

Spring 2018



Himeji Castle, Hyogo Prefecture Japan

JFM

Japan Finance Organization for Municipalities

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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

- To provide local governments with long-term funding at low interest rates

Establishment

- The predecessor of JFM was established in 1957 as a government financial institution (the “predecessor”)
- JFM succeeded the predecessor on 1 October 2008 (reorganised on 1 June 2009)

Governing Law

- Japan Finance Organization for Municipalities Law
 - Law No. 64 of 2007, as amended

Capital

- JPY 16.6 bn (USD 148.2 mm)^{(1) (2)}
- 100% owned by Japanese local governments
 - Capitalized by all 1,789 local governments and a local government association of Japan (as of 30 September 2017)
(e.g., Tokyo, Osaka, Yokohama and Nagoya)

Outstanding Loan Balance

- JPY 23.5 tn (USD 210.6 bn)^{(1) (2)}
 - Providing loans to 2,165 public institutions in Japan including almost all local governments (as of 30 September 2017)

Credit Ratings

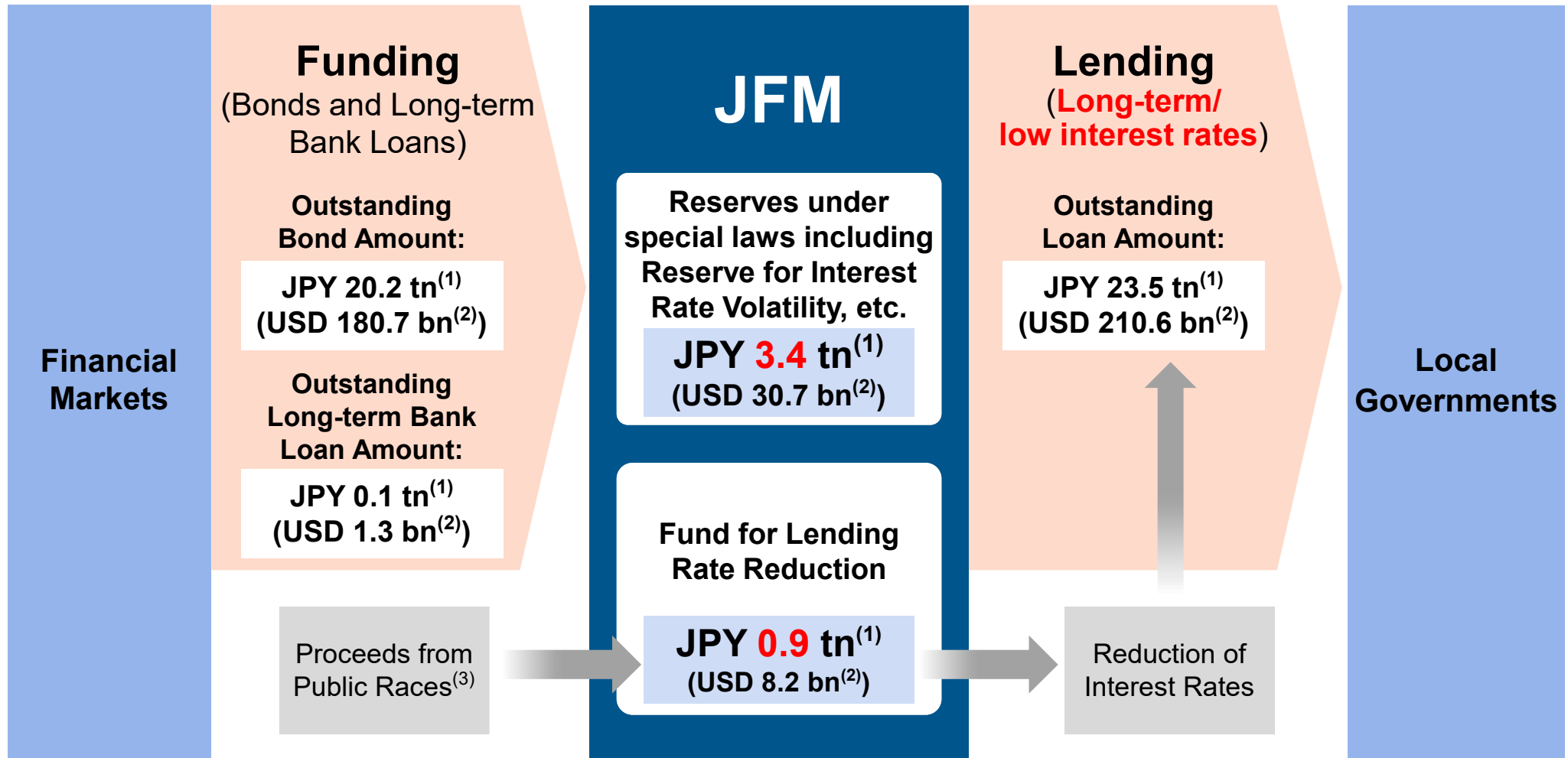
- A+ (Positive: S&P) / A1 (stable: Moody's)
 - The ratings of JFM are the same as those of the Japanese sovereign

(1) As of 30 September 2017.

