JFM

Japan Finance Organization
for Municipalities



ANNUAL REPORT 2026

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 2026, the final day of the fiscal year, which was JPY 159.80 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 2026)



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 103.9 million
Number of Employees	121 (as of April 2026)
Outstanding Loans as of 31 March 2026	USD 141.2 billion
Outstanding Bonds and Bank Loans as of 31 March 2026	USD 117.9 billion
Credit Ratings as of 31 March 2026	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 market 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 2026

Message from the President and CEO

Japan Finance Organization for Municipalities



NAITO Hisashi
President and CEO
2026

Naito Hisashi

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, enhancing residents' welfare, and contributing to the sustainable development of communities through its three core functions: lending, funding, and supporting local governments.

In light of recent developments in the financial market environment, the global economy has been significantly affected by geopolitical tensions such as the situation in the Middle East, as well as inflation trends and monetary policies of central banks. As a result, 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 2025, the outstanding loan balance amounted to JPY 22.5 trillion. In fiscal 2026, an increased amount of JFM funding has been budgeted in the Local Government Borrowing Programme in order to address appropriate price pass-through amid rising prices and the promotion of social infrastructure development, including measures to tackle aging water supply and sewage systems. Based on this, we will continue to provide long-term, low-interest financing for projects of high priority for local governments and projects closely related to residents' daily lives, thereby accurately meeting their funding needs.

To finance these loans, JFM primarily issues JFM bonds in the financial markets. As of the end of fiscal 2025, the outstanding balance of bonds and long-term bank loans amounted to JPY 18.8 trillion. To date, we have gained strong market confidence and have endeavored to accurately capture investor demand in issuing bonds. As a result, since August 2019, we have continued to issue bonds at yield levels comparable to those of local government bonds. In fiscal 2026, with a view to smoothing medium- to long-term funding volumes and responding to investors' growing demand for shorter investment horizons, we included two-year bonds in our initial funding plan for the first time and proceeded with issuance in April. Going forward, we will continue to respond flexibly and precisely to changes in the financial market environment, ensuring stable fundraising.

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 and Practical Support", and "Information Dissemination". In fiscal 2025, under the project to strengthen administration and financial management of local governments, we dispatched advisors specializing in each support area 5,203 times—approximately 1.5 times the number in the previous fiscal year—while staying close to the needs of local governments. Through these efforts, we will continue to contribute to the fiscal soundness and financial stability of local governments.

Local governments are currently facing challenges such as population decline and inflation. Even under these circumstances, it remains essential to continue providing administrative services closely connected to residents' daily lives without disruption. 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 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.

JFM's Value Creation Story

Mission

Supporting local governments through finance to create a future for regions

Use of diverse capital

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

Financial capital

- Strong financial foundation as a joint organization of local governments

Intellectual capital

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

Human capital

- Professionals with diverse backgrounds

Social and Relationship capital

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

Lending

P.26

Long-term, low-interest loans to local governments

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

Funding

P.36

Stable funding through a variety of means

Business foundation

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

Institutional security for the sound financial management of local governments

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

Management Philosophy

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

Creating value in local communities

Support for Local Governments

P.39

Good partner for local governments

Fine-tuned support according to needs of local governments

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

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

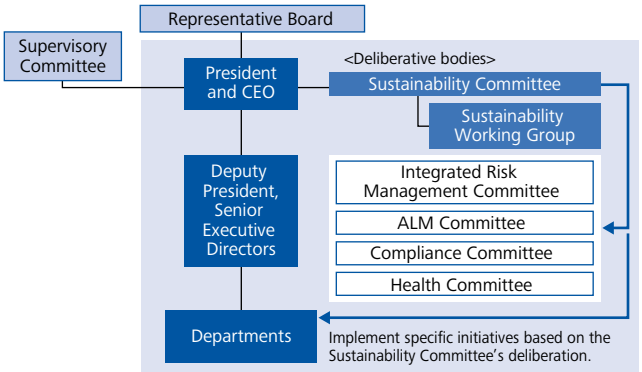
- Hold constructive dialogue with domestic and foreign investors.

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 that 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 the 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 harassment and ensuring a good work-life balance, thereby helping to develop 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 2025, JFM's GHG emissions were 54.9 tCO_2.

	Target	Indicator
Greenhouse Gas (GHG) Emissions (Scope 1 and 2)	Net-zero by 2050	54.9 tCO_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 Community Development through Lending Operations

Local governments are facing various administrative issues, such as promoting the revitalization of regions, measures against the declining birth rate and an aging population, measures against deteriorating infrastructure, and measures against large-scale and intensifying natural disasters. To address these challenges, JFM provides loans to local governments who develop infrastructure and administrative services 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 2025
Number of borrowers: 755
Loan amount: USD 1.9 billion



Matsuo Purification Center
(Iida City, Nagano Prefecture)

Hospitals

Maintaining hospitals, medical facilities managed by local governments

Lending operations in fiscal 2025
Number of borrowers: 221
Loan amount: USD 1.4 billion



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 2025
Number of borrowers: 865
Loan amount: USD 1.0 billion



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 2025
Number of borrowers: 227
Loan amount: USD 232 million



Susono Elementary School
(Hirosaki City, Aomori Prefecture)

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 local governments and municipal enterprises, 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 2025

Number of applications: 1,437　Number of dispatches: 5,203

Study: Tomigusuku City, Okinawa Prefecture

Revision of the management strategy and sewerage rates in Tomigusuku City sewerage business

Management Strategy Revision | **Sewerage Rates Revision**

Background and objectives

- Under the current level of sewerage rates, the sewerage business is unable to achieve a balanced budget and has relied on borrowings and other sources to cover the shortfall. In addition, it has become necessary to respond appropriately to changes in the socioeconomic environment, including the future population decline and inflation.
- To address these issues, this project was utilized to receive advice for the revision of the management strategy and sewerage rates.

Information on the municipal enterprise

- Population within the administrative area　65,719 (as of 31 March 2026)
- Area of the administrative jurisdiction　19.33 km^2 (as of 31 March 2026)
- Population within the service area　50,828 (Fiscal 2023 financial results)

Details　Number of dispatches: 9　Advisor profile: Academic experts

Advice provided	Municipal initiatives following the dispatch
1st and 2nd dispatch (conducted on 28 April and 22 May 2023) Advice on the approach and framework for the management diagnosis and analysis necessary for the assessment in preparing for the review of sewerage rates and the revision of the management strategy	**1st and 2nd dispatch** Assessment of the operational and financial status of the sewerage business, and management analysis
3rd, 4th and 5th dispatch (conducted on 13 July, 21 August and 25 September 2023) ・Advice on setting a revenue target and rationale for reviewing sewerage rates ・Advice on setting the revenue target that would enable the sewerage business to operate on a self-sustaining basis without borrowings, developing a rate structure simulation aligned with a water-saving society, and preparing the financial plan, etc.	**3rd, 4th and 5th dispatch** Setting specific target levels for sewerage rates and conducting simulations for revising the rates
6th dispatch (conducted on 23 October 2023) Final review of the recommendation regarding sewerage rates and advice on handling cost statements in the management strategy	**6th dispatch** Determination of the revised sewerage rates
7th and 8th dispatch (conducted on 16 November 2023 and 17 January 2024) ・Advice on methodology for setting target amounts for individual revenue and expenditure items in the management strategy, operating funds and retained earnings ・Advice on the future direction of management for the agricultural community wastewater system undergoing infrastructure renewal	**7th and 8th dispatch** Initiating the development of the draft framework of the management strategy
9th dispatch (conducted on 19 February 2024) Advice on the future policy following a review of the revised management strategy	**9th dispatch** Revision of the management strategy

Impact

- Management Strategy Revision: The revised management strategy was successfully formulated by receiving expert advice on the current financial analysis of our sewerage operations, the assessment of future business environments, and the fundamental management policies.
- Rate Revision: An appropriate rate adjustment was successfully implemented by receiving advice on a draft rate revision designed to achieve the financial targets factoring in the current operational status of the sewerage business.

Future outlook

- Secure sufficient revenue to eliminate borrowing, and thereafter enable the sewerage business to build up retained earnings.
- Review the necessity of sewerage rate revisions every three to five years.

Green Bonds

In response to growing global interest in the SDGs, JFM issued its first Green Bond in FY2019 to finance sewerage projects conducted by local governments in order to provide stable long-term, low-interest funding, and has continuously issued them every fiscal year since then.

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.

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: A general term for bonds that use their proceeds for projects that have some effect on improving the environment and contributing to society such as Green Bonds, which are used for projects that contribute to solving environmental issues; social bonds, which are used for projects that contribute to solving social issues; and sustainability bonds, which are used for projects that have both characteristics or support both types of project. 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 2020
2nd	EUR	500	7-year	0.010	2 Feb 2021
3rd	USD	750	3-year	1.500	27 Jan 2022
4th	EUR	500	5-year	3.375	22 Feb 2023
5th	EUR	500	5-year	2.875	23 Jan 2024
6th	EUR	500	5-year	2.750	16 Jan 2025
7th	EUR	750	5-year	2.750	16 Jan 2026

■ JFM Domestic Green Bond Issuance

Series	Currency	Issue Amount		Tenor	Coupon (%)	Issue Date
		JPY in billions	USD in millions			
1st	JPY	21	131	5-year	0.638	19 Jun 2024
2nd	JPY	20	125	5-year	0.809	20 Dec 2024
3rd	JPY	25	156	5-year	1.178	20 Jun 2025
4th	JPY	27	169	5-year	1.329	28 Nov 2025

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

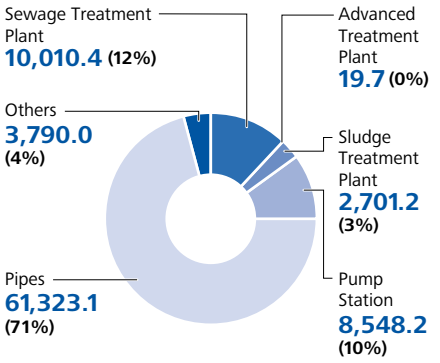
JFM conducted a survey on the environmental improvement effects, etc. of sewerage projects with the local governments to which loans were made between 16 January 2025 and 31 March 2025, for which the proceeds from the Green Bond issued in January 2025 were allocated. JFM published an impact report summarizing the results in December 2025. The following is a summary of the results.

■ Summary

Total extension of new / renewed pipes (m)	330,939
Population of the covered area	16,083,013
Annual water management capacity (m^3)	2,822,150,791
Annual amount of electricity saved (kWh)	5,969,822

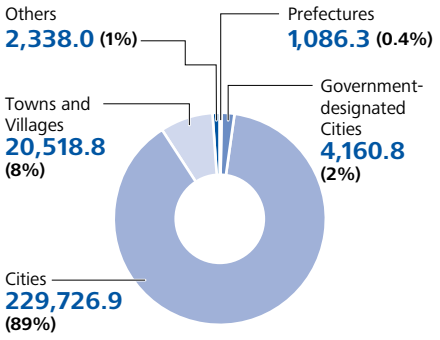
■ Loan Amount by Project Type*1, 3

(JPY mm)



■ Loan Amount by Borrower Type*2, 3

(JPY mm)



Notes: 1. Breakdown of green bond eligible projects from 16 January 2025 to 31 March 2025 (approximately JPY 81.4 bn)
2. Breakdown of all loans related to sewerage projects in fiscal 2024
3. Totals may not add up due to rounding

Additional Environmental Impacts

Sludge recycling
- Reuse as fertilizer and raw material for cement
- Use of digestion gas as fuel

Replacement of mechanical and electrical equipment with energy-saving equipment resulting in a reduction of power consumption

Case Study I: Tsuruoka City Public Sewerage Sludge Recycling (Composting) Project

Tsuruoka City sludge treatment facility image



Project Overview (Project period: FY2023 - FY2026 (plan))

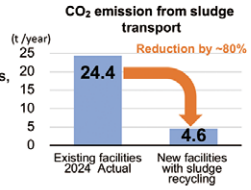
Total project cost (FY2024) : JPY 555.45 million, of which JFM funds : JPY 258.50 million

- Since Tsuruoka Compost Center started operation in 1986, the city has been producing compost from sludge generated at Tsuruoka Purification Center for about 40 years.
- Currently, since Tsuruoka Compost Center operates by limiting the production volume to about 550t per year, which is about one-third of the production capacity, due to the aging of facility, the city is facing the issues of increasing volume of sludge disposed at private industrial waste disposal companies, rising disposal costs and disposal sites to be secured.
- By constructing a sludge recycling (composting) facility in the site of Tsuruoka Purification Center, the volume of composted sludge and produced compost will increase threefold. Additionally, by treating sludge within the site, CO_2 emissions during sludge transport will decrease and sludge disposal costs will decline, which enables a stable treatment system.

Highlights Positive regional impact from the development of the sludge recycling (composting) facility

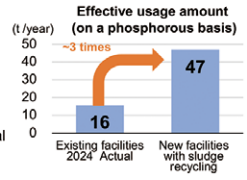
Contribution to a decarbonized society

- Reduction of the use of chemical fertilizers, which reduces CO_2 emission from the production/transport of such fertilizers, reduction of CO_2 emission from transport of sludge.
- Storage of carbon in the ground like other organic fertilizers



Contribution to regional agriculture

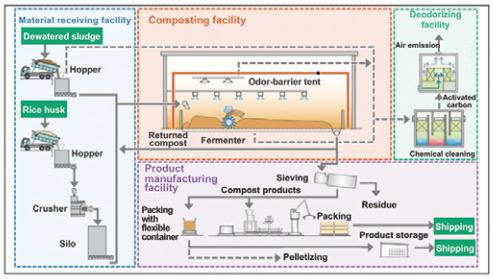
- Volume of effectively utilized regional resources (on a phosphorus basis): 47t / year
- Utilization of compost as circular fertilizer in the region, contributing to the promotion of agriculture



Project impact and cost effectiveness

- Expected cost reduction of about JPY 37 million per year by reducing sludge disposal costs to be paid to private industrial waste disposal companies and maintenance costs and by increasing sales of compost products

Flow of sludge composting

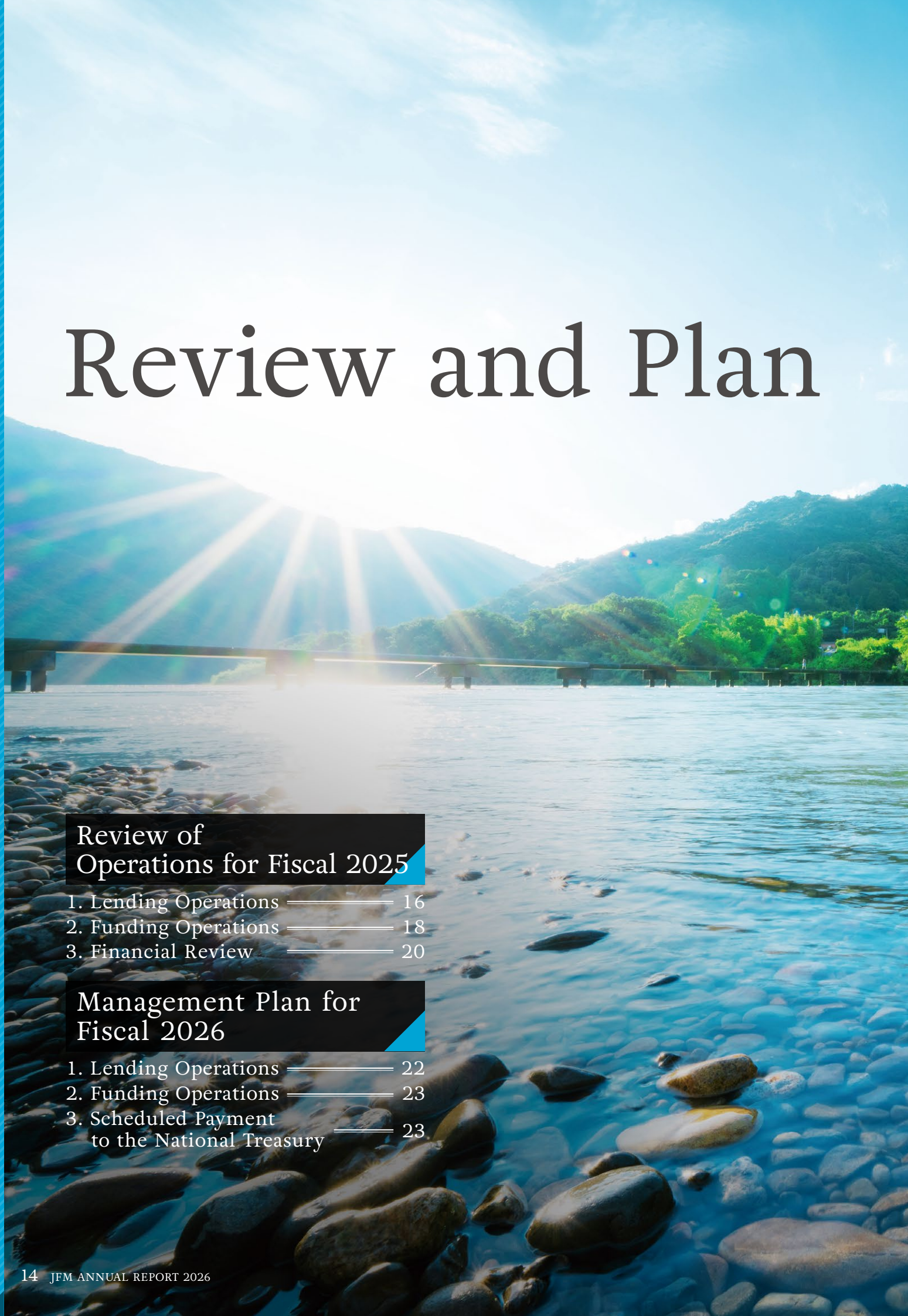


- Mix sludge and rice husk, a subsidiary material, for aerobic fermentation
  ⇒ Ensuring the same quality as current products
- Facility structure: material receiving facility, composting facility, deodorizing facility, production facility, power receiving/transformation facility, utility facility
  ⇒ Thorough measures to prevent odors, considering surrounding facilities

JFM

JFM Green Bond Impact Report 2025

Review and Plan



Review of Operations for Fiscal 2025

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Management Plan for Fiscal 2026

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Shimanto River in summer, Shimanto City, Kochi Prefecture

JFM Lending Operations - Proper Management of Public Facilities

Shimanto City, Kochi Prefecture
Shimanto City Cultural Center Shimantopia



SDGs Mapping for Disaster Management and Mitigation



1/ Background

Against the backdrop of the aging of three public facilities, a reorganization plan for the cultural complex that consolidates their functions was formulated. At the same time, the city and JA concluded a basic agreement as a project that also resolves the seismic issue of the JA Kochi Hata main building, and they have embarked on joint development.

2/ Loans

Securing funding is a challenge for the construction of a large-scale complex for arts, culture, and lifelong learning. Amidst the difficult circumstances of rising prices and interest rates, the use of JFM's long-term, low-interest loans has secured the necessary financial resources, leading to the leveling of project costs.

3/ Effects

The new, compact, and efficient facility is bustling as a cultural hub where citizens of all generations gather and deepen their interactions. In particular, use by children and young people is a change from the old facility. The ripple effects on the surrounding area and tourism are also significant.

