



住宅金融支援機構  
Japan Housing Finance Agency

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Disclosure Booklet  
**2013**

2013  
Disclosure

# Contents



## Logo concept

Pillars supporting a roof are represented by the letters J, H and F. The line representing the ground is intended to create an uplifting feeling, and the sphere symbolizes security and expanse. The green color represents growth and vitality. The logo symbolizes the fusion between JHF and the world of housing.

\* JHF is an abbreviation of Japan Housing Finance Agency.

1. This Booklet is a disclosure material (explanatory material related to the operational and financial situations) prepared based on the "Law related to public disclosure of information held by incorporated administrative agencies" (Law No. 140, 2001).

2 Explanatory notes

(1) Rounding of figures

Amounts are rounded to the nearest unit. Percentages (%) are rounded off at the second decimal point in principle. Components do not sum to the totals because of rounding.

(2) Indication method

Items with values less than a unit are indicated as "0" while items with no statistical figures are indicated as "-."

3. Information on JHF, including those in this booklet, is available on its website (<http://www.jhf.go.jp/>).

4. If there is any material difference between Japanese original version and this English translation, the Japanese original version shall prevail.

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# Message from the President

We appreciate your continued interest and kind consideration.

More than two years have passed since the Great East Japan Earthquake on March 11, 2011. The Japan Housing Finance Agency (JHF) newly established “Reconstruction Support Office” within its Tohoku (North-East) Branch. JHF has supported reconstruction of the housing and livelihoods of the people affected by the earthquake from a financial aspect by providing its direct loan origination program and consultations on loan modifications. Under its “Loans for Recovery from Disasters”, a grace period of five years is extended on the basic loan amount through the help of the government budget. We will continue to work together with the government and relevant local entities for the reconstruction of the affected region by assisting the project to promote the resettlement of communities to more disaster-resistant areas and enhancing our institutional capacity for consultation on the “Loans for Recovery from Disasters”.

JHF was established in April 2007 to replace the Government Housing Loan Corporation (GHLC) and is currently in the second year of its second mid-term target period (FY2012-2016). Its main business has changed greatly from that of GHLC: GHLC directly originated mortgages funded by the Fiscal Investment and Loan Program, while JHF assists private financial institutions to originate 35-year, fixed-rate mortgages, “Flat 35”, by issuing mortgage-backed securities (MBS) funded from the capital markets. JHF has also worked on organization reform, striving to be an efficient body, and dependence on government subsidies was terminated in FY2011.

JHF recorded more than 200 billion yen of net income in FY2012. This was the second successive term for posting a surplus. As a result, we successfully eliminated the loss carried forward, one of the goals of the second mid-term target period, in the Securitization Account and all other accounts excluding the Outstanding Loan Management Account.

Although the organizational structure and business model have changed, we continue to provide up-to-35-year fixed-rate mortgages, assist construction of quality housing based on our own technical standards related to durability and heat insulation, and provide customer support during the repayment period. Thankfully, as of the end of FY2012, the outstanding balance of Flat 35 reached almost 10 trillion yen. Flat 35 will mark its 10th anniversary since its introduction this autumn. The total issuance of MBS reached 17 trillion yen with the monthly issuance amount continuing to exceed 100 billion yen. Our MBS have come to be recognized as a benchmark for MBS in the domestic securitization market. We have also enhanced our risk management based on the characteristics of the long maturity of housing loans. We will continue to work on the stable supply of long-term, low-interest rate, fixed-rate mortgages for our customers.

JHF also provides original loans in important areas of government policies, which include loans for “Serviced Rental Housing for the Elderly”, loans for renovation of shared areas of condominium buildings, and loans for rebuilding in densely populated areas, with due attention to demarcation with the private sector. JHF is determined to improve housing quality and enhance living standards and contribute to the further growth of the Japanese economy and improvement of the global environment.

We will continue to strive to meet the expectations of customers and other stakeholders including affiliated financial institutions and the housing industry.

We greatly appreciate your continued support and understanding.

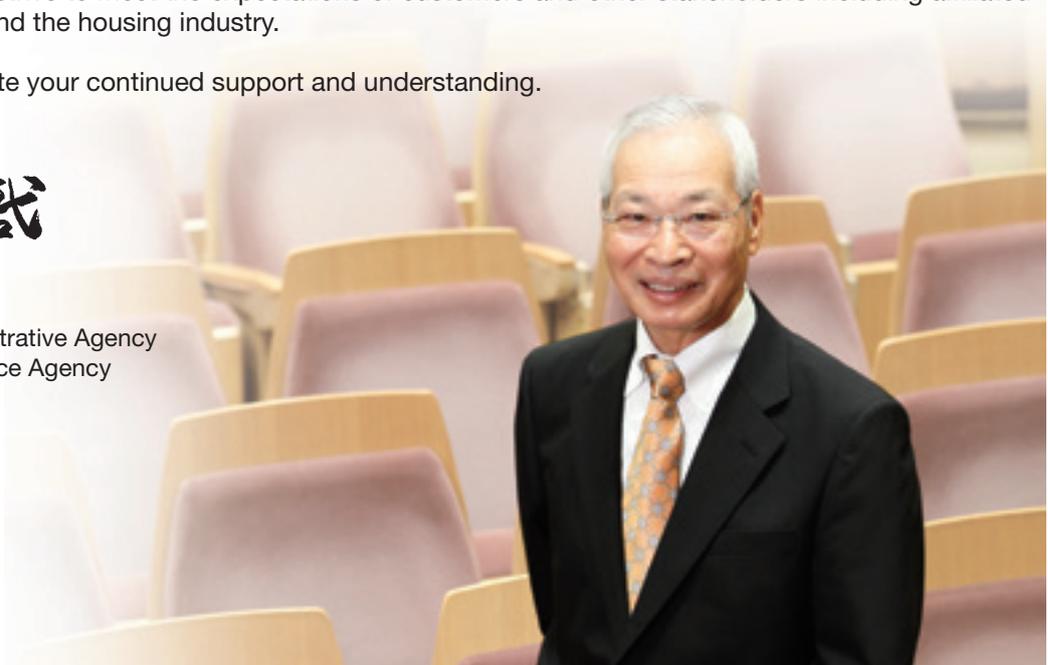
July 2013

宍戸信哉

Shinya Shishido

President

Incorporated Administrative Agency  
Japan Housing Finance Agency



# Overview of JHF

## JHF Profile

**Establishment:** April 1, 2007

**Mission:** JHF shall provide liquidity to housing market by secondary market operation, purchasing mortgages originated by private lenders and securitizing those loans into MBS. JHF shall also provide liquidity to housing market by direct loan origination as well, for such areas which are difficult for private financial institutions to handle as disaster mitigation. JHF is committed to improve the safety and soundness of the living of Japanese people and thus enhance the social welfare.

**Capital:** 700.686 billion yen (estimation for the end of FY 2013\*, fully paid in by the Government of Japan)

\* Includes 84 million yen of capital returned to the national treasury and reflects the original budget for FY 2013.

**Number of directors and employees:** 921 (as of April 1, 2013)

**Operations:** securitization, housing loan insurance service, loan origination (etc.)

**Offices:** Head Office: 1-4-10, Koraku, Bunkyo-ku, Tokyo, 112-8570

**Branches:** 11 branches in major cities nationwide

**Size of mortgage portfolio:** 28.1594 trillion yen (as of March 31, 2013) of which 9.9827 trillion yen represents mortgages purchased through secondary market operation and 18.714 trillion yen represents loans originated by GHLC and JHF



## Business Summary

JHF focuses on the securitization support business to support the provision of long-term fixed-rate housing loans by private financial institutions, but also provides a housing loan insurance service to promote the smooth provision of private housing loans and provides a loan origination service in areas that are important in terms of policy and difficult for the private sector to handle.

Through these services, JHF smoothly and efficiently supplies housing loans necessary for the construction of houses to support people's lives.

### 1 Securitization support business (provision of Flat 35)

Support for private financial institutions to supply long-term fixed rate housing loans through the following programs:

\* JHF purchases and securitizes long-term fixed-rate housing loans from private financial institutions (Flat 35 (Purchase Program))

\* JHF insures long-term fixed-rate housing loans securitized by private financial institutions, and guarantees interest and principal payment of bonds for investors. (Flat 35 (Guarantee Program))

(Refer to page 29)

### 2 Housing loan insurance service

JHF supports the smooth supply of housing loans originated by private financial institutions with insurance money paid to those institutions based on the insurance policies concluded beforehand if those housing loans should default due to unexpected situations.

(Refer to page 34)

### 3 Loan origination service (loans for recovery from disasters, etc.)

JHF supplies long-term fixed rate housing loans in areas that are important in terms of policy but difficult for the private sector to handle, such as housing development (urban development).