(2) USD 1 = JPY 112.05 as of 31 March 2017.

Basic Framework of JFM's Business Operations

- By law, JFM lends exclusively to the local governments, and none of them have ever defaulted.



(1) As of 31 September 2017.

(2) USD 1 = JPY 112.05 as of 31 March 2017.

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

Peer Group Comparison

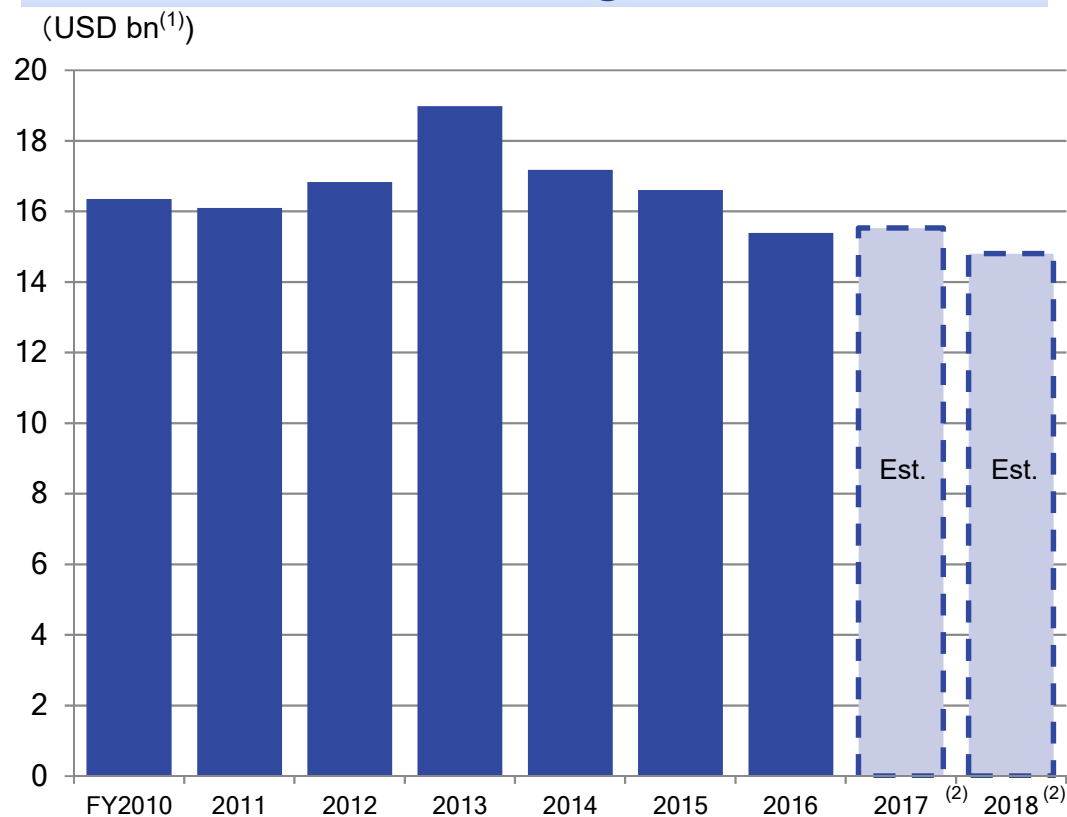
Issuer	JFM	AFL (Agence France Locale)	BNG (Bank Nederlandse)	KBN (Kommunalbanken)	KK (KommuneKredit)	KOMINS (Kommuninvest)	MuniFin (Municipality Finance)	JBIC	DBJ
Issuer Rating (Moody's/S&P)	A1/A+	Aa3/ -	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa1/AA+	A1/A+	A1/A
Sovereign Rating	A1/A+	Aa2/AA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aa1/AA+	A1/A+	A1/A+
Country	Japan	France	Netherlands	Norway	Denmark	Sweden	Finland	Japan	Japan
Guarantee Structure	Local govts to bear all costs to satisfy JFM's obligations in the event of dissolution	Explicit support from French local govts	Implicit support from Dutch Ministry of Finance	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	With explicit central govt guarantee for overseas bonds	With / Without explicit central govt guarantee for overseas bonds
Ownership	100% Local govts	100% Local govts	50% Central govt 50% local govts	100% Central govt	100% Local govts	100% Local govts	30.66% Local govts pension fund 53.34% Local govts 16% Central govt	100% Central govt	100% Central govt (potential privatization)
Establishment	1957/2008	2013	1914	1926/1999	1898	1986	1989/1993	1950/1999/ 2008/2012	1951/1999/ 2008