1 Lending Operations

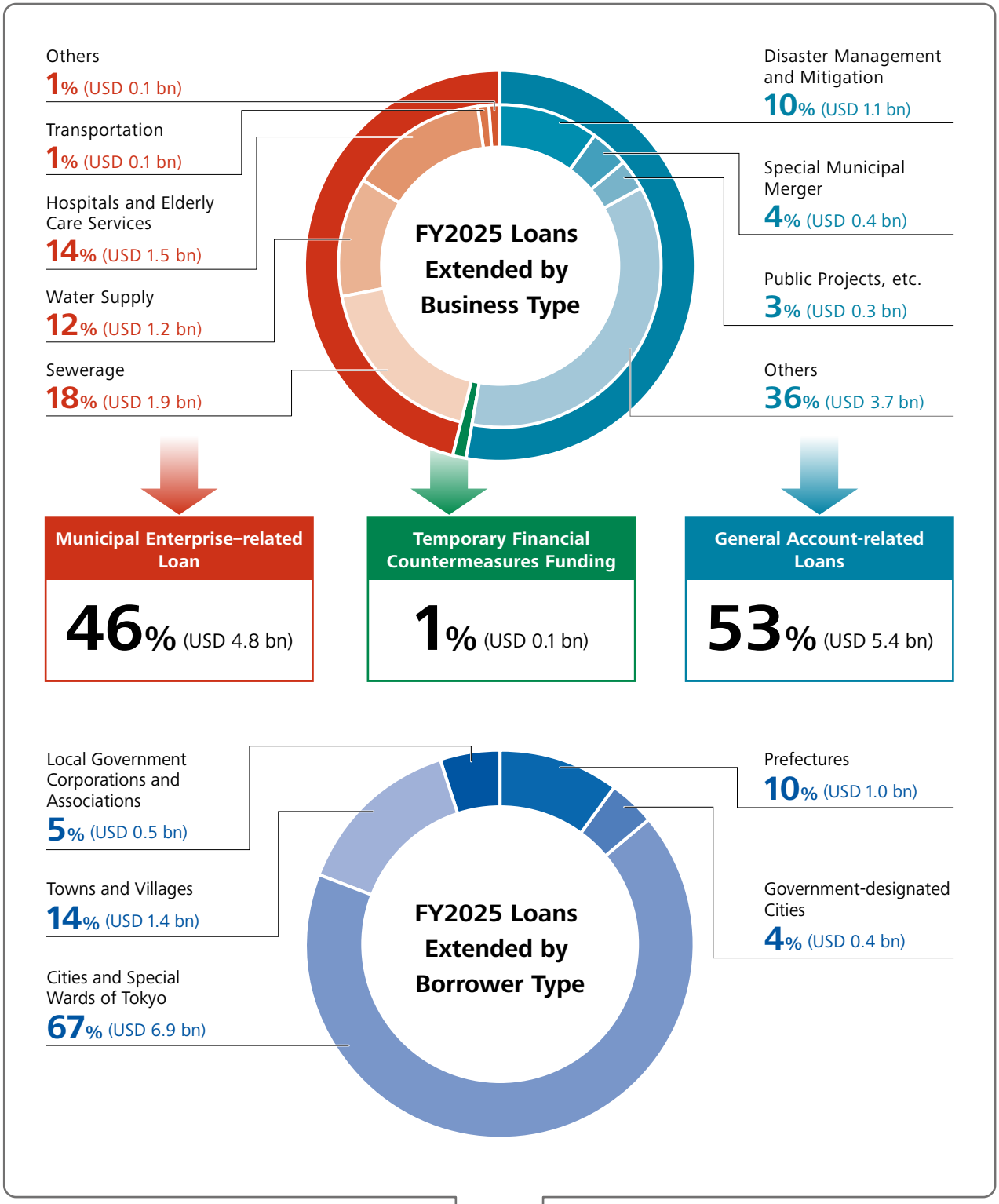
In fiscal 2025, JFM provided loans totaling USD 10.2 billion. General account-related loans totaled USD 5.4 billion (53%) of the total lending volume, mainly represented by disaster management and mitigation and proper management of public facilities. Loans for temporary financial countermeasures funding[*1] were USD 59 million (1%), and municipal enterprise-related loans totaled USD 4.8 billion (46%), with sewerage and hospital and elderly-care services as 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 2025

Business Type	Number of Loans Made	Loan Amount (USD Millions)	
			% of total
General Account-related Loans			
Public Projects, etc.	578	264	2.6%
Public Housing	160	71	0.7%
Educational Facilities Development	310	176	1.7%
Social Welfare Facilities Development	103	56	0.5%
General Waste Disposal	99	134	1.3%
General Service Facilities Development	3	2	0.0%
General Projects	70	77	0.8%
Regional Revitalisation	176	52	0.5%
Disaster Prevention	349	83	0.8%
Local Road Development	369	183	1.8%
Special Municipal Merger	292	359	3.5%
Disaster Management and Mitigation	1,732	1,050	10.3%
Proper Management of Public Facilities	1,332	1,019	10.0%
National Disaster Prevention	1,651	740	7.2%
Decarbonisation Promotion Projects	641	206	2.0%
Child and Child-rearing Support Projects	119	24	0.2%
Remote Area Improvement Projects	138	38	0.4%
Depopulation Measure	1,621	865	8.5%
Subtotal	9,743	5,398	52.8%
Municipal Enterprise-related Loans			
Water Supply	1,509	1,185	11.6%
Industrial Water Supply	53	46	0.4%
Transportation	59	122	1.2%
Electricity and Gas Supply	29	35	0.3%
Port Facilities	9	10	0.1%
Hospitals and Elderly Care Services	550	1,472	14.4%
Markets and Slaughterhouses	32	35	0.3%
Sewerage	2,766	1,852	18.1%
Tourism and Others	11	4	0.0%
Subtotal	5,018	4,761	46.6%
Temporary Financial Countermeasures Funding	13	59	0.6%
Total	14,774	10,218	100.0%

Notes: 1. Loans for 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 10.2 bn

Note: Totals may not add up due to rounding.

2 Funding Operations

1. Overview

In fiscal 2025, JFM raised a total of USD 11.2 billion, which includes USD 10.1 billion in JFM bonds (non-government guaranteed), and USD 0.6 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 0.5 billion through long-term bank loans.

With regard to JFM bonds, a total of USD 7.0 billion was raised by the regular issuance of 5-year, 10-year, 20-year, and 30-year domestic bonds, as well as opportunistic issuances through JFM's Flexible Issuance Programme (FLIP) and the MTN Programme.

As for domestic public offerings, a total of USD 4.5 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, 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 1.0 billion of 5-year benchmark bonds in April 2025, USD 750 million of 5-year benchmark bonds in July 2025, and a EUR 750 million 5-year Green Bond in January 2026. Through these activities, the total volume of international bonds issued in fiscal 2025 amounted to USD 2.5 billion.

Private placements with pension funds for local government officials totaled USD 3.1 billion.

As a result, JFM's outstanding bonds were USD 114.6 billion and outstanding long-term bank loans totaled USD 3.3 billion as of 31 March 2026.

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 2025 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 with a minimum issue amount of JPY 1 billion (USD 6.3 million), with flexibility in terms of issue amount and maturity to meet the needs of investors.

Funding in Fiscal 2025

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Type of Bonds	Plan (Initial)	Achieved
Domestic Public Offerings	USD 3.8 bn	USD 4.5 bn
10-year	USD 1.7 bn	USD 1.9 bn
20-year	USD 0.6 bn	USD 0.6 bn
5-year	USD 0.1 bn	USD 0.3 bn
30-year	USD 0.1 bn	USD 0.1 bn
Opportunistic Issuance*1	USD 1.3 bn	USD 1.6 bn
Overseas Offerings - MTN	USD 1.9 bn	USD 2.5 bn
Open Issuance*2	USD 1.1 bn	-
Total	USD 6.8 bn	USD 7.0 bn

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

Type of Bonds	Plan (Initial)	Achieved
10-year	USD 1.6 bn	USD 1.6 bn
20-year	USD 1.5 bn	USD 1.5 bn
Total	USD 3.1 bn	USD 3.1 bn

2. Government-guaranteed Domestic Bonds

Type of Bonds	Plan (Initial)	Achieved
4-year*3	USD 1.8 bn	USD 0.6 bn
Total	USD 1.8 bn	USD 0.6 bn

3. Long-term Bank Loans

	Plan	Achieved
Long-term Bank Loans	USD 0.5 bn	USD 0.5 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 2025, and it was reduced to USD 0.6 billion.
4. Totals may not add up due to rounding.

2. Issue Spreads

Regarding the domestic public offering bonds that JFM regularly issues, issuances took place amidst economic conditions that were shifting significantly due to geopolitical tensions such as tariff policies and the situation in the Middle East, as well as the trends of central bank policies, leaving the outlook for interest rates and exchange rates uncertain.

For JFM 10-year domestic bonds, against the backdrop of an unstable interest rate environment caused by U.S. tariff policies, the spread over the Japanese government bond (JGB) widened rapidly, reaching 15.0 bp in April and 20.0 bp in May. However, from June onwards, the spread entered a tightening phase driven by strong investor demand for the wide spread, tightening to 12.0 bp by September and remaining at this level through March.

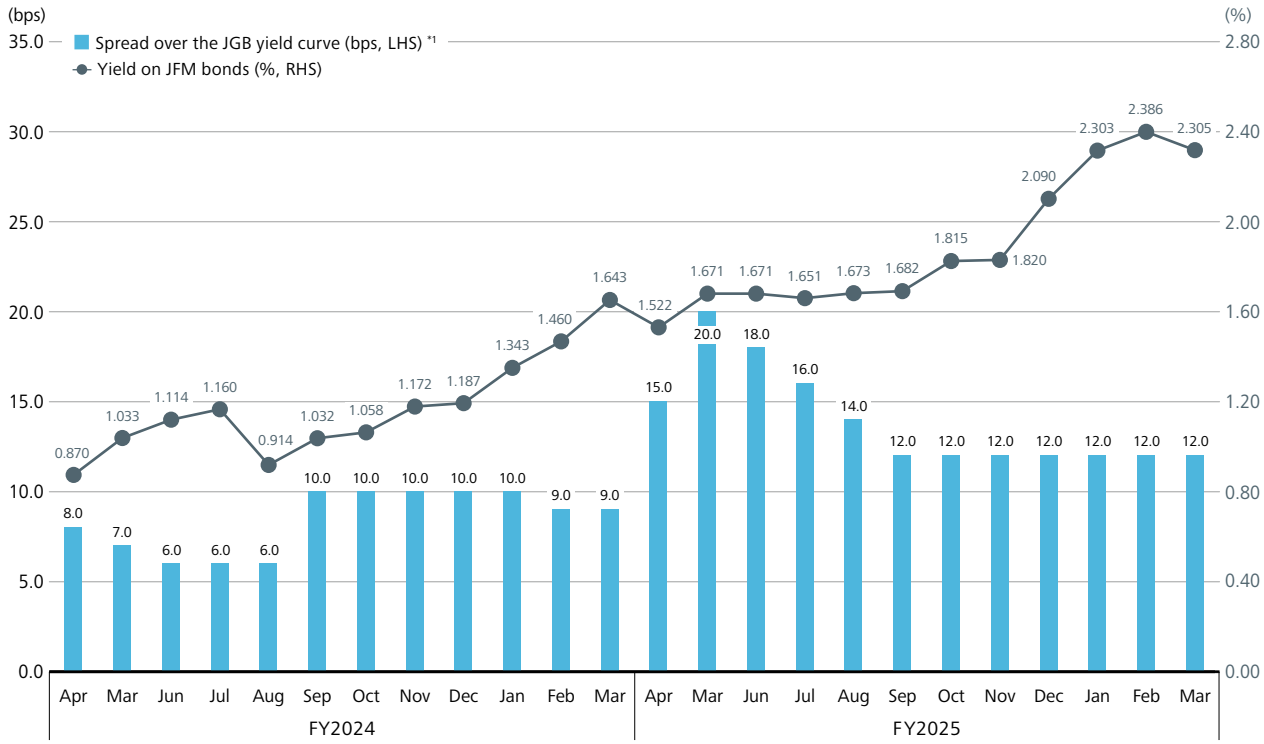
As for yields, the upward trend in JGB interest rates led to a corresponding rise in JFM Bond yields. In February 2026, the yield reached 2.386%, its highest level since JFM's establishment.

The 5-year bond was issued as the domestic Green Bond in fiscal 2025 as in the previous year. 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 demand 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 yield curve are theoretical values calculated by JFM.

3 Financial Review

1. Income Statement

In fiscal 2025, JFM's income was USD 1.4 billion, an increase of USD 71 million from the previous year. Expenses were USD 0.9 billion, an increase of USD 0.1 billion from the prior year. Ordinary income decreased by USD 61 million from the previous year, totaling USD 0.5 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 was USD 0.2 billion, a decrease of USD 7.0 million from the previous year.

Note: 1. The difference between fiscal 2024 and 2025 is calculated using the exchange rate as of 31 March 2026.

2. Balance Sheet

As of 31 March 2026, JFM's total assets amounted to USD 148.3 billion, a decrease of USD 1.3 billion from the previous year. This mainly resulted from a USD 0.9 billion decrease in loans.

Total liabilities decreased by USD 1.5 billion, totaling USD 145.2 billion. This decrease primarily reflected a decrease of USD 2.3 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.

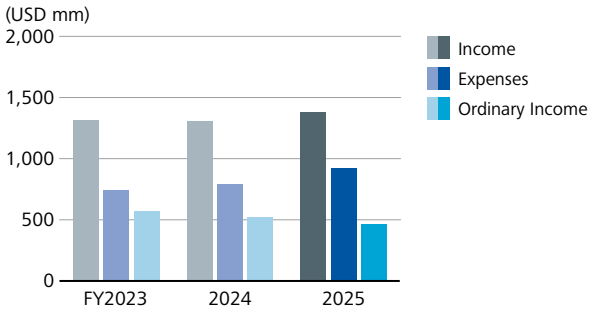
Financial highlights since fiscal 2023 are on the next page.

Financial Highlights

1. Income Statement

(USD Millions)

	FY2023	2024	2025	YoY
Income	1,309	1,306	1,377	71
Expenses	740	787	919	132
Ordinary Income	568	518	458	-61
Net Income	227	227	220	-7

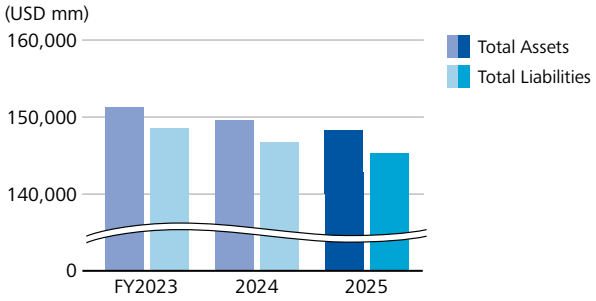


Note: Totals may not add up due to rounding.

2. Balance Sheet

(USD Millions)

	FY2023	2024	2025	YoY
Total Assets	151,215	149,523	148,258	-1,265
Loans	144,393	142,054	141,202	-852
Others	6,822	7,470	7,056	-413
Total Liabilities	148,550	146,713	145,222	-1,491
Bonds	118,582	116,881	114,617	-2,264
Borrowed money	3,319	3,314	3,265	-48
Cash collateral received for financial instruments	2,585	2,319	2,856	537
Fund for lending rate reduction	5,798	5,831	5,865	34
Reserves under special laws	18,223	18,327	18,565	238
Reserve for interest rate volatility	13,767	13,767	13,767	-
Management account reserve for interest rate volatility	4,435	4,551	4,797	246
Reserve for interest rate reduction	21	8	-	-8
Others	43	41	54	13
Total Net assets	2,665	2,810	3,036	226



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 10.9 billion in fiscal 2026, an increase of USD 0.9 billion, or 8.8%, relative to fiscal 2025.

Lending Plan

	FY2026	FY2025	YoY
Planned Amount	USD 10.9 bn	USD 10.0 bn	8.8%

Lending Plan by Business Type for Fiscal 2026

(USD Millions)

Business Type	FY2026 Lending Plan(A)	FY2025 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.	216.5	228.4	-11.9	-5.2	190.9
Public Housing	69.5	68.8	0.6	0.9	14.4
Educational Facilities Development	214.0	188.4	25.7	13.6	153.9
Social Welfare Facilities Development	70.1	79.5	-9.4	-11.8	55.7
General Waste Disposal	112.6	174.0	-61.3	-35.3	136.4
General Projects	172.7	50.1	122.7	245.0	64.5
Regional Revitalisation	46.9	58.8	-11.9	-20.2	53.2
Disaster Prevention	75.7	74.5	1.3	1.7	85.1
Local Road Development	279.1	132.0	147.1	111.4	245.3
Special Municipal Merger	225.3	333.5	-108.3	-32.5	116.4
Disaster Management and Mitigation	1,149.6	931.8	217.8	23.4	1,251.6
Proper Management of Public Facilities	1,045.1	985.6	59.4	6.0	1,081.4
National Disaster Prevention	620.8	616.4	4.4	0.7	755.3
Decarbonisation Promotion Projects	194.6	190.9	3.8	2.0	112.6
Child and Child-rearing Support Projects	71.3	30.0	41.3	137.5	112.6
Remote Area Improvement Projects	55.1	39.4	15.6	39.7	43.2
Depopulation Measure	856.7	816.6	40.1	4.9	957.4
Subtotal	5,475.6	4,998.7	476.8	9.5	5,429.9
Municipal Enterprise-related Loans					
Water Supply	1,660.2	1,438.7	221.5	15.4	1,439.3
Industrial Water Supply	85.1	81.4	3.8	4.6	48.2
Transportation	146.4	148.9	-2.5	-1.7	141.4
Electricity and Gas Supply	22.5	32.5	-10.0	-30.8	20.7
Port Facilities	11.3	12.5	-1.3	-10.0	13.1
Hospitals and Elderly Care Services	946.8	878.6	68.2	7.8	1,056.3
Markets and Slaughterhouses	103.3	63.2	40.1	63.4	18.1
Sewerage	2,435.5	2,237.8	197.7	8.8	2,312.3
Tourism and Others	1.9	5.6	-3.8	-66.7	2.5
Subtotal	5,413.0	4,899.2	513.8	10.5	5,051.9
Temporary Financial Countermeasures Funding	0.0	114.5	-114.5	-100.0	-
Total	10,888.6	10,012.5	876.1	8.8	10,481.9

Notes: 1. Business types are classified based on the LGBP for fiscal 2026.
2. Totals may not add up due to rounding.

JFM Funds in the Local Government Borrowing Programme

	FY2026	FY2025	YoY
JFM Funds	USD 10.5 bn	USD 10.1 bn	4.2%
General Account-related Loans	USD 5.4 bn	USD 5.4 bn	0.7%
Municipal Enterprise-related Loans	USD 5.1 bn	USD 4.7 bn	8.2%

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 2026, JFM plans to issue USD 6.6 billion of JFM bonds through these methods.

Moreover, private placements with pension funds for local government officials are projected to amount to USD 2.9 billion in fiscal 2026. 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 1.3 billion during fiscal 2026.

Funding Plan for Fiscal 2026

1. JFM Bonds (Non-government Guaranteed)

(1) Domestic and Overseas Offerings

Type of Bonds	FY2026 (Plan)	FY2025 (Achieved)
Domestic Public Offerings	USD 3.8 bn	USD 4.5 bn
10-year	USD 1.6 bn	USD 1.9 bn
20-year	USD 0.6 bn	USD 0.6 bn
5-year	USD 0.1 bn	USD 0.3 bn
30-year	USD 0.1 bn	USD 0.1 bn
2-year	USD 0.2 bn	-
Opportunistic Issuance	USD 1.2 bn	USD 1.6 bn
Overseas Offerings - MTN	USD 1.9 bn	USD 2.5 bn
Open Issuance	USD 1.0 bn	-
Total	USD 6.6 bn	USD 7.0 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 offering, 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	FY2026 (Plan)	FY2025 (Achieved)
10-year	USD 1.5 bn	USD 1.6 bn
20-year	USD 1.5 bn	USD 1.5 bn
Total	USD 2.9 bn	USD 3.1 bn

2. Long-term Bank Loans

	FY2026 (Plan)	FY2025 (Achieved)
Long-term Bank Loans	USD 0.5 bn	USD 0.5 bn

3. Government-guaranteed Domestic Bonds

Type of Bonds	FY2026 (Plan)	FY2025 (Achieved)
4-year	USD 1.3 bn	USD 0.6 bn
Total	USD 1.3 bn	USD 0.6 bn

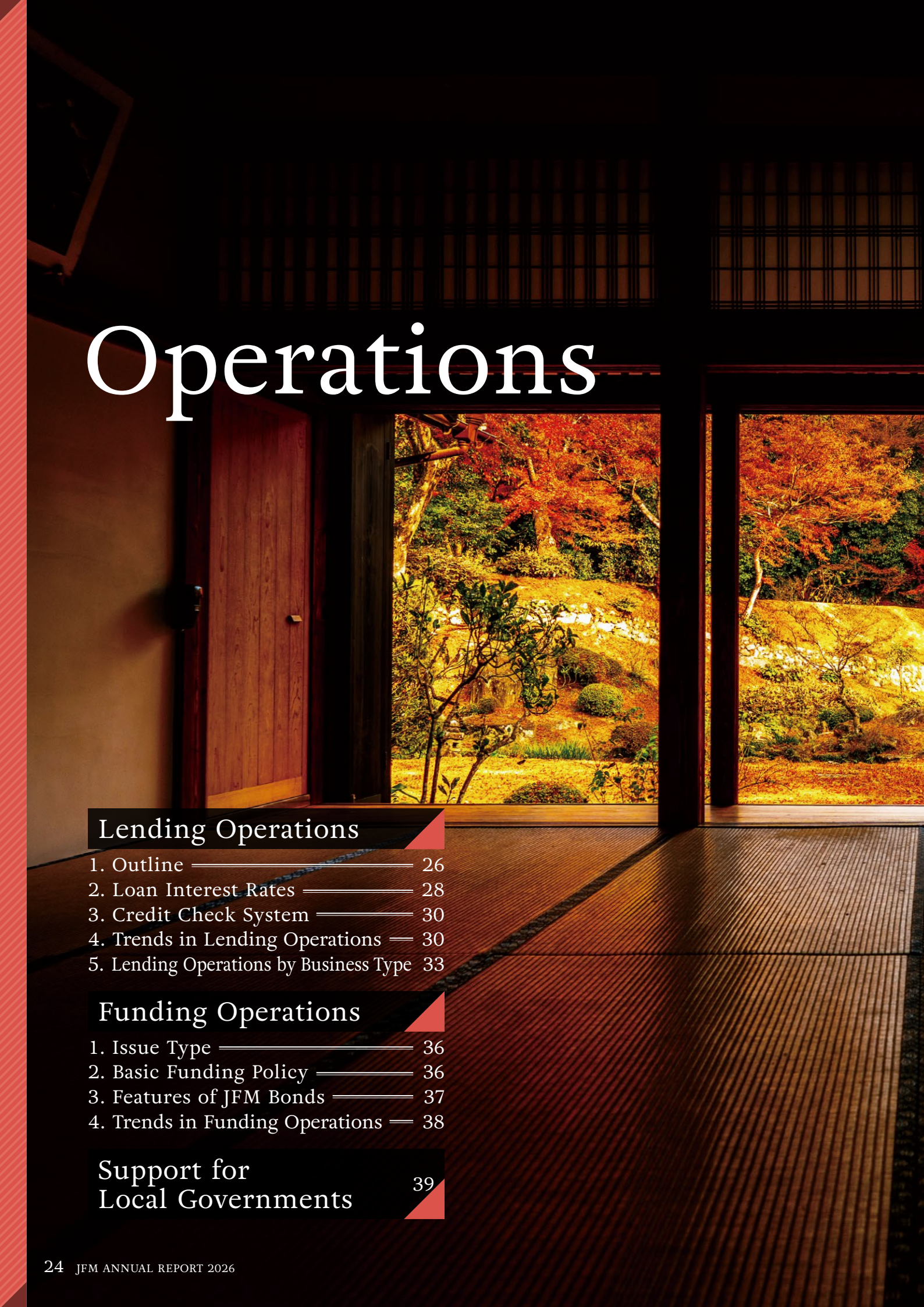
3 Scheduled Payment to the National Treasury

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 follows.

- USD 1.3 billion to secure funds for local allocation tax for fiscal 2026.

The planned payment of USD 1.3 billion to the national treasury for fiscal 2025, 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

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Funding Operations

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4. Trends in Funding Operations 38

Support for Local Governments

39

Kiyomizu-dera Temple Honbo Garden in autumn, Miyama City, Fukuoka Prefecture

JFM Lending Operations - Depopulation Countermeasure

Miyama City, Fukuoka Prefecture
MIYAMAX



SDGs Mapping for Disaster Management and Mitigation



1/ Background

With the demolition of the aging community center and gymnasium, a plan was launched to develop a new multi-purpose complex facility based on the concept of integrating culture and sports. While adjusting specifications in response to rising material and labor costs, the overall building plan was finalized.

