



JFM

Japan Finance Organization for Municipalities

Disclaimer

By reading these materials, you agree to be bound by the following limitations:

No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained herein. Neither the company nor any of the company's advisors or representatives shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of these materials or their contents or otherwise arising in connection with these materials. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially.

These materials are based on the economic, regulatory, market and other conditions as in effect on the date hereof. It should be understood that subsequent developments may affect the information contained in these materials, which neither the company nor its advisors or representatives are under an obligation to update, revise or affirm.

Forward-looking statements, including the company's plans in these materials, are based on information available to the company at the time they were prepared and involve potential risks and uncertainties. Actual results, therefore, may differ from those described in these materials due to changes in a variety of factors, such as market trends, economic conditions and regulations. Accordingly, investors are advised to use their own discretion and exercise great caution when making investment decisions.

These materials and the information contained herein do not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities of the company. Securities of the company not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), may not be offered, sold or delivered within the United States or to U.S. persons absent registration under or an applicable exemption from the registration requirements of the United States securities laws. These materials and the information contained herein are being furnished to you solely for your information and may not be reproduced or redistributed to any other person, in whole or in part. In particular, neither the information contained in these materials nor any copy hereof may be, directly or indirectly, taken or transmitted into or distributed in the United States, Canada, Australia, Japan, Hong Kong or any other jurisdiction which prohibits the same except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of U.S. or other national securities laws. No money, securities or other consideration is being solicited, and, if sent in response to this presentation or the information contained herein, will not be accepted.

Table of Contents

Japan Finance Organization for Municipalities (JFM)	P.1
JFM's Financial Highlights	P.5
Capital Market Activities	P.10
Credit Highlights	P.13
Appendix	P.15
■ History of JFM	P.16
■ JFM Shareholders	P.17
■ General Account and Management Account	P.18
■ Special Gains and Special Losses	P.19
■ Payment to National Treasury	P.20
■ Local Government System in Japan	P.21
■ Security of Japan's Local Governments	P.22
■ Local Allocation Tax System	P.23
■ Local Government Borrowing Programme	P.24

Japan Finance Organization for Municipalities (JFM)

Brief Profile of JFM

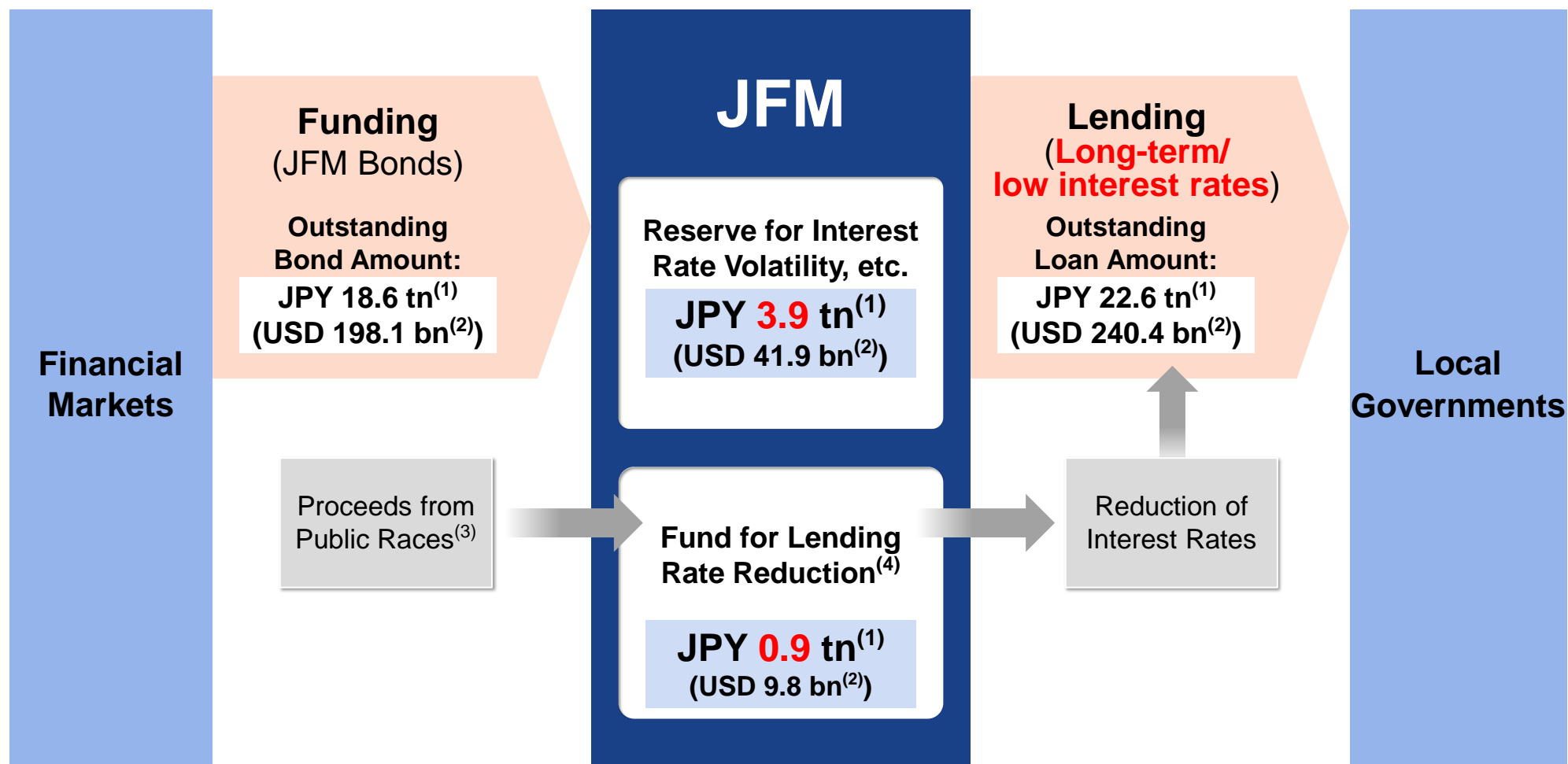
- JFM has been playing an important role in the Japanese local government system since 1957.

