.0 bn	USD 2.1 bn
Open Issuance *2	USD 1.2 bn	-
Total	USD 7.3 bn	USD 7.1 bn

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

Type of Bonds	Plan (Initial)	Achieved
10-year	USD 1.7 bn	USD 1.7 bn
20-year	USD 1.9 bn	USD 1.9 bn
Total	USD 3.6 bn	USD 3.6 bn

2. Government-guaranteed Domestic Bonds

Type of Bonds	Plan (Initial)	Achieved
4-year *3	USD 1.8 bn	USD 0.9 bn
Total	USD 1.8 bn	USD 0.9 bn

3. Long-term Bank Loans

	Plan	Achieved
Long-term Bank Loans	USD 0.5 bn	USD 0.6 bn

Notes: 1. Details of issuance such as tenor, issue size will be determined as necessary based on the lending status, market conditions and other factors.
2. Open Issuance is utilized for increases in domestic public offerings, overseas offerings, and long-term bank loans.
3. Planned amount was updated in December 2024, and it was reduced to USD 0.9 billion.
4. Totals may not add up due to rounding.

2. Issue Spreads

Regarding the domestic public offering bonds that JFM regularly issues, following the Bank of Japan's exit from negative interest rates and two subsequent policy rate hikes, Japan has entered a "world with interest rates," and issuances have taken place in an environment of rising interest rates.

For JFM 10-year domestic bonds, strong demand from the previous fiscal year continued, tightening the spread over the Japanese government bond(JGB) curve to 6.0 bp by June. However, due to heightened market volatility in August—driven by expectations of an early interest rate increase by the Bank of Japan and growing concerns about a potential economic downturn in the U.S.—the supply-demand balance deteriorated, resulting in a spread widening to 10.0 bp in September. This level was maintained through January, before tightening to 9.0 bp in February.

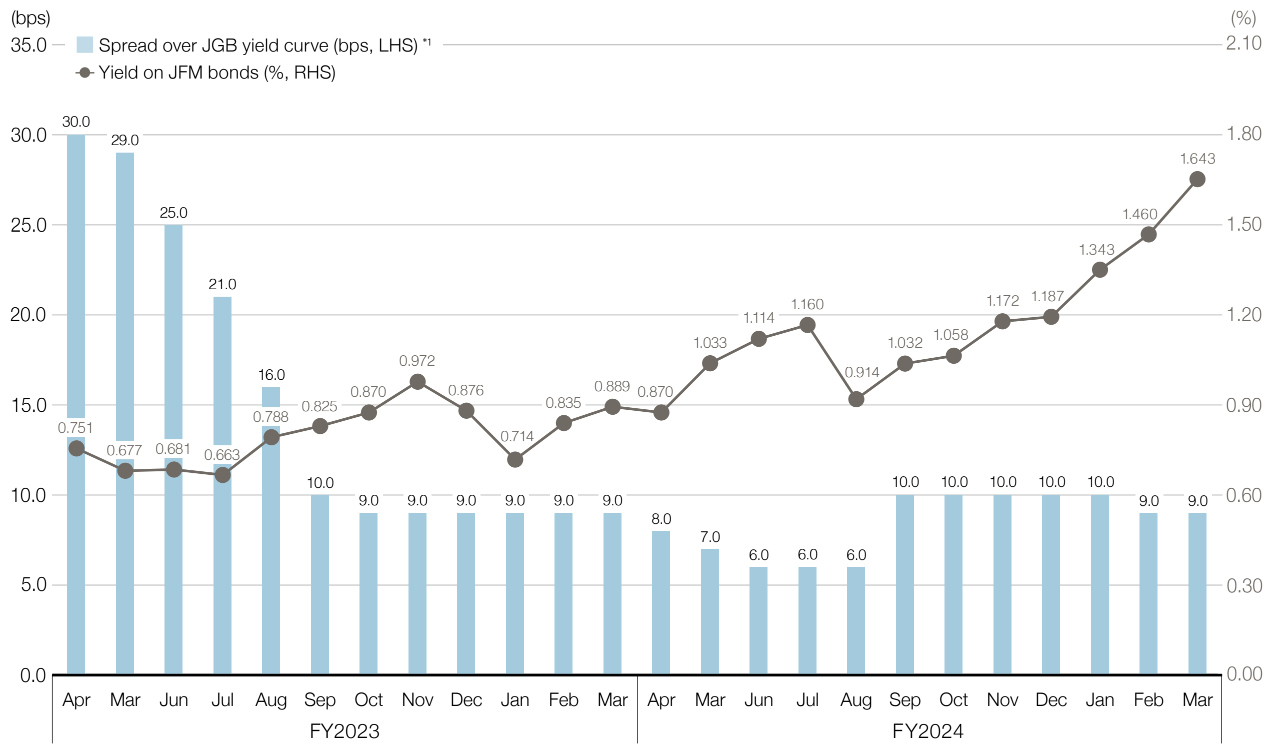
As for yields, the upward trend in JGB interest rates led to a corresponding rise in the JFM bond yields. In March 2025, the yield reached 1.643%, returning to the 1.6% range for the first time since June 2009.

The 5-year bond was issued as JFM's inaugural domestic Green Bond. Ahead of the issuance, active dialogue was held with investors, and the significance of issuing a domestic Green Bond was carefully communicated. As a result, strong demand was garnered from a wide range of investor types, and a greenium of 2.0 bp—previously observed in local government bonds—was also accepted for JFM's issuance.

For the 20-year and 30-year bonds, supported by steady demand, spreads over the JGB remained tight. Issuance under the same terms as local government bonds has been maintained.

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

3. Financial Review

1. Income Statement

In fiscal 2024, JFM's income remained steady at USD 1.4 billion, unchanged from the previous year. Expenses were USD 0.8 billion, an increase of USD 50 million from the prior year. Ordinary income decreased by USD 54 million from the previous year, totaling USD 0.6 billion.

Pursuant to the relevant laws, a portion of the revenue generated by the refinancing of bonds and borrowed money of JFM*1 is to be directed into the reserves for interest rate volatility. As a result of such provisions, as well as other factors, the level of net income remains similar to the previous year at USD 0.2 billion.

Note: 1. The difference between fiscal 2023 and 2024 is calculated using the exchange rate as of 31 March 2025.

2. Balance Sheet

As of 31 March 2025, JFM's total assets amounted to USD 159.8 billion, a decrease of USD 1.8 billion from the previous year. This mainly resulted from USD 2.5 billion decrease in loans.

Total liabilities decreased by USD 2.0 billion, totaling USD 156.8 billion. This decrease primarily reflected a decrease of USD 1.8 billion in bonds.

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

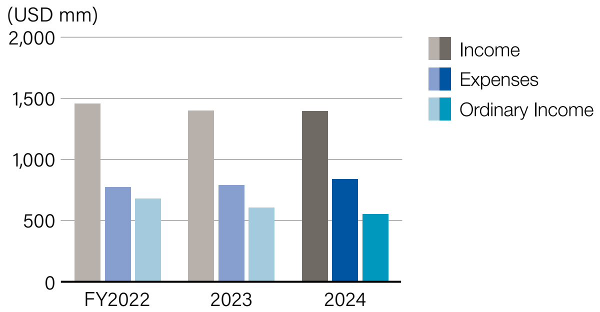
Financial highlights since fiscal 2022 are on the next page.

Financial Highlights

1. Income Statement

(USD Millions)

	FY2022	2023	2024	YoY
Income	1,458	1,399	1,396	-3
Expenses	777	791	842	50
Ordinary Income	681	608	554	-54
Net Income	241	243	242	-0

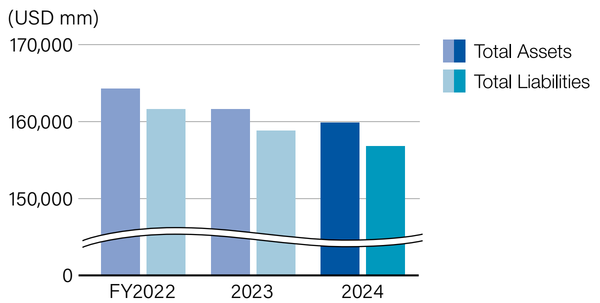


Note: Totals may not add up due to rounding.

2. Balance Sheet

(USD Millions)

	FY2022	2023	2024	YoY
Total Assets	164,278	161,655	159,846	-1,808
Loans	155,875	154,362	151,861	-2,501
Others	8,403	7,293	7,985	693
Total Liabilities	161,643	158,805	156,842	-1,963
Bonds	131,298	126,768	124,951	-1,817
Borrowed money	3,522	3,548	3,542	-5
Cash collateral received for financial instruments	1,144	2,764	2,479	-284
Fund for lending rate reduction	6,181	6,198	6,234	36
Reserves under special laws	19,451	19,481	19,592	111
Reserve for interest rate volatility	14,718	14,718	14,718	-
Management account reserve for interest rate volatility	4,693	4,741	4,866	125
Reserve for interest rate reduction	40	23	9	-14
Others	47	46	44	-3
Total Net assets	2,635	2,849	3,004	155



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 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 (LGBP).

Based on the LGBP, JFM plans to extend loans totaling USD 10.7 billion in fiscal 2025, an increase of USD 0.9 billion, or 8.8%, compared to from fiscal 2024.

Lending Plan

	FY2025	FY2024	YoY
Planned Amount	USD 10.7 bn	USD 9.8 bn	8.8%

Lending Plan by Business Type for Fiscal 2025

(USD Millions)

Business Type	FY2025 Lending Plan(A)	FY2024 Lending 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.	244.2	242.8	1.3	0.6	206.0
Public Housing	73.6	67.6	6.0	8.9	84.3
Educational Facilities Development	201.4	182.6	18.7	10.3	139.8
Social Welfare Facilities Development	85.0	52.2	32.8	62.8	59.5
General Waste Disposal	186.0	125.1	60.9	48.7	117.7
General Projects	53.5	48.2	5.4	11.1	56.2
Regional Revitalisation	62.9	59.5	3.3	5.6	56.9
Disaster Prevention	79.6	66.9	12.7	19.0	91.0
Local Road Development	141.2	156.5	-15.4	-9.8	165.9
Special Municipal Merger	356.6	443.5	-87.0	-19.6	222.1
Disaster Management and Mitigation	996.1	905.8	90.3	10.0	1,338.0
Proper Management of Public Facilities	1,053.7	933.9	119.7	12.8	1,156.0
National Disaster Prevention	659.0	704.4	-45.5	-6.5	673.7
Decarbonisation Promotion Projects	204.0	122.4	81.6	66.7	240.8
Child and Child-rearing Support Projects	32.1	6.7	25.4	380.0	120.4
Remote Area Improvement Projects	42.1	20.1	22.1	110.0	45.5
Depopulation Measure	873.0	707.1	165.9	23.5	990.1
Subtotal	5,343.9	4,845.5	498.4	10.3	5,764.0
Municipal Enterprise-related Loans					
Water Supply	1,538.0	1,226.9	311.1	25.4	1,426.9
Industrial Water Supply	87.0	56.2	30.8	54.8	54.2
Transportation	159.2	181.3	-22.1	-12.2	145.2
Electricity and Gas Supply	34.8	34.1	0.7	2.0	32.8
Port Facilities	13.4	14.0	-0.7	-4.8	13.4
Hospitals and Elderly Care Services	939.3	720.5	218.8	30.4	1,061.7
Markets and Slaughterhouses	67.6	32.8	34.8	106.1	16.7
Sewerage	2,392.3	2,207.0	185.3	8.4	2,237.8
Tourism and Others	6.0	4.7	1.3	28.6	2.7
Subtotal	5,237.5	4,477.5	760.0	17.0	4,991.3
Temporary Financial Countermeasures Funding	122.4	511.1	-388.7	-76.0	-
Total	10,703.8	9,834.1	869.7	8.8	10,755.3

Notes: 1. Business types are classified based on the LGBP for fiscal 2025.
2. Totals may not add up due to rounding.

JFM Funds in the Local Government Borrowing Programme

	FY2025	FY2024	YoY
JFM Funds	USD 10.8 bn	USD 10.8 bn	-0.5%
General Account-related Loans	USD 5.8 bn	USD 5.6 bn	3.5%
Municipal Enterprise-related Loans	USD 5.0 bn	USD 4.8 bn	3.2%
Temporary Financial Countermeasures Funding	-	USD 0.4 bn	-100.0%

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 63 for more information on JFM funds in the LGBP.

2. Funding Operations

In order to raise funds for lending operations, JFM primarily issues non-government guaranteed bonds through domestic public offerings and overseas offerings. For fiscal 2025, JFM plans to issue USD 7.3 billion of JFM bonds through these methods.

Moreover, private placements with pension funds for local government officials are projected to amount to USD 3.3 billion in fiscal 2025. In addition to issuing JFM bonds, JFM plans to raise USD 0.5 billion through long-term bank loans.

As for government-guaranteed bonds, JFM plans to issue USD 1.9 billion during fiscal 2025.

Funding Plan for Fiscal 2025

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Type of Bonds		FY2025 (Plan)	FY2024 (Achieved)
Domestic Public Offerings		USD 4.1 bn	USD 5.0 bn
	10-year	USD 1.8 bn	USD 2.2 bn
	20-year	USD 0.7 bn	USD 0.7 bn
	5-year	USD 0.1 bn	USD 0.3 bn
	30-year	USD 0.1 bn	USD 0.2 bn
	Opportunistic Issuance	USD 1.3 bn	USD 1.6 bn
Overseas Offerings - MTN		USD 2.0 bn	USD 2.1 bn
Open Issuance		USD 1.2 bn	-
Total		USD 7.3 bn	USD 7.1 bn

Notes: 1. Subject to change depending on lending status, market conditions and other factors.
2. Plan to issue 5-year domestic bonds as Green Bonds.
3. Open Issuance will be utilized to increase the amounts of each domestic public offerings, overseas offerings, long-term bank loans and to issue opportunistic issuance bonds.
4. Achieved amount for respective bonds includes the amount allocated from open issuance.

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

Type of Bonds	FY2025 (Plan)	FY2024 (Achieved)
10-year	USD 1.7 bn	USD 1.7 bn
20-year	USD 1.6 bn	USD 1.9 bn
Total	USD 3.3 bn	USD 3.6 bn

2. Long-term Bank Loans

	FY2025 (Plan)	FY2024 (Achieved)
Long-term Bank Loans	USD 0.5 bn	USD 0.6 bn

3. Government-guaranteed Domestic Bonds

Type of Bonds	FY2025 (Plan)	FY2024 (Achieved)
4-year	USD 1.9 bn	USD 0.9 bn
Total	USD 1.9 bn	USD 0.9 bn

3. Scheduled Payment to the National Treasury

In accordance with the Supplementary Provisions of the Law, a portion of JFM's management account reserve for interest rate volatility is to be transferred to the Japanese national government as below.

- USD 1.3 billion for securing funds for local allocation tax for fiscal 2025

The planned payment of USD 1.3 billion to the national treasury for fiscal 2024, which was intended to secure the total amount of local allocation tax, will be reconsidered, and the funds will be utilized as local financial resources in subsequent years.

Operations

Lending Operations

Funding Operations

Takatsudokyo Gorge in autumn, Midori City, Gunma Prefecture

JFM Lending Operations - Special Municipal Merger

Midori City, Gunma Prefecture

Kasakake Nishi Elementary School

Background to the plan

Kasakake Elementary School, formerly the largest school in Gunma Prefecture, saw its student population exceed 1,000. In response, a plan was developed to establish a new branch school. A local planning committee discussed the school's location and overall concept, and a design contractor was selected.

Execution of loans

Special Municipal Merger Bonds were utilized as a funding source for the school construction. The loan from JFM was chosen due to its ability to level out repayment amounts, which was seen as a significant advantage for undertaking large-scale projects in the future.

Effects and development

The school building, constructed with an abundance of locally sourced timber from Midori City, has been well received by students and parents for its comfort and the distinctive presence that only wooden architecture can offer. It is also expected to serve as a hub for preserving and creatively developing local culture and traditions.

SDG Mapping for Special Municipal Merger

4 QUALITY EDUCATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

15 LIFE ON LAND

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 to local governments at low-interest rates.

1. Outline

As public funds included in the LGBP, JFM loans are offered to local governments that 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 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 provides loans exclusively to local governments.

Business Type			Loans for FY 2025			
			Fixed Lending Rate		Adjustable Lending Rate[*1]	
			Maturity	Grace Period for Principal Repayment	Maturity	Grace Period for Principal Repayment
General Account-relared 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	30	5	30	5
	Unsubsidized Projects	General Projects[*2]	30	5	30	5
		Regional Revitalisation	30	5	30	5
		Disaster Prevention	30	5	30	5
		Local Road Development	20	5	20	5
		Special Municipal Merger	30	5	30	5
		Disaster Management and Mitigation	30	5	30	5
		Proper Management of Public Facilities	30	5	30	5
		National Disaster Prevention	30	5	30	5
		Decarbonisation Promotion Projects	30	5	30	5
		Child and Child-rearing Support Projects	25	3	25	3
	Remote Area Improvement Projects[*2]		30	5	40	5
	Depopulation Measure[*2]		30	5	40	5
Temporary Financial Countermeasures Funding		Prefectures and Government-Designated Cities	-	-	30	3
		Cities, Towns and Villages	-	-	20	3
Municipal Enterprise-related Loans		Water Supply	30	5	40	5
		Transportation[*2]	30	5	40	5
		Hospitals[*2]	30	5	30	5
		Sewerage	30	5	40	5
		Industrial Water Supply	30	5	40	5
		Electricity Supply[*2]	30	5	30	5
		Gas Supply	25	5	25	5
		Port Facilities[*2]	30	5	40	5
		Markets	30	5	40	5
		Slaughterhouses	30	5	30	5

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

2. Loan Interest Rates

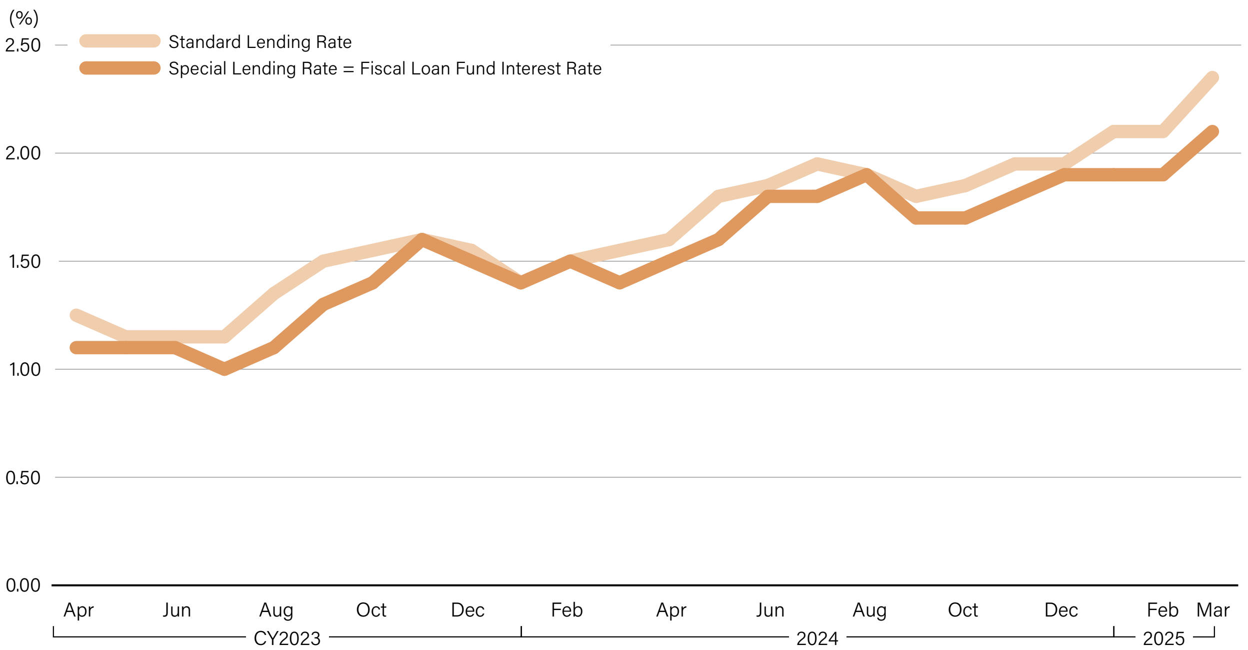
JFM sets standard lending rates, which are determined to balance its funding cost, and also offers special lending rates at a discount to the standard rates by making use of its Fund for Lending Rate Reduction.

1. Loan Interest Rates

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

The trends of JFM loan interest rates since April 2023 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.

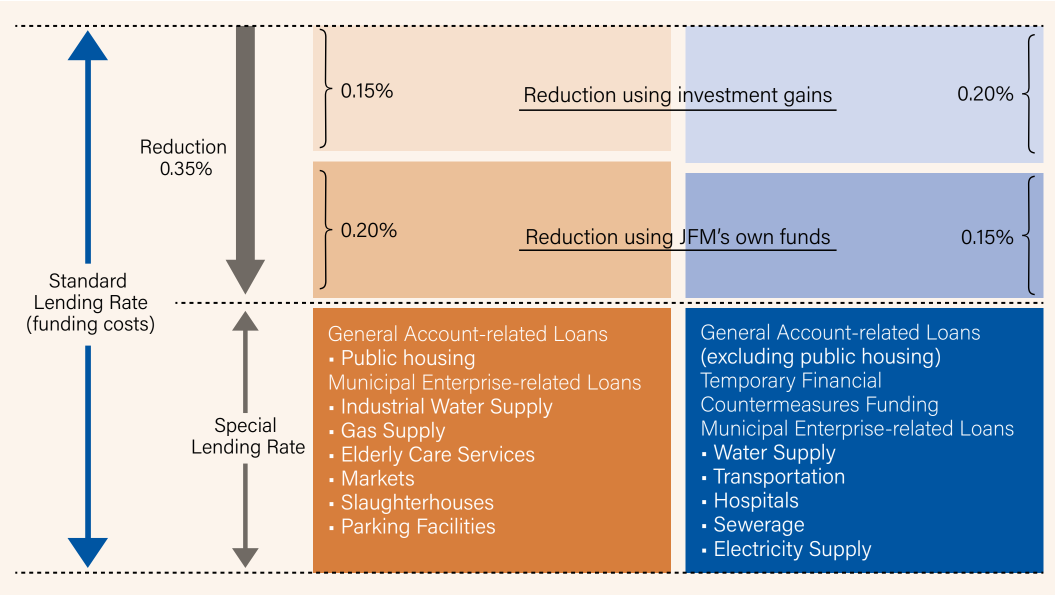
Trends of Lending Rates



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, as well as JFM's own funds.