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

Lending and Funding Operations

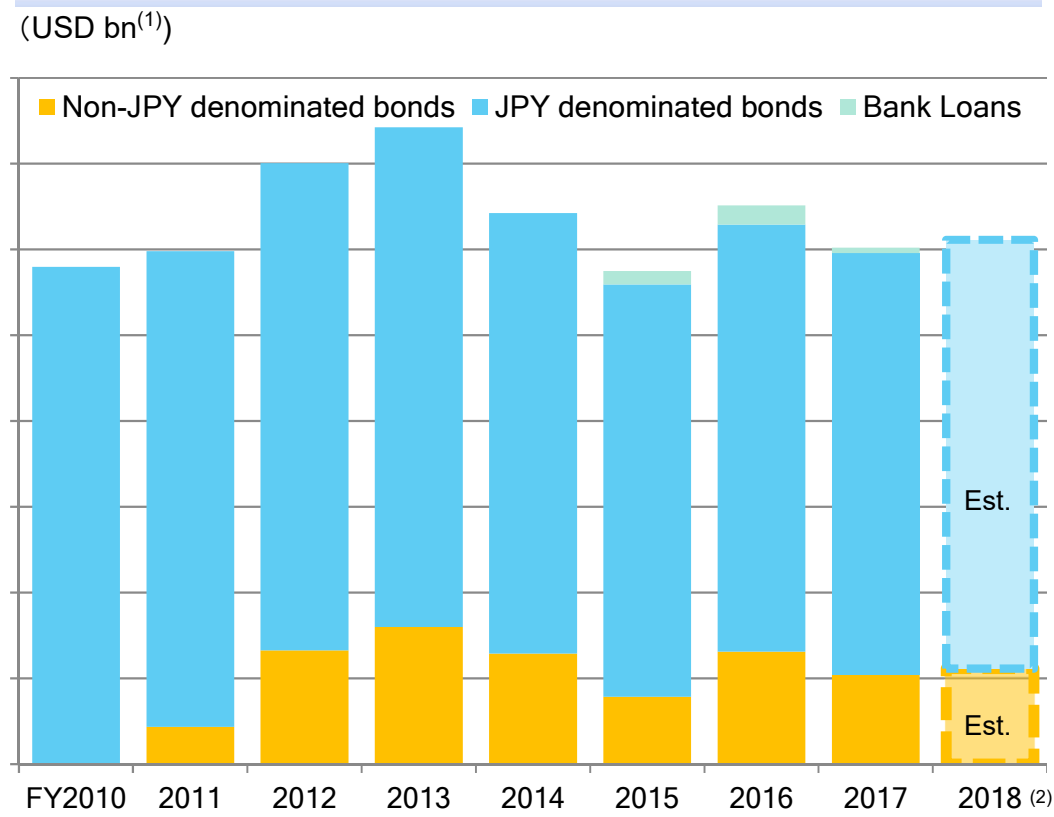
- Annual lending volume has been hovering around USD16bn-17bn since fiscal 2010 except for fiscal 2013 when the volume jumped due mainly to the introduction of the Great East Japan Earthquake related lending.

Annual Lending Volume



- JFM has annually issued around USD11bn-14bn of non-guaranteed bonds.
- Non-JPY denominated bonds have been issued continuously since 2011.

Bond Issuance (Non-Guaranteed)