A Joint Funding Organization for Local Governments

Objective	<ul style="list-style-type: none"> ■ To provide local governments with long-term funding at low interest rates
Establishment	<ul style="list-style-type: none"> ■ Established in 1957 as a government financial institution (the “predecessor”) ■ Succeeded the predecessor on 1 October 2008 (reorganised on 1 June 2009)
Governing Law	<ul style="list-style-type: none"> ■ Japan Finance Organization for Municipalities Law <ul style="list-style-type: none"> – Act No. 64 of 2007, as amended
Capital	<ul style="list-style-type: none"> ■ JPY 16.6 bn (USD 176 mm)* <ul style="list-style-type: none"> – Capitalised by 1,790 local governments in Japan (as of 31 March 2013) (e.g., Tokyo, Osaka, Yokohama and Nagoya)
Outstanding Loan Balance	<ul style="list-style-type: none"> ■ JPY 22.6 tn (USD 240 bn)* <ul style="list-style-type: none"> – Providing loans to 2,095 local governments in Japan, including all prefectures (as of 31 March 2013)
Ratings	<ul style="list-style-type: none"> ■ AA- (negative: S&P) / Aa3 (stable: Moody’s) <ul style="list-style-type: none"> – The ratings of JFM are the same as those of the Japanese sovereign

*USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Basic Framework of JFM's Business Operations



(1) As of 31 March 2013.

(2) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

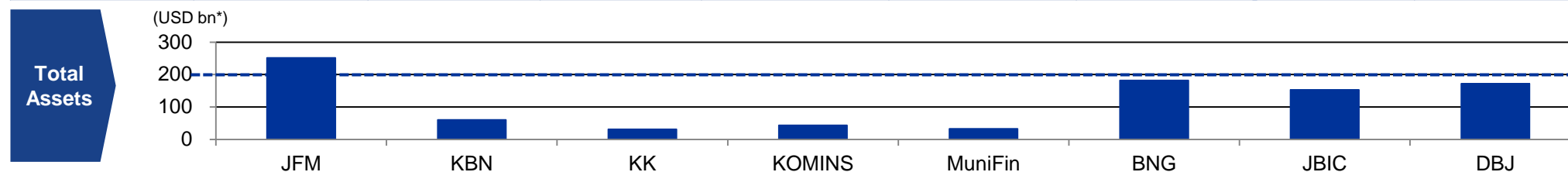
(3) A portion of the earnings from municipally operated racing (horse, bicycle, motorcycle and speedboat).

(4) Sometimes also translated as "Fund for Improvement of Operations of Municipalities".

Peer Group Comparison

- In terms of total assets, JFM is larger than its peer group entities.

Issuer	JFM	KBN (Kommunalbanken)	KK (KommuneKredit)	KOMINS (Kommuninvest)	MuniFin (Municipality Finance)	BNG (Bank Nederlandse)	JBIC	DBJ
Issuer Rating (Moody's/S&P)	Aa3/AA-	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa3/AA-	Aa3/A+
Sovereign Rating	Aa3/AA-	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa3/AA-	Aa3/AA-
Country	Japan	Norway	Denmark	Sweden	Finland	Netherlands	Japan	Japan
Guarantee Structure	Local govts to bear all costs to satisfy JFM's obligations on dissolution	Letter of support from Kingdom of Norway	Joint and several guarantee from local govts	Joint and several guarantee from local govts	Joint guarantee from local govts through Municipal Guarantee Board	Implicit support from Dutch Ministry of Finance	Issues overseas bonds with explicit govt guarantee	Issues overseas bonds with and without explicit govt guarantee
Ownership	100% local govts	100% central govts	100% local govts	100% local govts (most of local govts)	30.66% local govts pension fund 16% central govts 53.34% local govts (part of local govts)	50% central 50% local govts (most of local govts)	100% central govts	100% central govts (potential privatization)
Establishment	1957/2008	1926/1999	1898	1986	1989/1993	1914	1950/1999/ 2008/2012	1951/1999/ 2008
Total Assets* (USD)	251.4 bn (Mar 2013)	60.6 bn (Mar 2013)	31.3 bn (Dec 2012)	43.4 bn (Dec 2012)	32.8 bn (Dec 2012)	182.3 bn (Dec 2012)	153.0 bn (Mar 2013)	172.3 bn (Mar 2013)



Source: Compiled by JFM based on published materials of each issuer.

*Amounts are rounded to one decimal place based on the currency exchange rates as of 29 March 2013.