(Refer to page 35)

### 4 Operation of group credit life insurance

This insurance system provides security for borrowers of Flat 35 (Purchase Program) or JHF loans. If the borrowers who have joined this system should die or incur a serious disability, etc., the outstanding loan balance is offset by the insurance, etc. paid by life insurance companies, etc.

(Refer to page 38)

### 5 Promotion of quality housing

JHF helps improve living quality using its own technical criteria for housing, which are set as one of the requirements for Flat 35 and JHF loans.

(Refer to page 39)

### 6 Management of outstanding loans

JHF appropriately manages outstanding loans through its fine and careful response, such as revising the terms of loan repayment for borrowers who have difficulty in making mortgage repayments to reduce the number of delinquent loans.

(Refer to page 41)

### 7 Research and surveys on housing finance

JHF conducts research and surveys etc. on domestic and overseas housing finance markets.

(Refer to page 43)

	Results of FY 2012	Initial plan for FY 2013
Securitization support business (Provision of Flat 35)	Purchase Program: 2,184.3 billion yen (84,345 houses) Guarantee Program: 5.2 billion yen (222 houses)	Purchase Program: 1,506.9 billion yen (64,000 houses) Guarantee Program: 47.1 billion yen (2,000 houses)
Housing loan insurance service	Insurance contracts: 207 institutions, 334.6 billion yen Insurance effected: 25,519 cases, 255.1 billion yen Insurance continuing: 124,915 cases, 2,370.6 billion yen	Limit of insurance contracts: 284.9 billion yen
Loan origination service	148 billion yen (15,615 houses)	437.1 billion yen (31,610 houses)

## Management concept

Based on independent,  
transparent and efficient management,  
and in pursuit of the creation of customer value,  
we will provide various kinds of financial services to supply  
liquidity in the housing finance market,  
thus contributing to the improvement of housing in our country.



# Management Policy

## I Goal of JHF

### ●Mission of Japan Housing Finance Agency

·The most significant mission of the Japan Housing Finance agency (“JHF”) is to support private financial institutions including mortgage banks with securitization (Flat 35) and other line of business so that housing loans suitable for each customer’s lifelong plan can be supplied stably and efficiently throughout Japan.

### ●Establishment of independent operations

·In order to accomplish the aforementioned mission, JHF will focus its managerial resources on Flat 35 at first to achieve the targeted business goal for the purpose of establishing its presence in the housing finance market as soon as possible, which will lead to the establishment of independent and stable operations of JHF.

### ●Compliance and execution of social responsibility

·JHF will fulfill its social responsibilities through the organizational commitment and self-motivated actions of each employee while broadening its scope from compliance to sound business judgment and contribution to society.

## II Management Policy for JHF

### 1. Basic concept of reform

#### ●Improvement of productivity

- JHF will fundamentally review its business by BPR (Business Process Reengineering) to achieve efficient business operation through increased productivity.
- JHF will stably implement the business improvement project, and will make a commitment to cost reduction by reforming information systems, etc.

#### ●Creation of customer value

- JHF will pursue customers’ satisfaction, considering their needs at all times. Thus, while putting priority on ultimate borrowers, it will promptly provide the most appropriate services to satisfy middle users (those involved in housing businesses) and private financial institutions including mortgage banks.

#### ●Change of corporate culture

- Each employee will take the initiative in accomplishing the management concept, considering what he/she can do for customers at all times. JHF will change its traditional passive corporate culture to positive and active one.

### 2. Strategic implementation of business

#### ●Securitization business

- JHF will focus its managerial resources on Flat 35, and will accomplish its business goals through rapid improvement of products and procedures, strengthening the sales staff, etc., to stabilize its business. JHF will not only make efforts to develop the MBS market in cooperation with market players but also makes a commitment to explore new areas such as new methods of issuing MBS.

#### ●Loan appraisal/credit risk management

- JHF will not only strengthen its capacity for credit appraisal and credit risk management of outstanding loans to reduce delinquent loans, but also implement effective and efficient management/collection for nonperforming loans.

#### ●Ancillary businesses for policy measures

- JHF will promote information-providing services, making use of the know-how it has long fostered, for the purpose of giving confidence in housing through the proactive provision of a wide range of useful information on housing for customers.
- For housing loan insurance services and other loan businesses including loans for recovery from disasters, rental housing and workers’ property accumulation savings scheme-tied housing, JHF will strengthen the productivity of each business, build and implement a system for effective operation in order to make use of the features of each product in the businesses and meet the needs of customers.

### 3. Capability building on management resources

#### ●Development of a business management system

- In order to establish independent operation, JHF will enhance its functions for planning business strategy, controlling the distribution of managerial resources and other activities, and will also realize a business management system for organization management, including PLAN·DO·CHECK·ACTION.

#### ●Strategic distribution of managerial resources

- JHF will realize strategic distribution of managerial resources to reflect the actual situation of the market, productivity, etc., by developing a scheme for goal setting and performance assessment of each business segment.

#### ●Appropriate risk management

- In order to secure the soundness and transparency of business operations, JHF will implement not only the management of credit risk, interest volatility risk, etc., appropriately but also the positive disclosure of business information.

### 4. Reform of human resources development

#### ●Development of human resources

- JHF will realize the basic concept of reform (improvement of productivity, creation of customer value, and change of corporate culture), and foster human resources that are professionals in housing finance including securitization and credit risk management. Furthermore, each staff member will make a commitment to enhance his/her own knowledge and skills.

#### ●Emphasis on ability and performance

- JHF will improve the performance of the organization by increasing the productivity of each person. In order to accomplish this, the evaluation for promotion and salary shall place greater emphasis on ability and performance. JHF will develop a workplace where staff can make full use of their capabilities so they may feel their lives are rewarding and gain a sense of accomplishment.

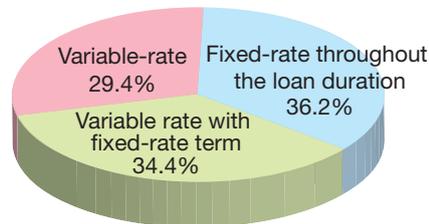
# Activities of JHF

JHF contributes to improve people's living quality through its various financial services.

## Providing Long-Term Fixed-Rate Housing Loans through collaboration with Private Financial Institutions

- Long-term fixed-rate housing loans are safe and suitable for customers to make plans for their living because the borrowing rate and the amount repaid are fixed to maturity when the loan is closed.
- More than one-third prospective housing loan recipients desire fixed-rate housing loans throughout the loan duration.
- JHF provides long-term fixed-rate housing loan, "Flat 35", through collaboration with private financial institutions.

<Interest rates desired by prospective recipients of housing loans>



(Source) JHF "The third survey of recipients of private-sector housing loans in FY 2012 targeting prospective recipients of housing loan (conducted in February 2013)"



### Flat 35 has the following 4 benefits

(Refer to page 29 for the details of Flat 35)

#### 1. Safe because interest rate is fixed to maturity

- Flat 35 is the long-term fixed-rate housing loan with the duration up to 35 years. The borrowing rate and the amount repaid are fixed to maturity when the loan is closed.
- No increase in the amount repaid if market interest rate increases after borrowing.

#### 2. No guarantee fee and no fee for prepayment

- There is no guarantee fee that is usually required for housing loans. No guarantor is required, either.
- No fee is required for prepayment and modification of repayment conditions during the repayment period.

#### 3. JHF's technical criteria to support housing

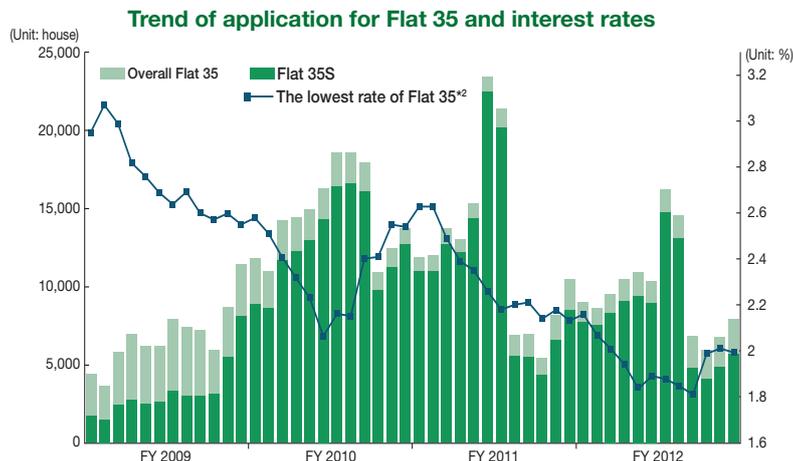
- Houses shall be inspected based on technical criteria set by JHF for thermal insulation, durability and the like, and JHF confirms a certificate issued based on the Building Standards Act for new housing.

#### 4. Support to provide security during the repayment period

- JHF provides consultations for customers experiencing difficulties in repaying their loans, and proposes options for modifying repayment terms and conditions depending on their circumstances.
- JHF also provides its group credit life insurance as well as group credit life insurance with coverage for three major diseases.