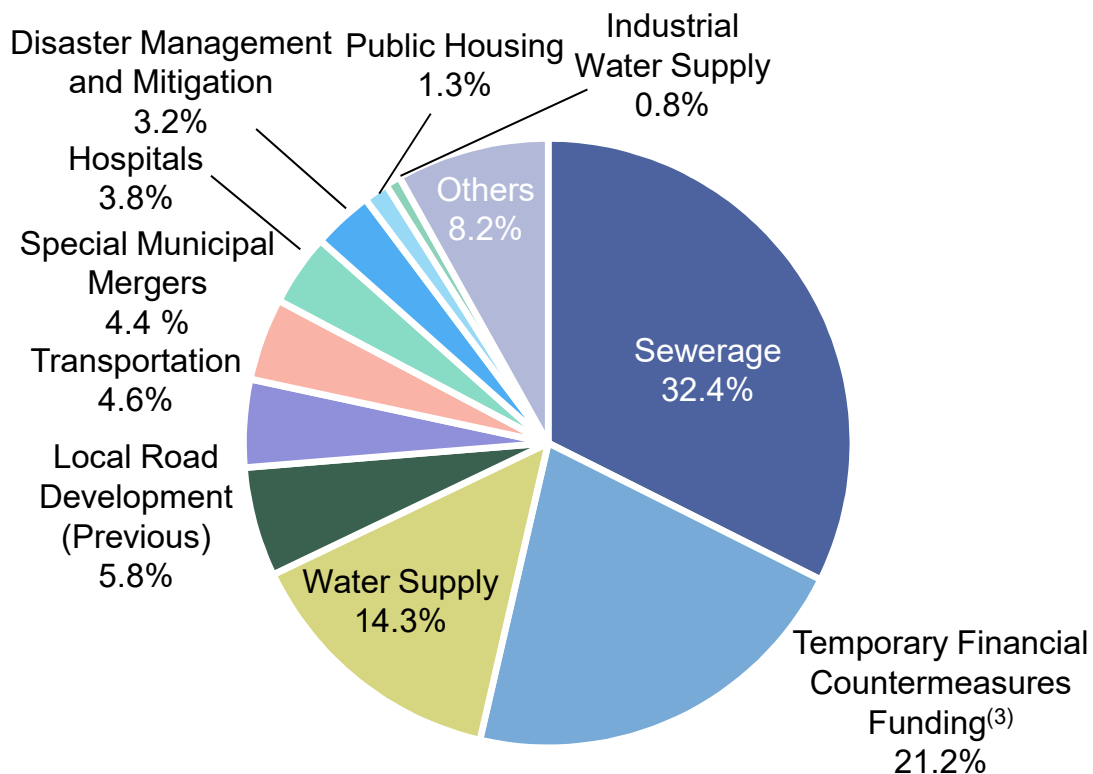


(1) USD 1 = JPY 112.05 as of 31 March 2017.

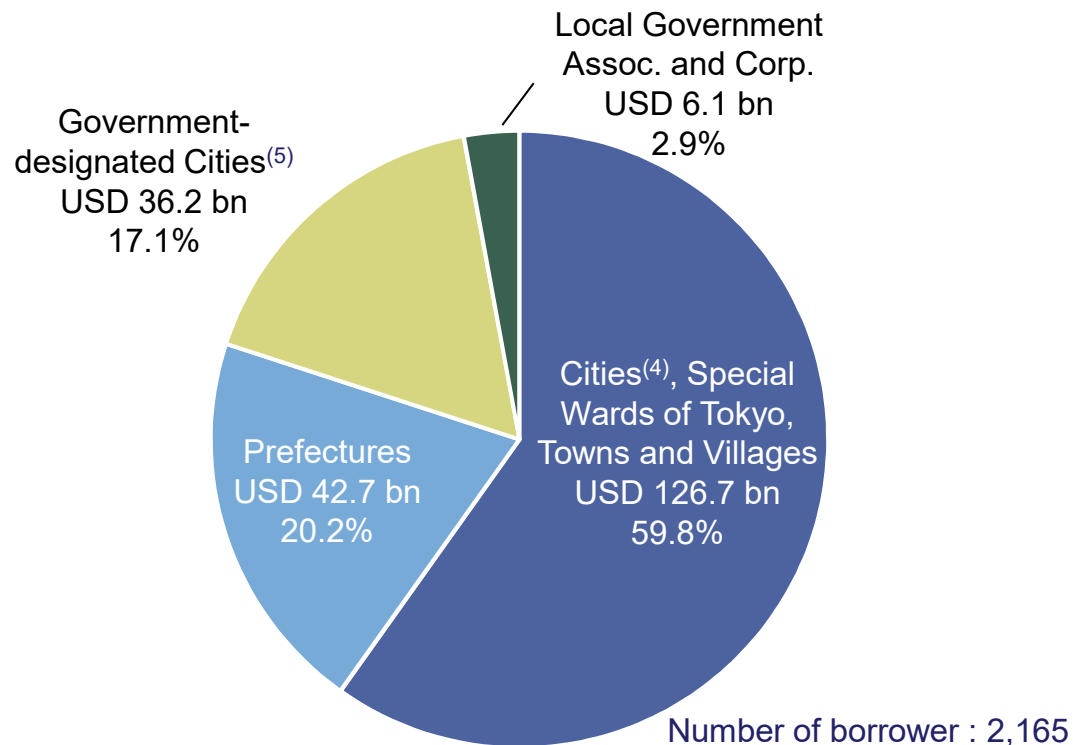
(2) Initially planned amount; subject to change depending on lending status, market conditions and other factors.

Breakdown of JFM's Outstanding Loan Portfolio

By Usage⁽¹⁾



By Borrower⁽²⁾



Total of USD 210.6 bn⁽¹⁾⁽⁶⁾ (JPY 23.5 tn)

(1) As of 30 September 2017.

(2) As of 31 March 2017.

(3) 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) 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 similar matters, for which prefectures are responsible in principle.

(6) USD 1 = JPY 112.05 as of 31 March 2017.

Funding Plan

Type of Bonds	FY 2017		FY 2018
	FY ending 31 March 2018 (Plan) ⁽¹⁾⁽²⁾	FY ended 31 March 2018 (achieved) ⁽¹⁾⁽³⁾	FY ending 31 March 2019 (Plan) ⁽¹⁾⁽²⁾
Non-guaranteed (JFM Bonds)	USD 12.0 bn	USD 11.9 bn	USD 12.9 bn
Domestic Issuance	USD 9.4 bn	USD 9.8 bn	USD 9.7 bn
GMTN	USD 1.8 bn	USD 2.1 bn	USD 2.2 bn
Open Issuance ⁽⁴⁾	USD 0.8 bn	-	USD 1.0 bn
Guaranteed Domestic issuance only	USD 6.8 bn	USD 6.8 bn	USD 3.6 bn
Bank Loans	USD 0.1 bn	USD 0.1 bn	USD 0.4 bn
Total Funding Amount	USD 18.9 bn	USD 18.9 bn	USD 17.0 bn

(1) USD 1 = JPY 112.05 as of 31 March 2017.