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

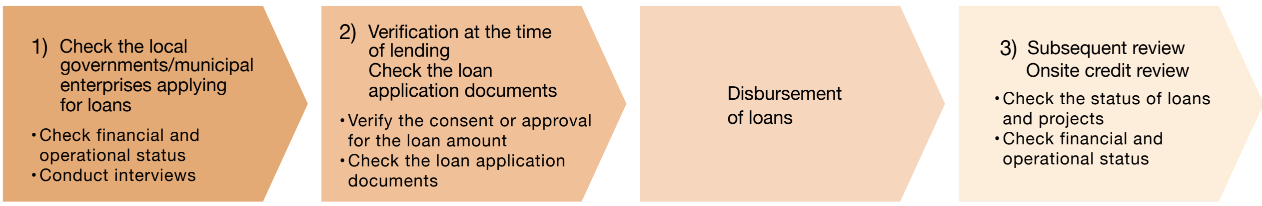
3. Credit Check System

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

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

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

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

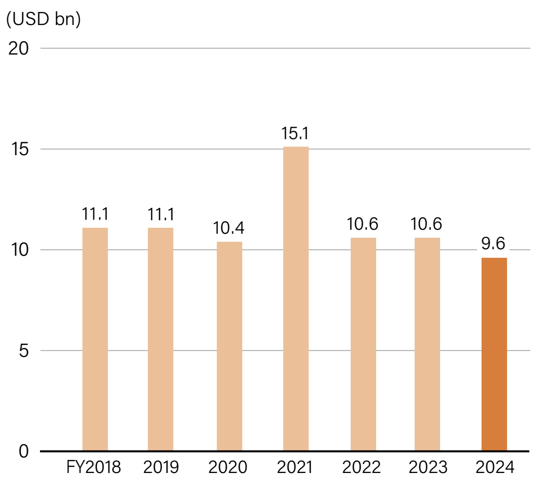


4. Trends in Lending Operations

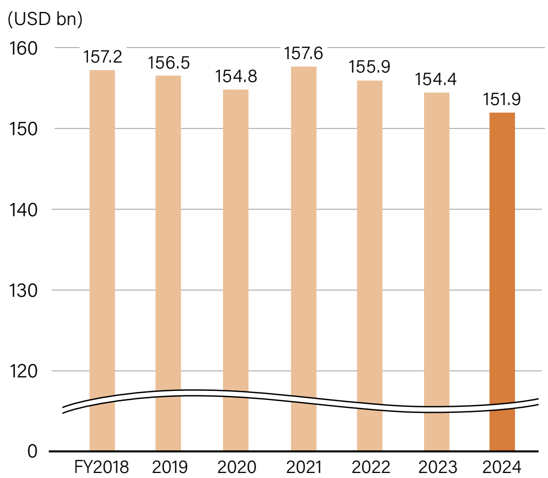
1. Overview

Annual lending volume has been hovering around USD 10 to 15 billion, while the volume jumped in fiscal 2021 due to the COVID-19 pandemic. At the end of fiscal 2024, outstanding loans were USD 151.9 billion.

Annual Lending Volume



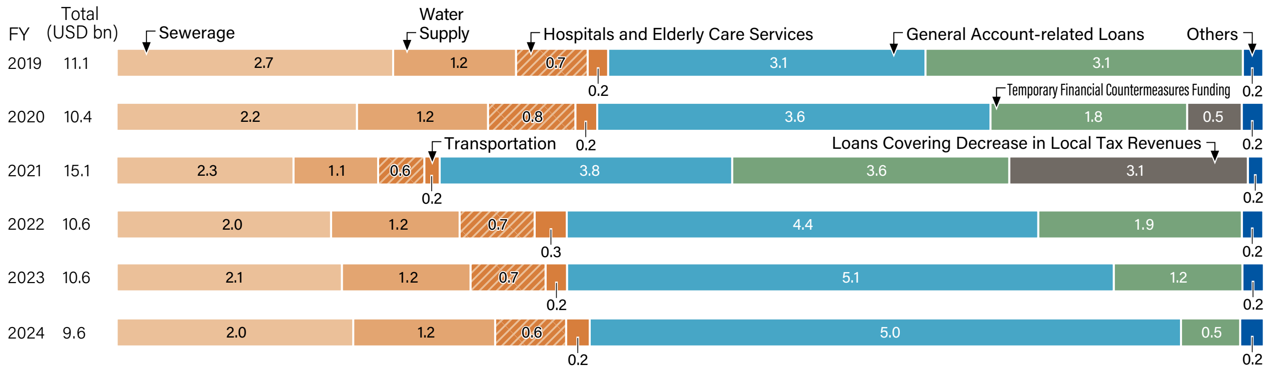
Outstanding Loans



2. Annual Lending Volume by Business and Borrower Type

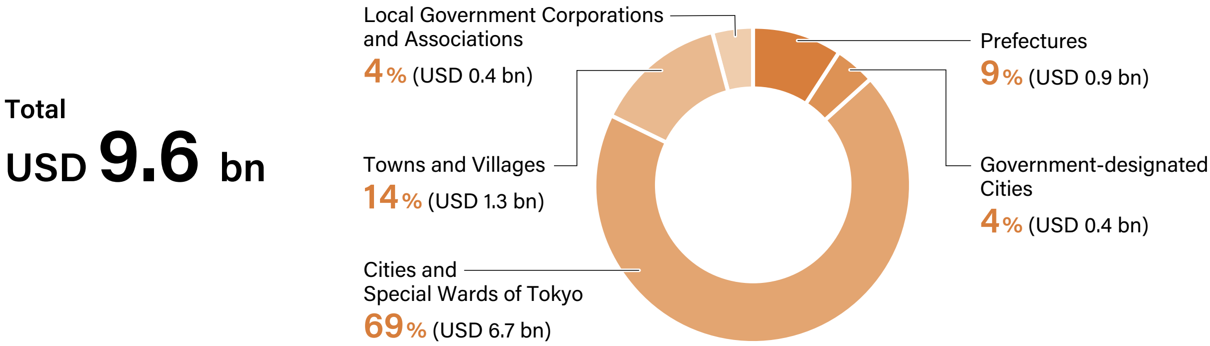
In fiscal 2024, the loan amount for sewerage was USD 2.0 billion, accounting for the largest share of lending, at 21.0% of the total. This was followed by USD 1.2 billion for water supply and USD 0.9 billion for proper management of public facilities, representing 12.8% and 9.8% respectively.

Long-term Loans Extended by Business Type



Notes: Totals may not add up due to rounding.

Fiscal 2024 Loans Extended by Borrower Type

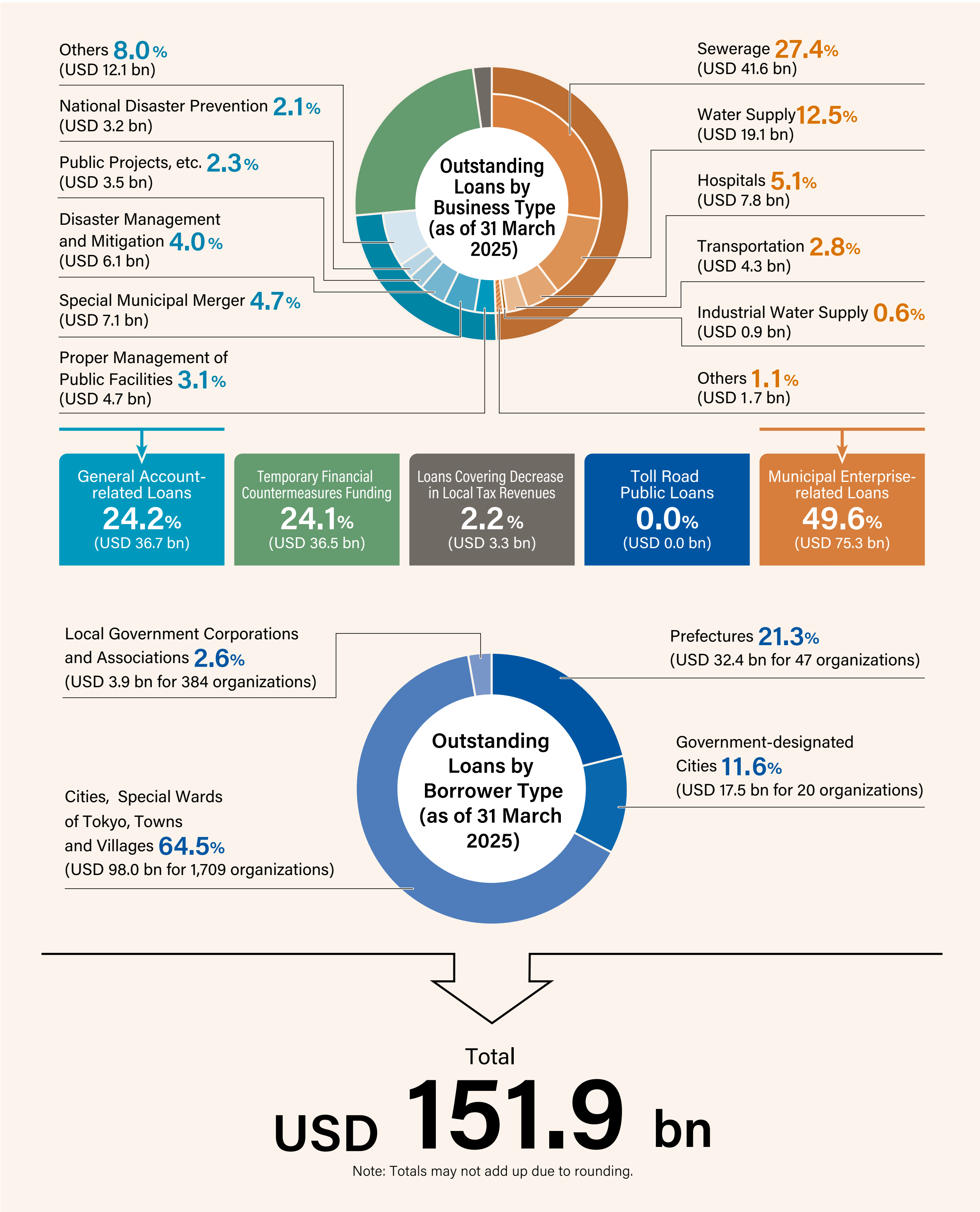


Note: Totals may not add up due to rounding.

3. Outstanding Loans by Business and Borrower Type

At the end of fiscal 2024, the outstanding loans totaled USD 151.9 billion, of which the sewerage business accounted for the largest share at 27.4%, followed by temporary financial countermeasures funding at 24.1% and water supply at 12.5%.

There were a total of 2,160 local governments, local government corporations and associations with outstanding JFM loans, including all prefectures. Cities, special wards of Tokyo, towns, and villages accounted for the largest portion at 64.5% of the total, followed by prefectures at 21.3% and government-designated cities at 11.6%. Local government associations and corporations represented the remaining 2.6%.



5. Lending Operations by Business Type

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

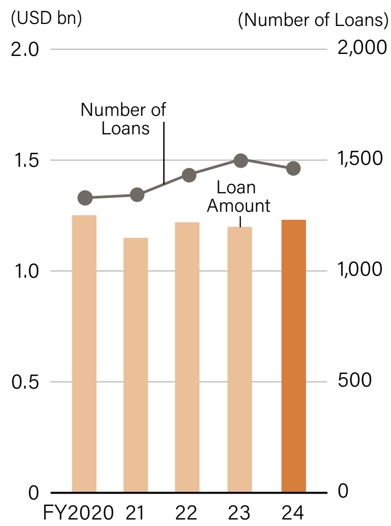
The major JFM-funded businesses are as follows.

Water Supply Business

At the end of fiscal 2023, the water supply coverage was 97.6% of the population. The water supply business (including small-scale water supply) operated by local governments totaled 1,757 projects and provided about 13.1 billion cubic meters of water annually for approximately 121.9 million people.

In fiscal 2024, loans extended to the water supply business amounted to USD 1.2 billion.

Kaneda Raw Water Reservoir (Kisarazu City, Chiba Prefecture)

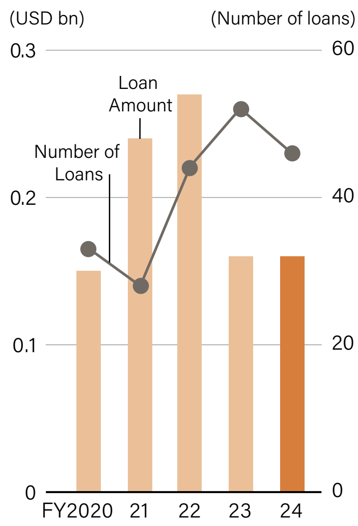


Transportation Business

At the end of fiscal 2023, the transportation projects managed by local governments totaled 85 projects and public transportation is used by approximately 3.2 billion people annually (8.7 million people on an average daily basis).

In fiscal 2024, loans extended to the transportation business amounted to USD 0.2 billion.

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

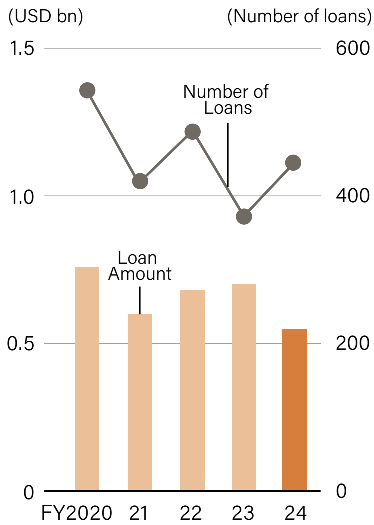


Hospitals Business

At the end of fiscal 2023, hospital projects managed by local governments totaled 681, with 858 hospitals, including 818 general hospitals and 40 mental health hospitals.

In fiscal 2024, loans extended to the hospitals business (including those run by local independent administrative institutions) totaled USD 0.6 billion.

Atsugi City Hospital (Atsugi City, Kanagawa Prefecture)

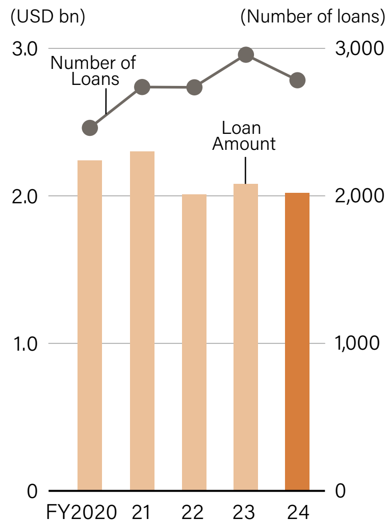


Sewerage Business

At the end of fiscal 2023, the sewerage system covered 93.3% of the nation's total population. There were 3,595 projects involved, with a total annual sewerage processing capacity (combined storm water and sewerage treatment, excluding river basin sewerage) of around 11.2 billion cubic meters serving areas with a population of nearly 105.0 million people.

In fiscal 2024, loans extended to the sewerage business totaled USD 2.0 billion.

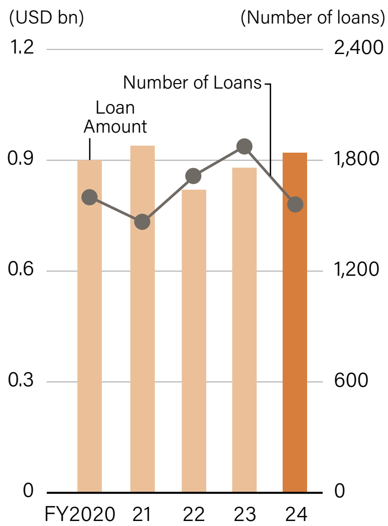
Sewage Purification Center (Shiojiri City, Nagano Prefecture)



Disaster Management and Mitigation

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

In fiscal 2024, loans extended for disaster management and mitigation amounted to USD 0.9 billion.

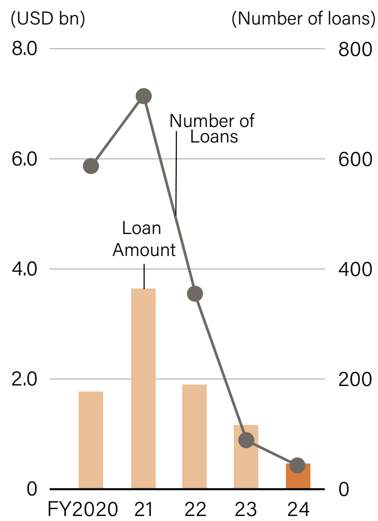


Temporary Financial Countermeasures Funding

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

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

In fiscal 2024, loans extended for temporary financial countermeasures funding amounted to USD 0.5 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 to facilitate the management of assets now held by JFM following its succession.

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

JFM Bonds

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

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

Government-guaranteed Bonds

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

Long-term Bank Loans

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

2. Basic Funding Policy

To secure stable funding at fair value, JFM pursues diversified funding options and strives to build confidence in capital markets by proactively disclosing information and thoroughly fulfilling responsibilities. JFM also endeavors to seek more flexible funding operations than ever before in response to volatile market conditions and shifting 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 international investors. In addition, JFM will 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 Ratings (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.

(As of 31 March 2025)

Issuer Credit Rating	S&P: A+ Moody's: A1 R&I: AA+	
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 2025).

4. Trends in Funding Operations

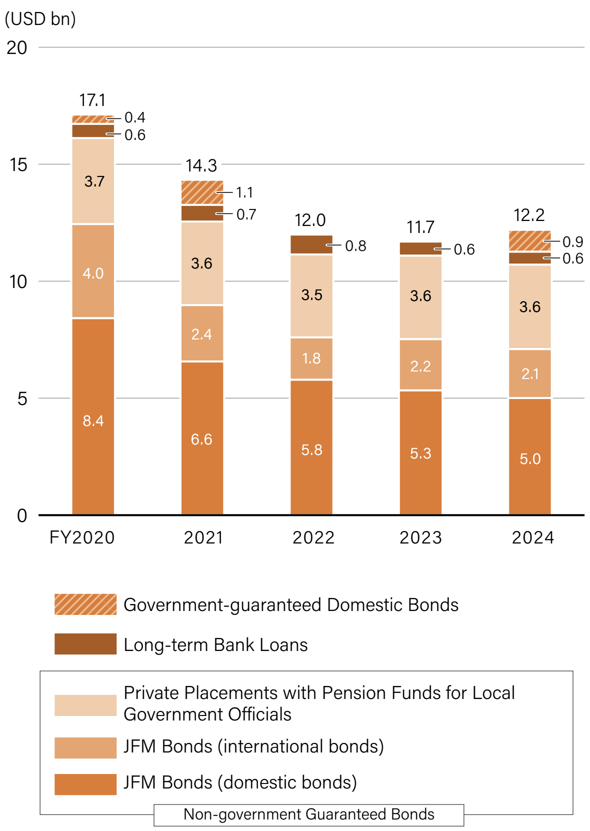
JFM issues JFM bonds (non-government guaranteed bonds to be issued through domestic public offerings or under the MTN Programme, or private placements with pension funds for local government officials) and government-guaranteed bonds for the purpose of refinancing existing government-guaranteed bonds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

In fiscal 2024, JFM raised a total of USD 12.2 billion, increased from the previous year. This was mainly the result of the issuance of government-guaranteed bonds.

As of 31 March 2025, outstanding bonds were USD 125.0 billion. Outstanding long-term bank loans totaled USD 3.5 billion. The total amount of outstanding bonds and long-term bank loans was USD 128.5 billion, which was comprised of USD 111.5 billion in the general account and USD 17.0 billion in the management account. Since the end of fiscal 2016, the outstanding debt volume in the general account has exceeded that of the management account due to the trend of the management account decreasing and the general account increasing.

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

Funding Volume



Note: Totals may not add up due to rounding.

Outstanding Bonds and Bank Loans

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

Basic Stance

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

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

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

Review and Plan
Operations
Management Structure
JFM's Role in Local Government Finance
Financial Section
Appendix/JFM Data

Support for Local Governments

Personnel Training Support for More Solid Financial Management

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

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

Topics

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

Research and Studies for More Effective Support

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

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

Information Dissemination for More Efficient Knowledge

Strengthen information dissemination by effectively using the website.

Provide the "New Octagon" financial analysis chart	Provide local governments the "New Octagon" fiscal analysis chart, which is a tool to analyze the fincancial status and changes in local governments.	Provide learning materials and relevant economic and financial data/knowledge
Operation of advanced case search system	Consolidation of advanced cases that contribute to solving issues faced by local governments (e.g., finance management and management of municipal enterprises).	

Management Structure

Ouchi-juku in winter, Minamiaizu District, Fukushima Prefecture

JFM Lending Operations - Disaster Management and Mitigation

Minamiaizu Town, Fukushima Prefecture

Minamiaizu Fire Department

Background to the plan

The fire department and fire stations were jointly operated by four neighboring towns and villages. However, a seismic assessment of the old government building revealed a risk of collapse in the event of an earthquake. As a result, a new government facility was planned, incorporating not only fire services but also the administrative functions of the association's office.

Execution of loans

For the construction, each of the four towns and villages secured funding by using Disaster Management and Mitigation Bonds. In Minamiaizu Town, low-interest long-term loans from JFM were utilized.