Brochure: "Flat 35"



\*1 Total number of houses applying for Flat 35 (Purchase Program/Guarantee Program)

\*2 The lowest interest rate among those offered by financial institutions in a case that duration of loan is between 21 years and 35 years

## Promotion of High Performance Houses, such as Energy-Saving Housings

JHF promotes high performance housings through providing “Flat 35S”, a support scheme in which lower interest rates are applied for a certain period for customers who purchase high-quality housing in terms of energy saving, earthquake resistance, etc.

### <Four performances targeted by Flat 35S>

#### Housing with high energy-saving performance

Houses achieving high thermal insulation, etc.



#### Housing with high durability and flexibility

Housing with durability, measures to maintain long-term good condition



#### Housing with excellent earthquake-resistance

Houses with resistance to stronger earthquakes, preventing collapse, destruction, etc.



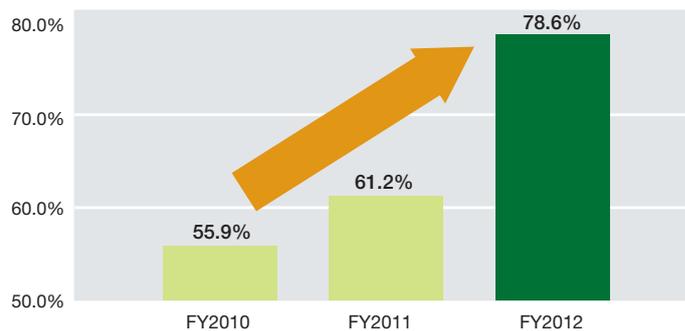
#### Housing with excellent barrier-free performance

Housing aimed at making daily life easier for seniors

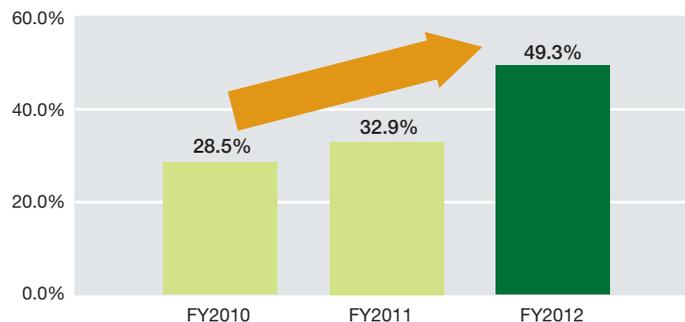


In promoting energy-saving housings as a housing policy, which include Flat 35S Eco and eco point system for housings, JHF expands the range of business operators engaging in energy-saving housings and contributes to promote housings adopted in the energy-saving standards by supporting medium and small home builders' technical capacity improvement.

### <Share of houses meeting energy-saving housing criteria among applications for Flat 35 (detached houses to be newly built)>



### <Share of condominiums meeting energy-saving housing criteria among Flat 35 registered condominiums>



\*Houses meeting energy-saving criteria of Flat 35S among registered houses in each FY.

(For details of “Flat 35 registered condominium”, refer to page 40)

## Support for Recovery from the Great East Japan Earthquake

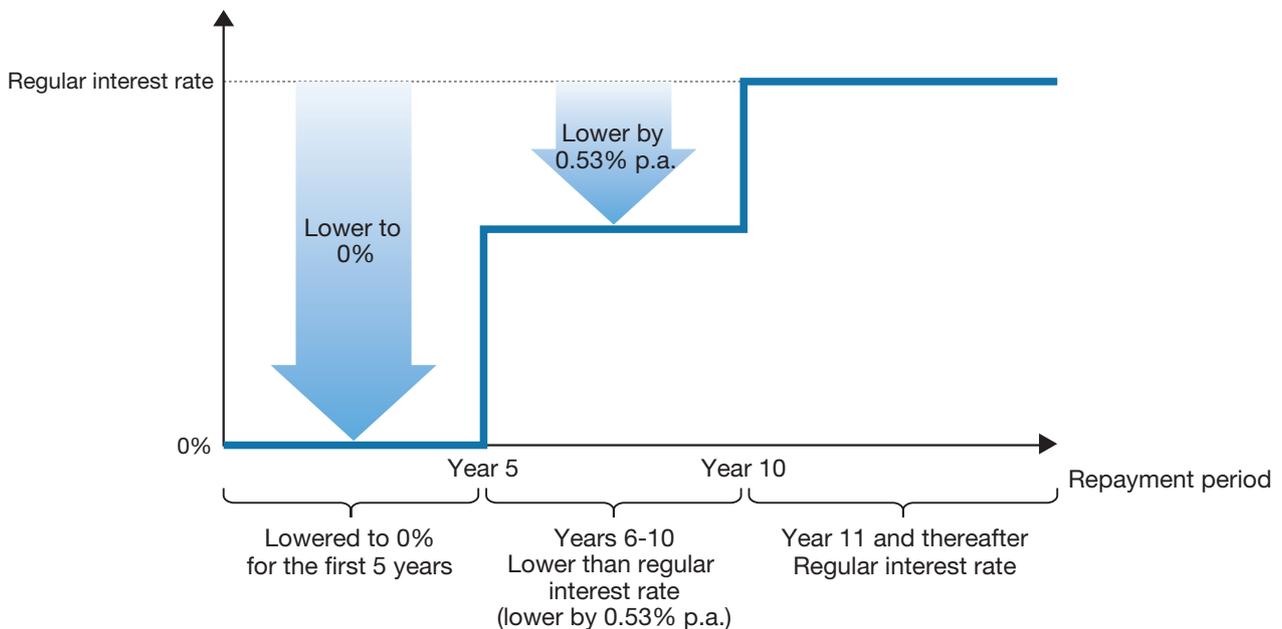
JHF has worked as one to help with the recovery from the Great East Japan Earthquake.

### Support for reconstruction of the housing of the people affected (loans for recovery from disasters, etc.)

JHF provides loans to build, purchase and repair affected housing structures (loans for recovery from disasters) and loans to repair housing lots in case of damage caused only to the lots (loans for housing lot recovery). We have expanded the programs by lowering the interest rates (zero percent for the first five years in case of construction and purchase) and extending the principal deferment period and repayment period.

JHF has received a total of 9,789 applications for loans for recovery from disasters and extended 5,586 loans (as of March 31, 2013).

#### <Image of Interest-Rate Reduction (for construction and purchase)>



### Support for people repaying loans (modification of repayment method)

JHF has deferred repayment of loans in whole or in part, extended the repayment period and lowered the interest rate for the deferment period for those affected by the disaster. We have approved a total of 5,277 cases for modifying the repayment method (as of March 31, 2013).

We also properly respond to the Guidelines for Individual Debtor Out-of-Court Workouts and assist self-help-based re-establishment of livelihood and businesses. The repayment plan has been formulated for 47 of 153 claims for which the application of the guidelines has been requested (as of March 31, 2013).

Repayment method modification	Deferment of repayment	Extension of repayment period	Lowering of interest rate* during deferment period
Affected rate Less than 30%	1 year	1 year	Lower rate (regular interest rate - 0.5% or 1.5%)
30% to less than 60%	Up to 3 years	Up to 3 years	Lower rate (regular interest rate - 1.0% or 1.0%)
60% or more	Up to 5 years	Up to 5 years	Lower rate (regular interest rate - 1.5% or 0.5%)

\* Interest rate is per annum.

## Consultations to assist housing reconstruction for people affected by the disaster

In cooperation with national and local governments, JHF dispatches its employees from across Japan to provide consultations on housing reconstruction for people in the disaster-affected areas.

We have held regular consultation sessions since April 2013 on a wide variety of issues including loans and repayments, as well as housing plans and various subsidy programs. We also began a program in which we receive telephone inquiries and send loan simulation results by mail.

### <Local Consultation Sessions (March 2011 to March 2013)>

<A consultation session>



[Aomori Pref.]  
Employee dispatch: 2 sessions  
Consultation: 5 cases

[Iwate Pref.]  
Employee dispatch: 121 sessions  
Consultation: 446 cases

[Miyagi Pref.]  
Employee dispatch: 616 sessions  
Consultation: 3,566 cases

[Fukushima Pref.]  
Employee dispatch: 55 sessions  
Consultation: 206 cases

<A one-to-one consultation session>



### [Voices of JHF employees who have been consulted by people affected by the disaster]

We often hear customers say in the consultation sessions they would be able to live in their own house if they use the loan for housing reconstruction, although they have almost given up on their own.

We provide a variety of suggestions and are pleased when we feel we are able to help customers rebuild their houses on their own as we hear them say, "Thank you," with a smile after consultation. For example, we propose schemes of a parent-child relay repayment or the loan to acquire a home for the parent for elderly customers and they are relieved at the possibility of reconstruction on their own. Another example is those who lost their job due to the earthquake and just found a new job become positive about reconstruction after learning they can apply for a loan. Some also say they are able to imagine a new house they will build after looking at the pamphlet for area-based housing reconstruction.