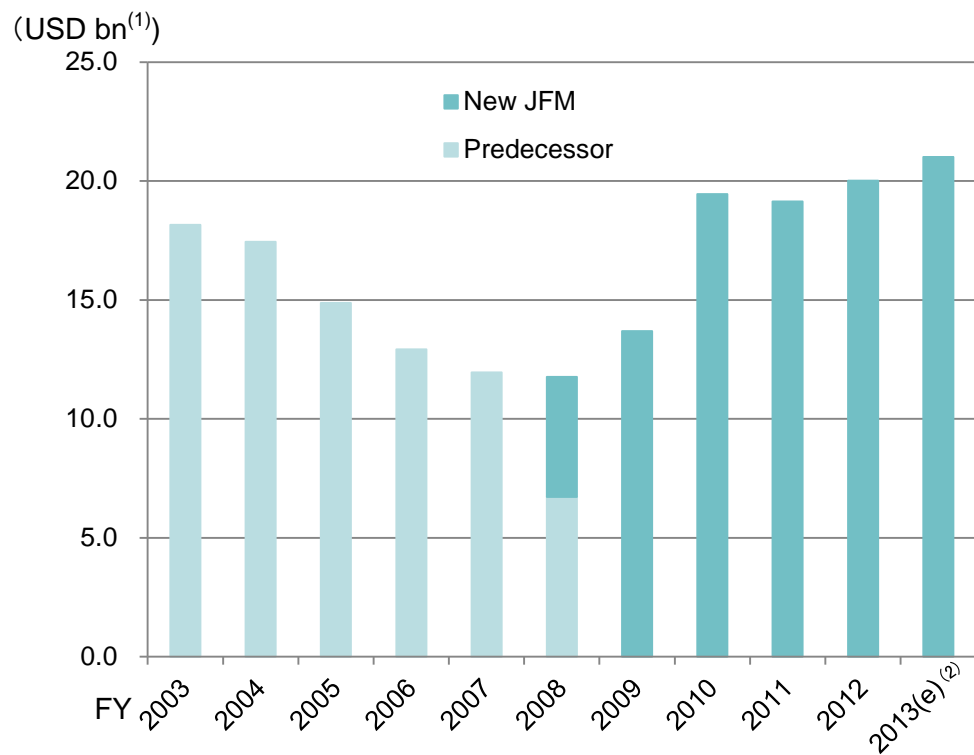
JFM's Financial Highlights

Lending and Funding Operations

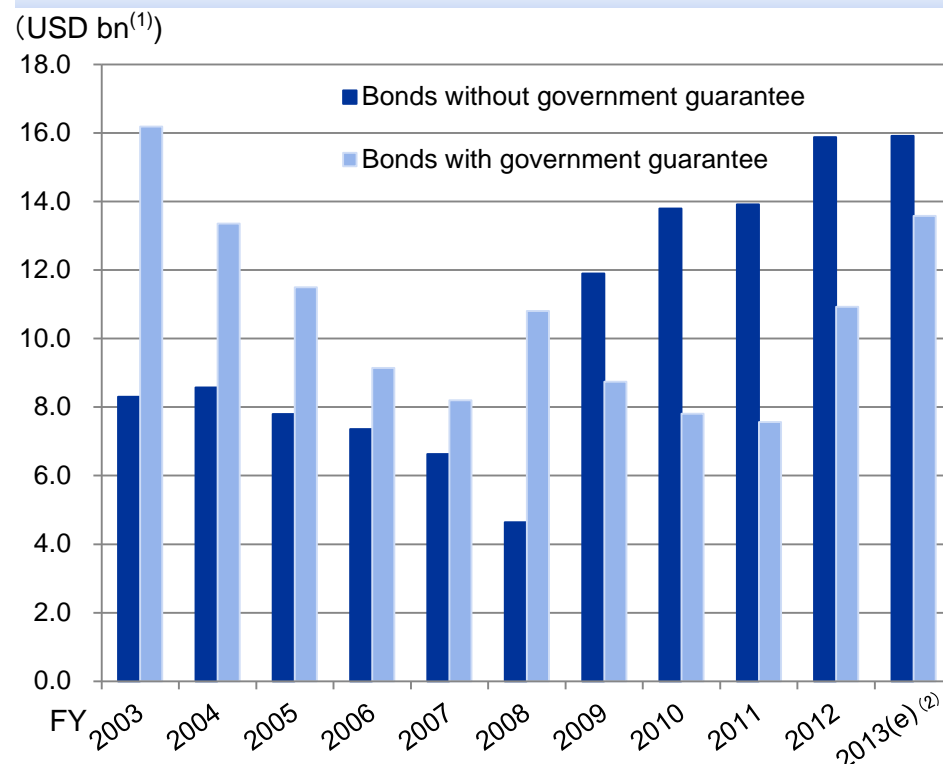
- Lending volume has increased substantially since JFM's lending scope was expanded in 2009 due to reorganisation.
- Loans planned to be made in FY2013 amount to USD 21 bn⁽¹⁾⁽²⁾.

- Bonds without government guarantees are issued from time to time for the purpose of financing new loans.
- Government guaranteed bonds in the domestic market are for the repayment of existing bonds issued by the predecessor.
- JFM has no plans to issue government-guaranteed bonds in overseas markets.

Annual Lending Volume



Bond Issuance



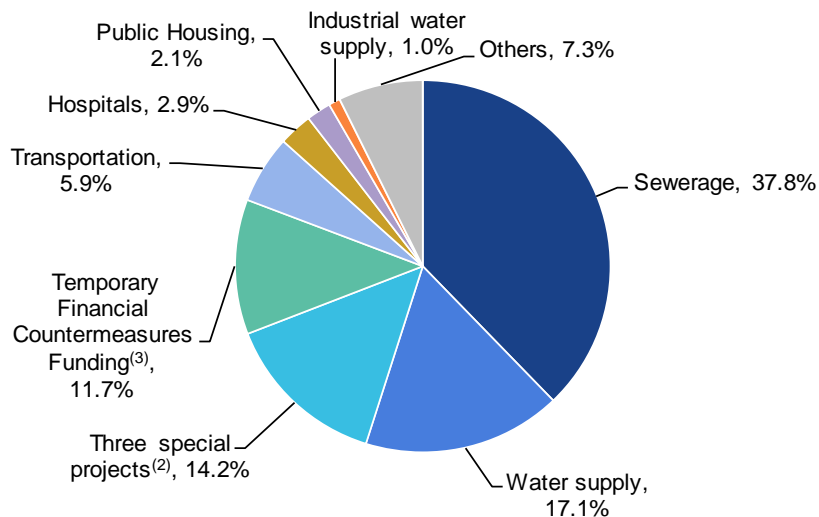
(1) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

(2) Planned amount; subject to change depending on market circumstances.

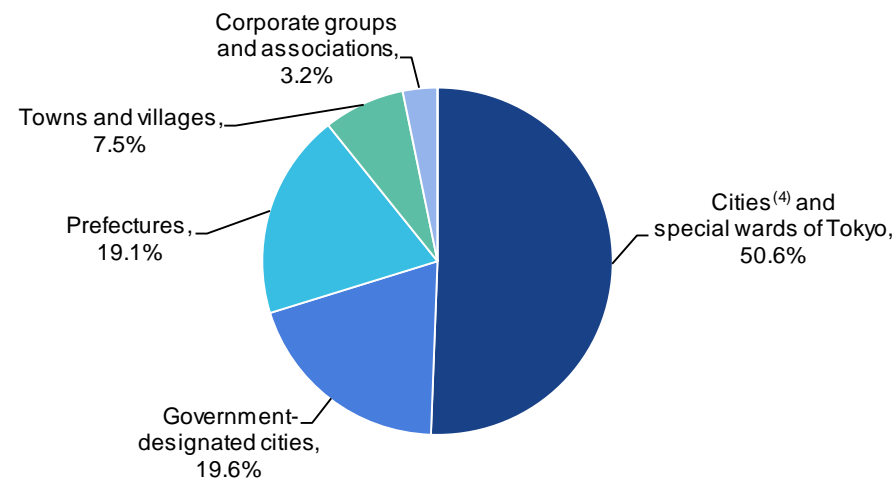
Outstanding Amount of Loans

- By law, JFM loans are provided exclusively to Japanese local governments.
- Outstanding loans of JFM as of 31 March 2013 by business and by borrower are as follows.

Outstanding Loans by Business⁽¹⁾



Outstanding Loans by Borrower⁽¹⁾



Total of USD 240 bn⁽⁵⁾ (JPY 22.6 tn)

(1) As of 31 March 2013.

(2) The three types of special projects consist of development projects for local roads, rivers and other waterways, and high school buildings at the time.

(3) Sometimes also translated as "Extraordinary Financial Countermeasures Funding".

It represents the funding by local governments to cover shortfalls in the local allocation tax pursuant to the provisions of the Local Government Finance Act (Law No. 109 of 1948).

(4) Excludes government-designated cities.

(5) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Managing Interest Rate Risk

Providing the local governments with long-term funding, JFM is exposed to interest rate risk resulting from a duration gap between lending and funding.

- Lending: Maximum maturities of 30 years (Loan duration: 9.72 years*)
- Funding: Issuing bonds mainly with 10 year maturities (Bond duration: 8.61 years*)

Duration gap:
1.11 years*

To address such interest rate risk, JFM takes the following measures:

■ Reserves for Interest Rate Volatility

- JFM maintains reserves for interest rate volatility to deal with the interest rate risk resulting from a duration gap between lending and funding.