Effects and development

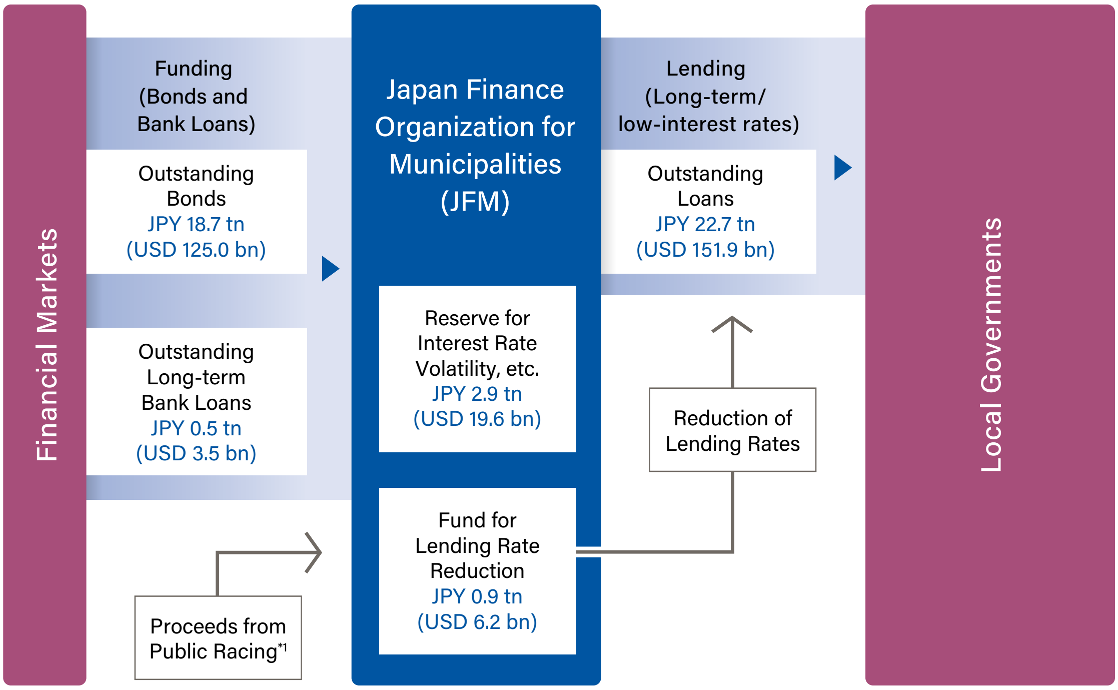
In addition to functioning as a disaster response hub, the new facility consolidates the main administrative functions of the association. Designed with seismic resilience and incorporating locally sourced timber, the calm and welcoming atmosphere of the building has made it a symbol of safety and security in the community.

SDG Mapping for Disaster Management and Mitigation

3 GOOD HEALTH AND WELL-BEING

11 SUSTAINABLE CITIES AND COMMUNITIES

1. Outline of JFM Operations



(As of 31 March 2025)

Note: 1. A portion of the earnings from municipally operated racing (horse, bicycle, motorcycle and speedboat)

Public Institution Wholly Owned by Japanese Local Governments

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

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

Joint Funding Organization for All Local Governments

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

For social infrastructure improvements to be implemented by local governments, long-term funding is usually desirable, given that it takes a long time to recoup such capital expenditures, and because the cost 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 to absorb interest rate volatility

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

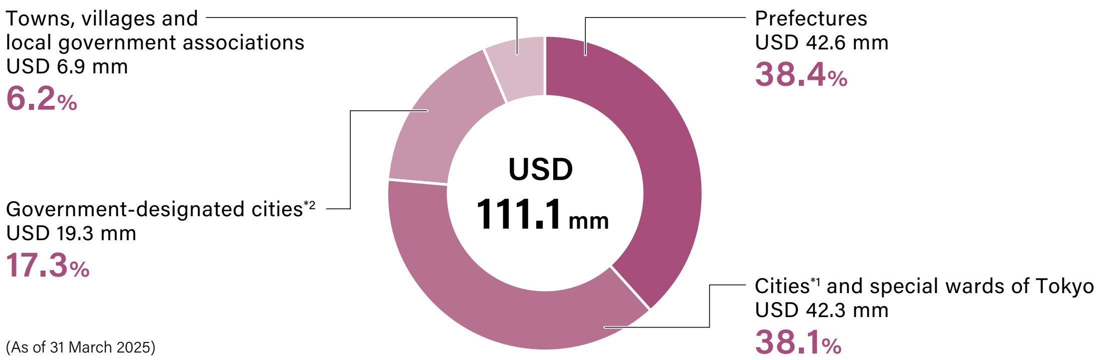
JFM receives a portion of the earnings from various racing events (horse, bicycle, motorcycle and speed-boat) operated by local governments, which is directed to the Fund for Lending Rate Reduction. The investment gains from the fund are used for lowering interest rates on JFM loans.

2. Capital

As of 31 March 2025, USD 111.1 million of JFM's capital was contributed by 1,789 Japanese local governments (i.e., all of the prefectures, cities, special wards of Tokyo, government-designated cities, towns, and villages, as well as some local government associations).

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

Capital Contribution by Local Government Group



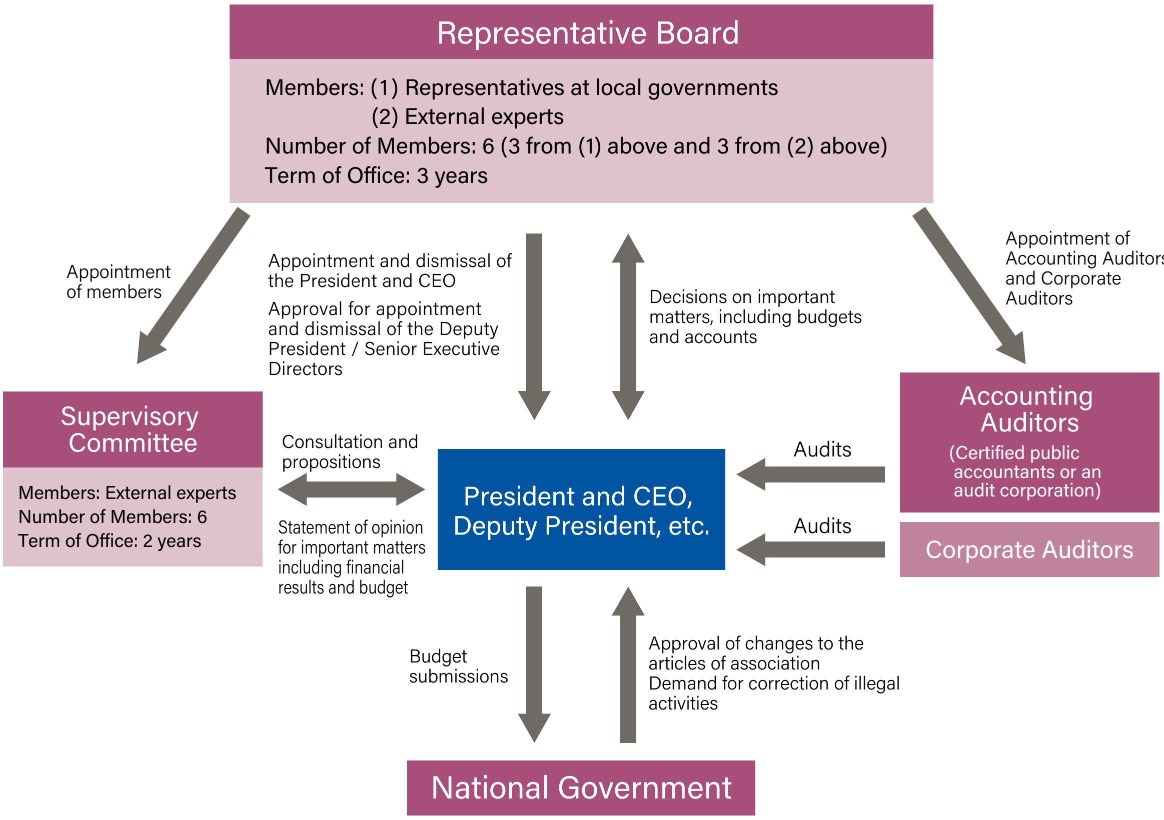
(As of 31 March 2025)

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, etc., for which prefectures are responsible in principle.

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

1. Corporate Governance

Corporate Governance System



1. Representative Board

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

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

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

2. Supervisory Committee

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

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

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

3. Audits by Corporate Auditors

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

4. Audits by External Accounting Auditors

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

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

2. Internal Control over Financial Reporting

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

As for the Internal Control Report in which JFM viewed its internal controls on financial reporting as effective as of the end of fiscal 2024, the accounting auditors gave their opinion (unqualified audit opinion pursuant to Ministerial Ordinance Article 32, Paragraph 2, Clause 1) that, in all material respects, results of the evaluation of JFM's internal controls over financial reporting conformed to the standards of evaluation for internal controls over financial reporting generally accepted in Japan.

3. Internal Audit

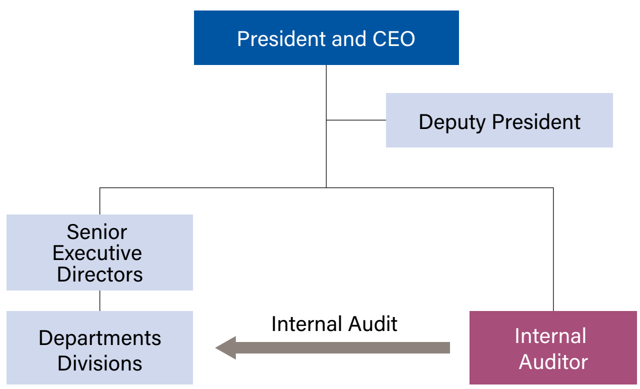
An internal auditor, who is independent from other departments, divisions and offices, examines and assesses the appropriateness and effectiveness of JFM's internal control systems, thereby helping ensure reliable financial reporting and appropriate and efficient operations.

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

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

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

Internal Audit System



The Representative Board

Chairman

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

Deputy Chairman

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

Deputy Chairman

TANANO Takao
Chairman, National Association of Towns & Villages / Mayor, Shiranuka Town, Hokkaido Prefecture

Member

OBATA Junko
Professor, Nihon University Law School

Member

JINNO Naohiko
Professor Emeritus, The University of Tokyo

Member

IKEDA Koji
Chairman, Hirogin Holdings, Inc.

The Supervisory Committee

Chairman

MAEDA Eiji
President and CEO, Chibagin Research Institute, Ltd.

Deputy Chairman

HAYASHI Hiroaki
Professor, Kansai University Faculty of Economics

Member

SEIICHI Tomoko
Professor, Seinan Gakuin University

Member

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

Member

KAMIZAKI Masanori
Former Director, Jiji Press, Ltd.

Member

ENDO Naohide
Professor, Osaka Metropolitan University Graduate School of Urban Management Department

Directors and Corporate Auditors

President and CEO

NAITO Hisashi
1 October 2024 - Present

Deputy President

KATO Junichi
1 October 2021 - Present

Senior Executive Director

SUDO Akihiro
(Corporate Planning Department, Local Government Support Department)
14 July 2025 - Present

Senior Executive Director

FUJITA Yuji
(Administration Department, Loan Department, Credit Department)
1 August 2024 - Present

Senior Executive Director

AGO Toshiki
(Finance Department)
2 July 2024 - Present

Corporate Auditor

AKIYAMA Motoki
5 July 2024 - Present

Corporate Auditor(part-time)

YAMAMOTO Yasuo
(part-time)
1 August 2024 – Present

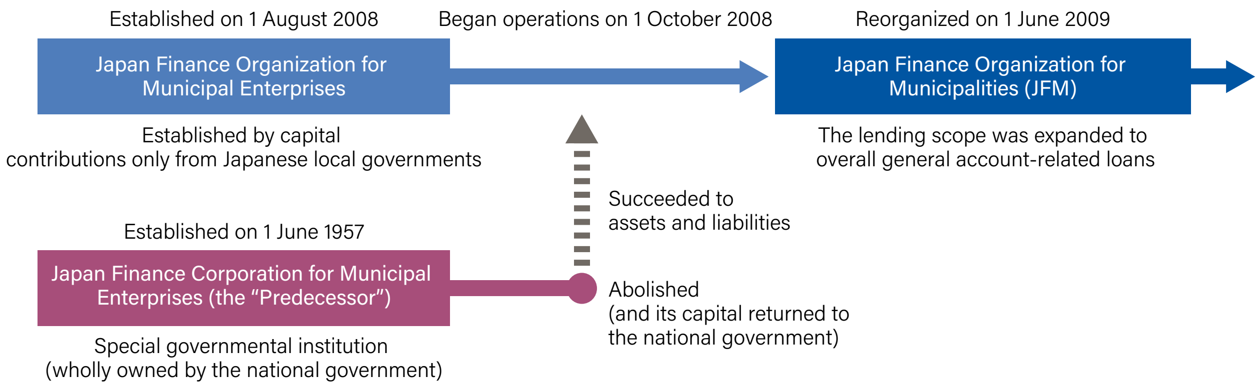
General Account and Management Account

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.

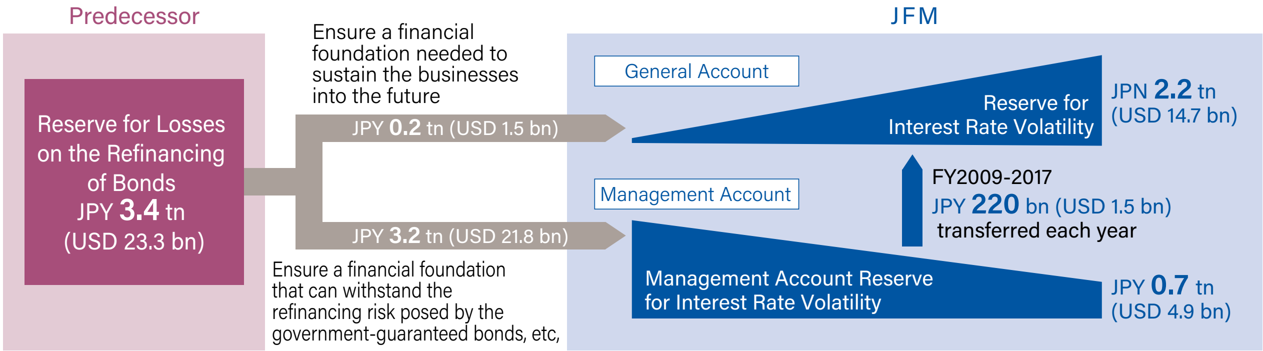
Under the JFM Law, JFM is required to manage loans and bonds issued since JFM began its operations in the general account of JFM, whereas loans and operations carried over from the Predecessor are administered in a separate account belonging to JFM known as the management account.

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 23.3 billion) to ensure its future stable management from the Predecessor.

Of this amount which was recorded in the management account, the JPY 2.2 trillion (USD 14.7 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 by refinancing bonds of the Predecessor.



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

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

In accordance with this provision, JFM has transferred a portion of its reserve for interest rate volatility within the management account to the Japanese national government and such portion has been allocated to the national treasury, mainly for the purpose of securing funds for local allocation tax and forest environment transfer tax increase.

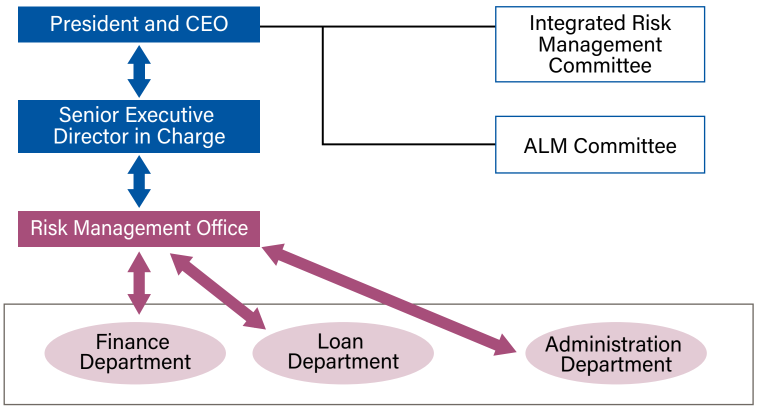
1. Overall Risk Management

1. Risk Management System

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

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

Risk Management System



2. Characteristics of JFM's Risks

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

To address such interest rate risk, JFM maintains reserves to absorb 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

JFM extends loans exclusively to local governments. Local governments have a zero Basel Committee on Banking Supervision risk weighting and JFM does not expect any default on loans made to local governments for the reasons outlined below. 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. By incorporating a portion of principal and interest payments by individual local governments into the Standard Financial Needs calculation for local allocation tax, the national government ensures that revenue sources are secured to cover these financial obligations.
- 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. 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 JFM's internal rules in order to manage risks appropriately.

As of 31 March 2025, JFM's total outstanding loans stood at USD 151.9 billion. The amount of loans outstanding made to local governments whose fiscal indicators exceeded the early warning limits or the reconstruction limits accounted for less than 0.04% in aggregate of total loans outstanding as of 31 March 2025.

2) Credit risk on transactions

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, 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, 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, JFM enters into International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) 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

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 through issuance of 10-year bonds, which creates interest rate risk associated with bond refinancing. JFM takes the measures described below to address the interest rate risk resulting from a duration gap between lending and funding.

- Pipeline risk

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 JFM raises money until the point at which the money is loaned to local governments. JFM, in principle, uses swap transactions to hedge against pipeline risk.

Managing interest rate risk associated with bond refinancing

- 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 2024, the total amount of the reserves stood at USD 19.6 billion, which consisted of USD 14.7 billion in the general account and USD 4.9 billion in the management account.

- As assets and liabilities in JFM's general account will expand as a result of lending to local governments and funding, 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, JFM has established a medium-term management indicator for three years from fiscal 2023, in which the duration gap is to be maintained below approximately two years.

- To achieve its objective, from the viewpoint of controlling the duration on assets (lending), the interest rates for temporary financial countermeasures funding which accounts for approximately 1/4 of the overall outstanding loans in the general account, are revised every 5 or 10 years. In addition, JFM will revise its lending rate by the 30th year at the latest for its loans with maturities longer than 30 years. In terms of funding, JFM has taken measures to manage the duration on liabilities (bonds and loans) by issuing bonds with maturities longer than 10 years continuously under the interest rate environment at the time and carefully choosing maturities of bonds to be issued by utilizing its FLIP and Open Issuance scheme.

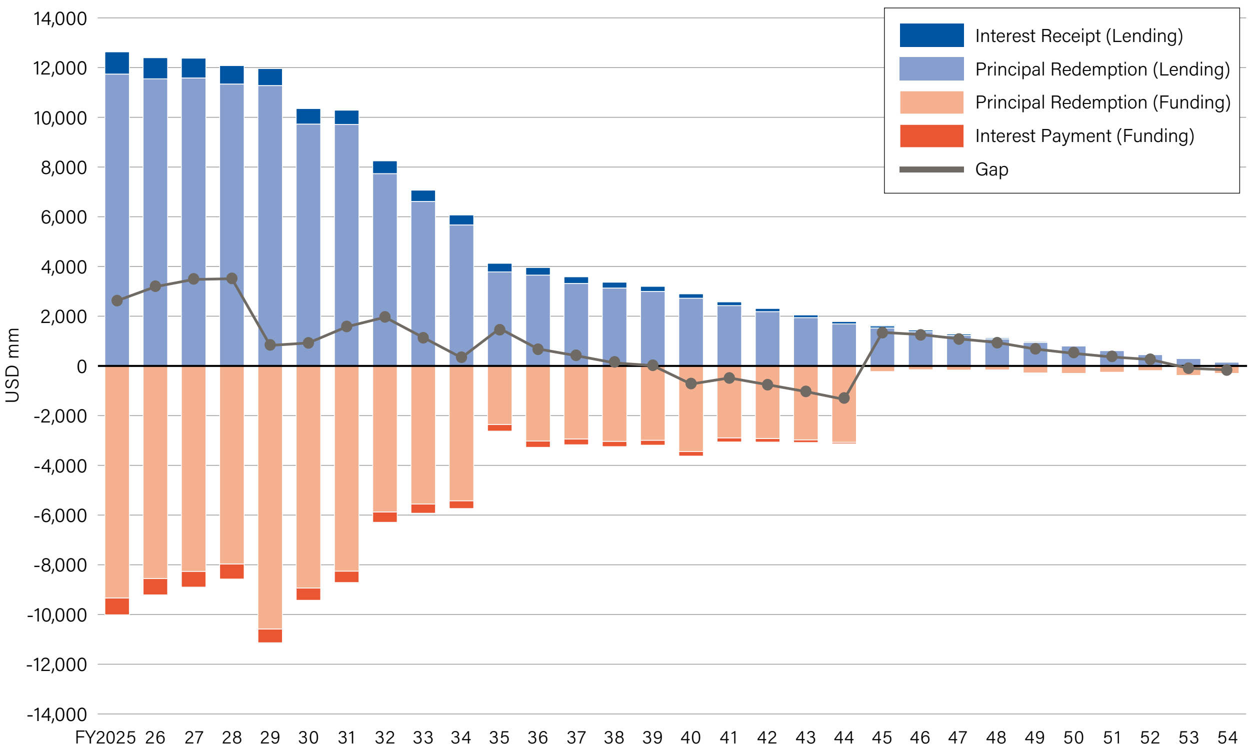
- The management account, which manages assets related to loans extended by the Predecessor, is exposed to interest rate risk. To address such risk, JFM contributes to the required reserves for interest rate volatility as described above. In accordance with the provisions of Article 14 of the Supplementary Provisions of the Law, a portion of JFM's management account reserve for interest rate volatility is to be transferred to the Japanese national government. The following transfers are scheduled:
  - USD 1.3 billion for securing funds for local allocation tax for fiscal 2025

  The amount of transfer is to be within the amount which the Japanese national government deems to be an amount exceeding the requisite amount of reserve necessary for the smooth operation of JFM's management account at the time of transfer and in the future, in light of JFM's financial condition.