2/ Loans

Securing funding was key for this large-scale construction project aimed at bringing the community's aspirations to life. By utilizing financing under JFM's depopulation countermeasure program, the project was able to move forward with greater financial confidence.

3/ Effects

A multi-purpose facility containing a stage hall and a gymnasium has been completed and opened to the public. As a hub for community interaction—supporting culture and the arts, sports and health, and childcare—it has become a popular facility among residents and is contributing to improved health and local revitalization.

JFM's primary objective is to contribute to the sound operation of 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. Scope and Maturities of Loans

JFM provides loans exclusively to local governments.

Business Type			Loans for FY 2026			
			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*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
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.
2. Figures represent maximum maturities and grace period for principal repayment.

2 Loan Interest Rates

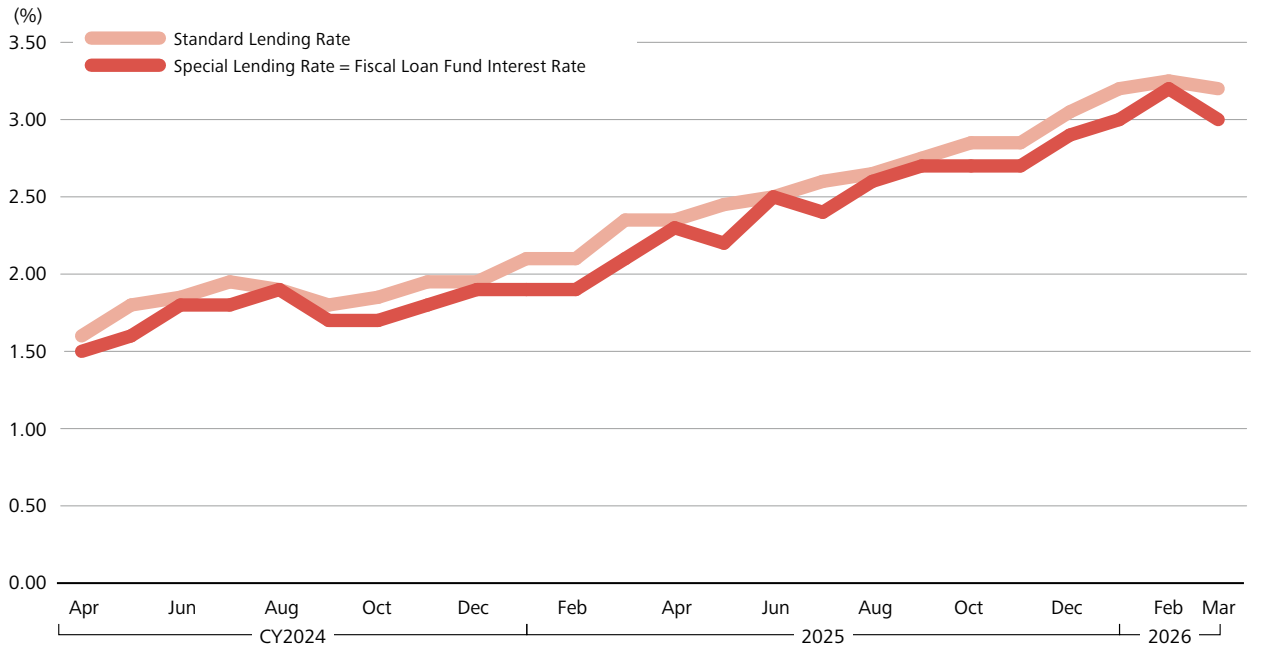
JFM sets standard lending rates, which are determined to balance its funding cost, and also offers special lending rates at a discount to the standard rates by making use of its Fund for Lending Rate Reduction.

1. Loan Interest Rates

JFM offers two types of loan interest rate: 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 2024 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 the respective lending rates of the Fiscal Loan Fund, which have identical terms on redemptions to those of JFM loans.

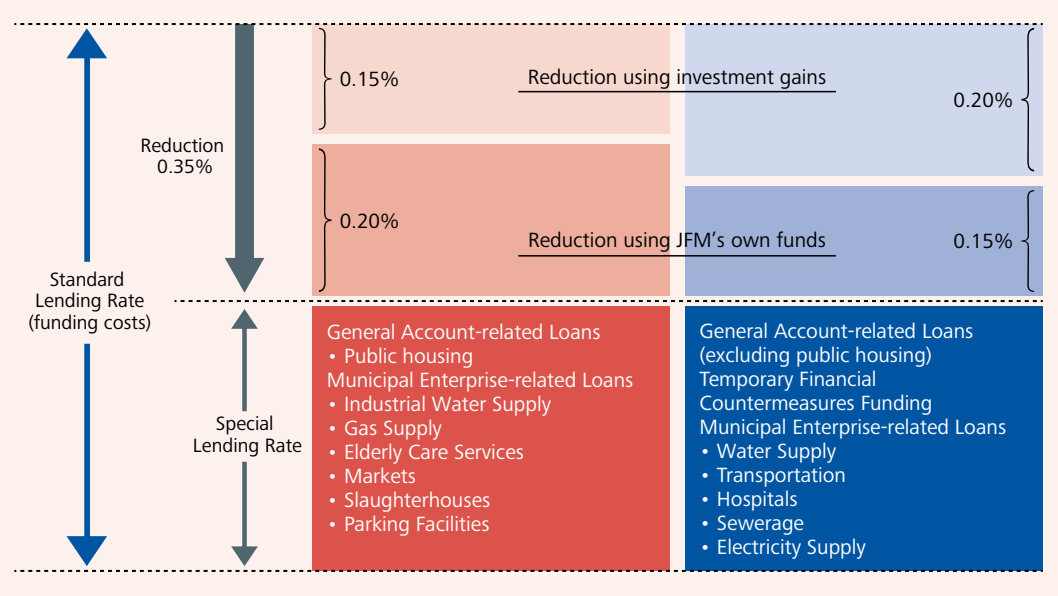
Trends of Lending Rates



Note: The lending rates above represent a 30-year fixed rate loan with a 5-year grace period with equal semiannual total payments.

2. Lending Rate Reduction

The difference between the special and standard lending rates is covered by investment gains, etc. in the Fund for Lending Rate Reduction as well as JFM's own funds. The Fund for Lending Rate Reduction consists of a portion of the proceeds that local governments earn from municipally operated racing in accordance with the Local Government Finance Law.



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).

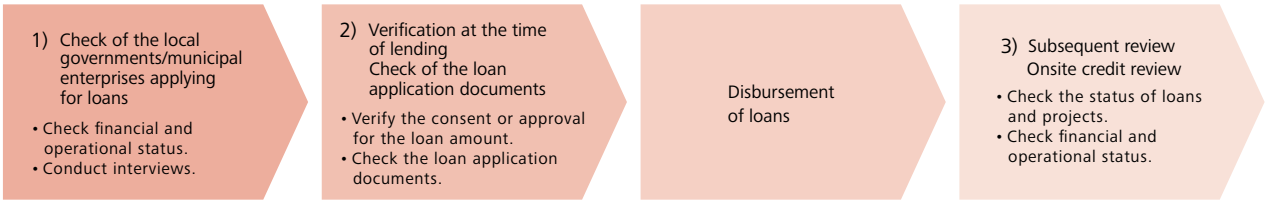
3 Credit Check System

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 the project's operating status and the financial and operational status of the borrower.

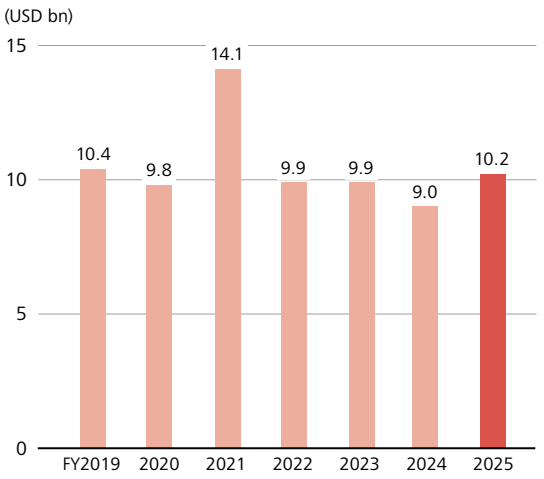


4 Trends in Lending Operations

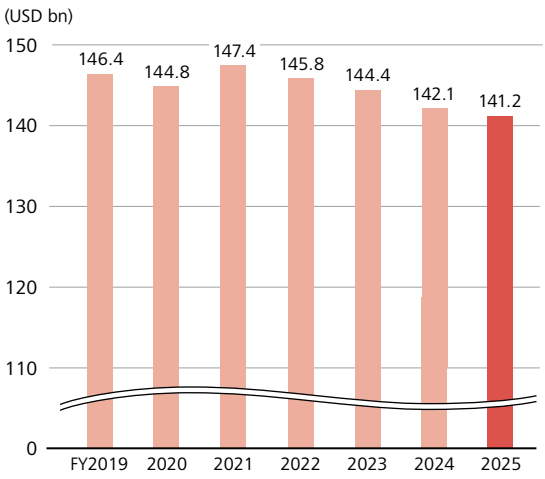
1. Overview

Annual lending volume has been hovering around USD 9 to 14 billion, while the volume jumped in fiscal 2021 due to the COVID-19 pandemic. At the end of fiscal 2025, outstanding loans were USD 141.2 billion.

Annual Lending Volume



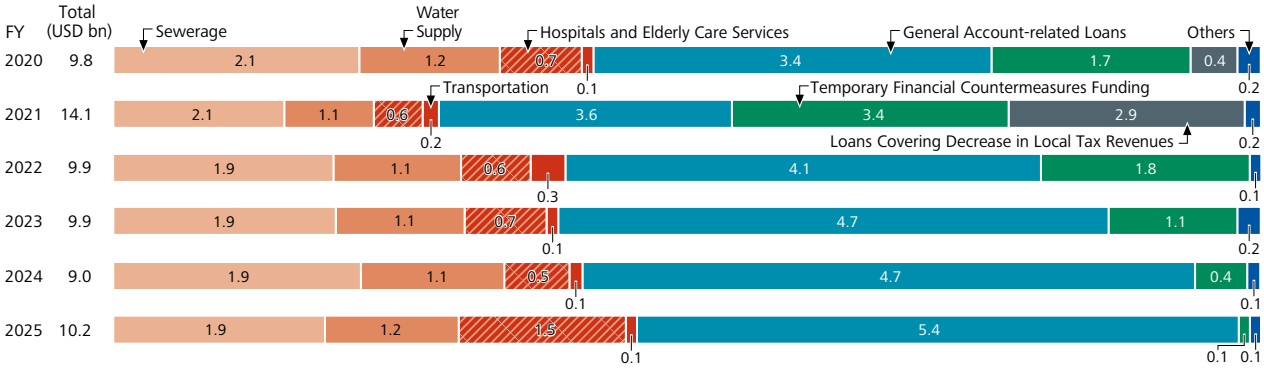
Outstanding Loans



2. Annual Lending Volume by Business and Borrower Type

In fiscal 2025, the loan amount for sewerage was USD 1.9 billion, accounting for the largest share of lending, at 18.1% of the total. This was followed by USD 1.5 billion for hospitals and elderly care services and USD 1.2 billion for water supply, representing 14.4% and 11.6% respectively.

Long-term Loans Extended by Business Type

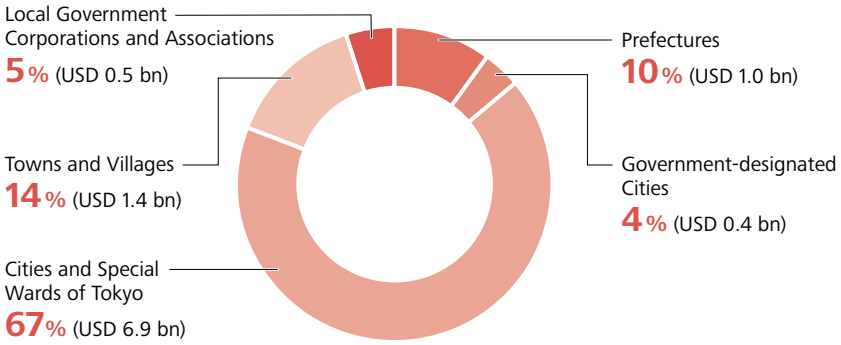


Notes: Totals may not add up due to rounding.

Fiscal 2025 Loans Extended by Borrower Type

Total

USD 10.2 bn

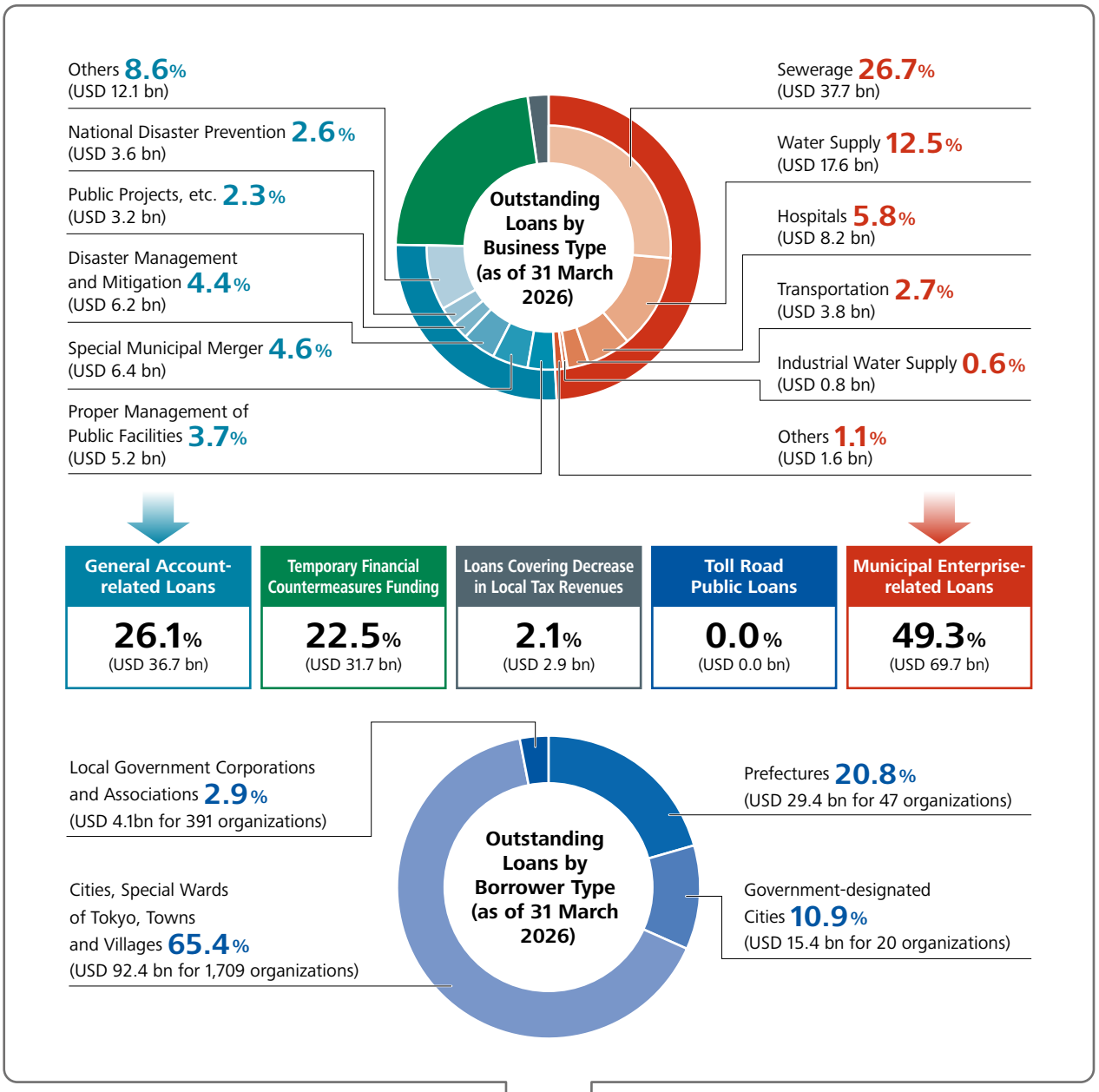


Note: Totals may not add up due to rounding.

3. Outstanding Loans by Business and Borrower Type

At the end of fiscal 2025, outstanding loans totaled USD 141.2 billion, of which the sewerage business accounted for the largest share at 26.7%, followed by temporary financial countermeasures funding at 22.5% and water supply at 12.5%.

There were a total of 2,167 local governments, local government corporations and associations with outstanding JFM loans, including all prefectures. Cities, special wards of Tokyo, towns, and villages accounted for the largest portion at 65.4% of the total, followed by prefectures at 20.8% and government-designated cities at 10.9%. Local government associations and corporations represented the remaining 2.9%.



Total

USD 141.2 bn

Note: Totals may not add up due to rounding.

5 Lending Operations by Business Type

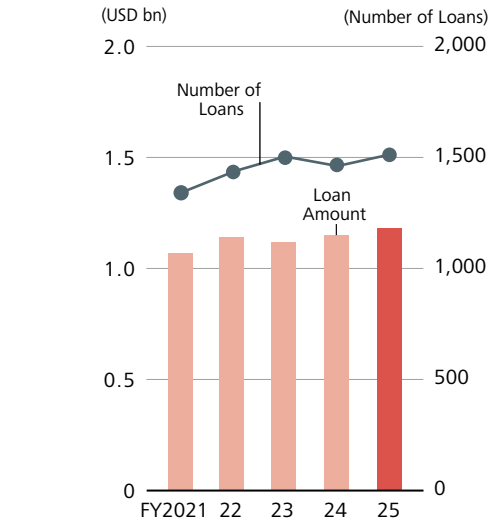
JFM provides loans to local government businesses specified in the LGBP, which the national government formulates each fiscal year.
The major JFM-funded businesses are as follows.

Water Supply Business

At the end of fiscal 2024, the water supply coverage was 97.6% of the population. The water supply business (including small-scale water supply) operated by local governments totaled 1,735 projects and provided about 13.1 billion cubic meters of water annually for approximately 121.4 million people.
In fiscal 2025, loans extended to the water supply business amounted to USD 1.2 billion.



Kaneda Raw Water Reservoir (Kisarazu City, Chiba Prefecture)

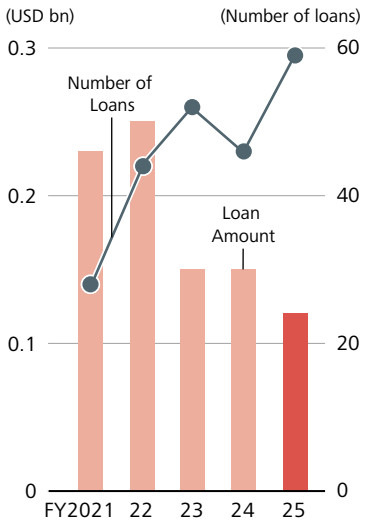


Transportation Business

At the end of fiscal 2024, the transportation projects managed by local governments totaled 84 projects and public transportation is used by approximately 3.3 billion people annually (9.1 million people on an average daily basis).
In fiscal 2025, loans extended to the transportation business amounted to USD 0.1 billion.



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



Hospitals Business

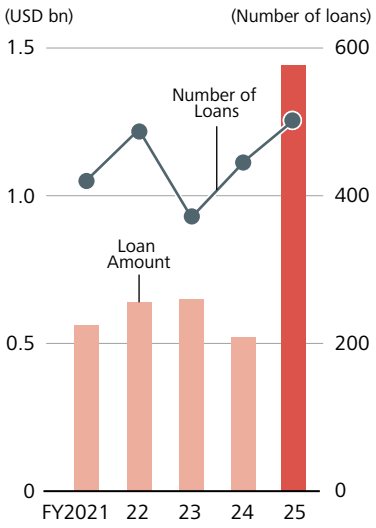
At the end of fiscal 2024, hospital projects managed by local governments totaled 678, with 848 hospitals, including 809 general hospitals and 39 mental health hospitals.
In fiscal 2025, loans extended to the hospitals business (including those run by local independent administrative institutions) totaled USD 1.4 billion.



Atsugi City Hospital (Atsugi City, Kanagawa Prefecture)

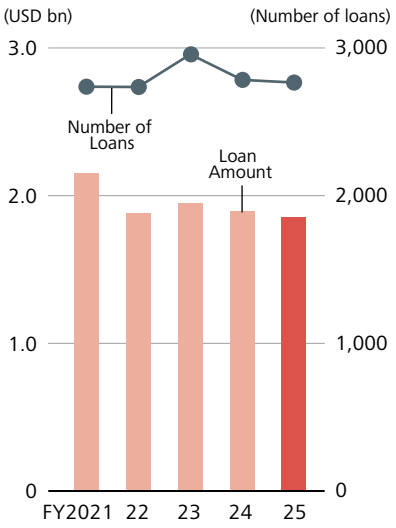


Sewage Purification Center (Shiojiri City, Nagano Prefecture)



Sewerage Business

At the end of fiscal 2024, the sewerage system covered 93.7% of the nation's total population. There were 3,584 projects involved, with a total annual sewerage processing capacity (combined storm water and sewerage treatment, excluding river basin sewerage) of around 15.1 billion cubic meters serving areas with a population of nearly 105.0 million people.
In fiscal 2025, loans extended to the sewerage business totaled USD 1.9 billion.