■ ALM Committee

- The ALM Committee carries out medium- and long-term management and risk analysis through scenario, Value at Risk, duration and other analyses.

Financial Performance (as of 31 March 2013)

Balance Sheets

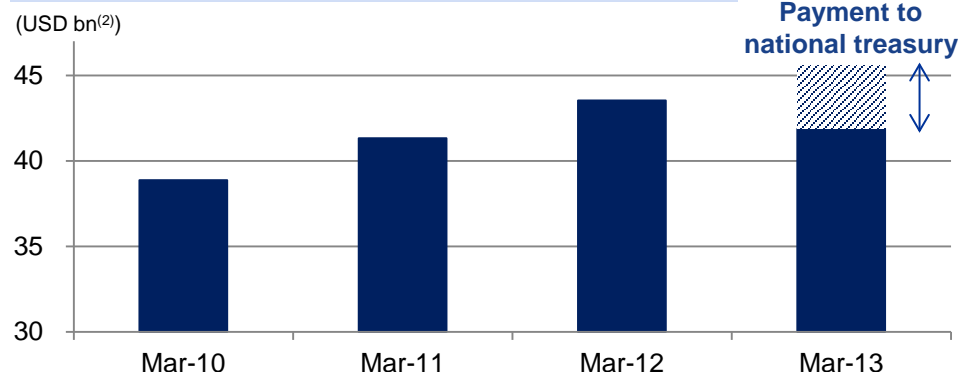
	As of 31 March 2013			
	(JPY mm)	YoY (JPY mm)	(USD bn*)	YoY (USD bn*)
Total Assets	23,704,919	+364,212	251	+3.9
Loans	22,668,634	+281,223	240	+3.0
Total Liabilities	23,591,399	+344,389	250	+3.7
Bonds	18,676,401	+499,705	198	+5.3
Reserves under special laws	3,947,086	-157,758	42	-1.7
Total Net Assets	113,520	+19,824	1.2	+0.2
Capital	16,602	0	0.2	0

Statements of Income

	FY ended 31 March 2013			
	(JPY mm)	YoY (JPY mm)	(USD bn*)	YoY (USD bn*)
Income	487,146	-24,659	5.2	-0.3
Interest Income	485,675	-25,966	5.2	-0.3
Expenses	274,076	-7,673	2.9	-0.1
Interest Expenses	265,647	-8,673	2.8	-0.1
Ordinary Income	213,070	-16,985	2.3	-0.2
Net Special Gains (Losses)⁽¹⁾	(192,241)	(-16,182)	(2.0)	(-0.2)
Net Income	20,828	-804	0.2	-0.01

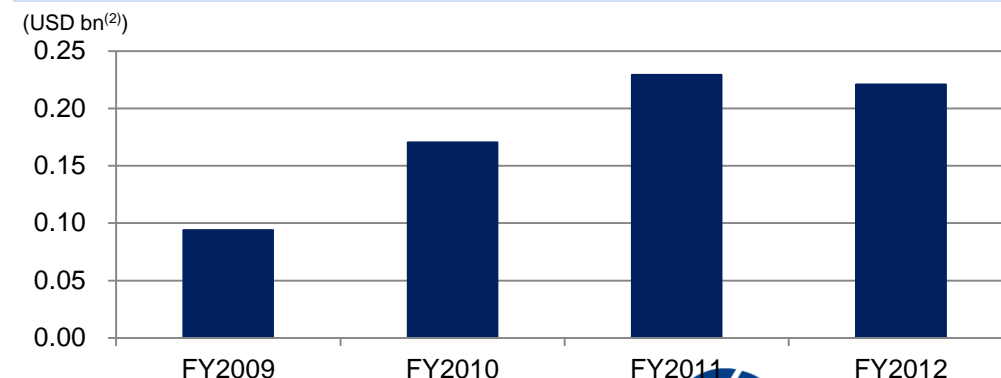
(1) Net Special Gains (Losses) represents the difference between the amounts show in (a) the Special Gains and (b) the Special Losses line items in our audited Statements of Income for FY2012.

Accumulating Reserves



(2) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Stable Income



Capital Market Activities

Funding Activities in Overseas Markets

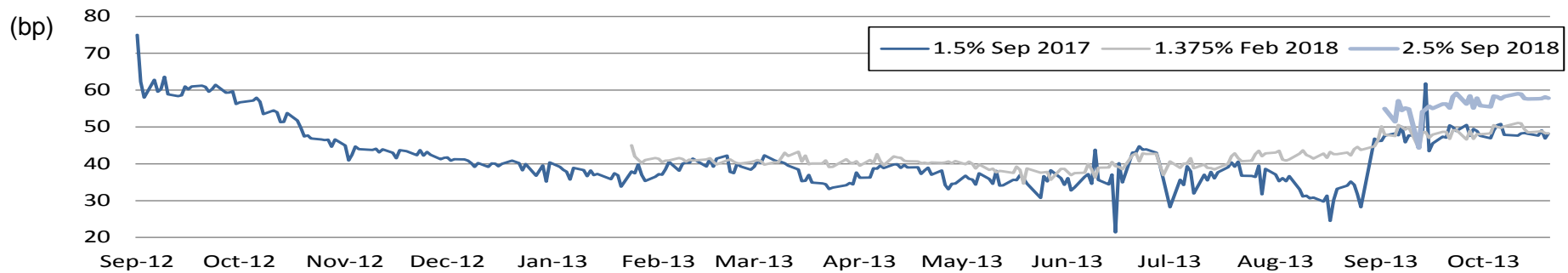
JFM raises funds in a consistent manner to provide local governments with long-term and low-interest funds

■ Benchmark Issuance (Outstanding)

- Completed its debut Global benchmark transaction in September 2013.
- JFM plans to conduct one or more benchmark transactions in the overseas market per year (144A/Reg.S) depending on market conditions, funding needs and other circumstances.

Format	Currency	Issue Amount	Coupon (%)	Issue Date	Maturity Date
Reg. S	USD	1,000 mm	1.500	12 Sep 2012	12 Sep 2017
Reg. S	USD	1,000 mm	1.375	5 Feb 2013	5 Feb 2018
144A / Reg. S	USD	1,500 mm	2.500	12 Sep 2013	12 Sep 2018

Secondary Market Performance



■ Private Placements

- Issues in various currencies through the MTN Programme to meet specific investor demands.

■ Uridashi Bonds

- Issued AUD 100 mm inaugural Uridashi Bonds in March 2013, targeting Japanese retail investors.