Maturity Ladder (JFM Loans, Bonds and Bank Loans)

General Account

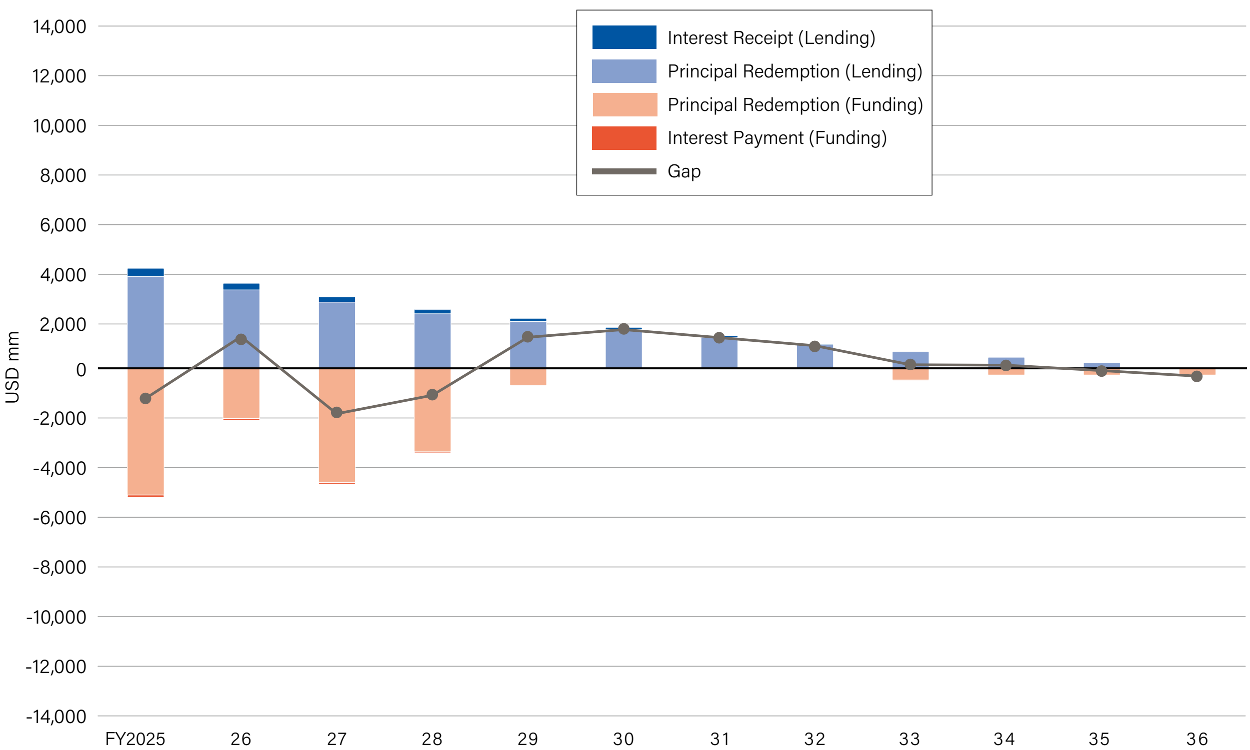
(As of 31 March 2025)



· Lending duration 7.00 years · Funding duration 7.08 years · Duration gap -0.08 years (YoY change: -0.07 years)

Management Account

(As of 31 March 2025)



· Lending duration 3.61 years · Funding duration 2.56 years · Duration gap 1.05 years (YoY change: +0.01 years)

JFM as a whole
· Lending duration 6.54 years · Funding duration 6.44 years · Duration gap 0.10 years (YoY change: -0.09 years)

2) Foreign exchange and other risks

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

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, JFM minimizes the risk of price fluctuation by holding investments until maturity, and hedges foreign exchange risk by using foreign exchange forward contracts.

3. Liquidity Risk

Liquidity risk is the risk that 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 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).

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, 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, JFM has implemented a plan to secure liquidity support assets in advance in order to prepare for potential market disruption which may prevent 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 Measure

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, to prepare for contingencies, 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.

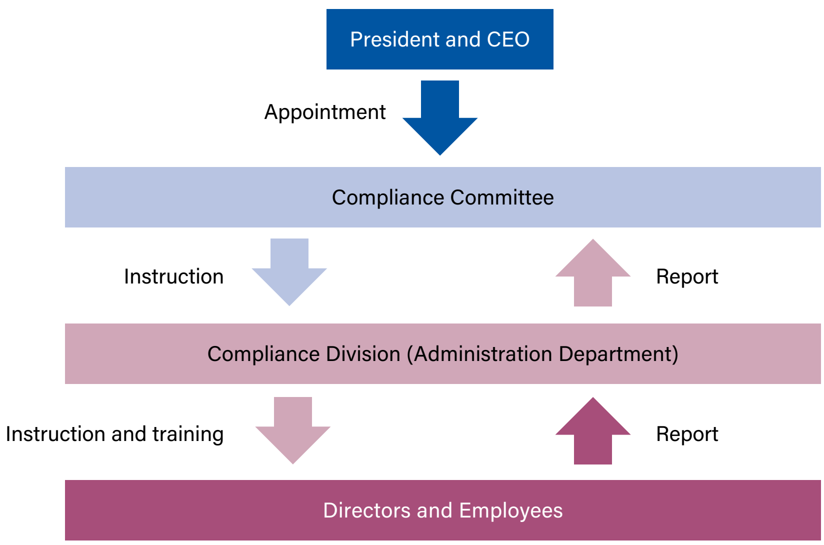
2. Compliance System

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

JFM's deputy president serves as the chairman of the committee, with senior executive directors and department heads serving as committee members. The committee deliberates on important compliance issues, such as the formulation, revision and abolition of compliance-related rules and regulations and the preparation of guidelines and action plans for compliance.

JFM has also established a Compliance Division to oversee compliance arrangements. This unit deploys compliance-based initiatives (i.e., providing system guidance and training or producing manuals) in keeping with the committee's guidelines.

Compliance System



3. Actions

1. Code of Ethics and Anti-bribery

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

2. Prohibition of Harassment and Discrimination

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

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

3. Elimination of Relations with Anti-social Forces

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

4. Proactive Disclosure and Accountability Practices

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

5. Maintenance of Professional Confidentiality

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

6. Implementation of Training to Establish Compliance

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

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

7. Appropriate Response to Violations and Whistleblowing System

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

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

Human Capital

1. Basic Policy

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

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

2. Securing and Developing Diverse Human Resources

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

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

3. Safe and Healthy Work Environment

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

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

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

4. Status of Human Capital

(As of April 2025)

Number of employees	111
Percentage of male and female employees	Male 62.2% Female 37.8%
Average age	39.8
Percentage of annual paid leave taken (CY2024)	86.0%
Average monthly overtime hours (FY2024)	18 hours
Percentage of female employees at the manager level	10.0%
Percentage of female employees at the section chief level	51.6%
Percentage of male employees taking childcare leave (FY2024)	Not applicable

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 Bonds

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

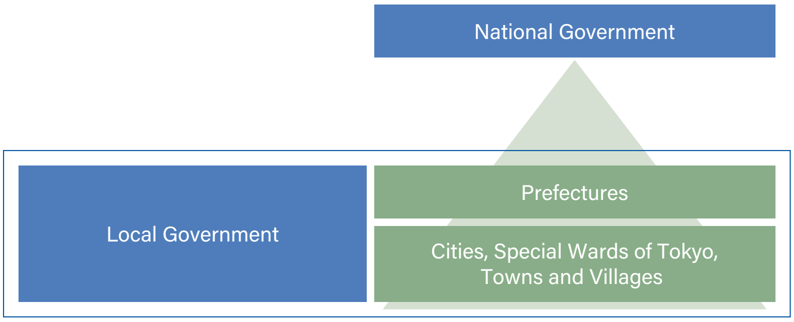
Annual Report

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.

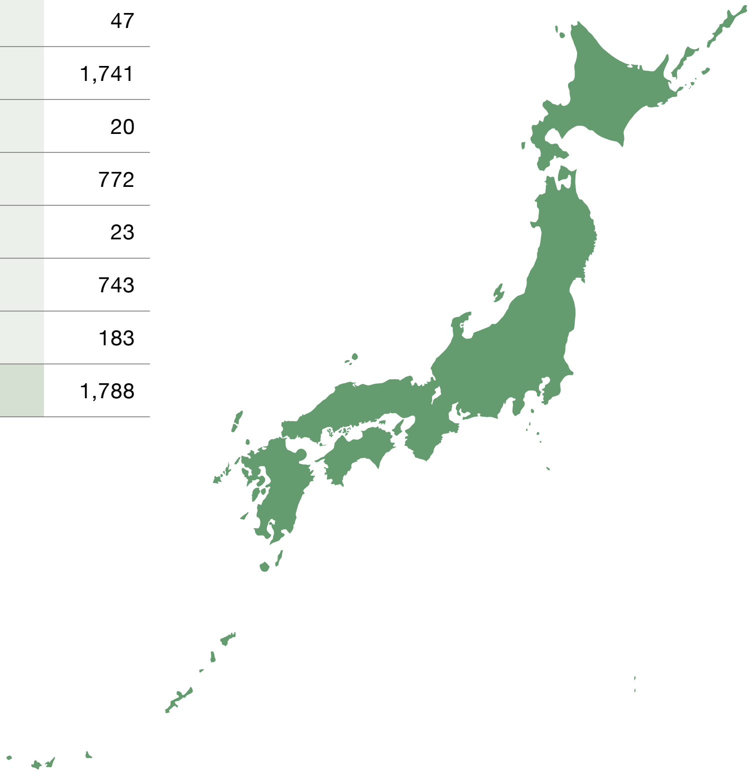
The Japanese local government system adopts a two-tier system with prefectures serving broader geographic areas, and cities, special wards of Tokyo, as well as government-designated cities, towns and villages providing local services.



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 2025)



2. Local Government Finance Programme

Each local government is unique in terms of its natural and historic situations, industrial structures, population size, and other attributes. As a result, each local government handles diverse administrative duties. The term local government finance collectively refers to funding for individual local governments engaging in such administration. Just as with national finance, local government finance plays a major role in the nation's economy and the lives of citizens. In fiscal 2025, local government finance will total JPY 97.3 trillion (USD 650.9 billion) (based on the Local Government Finance Programme (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 the LGFP, 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.

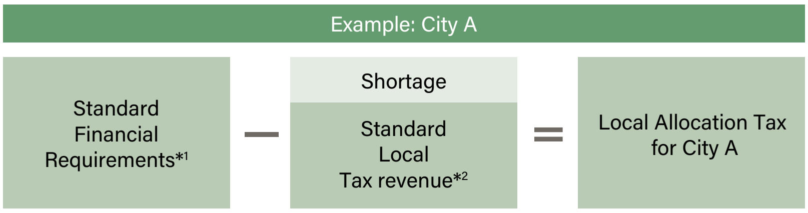
Local Government Finance Programme
(Initial Plan for Fiscal 2025)

Notes: 1. The Local Government Finance Programme includes Great East Japan Earthquake-related budgets.
2. 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 is composed of certain percentages of national taxes, including personal and corporate income taxes and consumption taxes. Local Allocation Tax is an important source of funds for local governments to maintain an appropriate level of public services.

Local Allocation Tax System



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

4. Local Government Borrowings

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

5. Local Government Borrowing Programme

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

1) Consent (approval) based on the LGBP

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

2) Secured funding sources for local government borrowings

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

3) Guidelines for local government borrowings

The LGBP is published along with the local financial plan, which specifies the guideline for each business on local government borrowings.

6. JFM Funds in Local Government Borrowing Programme

Local Government Borrowing Programme

(USD bn)

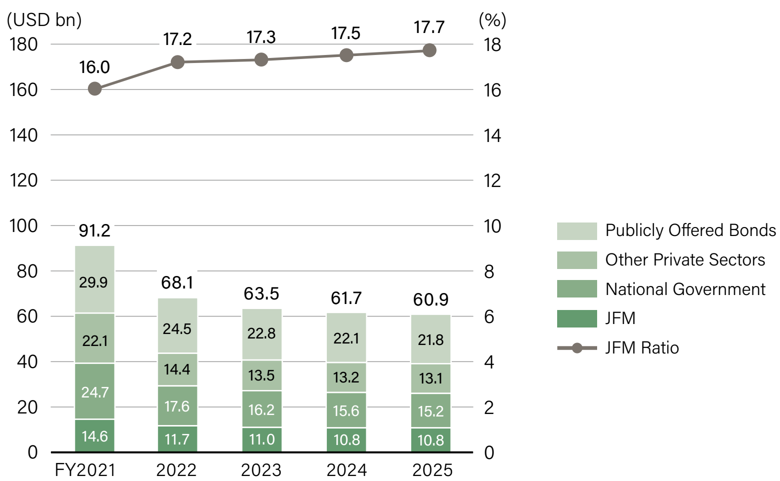
		FY2024	FY2025	
				Share
1. Private Funds	Publicly Offered Bonds	22	22	36%
	Other Private Sectors	13	13	21%
2. Public Funds	JFM	11	11	18%
	National Government	16	15	25%
Total		62	61	100%

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

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

Since fiscal 2021, JFM funds have accounted for around 16-18% 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

7. 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 2025).

1) Secured funds for repayment of local government borrowings

The national government effectively secures revenue sources for repayment 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 repayment of local government borrowings (i.e., principal and interest payments) in the amount of expenditures in the LGFP.

(iii) The total amount of Local Allocation Tax grants is set aside so that the total amount of local government expenditures, including the principal and interest payments, is equivalent to the total amount of local government revenues in the LGFP.

(iv) In the calculation of Local Allocation Tax grants to be allocated to an individual local government, a portion of the principal and interest payments are included in the Standard Financial Requirements of an individual local government.

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

2) Issuance restriction

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

3) Supervision of financial soundness

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

(i) Specified fiscal indicators to be disclosed

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

(iii) Local governments with fiscal indicators exceeding certain reconstruction limits to take necessary actions under the supervision of the national government or the respective prefectural governments, in order to restore their fiscal soundness

Financial Section

Balance Sheet

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

Item	Fiscal 2023 (As of 31 March 2024)	Fiscal 2024 (As of 31 March 2025)		Item	Fiscal 2023 (As of 31 March 2024)	Fiscal 2024 (As of 31 March 2025)	
	Amount				Amount		
Assets				Liabilities			
Loans (Note 4)	¥23,074,004	¥22,700,180	$151,860,988	Bonds (Notes 8 and 9)	¥18,949,328	¥18,677,661	$124,950,909
Securities (Note 19)	204,500	272,000	1,819,641	Borrowed money (Note 10)	530,300	529,500	3,542,280
Cash and bank deposits	873,692	908,700	6,079,076	Cash collateral received for financial instruments	413,091	370,616	2,479,368
Other assets	5,545	6,527	43,671	Other liabilities	6,807	6,341	42,427
Tangible fixed assets (Note 7)	2,933	2,807	18,780	Reserve for bonuses (Note 11)	60	63	424
Intangible fixed assets (Note 7)	3,447	3,583	23,970	Reserve for bonuses for directors and corporate auditors (Note 11)	10	10	71
Prepaid pension costs (Note 14)	-	25	168	Reserve for retirement benefits (Note 14)	45	78	523
				Reserve for retirement benefits for directors and corporate auditors(Note 11)	15	11	77
				Fund for lending rate reduction	926,499	931,870	6,234,082
				Basic fund for lending rate reduction (Note 13)	926,499	931,870	6,234,082
				Reserves under special laws	2,912,073	2,928,649	19,592,247
				Reserve for interest rate volatility (Note 12)	2,200,000	2,200,000	14,717,688
				Management account reserve for interest rate volatility (Note 12)	708,654	727,327	4,865,719
				Reserve for interest rate reduction	3,419	1,321	8,840
				Total liabilities	23,738,231	23,444,803	156,842,408
				Net assets			
				Capital	16,602	16,602	111,066
				Retained earnings	370,406	406,639	2,720,361
				General account appropriated surplus reserve	370,406	406,639	2,720,361
				Valuation, translation adjustments and others	(18,926)	(32,029)	(214,275)
				Management account surplus reserve	57,808	57,808	386,734
				Total net assets	425,891	449,020	3,003,886
Total assets	¥24,164,123	¥23,893,823	$159,846,294	Total liabilities and net assets	¥24,164,123	¥23,893,823	$159,846,294

See notes to financial statements.

Statement of Income

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

Item	Fiscal 2023 (For the year ended 31 March 2024)	Fiscal 2024 (For the year ended 31 March 2025)	
	Amount	Amount	
Income	¥209,118	¥208,625	$1,395,674
Interest income	191,948	191,146	1,278,743
Fees and commissions (Note 16)	66	62	417
Other operating income	99	3	22
Other income	17,003	17,413	116,492
Contributions from fund for lending rate reduction (Note 13)	16,964	17,304	115,767
Others	39	108	725
Expenses	118,277	125,816	841,697
Interest expenses	110,974	116,879	781,906
Fees and commissions	275	264	1,771
Other operating expenses	2,712	3,744	25,052
General and administrative expenses	4,314	4,928	32,968
Other expenses	0	-	-
Ordinary income	90,841	82,808	553,977
Special gains	52,538	32,097	214,729
Reversal of management account reserve for interest rate volatility (Note 12)	50,000	30,000	200,696
Reversal of reserve for interest rate reduction	2,538	2,097	14,033
Special losses	107,088	78,673	526,314
Provision for management account reserve for interest rate volatility (Note 12)	57,088	48,673	325,618
Payment to the national treasury (Notes 5 and 12)	50,000	30,000	200,696
Net income	¥36,292	¥36,232	$242,392

See notes to financial statements.

Statement of Appropriation of Profit [General account]

(For the year ended 31 March 2024)

(Millions of yen)

I Profit available for appropriation			¥36,292
Net income		¥36,292	
Accumulated deficit brought forward	-		
II Profit appropriated			
Surplus reserve		36,292	36,292

(For the year ended 31 March 2025)

(Millions of yen)

I Profit available for appropriation			¥36,232
Net income		¥36,232	
Accumulated deficit brought forward	-		
II Profit appropriated			
Surplus reserve		36,232	36,232

(Thousands of U.S. dollars)

I Profit available for appropriation			$242,392
Net income		$242,392	
Accumulated deficit brought forward	-		
II Profit appropriated			
Surplus reserve		242,392	242,392

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

See notes to financial statements.

Statement of Appropriation of Profit [Management account]

(For the year ended 31 March 2024) (Millions of yen)

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

(For the year ended 31 March 2025) (Millions of yen)

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

(Thousands of U.S. dollars)

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

See notes to financial statements.

Statement of Changes in Net Assets

(For the year ended 31 March 2024)

(Millions of yen)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account appropriated surplus reserve	Total retained earnings				
Balance as of 1 April 2023	¥16,602	¥334,114	¥334,114	¥350,716	¥(14,579)	¥57,808	¥393,946
Changes during accounting period							
Net income	-	36,292	36,292	36,292	-	-	36,292
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(4,347)	-	(4,347)
Net changes during accounting period	-	36,292	36,292	36,292	(4,347)	-	31,945
Balance as of 31 March 2024	¥16,602	¥370,406	¥370,406	¥387,008	¥(18,926)	¥57,808	¥425,891

(For the year ended 31 March 2025)

(Millions of yen)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account appropriated surplus reserve	Total retained earnings				
Balance as of 1 April 2024	¥16,602	¥370,406	¥370,406	¥387,008	¥(18,926)	¥57,808	¥425,891
Changes during accounting period							
Net income	-	36,232	36,232	36,232	-	-	36,232
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(13,103)	-	(13,103)
Net changes during accounting period	-	36,232	36,232	36,232	(13,103)	-	23,129
Balance as of 31 March 2025	¥16,602	¥406,639	¥406,639	¥423,241	¥(32,029)	¥57,808	¥449,020

(For the year ended 31 March 2025)

(Thousands of U.S. dollars)

	Stockholders' equity				Valuation, translation adjustments and others	Management account surplus reserve	Total net assets
	Capital	Retained earnings		Total stockholders' equity	Unrealized gain/(loss) from hedging instruments		
		General account appropriated surplus reserve	Total retained earnings				
Balance as of 1 April 2024	$111,066	$2,477,969	$2,477,969	$2,589,035	$(126,614)	$386,734	$2,849,155
Changes during accounting period							
Net income	-	242,392	242,392	242,392	-	-	242,392
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	(87,661)	-	(87,661)
Net changes during accounting period	-	242,392	242,392	242,392	(87,661)	-	154,731
Balance as of 31 March 2025	$111,066	$2,720,361	$2,720,361	$2,831,427	$(214,275)	$386,734	$3,003,886

See notes to financial statements.

Statement of Cash Flows

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

Item	Fiscal 2023 (For the year ended 31 March 2024)	Fiscal 2024 (For the year ended 31 March 2025)	
	Amount	Amount	
I Cash flows from operating activities			
Net income	¥36,292	¥36,232	$242,392
Depreciation and amortization	545	927	6,201
Interest income	(191,948)	(191,146)	(1,278,743)
Interest expenses	110,974	116,879	781,906
Increase in reserve for bonuses	5	3	22
Increase in reserve for bonuses for directors and corporate auditors	1	0	1
(Decrease)/increase in reserve for retirement benefits	(29)	32	217
Decrease in reserve for retirement benefits for directors and corporate auditors	(0)	(4)	(27)
Increase in prepaid pension costs	-	(25)	(168)
Decrease in fund for lending rate reduction	(16,964)	(17,304)	(115,767)
Increase in management account reserve for interest rate volatility	57,088	48,673	325,618
Decrease in reserve for interest rate reduction	(2,538)	(2,097)	(14,033)
Net decrease in loans	226,195	373,824	2,500,833
Net decrease in bonds	(678,072)	(272,557)	(1,823,370)
Net increase/(decrease) in borrowed money	3,800	(800)	(5,352)
Interest received	192,158	190,265	1,272,852
Interest paid	(109,899)	(114,893)	(768,618)
Others	238,891	(55,891)	(373,906)
Net cash (used in)/provided by operating activities	(133,500)	112,118	750,058
II Cash flows from investing activities			
Proceeds from redemption of securities	1,975,500	1,982,900	13,265,320
Purchases of securities	(1,433,000)	(2,050,400)	(13,716,886)
Purchases of tangible fixed assets	(701)	(342)	(2,289)
Purchases of intangible fixed assets	(1,532)	(1,945)	(13,014)
Net cash provided by/(used in) investing activities	540,266	(69,787)	(466,869)
III Cash flows from financing activities			
Payment to the national treasury	(50,000)	(30,000)	(200,696)
Revenue from contributions made from municipally operated racing	19,589	22,676	151,701
Net cash used in financing activities	(30,410)	(7,323)	(48,995)
IV Effect of exchange rate changes on cash and cash equivalents	-	-	-
V Net increase in cash and cash equivalents	376,355	35,007	234,194
VI Cash and cash equivalents at beginning of year	497,337	873,692	5,844,882
VII Cash and cash equivalents at end of year	¥873,692	¥908,700	$6,079,076

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 2025, the final business day of the fiscal year, which was ¥149.48 to U.S. $1. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

2. Summary of Significant Accounting Policies

(1) Securities

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

(2) Derivative transactions

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

(3) Depreciation and amortization

(a) Tangible fixed assets

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

Buildings: 41 to 47 years

Others: 2 to 20 years

(b) Intangible fixed assets

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

(4) Deferred assets

Bond issuance costs are expensed in full when incurred.