(2) Planned amount is subject to change depending on lending status, market conditions and other factors.

(3) The achievement includes 10yrs bonds with expected issue amount of JPY15billion to be issued March 2018.

(4) Details of issuance such as tenor, issue size and issue market will be determined as necessary based on the lending status, market conditions and other factors.

Funding Activities in International Capital Markets

JFM continues to access international capital markets through public issuances as well as private placements.

■ Public Issuance (Outstanding)

Programme	Issue Date	Format	Currency	Issue Amount	Coupon (%)	Tenor
GMTN	24 Apr 2018	Rule 144A / Reg.S	USD	1,000 mm	3.250	5y
	8 Sep 2017	Rule 144A / Reg.S	USD	1,000 mm	2.000	3y
	20 Apr 2017	Rule 144A / Reg.S	USD	1,000 mm	2.625	5y
	25 Oct 2016	Rule 144A / Reg.S	USD	1,000 mm	2.125	7y
	13 Apr 2016	Rule 144A / Reg.S	USD	1,500 mm	2.125	5y
	12 Feb 2016	Rule 144A / Reg.S	USD	500 mm	2.125	5y
	21 Apr 2015	Rule 144A / Reg.S	USD	1,000 mm	2.000	7y
	13 Feb 2015	Rule 144A / Reg.S	USD	1,000 mm	2.375	10y
	22 Sep 2014	Reg.S	EUR	1,000 mm	0.875	7y
	6 Mar 2014	Rule 144A / Reg.S	USD	1,000 mm	2.125	5y
	12 Sep 2013	Rule 144A / Reg.S	USD	1,500 mm	2.500	5y

■ Private Placements

- Issuance in various major currencies through the GMTN Programme to meet specific investor demands

■ Uridashi Bonds

- Issuance targeting Japanese retail investors



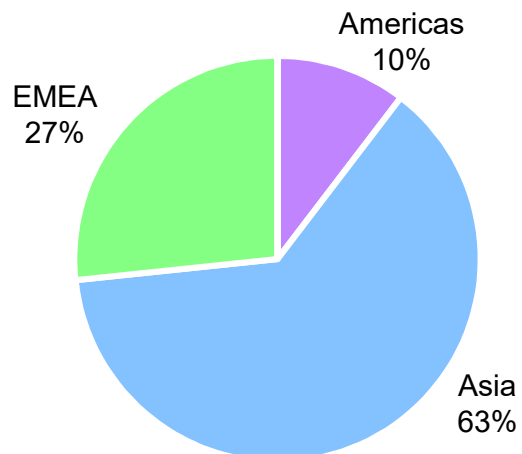
3.250% USD 1.0bn 5yr Bonds Deal Summary (Apr-2018)

Priced at MS+44bp or 6bp tighter than IPT level on the back of strong investor demands at the beginning of a quarter

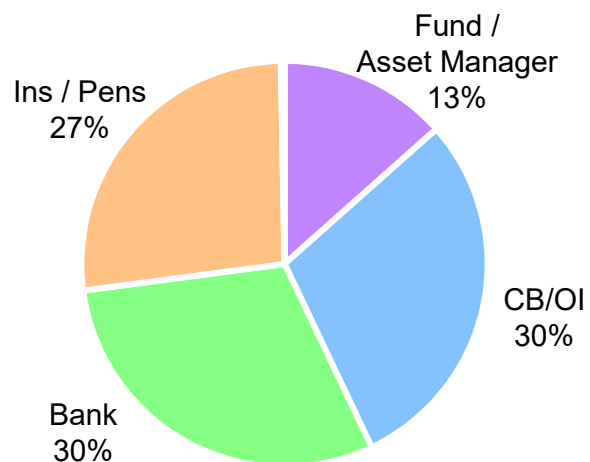
Final order book was diverse in terms of investor type, with 30% allocated to central banks and private banks respectively, followed by insurers and pension funds 27%

Final order book USD 3.4bn from 88 investors

Distribution by Geography



Distribution by Investor



Issue Details

Issuer:	Japan Finance Organization for Municipalities ("JFM")
Format:	144A / Reg.S (GMTN Programme)
Ratings:	A1 / A+ (Moody's / S&P)
Tenor:	5yr
Issue Size:	USD 1.0 billion
Pricing Date:	17 th April 2018
Issue Date:	24 th April 2018
Maturity Date:	24 th April 2023
Re-offer Spread:	MS+44bp (US CT5+56.6bp)
Coupon:	3.250%
Issue Price:	99.982%
Listing:	London / TOKYO PRO-BOND Market
Lead Managers:	Barclays / BofAML / Daiwa / Mizuho