Although we sometimes wonder what we can do as the community reconstruction program for providing housing lots, etc., begins to move gradually toward full-scale recovery, we intend to serve each customer we have direct contact with. Feeling we are useful to our customers gives us pleasure and satisfaction and we feel proud of being involved in the consultations.

## Support for the project to promote the resettlement of communities to more disaster-resistant areas in cooperation with local governments and financial institutions

Land and other mortgages before the completion of repayment of housing loans have been an issue for the project to promote the resettlement of communities to more disaster-resistant areas. JHF has created a scheme to finish the mortgage by directly receiving the payments for purchase of land, etc., that is paid by local governments, etc., to assist the project.

## Production of pamphlets for area-based housing reconstruction (Ver. 2) in collaboration with the council for area-based housing reconstruction in Iwate, Miyagi and Fukushima prefectures

The pamphlet provides suggestions on area-specific housing to serve as guidelines for housing reconstruction.

It also introduces the estimated construction cost for acquiring houses based on model plans and funding simulations of utilizing loans for recovery from disasters.

\* The pamphlet is also available on the JHF website.  
[http://www.jhf.go.jp/shinsai/tohoku\\_topics.html](http://www.jhf.go.jp/shinsai/tohoku_topics.html)



## Providing loans which are important in terms of policy and are difficult for private financial institutions to originate

### Loans for disaster-affected people

- Besides supports for recovery from the Great East Japan Earthquake, JHF provides loans to build, purchase and repair housings affected by disasters and loans for contributing to disaster prevention and mitigation aiming to promote prompt housing reconstruction in areas affected by heavy rain, gust, and other disasters.
  - ⇒ Loans for recovery from disasters / loans for works to protect housings from landslide, etc. / loans for disaster-prevention works in residential lots (Refer to page 35)

<Individual consultation>



<An advertisement for loans for recovery from disasters>



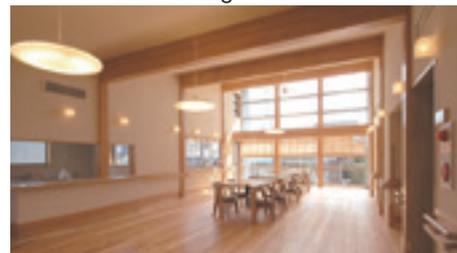
### Response to aging society

- JHF provides loans to build, purchase and repair serviced rental housing for the elderly aiming to provide safe housing with welfare services for the elderly.
  - ⇒ Loans for serviced rental housing for the elderly (Refer to page 35)
- JHF has established a system available for elderlies building barrier-free housing or purchasing housing in a condominium reconstruction project. In order to reduce the burden of monthly payments, elderlies are required to repay only interest until the time of their death and repay the remaining outstanding loan amount at the time of their death.
  - ⇒ Special repayment system for the elderly (Refer to page 35)

<Building appearance>



<Inside of the building>



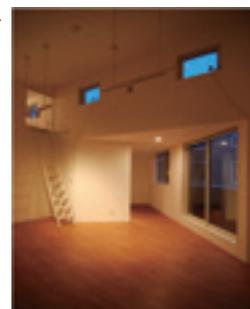
### Enhancement of environmental performance (energy-saving) of rental housing for households with small children

- JHF provides loans to build and repair energy-saving rental housing aiming to provide rental housing with high-environmental performance for households with small children.
  - ⇒ Loans for energy-saving rental housing (Refer to page 35)

<Building appearance>



<Inside of the building>



### Response to town development

- JHF provides loans for urban redevelopment and reconstruction in high-density urban districts aiming to improve the disaster-prevention function and the living environment in high density urban districts.  
⇒ Town development loan (Refer to page 35)

<Before improvement>



<After improvement>



### Response to condominium-related issues

- JHF provides loans for extensive repair (such as exterior wall repairs), seismic strengthening, and reconstruction of condominiums aiming to improve aged structures and strengthen the seismic resistance of condominiums.  
⇒ Loans for reforming the shared parts of condominiums / loans for town development (Refer to page 35)
- JHF issues bonds for supporting condominium associations to be able to periodically purchase and accumulate the bonds as funding for future repairs.  
⇒ Mansion Sumairusai (Refer to page 35 and 37)

<Before reconstruction>



<After reconstruction>



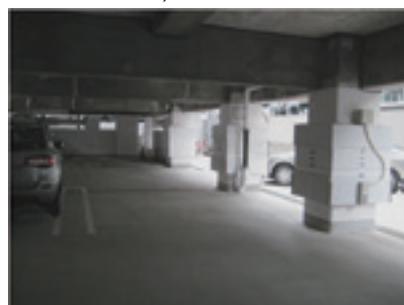
### Promotion of improving earthquake resistance

- JHF provides loans for seismic strengthening aiming to improve earthquake resistance of housings.  
⇒ Loans for reforming the shared parts of condominiums / reform loan (Refer to page 35)

<Building appearance>



(Part of the seismic works: seismic isolation device)



(Part of the seismic works: seismic isolation device)



## Various Activities Related to Corporate Social Responsibilities (CSR)

### Formulation and implementation of the Plan to Address Global Warming

#### Plan to Address Global Warming (excerpt)

##### [Purpose of the Plan]

In consideration of its public nature, JHF has formulated a plan to address global warming to help achieve the greenhouse gas emissions reduction target Japan promised to the international community and contribute to the conservation of the global environment.

##### [Policy of the Plan]

JHF has already made such behavioral and operational efforts to reduce CO<sub>2</sub> emissions as the Cool-Biz energy-saving campaign, turning off lights during lunch breaks and after using restrooms, and reduction of use of copying paper. Significant emissions reduction is expected to be enabled by facility-related efforts. Accordingly, JHF will enhance such facility-related efforts as the replacement of cost-efficient energy-saving facilities at the head office building, which accounts for 70 percent of JHF's CO<sub>2</sub> emissions, while continuing to make behavioral and operational efforts that include properly turning off lights, proper setting of air-conditioning temperatures and management of operation hours.

##### [Implementation Period]

The plan is being implemented in the period from FY2008 to FY2012.

##### [Scope of the Plan]

This plan covers all office work and projects carried out by JHF, excluding those performed by contractors.

##### [Goal]

The targeted 10% reduction of average global gas (CO<sub>2</sub>) emissions from FY2010 to FY2012 compared with FY2006 was achieved with a 20.3% reduction (See the table below).

##### [Efforts to reduce greenhouse gas emissions]

- Making sure of proper operation and management of head office and branch office buildings
- Introduction and replacement of energy-saving facilities at the head office building
- Eco-conscious purchase and use of goods
- Other considerations to reduce greenhouse gas emissions
- Employee education

##### <Results of CO<sub>2</sub> emission (unit: t-CO<sub>2</sub>/year)>

FY 2006 (a)	FY2010	FY 2011	FY2012	Average between FY 2010 and FY 2012 (b)	Reduction rate (1 - (b) / (a))
2,360.4	2,103.8	1,809.8	1,733.0	1,882.2	20.3%

### Purchase of eco-friendly goods

In accordance with the provisions of Article 7 of the Act on Promoting Green Purchasing (Act concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities, Act No. 100 of 2000), JHF formulates and releases a purchase policy every year to promote the purchase of goods and services that contribute to the reduction of environmental burdens (eco-friendly goods, etc.). The paper used for this disclosure also meets the requirements of the Act.

\* An overview of the purchase policy and results is available on the JHF website.

(Website) <http://www.jhf.go.jp/teikyoku/kankyoku.html>

### Participation in local activities

JHF cleans up nearby streets once every two months in an effort to contribute to the local community.



## Dissemination of Japanese housing finance system across the world

JHF offers information on its experience and knowledge in Japanese housing finance to the global community to contribute to the development of the market in other countries.

### <Panel discussion at the World Bank>

In May 2012, a JHF employee was invited to the “5th Global Housing Finance Conference: Housing Finance in Emerging Markets” held at the World Bank in Washington, DC as a panelist to give a presentation on the recovery from the Great East Japan Earthquake in comparison with the earthquake in Haiti in “Session 7-2: Post Disaster Housing and Reconstruction”.



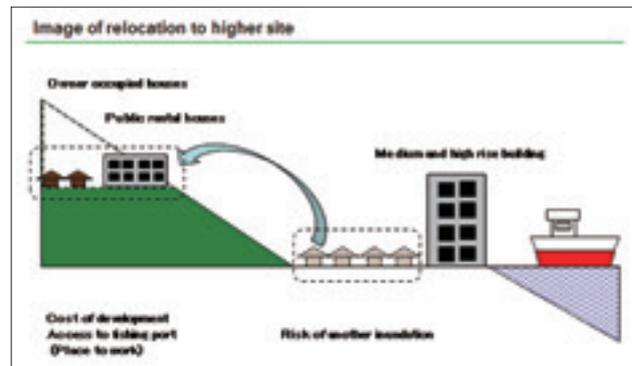
### <Presentation in Sydney>



In June 2012, a JHF employee was invited to “the Australasian and Asian Covered Bond Investor Forum” that was held in Sydney by Euromoney for the first time in the Asia Pacific region as a panelist to represent Asia and discussed on the trend of Asian covered bond market.