■ JFM has no plans to issue government-guaranteed bonds in overseas markets for the future

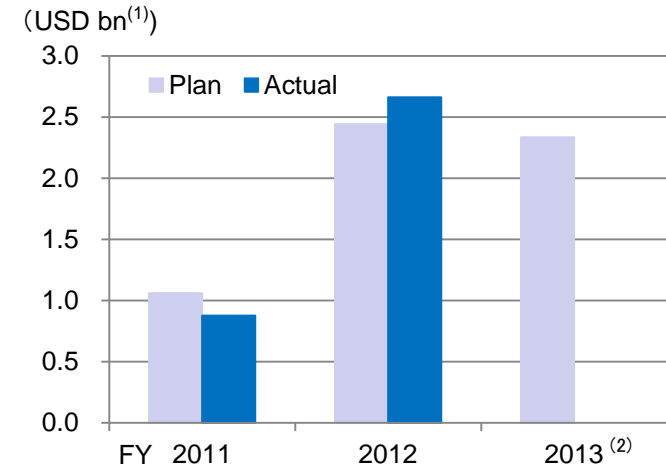
※ From 1984 to 2011: Issuance of 64 overseas bonds with government guarantees.

Funding Plan for FY2013

FY 2013

Type of Bonds	FY ended 31 March 2013 (achieved)	FY ending 31 March 2014 (plan) ⁽²⁾	
		JPY	USD
Guaranteed	JPY 1,030 bn	JPY 1,280 bn	USD 13.6 bn ⁽¹⁾
Non-guaranteed	JPY 1,496 bn	JPY 1,500 bn	USD 15.9 bn ⁽¹⁾
Domestic Issuance	JPY 1,273 bn	JPY 1,280 bn	USD 13.6 bn ⁽¹⁾
MTN	JPY 223 bn	JPY 220 bn	USD 2.3 bn ⁽¹⁾

MTN Bond Issuance



Overseas Issuance

- In FY2013, JFM plans to raise a total of **USD 2.3 bn⁽¹⁾⁽²⁾**
 - So far, JFM has raised approximately **USD 2.1 bn⁽³⁾** through a public benchmark transaction and private placements
 - The funding plan may be revised depending on market conditions, funding needs and other circumstances

(1) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

(2) Planned amount is subject to change.

(3) Includes AUD 100 mm, converted at USD 1 = AUD 1.0087 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Credit Highlights



Credit Highlights

1. Solid Institutional Framework

- JFM is a joint funding organization for all local governments, established under the special law.
- JFM has strong ties with the national government.
- If JFM's obligations cannot be satisfied in full during the dissolution process, local governments bear all of the costs to satisfy such obligations in full, via payments to JFM.

2. High Quality of Assets

- Loans are provided exclusively to the local governments.
- Local governments must have the consent or approval of the Minister* or respective prefectural governors when they undertake borrowings from JFM.
- Local governments have support from the national level via the Local Allocation Tax system.
- JFM has never experienced a default on its lending for more than 50 years since its establishment.

3. Sound Financial Foundation

- JFM maintains appropriate reserves.
- JFM conducts prudent ALM.

*Minister for Internal Affairs and Communications.

Appendix



History of JFM

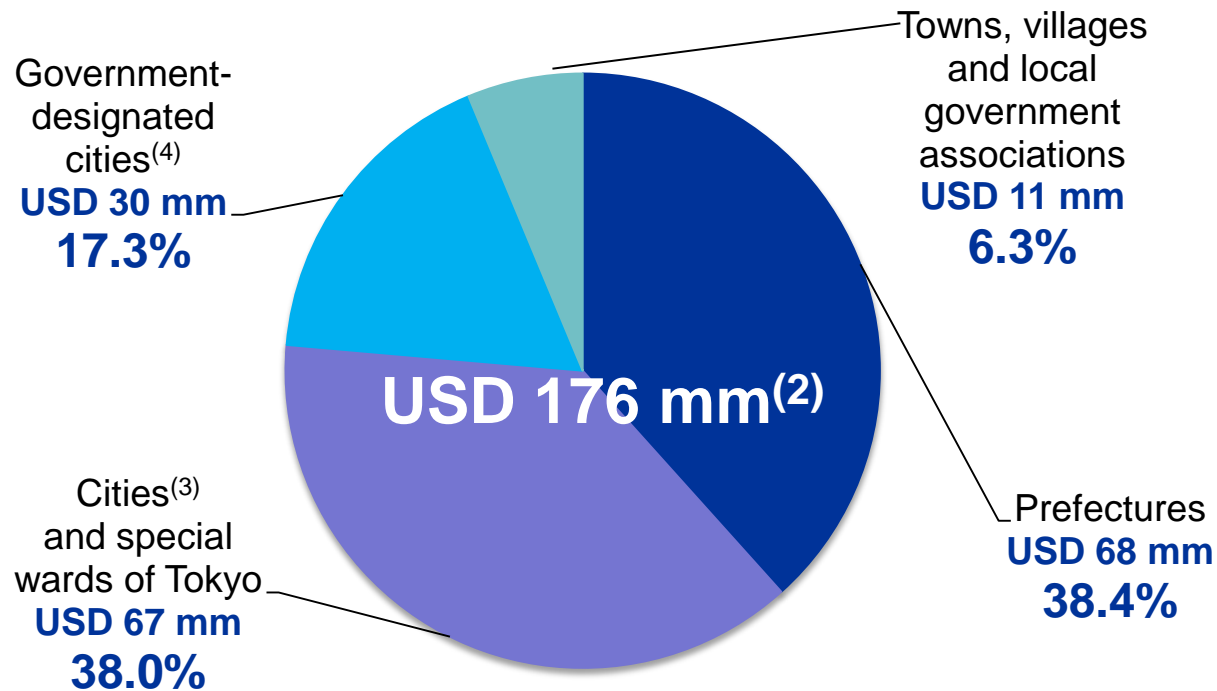
- As a result of the reorganisation mandated by the policy-based financial reform, JFM's ownership transferred from the national government to local governments.
- Despite the structural change, JFM has strong ties with the national government, playing a vital role in the funding system for local governments.

Date	Event	Source of Capital
1 June 1957	<Foundation> Japan <u>Finance Corporation</u> for Municipal Enterprises	National Government
	 <div style="border: 1px solid black; border-radius: 15px; padding: 5px; display: inline-block;"> Substantially all rights and obligations are succeeded to </div>	
1 October 2008	< Start-up of Operation> Japan <u>Finance Organization</u> for <u>Municipal Enterprises</u>	Local Governments
1 June 2009	<Reorganization> Japan Finance Organization for <u>Municipalities</u> (<u>The expansion of lending scope</u>)	Local Governments

JFM Shareholders

- JFM has capital of JPY 16.6 bn (USD 176 mm⁽¹⁾⁽²⁾) contributed by 1,790⁽¹⁾ Japanese local governments.