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

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

(6) Reserves

(a) Reserve for possible loan losses

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

(b) Reserve for bonuses

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

(c) Reserve for bonuses for directors and corporate auditors

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

(d) Reserve for retirement benefits

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

(7) Revenue recognition

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

(8) Hedge accounting

(a) Hedge accounting method

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

If the future issuance of bonds is designated as the hedged items, at the end of the period, the gain or loss arising from measuring the currency swaps at fair value are recognized and deferred as unrealized gain/(loss) from hedging instruments until the forecast transaction occurs.

(b) Hedging instruments and hedged items

(i) Hedging instruments···Interest rate swaps
Hedged itemss···········Bonds and long-term borrowed money

(ii) Hedging instruments···Currency swaps
Hedged items············Foreign currency-denominated bonds

(iii) Hedging instruments···Foreign exchange forward contracts
Hedged items············Foreign currency-denominated bank deposits

(c) Hedging policy

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

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

(d) Assessment of hedge effectiveness

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

(9) Cash and cash equivalents

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

(10) Fund for lending rate reduction

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

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

The reserve for interest rate volatility is set aside to prepare for interest rate risk associated with refinancing of the JFM bonds (excluding the bonds issued by the former Japan Finance Corporation for Municipal Enterprises; hereinafter, the “Predecessor”) pursuant to the provisions of Article 38, Sections 1 and 3 of the Law, and Article 9, Sections 8 and 10 of the Supplementary Provisions of the Law, and is calculated and accounted for based on the provisions of Article 34 of the Ministerial Ordinance on Finance and Accounting of Japan Finance Organization for Municipalities (Ordinance No. 87 of the Ministry of Internal Affairs and Communications, 2008) and Articles 22 and 23 of the Government Ordinance on preparation of relevant government ordinances and provisional measures for the abolishment of the Japan Finance Corporation for Municipal Enterprises Law (Government Ordinance No. 226, 2008; hereinafter, “Preparation Ordinance”). The management account reserve for interest rate volatility is set aside to manage interest rate risk associated with refinancing of bonds issued by the Predecessor pursuant to the provisions of Article 9, Sections 9 and 10, and Article 13, Sections 5 and 7 of the Supplementary Provisions of the Law, and is calculated and accounted for based on the provisions of Articles 1 through 3 of the Ministerial

Ordinance on the operations of the Management Account at Japan Finance Organization for Municipal Enterprises (Ordinance No. 2 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2008; hereinafter, "Management Account Operations Ordinance") and Articles 3 and 5 of the Supplementary Provisions of the above ordinance.

(12) Reserve for interest rate reduction

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

(13) Management account surplus reserve

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

3. Significant Accounting Estimates

Reserve for possible loan losses

(a) Amount of reserve for possible loan losses recorded in fiscal 2024: N/A

(b) Information on significant accounting estimates for identified items

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

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

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

4. Loans

There are no bankrupt and quasi-bankrupt loans, doubtful loans, past due loans (three months or more), or restructured loans. Since the JFM has never experienced loan losses in the past, it does not record a reserve for possible loan losses. Bankrupt and quasi-bankrupt loans represent loans to borrowers who are in bankruptcy due to a petition to commence bankruptcy proceedings, reorganization proceedings or rehabilitation proceedings, and loans equivalent to these.

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

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

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

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

In accordance with the 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 attributed to the Japanese national government. If it deems that the JFM's business is operated smoothly, the amount is attributed to the national government when the amount of the JFM's management account reserve for interest rate volatility exceeds the requisite amount of reserve necessary for the future smooth operation of the JFM's management operations for the Predecessor, in light of the JFM's financial condition.

For the purpose of securing the increase in the concession amount charged for Forest Environment Concession Tax, a portion of the JFM's management account reserve for interest rate volatility was scheduled to be 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, a portion of the JFM's management account reserve for interest rate volatility was scheduled to be attributed to the Japanese national government in fiscal 2024 with the aim of transferring 200 billion yen for securing funds for local allocation tax. However, in the supplementary budget for fiscal 2024 of the Japanese national government, the schedule of its use was changed and it was determined to use it in subsequent fiscal years as a source of funding for local governments.

A portion of the JFM's management account reserve for interest rate volatility will be attributed to the Japanese national government in fiscal 2025, with the aim of transferring 200 billion yen for securing funds for local allocation tax.

In fiscal 2023, 50 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 of fiscal 2023 and fiscal 2024 (Ordinance No. 1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2020)," 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 of fiscal 2023 and fiscal 2024 (Ordinance No. 3 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2023)."

In fiscal 2024, the final year of the period of five years mentioned above, 30 billion yen (200,696 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 of 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")," 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 of fiscal 2024 (Ordinance No. 6 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2024)."

Additional information

In connection with the attribution of the JFM's management account reserve for interest rate volatility, etc. in accordance with the provisions of Article 14 of the Supplementary Provisions of the Law, in fiscal 2025, the JFM will reverse 200 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 of fiscal 2025 (Ordinance No.1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2025)."

6. Financial Instruments

(1) Status of financial instruments

(a) Policy for financial instruments

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

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

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

(b) Details and risks of financial instruments

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

The JFM has set aside required reserves for interest rate fluctuations (the reserve for interest rate volatility), and has set up the ALM Committee separately from the Integrated Risk Management Committee to comprehensively analyze and manage the JFM's assets and liabilities in a timely and appropriate manner. At the meeting, medium- and long-term management analysis as well as risk analysis and evaluation are conducted through scenario analysis, VaR analysis, and duration analysis, among other methods. In addition, the JFM reflects the findings in other aspects of management, such as development of financing plans, 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 expand as a result of lending to local governments and funding, the JFM carries out an ALM analysis of this account in a timely and appropriate manner to further enhance the effectiveness of its management of interest rate risk. In order to reduce exposure to interest rate risk, the JFM has

established a medium-term management indicator for three years from fiscal 2023, in which the duration gap is to be maintained below approximately two years.

- Based on the management indicator, from the viewpoint of controlling the duration on assets (lending), the interest rates for temporary financial countermeasures funding which accounts for approximately 1/4 of the overall outstanding loans in the general account, are revised every 5 or 10 years. In addition, the JFM will revise its lending rate by the 30th year at the latest for its loans with maturities longer than 30 years. And, in terms of funding, the JFM has taken measures to manage the duration on liabilities (bonds and loans) by issuing bonds with maturities longer than 10 years continuously under the interest rate environment at the time and carefully choosing maturities of bonds to be issued by utilizing its FLIP and Open Issuance scheme.
- Regarding with the management account reserve for interest rate volatility in the management account which manages assets related to loans extended by the Predecessor, 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 attributed to the Japanese national government. If it deems that the JFM's business is operated smoothly, the amount is attributed to the national government when the amount of the JFM's management account reserve for interest rate volatility exceeds the requisite amount of reserve necessary for the future smooth operation of the JFM's management operations for the Predecessor, in light of the JFM's financial condition.
- For the purpose of securing the increase in the concession amount charged for Forest Environment Concession Tax which promotes forest maintenance, a portion of the JFM's management account reserve for interest rate volatility was scheduled to be attributed to the Japanese national government over a period of five years from fiscal 2020 through fiscal 2024, with the aim of transferring up to 230 billion yen over this period. In fiscal 2024, the final year of this period of five years, 30 billion yen (200,696 thousand U.S. dollars) was attributed to the Japanese national government.
- In addition, a portion of the JFM's management account reserve for interest rate volatility was scheduled to be attributed to the Japanese national government in fiscal 2024 with the aim of transferring 200 billion yen for securing funds for local allocation tax. However, in the supplementary budget for fiscal 2024 of the Japanese national government, the schedule of its use was changed and it was determined to use it in subsequent fiscal years as a source of funding for local governments.
- A portion of the JFM's management account reserve for interest rate volatility will be attributed to the Japanese national government in fiscal 2025, with the aim of transferring 200 billion yen for securing funds for local allocation tax.

- Pipeline risk

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

B. Foreign exchange and other risks

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

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

C. Quantitative information on market risk

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

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

With respect to these financial instruments in the general account, based on an assumption that the risk variables, except for interest rate risk, hold steady, for an indicative interest rate as of 31 March 2024 and 2025 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 24,436 million yen and 20,738 million yen (138,738 thousand U.S. dollars), respectively. On the contrary, for an indicative interest rate as of 31 March 2024 and 2025 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 24,747 million yen and 20,992 million yen (140,437 thousand U.S. dollars), respectively.

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

With respect to these financial instruments in the management account, based on an assumption that the risk variables, except for interest rate risk, hold steady, for an indicative interest rate as of 31 March 2024 and 2025 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 5,170 million yen and 3,837 million yen (25,671 thousand U.S. dollars), respectively. On the contrary, for an indicative interest rate as of 31 March 2024 and 2025 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 5,211 million yen and 3,864 million yen (25,854 thousand U.S. dollars), respectively.

(iii) Liquidity risk

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

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

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

(2) Items related to fair value of financial instruments

The book value, fair value and difference between them as of 31 March 2024 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
(1) Loans	¥23,074,004	¥22,709,260	¥(364,744)
(2) Securities			
Held-to-maturity securities	204,500	204,500	-
(3) Cash and bank deposits	873,692	873,692	-
(4) Cash collateral paid for financial instruments	-	-	-
Total assets	24,152,197	23,787,453	(364,744)
(1) Bonds	18,949,328	18,547,846	(401,482)
(2) Borrowed money	530,300	526,817	(3,482)
(3) Cash collateral received for financial instruments	413,091	413,091	-
Total liabilities	19,892,719	19,487,754	(404,964)
Derivative transactions(*) Hedge accounting applied	-	-	-
Total of derivative transactions	¥-	¥-	¥-

The book value, fair value and difference between them as of 31 March 2025 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
(1) Loans	¥22,700,180	¥21,197,673	¥(1,502,507)
(2) Securities			
Held-to-maturity securities	272,000	272,000	-
(3) Cash and bank deposits	908,700	908,700	-
(4) Cash collateral paid for financial instruments	-	-	-
Total assets	23,880,880	22,378,373	(1,502,507)
(1) Bonds	18,677,661	17,501,886	(1,175,775)
(2) Borrowed money	529,500	518,032	(11,467)
(3) Cash collateral received for financial instruments	370,616	370,616	-
Total liabilities	19,577,777	18,390,534	(1,187,242)
Derivative transactions(*) Hedge accounting applied	102	102	-
Total of derivative transactions	¥102	¥102	¥-

(Thousands of U.S. dollars)

	Book value	Fair value	Difference
(1) Loans	$151,860,988	$141,809,428	$(10,051,560)
(2) Securities			
Held-to-maturity securities	1,819,641	1,819,641	-
(3) Cash and bank deposits	6,079,076	6,079,076	-
(4) Cash collateral paid for financial instruments	-	-	-
Total assets	159,759,705	149,708,145	(10,051,560)
(1) Bonds	124,950,909	117,085,139	(7,865,770)
(2) Borrowed money	3,542,280	3,465,564	(76,716)
(3) Cash collateral received for financial instruments	2,479,368	2,479,368	-
Total liabilities	130,972,557	123,030,071	(7,942,486)
Derivative transactions(*) Hedge accounting applied	685	685	-
Total of derivative transactions	$685	$685	$-

(*) 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 "Fair Value of Marketable Securities."

(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 2024 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount	Contract amount: Of which 1 year or more	Fair value	Method for calculating fair value
Principal accounting	Interest rate swap transactions Receive/fixed and pay/floating	Bonds Long-term borrowed money	-	-	-	(*1)
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	¥20,000	¥20,000	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,898,042	1,554,715	(*3)	
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	24,100	-	(*3)	
Total			¥1,942,142	¥1,574,715		

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 2025 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount	Contract amount: Of which 1 year or more	Fair value	Method for calculating fair value
Principal accounting	Interest rate swap transactions Receive/fixed and pay/floating	Bonds Long-term borrowed money	-	-	-	(*1)
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	¥20,000	¥20,000	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,868,110	1,536,900	(*3)	(*3)
			150,930	150,930	102	(*4)
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	-	-	(*3)	
Total			¥2,039,040	¥1,707,830	¥102	

(Thousands of U.S. dollars)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount	Of which 1 year or more	Fair value	Method for calculating fair value
Principal accounting	Interest rate swap transactions Receive/fixed and pay/floating	Bonds Long-term borrowed money	-	-	-	(*1)
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	$133,797	$133,797	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	12,497,396	10,281,644	(*3)	(*3)
			1,009,700	1,009,700	685	(*4)
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	-	-	(*3)	
Total			$13,640,893	$11,425,141	$685	

(*1) The fair value of interest rate swaps for which the principal accounting is applied is calculated by the discounted cash flow method, which uses observable inputs such as interest rates.
(*2) Since interest rate swaps for which hedge accounting is applied are accounted for together with the bond being hedged, the fair value is presented together with the fair value of the relevant bond.
(*3) Since currency swaps and foreign exchange forward contracts for which deferral hedge accounting is applied are accounted for together with the foreign currency-denominated bond or foreign currency-denominated deposit being hedged, the fair value is presented together with the fair value of the relevant hedged item.
(*4) If the future issuance of bonds is designated as the hedged items, at the end of the period, the gain or loss arising from measuring the currency swaps at fair value are recognized and deferred as unrealized gain/(loss) from hedging instruments until the forecast transaction occurs. The fair value of the currency swaps is calculated by the discounted cash flow method, which uses observable inputs such as foreign exchange.

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

As of 31 March 2024

(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	¥1,785,747	¥1,756,567	¥1,709,512	¥1,643,920	¥1,572,957	¥6,390,024	¥6,477,781	¥1,681,323	¥56,169
Securities Held-to-maturity securities	204,500	-	-	-	-	-	-	-	-
Deposits	873,692	-	-	-	-	-	-	-	-

As of 31 March 2025

(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	¥1,777,570	¥1,745,215	¥1,699,225	¥1,633,913	¥1,571,802	¥6,185,416	¥6,365,063	¥1,657,683	¥64,288
Securities Held-to-maturity securities	272,000	-	-	-	-	-	-	-	-
Deposits	908,700	-	-	-	-	-	-	-	-

(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	$11,891,695	$11,675,246	$11,367,578	$10,930,650	$10,515,133	$41,379,560	$42,581,375	$11,089,671	$430,081
Securities Held-to-maturity securities	1,819,641	-	-	-	-	-	-	-	-
Deposits	6,079,076	-	-	-	-	-	-	-	-

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

As of 31 March 2024

(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	¥2,012,996	¥2,069,380	¥1,476,386	¥1,782,405	¥1,455,107	¥5,397,400	¥4,279,144	¥369,000	¥111,000
Borrowed money	83,400	88,000	104,500	140,000	97,800	13,000	3,600	-	-

As of 31 March 2025

(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	¥2,069,380	¥1,476,386	¥1,782,405	¥1,595,107	¥1,601,498	¥5,188,296	¥4,508,144	¥361,000	¥99,000
Borrowed money	88,000	104,500	140,000	97,800	82,600	13,000	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	$13,843,863	$9,876,816	$11,924,041	$10,671,045	$10,713,799	$34,708,969	$30,158,849	$2,415,039	$662,296
Borrowed money	588,708	699,090	936,580	654,268	552,582	86,968	24,083	-	-

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

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

Level 1: Fair value calculated using quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Fair value calculated using inputs that are directly or indirectly observable other than Level 1 inputs.
Level 3: Fair value calculated using significant and unobservable inputs.

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

Financial Statements

(i) Financial assets and liabilities for which fair value is used as the balance sheet amount

As of 31 March 2024
Not applicable

As of 31 March 2025

(Millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
Derivative transactions Hedge accounting applied	¥-	¥102	¥-	¥102
Total of derivative transactions	¥-	¥102	¥-	¥102

(Thousands of U.S. dollars)

	Fair value			Total
	Level 1	Level 2	Level 3	
Derivative transactions Hedge accounting applied	$-	$685	$-	$685
Total of derivative transactions	$-	$685	$-	$685

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

As of 31 March 2024

(Millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	¥-	¥-	¥22,709,260	¥22,709,260
(2) Securities				
Held-to-maturity securities	-	204,500	-	204,500
(3) Cash and bank deposits	-	873,692	-	873,692
(4) Cash collateral paid for financial instruments	-	-	-	-
Total assets	-	1,078,192	22,709,260	23,787,453
(1) Bonds	-	18,547,846	-	18,547,846
(2) Borrowed money	-	526,817	-	526,817
(3) Cash collateral received for financial instruments	-	413,091	-	413,091
Total liabilities	¥-	¥19,487,754	¥-	¥19,487,754

As of 31 March 2025

(Millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	¥-	¥-	¥21,197,673	¥21,197,673
(2) Securities				
Held-to-maturity securities	-	272,000	-	272,000
(3) Cash and bank deposits	-	908,700	-	908,700
(4) Cash collateral paid for financial instruments	-	-	-	-
Total assets	-	1,180,700	21,197,673	22,378,373
(1) Bonds	-	17,501,886	-	17,501,886
(2) Borrowed money	-	518,032	-	518,032
(3) Cash collateral received for financial instruments	-	370,616	-	370,616
Total liabilities	¥-	¥18,390,534	¥-	¥18,390,534

(Thousands of U.S. dollars)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	$-	$-	$141,809,428	$141,809,428
(2) Securities				
Held-to-maturity securities	-	1,819,641	-	1,819,641
(3) Cash and bank deposits	-	6,079,076	-	6,079,076
(4) Cash collateral paid for financial instruments	-	-	-	-
Total assets	-	7,898,717	141,809,428	149,708,145
(1) Bonds	-	117,085,139	-	117,085,139
(2) Borrowed money	-	3,465,564	-	3,465,564
(3) Cash collateral received for financial instruments	-	2,479,368	-	2,479,368
Total liabilities	$-	$123,030,071	$-	$123,030,071

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

Assets

(1) Loans

The fair value of loans is calculated by discounting future cash flows assuming prepayment at the discount rate calculated using the Japanese government bond rates as of 31 March 2025.

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

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

(2) Securities

All securities are negotiable certificates of deposit and short-term, and the fair value approximates the book value. Therefore, the fair value is classified as Level 2 and the book value is deemed to be the fair value.

(3) Cash and bank deposits

The book value is used as the fair value for deposits without maturities. All deposits with maturities are short-term and the fair value approximates the book value. Therefore, the fair value is classified as Level 2 and the book value is deemed to be the fair value.

(4) Cash collateral paid for financial instruments

Cash collateral is associated with derivative transactions. The fair value is classified as Level 2 and the book value is used as the fair value of cash collateral paid for financial instruments since both values are approximately equal as a result of each deposit period being short term.

Liabilities

(1) Bonds

The fair value of bonds issued by the JFM that have a market price is based on the market price. The fair value of bonds without a market price is calculated by discounting the future cash flows using the interest rate that would be applied when issuing similar bonds with the same total principal and interest and payment term. Although the JFM can quote a market price, the market is not active, the fair value is classified as Level 2.

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

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

(2) Borrowed money

The fair value of long-term borrowed money is calculated by discounting the future cash flows using the interest rate that would presumably be applied when issuing bonds with the same total principal and interest and payment term. Therefore, the fair value is classified as Level 2.

(3) Cash collateral received for financial instruments

Cash collateral is associated with derivative transactions. The fair value is classified as Level 2 and the book value is used as the fair value of cash collateral received for financial instruments since both values are approximately equal as a result of each deposit period being short term.

Derivative transactions

Derivative transactions

The fair value of interest rate swaps and the fair value of currency swaps for which the gain or loss was recognized as unrealized gain/(loss) from hedging instruments are calculated by the discounted cash flow method, which uses observable inputs such as interest rates and foreign exchange. Therefore, the fair value is classified as Level 2.

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

Not applicable

7. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets as of 31 March 2024 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2023 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2024 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2024	Depreciation and amortization during the year	Balance as of 31 March 2024 (Net book value)
Tangible fixed assets							
Buildings	¥1,010	¥1	¥-	¥1,012	¥514	¥19	¥498
Land	1,332	-	-	1,332	-	-	1,332
Other tangible fixed assets	1,452	275	6	1,721	618	120	1,103
Total tangible fixed assets	3,795	276	6	4,065	1,132	139	2,933
Intangible fixed assets							
Software	2,075	89	339	1,825	1,064	406	760
Other intangible fixed assets	1,153	1,547	14	2,686	-	-	2,686
Total intangible fixed assets	¥3,229	¥1,636	¥353	¥4,511	¥1,064	¥406	¥3,447

Tangible and intangible fixed assets as of 31 March 2025 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2024 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2025 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2025	Depreciation and amortization during the year	Balance as of 31 March 2025 (Net book value)
Tangible fixed assets							
Buildings	¥1,012	¥2	¥2	¥1,012	¥531	¥18	¥480
Land	1,332	-	-	1,332	-	-	1,332
Other tangible fixed assets	1,721	1,050	1,400	1,370	376	191	994
Total tangible fixed assets	4,065	1,052	1,402	3,714	907	210	2,807
Intangible fixed assets							
Software	1,825	3,536	655	4,706	1,125	716	3,580
Other intangible fixed assets	2,686	2	2,686	2	-	-	2
Total intangible fixed assets	¥4,511	¥3,538	¥3,341	¥4,708	¥1,125	¥716	¥3,583

(Thousands of U.S. dollars)

Type of assets	Balance as of 1 April 2024 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2025 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2025	Depreciation and amortization during the year	Balance as of 31 March 2025 (Net book value)
Tangible fixed assets							
Buildings	$6,772	$14	$14	$6,772	$3,554	$124	$3,218
Land	8,911	-	-	8,911	-	-	8,911
Other tangible fixed assets	11,515	7,024	9,371	9,168	2,517	1,283	6,651
Total tangible fixed assets	27,198	7,038	9,385	24,851	6,071	1,407	18,780
Intangible fixed assets							
Software	12,214	23,659	4,387	31,486	7,530	4,794	23,956
Other intangible fixed assets	17,969	14	17,969	14	-	-	14
Total intangible fixed assets	$30,183	$23,673	$22,356	$31,500	$7,530	$4,794	$23,970

8. Assets Pledged as Collateral

Pursuant to the provisions of Article 40, Section 2 of the Law, the JFM's total assets are pledged as general collateral for the JFM bonds in the amount of 18,949,328 million yen and 18,677,661 million yen (124,950,909 thousand U.S. dollars) as of 31 March 2024 and 2025, respectively.