### <Image of relocation to higher site>

JHF makes efforts to enhance the understanding of the international community on Japanese housing finance through such activities as participation as an Advisory Board Member of the Asia Pacific Union for Housing Finance (APUHF) and contribution of articles to journals published by the International Union for Housing Finance (IUHF).



## Efforts to promote empowerment of female employees

JHF endeavors to create a working environment that allows each female employee to use their ability to the fullest, which leads to their growth and that of the agency. Our efforts include dispatch of female workers to leader development training, provision of opportunities for success, and enhanced support for a smooth return after childcare leave.

### <Declaration of Positive Action>



(Website) <http://www.positiveaction.jp/declaration/>

### <Lecture on Promotion of female employees' empowerment >

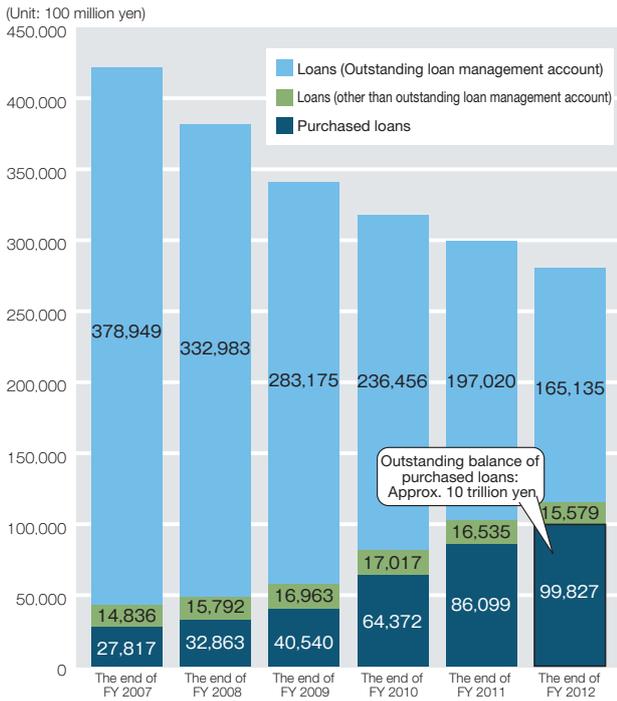


# Key Features of Business Performance and Financials

## Outstanding balance of purchased loans amounts 10 trillion yen

The outstanding balance of purchased loans amounts approximately 10 trillion yen in response to business expansion of Flat 35.

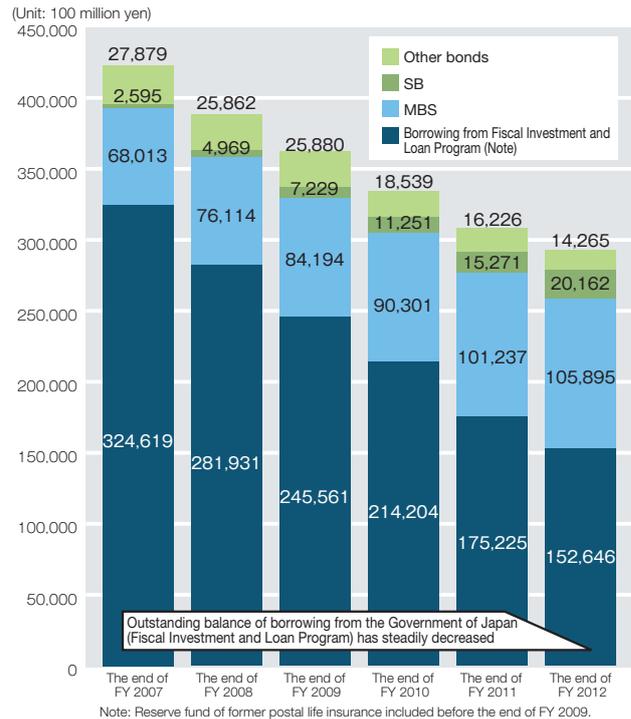
### <Outstanding balance of purchased loans and loans>



## Increase in the ratio of fund raising from finance markets

The outstanding balance of governmental loans have steadily decreased while the ratio of fund raising from financial market through issuance of mortgage-backed securities ("MBS") and straight bond with general securities ("SB") has increased.

### <Outstanding balance of debts and borrowings>

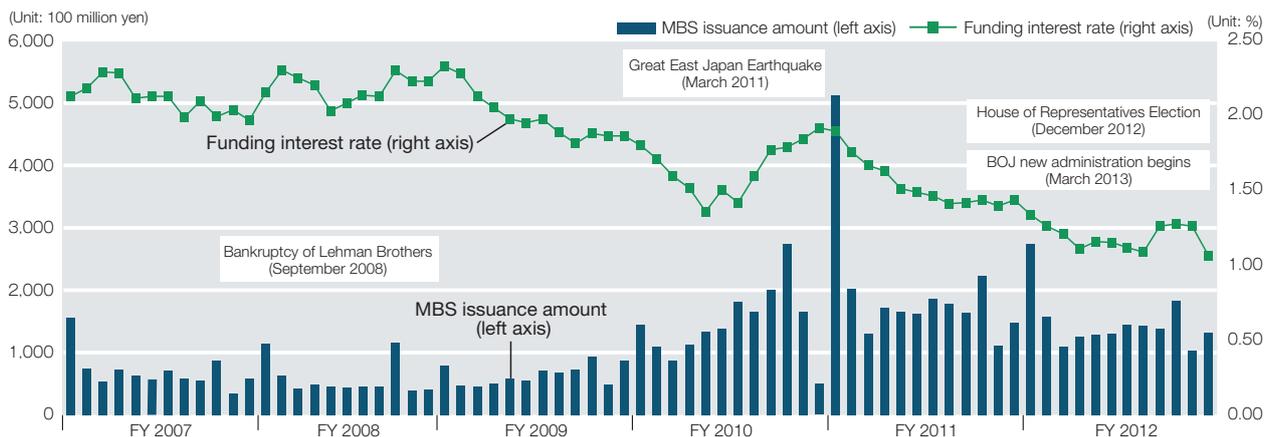


## Origination of low long-term fixed-rate housing loans by issuing MBS

Careful investor relation activities drove more investors to participate in investing MBS, which led to a stable fund raising even in various changing financial environment in Japan and overseas.

In March 2013, the coupon interest rate of MBS lowered to 1.07%, a historical low of JHF. JHF has successfully implemented an efficient fund raising and provided customers low long-term and fixed-rate housing loans.

\* Interest rate of Flat 35 consists of funding interest rate, expenses for JHF's business operation, and fees payable to financial institutions.



## Improving financial status and streamlining business operation

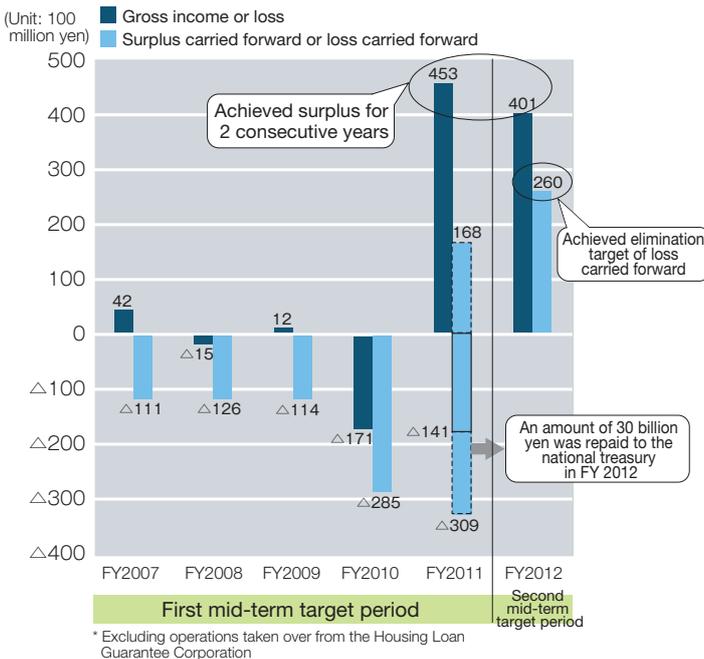
In order to support and complement private financial institutions in the housing financial markets, having an independent business operations, JHF has accumulate its business performance steadily and made efforts to improve financial status and streamline business management.