Amount of Capital Contribution⁽¹⁾



(1) As of 31 March 2013.

(2) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

(3) Excludes Government-designated cities.

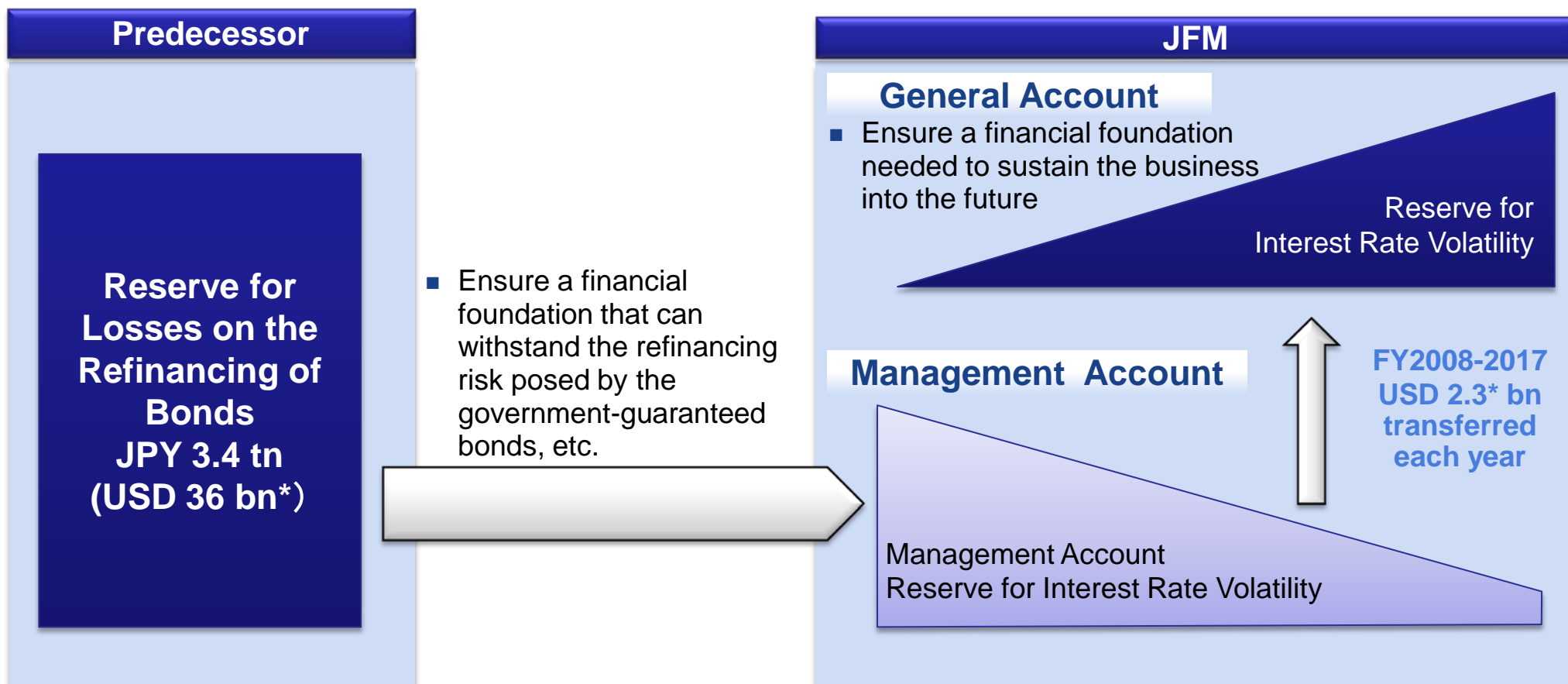
(4) Government-designated cities:

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 sanitation, urban planning and so on, for which prefectures are responsible in principle.

General Account and Management Account

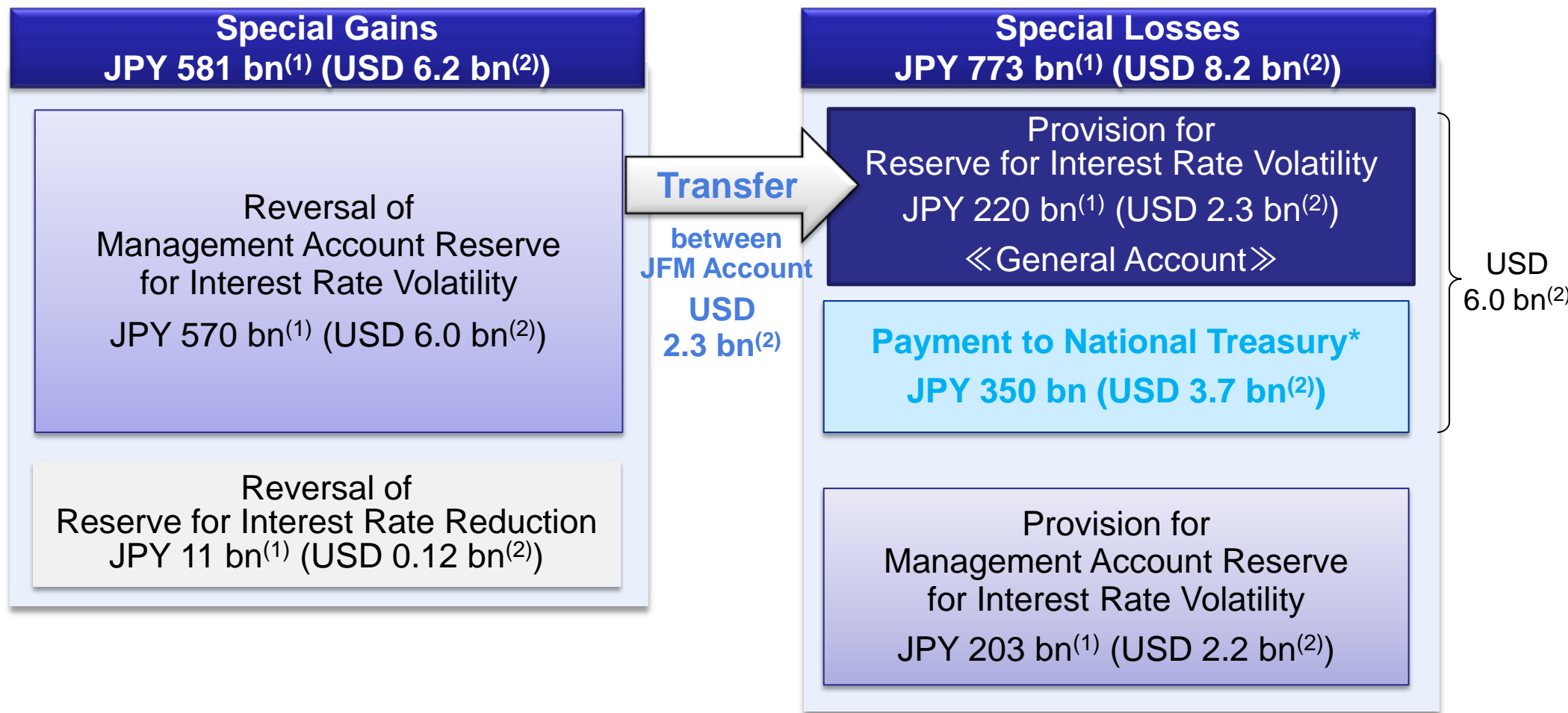
- **General Account:** New loans to be extended and new bonds to be issued by JFM (since 2008).
- **Management Account:** Legacy operations to manage loans carried over from the predecessor.