9. Bonds

Bonds as of 31 March 2024 consisted of the following:

(Millions of yen)

Type of bond	Date of issue	Balance as of 1 April 2023	Balance as of 31 March 2024	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 47-123)	4/22/2013-1/21/2020	¥2,815,000	¥2,135,000 (430,000)	0.001 to 0.911	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 4-7)	7/30/2015-2/24/2017	220,019	120,005 (120,005)	0.001 to 0.311	8Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 11-13)	8/28/2020-8/26/2021	220,262	220,136 (60,008)	0.001	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 23-34)	4/19/2018-12/21/2023	137,000	149,000 (20,000)	0.001 to 0.453	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 47-178)	4/18/2013-3/22/2024	3,200,000	3,128,000 (355,000)	0.049 to 0.972	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 1-110)	6/25/2009-1/26/2024	2,020,000	2,160,000	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-18)	6/26/2014-10/20/2023	200,000	233,000	0.446 to 1.864	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-3)	2/26/2019-9/24/2020	40,000	40,000	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F11, F13-F14, F16, F28, F37, F42-F43, F45-F47, F49, F51-F52, F54-F56, F59-F68, F71-F73, F75-F80, F82-F85, F87-F90, F92-F93, F95-F98, F101-F109, F112, F115-F125, F127-F134, F136-F139, F142-F143, F145-F152, F156-F164, F166-F169, F172-F174, F176-F179, F181-F185, F188-F198, F200-F210, F213-F217, F219-F222, F224-F243, F245-F250, F252-F256, F258-F270, F272-F276, F278-F288, F290-F298, F301-F310, F318-F319, F330-F333, F338-F345, F348-F354, F356-F360, F367-F369, F374-F379, F384-F389, F391-F398, F400, F403-F418, F420-F530, F532-F564, and F566-F784)	7/23/2009-3/27/2024	3,402,175	3,367,804 (302,500)	0.001 to 2.334	2Y to 40Y

Type of bond	Date of issue	Balance as of 1 April 2023	Balance as of 31 March 2024	Coupon rate (%)	Maturity
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F211, F244)	2/26/2014-7/25/2014	20,000	20,000	Floating rate	20Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-44, 47-48, 54, 58, 63-64, 66-98,and 100-105)	5/1/2014-1/23/2024	1,999,004	1,891,998 [USD 10,279 million] [AUD 1,620 million] [EUR 4,380 million] (343,263)	0.010 to 5.125	3Y to 15Y
Non-guaranteed bonds issued by the JFM (international) (Series 99)	10/26/2022	3,730	3,730 [USD 25 million]	Floating rate	5Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A39-A170)	4/18/2013-3/22/2024	1,960,000	1,810,000 (300,000)	0.069 to 1.002	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B101)	11/24/2015-3/22/2024	641,500	745,500	0.069 to 1.002	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C101)	11/24/2015-3/22/2024	845,500	975,000	0.190 to 1.596	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D96)	4/21/2016-3/22/2024	1,040,000	1,190,000	0.190 to 1.596	20Y
Bonds issued by the JFM - Sub-total	-	18,814,191	18,239,175	-	-
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	84,982	84,985	2.07 to 2.29	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	84,982	84,985	-	-
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 4-25)	11/7/2003-6/16/2008	519,932	419,953 (79,997)	2.03 to 2.58	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004-9/20/2006	189,927	189,933	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	17,450	15,280 (2,170)	1.39 to 2.01	28Y
Bonds issued by the Predecessor - Sub-total	-	727,310	625,167	-	-
Total	-	¥19,626,484	¥18,949,328	-	-

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 18,949,328 million yen as of 31 March 2024.
2. Amounts in square brackets under "Balance as of 31 March 2024" for "Non-guaranteed bonds issued by the JFM (international)— (Series 43-44, 47-48, 54, 58, 63-64, 66-98 and 100-105)" and "Non-guaranteed bonds issued by the JFM (international)—(Series 99)" are denominated in foreign currencies.
3. Amounts in parentheses under "Balance as of 31 March 2024" are to be repaid within one year.
4. Annual schedule of redemption within five years after the fiscal year-end:

Bonds as of 31 March 2025 consisted of the following:

(Millions of yen)

Type of bond	Date of issue	Balance as of 1 April 2024	Balance as of 31 March 2025	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 59-123)	4/14/2014-1/21/2020	¥2,135,000	¥1,705,000 (500,000)	0.001 to 0.669	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 6-7)	9/27/2016-2/24/2017	120,005	-	0.001 to 0.095	8Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 11-15)	8/28/2020-9/27/2024	220,136	300,026 (160,026	0.001 to 0.494	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 25-36)	4/18/2019-12/20/2024	149,000	170,000 (30,000)	0.001 to 0.809	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 59-190)	4/17/2014-3/21/2025	3,128,000	3,098,000 (255,000)	0.049 to 1.643	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 1-117)	6/25/2009-1/24/2025	2,160,000	2,268,000	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-20)	6/26/2014-10/22/2024	233,000	266,000	0.446 to 2.253	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-3)	2/26/2019-9/24/2020	40,000	40,000	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F11, F13-F14, F16, F28, F37, F43, F45-F47, F49, F51-F52, F55-F56, F59-F68, F71, F73, F76-F80, F82-F85, F88-F90, F93, F95-F98, F102, F104, F107-F109, F112, F115-F125, F128-F134, F136-F139, F142-F143, F145-F152, F156-F164, F166-F169, F172-F174, F176-F179, F181-F185, F188-F198, F200-F210, F213-F217, F219-F222, F224-F228, F230-F234, F236-F243, F245-F250, F252-F256, F258-F263, F265-F270, F273-F276, F278-F288, F291-F298, F301-F308, F310, F318-F319, F332-F333, F339-F341, F343-F345, F348-F354, F356-F360, F368-F369, F374-F379, F385-F389, F392-F395, F398, F400, F404-F406, F409-F411, F420-F424, F426-F443, F445-F454, F457-F530, F532-F559, F561-F564, and F566-F834)	7/23/2009-3/27/2025	3,367,804	3,306,933 (357,000)	0.001 to 2.334	3Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F211, F244)	2/26/2014-7/25/2014	20,000	20,000	Floating rate	20Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-44, 47-48, 58, 64, 67, 69-98, and 100-107)	5/1/2014-1/16/2025	1,891,998	1,861,962 [USD 8,879 million] [AUD 1,415 million] [EUR 4,880 million] (331,132)	0.010 to 5.125	3Y to 15Y
Non-guaranteed bonds issued by the JFM (international) (Series 99)	10/26/2022	3,730	3,730 [USD 25 million]	Floating rate	5Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A51-A182)	4/17/2014-3/21/2025	1,810,000	1,660,000 (300,000)	0.069 to 1.673	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B113)	11/24/2015-3/21/2025	745,500	853,000 (34,000)	0.069 to 1.673	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C113)	11/24/2015-3/21/2025	975,000	1,107,000	0.190 to 2.329	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D108)	4/21/2016-3/21/2025	1,190,000	1,340,000	0.190 to 2.329	20Y

Type of bond	Date of issue	Balance as of 1 April 2024	Balance as of 31 March 2025	Coupon rate (%)	Maturity
Bonds issued by the JFM - Sub-total	-	18,239,175	18,049,652	-	-
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	84,985	84,988	2.070 to 2.290	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	84,985	84,988	-	-
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 9-25)	10/21/2004-6/16/2008	419,953	339,970 (99,997)	2.030 to 2.580	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004-9/20/200	189,933	189,939	2.390 to 2.950	30Y
Non-guaranteed bonds issued by the Predecessor (domestic) Bonds with scheduled repayment (Series 1-3)	2/14/2003-6/9/2004	15,280	13,110 (2,170)	1.390 to 2.010	28Y
Bonds issued by the Predecessor - Sub-total	-	625,167	543,020	-	-
Total	-	¥18,949,328	¥18,677,661	-	-

(Thousands of U.S. dollars)

Type of bond	Date of issue	Balance as of 1 April 2024	Balance as of 31 March 2025	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 59-123)	4/14/2014-1/21/2020	$14,282,847	$11,406,208 (3,344,929)	0.001 to 0.669	10Y
Government-guaranteed bonds issued by the JFM (domestic) 8-year bonds (Series 6-7)	9/27/2016-2/24/2017	802,821	-	0.001 to 0.095	8Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 11-15)	8/28/2020-9/27/2024	1,472,683	2,007,136 (1,070,556)	0.001 to 0.494	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 25-36)	4/18/2019-12/20/2024	996,789	1,137,276 (200,696)	0.001 to 0.809	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 59-190)	4/17/2014-3/21/202	20,925,876	20,725,181 (1,705,914)	0.049 to 1.643	10Y
Non-guaranteed bonds issued by the JFM (domestic) 15-year bonds (Series 1-3)	1/31/2013-1/22/2014	334,493	334,493	1.161 to 1.334	15Y
Non-guaranteed bonds issued by the JFM (domestic) 20-year bonds (Series 1-117)	6/25/2009-1/24/2025	14,450,094	15,172,598	0.180 to 2.266	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-20)	6/26/2014-10/22/2024	1,558,737	1,779,502	0.446 to 2.253	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-3)	2/26/2019-9/24/2020	267,594	267,594	0.646 to 0.882	40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Series F2-F6, F8-F11, F13-F14, F16, F28, F37, F43, F45-F47, F49, F51-F52, F55-F56,F59-F68, F71, F73, F76-F80, F82-F85, F88-F90, F93, F95-F98, F102, F104, F107-F109, F112, F115-F125,F128-F134, F136-F139, F142-F143, F145-F152, F156-F164, F166-F169, F172-F174, F176-F179, F181-F185, F188-F198, F200-F210, F213-F217, F219-F222, F224-F228, F230-F234, F236-F243, F245-F250, F252-F256, F258-F263, F265-F270, F273-F276, F278-F288, F291-F298, F301-F308, F310, F318-F319, F332-F333, F339-F341, F343-F345, F348-F354, F356-F360, F368-F369, F374-F379, F385-F389, F392-F395, F398, F400, F404-F406, F409-F411, F420-F424, F426-F443, F445-F454, F457-F530, F532-F559, F561-F564, and F566-F834)	7/23/2009-3/27/2025	22,530,135	22,122,917 (2,388,279)	0.001 to 2.334	3Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F211, F244)	2/26/2014-7/25/2014	133,797	133,797	Floating rate	20Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 43-44, 47-48, 58, 64, 67, 69-98, and 100-107)	5/1/2014-1/16/2025	12,657,202	12,456,264 [USD 8,879 million] [AUD 1,415 million] [EUR 4,880 million] (2,215,229)	0.010 to 5.125	3Y to 15Y
Non-guaranteed bonds issued by the JFM (international) (Series 99)	10/26/2022	24,953	24,953 [USD 25 million]	Floating rate	5Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A51-A182)	4/17/2014-3/21/2025	12,108,643	11,105,165 (2,006,957)	0.069 to 1.673	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B113)	11/24/2015-3/21/2025	4,987,289	5,706,449 (227,455)	0.069 to 1.673	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C113)	11/24/2015-3/21/2025	6,522,612	7,405,673	0.190 to 2.329	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D108)	4/21/2016-3/21/2025	7,960,931	8,964,410	0.190 to 2.329	20Y
Bonds issued by the JFM - Sub-total	-	122,017,497	120,749,616	-	-

Type of bond	Date of issue	Balance as of 1 April 2024	Balance as of 31 March 2025	Coupon rate (%)	Maturity
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	568,543	568,563	2.070 to 2.290	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	568,543	568,563	-	-
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 9-25)	10/21/2004-6/16/2008	2,809,429	2,274,354 (668,970)	2.030 to 2.580	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004-9/20/2006	1,270,631	1,270,672	2.390 to 2.950	30Y
Non-guaranteed bonds issued by the Predecessor (domestic) Bonds with scheduled repayment (Series 1-3)	2/14/2003-6/9/2004	102,221	87,704 (14,517)	1.390 to 2.010	28Y
Bonds issued by the Predecessor - Sub-total	-	4,182,281	3,632,730	-	-
Total	-	$126,768,321	$124,950,909	-	-

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 18,677,661 million yen (124,950,909 thousand U.S. dollars) as of 31 March 2025.
2. Amounts in square brackets under "Balance as of 31 March 2025" for "Non-guaranteed bonds issued by the JFM (international)— (Series 43-44, 47-48, 58, 64, 67, 69-98 and 100-107)" and "Non-guaranteed bonds issued by the JFM (international)— (Series 99)" are denominated in foreign currencies.
3. Amounts in parentheses under "Balance as of 31 March 2025" are to be repaid within one year.
4. Annual schedule of redemption within five years after the fiscal year-end:

As of 31 March 2024

(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	¥2,012,996	¥2,069,380	¥1,476,386	¥1,782,405	¥1,455,107

As of 31 March 2025

(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	¥2,069,380	¥1,476,386	¥1,782,405	¥1,595,107	¥1,601,498

(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	$13,843,863	$9,876,816	$11,924,041	$10,671,045	$10,713,799

10. Borrowed Money

Borrowed money as of 31 March 2024 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2023	Balance as of 31 March 2024	Average interest rate (%)	Repayment date
Short-term borrowed money	¥-	¥-	-	-
Long-term borrowed money (repayment within 1 year)	¥86,200	¥83,400	0.045	4/4/2024-3/17/2025
Long-term borrowed money (excluding repayment within 1 year)	¥440,300	¥446,900	0.237	9/3/2025-3/16/2040
Total	¥526,500	¥530,300	-	-

Borrowed money as of 31 March 2025 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2024	Balance as of 31 March 2025	Average interest rate (%)	Repayment date
Short-term borrowed money	¥-	¥-	-	-
Long-term borrowed money (repayment within 1 year)	¥83,400	¥88,000	0.107	9/3/2025-3/19/2026
Long-term borrowed money (excluding repayment within 1 year)	¥446,900	¥441,500	0.339	9/16/2026-3/16/2040
Total	¥530,300	¥529,500	-	-

(Thousands of U.S. dollars)

Classification of borrowed money	Balance as of 1 April 2024	Balance as of 31 March 2025	Average interest rate (%)	Repayment date
Short-term borrowed money	$-	$-	-	-
Long-term borrowed money (repayment within 1 year)	$557,934	$588,708	0.107	9/3/2025-3/19/2026
Long-term borrowed money (excluding repayment within 1 year)	$2,989,698	$2,953,572	0.339	9/16/2026-3/16/2040
Total	$3,547,632	$3,542,280	-	-

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 2024

(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	¥83,400	¥88,000	¥104,500	¥140,000	¥97,800

As of 31 March 2025

(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	¥88,000	¥104,500	¥140,000	¥97,800	¥82,600

(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
Borrowed money	$588,708	$699,090	$936,580	$654,268	$552,582

11. Reserves

Reserves as of 31 March 2024 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2023	Increase during the year	Decrease during the year		Balance as of 31 March 2024
			Intended purpose	Other	
Reserve for bonuses	¥54	¥60	¥54	¥-	¥60
Reserve for bonuses for directors and corporate auditors	8	10	8	-	10
Reserve for retirement benefits for directors and corporate auditors	15	7	-	7	15

Note: The “Other” in the “Decrease during the year” for the “Reserve for retirement benefits for directors and corporate auditors” represents the reversal amount as a result of decrease in the amount deemed accrued at the fiscal year-end.

Reserves as of 31 March 2025 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2024	Increase during the year	Decrease during the year		Balance as of 31 March 2025
			Intended purpose	Other	
Reserve for bonuses	¥60	¥63	¥60	¥-	¥63
Reserve for bonuses for directors and corporate auditors	10	10	10	-	10
Reserve for retirement benefits for directors and corporate auditors	15	9	13	-	11

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2024	Increase during the year	Decrease during the year		Balance as of 31 March 2025
			Intended purpose	Other	
Reserve for bonuses	$402	$424	$402	$-	$424
Reserve for bonuses for directors and corporate auditors	70	71	70	-	71
Reserve for retirement benefits for directors and corporate auditors	104	62	89	-	77

12. Reserve for Interest Rate Volatility

Reserve for interest rate volatility as of 31 March 2024 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2023	Increase during the year		Decrease during the year		Balance as of 31 March 2024
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	¥2,200,000	¥-	¥-	¥-		¥2,200,000
Management account reserve for interest rate volatility	701,566	57,088		50,000	¥-	708,654
Total	¥2,901,566	¥57,088	¥-	¥50,000	¥-	¥2,908,654

Reserve for interest rate volatility as of 31 March 2025 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2024	Increase during the year		Decrease during the year		Balance as of 31 March 2025
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	¥2,200,000	¥-	¥-	¥-		¥2,200,000
Management account reserve for interest rate volatility	708,654	48,673		30,000	¥-	727,327
Total	¥2,908,654	¥48,673	¥-	¥30,000	¥-	¥2,927,327

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2024	Increase during the year		Decrease during the year		Balance as of 31 March 2025
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	$14,717,688	$-	$-	$-		$14,717,688
Management account reserve for interest rate volatility	4,740,797	325,618		200,696	$-	4,865,719
Total	$19,458,485	$325,618	$-	$200,696	$-	$19,583,407

Note: The "Decrease during the year" for the "Management account reserve for interest rate volatility" in the amount of 30,000 million yen (200,696 thousand U.S. dollars) consists of the payment to the national treasury in accordance with the Ministerial Ordinance for Attribution to the National Government.

13. Fund for Lending Rate Reduction

Fund for lending rate reduction as of 31 March 2024 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2023	Increase during the year		Decrease during the year		Balance as of 31 March 2024
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥923,873	¥19,589	¥-	¥16,964	¥-	¥926,499
Total	¥923,873	¥19,589	¥-	¥16,964	¥-	¥926,499

Fund for lending rate reduction as of 31 March 2025 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2024	Increase during the year		Decrease during the year		Balance as of 31 March 2025
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥926,499	¥22,676	¥-	¥17,304	¥-	¥931,870
Total	¥926,499	¥22,676	¥-	¥17,304	¥-	¥931,870

(Thousands of U.S. dollars)

Classification of fund	Balance as of 1 April 2024	Increase during the year		Decrease during the year		Balance as of 31 March 2025
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	$6,198,148	$151,701	$-	$115,767	$-	$6,234,082
Total	$6,198,148	$151,701	$-	$115,767	$-	$6,234,082

Notes: 1. The "Amount of reserve" in the "Increase during the year" for the "Basic fund for lending rate reduction" represents the payment of the amount stipulated in Article 46, Section 1 of the Law and received in accordance with Article 46, Section 2 of the Law.

2. The "Amount withdrawn" in the "Decrease during the year" for the "Basic fund for lending rate reduction" represents the payment of the amount reduced in the fund for interest rate reduction pursuant to the provisions of Article 46, Section 6 of the Law.

14. Reserve for Retirement Benefits

As of and for the year ended 31 March 2024

(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: 74 million yen

Pension expenses: (20) million yen

Employee retirement benefits paid: 0 million yen

Contributions to the defined benefit plan: 8 million yen

Reserve for retirement benefits at the end of the fiscal year:

45 million yen

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

Funded retirement benefit obligation: 215 million yen

Plan assets: (236) million yen

Balance: (21) million yen

Unfunded retirement benefit obligation: 67 million yen

Net liability for retirement benefits in the balance sheet: 45 million yen

Reserve for retirement benefits at the end of the fiscal year: 45 million yen

Net liability for retirement benefits in the balance sheet: 45 million yen

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: (20) million yen

As of and for the year ended 31 March 2025

(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:
45 million yen (306 thousand U.S. dollars)

Pension expenses:
20 million yen (139 thousand U.S. dollars)

Employee retirement benefits paid:
- million yen (- thousand U.S. dollars)

Contributions to the defined benefit plan:
9 million yen (65 thousand U.S. dollars)

Prepaid pension costs:
(21) million yen ((143) thousand U.S. dollars)

Reserve for retirement benefits at the end of the fiscal year:
78 million yen (523 thousand U.S. dollars)

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

Funded retirement benefit obligation:
212 million yen (1,419 thousand U.S. dollars)

Plan assets:
(233) million yen ((1,562) thousand U.S. dollars)

Balance:
(21) million yen ((143) thousand U.S. dollars)

Unfunded retirement benefit obligation:
78 million yen (523 thousand U.S. dollars)

Net liability for retirement benefits in the balance sheet:
56 million yen (380 thousand U.S. dollars)

Reserve for retirement benefits at the end of the fiscal year:
78 million yen (523 thousand U.S. dollars)

Prepaid pension costs:
(21) million yen ((143) thousand U.S. dollars)

Net liability for retirement benefits in the balance sheet:
56 million yen (380 thousand U.S. dollars)

Note: Prepaid pension costs recorded in the balance sheet include prepaid pension costs related to directors and corporate auditors.

(c) Profit and loss associated with employee retirement benefits

Pension expenses calculated based on the simplified method: 20 million yen (139 thousand U.S. dollars)

15. Net Income by Account

(For the year ended 31 March 2024)

Net income of the general account was 36,292 million yen, while there was no net income of management account.

(For the year ended 31 March 2025)

Net income of the general account was 36,232 million yen (242,392 thousand U.S. dollars), while there was no net income of management account.