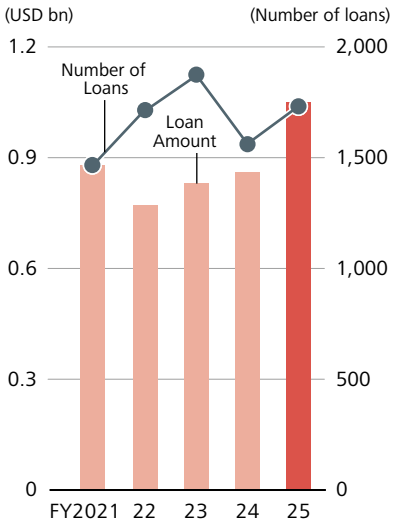


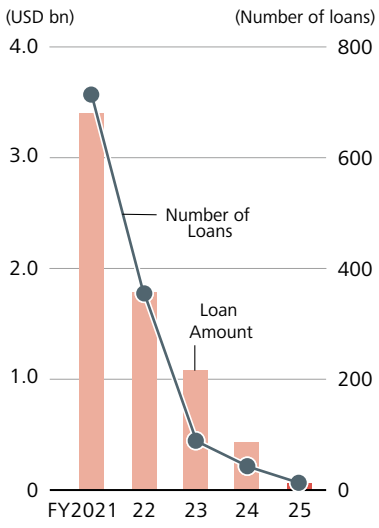
Disaster Management and Mitigation

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 emergency situations and other projects that can increase disaster prevention capability.
In fiscal 2025, loans extended for disaster management and mitigation amounted to USD 1.1 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.
To secure payment of principal and interest on 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 2025, loans extended for temporary financial countermeasures funding amounted to USD 0.1 billion.

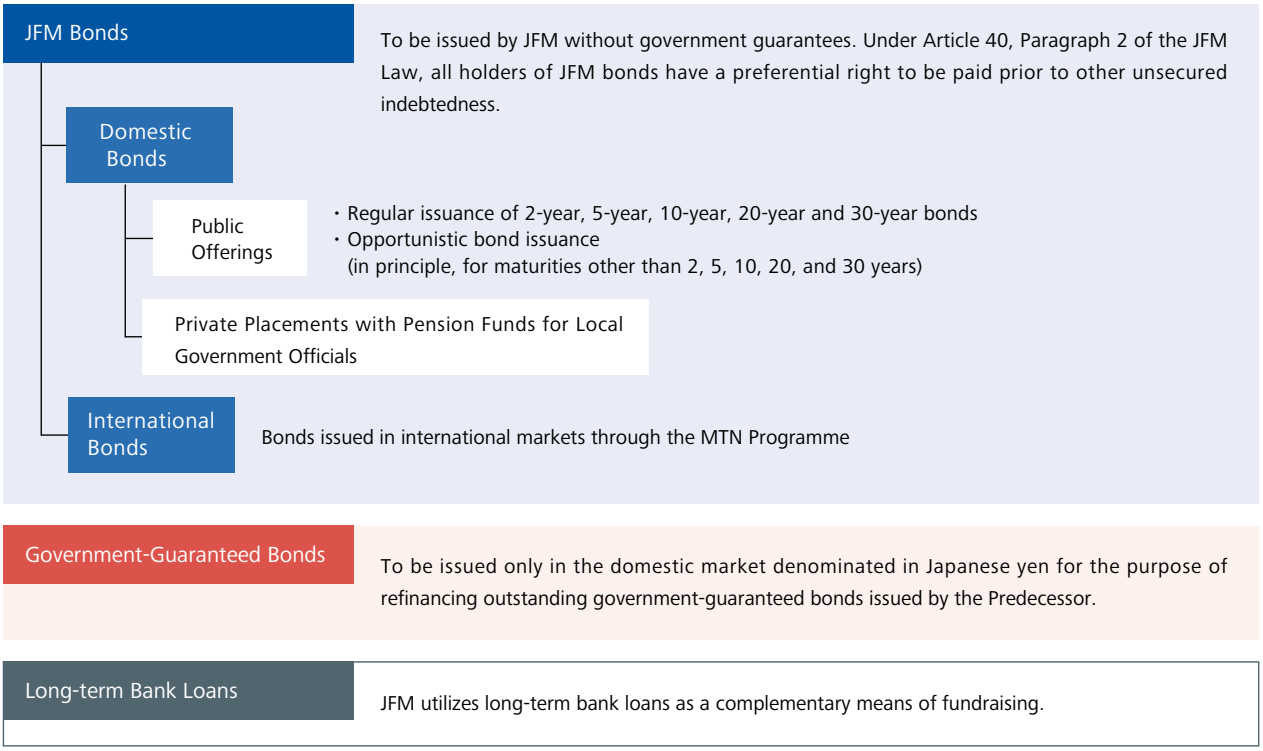




As a joint funding organization for local governments, JFM raises funds consistently to provide local governments with long-term, low-interest funding, while responding appropriately to market fluctuations.

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.



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 for fiscal 2026, plans to newly issue 2-year bonds. Also, JFM continues to take advantage of its Flexible Issuance Programme (FLIP) for opportunistic funding as well as long-term bank loans. JFM also utilizes the MTN Programme, being committed to the regular issuance of benchmark bonds to the international investors. 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 investors' investment decisions. 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 in 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.

Issuer Credit Rating	S&P: A+ Moody's: A1 R&I: AA+ (As of 31 March 2026)	
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 2026).

4 Trends in Funding Operations

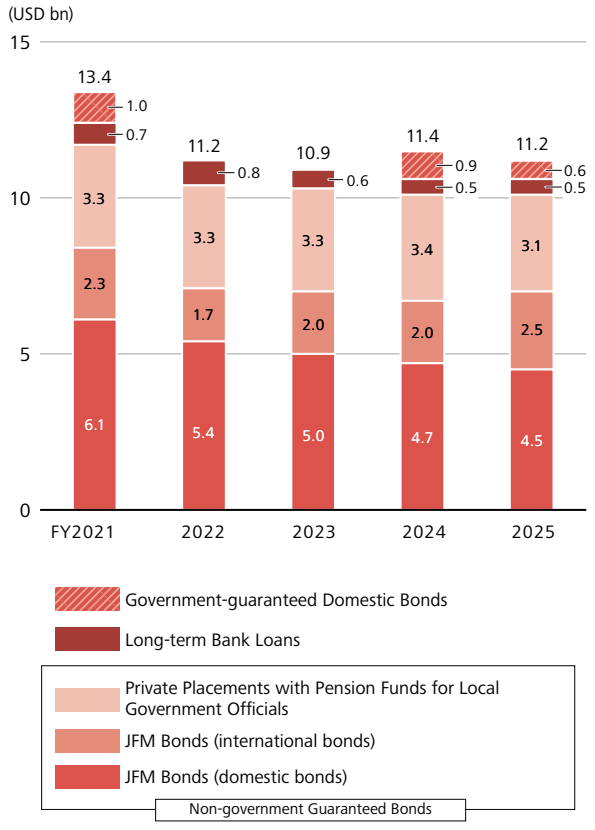
JFM issues JFM bonds (non-government guaranteed bonds to be issued through domestic public offerings or under the MTN Programme, or private placements with pension funds for local government officials) and government-guaranteed bonds for the purpose of refinancing existing government-guaranteed bonds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

In fiscal 2025, JFM raised a total of USD 11.2 billion, a slight decrease from the previous year. This was mainly the result of the decreased issuance of government-guaranteed bonds, private placements and domestic bonds.

As of 31 March 2026, outstanding bonds were USD 114.6 billion. Outstanding long-term bank loans totaled USD 3.3 billion. The total amount of outstanding bonds and long-term bank loans was USD 117.9 billion, which was comprising USD 106.2 billion in the general account and USD 11.7 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 as the general-account balance has increased while the management-account balance has decreased.

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



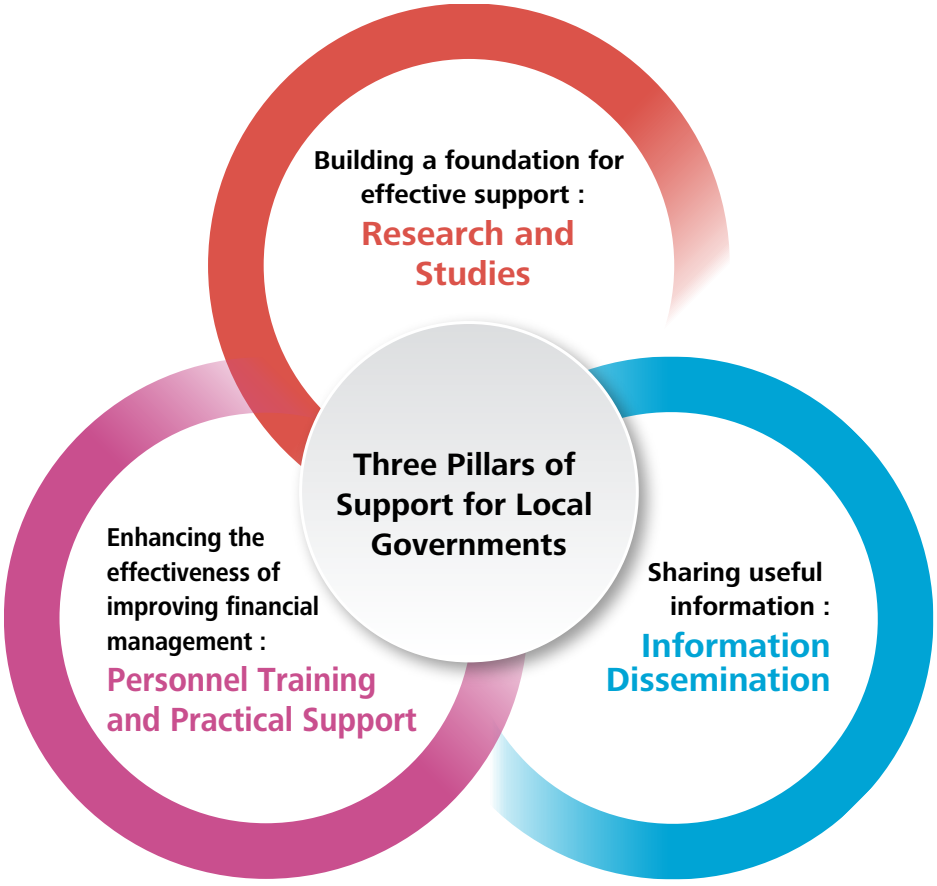
JFM will, according to the needs of local governments, conduct necessary research and provide support on issues related to overall fiscal management of local governments, such as securing fiscal soundness and financing, and will strive to meet their diverse needs as a trusted adviser.

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 and practical 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 and practical support," and "information dissemination" will be organically linked.



Support for Local Governments

Personnel Training and Practical Support for More Solid Financial Management

Hold seminars, training sessions, 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 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.
 Hold local government seminars	Hold introductory seminars on funding and investment, and joint accommodation type training with Japan Academy of Municipal Personnel, Japan Intercultural Academy of Municipalities and Research Institute for Local Governments.
 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.
 Conduct e-learning	Utilize e-learning to develop and provide training contents related to local government finance while delivering lectures held at JFM seminars.
 Co-sponsored programs with relevant organizations	In cooperation and collaboration with JAMP, JIAM and RILG, provide training for municipal officials and others, focusing primarily on fiscal management and fundraising. In addition, jointly with the Japan Association of Property Assessment System Research Center (a general incorporated foundation), hold training workshops to support the acquisition of knowledge and improvement of skills among personnel engaged in fixed asset valuation operations.

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 financial 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).	

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 local governments with research results and necessary support that can be used for human resource development, practical support and information dissemination.

 History of Local Public Finance Project	Because compiling how the local public finance system has responded to the social conditions of each era and grasping the evolution of local public finance as a continuous trajectory is highly valuable for researchers and policymakers in this field, establish an "Editorial Committee for the History of Local Public Finance" and compile a History of Local Public Finance.
 Research Project: "Social Security Policy from the Perspective of Local Public Finance"	Despite the fact that social security policy has a major impact on the administrative and fiscal operations of local governments, detailed analysis of its specific effects has not been sufficiently conducted. Accordingly, this project has been established to study the impact of social security policy on local government finances.
 Collaboration project with GRIPS	Work on the project on education, research and studies in collaboration with the National Graduate Institute for Policy Studies (GRIPS) over 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 the 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 cases 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 through the advanced case-study search system.
 Grants for research on local government finance	Provide research grants 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.
 Co-sponsored programs with related organizations	With the aim of ensuring sound fiscal management by local governments over the long term with respect to local taxation and finance, we will collaborate with and jointly conduct research studies with each of the following organizations: the Japan Association of Property Assessment System Research Center, the Local Finance Association, and the Japan Local Autonomy Center.



Management Structure

Outline

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Tachioka Nature Park in spring, Uto City, Kumamoto Prefecture

JFM Lending Operations - Disaster Management and Mitigation

Uto City, Kumamoto Prefecture
Uki Wide Area Union Confederation North Fire Department



SDGs Mapping for Disaster Management and Mitigation

1/ Background

The old government office building, constructed in 1976, had deteriorated and was damaged in the Kumamoto earthquake. As it became difficult to maintain its function as a disaster-prevention base, seismic retrofitting and rebuilding were compared, and new construction was chosen in light of long-term safety and cost considerations.

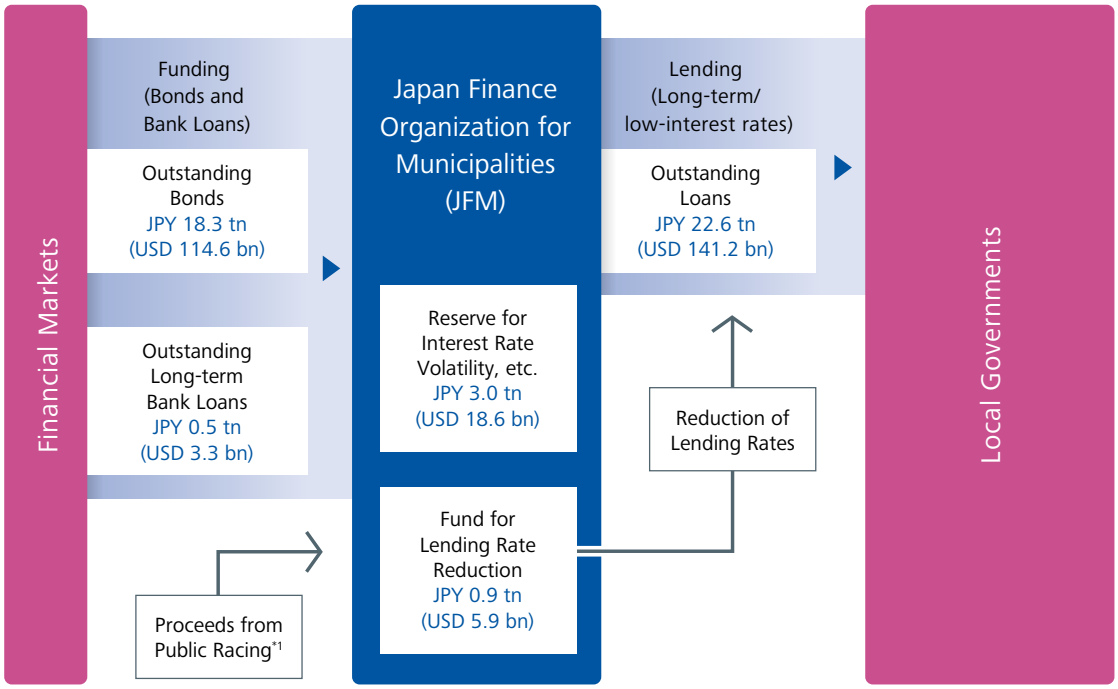
2/ Loans

With the aim of creating a disaster-resilient community, JFM's Disaster Management and Mitigation Bonds were utilized. By securing stable long-term funding, the fiscal burden was leveled out, enabling the planned development of necessary disaster-prevention functions.

3/ Effects

The new government office building has been completed with seismic-isolation flooring and a separated structural design, enabling operations to continue even during disasters. The circulation plan was also carefully devised. An experiential training facility has also been put in place, helping to raise local residents' fire-prevention and disaster-preparedness awareness.

1 Outline of JFM Operations



(As of 31 March 2026)

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 costs 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

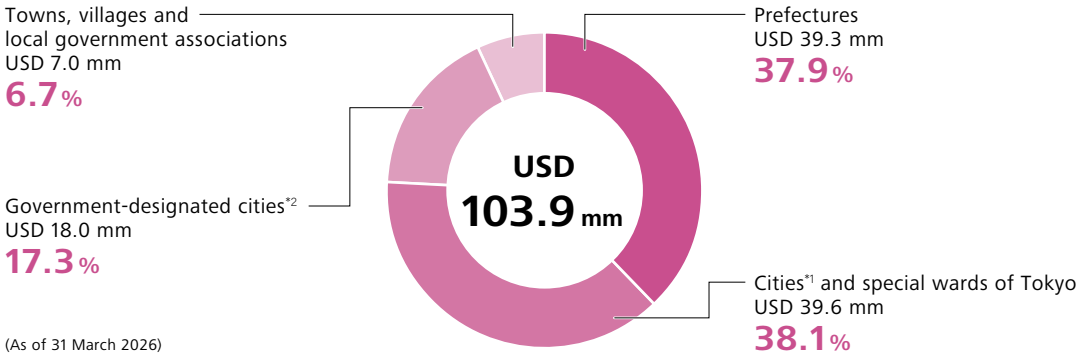
JFM receives a portion of the earnings from various racing events (horse, bicycle, motorcycle and speedboat) operated by local governments, which is directed to the Fund for Lending Rate Reduction. The investment gains from the fund are used for lowering interest rates on JFM loans.

2 Capital

As of 31 March 2026, USD 103.9 million of JFM's capital was contributed by 1,791 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 comprising local taxes, local allocation taxes, and temporary financial countermeasures funding).

Capital Contribution by Local Government Group

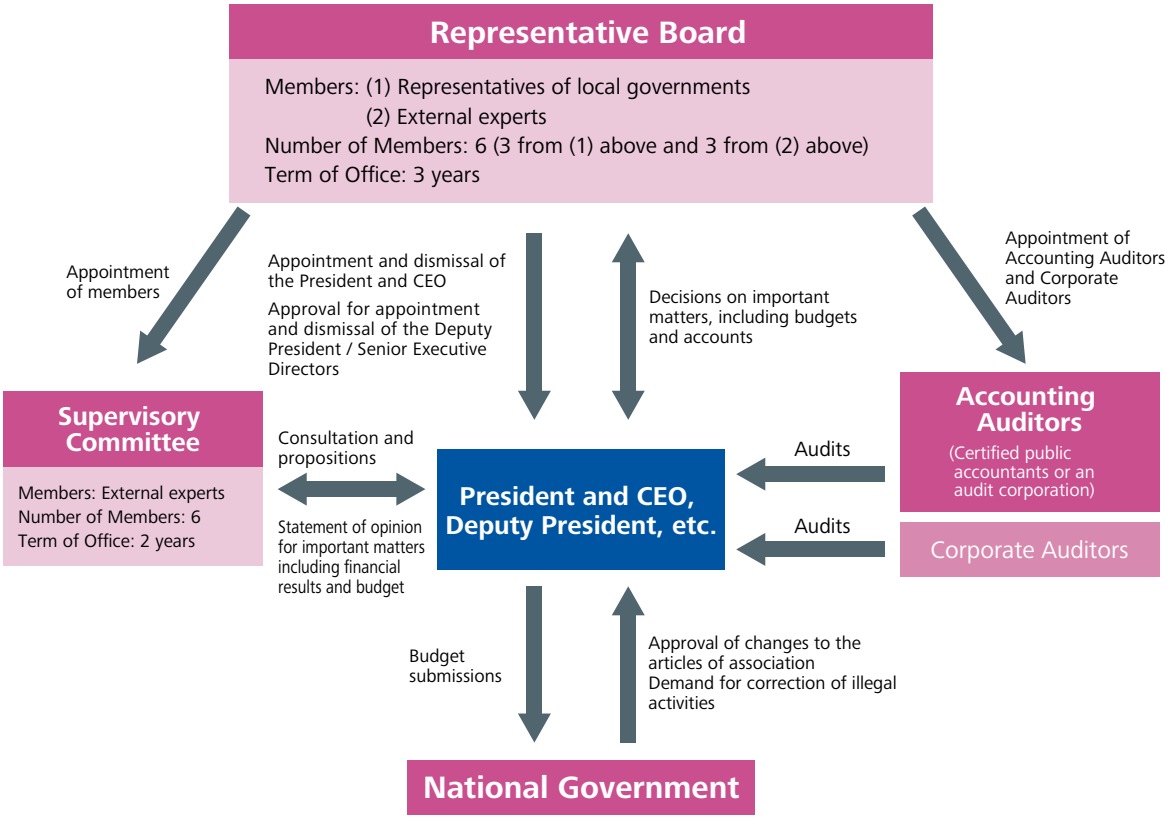


Notes: 1. Excludes government-designated cities.
2. Government-designated cities:
Cities with populations of 500,000 or more designated in accordance with Paragraph 1, Article 252-19 of the Local Autonomy Act. Such government-designated cities are allowed to administer certain matters such as social welfare, food safety, urban planning, 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 composed of external experts.

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

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

3. Audits by Corporate Auditors

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

4. Audits by External Accounting Auditors

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

In its Internal Control Report, JFM assessed its internal controls over financial reporting as effective as of the end of fiscal 2025, 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 evaluation standards for internal control over financial reporting generally accepted in Japan.

3 Internal Audit

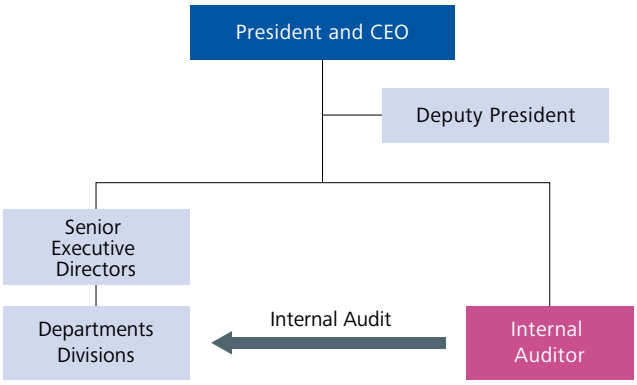
An internal auditor, who is independent from other departments, divisions and offices, examines and assesses the appropriateness and effectiveness of JFM's internal control systems, thereby helping ensure reliable financial reporting and appropriate and efficient operations.

After completing the audit, the internal auditor submits a report to the President and CEO.

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

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

Internal Audit System



The Representative Board

Chairman

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



Deputy Chairman

NAKANO Masayasu
Chairman, Finance Committee of Japan Association of City Mayors / Mayor, Ichinomiya City, Aichi 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
Special Advisor, The Hiroshima Bank, Ltd.