JFM's Reserves under Special Laws



*USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Special Gains and Special Losses



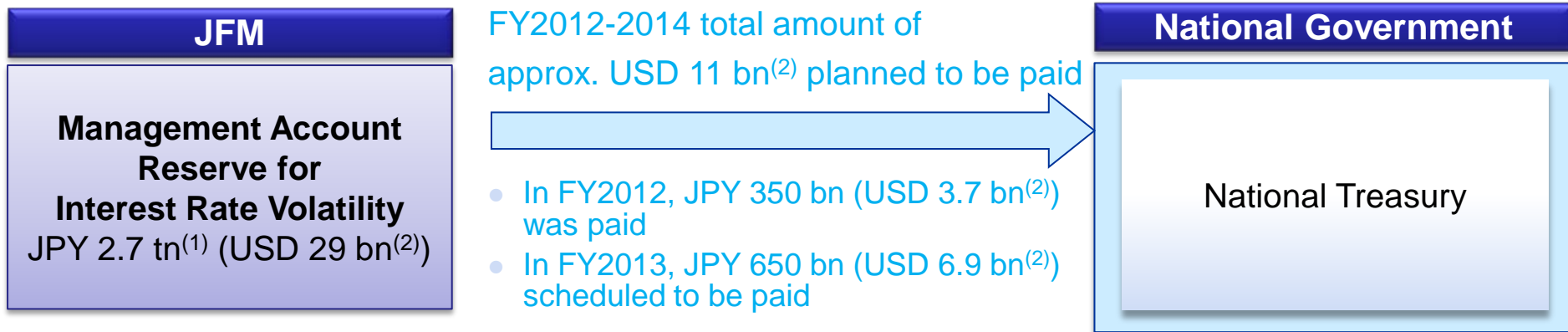
*Payment to National Treasury: JPY 1 tn (USD 11 bn⁽²⁾) aimed to be paid from FY2012 to FY2014

(1) As of 31 March 2013.

(2) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Payment to National Treasury

- Part of JFM's management account reserve for interest rate volatility is to be paid to the national treasury pursuant to Article 14 of the Supplementary Provisions to the JFM Law.



Conditions specified in Article 14 of the Supplementary Provisions to the JFM Law:

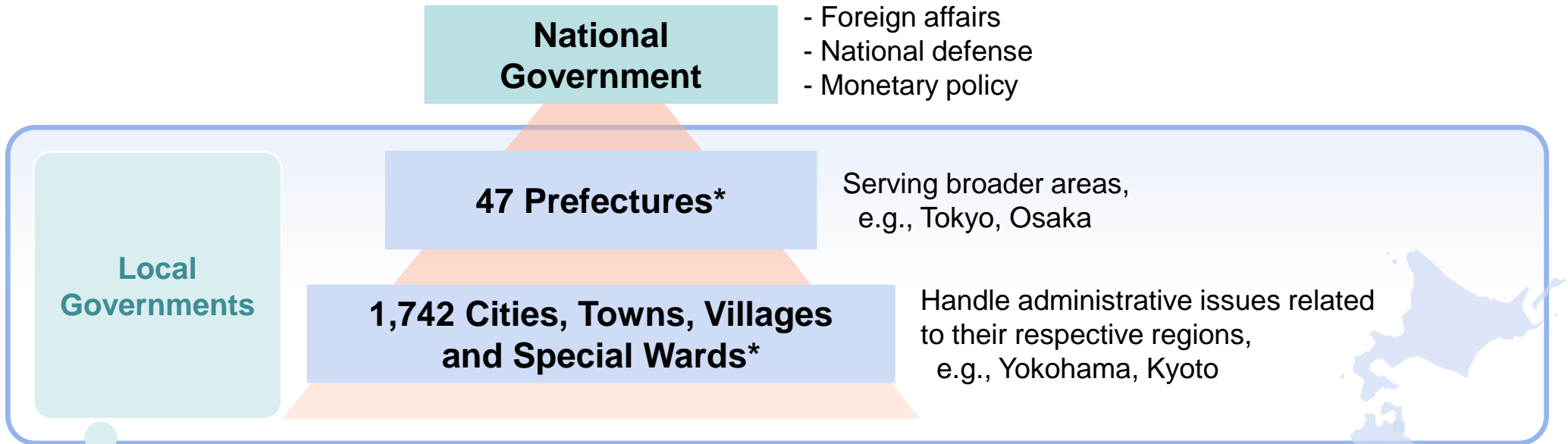
The Minister for Internal Affairs and Communications and the Minister of Finance shall cause an amount that is determined to be in excess to be paid to the national treasury under the conditions that:

- The businesses of JFM are determined to have been executed smoothly in light of the condition of JFM management; and
- The management account reserves for interest rate volatility and certain other reserves are determined to exceed the amount necessary for the smooth operation of the business of managing and collecting the receivables succeeded from the predecessor into the future.

(1) As of 31 March 2013.

(2) USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Local Government System in Japan



■ Local governments are responsible for a wide range of services closely related to the daily lives of citizens such as:

- Public health
- Social welfare
- Education
- Policing
- Fire fighting

*As of 31 March 2013.