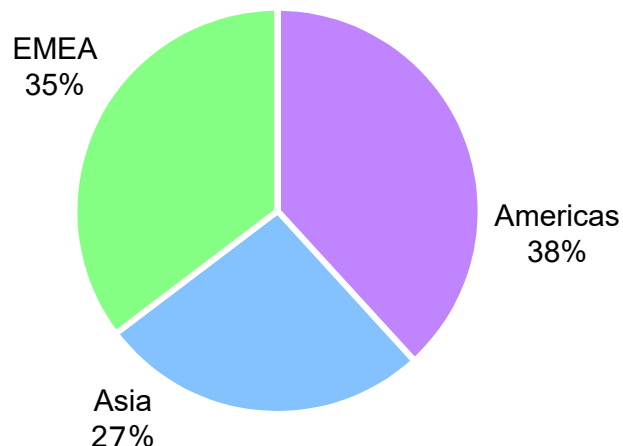
2.000% USD 1.0bn 3yr Bonds Deal Summary (Sep-2017)

Established credit curve of JFM by issuing the 3yr notes which was the first deal in Japanese non-government guaranteed bonds space

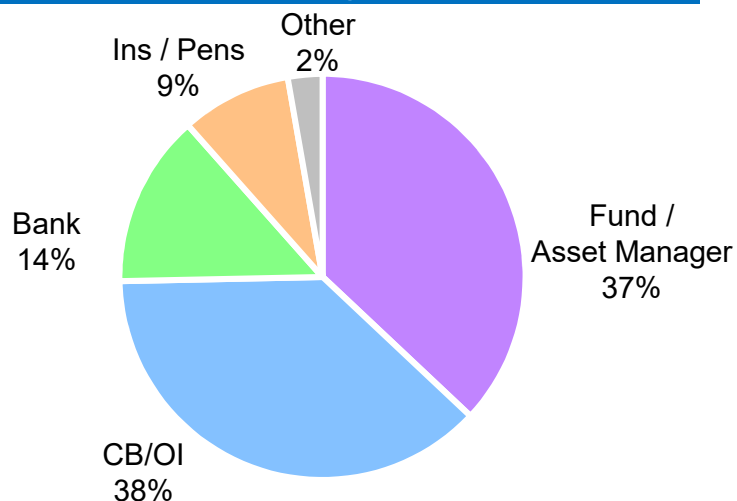
Achieved good quality of book with strong demands from CB/OI which accounted for over 1/3 of the total distribution

Final order book USD 2.3bn+

Distribution by Geography



Distribution by Investor



Issue Details

Issuer:	Japan Finance Organization for Municipalities ("JFM")
Format:	144A / Reg.S (GMTN Programme)
Ratings:	A1 / A+ (Moody's / S&P)
Tenor:	3yr
Issue Size:	USD 1.0 billion
Pricing Date:	31 st August 2017
Issue Date:	8 th September 2017
Maturity Date:	8 th September 2020
Re-offer Spread:	MS+47bp (US CT3+66.1bp)
Coupon:	2.000%
Issue Price:	99.740%
Listing:	London / TOKYO PRO-BOND Market
Lead Managers:	BofAML / Barclays / GS / Nomura

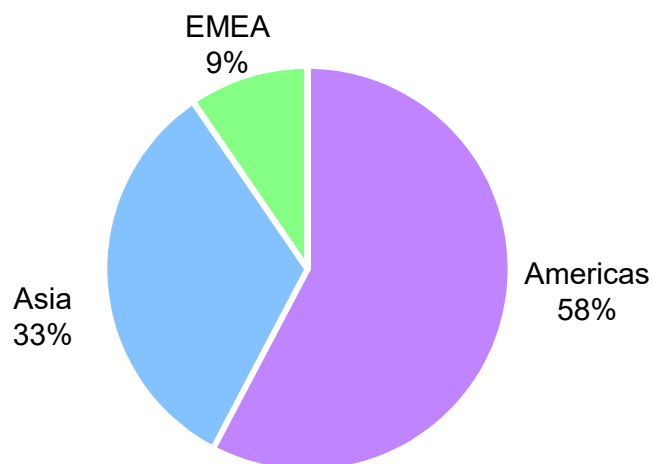
2.625% USD 1.0bn 5yr Bonds Deal Summary (Apr-2017)

Priced at the tightest level (MS+74bp) since the downgrade of JGB (Sep 2015)