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

ENDO Naohide
Professor, Osaka University of Economics Faculty of Business Administration



Member

MARUYAMA Jitsuko
Commentary Writer, Jiji Press, Ltd. Executive Director, the Research Institute for Local Administration and Finance



(As of 1 September 2026)

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

KANAMORI Kei
(Finance Department)
1 July 2026 - Present



Corporate Auditor

AKIYAMA Motoki
5 July 2024 - Present



Corporate Auditor (part-time)

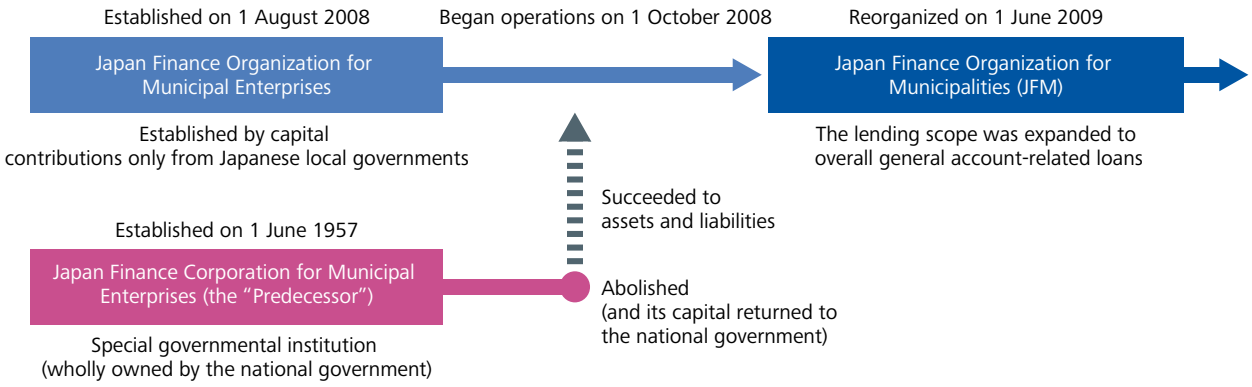
YAMAMOTO Yasuo
1 August 2024 - Present



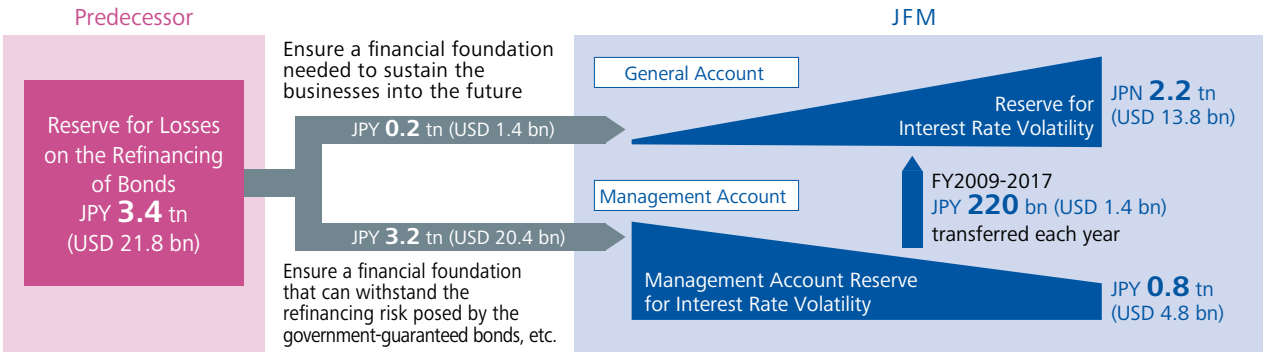
General Account and Management Account

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 21.8 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 13.8 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 associated with refinancing the Predecessor's bonds.



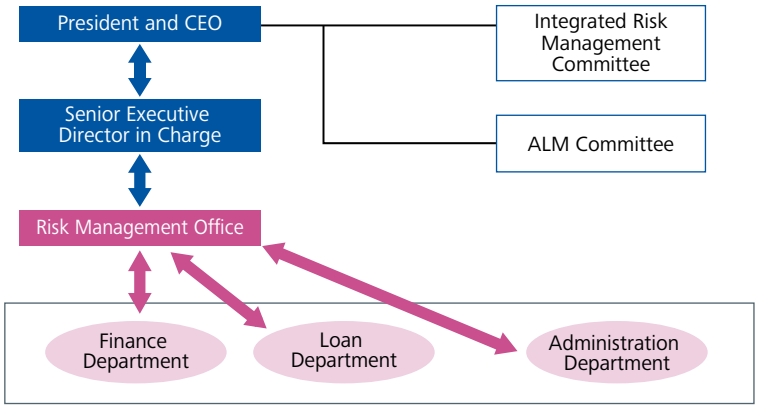
Under the JFM Law, if any assets remain when the asset management operations of the Predecessor are completed and the management account is closed, those assets shall be returned to the national treasury.
Even before the management account is closed, in the event that the businesses of JFM are determined 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 local governments' repayment status and on whether tax revenue and other necessary revenue sources have been 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 2026, JFM's total outstanding loans stood at USD 141.2 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 2026.

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 counter-party, which causes an asset to lose value or become worthless. However, JFM appropriately manages credit risk of this type by constantly monitoring counter-parties' financial standing, taking measures including suspension of new deals and cancellation of transactions in case of a deterioration in their credit standing. 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 counter-parties to reduce credit risk.

2. Market Risk

Market risk is the risk of loss arising from fluctuations 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 2025, the total amount of the reserves stood at USD 18.6 billion, which consisted of USD 13.8 billion in the general account and USD 4.8 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 2026, in which the duration gap is to be maintained below approximately two years.

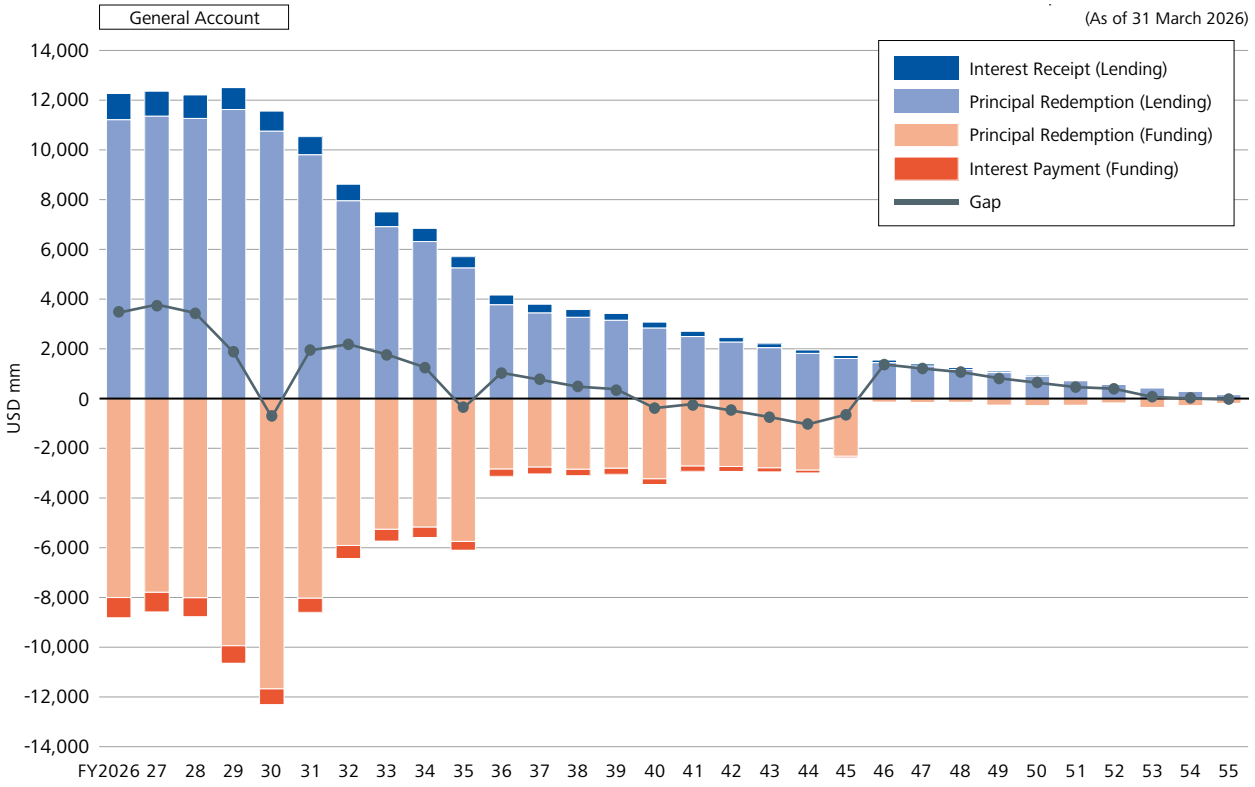
- To achieve its objective, from the viewpoint of controlling the duration of its assets (lending), the interest rates for temporary financial countermeasures funding which accounts for approximately 1/4 of the overall outstanding loans in the general account, are revised every 5 or 10 years. In addition, 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:

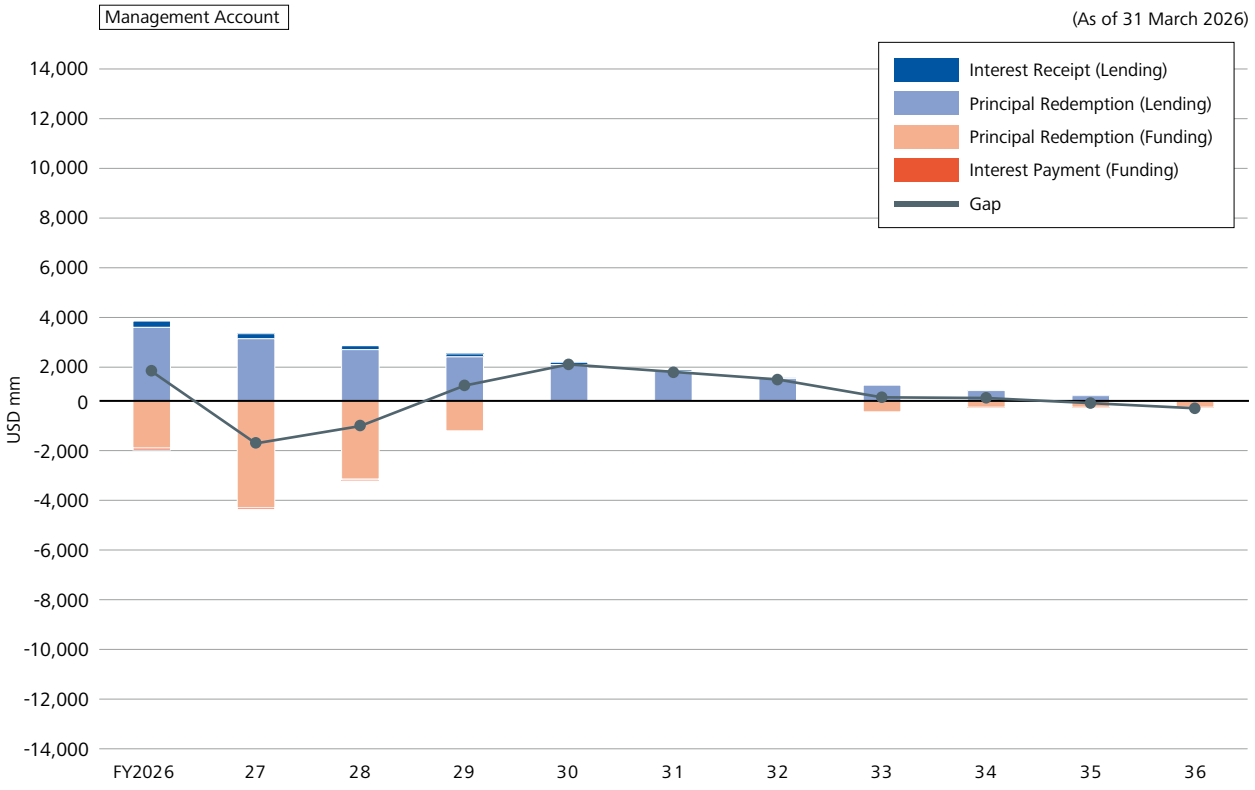
  - USD 1.3 billion to secure funds for local allocation tax for fiscal 2026

  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)



• Lending duration 6.42 years • Funding duration 6.50 years • Duration gap -0.08 years (YoY change: 0.00 years)



• Lending duration 3.30 years • Funding duration 2.43 years •Duration gap 0.87 years (YoY change: -0.18 years)

JFM as a whole
• Lending duration 6.10 years • Funding duration 6.05 years • Duration gap 0.05 years (YoY change: -0.05 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 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 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 violations of laws caused by management or employees in the course of the administrative work process. JFM endeavors to mitigate its exposure to administrative risk by preparing operational manuals, holding educational seminars and training sessions, and reducing operational workload through systematization.

2) Systems risk

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

5. Contingency Measures

JFM has prepared the Contingency Plan to minimize the scope of losses and the impact on operations and restore normal operations promptly and efficiently in the event that computer systems break down or cannot be used due to unexpected incidents, disasters, or malfunctions. In addition, in order to prepare for contingencies, JFM maintains a backup server at an off-site location so that its business operations can be continued.

1 Basic Policy

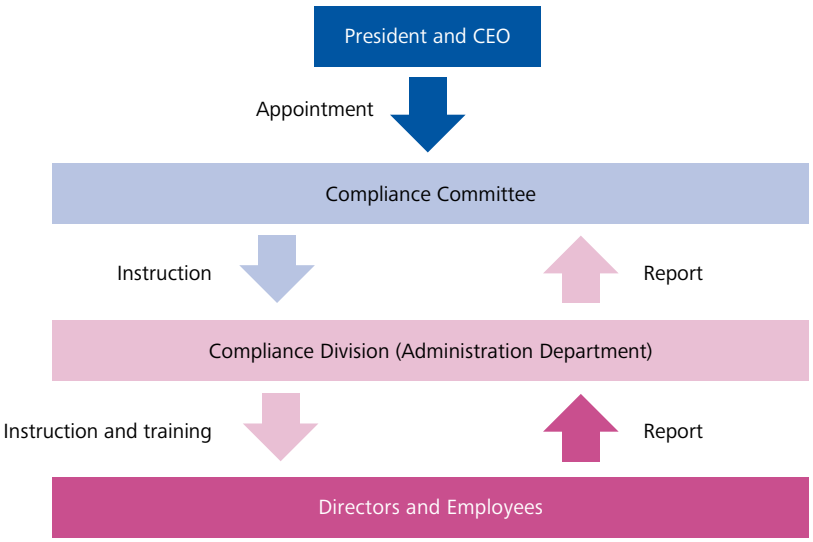
JFM has prepared the Compliance Rules to ensure that operations are conducted in accordance with laws and regulations and indicate what actions management and staff should take when a breach of laws or regulations is identified. The rules include the following basic policy on compliance.

- Management and employees must understand JFM's social responsibility and public mission and recognize that a breach of laws or regulations would seriously hinder JFM's operations, including by damaging JFM's credibility. 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 harassment and discriminatory behavior in the workplace in accordance with the 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 remain fully mindful of using appropriate language and conduct, 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 accurate public understanding and scrutiny.

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 address 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 violations and has taken strict measures such as disciplinary action for violation, as well as organizational measures to prevent recurrence.

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

1 Basic Policy

JFM carries out its business in response to the diversifying needs of local governments and the changing trends in financial markets. In order to meet diverse and increasingly complex responsibilities, it is necessary for employees with diverse professional backgrounds, including experience 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 where 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 their 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 their proactive use
(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 2026)

Number of employees	121
Percentage of male and female employees	Male 61.2% / Female 38.8%
Average age	38.7
Percentage of annual paid leave taken (CY2025)	81.2%
Percentage of female employees at the manager level	10.0%
Percentage of male employees taking childcare leave (FY2025)	100%

1 Basic Stance on Information Disclosure

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

2 Materials for Disclosure

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

1. Materials for Disclosure Pursuant to Laws and Regulations

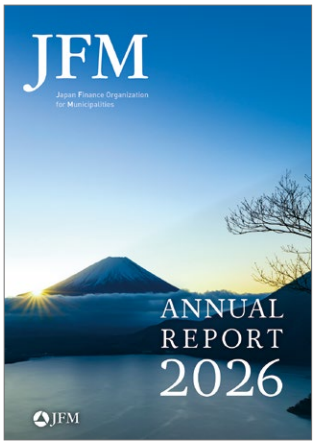
- Financial statements
- Business reports and statement of accounts (in Japanese only)
- Explanatory documents based on Article 36, Paragraph 3 of the JFM Law (Documents corresponding to annual securities reports specified in the Financial Instruments and Exchange Act and the Internal Control Report)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

2. Other Documents for Disclosure

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



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

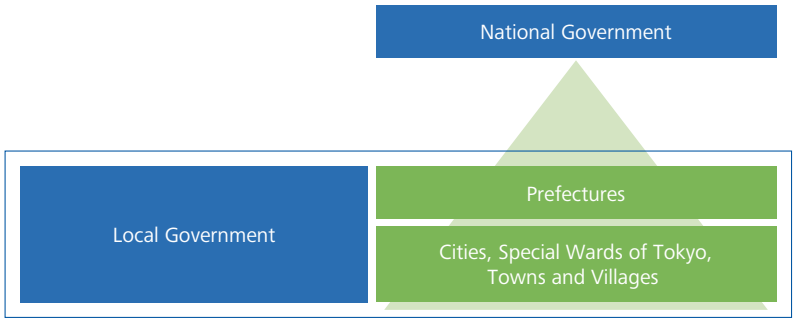


Annual Report

1 Japanese Local Government System

Local governments are responsible for a broad range of public-administration functions 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 roads and waterways.

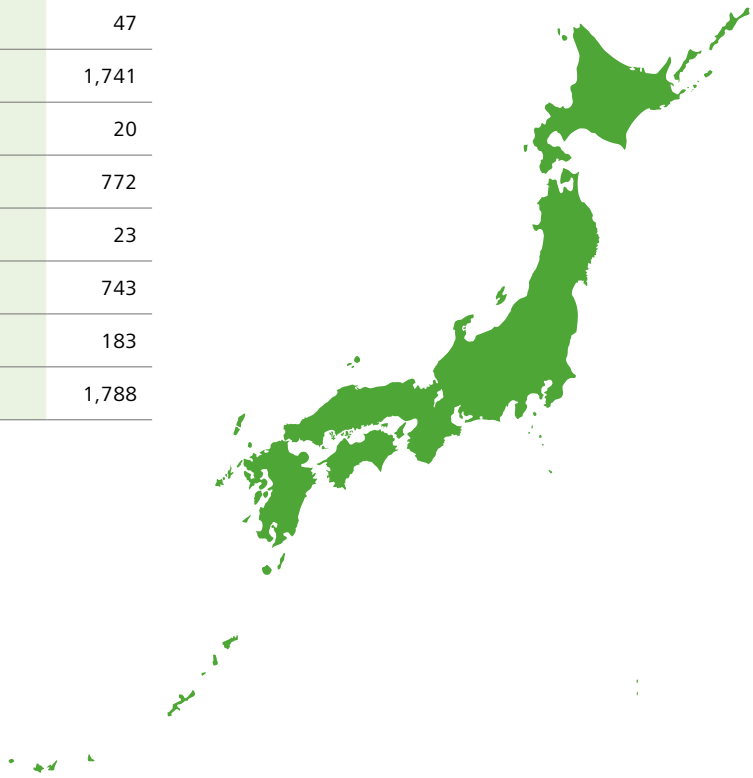
The Japanese local government system adopts a two-tier system with prefectures serving broader geographic areas, and cities, special wards of Tokyo, as well as government-designated cities, towns and villages providing local services.



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 2026)



2 Local Government Finance Programme

Each local government is unique in terms of its natural and historical conditions, 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 2026, local government finance will total JPY 102.7 trillion (USD 642.6 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, industrial concentration and tax-revenue fluctuations over time. 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 2026)

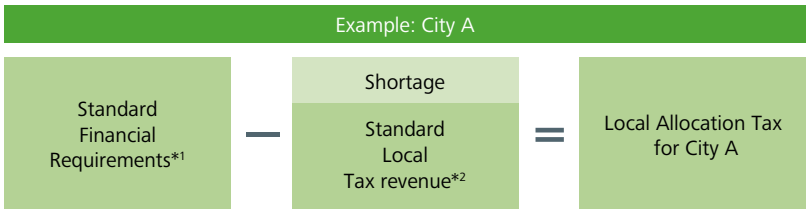


Notes: 1. The Local Government Finance Programme includes Great East Japan Earthquake-related budgets.
2. Totals may not add up due to rounding.

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 have maturities extending beyond the fiscal year in which they are issued. In principle, a local government should cover expenditures with its revenues other than local government borrowings. However, local governments can finance expenditures through borrowing when 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 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 guidelines for each business on local government borrowings.

6 JFM Funds in Local Government Borrowing Programme

Local Government Borrowing Programme

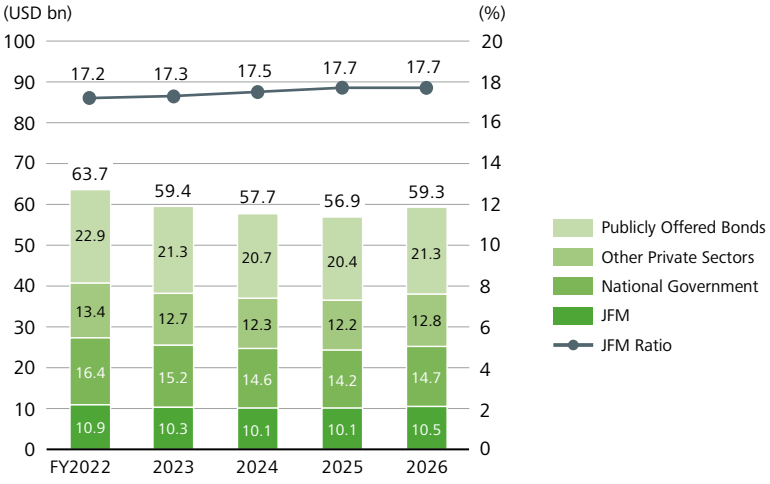
(USD billions)

		FY2025	FY2026	
				Share
1. Private Funds	Publicly Offered Bonds	20	21	36%
	Other Private Sectors	12	13	22%
2. Public Funds	JFM	10	10	18%
	National Government	14	15	25%
Total		57	59	100%

Notes: 1. The figures above are the planned numbers originally published by the Ministry of Internal Affairs and Communications and not the actual numbers.
2. Totals may not add up due to rounding.