Security of Japan's Local Governments

1. Secure Financial Resources for Local Governments

- **Local Allocation Tax System:** a portion of national tax revenue is allocated to the local governments in order to cover the shortfall. (See Appendix P23)
- **Local Government Borrowing Programme:** determines the amount and sources of local government funding and ensures that funds will be sufficiently provided. (See Appendix P24)

National Government

2. Borrowing Consultation

Consent or Approval for Borrowing

**3. Financial Conditions Monitoring
Early Warning or Reconstruction**

Under the supervision of upper level government

Prefectures

(Local Governments)

2. Borrowing Consultation

Consent or Approval for Borrowing

**3. Financial Conditions Monitoring
Early Warning or Reconstruction**

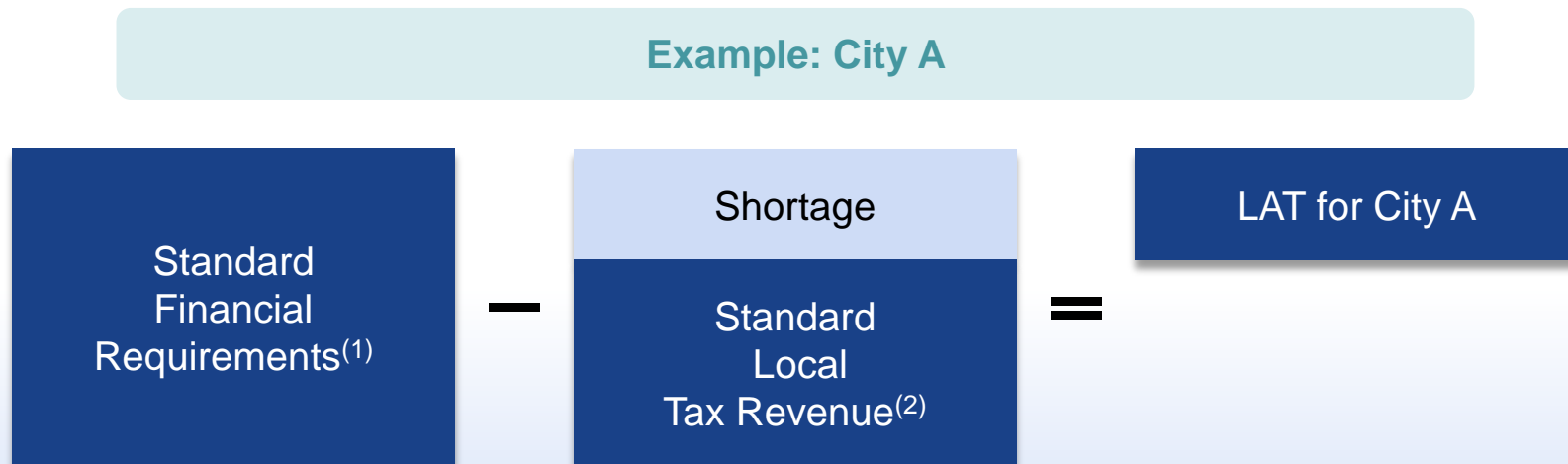
Under the supervision of upper level government

**Cities
Towns
Villages
Special Wards**

(Local Governments)

Local Allocation Tax System

- Under the Local Allocation Tax (“LAT”) system, the national government allocates a part of national tax revenue to the local governments in order to adjust the imbalance of revenue sources among the local governments.
- LAT for each local government is decided based on its requirement and revenue as follows:



(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 a right to tax only within their respective local regions in Japan. Regional imbalances in tax revenues are common.

Local Government Borrowing Programme

- The national government decides guidelines for the amount of local government borrowings according to the Local Government Borrowing Programme (the “LGBP”). Each local government raises funds within this amount.
- The total amount of JFM funds is based on the LGBP, prepared by the national government each fiscal year.
- JFM funds account for around 16% of local government funding.

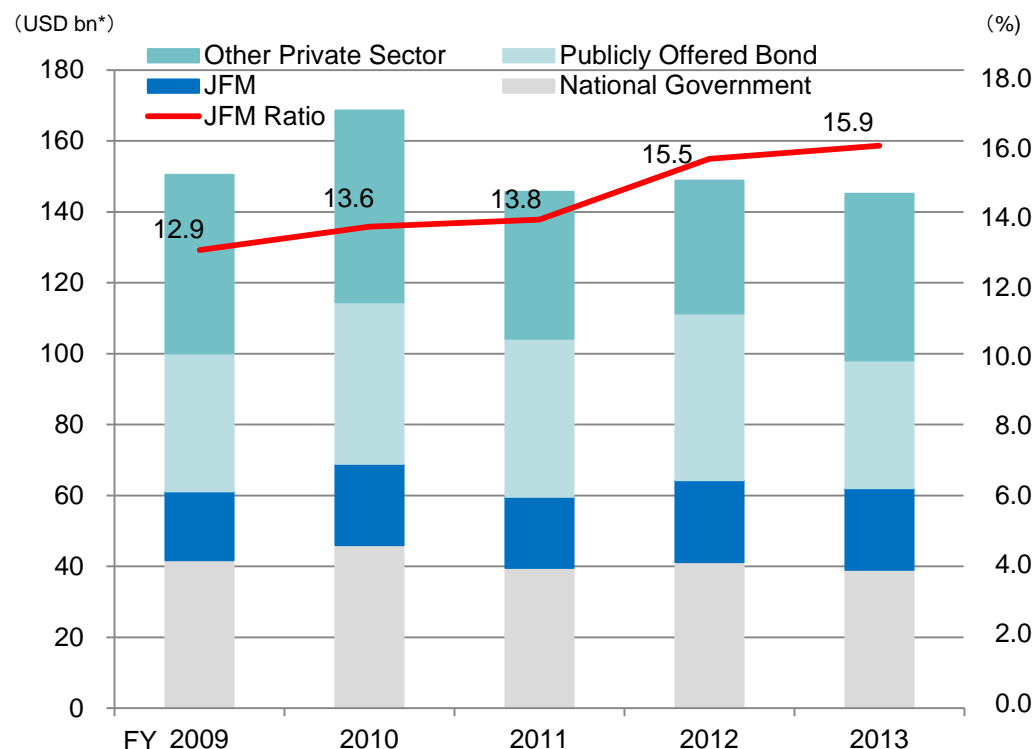
Funding measures

		FY 2012 (USD bn*)	FY 2013 (USD bn*)	Share
1 Private Funds	Publicly Offered Bond	47	36	25%
	Other Private Sector	37	47	32%
2 Public Funds	JFM	23	23	16%
	National Government	41	39	27%
Total		149	145	100%

The figures above are the originally published by Ministry of Internal Affairs and Communication planned numbers (not actual).

*USD 1 = JPY 94.30 as of 31 March 2013 (based on the exchange rate on 29 March 2013, the last business day of March).

Funding amount (Initial plan)



Source: Ministry of Internal Affairs and Communications

Contact Information

Japan Finance Organization for Municipalities

Finance, Finance Department

Postal address:

Shisei Kaikan, 1-3 Hibiya Koen,
Chiyoda-ku

Tokyo 100-0012, Japan

Tel:

+81-3-3539-2697

Fax:

+81-3-3539-2615

E-mail:

funds-d@jfm.go.jp

Bloomberg ticker:

JFM Govt



(JFM in Tokyo)