16. Revenues

Revenues from contracts with customers are mainly as follows:

Fees and commissions

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

17. Information by Account (Balance sheet)

Balance sheets of general account and management account as of 31 March 2024 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥19,639,348	¥3,434,656	¥-	¥23,074,004
Securities	204,500	-	-	204,500
Cash and bank deposits	873,692	-	-	873,692
Other assets	3,580	1,964	-	5,545
Tangible fixed assets	2,933	-	-	2,933
Intangible fixed assets	3,447	-	-	3,447
Due from general account	-	436,101	(436,101)	-
Total assets	20,727,501	3,872,722	(436,101)	24,164,123
(Liabilities)				
Bonds	15,849,018	3,100,309	-	18,949,328
Borrowed money	530,300	-	-	530,300
Cash collateral received for financial instruments	413,091	-	-	413,091
Other liabilities	4,276	2,530	-	6,807
Reserve for bonuses	60	-	-	60
Reserve for bonuses for directors and corporate auditors	10	-	-	10
Reserve for retirement benefits	45	-	-	45
Reserve for retirement benefits for directors and corporate auditors	15	-	-	15
Fund for lending rate reduction	926,499	-	-	926,499
Basic fund for lending rate reduction	926,499	-	-	926,499
Due to management account	436,101	-	(436,101)	-
Reserves under special laws	2,200,000	712,073	-	2,912,073
Reserve for interest rate volatility	2,200,000	-	-	2,200,000
Management account reserve for interest rate volatility	-	708,654	-	708,654
Reserve for interest rate reduction	-	3,419	-	3,419
Total liabilities	20,359,419	3,814,913	(436,101)	23,738,231
(Net Assets)				
Capital	16,602	-	-	16,602
Retained earnings	370,406	-	-	370,406
General account appropriated surplus reserve	370,406	-	-	370,406
Valuation, translation adjustments and others	(18,926)	-	-	(18,926)
Management account surplus reserve	-	57,808	-	57,808
Total net assets	368,082	57,808	-	425,891
Total liabilities and net assets	¥20,727,501	¥3,872,722	¥(436,101)	¥24,164,123

Balance sheets of general account and management account as of 31 March 2025 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥19,908,218	¥2,791,962	¥-	¥22,700,180
Securities	272,000	-	-	272,000
Cash and bank deposits	908,700	-	-	908,700
Other assets	4,940	1,587	-	6,527
Tangible fixed assets	2,807	-	-	2,807
Intangible fixed assets	3,583	-	-	3,583
Prepaid pension costs	25	-	-	25
Due from general account	-	543,438	(543,438)	-
Total assets	21,100,273	3,336,988	(543,438)	23,893,823
(Liabilities)				
Bonds	16,129,614	2,548,047	-	18,677,661
Borrowed money	529,500	-	-	529,500
Cash collateral received for financial instruments	370,616	-	-	370,616
Other liabilities	3,858	2,483	-	6,341
Reserve for bonuses	63	-	-	63
Reserve for bonuses for directors and corporate auditors	10	-	-	10
Reserve for retirement benefits	78	-	-	78
Reserve for retirement benefits for directors and corporate auditors	11	-	-	11
Fund for lending rate reduction	931,870	-	-	931,870
Basic fund for lending rate reduction	931,870	-	-	931,870
Due to management account	543,438	-	(543,438)	-
Reserves under special laws	2,200,000	728,649		2,928,649
Reserve for interest rate volatility	2,200,000	-	-	2,200,000
Management account reserve for interest rate volatility	-	727,327	-	727,327
Reserve for interest rate reduction	-	1,321	-	1,321
Total liabilities	20,709,062	3,279,179	(543,438)	23,444,803
(Net assets)				
Capital	16,602	-	-	16,602
Retained earnings	406,639	-	-	406,639
General account appropriated surplus reserve	406,639	-	-	406,639
Valuation, translation adjustments and others	(32,029)	-	-	(32,029)
Management account surplus reserve	-	57,808	-	57,808
Total net assets	391,211	57,808	-	449,020
Total liabilities and net assets	¥21,100,273	¥3,336,988	¥(543,438)	¥23,893,823

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(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	$133,183,155	$18,677,833	$-	$151,860,988
Securities	1,819,641	-	-	1,819,641
Cash and bank deposits	6,079,076	-	-	6,079,076
Other assets	33,050	10,621	-	43,671
Tangible fixed assets	18,780	-	-	18,780
Intangible fixed assets	23,970	-	-	23,970
Prepaid pension costs	168	-	-	168
Due from general account	-	3,635,528	(3,635,528)	-
Total assets	141,157,840	22,323,982	(3,635,528)	159,846,294
(Liabilities)				
Bonds	107,904,835	17,046,074	-	124,950,909
Borrowed money	3,542,280	-	-	3,542,280
Cash collateral received for financial instruments	2,479,368	-	-	2,479,368
Other liabilities	25,812	16,615	-	42,427
Reserve for bonuses	424	-	-	424
Reserve for bonuses for directors and corporate auditors	71	-	-	71
Reserve for retirement benefits	523	-	-	523
Reserve for retirement benefits for directors and corporate auditors	77	-	-	77
Fund for lending rate reduction	6,234,082	-	-	6,234,082
Basic fund for lending rate reduction	6,234,082	-	-	6,234,082
Due to management account	3,635,528	-	(3,635,528)	-
Reserves under special laws	14,717,688	4,874,559	-	19,592,247
Reserve for interest rate volatility	14,717,688	-	-	14,717,688
Management account reserve for interest rate volatility	-	4,865,719	-	4,865,719
Reserve for interest rate reduction	-	8,840	-	8,840
Total liabilities	138,540,688	21,937,248	(3,635,528)	156,842,408
(Net assets)				
Capital	111,066	-	-	111,066
Retained earnings	2,720,361	-	-	2,720,361
General account appropriated surplus reserve	2,720,361	-	-	2,720,361
Valuation, translation adjustments and others	(214,275)	-	-	(214,275)
Management account surplus reserve	-	386,734	-	386,734
Total net assets	2,617,152	386,734	-	3,003,886
Total liabilities and net assets	$141,157,840	$22,323,982	$(3,635,528)	$159,846,294

Notes: 1. General account and management account

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

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

2. General account appropriated surplus reserve and management account surplus reserve

"Net income" of the general account is posted as "General account appropriated surplus reserve" in accordance withthe 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 provisionsof Article 13, Section 4 of the Supplementary Provisions of the Law.

18. Information by Account (Statement of income)

Statements of income of general account and management account from 1 April 2023 through 31 March 2024 were as follows:

(Millions of yen)

Item	General account	Management Account	Offset	Total
Income	¥133,471	¥79,689	¥(4,042)	¥209,118
Interest income	116,013	75,934	-	191,948
Fees and commissions	66	-	-	66
Other operating income	99	-	-	99
Other income	17,003	-	-	17,003
Contributions from fund for lending rate reduction	16,964	-	-	16,964
Others	39	-	-	39
Administrative fee for management account	287	-	(287)	-
Interest on due from general account	-	4	(4)	-
Transfer from general account for fund for lending rate reduction	-	3,750	(3,750)	-
Expenses	97,179	25,139	(4,042)	118,277
Interest expenses	86,192	24,782	-	110,974
Fees and commissions	211	63	-	275
Other operating expenses	2,712	-	-	2,712
General and administrative expenses	4,308	6	-	4,314
Other expenses	0	-	-	0
Interest on due to management account	4	-	(4)	-
Transfer to management account for fund for lending rate reduction	3,750	-	(3,750)	-
Administrative fee for general account	-	287	(287)	-
Ordinary income	36,292	54,549	-	90,841
Special gains	-	52,538	-	52,538
Reversal of management account reserve for interest rate volatility	-	50,000	-	50,000
Reversal of reserve for interest rate reduction	-	2,538	-	2,538
Special losses	-	107,088	-	107,088
Provision for management account reserve for interest rate volatility	-	57,088	-	57,088
Payment to the national treasury	-	50,000	-	50,000
Net income	¥36,292	¥-	¥-	¥36,292

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Statements of income of general account and management account from 1 April 2024 through 31 March 2025 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
Income	¥146,392	¥66,139	¥(3,907)	¥208,625
Interest income	128,631	62,514	-	191,146
Fees and commissions	62	-	-	62
Other operating income	3	-	-	3
Other income	17,413	-	-	17,413
Contributions from fund for lending rate reduction	17,304	-	-	17,304
Others	108	-	-	108
Administrative fee for management account	282	-	(282)	-
Interest on due from general account	-	329	(329)	-
Transfer from general account for fund for lending rate reduction	-	3,295	(3,295)	-
Expenses	110,160	19,564	(3,907)	125,816
Interest expenses	97,885	18,993	-	116,879
Fees and commissions	215	49	-	264
Other operating expenses	3,532	212	-	3,744
General and administrative expenses	4,901	26	-	4,928
Interest on due to management account	329	-	(329)	-
Transfer to management account for fund for lending rate reduction	3,295	-	(3,295)	-
Administrative fee for management account	-	282	(282)	-
Ordinary income	36,232	46,575	-	82,808
Special gains	-	32,097	-	32,097
Reversal of management account reserve for interest rate volatility	-	30,000	-	30,000
Reversal of reserve for interest rate reduction	-	2,097	-	2,097
Special losses	-	78,673	-	78,673
Provision for management account reserve for interest rate volatility	-	48,673	-	48,673
Payment to the national treasury	-	30,000	-	30,000
Net income	¥36,232	¥-	¥-	¥36,232

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
Income	$979,348	$442,466	$(26,140)	$1,395,674
Interest income	860,528	418,215	-	1,278,743
Fees and commissions	417	-	-	417
Other operating income	22	-	-	22
Other income	116,492	-	-	116,492
Contributions from fund for lending rate reduction	115,767	-	-	115,767
Others	725	-	-	725
Administrative fee for management account	1,889	-	(1,889)	-
Interest on due from general account	-	2,205	(2,205)	-
Transfer from general account for fund for lending rate reduction	-	22,046	(22,046)	-
Expenses	736,956	130,881	(26,140)	841,697
Interest expenses	654,842	127,064	-	781,906
Fees and commissions	1,440	331	-	1,771
Other operating expenses	23,630	1,422	-	25,052
General and administrative expenses	32,793	175	-	32,968
Interest on due to management account	2,205	-	(2,205)	-
Transfer to management account for fund for lending rate reduction	22,046	-	(22,046)	-
Administrative fee for management account	-	1,889	(1,889)	-
Ordinary income	242,393	311,584	-	553,977
Special gains	-	214,729	-	214,729
Reversal of management account reserve for interest rate volatility	-	200,696	-	200,696
Reversal of reserve for interest rate reduction	-	14,033	-	14,033
Special losses	-	526,314	-	526,314
Provision for management account reserve for interest rate volatility	-	325,618	-	325,618
Payment to the national treasury	-	200,696	-	200,696
Net income	$242,392	$-	$-	$242,392

19. Fair Value of Marketable Securities

Marketable held-to-maturity securities as of 31 March 2024 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	¥204,500	¥204,500	-
	Sub total	204,500	204,500	-
Total		¥204,500	¥204,500	-

Marketable held-to-maturity securities as of 31 March 2025 consisted of the following:

(Millions of yen)

	Type	Book value	Fair value	Difference
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	¥272,000	¥272,000	-
	Sub total	272,000	272,000	-
Total		¥272,000	¥272,000	-

(Thousands of U.S. dollars)

	Type	Book value	Fair value	Difference
Securities with fair values that do not exceed the balance sheet amount	Negotiable certificates of deposit	$1,819,641	$1,819,641	-
	Sub total	1,819,641	1,819,641	-
Total		$1,819,641	$1,819,641	-

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

20. Information on Derivative Transactions

(1) Types of derivative transactions

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

(2) Policies and purposes of derivative transactions

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

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

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

(a) Hedge accounting method

Interest rate swaps used to hedge the risk of interest rate fluctuations that qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. If swap contracts or forward contracts used to hedge the risk of foreign currency fluctuation qualify for deferral hedge accounting, the foreign currency-denominated assets and liabilities are translated at the contracted rate. If the future issuance of bonds is designated as the hedged items, at the end of the period, the gain or loss arising from measuring the currency swaps at fair value are recognized and deferred as unrealized gain/(loss) from hedging instruments until the forecast transaction occurs.

(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.

Independent Auditor's Report

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Independent Auditor's Report

The President
Japan Finance Organization for Municipalities

The Audit of the Financial Statements

Opinion

Pursuant to Article 37, paragraph 1 of the Japan Finance Organization for Municipalities Law (the "Law"), we have audited the accompanying financial statements of Japan Finance Organization for Municipalities (the "JFM"), which comprise the balance sheet as at March 31, 2025, and the statements of income, appropriation of profit, changes in net assets, and cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the JFM as at March 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with the Law and regulations applicable to the JFM and accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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

Description of Key Audit Matter	Auditor's Response
As stated in Note 6 "Financial Instruments," the JFM applies hedge accounting to interest rate swaps used to hedge against pipeline risk, whereby losses would be incurred or profits would decrease as a result of interest rate fluctuations during the time from when the JFM raises money until the point at which the money is loaned to local governments. As stated in Note 20 "Information on Derivative Transactions," in applying hedge accounting, the JFM designated bonds and long-term borrowed money as hedged items and interest rate swaps as hedging instruments and adopted deferral hedge accounting. Since the JFM ensured hedging instruments and hedged items have the same major terms, when entering into hedge transactions, the JFM deemed these to be highly effective. When entering into interest rate swap transactions for which future bond issuance is designated as the hedged item, the JFM determines whether the bond issuance is a forecast transaction and accordingly applies hedge accounting. Unrealized gain or loss from hedging instruments of (32,029) million yen ((214,275) thousand U.S. dollars) was recorded on Valuation, translation adjustments and others of the balance sheet, of which the majority related to the interest rate swaps, at the fiscal year end. With the diversification of financing methods and the sophistication of risk management methods, derivative transactions to hedge against interest rate risks are expected to become more complicated, and the notional amount of interest rate swaps will be the same as financing amounts (around several to tens of billions of yen per transaction). Therefore, considering the size and frequency of transactions, if a derivative transaction entered into does not qualify for hedge accounting as a result, principle accounting treatment for the derivative transaction must be applied, which may have a great impact on profits and losses.	The audit procedures we performed to consider whether the JFM's derivative transactions qualify for hedge accounting include the following, among others: (1) Evaluation of design and operating effectiveness of internal controls We evaluated the design and operating effectiveness of the controls related to entering into derivative transactions and applying hedge accounting. (2) Consideration of whether all of JFM's derivative transactions are accurately identified without exception We performed the following procedures to consider whether all derivative transactions contracted by the JFM are recorded in the derivative transactions control table: ・ We inspected the authorized document in which the counterparties with which the JFM may possibly enter into derivative transactions are determined at the beginning of the current fiscal year, and obtained external confirmations for derivative transactions up until the end of the current fiscal year from all counterparties described in this document. ・ We considered whether any transactions other than those recorded in the derivative transactions control table are included in the obtained external confirmations. ・ We considered whether any derivative transactions are included in external confirmations obtained from financial institutions other than those that the JFM determined to be counterparties. (3) Consideration of the assessment of hedge effectiveness by the JFM
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.	We performed the following procedures to consider whether the JFM enters into hedge transactions such that the JFM ensures hedging instruments and hedged items have the same major terms to offset interest rate risks associated with bonds and long-term borrowed money: ・ We considered whether the notional amount and contract period of all interest rate swaps recorded in the derivative transaction control table match the principal amount and redemption period (or maturity) of the bond and long-term borrowed money to be hedged. ・We considered whether the interest payment and receipt conditions on interest rate swaps are such that fixed interest on bonds and long-term borrowed money is substantially converted into floating interest. ・ If a hedged item is a forecast transaction, we considered whether the interest payment and receipt conditions on interest rate swaps are such that floating interest is substantially converted into fixed interest. (4) Consideration of the assessment of probability, etc. of forecast transactions by the JFM We performed the following procedures to evaluate the adequacy of determinations by the JFM that the future bond issuance is a forecast transaction (i.e., the contract has not been formed but it is highly probable and its key terms can be reasonably forecasted) and thus qualify as the hedged item: ・ We inspected historical bond issuance experience of the JFM, as well as its lending and funding plans, and made inquiries of the persons in charge in the finance department.
	・ We considered whether the expected amount of future bond issuances to be hedged is within the range of the average issuance for a given period in the past and whether the period from lending to future bond issuance to be hedged is generally less than one year. (5) Consideration of the accounting treatment related to the discontinuation of hedge accounting We performed the following procedures to consider, if hedge accounting was discontinued for interest rate swaps, whether gains and losses on settlement at the time of cancellation were transferred to unrealized gain or loss from hedging instruments and amortized as an adjustment of the interest to be hedged: ・ We considered whether interest rate swaps have been cancelled and the gains and losses on settlement at the time of cancellation by inspecting evidence of agreements with counterparties to terminate the contracts. ・ We considered whether these gains and losses on settlement were transferred to unrealized gain or loss from hedging instruments. ・ We considered whether the amortized amounts of the unrealized gain or loss from hedging instruments were allocated to profit or loss over the period until maturity of the hedged item by recalculating these amounts.

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Other Information

Other information comprises the information included in disclosure documents that contain audited financial statements, but does not include the financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the JFM's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the President.
- Conclude on the appropriateness of the President's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the JFM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the JFM to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with the Law and regulations applicable to the JFM and accounting principles generally accepted in Japan.

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

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

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.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2025 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.

Fee-related Information

The fees for the audits of the financial statements of the JFM and other services provided by us and other EY member firms for the year ended March 31, 2025 are 28 million yen and 8 million yen, respectively.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 27, 2025

伊 澤 賢 司
Kenji Izawa
Designated Engagement Partner
Certified Public Accountant

大 村 真 敏
Masatoshi Omura
Designated Engagement Partner
Certified Public Accountant

橋 本 宜 幸
Yoshiyuki Hashimoto
Designated Engagement Partner
Certified Public Accountant

Appendix / JFM Data

Redemption of Loans in Fiscal 2024

Classification		Principal		Interest	
		Number of loans	Amount (USD millions)	Number of loans	Amount (USD millions)
Regular redemption of long-term loans	General loans	447,530	11,813	514,714	1,241
	Loans to local government corporations	53	12	53	0
	Subtotal	447,583	11,825	514,767	1,242
Prepayment of long-term loans	General loans	319	288	239	0
	Loans to local government corporations	-	-	-	-
	Subtotal	319	288	239	0
Redemption of loans with pre-consent or pre-approval		-	-	-	-
Redemption of short-term loans		-	-	-	-
Total		447,902	12,113	515,006	1,242

Note: Totals may not add up due to rounding.

Appendix

Outstanding Loans by Business Type

(As of 31 March 2025)

Business Type		Number of Loans Made	Loan Amount (USD millions)	
				% of Total
General Account-related Loans	Public Projects, etc.	6,965	3,458	2.3%
	Public Housing	2,655	1,188	0.8%
	National Disaster Management	1,055	535	0.4%
	Educational Facilities Development	2,405	827	0.5%
	Social Welfare Facilities Development	2,246	731	0.5%
	General Waste Disposal	697	451	0.3%
	General Service Facilities Development	46	37	0.0%
	General Projects	1,169	552	0.4%
	Regional Revitalisation	2,163	657	0.4%
	Disaster Prevention	3,459	1,091	0.7%
	Local Road Development	7,094	2,860	1.9%
	Special Municipal Merger	6,713	7,135	4.7%
	Disaster Management and Mitigation	13,414	6,086	4.0%
	Public Facilities Optimisation	88	104	0.1%
	Proper Management of Public Facilities	5,042	4,697	3.1%
	National Disaster Prevention	6,321	3,200	2.1%
	Decarbonisation Promotion Projects	457	119	0.1%
	Child and Child-rearing Support Projects	1	0	0.0%
	Remote Area Improvement Projects	179	39	0.0%
	Depopulation Measure	6,023	2,217	1.5%
	Otahers	4,646	740	0.5%
	Subtotal	72,838	36,723	24.2%
Municipal Enterprise-related Loans	Water Supply	47,796	19,058	12.5%
	Industrial Water Supply	1,821	899	0.6%
	Transportation	894	4,285	2.8%
	Electricity and Gas Supply	578	436	0.3%
	Port Facilities	616	226	0.1%
	Hospitals and Elderly Care Services	5,255	7,959	5.2%
	Markets and Slaughterhouses	673	795	0.5%
	Sewerage	107,707	41,554	27.4%
	Tourism and Others	154	76	0.0%
	Subtotal	165,494	75,286	49.6%
Temporary Financial Countermeasures Funding		9,751	36,525	24.1%
Loans Covering Decrease in Local Tax Revenues		485	3,310	2.2%
Total		248,568	151,845	100.0%
Local Government Road Corporation, Toll Roads [*1]		18	16	0.0%
Grand Total		248,586	151,861	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 2025)

(USD millions)

Item	31 March 2024		31 March 2025	
Total of liquid assets *1	401		268	
	Before applying cash outflow/inflow rate	After applying cash outflow/inflow rate	Before applying cash outflow/inflow rate	After applying cash outflow/inflow rate
Outflows related to unsecured funding (excluding debt securities)	0	0	0	0
Debt securities	1,016	1,016	934	934
Total cash outflows	-	1,016	-	934
Cash inflows from investment *2	669	669	3,813	701
Cash inflows from collection of loans	0	0	0	0
Other cash inflows *3	0	0	0	0
Total cash inflows *4	669	669	3,813	701
High quality liquid assets	-	401	-	268
Net cash outflows	-	347	-	234
Liquidity coverage ratio	-	115%	-	115%
Total of semi liquid assets *5	-	1,650	-	1,476
Semi liquidity coverage ratio *6	-	591%	-	747%

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 The Maximum amount for cash inflows is 75% of cash outflows.
5 Amount of bank ordinary deposits.
6 Calculated by dividing the total amount of semi liquid assets and liquid assets by net cash outflows.