The sources for local government funding are classified into national government funds, JFM funds and private funds.
Since fiscal 2022, JFM funds have accounted for around 15-18% of the LGBP. JFM plays a major role in Japanese local government finance, making a substantial contribution to project implementation and financial management of local governments.

LGBP Volume by Funding Source (Initial Plan)



Source: The Ministry of Internal Affairs and Communications

7 Security of Local Government Borrowings

The following framework secures principal and interest payments of local government borrowings. Under this framework, the BIS risk weighting for local government borrowings is 0%, based on the standardized approach (as of 31 March 2026).

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 through local governments' taxation powers.
(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 service ratio of 18% or higher, or a real deficit ratio above specified thresholds, are restricted from additional borrowing 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 take 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

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Balance Sheet

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

Item	Fiscal 2024 (As of 31 March 2025)	Fiscal 2025 (As of 31 March 2026)		Item	Fiscal 2024 (As of 31 March 2025)	Fiscal 2025 (As of 31 March 2026)	
	Amount				Amount		
Assets				Liabilities			
Loans (Note 4)	¥22,700,180	¥22,564,078	$141,201,990	Bonds (Notes 8 and 9)	¥18,677,661	¥18,315,800	$114,617,026
Securities (Note 19)	272,000	255,000	1,595,745	Borrowed money (Note 10)	529,500	521,800	3,265,332
Cash and bank deposits	908,700	859,086	5,376,013	Cash collateral received for financial instruments	370,616	456,380	2,855,945
Other assets	6,527	7,470	46,751	Other liabilities	6,341	8,432	52,768
Tangible fixed assets (Note 7)	2,807	2,713	16,980	Reserve for bonuses (Note 11)	63	73	462
Intangible fixed assets (Note 7)	3,583	3,290	20,592	Reserve for bonuses for directors and corporate auditors (Note 11)	10	10	69
Prepaid pension costs (Note 14)	25	56	351	Reserve for retirement benefits (Note 14)	78	87	550
				Reserve for retirement benefits for directors and corporate auditors (Note 11)	11	19	122
				Fund for lending rate reduction	931,870	937,248	5,865,138
				Basic fund for lending rate reduction (Note 13)	931,870	937,248	5,865,138
				Reserves under special laws	2,928,649	2,966,640	18,564,709
				Reserve for interest rate volatility (Note 12)	2,200,000	2,200,000	13,767,209
				Management account reserve for interest rate volatility (Note 12)	727,327	766,640	4,797,500
				Reserve for interest rate reduction	1,321	-	-
				Total liabilities	23,444,803	23,206,494	145,222,121
				Net assets			
				Capital	16,602	16,602	103,893
				Retained earnings	406,639	441,759	2,764,453
				General account appropriated surplus reserve	406,639	441,759	2,764,453
				Valuation, translation adjustments and others	(32,029)	(30,969)	(193,803)
				Management account surplus reserve	57,808	57,808	361,758
				Total net assets	449,020	485,200	3,036,301
Total assets	¥23,893,823	¥23,691,695	$148,258,422	Total liabilities and net assets	¥23,893,823	¥23,691,695	$148,258,422

See notes to financial statements.

Statement of Income

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

Item	Fiscal 2024 (For the year ended 31 March 2025)	Fiscal 2025 (For the year ended 31 March 2026)	
	Amount	Amount	
Income	¥208,625	¥220,028	$1,376,897
Interest income	191,146	202,477	1,267,068
Fees and commissions (Note 16)	62	57	362
Other operating income	3	4	29
Other income	17,413	17,488	109,438
Contributions from fund for lending rate reduction (Note 13)	17,304	17,438	109,128
Others	108	49	310
Expenses	125,816	146,916	919,378
Interest expenses	116,879	136,094	851,656
Fees and commissions	264	281	1,759
Other operating expenses	3,744	4,773	29,875
General and administrative expenses	4,928	5,766	36,088
Ordinary income	82,808	73,111	457,519
Special gains	32,097	1,321	8,269
Reversal of management account reserve for interest rate volatility (Note 12)	30,000	-	-
Reversal of reserve for interest rate reduction	2,097	1,321	8,269
Special losses	78,673	39,312	246,013
Provision for management account reserve for interest rate volatility (Note 12)	48,673	39,312	246,013
Payment to the national treasury (Notes 5 and 12)	30,000	-	-
Net income	¥36,232	¥35,119	$219,775

See notes to financial statements.

Statement of Appropriation of Profit [General account]

(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

(For the year ended 31 March 2026)

(Millions of yen)

Ⅰ Profit available for appropriation			¥35,119
Net income		¥35,119	
Accumulated deficit brought forward	-		
Ⅱ Profit appropriated			
Surplus reserve		35,119	35,119

(Thousands of U.S. dollars)

Ⅰ Profit available for appropriation			$219,775
Net income		$219,775	
Accumulated deficit brought forward	-		
Ⅱ Profit appropriated			
Surplus reserve		219,775	219,775

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 2025)

(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 2026)

(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 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 2026)

(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 2025	¥16,602	¥406,639	¥406,639	¥423,241	¥(32,029)	¥57,808	¥449,020
Changes during accounting period							
Net income	-	35,119	35,119	35,119	-	-	35,119
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	1,060	-	1,060
Net changes during accounting period	-	35,119	35,119	35,119	1,060	-	36,180
Balance as of 31 March 2026	¥16,602	¥441,759	¥441,759	¥458,361	¥(30,969)	¥57,808	¥485,200

(For the year ended 31 March 2026)

(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 2025	$103,893	$2,544,678	$2,544,678	$2,648,571	$(200,437)	$361,758	$2,809,892
Changes during accounting period							
Net income	-	219,775	219,775	219,775	-	-	219,775
Net changes during accounting period in items other than stockholders' equity	-	-	-	-	6,634	-	6,634
Net changes during accounting period	-	219,775	219,775	219,775	6,634	-	226,409
Balance as of 31 March 2026	$103,893	$2,764,453	$2,764,453	$2,868,346	$(193,803)	$361,758	$3,036,301

See notes to financial statements.

Statement of Cash Flows

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

Item	Fiscal 2024 (For the year ended 31 March 2025)	Fiscal 2025 (For the year ended 31 March 2026)	
	Amount	Amount	
Ⅰ Cash flows from operating activities			
Net income	¥36,232	¥35,119	$219,775
Depreciation and amortization	927	1,227	7,682
Interest income	(191,146)	(202,477)	(1,267,068)
Interest expenses	116,879	136,094	851,656
Increase in reserve for bonuses	3	10	65
Increase in reserve for bonuses for directors and corporate auditors	0	0	2
Increase in reserve for retirement benefits	32	9	61
(Decrease)/increase in reserve for retirement benefits for directors and corporate auditors	(4)	7	49
Increase in prepaid pension costs	(25)	(31)	(194)
Decrease in fund for lending rate reduction	(17,304)	(17,438)	(109,128)
Increase in management account reserve for interest rate volatility	48,673	39,312	246,013
Decrease in reserve for interest rate reduction	(2,097)	(1,321)	(8,269)
Net decrease in loans	373,824	136,102	851,705
Net decrease in bonds	(272,557)	(362,824)	(2,270,493)
Net decrease in borrowed money	(800)	(7,700)	(48,185)
Interest received	190,265	201,668	1,262,008
Interest paid	(114,893)	(133,042)	(832,557)
Others	(55,891)	86,914	543,893
Net cash provided by/(used in) operating activities	112,118	(88,367)	(552,985)
Ⅱ Cash flows from investing activities			
Proceeds from redemption of securities	1,982,900	2,163,500	13,538,798
Purchases of securities	(2,050,400)	(2,146,499)	(13,432,413)
Purchases of tangible fixed assets	(342)	(171)	(1,074)
Purchases of intangible fixed assets	(1,945)	(892)	(5,583)
Net cash (used in)/provided by investing activities	(69,787)	15,936	99,728
Ⅲ Cash flows from financing activities			
Payment to the national treasury	(30,000)	-	-
Revenue from contributions made from municipally operated racing	22,676	22,816	142,785
Net cash (used in)/provided by financing activities	(7,323)	22,816	142,785
Ⅳ Effect of exchange rate changes on cash and cash equivalents	-	-	-
Ⅴ Net increase/(decrease) in cash and cash equivalents	35,007	(49,613)	(310,472)
Ⅵ Cash and cash equivalents at beginning of year	873,692	908,700	5,686,485
Ⅶ Cash and cash equivalents at end of year	¥908,700	¥859,086	$5,376,013

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 2026, the final business day of the fiscal year, which was ¥159.80 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 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 item……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 33 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 2025: 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 2025 with the aim of transferring 200 billion yen for securing funds for local allocation tax. However, in the supplementary budget for fiscal 2025 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 2026, with the aim of transferring 200 billion yen for securing funds for local allocation tax.

In fiscal 2024, the final year of the period of five years

mentioned above, 30 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 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 2026, 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 2026 (Ordinance No.1 of the Ministry of Internal Affairs and Communications, and the Ministry of Finance, 2026)."

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 maturity mismatch between loans and bonds/long-term borrowed money and pipeline risk.

- Interest rate risk associated with maturity mismatch between loans and bonds/long-term borrowed money

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 2026, 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.

- 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 2025 with the aim of transferring 200 billion yen for securing funds for local allocation tax. However, in the supplementary budget for fiscal 2025 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 2026, 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 2025 and 2026 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 20,738 million yen and 18,692 million yen (116,973 thousand U.S. dollars), respectively. On the contrary, for an indicative interest rate as of 31 March 2025 and 2026 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 20,992 million yen and 18,921 million yen (118,410 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 2025 and 2026 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 3,837 million yen and 2,948 million yen (18,449 thousand U.S. dollars), respectively. On the contrary, for an indicative interest rate as of 31 March 2025 and 2026 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 3,864 million yen and 2,966 million yen (18,564 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 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	¥-

The book value, fair value and difference between them as of 31 March 2026 are as follows:

(Millions of yen)

	Book value	Fair value	Difference
(1) Loans (*1)	¥22,564,078	¥19,683,342	¥(2,880,735)
(2) Securities			
Held-to-maturity securities	255,000	255,000	-
(3) Cash and bank deposits	859,086	859,086	-
(4) Cash collateral paid for financial instruments	-	-	-
Total assets	23,678,164	20,797,429	(2,880,735)
(1) Bonds	18,315,800	16,376,451	(1,939,349)
(2) Borrowed money	521,800	508,274	(13,525)
(3) Cash collateral received for financial instruments	456,380	456,380	-
Total liabilities	19,293,980	17,341,105	(1,952,875)
Derivative transactions (*2)			
Hedge accounting applied	237	237	-
Total of derivative transactions	¥237	¥237	¥-

(Thousands of U.S. dollars)

	Book value	Fair value	Difference
(1) Loans (*1)	$141,201,990	$123,174,860	$(18,027,130)
(2) Securities			
Held-to-maturity securities	1,595,745	1,595,745	-
(3) Cash and bank deposits	5,376,013	5,376,013	-
(4) Cash collateral paid for financial instruments	-	-	-
Total assets	148,173,748	130,146,618	(18,027,130)
(1) Bonds	114,617,026	102,480,922	(12,136,104)
(2) Borrowed money	3,265,332	3,180,690	(84,642)
(3) Cash collateral received for financial instruments	2,855,945	2,855,945	-
Total liabilities	120,738,303	108,517,557	(12,220,746)
Derivative transactions (*2)			
Hedge accounting applied	1,486	1,486	-
Total of derivative transactions	$1,486	$1,486	$-

(*1) The JFM has not assigned, and does not plan to assign, any loan receivables.
(*2) 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 2025 is as follows:

(Millions of yen)

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

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 2026 is as follows:

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Primary hedged items	Contract amount	Of which 1 year or more	Fair value	Method for calculating fair value
Principal accounting	Interest rate swap transactions Receive/fixed and pay/floating	Bonds Long-term borrowed money	-	-	-	(*1)
Hedge accounting for interest rate swaps	Interest rate swap transactions Receive/floating and pay/fixed	Bonds	¥20,000	¥20,000	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	1,935,017	1,621,301	(*3)	(*3)
			79,576	79,576	¥237	(*4)
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	-	-	(*3)	
Total			¥2,034,593	¥1,720,877	¥237	

(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	$125,156	$125,156	(*2)	
Deferral hedge accounting for currency swaps	Currency swap transactions	Foreign currency-denominated bonds	12,108,996	10,145,814	(*3)	(*3)
			497,973	497,973	$1,486	(*4)
Deferral hedge accounting for foreign exchange forward contracts	Foreign exchange forward contracts	Foreign currency-denominated deposits	-	-	(*3)	
Total			$12,732,125	$10,768,943	$1,486	

(*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 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	-	-	-	-	-	-	-	-

As of 31 March 2026

(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	¥1,770,860	¥1,742,254	¥1,699,287	¥1,646,696	¥1,551,588	¥6,082,463	¥6,328,677	¥1,669,774	¥72,475
Securities									
Held-to-maturity securities	255,000	-	-	-	-	-	-	-	-
Deposits	859,086	-	-	-	-	-	-	-	-

(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	$11,081,733	$10,902,716	$10,633,837	$10,304,733	$9,709,562	$38,062,974	$39,603,741	$10,449,151	$453,542
Securities									
Held-to-maturity securities	1,595,745	-	-	-	-	-	-	-	-
Deposits	5,376,013	-	-	-	-	-	-	-	-

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

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	-	-

As of 31 March 2026

(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	¥1,476,386	¥1,791,405	¥1,654,107	¥1,697,498	¥1,805,384	¥4,954,874	¥4,488,000	¥363,000	¥89,000
Borrowed money	104,500	140,000	127,800	82,600	61,300	4,000	1,600	-	-

(Thousands of U.S. dollars)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years through 10 years	After 10 years through 20 years	After 20 years through 30 years	After 30 years through 40 years
Bonds	$9,238,964	$11,210,298	$10,351,113	$10,622,645	$11,297,775	$31,006,724	$28,085,106	$2,271,589	$556,946
Borrowed money	653,942	876,095	799,750	516,896	383,605	25,031	10,013	-	-

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

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

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

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

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

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

As of 31 March 2026

(Millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
Derivative transactions Hedge accounting applied	¥-	¥237	¥-	¥237
Total of derivative transactions	¥-	¥237	¥-	¥237

(Thousands of U.S. dollars)

	Fair value			Total
	Level 1	Level 2	Level 3	
Derivative transactions Hedge accounting applied	$-	$1,486	$-	$1,486
Total of derivative transactions	$-	$1,486	$-	$1,486

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

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

As of 31 March 2026

(Millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	¥-	¥-	¥19,683,342	¥19,683,342
(2) Securities				
Held-to-maturity securities	-	255,000	-	255,000
(3) Cash and bank deposits	-	859,086	-	859,086
(4) Cash collateral paid for financial instruments	-	-	-	-
Total assets	-	1,114,086	19,683,342	20,797,429
(1) Bonds	-	16,376,451	-	16,376,451
(2) Borrowed money	-	508,274	-	508,274
(3) Cash collateral received for financial instruments	-	456,380	-	456,380
Total liabilities	¥-	¥17,341,105	¥-	¥17,341,105

(Thousands of U.S. dollars)

	Fair value			Total
	Level 1	Level 2	Level 3	
(1) Loans	$-	$-	$123,174,860	$123,174,860
(2) Securities				
Held-to-maturity securities	-	1,595,745	-	1,595,745
(3) Cash and bank deposits	-	5,376,013	-	5,376,013
(4) Cash collateral paid for financial instruments	-	-	-	-
Total assets	-	6,971,758	123,174,860	130,146,618
(1) Bonds	-	102,480,922	-	102,480,922
(2) Borrowed money	-	3,180,690	-	3,180,690
(3) Cash collateral received for financial instruments	-	2,855,945	-	2,855,945
Total liabilities	$-	$108,517,557	$-	$108,517,557

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 2026.

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 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

Tangible and intangible fixed assets as of 31 March 2026 consisted of the following:

(Millions of yen)

Type of assets	Balance as of 1 April 2025 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2026 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2026	Depreciation and amortization during the year	Balance as of 31 March 2026 (Net book value)
Tangible fixed assets							
Buildings	¥1,012	¥108	-	¥1,120	¥549	¥18	¥570
Land	1,332	-	-	1,332	-	-	1,332
Other tangible fixed assets	1,370	63	27	1,406	595	242	810
Total tangible fixed assets	3,714	172	27	3,858	1,145	261	2,713
Intangible fixed assets							
Software	4,706	660	205	5,161	1,886	966	3,275
Other intangible fixed assets	2	74	61	15	-	-	15
Total intangible fixed assets	¥4,708	¥735	¥266	¥5,177	¥1,886	¥966	¥3,290

(Thousands of U.S. dollars)

Type of assets	Balance as of 1 April 2025 (Acquisition costs)	Increase during the year	Decrease during the year	Balance as of 31 March 2026 (Acquisition costs)	Accumulated depreciation and amortization as of 31 March 2026	Depreciation and amortization during the year	Balance as of 31 March 2026 (Net book value)
Tangible fixed assets							
Buildings	$6,334	$680	$-	$7,014	$3,441	$117	$3,573
Land	8,335	-	-	8,335	-	-	8,335
Other tangible fixed assets	8,577	396	174	8,799	3,727	1,517	5,072
Total tangible fixed assets	23,246	1,076	174	24,148	7,168	1,634	16,980
Intangible fixed assets							
Software	29,452	4,134	1,286	32,300	11,805	6,048	20,495
Other intangible fixed assets	14	467	384	97	-	-	97
Total intangible fixed assets	$29,466	$4,601	$1,670	$32,397	$11,805	$6,048	$20,592

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 18,677,661 million yen and 18,315,800 million yen (114,617,026 thousand U.S. dollars) as of 31 March 2025 and 2026, respectively.

9. Bonds

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

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 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
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	-	-

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 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:

Bonds as of 31 March 2026 consisted of the following:

(Millions of yen)

Type of bond	Date of issue	Balance as of 1 April 2025	Balance as of 31 March 2026	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 71-123)	4/27/2015-1/21/2020	¥1,705,000	¥1,205,000 (240,000)	0.001 to 0.557	10Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 12-17)	6/30/2021-9/30/2025	300,026	230,000	0.001 to 1.104	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 27-38)	5/26/2020-11/28/2025	170,000	192,000 (35,000)	0.001 to 1.329	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 71-202)	4/20/2015-3/23/2026	3,098,000	3,146,000 (240,000)	0.049 to 2.386	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 1-124)	6/25/2009-1/23/2026	2,268,000	2,367,000	0.180 to 3.134	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-22)	6/26/2014-10/21/2025	266,000	287,000	0.446 to 3.272	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-F61, F63-F64, F66-68, F71, F73, F76-F77, F79-F80, F83-F85, F88-F90, F93, F96-F98, F102, F108-F109, F112, F116-F125, F129-F134, F136-F137, F139, F143, F146-F152, F156-F164, F167-F169, F172-F174, F177-F179, F181-F185, F189, F191-F198, F201-F210, F213-F217, F219-F222, F224-F228, F230-F234, F236-F243, F245-F250, F252-F256, F258-F263, F265-F270, F273-F276, F278-F284, F286-F288, F291-F298, F302-F308, F318-F319, F332-F333, F339-F341, F343-F345, F348-F354, F357-F360, F368-F369, F374-F379, F385-F389, F393-F395, F398, F400, F404-F406, F409-F411,F420-F424, F426-F443, F445-F454, F457-F459, F461-F466, F470-F484, F486, F489, F491-F494, F496-F530, F532-F543, F546-F559, F561-F564, and F566-F880)	7/23/2009-3/26/2026	3,306,933	3,200,062 (394,000)	0.001 to 2.989	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 58, 64, 67, 72-91, 93-98, and 100-110)	6/26/2017-1/16/2026	1,861,962	1,928,446 [USD 7,629 million] [AUD 1,274 million] [EUR 5,630 million] (313,701)	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 A63-A194)	4/20/2015-3/24/2026	1,660,000	1,435,000 (150,000)	0.069 to 2.416	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B126)	11/24/2015-3/27/2026	853,000	1,001,700 (41,500)	0.069 to 2.416	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C125)	11/24/2015-3/24/2026	1,107,000	1,269,000	0.190 to 3.225	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D120)	4/21/2016-3/24/2026	1,340,000	1,415,000	0.190 to 3.225	20Y

Type of bond	Date of issue	Balance as of 1 April 2025	Balance as of 31 March 2026	Coupon rate (%)	Maturity
Bonds issued by the JFM - Sub-total	-	18,049,652	17,789,939	-	-
Non-guaranteed bonds issued by Japan Finance Organization for Municipal Enterprises (domestic) 20-year bonds (Series 1-2)	1/26/2009-4/30/2009	84,988	84,991	2.070 to 2.290	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	84,988	84,991	-	-
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 13-25)	9/7/2005-6/16/2008	339,970	239,983 (59,998)	2.100 to 2.580	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004-9/20/2006	189,939	189,946	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	13,110	10,940 (2,170)	1.390 to 2.010	28Y
Bonds issued by the Predecessor - Sub-total	-	543,020	440,869	-	-
Total	-	¥18,677,661	¥18,315,800	-	-

(Thousands of U.S. dollars)