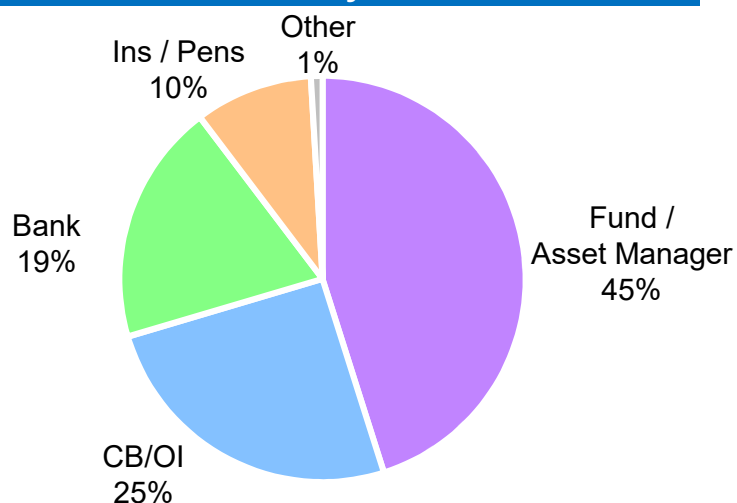
Achieved good quality of book with diversification of investors including CB/OI

Final order book USD 2.2bn+

Distribution by Geography



Distribution by Investor



Issue Details

Issuer:	Japan Finance Organization for Municipalities ("JFM")
Format:	144A / Reg.S (GMTN Programme)
Ratings:	A1 / A+ (Moody's / S&P)
Tenor:	5yr
Issue Size:	USD 1.0 billion
Pricing Date:	12 th April 2017
Issue Date:	20 th April 2017
Maturity Date:	20 th April 2022
Re-offer Spread:	MS+74bp (US CT5+84.6bp)
Coupon:	2.625%
Issue Price:	99.823%
Listing:	London / TOKYO PRO-BOND Market
Lead Managers:	Barclays / JPM / Nomura

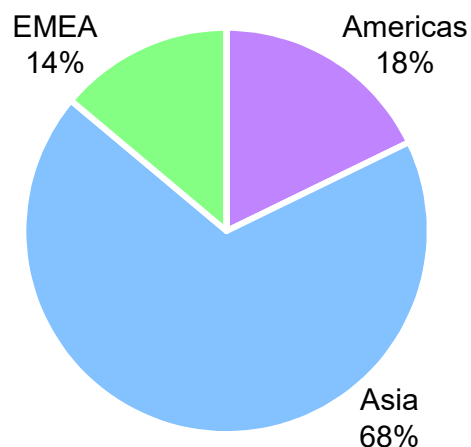
2.125% USD 1.0bn 7yr Bonds Deal Summary (Oct-2016)

Rare 7yr USD benchmark
in the SSA sector

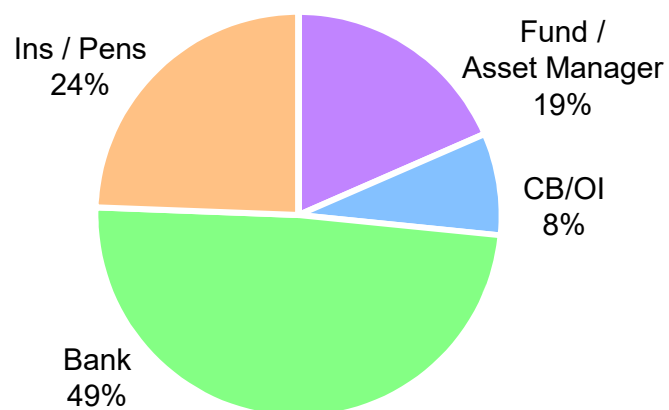
Re-established existing
JFM's USD curve

Final order book
USD 1.8bn+

Distribution by Geography



Distribution by Investor



Issue Details

Issuer:	Japan Finance Organization for Municipalities ("JFM")
Format:	144A / Reg.S (GMTN Programme)
Ratings:	A1 / A+ (Moody's / S&P)
Tenor:	7yr
Issue Size:	USD 1.0 billion
Pricing Date:	18 th October 2016
Issue Date:	25 th October 2016
Maturity Date:	25 th October 2023
Re-offer Spread:	MS+83bp (US CT7+70.2bp)
Coupon:	2.125%
Issue Price:	99.297%
Listing:	London / TOKYO PRO-BOND Market
Lead Managers:	BofAML / Citi / Daiwa / Mizuho

JFM's Non-guaranteed Domestic Public Bonds

JFM has been issuing non-guaranteed domestic public bonds.

- In fiscal 2017, JFM has raised JPY 1,102 bn in total (equivalent to USD 9.8 bn) of non-guaranteed bonds in the domestic market as of 16th March 2018.
- 5, 10, 20 and 30-year bonds are regularly issued through the domestic public offerings while JFM can issue other maturities in the domestic market.

