



NEWS RELEASE

Mar 9, 2010

R&I Assigns AAA: JFM SB No.10 & 20-year SB No.6

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Japan Finance Organization for Municipalities
Sec. Str. Bonds No.10
20-year Sec. Str. Bonds No.6
New Issue

R&I RATING: AAA (Assigned)

RATIONALE:

Japan Finance Organization for Municipalities (JFM) is a joint corporation of local governments. The primary purpose of JFM is to supply long-term and low-interest loans to local governments. It plays an important role in supporting local governments, which are part of the national governing system.

All the prefectural and municipal governments invest in JFM. The governing law stipulates that local governments owe the ultimate responsibility of settlement of obligations when JFM is dissolved. This shows local governments' clear intention to jointly run JFM.

Loans taken over from the former JFM are booked on the "management account", while new lending operations are managed in the "general account". JFM's net assets totaled 58.3 billion yen as of the end of September 2009. Given that there are "reserves for interest volatility (related to former JFM operations; 2.9843 trillion yen)" in the management account, "reserves for interest volatility (440 billion yen)" in the general account, and "funds for the improvement of operations of municipalities (896.3 billion yen)", its underlying financial base is solid. The government has set a framework that will support JFM to maintain its financial health. Regarding "reserves for interest volatility (related to former JFM operations)," the excess portion determined by the ministerial ordinance will be transferred to the national coffers, only when the amount of "reserves for interest volatility (related to former JFM operations)" is deemed to exceed the requirements for smooth operation of former JFM loans in the future. Risks including interest risk are appropriately managed and operational discipline is maintained. Accordingly, R&I believes that JFM will be able to maintain financial health in the future.

The primary rating methodologies applied to this rating are provided at "R&I's Analytical Approach to Government Agencies" and "Basic Methodologies for R&I's Credit Rating". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

R&I RATINGS:

ISSUER: Japan Finance Organization for Municipalities

LONG-TERM ISSUE RATING:	Issue Date	Redemption	Issue Amount (mn)
Sec. Str. Bonds No.10	Mar 18, 2010	Mar 27, 2020	Yen 25,000
20-year Sec. Str. Bonds No.6	Mar 18, 2010	Mar 28, 2030	Yen 20,000

R&I RATING: AAA (Assigned)

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Notes/Financial covenants:

1) the bond is provided with general security

ISSUER RATING: AAA
RATING OUTLOOK: Negative

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

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