Type of bond	Date of issue	Balance as of 1 April 2025	Balance as of 31 March 2026	Coupon rate (%)	Maturity
Government-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 71-123)	4/27/2015-1/21/2020	$10,669,587	$7,540,676 (1,501,877)	0.001 to 0.557	10Y
Government-guaranteed bonds issued by the JFM (domestic) 4-year bonds (Series 12-17)	6/30/2021-9/30/2025	1,877,514	1,439,299	0.001 to 1.104	4Y
Non-guaranteed bonds issued by the JFM (domestic) 5-year bonds (Series 27-38)	5/26/2020-11/28/2025	1,063,830	1,201,502 (219,024)	0.001 to 1.329	5Y
Non-guaranteed bonds issued by the JFM (domestic) 10-year bonds (Series 71-202)	4/20/2015-3/23/2026	19,386,733	19,687,109 (1,501,877)	0.049 to 2.386	10Y
Non-guaranteed bonds issued by the JFM (domestic) 15-year bonds (Series 1-3)	1/31/2013-1/22/2014	312,891	312,891	1.161 to 1.334	15Y
Non-guaranteed bonds issued by the JFM (domestic) 20-year bonds (Series 1-124)	6/25/2009-1/23/2026	14,192,741	14,812,265	0.180 to 3.134	20Y
Non-guaranteed bonds issued by the JFM (domestic) 30-year bonds (Series 1-22)	6/26/2014-10/21/2025	1,664,581	1,795,995	0.446 to 3.272	30Y
Non-guaranteed bonds issued by the JFM (domestic) 40-year bonds (Series 1-3)	2/26/2019-9/24/2020	250,313	250,313	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-F61, F63-F64, F66-68, F71, F73, F76-F77, F79-F80, F83-F85, F88-F90, F93, F96-F98, F102, F108-F109, F112, F116-F125, F129-F134, F136-F137, F139, F143, F146-F152, F156-F164, F167-F169, F172-F174, F177-F179, F181-F185, F189, F191-F198, F201-F210, F213-F217, F219-F222, F224-F228, F230-F234, F236-F243, F245-F250, F252-F256, F258-F263, F265-F270, F273-F276, F278-F284, F286-F288, F291-F298, F302-F308, F318-F319, F332-F333, F339-F341, F343-F345, F348-F354, F357-F360, F368-F369, F374-F379, F385-F389, F393-F395, F398, F400, F404-F406, F409-F411, F420-F424, F426-F443, F445-F454, F457-F459, F461-F466, F470-F484, F486, F489, F491-F494, F496-F530, F532-F543, F546-F559, F561-F564, and F566-F880)	7/23/2009-3/26/2026	20,694,203	20,025,424 (2,465,582)	0.001 to 2.989	3Y to 40Y
Non-guaranteed bonds issued by the JFM (domestic) FLIP bonds (Floater, Series F211, F244)	2/26/2014-7/25/2014	125,156	125,156	Floating rate	20Y to 30Y
Non-guaranteed bonds issued by the JFM (international) (Series 58, 64, 67, 72-91, 93-98, and 100-110)	6/26/2017-1/16/2026	11,651,829	12,067,878 [USD 7,629 million] [AUD 1,274 million] [EUR 5,630 million] (1,963,087)	0.010 to 5.125	3Y to 15Y
Non-guaranteed bonds issued by the JFM (international) (Series 99)	10/26/2022	23,342	23,342 [USD 25 million]	Floating rate	5Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series A63-A194)	4/20/2015-3/24/2026	10,387,985	8,979,975 (938,673)	0.069 to 2.416	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series B1-B126)	11/24/2015-3/27/2026	5,337,922	6,268,461 (259,700)	0.069 to 2.416	10Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series C1-C125)	11/24/2015-3/24/2026	6,927,409	7,941,176	0.190 to 3.225	20Y
Non-guaranteed bonds issued by the JFM (domestic) Private placements with pension funds for local government officials (Series D1-D120)	4/21/2016-3/24/2026	8,385,482	8,854,819	0.190 to 3.225	20Y
Bonds issued by the JFM - Sub-total	-	112,951,519	111,326,280	-	-

Type of bond	Date of issue	Balance as of 1 April 2025	Balance as of 31 March 2026	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	531,844	531,863	2.070 to 2.290	20Y
Bonds issued by Japan Finance Organization for Municipal Enterprises - Sub-total	-	531,844	531,863	-	-
Non-guaranteed bonds issued by the Predecessor (domestic) 20-year bonds (Series 13-25)	9/7/2005-6/16/2008	2,127,475	1,501,773 (375,460)	2.100 to 2.580	20Y
Non-guaranteed bonds issued by the Predecessor (domestic) 30-year bonds (Series 1-10)	1/29/2004-9/20/2006	1,188,611	1,188,649	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	82,040	68,461 (13,579)	1.390 to 2.010	28Y
Bonds issued by the Predecessor - Sub-total	-	3,398,126	2,758,883	-	-
Total	-	$116,881,489	$114,617,026	-	-

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 18,315,800 million yen (114,617,026 thousand U.S. dollars) as of 31 March 2026.
2. Amounts in square brackets under "Balance as of 31 March 2026" for "Non-guaranteed bonds issued by the JFM (international)— (Series 58, 64, 67, 72-91, 93-98 and 100-110)" 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 2026" are to be repaid within one year.
4. Annual schedule of redemption within five years after the fiscal year-end:

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

As of 31 March 2026

(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	¥1,476,386	¥1,791,405	¥1,654,107	¥1,697,498	¥1,805,384

(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	$9,238,964	$11,210,298	$10,351,113	$10,622,645	$11,297,775

10. Borrowed Money

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	-	-

Borrowed money as of 31 March 2026 consisted of the following:

(Millions of yen)

Classification of borrowed money	Balance as of 1 April 2025	Balance as of 31 March 2026	Average interest rate (%)	Repayment date
Short-term borrowed money	¥-	¥-	-	-
Long-term borrowed money (repayment within 1 year)	¥88,000	¥104,500	0.072	-
Long-term borrowed money (excluding repayment within 1 year)	¥441,500	¥417,300	0.560	9/14/2027-3/16/2040
Total	¥529,500	¥521,800	-	-

(Thousands of U.S. dollars)

Classification of borrowed money	Balance as of 1 April 2025	Balance as of 31 March 2026	Average interest rate (%)	Repayment date
Short-term borrowed money	$-	$-	-	-
Long-term borrowed money (repayment within 1 year)	$550,688	$653,942	0.072	-
Long-term borrowed money (excluding repayment within 1 year)	$2,762,829	$2,611,390	0.560	9/14/2027-3/16/2040
Total	$3,313,517	$3,265,332	-	-

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 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

As of 31 March 2026

(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	¥104,500	¥140,000	¥127,800	¥82,600	¥61,300

(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	$653,942	$876,095	$799,750	$516,896	$383,605

11. Reserves

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

Reserves as of 31 March 2026 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2025	Increase during the year	Decrease during the year		Balance as of 31 March 2026
			Intended purpose	Other	
Reserve for bonuses	¥63	¥73	¥63	¥-	¥73
Reserve for bonuses for directors and corporate auditors	10	10	10	-	10
Reserve for retirement benefits for directors and corporate auditors	11	7	-	-	19

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2025	Increase during the year	Decrease during the year		Balance as of 31 March 2026
			Intended purpose	Other	
Reserve for bonuses	$397	$462	$397	$-	$462
Reserve for bonuses for directors and corporate auditors	67	69	67	-	69
Reserve for retirement benefits for directors and corporate auditors	73	49	-	-	122

12. Reserve for Interest Rate Volatility

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

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

Reserve for interest rate volatility as of 31 March 2026 consisted of the following:

(Millions of yen)

Classification of reserve	Balance as of 1 April 2025	Increase during the year		Decrease during the year		Balance as of 31 March 2026
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	¥2,200,000	¥-	¥-	¥-		¥2,200,000
Management account reserve for interest rate volatility	727,327	39,312		-	¥-	766,640
Total	¥2,927,327	¥39,312	¥-	¥-	¥-	¥2,966,640

(Thousands of U.S. dollars)

Classification of reserve	Balance as of 1 April 2025	Increase during the year		Decrease during the year		Balance as of 31 March 2026
			Amount provided		Amount withdrawn	
Reserve for interest rate volatility	$13,767,209	$-	$-	$-		$13,767,209
Management account reserve for interest rate volatility	4,551,487	246,013		-	$-	4,797,500
Total	$18,318,696	$246,013	$-	-	$-	$18,564,709

13. Fund for Lending Rate Reduction

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

Fund for lending rate reduction as of 31 March 2026 consisted of the following:

(Millions of yen)

Classification of fund	Balance as of 1 April 2025	Increase during the year		Decrease during the year		Balance as of 31 March 2026
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	¥931,870	¥22,816	¥-	¥17,438	¥-	¥937,248
Total	¥931,870	¥22,816	¥-	¥17,438	¥-	¥937,248

(Thousands of U.S. dollars)

Classification of fund	Balance as of 1 April 2025	Increase during the year		Decrease during the year		Balance as of 31 March 2026
		Amount of reserve	Amount transferred	Amount withdrawn	Others	
Basic fund for lending rate reduction	$5,831,481	$142,785	$-	$109,128	$-	$5,865,138
Total	$5,831,481	$142,785	$-	$109,128	$-	$5,865,138

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 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
Pension expenses: 20 million yen
Employee retirement benefits paid: - million yen
Contributions to the defined benefit plan: 9 million yen
Prepaid pension costs: (21) million yen
Reserve for retirement benefits at the end of the fiscal year: 78 million yen

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

Funded retirement benefit obligation: 212 million yen
Plan assets: (233) million yen
Balance: (21) million yen
Unfunded retirement benefit obligation: 78 million yen
Net liability for retirement benefits in the balance sheet: 56 million yen
Reserve for retirement benefits at the end of the fiscal year: 78 million yen
Prepaid pension costs: (21) million yen
Net liability for retirement benefits in the balance sheet: 56 million yen

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

As of and for the year ended 31 March 2026
(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:
78 million yen (489 thousand U.S. dollars)
Pension expenses:
(4) million yen ((30) thousand U.S. dollars)
Employee retirement benefits paid:
1 million yen (11 thousand U.S. dollars)
Contributions to the defined benefit plan:
11 million yen (72 thousand U.S. dollars)
Prepaid pension costs:
(27) million yen ((174) thousand U.S. dollars)
Reserve for retirement benefits at the end of the fiscal year:
87 million yen (550 thousand U.S. dollars)

(b) Retirement benefit obligation, plan assets, and reconciliation of retirement benefit asset and liability
Funded retirement benefit obligation:
246 million yen (1,545 thousand U.S. dollars)
Plan assets:
(296) million yen ((1,853) thousand U.S. dollars)
Balance:
(49) million yen ((308) thousand U.S. dollars)
Unfunded retirement benefit obligation:
87 million yen (550 thousand U.S. dollars)
Net liability for retirement benefits in the balance sheet:
38 million yen (242 thousand U.S. dollars)
Reserve for retirement benefits at the end of the fiscal year:
87 million yen (550 thousand U.S. dollars)
Prepaid pension costs:
(49) million yen ((308) thousand U.S. dollars)
Net liability for retirement benefits in the balance sheet:
38 million yen (242 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: (4) million yen ((30) thousand U.S. dollars)

15. Net Income by Account
(For the year ended 31 March 2025)
Net income of the general account was 36,232 million yen, while there was no net income of management account.

(For the year ended 31 March 2026)
Net income of the general account was 35,119 million yen (219,775 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 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

Balance sheets of general account and management account as of 31 March 2026 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	¥20,310,525	¥2,253,552	¥-	¥22,564,078
Securities	255,000	-	-	255,000
Cash and bank deposits	859,086	-	-	859,086
Other assets	6,182	1,288	-	7,470
Tangible fixed assets	2,713	-	-	2,713
Intangible fixed assets	3,290	-	-	3,290
Prepaid pension costs	56	-	-	56
Due from general account	-	447,696	(447,696)	-
Total assets	21,436,855	2,702,537	(447,696)	23,691,695
(Liabilities)				
Bonds	16,439,931	1,875,869	-	18,315,800
Borrowed money	521,800	-	-	521,800
Cash collateral received for financial instruments	456,380	-	-	456,380
Other liabilities	6,214	2,218	-	8,432
Reserve for bonuses	73	-	-	73
Reserve for bonuses for directors and corporate auditors	10	-	-	10
Reserve for retirement benefits	87	-	-	87
Reserve for retirement benefits for directors and corporate auditors	19	-	-	19
Fund for lending rate reduction	937,248	-	-	937,248
Basic fund for lending rate reduction	937,248	-	-	937,248
Due to management account	447,696	-	(447,696)	-
Reserves under special laws	2,200,000	766,640	-	2,966,640
Reserve for interest rate volatility	2,200,000	-	-	2,200,000
Management account reserve for interest rate volatility	-	766,640	-	766,640
Total liabilities	21,009,462	2,644,728	(447,696)	23,206,494
(Net assets)				
Capital	16,602	-	-	16,602
Retained earnings	441,759	-	-	441,759
General account appropriated surplus reserve	441,759	-	-	441,759
Valuation, translation adjustments and others	(30,969)	-	-	(30,969)
Management account surplus reserve	-	57,808	-	57,808
Total net assets	427,392	57,808	-	485,200
Total liabilities and net assets	¥21,436,855	¥2,702,537	¥(447,696)	¥23,691,695

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
(Assets)				
Loans	$127,099,658	$14,102,332	$-	$141,201,990
Securities	1,595,745	-	-	1,595,745
Cash and bank deposits	5,376,013	-	-	5,376,013
Other assets	38,690	8,061	-	46,751
Tangible fixed assets	16,980	-	-	16,980
Intangible fixed assets	20,592	-	-	20,592
Prepaid pension costs	351	-	-	351
Due from general account	-	2,801,605	(2,801,605)	-
Total assets	134,148,029	16,911,998	(2,801,605)	148,258,422
(Liabilities)				
Bonds	102,878,169	11,738,857	-	114,617,026
Borrowed money	3,265,332	-	-	3,265,332
Cash collateral received for financial instruments	2,855,945	-	-	2,855,945
Other liabilities	38,886	13,882	-	52,768
Reserve for bonuses	462	-	-	462
Reserve for bonuses for directors and corporate auditors	69	-	-	69
Reserve for retirement benefits	550	-	-	550
Reserve for retirement benefits for directors and corporate auditors	122	-	-	122
Fund for lending rate reduction	5,865,138	-	-	5,865,138
Basic fund for lending rate reduction	5,865,138	-	-	5,865,138
Due to management account	2,801,605	-	(2,801,605)	-
Reserves under special laws	13,767,209	4,797,500	-	18,564,709
Reserve for interest rate volatility	13,767,209	-	-	13,767,209
Management account reserve for interest rate volatility	-	4,797,500	-	4,797,500
Total liabilities	131,473,487	16,550,239	(2,801,605)	145,222,121
(Net assets)				
Capital	103,893	-	-	103,893
Retained earnings	2,764,453	-	-	2,764,453
General account appropriated surplus reserve	2,764,453	-	-	2,764,453
Valuation, translation adjustments and others	(193,803)	-	-	(193,803)
Management account surplus reserve	-	361,758	-	361,758
Total net assets	2,674,543	361,758	-	3,036,301
Total liabilities and net assets	$134,148,030	$16,911,997	$(2,801,605)	$148,258,422

Notes: 1. General account and management account

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

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

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

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

3. Due from general account and due to management account

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

18. Information by Account (Statement of income)

Statements of income of general account and management account from 1 April 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

Statements of income of general account and management account from 1 April 2025 through 31 March 2026 were as follows:

(Millions of yen)

Item	General account	Management account	Offset	Total
Income	¥170,413	¥54,139	¥(4,525)	¥220,028
Interest income	152,615	49,862	-	202,477
Fees and commissions	57	-	-	57
Other operating income	4	-	-	4
Other income	17,488	-	-	17,488
Contributions from fund for lending rate reduction	17,438	-	-	17,438
Others	49	-	-	49
Administrative fee for management account	247	-	(247)	-
Interest on due from general account	-	1,446	(1,446)	-
Transfer from general account for fund for lending rate reduction	-	2,830	(2,830)	-
Expenses	135,293	16,148	(4,525)	146,916
Interest expenses	120,390	15,703	-	136,094
Fees and commissions	239	42	-	281
Other operating expenses	4,636	136	-	4,773
General and administrative expenses	5,748	17	-	5,766
Interest on due to management account	1,446	-	(1,446)	-
Transfer to management account for fund for lending rate reduction	2,830	-	(2,830)	-
Administrative fee for management account	-	247	(247)	-
Ordinary income	35,119	37,991	-	73,111
Special gains	-	1,321	-	1,321
Reversal of reserve for interest rate reduction	-	1,321	-	1,321
Special losses	-	39,312	-	39,312
Provision for management account reserve for interest rate volatility	-	39,312	-	39,312
Net income	¥35,119	¥-	¥-	¥35,119

(Thousands of U.S. dollars)

Item	General account	Management account	Offset	Total
Income	$1,066,416	$338,797	$(28,316)	$1,376,897
Interest income	955,039	312,029	-	1,267,068
Fees and commissions	362	-	-	362
Other operating income	29	-	-	29
Other income	109,438	-	-	109,438
Contributions from fund for lending rate reduction	109,128	-	-	109,128
Others	310	-	-	310
Administrative fee for management account	1,548	-	(1,548)	-
Interest on due from general account	-	9,054	(9,054)	-
Transfer from general account for fund for lending rate reduction	-	17,714	(17,714)	-
Expenses	846,641	101,053	(28,316)	919,378
Interest expenses	753,384	98,272	-	851,656
Fees and commissions	1,496	263	-	1,759
Other operating expenses	29,017	858	-	29,875
General and administrative expenses	35,976	112	-	36,088
Interest on due to management account	9,054	-	(9,054)	-
Transfer to management account for fund for lending rate reduction	17,714	-	(17,714)	-
Administrative fee for management account	-	1,548	(1,548)	-
Ordinary income	219,775	237,744	-	457,519
Special gains	-	8,269	-	8,269
Reversal of reserve for interest rate reduction	-	8,269	-	8,269
Special losses	-	246,013	-	246,013
Provision for management account reserve for interest rate volatility	-	246,013	-	246,013
Net income	$219,775	$-	$-	$219,775

19. Fair Value of Marketable Securities

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	-

Marketable held-to-maturity securities as of 31 March 2026 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	¥255,000	¥255,000	-
	Sub total	255,000	255,000	-
Total		¥255,000	¥255,000	-

(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	$1,595,745	$1,595,745	-
	Sub total	1,595,745	1,595,745	-
Total		$1,595,745	$1,595,745	-

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-deznated 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.

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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, 2026, 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, 2026, 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 (30,969) million yen ((193,803) 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.	The audit procedures we primarily performed to consider whether the JFM's derivative transactions qualify for hedge accounting include the following: (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 primarily 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

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With the diversification of financing methods and the sophistication of risk management methods, it is expected that derivative transactions to hedge against interest rate risks will become more diverse and the judgements when the JFM applies hedge accounting will become more complicated, and the notional amount of interest rate swaps will be the same as financing amounts (around several to tens of billions of yen per transaction). Therefore, considering the size and frequency of transactions, if a derivative transaction entered into does not qualify for hedge accounting as a result, principle accounting treatment for the derivative transaction must be applied, which may have a great impact on profits and losses. Based on the above, given that applying hedge accounting to derivative transactions to hedge against pipeline risk (interest rate risk) is particularly significant in the current fiscal year we determined it to be a key audit matter.	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 substantially 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.

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	・ We considered whether the expected amount of future bond issuances to be hedged is within the range of the average issuance for a given period in the past and whether the period from lending to future bond issuance to be hedged is generally less than one year. (5) Consideration of the accounting treatment related to the discontinuation of hedge accounting We performed the following procedures to consider, if hedge accounting was discontinued for interest rate swaps, whether gains and losses on settlement at the time of cancellation were transferred to unrealized gain or loss from hedging instruments and amortized as an adjustment of the interest to be hedged: ・ We considered whether interest rate swaps have been cancelled and the gains and losses on settlement at the time of cancellation by inspecting evidence of agreements with counterparties to terminate the contracts. ・ We considered whether these gains and losses on settlement were transferred to unrealized gain or loss from hedging instruments. ・ We considered whether the amortized amounts of the unrealized gain or loss from hedging instruments were allocated to profit or loss over the period until maturity of the hedged item by recalculating these amounts.

Other Information

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, 2026 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, 2026 are 30 million yen and 10 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 26, 2026

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Shuichiro Akiyama
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Certified Public Accountant

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Redemption of Loans in Fiscal 2025

Classification		Principal		Interest	
		Number of loans	Amount (USD millions)	Number of loans	Amount (USD millions)
Regular redemption of long-term loans	General loans	443,831	10,994	512,931	1,224
	Loans to local government corporations	33	7	33	0
	Subtotal	443,864	11,000	512,964	1,225
Prepayment of long-term loans	General loans	344	69	341	0
	Loans to local government corporations	2	0	2	0
	Subtotal	346	69	343	0
Redemption of loans with pre-consent or pre-approval		-	-	-	-
Redemption of short-term loans		-	-	-	-
Total		444,210	11,070	513,307	1,225

Note: Totals may not add up due to rounding.

Outstanding Loans by Business Type

(As of 31 March 2026)

Business Type		Number of Loans Made	Loan Amount (USD millions)	
				% of Total
General Account-related Loans	Public Projects, etc.	7,425	3,228	2.3
	Public Housing	2,539	1,080	0.8
	National Disaster Management	897	446	0.3
	Educational Facilities Development	2,670	895	0.6
	Social Welfare Facilities Development	2,308	676	0.5
	General Waste Disposal	776	516	0.4
	General Service Facilities Development	49	35	0.0
	General Projects	1,221	552	0.4
	Regional Revitalisation	2,260	617	0.4
	Disaster Prevention	3,601	1,018	0.7
	Local Road Development	7,189	2,563	1.8
	Special Municipal Merger	6,668	6,431	4.6
	Disaster Management and Mitigation	14,248	6,188	4.4
	Public Facilities Optimisation	86	89	0.1
	Proper Management of Public Facilities	6,365	5,232	3.7
	National Disaster Prevention	7,915	3,605	2.6
	Decarbonisation Promotion Projects	1,097	308	0.2
	Child and Child-rearing Support Projects	120	24	0.0
	Remote Area Improvement Projects	316	73	0.0
	Depopulation Measure	7,526	2,836	2.0
	Others	3,295	390	0.3
	Subtotal	78,571	36,802	26.1
Municipal Enterprise-related Loans	Water Supply	45,724	17,604	12.5
	Industrial Water Supply	1,760	820	0.6
	Transportation	924	3,774	2.7
	Electricity and Gas Supply	560	405	0.3
	Port Facilities	575	203	0.1
	Hospitals and Elderly Care Services	5,422	8,388	5.9
	Markets and Slaughterhouses	657	736	0.5
	Sewerage	103,192	37,730	26.7
	Tourism and Others	145	64	0.0
	Subtotal	158,959	69,723	49.3
Temporary Financial Countermeasures Funding		9,716	31,725	22.5
Loans Covering Decrease in Local Tax Revenues		461	2,943	2.1
Total		247,707	141,193	100.0
Local Government Road Corporation, Toll Roads [*1]		12	9	0.0
Grand Total		247,719	141,202	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 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 inflows and outflows. JFM finance management division holds high quality liquid assets based on the calculation at the end of the fiscal year to secure liquidity, which is also monitored by the risk management division which is independent from the finance management division.