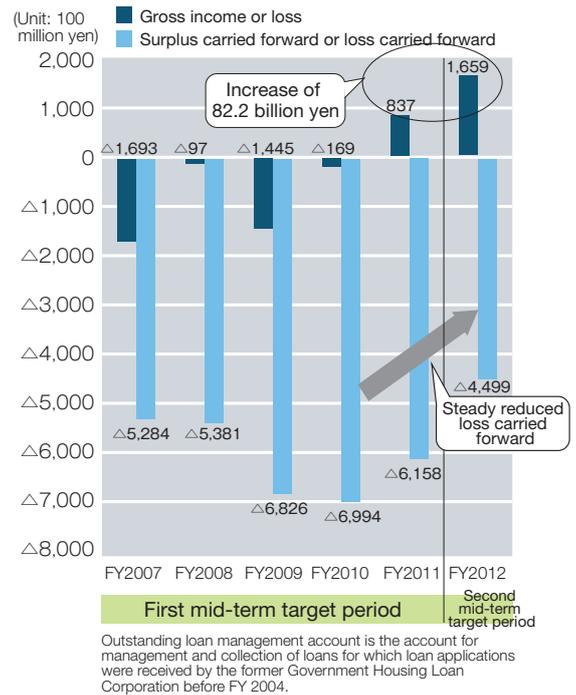
\* Personnel expenses and tax and public dues and the like are not included in the general administrative expenses in the second mid-term target period.

### Improvement of financial status

#### <Account other than the outstanding loan management>

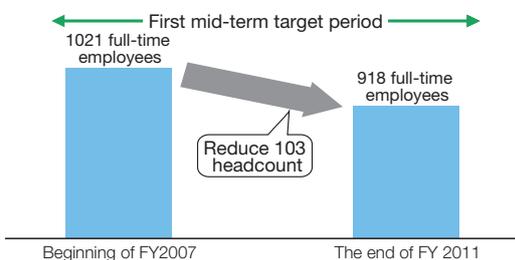


#### <Outstanding loan management account>

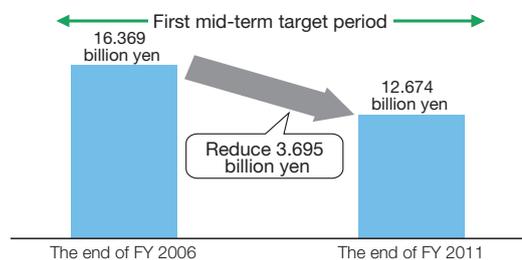


### Streamlining business operation

Reduced 103 headcount of full-time employees (△10.1%) and achieved the first mid-term target (△10% or more), compared to the beginning of FY 2007.



Reduced 3.695 billion yen of the general administrative expense (△22.6%) and achieved the first mid-term target (△15% or more), compared to the beginning of FY 2006.



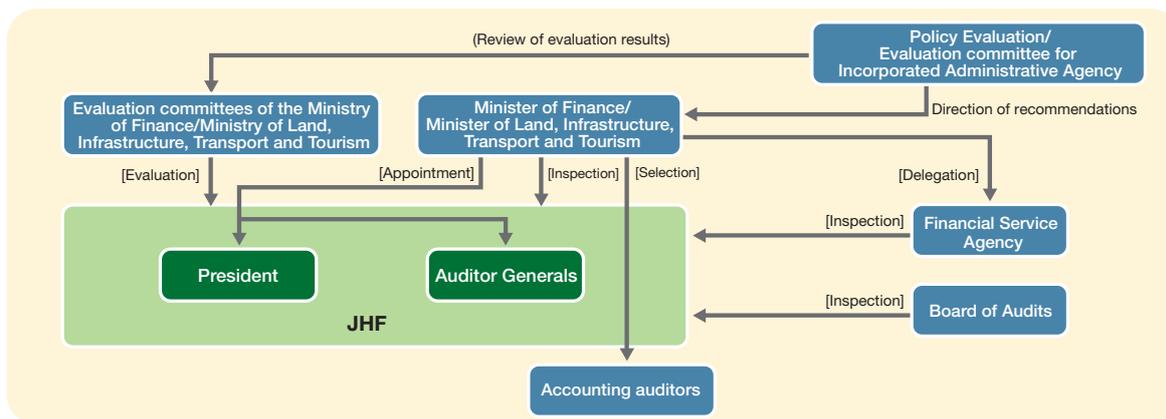
# Corporate Governance

## Governance Structure

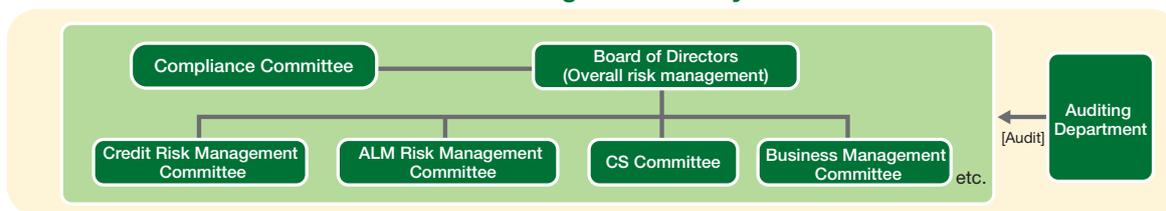
Recognizing its basic mission and social responsibility as an Incorporated Administrative Agency, JHF places strengthening of corporate governance as a priority of its business management, as a way to ensure sound and proper proceedings of its business with high ethical standards and wisdom under transparent and efficient management based on the Act on the General Rules for Incorporated Administrative Agencies.

Moreover, in order to develop its internal governance system for appropriate business operation, JHF establishes the Basic Policy on Internal Governance and promotes appropriate internal governance by introducing a PDCA cycle.

### <Governance structure>



### <JHF's internal governance system>



### Basic Policy on Internal Governance (summary)

#### ● Compliance system

- Establishment of the Compliance Charter for our employees to perform their duties based on full awareness of our fundamental mission and social responsibilities
- Development of a compliance enforcement system through establishment of the Compliance Committee and formulation of compliance programs, etc.
- Creation of a system to handle compliance violations

#### ● Customer protection and other customer management

- Establishment of rules and systems for customer explanations, management of customer support, etc. and customer information management
- Establishment of privacy policy and rules on information security
- Establishment of rules on document management

#### ● Risk management system

- Establishment of risk management rules
- Creation of a risk management system that includes establishment of a risk management committee necessary to understand where risks are as well as types and features of risks and manage each risk

#### ● Establishment of board of directors

- Development of rules on the organization and document approvals to clarify disciplines in official authority and decision making
- Establishment of board of directors to deliberate management-related issues and support decision-making of the president
- Quarterly inspection management of annual plan
- Establishment of the post of chief information officer (CIO)

#### ● Internal audit system

- Establishment of internal audit division directly under the president, independent from other business departments, etc.

#### ● Establishment of a system for auditor-generals auditing

- Establishment of a system for effective audit by auditor-generals independent from JHF

(For the full text, refer to page 92)

# Compliance

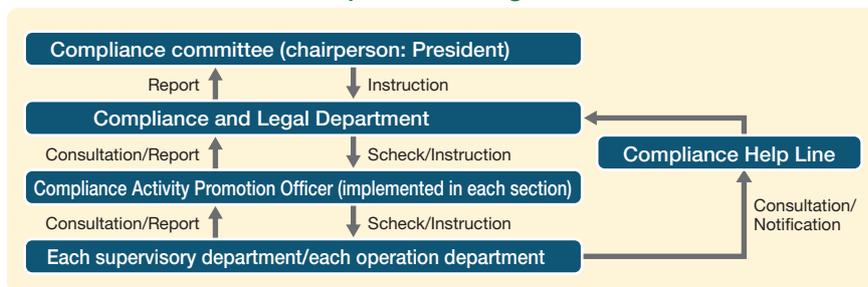
## Arrangements for compliance

In order to reliably implement compliance, JHF has set up the Compliance Committee (chairperson is President) comprising of all directors and managers of departments involved in discussing and deciding important matters related to compliance. In addition, the Compliance and Legal Department has been established as the department managing compliance, along with which, in managing the promotion of activities for compliance in each department, a person responsible for compliance is assigned for every department.

Furthermore, in order to prevent violating compliance in JHF in advance, a compliance help line has been set up in and outside the Compliance and Legal Department.

Meanwhile, in FY 2011 and FY 2012, an employee was indicted on a bribery charge as a result of the employee's behavior during 2007 and 2008. JHF has taken this case seriously and established a committee including outside experts to identify the causes and formulate measures for its prevention and improvement. Officials and employees will work together to take measures to prevent recurrence to recover trust from the public.

### <Compliance arrangement>



JHF provides all executives and staff members with a pocket-size edition of its compliance manual. It will serve to guide them when they look back on actions on their jobs, or when they have difficulty making decisions.

## Fostering awareness of compliance

JHF has established the Compliance Charter as a basic principle of compliance. JHF is also making every effort to enhance awareness of compliance among all executives and employees; we have developed a compliance manual providing the laws, regulations, rules, social requirements, and matters to be noted pertaining to compliance to be shared by all executives and employees, and set and implemented annual compliance programs.