(JPY bn)

Type of JFM Bonds		FY2017 Initial Plan	FY2017 Progress as of 15 Mar. 2018	FY2018 Initial Plan	FY2018 Plan of First Half Year
Non-guaranteed Domestic Issuance		1,050.0 (USD 9.4 bn) ⁽¹⁾	1,102.0 (USD 9.8 bn) ⁽¹⁾	1,090.0 (USD 9.7 bn) ⁽¹⁾	-
Domestic Public Bonds		550.0	604.0	600.0	345.0
Regular Issuance	10-year	210.0	215.0	225.0	120.0
	20-year	100.0	100.0	100.0	60.0
	5-year	20.0	30.0	20.0	10.0
	30-year	20.0	20.0	20.0	10.0
Opportunistic Issuance	FLIP ⁽²⁾	200.0	239.0	235.0	145.0
Other Domestic Private Placements		500.0	498.0	490.0	-

(1) 1 USD = JPY 112.05 as of 31 March 2017

(2) Flexible Issuance Programme (FLIP) permits bonds to be issued with maturities from 2 years to 40 years except 5, 10, 20 and 30-years. FLIP also sets minimum and maximum issue amounts of JPY 3.0 billion and JPY 20billion, respectively.

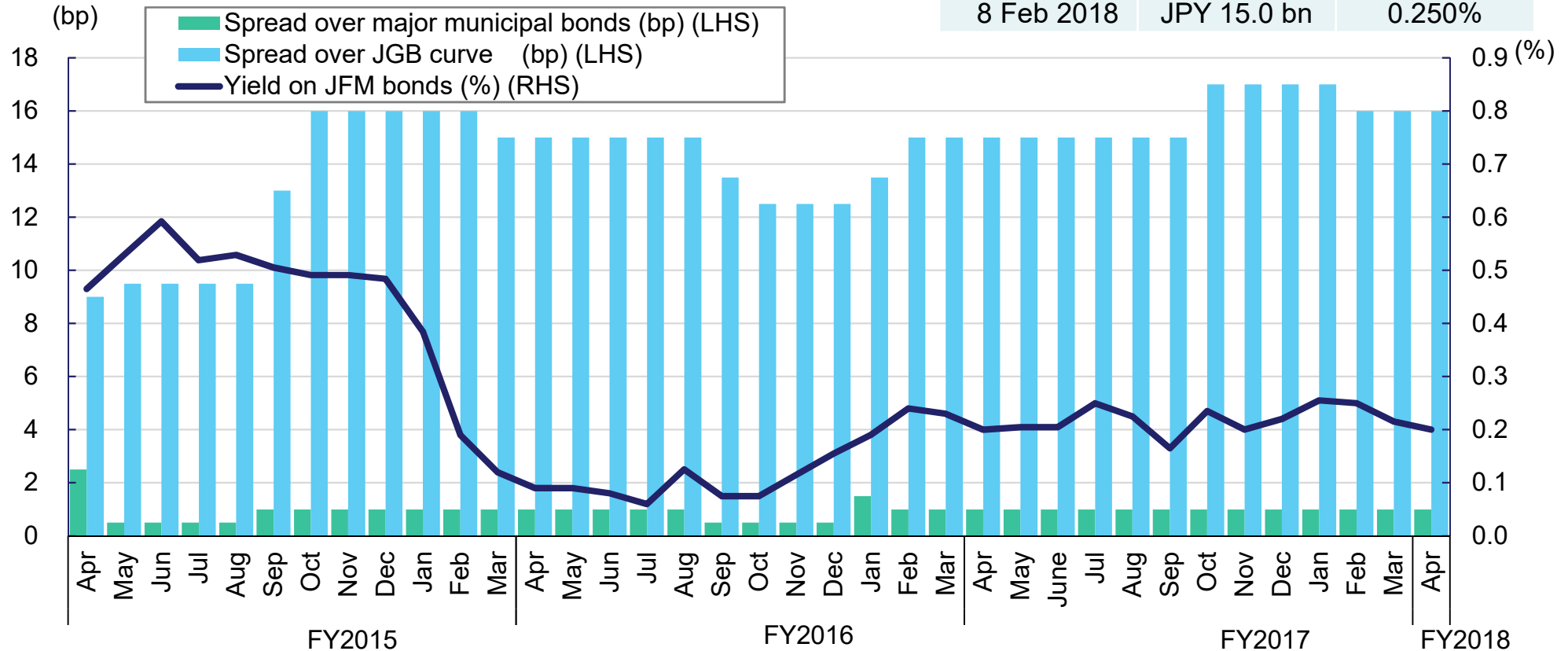


10-year Non-guaranteed Domestic Public Bonds

10-year non-guaranteed domestic public bonds have been JFM's primary funding sources

- Account for 36% of JFM's non-guaranteed domestic public offering in FY2017
- Monthly issuance with issue price at par
- Typical Issue amount is JPY 15-25 bn each month

Launch Date	Issue Amount	Coupon
10 Apr 2018	JPY 25.0 bn	0.200%
8 Mar 2018	JPY 15.0 bn	0.215%
8 Feb 2018	JPY 15.0 bn	0.250%



(1) Spread over JGB curve is theoretical value calculated by JFM



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)