(As of 31 March 2026)

(USD millions)

Item	31 March 2025		31 March 2026	
Total of liquid assets (*1)	250		387	
	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	874	874	1,395	1,395
Total cash outflows	-	874	-	1,395
Cash inflows from investment (*2)	3,567	656	1,752	1,046
Cash inflows from collection of loans	0	0	0	0
Other cash inflows (*3)	0	0	0	0
Total cash inflows (*4)	3,567	656	1,752	1,046
High quality liquid assets	-	250	-	387
Net cash outflows	-	219	-	349
Liquidity coverage ratio	-	115%	-	111%
Total of semi liquid assets (*5)	-	1,381	-	452
Semi liquidity coverage ratio (*6)	-	747%	-	241%

(*1) Amount held in bank current deposits, which 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 2026)

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	282	2,837	5,702	4,215	9,263	1,713
Aomori	140	152	2,255	1,652	1,495	375
Iwate	208	312	2,656	1,555	1,019	237
Miyagi	229	504	4,210	2,140	2,590	357
Akita	166	147	4,124	1,855	835	49
Yamagata	185	440	2,685	1,091	1,808	217
Fukushima	336	527	3,540	1,459	2,954	365
Ibaraki	444	805	7,061	2,974	1,353	263
Tochigi	220	431	2,966	1,512	944	214
Gunma	133	153	3,066	1,384	1,601	182
Saitama	225	1,730	7,010	4,424	2,013	387
Chiba	282	1,084	5,620	4,788	805	162
Tokyo	47	173	2,357	1,945	140	23
Kanagawa	155	1,315	3,479	4,441	1,396	315
Niigata	240	422	6,549	1,994	842	85
Toyama	187	155	3,024	1,513	610	132
Ishikawa	92	143	2,600	895	1,195	258
Fukui	120	105	2,184	1,083	669	65
Yamanashi	103	115	2,356	612	801	109
Nagano	291	271	3,601	1,425	2,794	322
Gifu	209	879	3,997	1,389	1,431	301
Shizuoka	222	191	4,813	2,497	903	199
Aichi	140	1,638	5,060	3,553	871	149
Mie	378	877	3,577	1,902	1,100	220
Shiga	186	458	3,623	1,392	616	90
Kyoto	146	229	3,848	2,771	1,215	169
Osaka	57	1,507	6,753	7,242	1,080	247
Hyogo	271	2,933	7,720	5,478	2,223	578
Nara	157	409	2,182	1,171	2,121	462
Wakayama	151	295	1,982	1,520	2,162	500
Tottori	316	523	1,166	714	1,874	271

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
241	151	-	-	15,488	8,917	6.3
124	107	-	-	4,014	2,286	1.6
170	117	-	-	4,053	2,221	1.6
114	42	-	-	7,143	3,043	2.2
12	11	-	-	5,137	2,063	1.5
165	63	-	-	4,843	1,811	1.3
141	74	-	-	6,971	2,426	1.7
257	197	-	-	9,115	4,239	3.0
29	14	-	-	4,159	2,170	1.5
187	124	-	-	4,987	1,842	1.3
341	159	-	-	9,589	6,699	4.7
639	276	-	-	7,346	6,311	4.5
32	78	-	-	2,576	2,218	1.6
42	80	-	-	5,072	6,151	4.4
237	203	-	-	7,868	2,704	1.9
152	63	-	-	3,973	1,863	1.3
26	14	-	-	3,913	1,310	0.9
49	14	-	-	3,022	1,266	0.9
87	20	-	-	3,347	857	0.6
136	52	-	-	6,822	2,071	1.5
26	166	-	-	5,663	2,736	1.9
65	39	-	-	6,003	2,926	2.1
62	26	3	5	6,136	5,371	3.8
21	15	-	-	5,076	3,015	2.1
208	48	-	-	4,633	1,988	1.4
45	50	-	-	5,254	3,219	2.3
501	553	-	-	8,391	9,548	6.8
368	244	-	-	10,582	9,233	6.5
484	167	-	-	4,944	2,209	1.6
89	33	-	-	4,384	2,348	1.7
32	13	-	-	3,388	1,521	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	295	512	2,855	1,158	422	101
Okayama	135	413	3,990	1,561	1,233	185
Hiroshima	361	1,252	3,414	2,322	1,012	204
Yamaguchi	377	313	3,801	1,590	642	84
Tokushima	176	272	1,673	800	836	181
Kagawa	141	145	1,792	840	817	154
Ehime	50	181	2,137	1,069	850	182
Kochi	205	518	2,122	925	1,211	221
Fukuoka	92	1,092	5,763	4,859	2,507	695
Saga	84	236	1,795	1,004	677	179
Nagasaki	118	325	2,639	1,531	895	158
Kumamoto	170	539	2,560	1,063	2,076	387
Oita	71	180	2,463	1,070	253	47
Miyazaki	139	379	1,912	958	722	120
Kagoshima	201	773	2,304	1,071	1,141	210
Okinawa	195	487	1,625	1,002	946	209
Total	9,128	29,379	164,611	95,407	66,963	12,332

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	30	-	-	3,640	1,801	1.3
62	31	-	-	5,420	2,191	1.6
629	251	5	2	5,421	4,031	2.9
136	25	-	-	4,956	2,012	1.4
9	4	-	-	2,694	1,256	0.9
393	90	-	-	3,143	1,230	0.9
21	5	-	-	3,058	1,437	1.0
19	26	-	-	3,557	1,691	1.2
318	174	4	1	8,684	6,820	4.8
101	37	-	-	2,657	1,455	1.0
12	17	-	-	3,664	2,032	1.4
79	134	-	-	4,885	2,122	1.5
-	-	-	-	2,787	1,297	0.9
16	4	-	-	2,789	1,461	1.0
13	6	-	-	3,659	2,059	1.5
47	29	-	-	2,813	1,727	1.2
7,005	4,076	12	9	247,719	141,202	100.0

Bond Issuance in Fiscal 2025

1. JFM Bonds

(1) International Bonds

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
108	5	Global	USD	1,000	4.375	99.760	2 Apr 2025	2 Apr 2030
109	5	Global	USD	750	4.125	99.745	30 Jul 2025	30 Jul 2030
110	5	Euro	EUR	750	2.750	99.549	16 Jan 2026	16 Jan 2031

(2) Domestic Public Offerings

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
191	10	20	125	1.522	100	21 Apr 2025	27 Apr 2035
192	10	17	106	1.671	100	22 May 2025	28 May 2035
193	10	35	219	1.671	100	20 Jun 2025	28 Jun 2035
194	10	48	300	1.651	100	17 Jul 2025	27 Jul 2035
195	10	33	207	1.673	100	22 Aug 2025	28 Aug 2035
196	10	33	207	1.682	100	19 Sep 2025	28 Sep 2035
197	10	21	131	1.815	100	21 Oct 2025	26 Oct 2035
198	10	20	125	1.820	100	21 Nov 2025	28 Nov 2035
199	10	19	119	2.090	100	18 Dec 2025	28 Dec 2035
200	10	22	138	2.303	100	23 Jan 2026	28 Jan 2036
201	10	20	125	2.386	100	20 Feb 2026	28 Feb 2036
202	10	15	94	2.305	100	23 Mar 2026	28 Mar 2036
118	20	11	69	2.275	100	21 Apr 2025	28 Apr 2045
119	20	18	113	2.389	100	20 Jun 2025	28 Jun 2045
120	20	15	94	2.505	100	17 Jul 2025	28 Jul 2045
121	20	15	94	2.659	100	19 Sep 2025	28 Sep 2045
122	20	15	94	2.718	100	21 Oct 2025	27 Oct 2045
123	20	15	94	2.957	100	18 Dec 2025	28 Dec 2045
124	20	10	63	3.134	100	23 Jan 2026	26 Jan 2046
37	5	25	156	1.178	100	20 Jun 2025	28 Jun 2030
38	5	27	169	1.329	100	28 Nov 2025	28 Nov 2030
21	30	11	69	2.669	100	21 Apr 2025	28 Apr 2055
22	30	10	63	3.272	100	21 Oct 2025	28 Oct 2055
F835	5	4	25	1.004	100	25 Apr 2025	25 Jun 2030
F836	7	20	125	1.352	100	28 May 2025	26 Mar 2032
F837	9	3	19	1.675	100	28 May 2025	28 Nov 2034

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F838	3	3	19	0.823	100	26 Jun 2025	26 Jan 2028
F839	3	3	19	0.824	100	26 Jun 2025	25 Feb 2028
F840	4	3	19	1.090	100	26 Jun 2025	26 Dec 2029
F841	6	3	19	1.211	100	26 Jun 2025	24 Jan 2031
F842	7	3	19	1.295	100	26 Jun 2025	26 Mar 2032
F843	11	5	31	1.710	100	26 Jun 2025	25 Jan 2036
F844	3	3	19	0.844	100	27 Jun 2025	27 Mar 2028
F845	4	3	19	1.012	100	27 Jun 2025	27 Jun 2029
F846	5	4	25	1.140	100	27 Jun 2025	27 Aug 2030
F847	6	8	50	1.205	100	27 Jun 2025	27 Aug 2031
F848	7	3	19	1.266	100	27 Jun 2025	25 Jun 2032
F849	9	3	19	1.571	100	27 Jun 2025	20 Dec 2034
F850	7	20	125	1.408	100	25 Jul 2025	25 Jun 2032
F851	9	5	31	1.672	100	25 Jul 2025	25 Jan 2035
F852	26	5	31	2.989	100	25 Jul 2025	25 Jul 2051
F853	5	10	63	1.211	100	28 Jul 2025	28 Jun 2030
F854	6	3	19	1.306	100	28 Jul 2025	26 Sep 2031
F855	8	3	19	1.472	100	28 Jul 2025	28 Jul 2033
F856	8	3	19	1.513	100	29 Aug 2025	27 May 2033
F857	3	3	19	1.036	100	26 Sep 2025	25 Aug 2028
F858	8	3	19	1.503	100	26 Sep 2025	26 Sep 2033
F859	3	3	19	1.059	100	29 Sep 2025	29 Nov 2028
F860	5	4	25	1.278	100	29 Sep 2025	29 Nov 2030
F861	9	3	19	1.654	100	29 Sep 2025	29 Nov 2034
F862	3	3	19	1.037	100	29 Oct 2025	29 May 2028
F863	3	3	19	1.037	100	29 Oct 2025	29 May 2028
F864	6	4	25	1.438	100	29 Oct 2025	27 Feb 2032
F865	7	20	125	1.517	100	29 Oct 2025	29 Sep 2032
F866	3	3	19	1.229	100	25 Dec 2025	25 Dec 2028
F867	3	3	19	1.229	100	25 Dec 2025	25 Dec 2028
F868	3	3	19	1.229	100	25 Dec 2025	25 Dec 2028
F869	3	3	19	1.229	100	25 Dec 2025	25 Dec 2028
F870	3	3	19	1.229	100	25 Dec 2025	25 Dec 2028

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
F871	3	3	19	1.229	100	25 Dec 2025	25 Dec 2028
F872	3	3	19	1.229	100	25 Dec 2025	25 Dec 2028
F873	5	4	25	1.540	100	24 Dec 2025	21 Feb 2031
F874	7	20	125	2.018	100	29 Jan 2026	20 Dec 2032
F875	3	20	125	1.421	100	26 Feb 2026	26 Feb 2029
F876	3	6	38	1.411	100	27 Feb 2026	26 Jan 2029
F877	5	4	25	1.789	100	26 Mar 2026	26 May 2031
F878	6	3	19	1.890	100	26 Mar 2026	26 Mar 2032
F879	6	3	19	1.890	100	26 Mar 2026	26 Mar 2032
F880	7	3	19	2.008	100	26 Mar 2026	25 Mar 2033

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)				
A183	10	6.25	39	1.552	100	21 Apr 2025	20 Apr 2035
A184	10	6.25	39	1.701	100	26 May 2025	25 May 2035
A185	10	6.25	39	1.701	100	23 Jun 2025	22 Jun 2035
A186	10	6.25	39	1.681	100	18 Jul 2025	18 Jul 2035
A187	10	6.25	39	1.703	100	22 Aug 2025	22 Aug 2035
A188	10	6.25	39	1.712	100	19 Sep 2025	19 Sep 2035
A189	10	6.25	39	1.845	100	21 Oct 2025	19 Oct 2035
A190	10	6.25	39	1.850	100	21 Nov 2025	21 Nov 2035
A191	10	6.25	39	2.120	100	18 Dec 2025	18 Dec 2035
A192	10	6.25	39	2.333	100	23 Jan 2026	23 Jan 2036
A193	10	6.25	39	2.416	100	20 Feb 2026	20 Feb 2036
A194	10	6.25	39	2.335	100	24 Mar 2026	24 Mar 2036
B114	10	11.5	72	1.552	100	21 Apr 2025	20 Apr 2035
B115	10	4.5	28	1.701	100	26 May 2025	25 May 2035
B116	10	10.5	66	1.701	100	23 Jun 2025	22 Jun 2035
B117	10	14	88	1.681	100	18 Jul 2025	18 Jul 2035
B118	10	15.5	97	1.703	100	22 Aug 2025	22 Aug 2035
B119	10	6	38	1.712	100	19 Sep 2025	19 Sep 2035
B120	10	11.5	72	1.845	100	21 Oct 2025	19 Oct 2035
B121	10	14	88	1.850	100	21 Nov 2025	21 Nov 2035
B122	10	16	100	2.120	100	18 Dec 2025	18 Dec 2035

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
B123	10	29.5	185	2.333	100	23 Jan 2026	23 Jan 2036
B124	10	29.9	187	2.416	100	20 Feb 2026	20 Feb 2036
B125	10	16.5	103	2.335	100	24 Mar 2026	24 Mar 2036
B126	10	3.3	21	2.335	100	27 Mar 2026	27 Mar 2036
C114	20	14	88	2.295	100	21 Apr 2025	21 Apr 2045
C115	20	6.5	41	2.447	100	26 May 2025	26 May 2045
C116	20	12	75	2.409	100	23 Jun 2025	23 Jun 2045
C117	20	16.5	103	2.525	100	18 Jul 2025	18 Jul 2045
C118	20	17.5	110	2.577	100	22 Aug 2025	22 Aug 2045
C119	20	9	56	2.679	100	19 Sep 2025	19 Sep 2045
C120	20	13.5	84	2.738	100	21 Oct 2025	20 Oct 2045
C121	20	10	63	2.733	100	21 Nov 2025	21 Nov 2045
C122	20	11.5	72	2.977	100	18 Dec 2025	18 Dec 2045
C123	20	20.5	128	3.154	100	23 Jan 2026	23 Jan 2046
C124	20	18	113	3.225	100	20 Feb 2026	20 Feb 2046
C125	20	13	81	3.143	100	24 Mar 2026	23 Mar 2046
D109	20	6.25	39	2.295	100	21 Apr 2025	21 Apr 2045
D110	20	6.25	39	2.447	100	26 May 2025	26 May 2045
D111	20	6.25	39	2.409	100	23 Jun 2025	23 Jun 2045
D112	20	6.25	39	2.525	100	18 Jul 2025	18 Jul 2045
D113	20	6.25	39	2.577	100	22 Aug 2025	22 Aug 2045
D114	20	6.25	39	2.679	100	19 Sep 2025	19 Sep 2045
D115	20	6.25	39	2.738	100	21 Oct 2025	20 Oct 2045
D116	20	6.25	39	2.733	100	21 Nov 2025	21 Nov 2045
D117	20	6.25	39	2.977	100	18 Dec 2025	18 Dec 2045
D118	20	6.25	39	3.154	100	23 Jan 2026	23 Jan 2046
D119	20	6.25	39	3.225	100	20 Feb 2026	20 Feb 2046
D120	20	6.25	39	3.143	100	24 Mar 2026	23 Mar 2046

3. Government-guaranteed Domestic Bonds

Series Number	Tenor (yr)	Issue Size		Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
		(JPY in billions)	(USD in millions)				
16	4	50	313	1.050	100	30 Jul 2025	30 Jul 2029
17	4	40	250	1.104	100	30 Sep 2025	28 Sep 2029

Outstanding International Bonds

1. JFM Bonds
(As of 31 March 2026)

Series Number	Tenor (yr)	Format	Currency	Issue Size (in millions)	Coupon (%)	Issue Price (%)	Issue Date	Maturity Date
58	10	Euro	AUD	22	3.418	100.00	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	100.00	24 Jan 2019	24 Jan 2030
72	7	Euro	EUR	500	0.050	99.867	12 Feb 2020	12 Feb 2027
74	10	Euro	AUD	210	1.866	100.00	11 Jun 2020	11 Jun 2030
75	10	Euro	AUD	120	1.831	100.00	12 Jun 2020	12 Jun 2030
76	10	Euro	USD	60	1.290	100.00	22 Jul 2020	22 Jul 2030
78	15	Euro	AUD	40	1.878	100.00	15 Oct 2020	15 Oct 2035
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
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
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
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	99.810	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
108	5	Global	USD	1,000	4.375	99.76	2 Apr 2025	2 Apr 2030
109	5	Global	USD	750	4.125	99.745	30 Jul 2025	30 Jul 2030
110	5	Euro	EUR	750	2.750	99.549	16 Jan 2026	16 Jan 2031

Organization History

History of the JFM

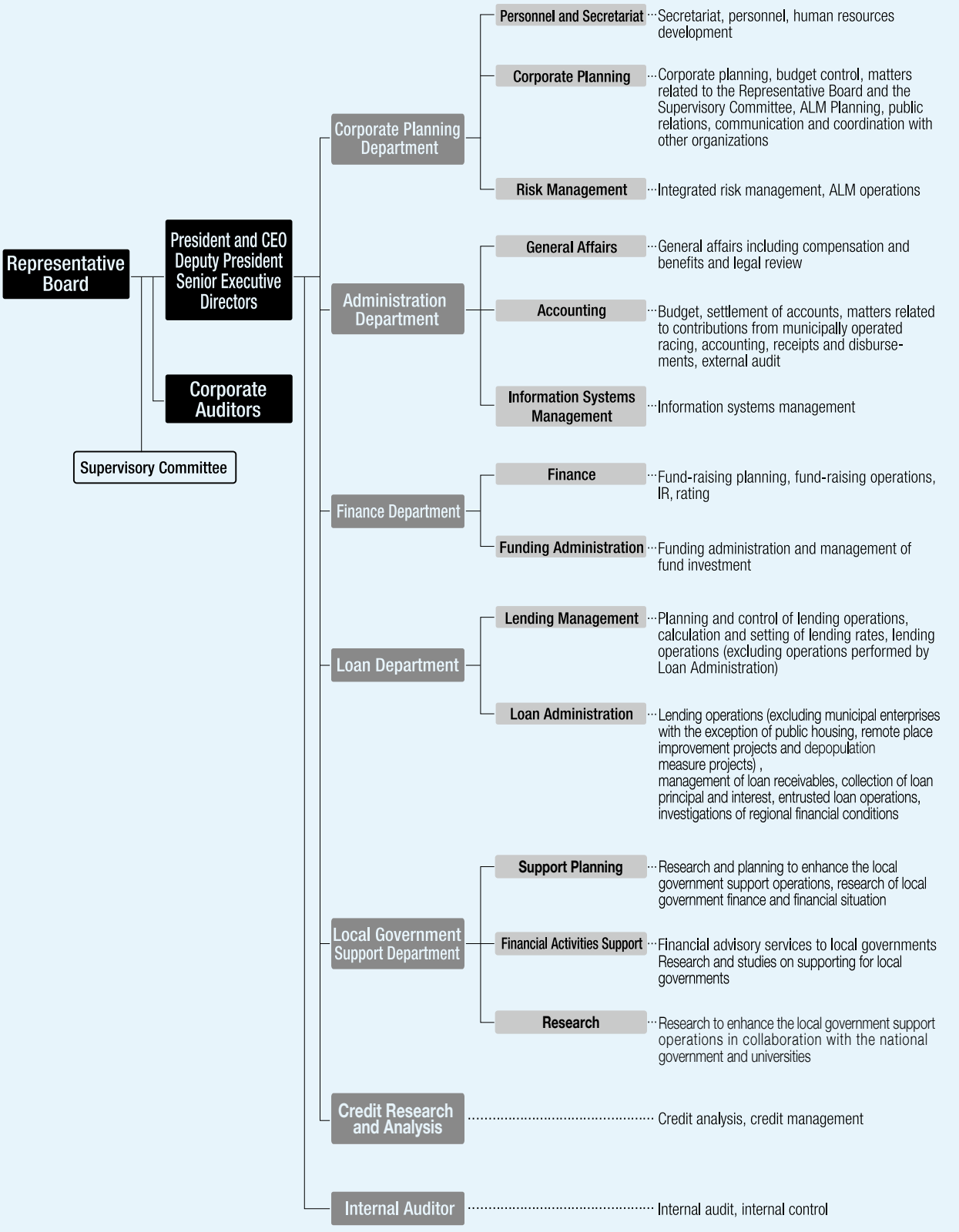
FY2008	The Japan Finance Organization for Municipal Enterprises (the Predecessor of the JFM) was established pursuant to the Japan Finance Organization for Municipal Enterprises Law on 1 August 2008. Succeeded the assets and assumed the liabilities of the Predecessor and commenced operations on 1 October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

History of the Predecessor

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

Organization Chart

As of 1 April 2026



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(Photo provided by the Tokyo Institute for Municipal Research)

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JFM

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Mt.Fuji in winter,
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