Outstanding Loans by Borrower

(As of 31 March 2025)

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	284	3,134	5,665	4,424	9,195	1,716
Aomori	145	172	2,228	1,769	1,472	377
Iwate	217	344	2,652	1,644	975	239
Miyagi	241	595	4,288	2,332	2,627	377
Akita	171	170	4,233	1,915	892	57
Yamagata	189	484	2,722	1,150	1,828	219
Fukushima	351	592	3,585	1,575	2,985	370
Ibaraki	450	880	7,117	3,215	1,384	279
Tochigi	227	482	3,029	1,602	956	234
Gunma	146	180	3,107	1,493	1,643	202
Saitama	227	1,962	6,933	4,784	1,995	408
Chiba	301	1,190	5,615	5,079	881	187
Tokyo	53	208	2,315	2,056	149	27
Kanagawa	159	1,513	3,433	4,858	1,386	335
Niigata	231	459	6,842	2,234	869	95
Toyama	193	170	3,131	1,663	599	141
Ishikawa	97	157	2,670	1,022	1,239	287
Fukui	137	127	2,190	1,141	685	65
Yamanashi	108	136	2,424	665	829	120
Nagano	293	302	3,750	1,557	2,909	348
Gifu	214	985	4,088	1,445	1,404	309
Shizuoka	234	224	4,855	2,632	870	202
Aichi	153	1,835	5,086	3,880	875	162
Mie	377	984	3,687	2,060	1,089	215
Shiga	182	498	3,658	1,476	606	97
Kyoto	154	233	3,778	2,946	1,217	189
Osaka	59	1,701	6,656	7,856	1,037	266
Hyogo	274	3,019	7,852	6,054	2,217	585
Nara	217	527	2,459	1,337	2,245	544
Wakayama	143	337	1,946	1,627	2,065	518
Tottori	321	588	1,169	754	1,837	275

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
259	162	-	-	15,403	9,436	6.2
119	118	-	-	3,964	2,436	1.6
194	127	-	-	4,038	2,354	1.5
117	34	-	-	7,273	3,338	2.2
7	11	-	-	5,303	2,152	1.4
166	53	-	-	4,905	1,906	1.3
148	84	-	-	7,069	2,621	1.7
268	206	-	-	9,219	4,580	3.0
24	15	-	-	4,236	2,333	1.5
209	141	-	-	5,105	2,017	1.3
333	141	-	-	9,488	7,295	4.8
505	240	1	0	7,303	6,697	4.4
30	73	-	-	2,547	2,364	1.6
40	78	-	-	5,018	6,784	4.5
236	210	-	-	8,178	2,998	2.0
150	72	-	-	4,073	2,046	1.3
28	14	-	-	4,034	1,481	1.0
51	17	-	-	3,063	1,351	0.9
92	19	-	-	3,453	941	0.6
148	58	-	-	7,100	2,265	1.5
18	33	-	-	5,724	2,772	1.8
66	43	-	-	6,025	3,101	2.0
64	27	3	8	6,181	5,912	3.9
24	18	-	-	5,177	3,277	2.2
203	52	-	-	4,649	2,123	1.4
43	46	-	-	5,192	3,414	2.2
436	569	-	-	8,188	10,392	6.8
381	258	2	0	10,726	9,917	6.5
68	24	-	-	4,989	2,432	1.6
91	38	-	-	4,245	2,519	1.7
31	10	-	-	3,358	1,627	1.1

Appendix

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	291	581	2,790	1,222	386	85
Okayama	146	478	4,110	1,770	1,244	182
Hiroshima	344	1,201	3,464	2,481	986	214
Yamaguchi	386	346	3,918	1,731	653	85
Tokushima	175	293	1,612	844	835	193
Kagawa	141	144	1,791	878	789	161
Ehime	51	175	2,158	1,165	816	188
Kochi	192	591	2,063	1,011	1,151	221
Fukuoka	91	1,230	5,680	5,281	2,433	713
Saga	77	237	1,746	1,076	659	189
Nagasaki	123	361	2,686	1,665	851	153
Kumamoto	164	584	2,610	1,188	1,999	386
Oita	72	192	2,406	1,017	237	47
Miyazaki	132	419	1,917	1,010	732	131
Kagoshima	194	858	2,307	1,096	1,075	211
Okinawa	196	496	1,607	1,059	935	224
Total	9,323	32,372	166,028	102,741	66,741	12,827

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
68	32	-	-	3,535	1,920	1.3
65	41	-	-	5,565	2,471	1.6
644	268	7	5	5,445	4,168	2.7
71	20	-	-	5,028	2,182	1.4
7	2	-	-	2,629	1,333	0.9
440	108	-	-	3,161	1,291	0.9
21	6	-	-	3,046	1,532	1.0
16	32	-	-	3,422	1,856	1.2
320	172	5	3	8,529	7,399	4.9
114	45	-	-	2,596	1,548	1.0
12	13	-	-	3,672	2,193	1.4
75	147	-	-	4,848	2,305	1.5
-	-	-	-	2,715	1,256	0.8
16	2	-	-	2,797	1,562	1.0
12	6	-	-	3,588	2,171	1.4
46	19	-	-	2,784	1,797	1.2
6,476	3,904	18	16	248,586	151,861	100.0

Appendix

Bond Issuance in Fiscal 2024

1. JFM Bonds

(1) International Bonds

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
106	5	Global	USD	1,500	5.000	99.716	23 Apr 2024	23 Apr 2029
107	5	Euro	EUR	500	2.750	99.636	16 Jan 2025	16 Jan 2030

(2) Domestic Public Offerings

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
179	10	35	234	0.870	100	18 Apr 2024	28 Apr 2034
180	10	30	201	1.033	100	23 May 2024	26 May 2034
181	10	35	234	1.114	100	19 Jun 2024	28 Jun 2034
182	10	29	194	1.160	100	19 Jul 2024	28 Jul 2034
183	10	34	227	0.914	100	23 Aug 2024	28 Aug 2034
184	10	27	181	1.032	100	20 Sep 2024	28 Sep 2034
185	10	25	167	1.058	100	22 Oct 2024	27 Oct 2034
186	10	25	167	1.172	100	25 Nov 2024	28 Nov 2034
187	10	25	167	1.187	100	20 Dec 2024	28 Dec 2034
188	10	20	134	1.343	100	24 Jan 2025	26 Jan 2035
189	10	20	134	1.460	100	25 Feb 2025	28 Feb 2035
190	10	20	134	1.643	100	21 Mar 2025	28 Mar 2035
111	20	15	100	1.577	100	18 Apr 2024	28 Apr 2044
112	20	20	134	1.859	100	19 Jun 2024	28 Jun 2044
113	20	18	120	1.950	100	19 Jul 2024	28 Jul 2044
114	20	15	100	1.758	100	20 Sep 2024	28 Sep 2044
115	20	15	100	1.804	100	22 Oct 2024	28 Oct 2044
116	20	15	100	1.906	100	20 Dec 2024	28 Dec 2044
117	20	10	67	2.028	100	24 Jan 2025	27 Jan 2045
35	5	21	140	0.638	100	19 Jun 2024	28 Jun 2029
36	5	20	134	0.809	100	20 Dec 2024	28 Dec 2029
19	30	20	134	1.930	100	18 Apr 2024	28 Apr 2054
20	30	13	87	2.253	100	22 Oct 2024	28 Oct 2054
F785	8	3	20	0.803	100	25 Apr 2024	23 Apr 2032
F786	8	3	20	0.817	100	25 Apr 2024	25 Jun 2032
F787	9	20	134	0.892	100	25 Apr 2024	22 Mar 2033
F788	5	4	27	0.555	100	26 Apr 2024	26 Jun 2029

Series Number	Tenor (yr)	Issue Size (JPY in billions)	Issue Size (USD in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
F789	8	3	20	0.766	100	26 Apr 2024	26 Mar 2032
F790	8	3	20	0.808	100	26 Apr 2024	24 Sep 2032
F791	17	3	20	1.486	100	26 Apr 2024	26 Apr 2041
F792	8	3	20	0.821	100	29 May 2024	25 Dec 2031
F793	21	3	20	1.831	100	29 May 2024	28 Feb 2045
F794	21	3	20	1.839	100	29 May 2024	29 Mar 2045
F795	5	4	27	0.573	100	26 Jun 2024	24 Aug 2029
F796	9	3	20	0.961	100	26 Jun 2024	20 Dec 2033
F797	27	5	33	2.103	100	26 Jun 2024	26 Jun 2051
F798	7	6	40	0.780	100	25 Jul 2024	25 Jul 2031
F799	11	4	27	1.156	100	25 Jul 2024	22 Feb 2035
F800	13	3	20	1.389	100	25 Jul 2024	24 Jul 2037
F801	15	3	20	1.564	100	25 Jul 2024	25 Jul 2039
F802	17	3	20	1.706	100	25 Jul 2024	25 Jul 2041
F803	6	3	20	0.684	100	26 Jul 2024	26 Jul 2030
F804	7	20	134	0.800	100	26 Jul 2024	26 Jun 2031
F805	15	4.5	30	1.567	100	26 Jul 2024	26 Jul 2039
F806	15	3	20	1.567	100	26 Jul 2024	26 Jul 2039
F807	15	3	20	1.567	100	26 Jul 2024	26 Jul 2039
F808	5	4	27	0.574	100	27 Sep 2024	27 Nov 2029
F809	7	6	40	0.658	100	27 Sep 2024	27 Oct 2031
F810	8	3	20	0.724	100	27 Sep 2024	27 Sep 2032
F811	8	3	20	0.724	100	27 Sep 2024	27 Sep 2032
F812	7	20	134	0.773	100	29 Oct 2024	26 Sep 2031
F813	11	3	20	1.110	100	29 Oct 2024	29 May 2035
F814	16	3	20	1.609	100	29 Oct 2024	28 Mar 2041
F815	7	3	20	0.914	100	29 Nov 2024	28 Nov 2031
F816	8	3	20	0.992	100	29 Nov 2024	29 Nov 2032
F817	28	5	33	2.284	100	29 Nov 2024	29 Nov 2052
F818	5	4	27	0.827	100	25 Dec 2024	25 Feb 2030
F819	7	3	20	0.925	100	25 Dec 2024	23 Apr 2032
F820	8	3	20	0.974	100	25 Dec 2024	24 Dec 2032

Appendix

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F821	11	3	20	1.231	100	25 Dec 2024	25 Jul 2035
F822	12	3	20	1.343	100	25 Dec 2024	25 Dec 2036
F823	4	3	20	0.928	100	30 Jan 2025	29 Jun 2029
F824	4	6	40	0.928	100	30 Jan 2025	29 Jun 2029
F825	4	3	20	0.928	100	30 Jan 2025	29 Jun 2029
F826	4	3	20	0.928	100	30 Jan 2025	29 Jun 2029
F827	4	3	20	0.928	100	30 Jan 2025	29 Jun 2029
F828	7	20	134	1.054	100	30 Jan 2025	19 Dec 2031
F829	7	3	20	1.075	100	31 Jan 2025	31 May 2032
F830	8	3	20	1.118	100	31 Jan 2025	31 Jan 2033
F831	8	3	20	1.118	100	31 Jan 2025	31 Jan 2033
F832	5	4	27	1.200	100	27 Mar 2025	27 May 2030
F833	7	4.5	30	1.263	100	27 Mar 2025	27 Jan 2032
F834	7	4.5	30	1.263	100	27 Mar 2025	27 Jan 2032

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)				
A171	10	12.5	84	0.900	100	18 Apr 2024	18 Apr 2034
A172	10	12.5	84	1.063	100	24 May 2024	24 May 2034
A173	10	12.5	84	1.144	100	21 Jun 2024	21 Jun 2034
A174	10	12.5	84	1.190	100	18 Jul 2024	18 Jul 2034
A175	10	12.5	84	0.944	100	23 Aug 2024	23 Aug 2034
A176	10	12.5	84	1.062	100	20 Sep 2024	20 Sep 2034
A177	10	12.5	84	1.088	100	22 Oct 2024	20 Oct 2034
A178	10	12.5	84	1.202	100	25 Nov 2024	24 Nov 2034
A179	10	12.5	84	1.217	100	19 Dec 2024	19 Dec 2034
A180	10	12.5	84	1.373	100	24 Jan 2025	24 Jan 2035
A181	10	12.5	84	1.490	100	25 Feb 2025	22 Feb 2035
A182	10	12.5	84	1.673	100	21 Mar 2025	20 Mar 2035
B102	10	7	47	0.900	100	18 Apr 2024	18 Apr 2034
B103	10	5	33	1.063	100	24 May 2024	24 May 2034
B104	10	7	47	1.144	100	21 Jun 2024	21 Jun 2034
B105	10	16.5	110	1.190	100	18 Jul 2024	18 Jul 2034
B106	10	10.5	70	0.944	100	23 Aug 2024	23 Aug 2034
B107	10	6.5	43	1.062	100	20 Sep 2024	20 Sep 2034

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
B108	10	7	47	1.088	100	22 Oct 2024	20 Oct 2034
B109	10	8	54	1.202	100	25 Nov 2024	24 Nov 2034
B110	10	6.5	43	1.217	100	19 Dec 2024	19 Dec 2034
B111	10	15.5	104	1.373	100	24 Jan 2025	24 Jan 2035
B112	10	11	74	1.490	100	25 Feb 2025	22 Feb 2035
B113	10	7	47	1.673	100	21 Mar 2025	20 Mar 2035
C102	20	8.5	57	1.597	100	18 Apr 2024	18 Apr 2044
C103	20	6.5	43	1.788	100	24 May 2024	24 May 2044
C104	20	8.5	57	1.879	100	21 Jun 2024	21 Jun 2044
C105	20	18	120	1.970	100	18 Jul 2024	15 Jul 2044
C106	20	12	80	1.754	100	23 Aug 2024	23 Aug 2044
C107	20	8.5	57	1.778	100	20 Sep 2024	20 Sep 2044
C108	20	8.5	57	1.824	100	22 Oct 2024	21 Oct 2044
C109	20	9	60	1.921	100	25 Nov 2024	25 Nov 2044
C110	20	8	54	1.926	100	19 Dec 2024	19 Dec 2044
C111	20	19.5	130	2.048	100	24 Jan 2025	24 Jan 2045
C112	20	14	94	2.055	100	25 Feb 2025	24 Feb 2045
C113	20	11	74	2.329	100	21 Mar 2025	21 Mar 2045
D97	20	12.5	84	1.597	100	18 Apr 2024	18 Apr 2044
D98	20	12.5	84	1.788	100	24 May 2024	24 May 2044
D99	20	12.5	84	1.879	100	21 Jun 2024	21 Jun 2044
D100	20	12.5	84	1.970	100	18 Jul 2024	15 Jul 2044
D101	20	12.5	84	1.754	100	23 Aug 2024	23 Aug 2044
D102	20	12.5	84	1.778	100	20 Sep 2024	20 Sep 2044
D103	20	12.5	84	1.824	100	22 Oct 2024	21 Oct 2044
D104	20	12.5	84	1.921	100	25 Nov 2024	25 Nov 2044
D105	20	12.5	84	1.926	100	19 Dec 2024	19 Dec 2044
D106	20	12.5	84	2.048	100	24 Jan 2025	24 Jan 2045
D107	20	12.5	84	2.055	100	25 Feb 2025	24 Feb 2045
D108	20	12.5	84	2.329	100	21 Mar 2025	21 Mar 2045

3. Government-guaranteed Domestic Bonds

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
14	4	70	468	0.494	100	30 Jul 2024	28 Jul 2028
15	4	70	468	0.450	100	27 Sep 2024	27 Sep 2028

Outstanding International Bonds

1. JFM Bonds
(As of 31 March 2025)

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
58	10	Euro	AUD	22	3.418	99.432	26 Jun 2017	21 Jun 2027
64	10	Euro	AUD	73	3.370	100.00	26 Jun 2018	21 Jun 2028
67	11	Euro	EUR	80	1.106	101.07	24 Jan 2019	24 Jan 2030
72	7	Euro	EUR	500	0.050	99.99	12 Feb 2020	12 Feb 2027
73	5	Global	USD	1,500	1.000	99.93	21 May 2020	21 May 2025
74	10	Euro	AUD	210	1.866	100.00	11 Jun 2020	11 Jun 2030
75	10	Euro	AUD	120	1.831	99.99	12 Jun 2020	12 Jun 2030
76	10	Euro	USD	60	1.290	100.00	22 Jul 2020	22 Jul 2030
77	5	Global	USD	1,500	0.625	99.544	2 Sep 2020	2 Sep 2025
78	15	Euro	AUD	40	1.878	99.99	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	100.00	28 Oct 2020	28 Oct 2030
81	15	Euro	AUD	250	2.004	100.00	27 Nov 2020	27 Nov 2035
82	10	Euro	AUD	200	1.490	100.00	27 Nov 2020	27 Nov 2030
83	10	Euro	AUD	30	1.453	100.00	27 Nov 2020	27 Nov 2030
84	10	Euro	AUD	100	1.485	100.00	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
93	5	Euro	EUR	25	2.229	100.00	5 Jul 2022	5 Jul 2027
94	3	Euro	AUD	58	3.600	99.99	25 Jul 2022	24 Jul 2025
95	6	Euro	EUR	25	1.957	100.00	26 Jul 2022	26 Jul 2028
96	5	Euro	EUR	1,250	2.375	99.544	8 Sep 2022	8 Sep 2027
97	5	Euro	USD	17	3.720	99.99	28 Sep 2022	28 Sep 2027
98	5	Euro	AUD	54	4.180	99.99	28 Sep 2022	28 Sep 2027
99	5	Euro	USD	25	SOFR+0.73	100.00	26 Oct 2022	26 Oct 2027
100	5	Euro	AUD	21	3.750	99.99	2 Feb 2023	20 Jan 2028
101	5	Euro	EUR	500	3.375	99.81	22 Feb 2023	22 Feb 2028
102	5	Global	USD	1,000	4.125	99.522	27 Apr 2023	27 Apr 2028
103	3	Global	USD	750	5.125	99.962	1 Sep 2023	1 Sep 2026
104	5	Euro	AUD	56	4.190	99.99	28 Sep 2023	28 Sep 2028
105	5	Euro	EUR	500	2.875	99.995	23 Jan 2024	23 Jan 2029
106	5	Global	USD	1,500	5.000	99.716	23 Apr 2024	23 Apr 2029
107	5	Euro	EUR	500	2.750	99.636	16 Jan 2025	16 Jan 2030

JFM Data

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."

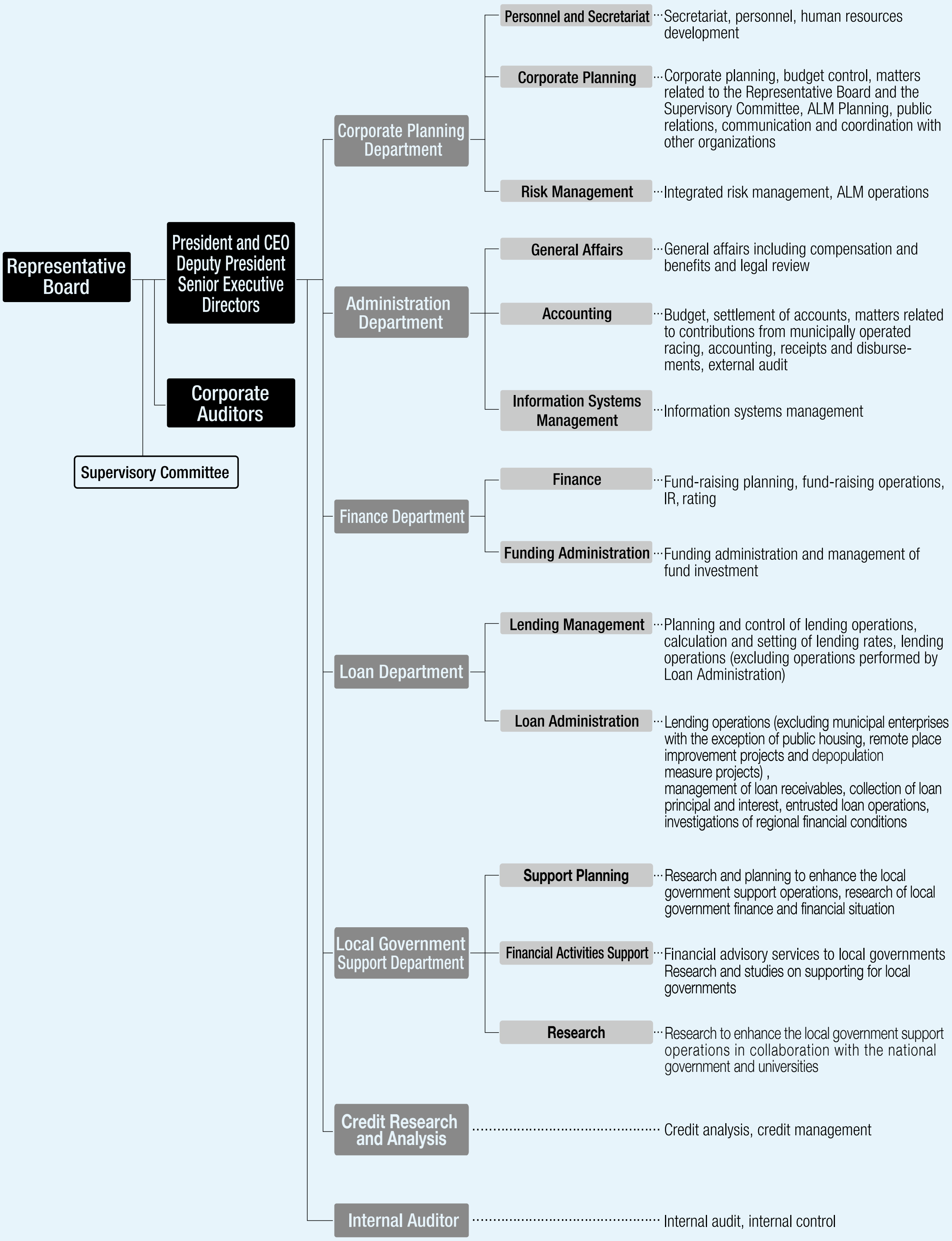
History of the Predecessor

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).

JFM Data

Organization Chart

As of 1 April 2025



Contact Information


(Photo provided by the Tokyo Institute for Municipal Research)

Postal address:	Shisei Kaikan, 1-3 Hibiya Koen, Chiyoda-ku, Tokyo 100-0012, Japan
Tel:	+81-3-3539-2697
Fax:	+81-3-3539-2615
E-mail:	funds-d@jfm.go.jp
Bloomberg ticker:	JFM Govt

Review and Plan
Operations
Management Structure
JFM's Role in Local Government Finance
Financial Section
Appendix / JFM Data

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Mt. Fuji in spring,
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