The programs also included agency-wide e-learning, compliance meetings in individual operational units (where interactive opinion exchange is conducted based on compliance topics) and the monthly provision of compliance-related information through the in-house LAN, as well as periodic interactive training using the case method. These educational programs help employees understand compliance and think and act based on their understanding.

The compliance programs in FY 2011 and FY 2012 included newly-set preventive and improvement measures (specific measures involving strict enforcement of compliance, control of mode of business activities, personnel management and information management) as efforts to be made by all employees.

In addition, JHF monitors the implementation of compliance programs on a quarterly basis to steadily promote and establish compliance activities, examines such programs at the Compliance Committee and undertakes necessary revisions while consulting with outside experts. These efforts are steadily made based on the PDCA cycle.

### The Compliance Charter (excerpt)

1. We will comply with laws, rules and regulations as well as social norms, and attempt to undertake all jobs properly in a bid to ensure public confidence.
  - (1) Compliance with applicable laws, rules and regulations as well as socially established good standards of behavior
  - (2) Disclosure of information with willingness and impartiality
  - (3) Protection of information in a manner that prevents any leakage
  - (4) Confrontation against any anti-social parties
2. We will do our utmost to pursue customer confidence and satisfaction.
  - (1) Extending comprehensive housing loan services
  - (2) Providing information required to improve the housing environment
  - (3) Explaining matters to customers until they are satisfied
  - (4) Responding to customers in good faith
3. We will respect the personality of each and every executive and staff member and endeavor to secure workplace where he or she can comfortably work.
  - (1) Respect for the personality and character of each individual
  - (2) Set up of a workplace that can facilitate day-to-day jobs

## Responses to Anti-social Forces

JHF has established a basic policy to reject any relationships with anti-social forces such as organized crime syndicates which is posted on our website, developed a manual for dealing with such anti-social forces, and coordinates with police and related organizations on such matters.

Incorporating definition of anti-social forces and stipulation for rejection of anti-social forces into business contracts, JHF also eliminates any relationships not only with organized crime syndicates but also with their symbiotic actors utilized by such anti-social forces to illegally receive loans.

JHF continues its efforts towards rejection of anti-social forces.

### <Basic Policy on Anti-Social Forces>

1. JHF shall have no relationship with anti-social forces, and its president and the management and employees shall work together to take an uncompromising stance toward such forces.
2. JHF shall establish a system to reject anti-social forces, and have its executives and employees fully be aware of the manual on such forces.
3. JHF shall ensure the safety of its executives and employees who handle undue claims from anti-social forces.
4. JHF shall cooperate closely with such external institutes as the police, centers for promotion of campaigns against violence and lawyers to be prepared for undue claims from such forces.
5. JHF shall take legal action, both civil and criminal, against undue claims from anti-social forces.
6. JHF shall not accept any 'backstage deals' to conceal facts even when the undue claims from anti-social forces are based on misbehaviors related to business activities or involving employees.
7. JHF shall not provide any funds for anti-social forces.

## Customer Protection

### Customer Support and Explanations

#### ● Customer Support

JHF has undertaken the followings in order to appropriately respond to consultations and complaints from customers and hear the customers' voices so as to reflect them to product and service improvement:

- Created a customer support manual
- Assignment of a chief customer support manager, customer support operators, customer support leaders and customer supporters.
- Monitors and periodically evaluates customer support activities
- Employees' training for customer support service
- Established a system for reporting complaints at the financial institutions, etc., handling JHF products

#### ● Explanations to Customers

JHF has undertaken the followings in order to provide adequate explanation of our products to customers:

- Created explanatory materials and a manual on how to provide explanations to customers
- Assigned a chief customer explanation manager and a customer explanation administrator
- Monitoring and periodic evaluations of customer explanation activities

### Privacy Policy

Recognizing the importance of protecting and adequately managing individuals' information in a highly-networked information society, JHF is aggressively and honestly making a commitment to comply with the Law on Protection of Personal Information Held by Incorporated Administrative Agencies (Law No. 59 of 2003) and other regulations as well as protect individuals' rights and welfare according to the privacy policy as follows:

#### ● Appropriate acquisition of personal information

JHF appropriately acquires information related to customers without using unfair means or by fraud.

#### ● Purpose of using personal information

JHF does not use any personal information in its possession beyond its stated purpose and limited to applications necessary for business operations.

#### ● Measures for security control

JHF takes necessary measures for appropriate management of personal information in its possession, including the prevention of their leakage, loss or damage.

#### ● Duties of directors and employees

Those who are mentioned in (1) and (2) below shall not tell others about any matters regarding personal information gained through the operation of JHF without permission, nor use such information for unreasonable purposes.

(1) Directors and employees of JHF or those who have engaged in such work.

(2) Those who are or have been engaged in handling personal information under contract with JHF

#### ● Selecting and supervising consignees

When JHF contracts out all or part of the operations handling personal information, it develops criteria for judging whether consignees take adequate measures and the system was organized to ensure the security of personal information, and contracts out the consignees who meet the criteria. JHF also supervises the consignees if they are abiding by the consignment contract.

#### ● Restriction of provision of personal information to the third parties

JHF does not provide private information to third parties except in specific cases.

#### ● Developing and disclosing the private information file registry

For the private information JHF has on file, a private information file registry is developed according to the provisions of the Law on Protection of Personal Information Held by Incorporated

#### ● Disclosure, revision and stopping the use of private information

When a request is made to disclose, revise or stop the use of private information JHF possesses, JHF responds promptly unless there are particular reasons to do otherwise, after confirming that the person who made the requests is identical to our customer.

# Promotion of Customer Satisfaction (CS Promotion)

## CS action guidelines

JHF establishes and implements Customer Satisfaction (CS) action guidelines for CS advancement as a code of conduct for each individual.

### CS action guidelines

- We aim to make JHF an organization that is appreciated by all its customers, and act in an attempt to win their confidence and satisfaction.
- We offer financial products and services that best suit each individual customer need.
- We provide comprehensive explanations to our customers so that they are completely satisfied.
- We respond to our customer promptly in good faith, taking all their voices gratefully.
- We always ask ourselves what we can do for our customers and act on it.

## CS promotion system

JHS establishes a CS committee, made up of executives and relevant managers, as well as a CS working group engaging in CS activities across sectional boundaries. Further, it appoints a person in charge of CS activities in each section.

### ●Development of user-friendly website

JHF intends to develop friendly and understandable website for customers and business partners as well as provide timely information responding to what customers want to know.

(Flat 35 website) <http://www.flat35.com>



### ●Activities of a customer call center

A customer call center receives inquiries and general consultations from customers with a toll free service every day. The center dedicates itself to make close relation with any customers who are considering housing loans or at the repayment stage. Further, customer's feedbacks are reflected to business improvement.

<Customer Call Center>



### ●Implementation of CS questionnaire surveys

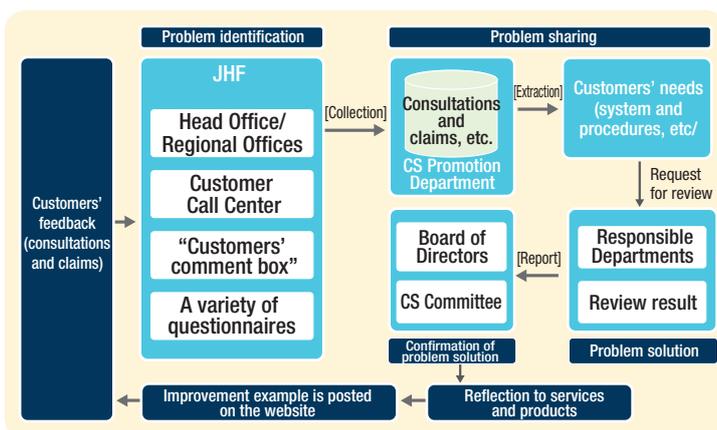
JHF regularly conducts surveys of customers and of business partners (e.g. private financial institutions commissioned JHF business), and collects their comments and requests on JHF products and services and employee's manner.

## Activities from customers' perspective

Being more open to, and based on customers' feedback, JHF promotes improvement of its products and services.

JHF have also made efforts on "KAIZEN activities," as well as CS improvement as a part of the theme. Cases of activities from customers' perspective, such as improvement and installation of a customer meeting space and waiting lounge, have been introduced at KIAZEN Presentation.

### <Reflecting-feedback cycle>



### <Introduction of an improvement example on the website>



\* Cases of improvement in response to customers' feedback are available on our website.

## Risk Management

In order to properly manage business and gain the understanding and trust of the general public, JHF is maintaining its system that manages various risks that arise in day-to-day business.

