

USE OF PROCEEDS

(i) Use of Proceeds:

The net proceeds, or an amount equal to the net proceeds, of the issuance of the Notes will be used exclusively to finance or re-finance, in whole or in part, existing and/or future Eligible Projects (as defined below), by way of loans made by JFM to local governments, made at any time following the date falling 36 months prior to the Issue Date.

"Eligible Projects" means sewerage projects which meet the Eligibility Criteria (as defined below).

"Eligibility Criteria" means sewerage projects, for which the purposes are, the development, construction, maintenance, update or operation of sewerage-related assets that comply with Japanese laws relating to sewerage drainage standards (including the Sewerage Act (Act No. 79 of 1958, as amended), the Water Pollution Act (Act No. 138 of 1970, as amended) and the Purification Tank Act (Act No. 43 of 1983, as amended)) (the **"Japanese Sewerage Laws"**), including sewerage management-related facilities, sewerage facilities or equipment and sewerage pipes.

(ii) Process for Project Evaluation and Selection:

Local governments in Japan that are seeking funding for sewerage-related projects from JFM begin by engaging in consultation with either the national or prefectural government (as applicable) and will formulate sewerage business plans. Such local governments will then seek consent or approval with regard to the borrowing required to conduct such sewerage business plans from the relevant government. To obtain such consent or approval a local government's business plan is required to comply with the Japanese Sewerage Laws. Following receipt of the necessary consent or approval, a local government can apply to JFM for funding; all lending by JFM to Eligible Projects must go through the consent or approval process mentioned above.

JFM has established a Sustainability Working Group, consisting of members from JFM's Corporate Planning Department, Administration Department, Finance Department, Loan Department and the Local Government Support Department including members who have experience in local municipalities projects related to the environment, that reports to the Sustainability Committee and is responsible for selecting Eligible Projects based on the Eligibility Criteria and ensuring that the net proceeds (or an amount equal to the net proceeds) of the issuance of the Notes are allocated to Eligible Projects. JFM's Loan Department is responsible for confirming that a local government applying for funding has obtained the required consent or approval for the funding from the Minister for Internal Affairs and Communications, or the relevant government.

(iii) Management of Proceeds:

JFM's Sustainability Working Group will track, monitor and account for the net proceeds (or an amount equal to the net proceeds) of the issuance of the Notes and such amount will be held as cash or cash equivalents until it is allocated to Eligible Projects.

Payment of principal and interest on the Notes will be made from JFM's general funds and will not be directly linked to the performance of any Eligible Project.