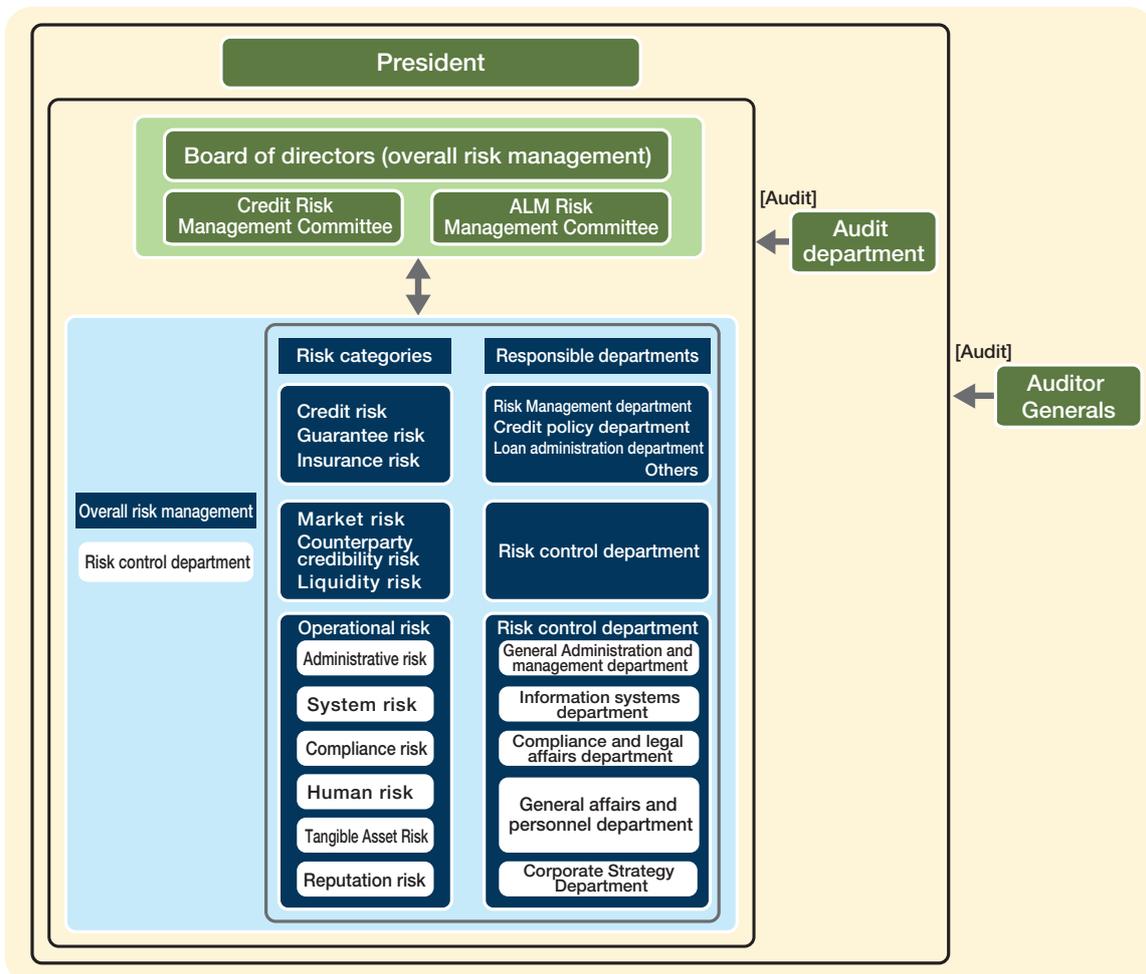
Toward this end, JHF has set up and implemented the Risk Management Basic Rules, Rules such as the Credit Risk Management Rules, and other administrative provisions. The Risk Management Basic Rules stipulates the purpose of risk management, identifies and defines individual risks, specifies the risk management framework and methods, and mandates risk management auditing. The Risk Management Rules spell out specific methods applicable to the management of individual risks. Based on these rules, JHF manages those risks based on an in-depth understanding of their properties of business including housing loan. JHF also makes it a business to manage all risks comprehensively by keeping them under total evaluation in relation to its business and nature.

### Risk management system

JHF classifies risks into seven categories: credit risks, guarantee risks, insurance risks, market risks, counterparty credibility risks, liquidity risks, and operational risks. In the event of a notable change in the economy, JHF may define new categories of risks that should be managed in addition to those in the conventional categories.

To manage these risks both in quantity and in quality, JHF has appointed an executive and a department to deal with each category of risks, and runs a committee to support them. For example, the credit risk management committee examines credit risks, guarantee risks and insurance risks. In parallel, the ALM risk management committee deals with market risks, counterparty credibility risks and liquidity risks. Each committee monitors risks in its territory and discusses plans and proposals concerning the management of those risks. JHF holds a specific executive and department responsible for the total management of all categories of risks. The executive and department follow and evaluate the assessment and management of individual risks and report to the board of executives regularly.

### <Risk management flow>



## Credit risk

This is a risk that can cause losses to JHF with JHF held asset values depreciating or vanishing due to a decline in the credibility of debtors. Since housing loans account for a large part of JHF assets, JHF checks, analyzes and manages credit risks as well as examines actual and potential debtors, purchases loans, and implements internal asset auditing appropriately.

### ● Examination of actual and potential debtors

JHF examines debtors when it considers buying their debts and scrutinizes potential debtors when it plans to extend credit, in accordance with the internal checking criteria and procedures.

### ● Internal asset auditing

JHF manages credit risks resulting from credit it has extended and discloses balance sheets according to the government accounting criteria. Against this backdrop, JHF audits its assets based on its self-audit procedures that comply with the Finance Inspection Manual of the Financial Services Agency. JHF classifies its assets in accordance with the possibility of loans ending up unpaid and of property values falling. It subsequently calculates necessary reserves for non-performing loans by using an expected loss ratio based on past records.

### ● Credit extension portfolio management

JHF evaluates the overall risk resulting from all debts owed to it and locates individual risks accurately. To this end, it monitors the debts by what it calls the credit extension portfolio management system. Starting with its findings, JHF analyzes housing loan statistics, estimates probable losses in the future, and rethinks required credit risk premiums. To strengthen its management of credit risk, JHF explores ways to quantify the overall risk in the credit extension portfolio management system.

## Guarantee risk

Guarantee risk is a risk that can cause unexpected losses to JHF since the occurrence of guarantee accidents goes beyond expectations that constitutes the basis of the calculation of guarantee fees. JHF extends guarantees for debts as part of its assistance with the securitization of debts. When doing so, however, JHF examines applications meticulously in an attempt to grasp, analyze and manage the overall guarantee risk.

## Insurance risk

Insurance risk is a risk that can cause unexpected losses to JHF when the occurrence of insurance accidents goes beyond expectations that constitutes the basis of the calculation of insurance premium. JHF extends mortgage insurance against non-performing housing loans to financial institutions.

When underwriting, JHF conducts proper screening. JHF also utilizes credit portfolio management system for monitoring the performance of underwritten mortgages and examines adequate reserves through future income/cost analysis.

## Market risk

Market risk is a risk that can cause losses to JHF due to financial ups and downs attributable to fluctuations in interest rates and other volatile factors. Since housing loans are its major assets, JHF is faced with prepayment risk and refunding/reinvestment risk.

### ● Prepayment risk

Prepayment risk is a risk that can reduce revenues from loan repayment interest rates due to an increase in repayments prior to deadlines. This can happen when interest rates are cut. JHF estimates an increase in repayments based on established prepayment models, securitizes the debts, and issues bonds spanning varying periods.

### ● Refinance/reinvestment risk

Refinance/reinvestment risk is a risk that can reduce profit from increased interest payment due to an increase in rates on borrowings or from decreased interest income due to a decrease in rates on investment. JHF manages ALM risks by using of interest rate models to estimate the cash flow of assets and liabilities in consideration of future interest rate changes, measuring the periodic profits and losses generated by the aforementioned cash flows and periodic monitoring of duration and other risk indexes

## Reference

The following is the duration of securitization assistance accounts and outstanding credit management accounts as of the end of FY 2012.

- Securitization assistance accounts: (assets) 7.70 years and (liabilities) 7.58 years
- Outstanding credit management accounts: (assets) 5.01 years and (liabilities) 4.21 years

● **Pipeline risk**

Pipeline risk is a risk that can change profits and losses due to a shift in interest rates between the date of decision of the rate for housing loans and funding. JHF executes interest rate swaps for the purpose of hedging pipeline risks, etc.

**Counterparty credibility risk**

Counterparty credibility risk is a risk that can cause losses to JHF when asset values of a counterparty, in which JHF invests excess money, drop or are lost. This can happen when the party runs into financial difficulties. JHF establishes guidelines regarding the credit risk management including that of each issuer, and a counterparty for uses of interest rate swap transactions and monitors those transactions.

**Liquidity risk**

Liquidity risk is a risk that can cause losses to JHF due to uncertain liquidity of funds. This happens when JHF cannot secure funds because of financial difficulties, or when it is compelled to pay interest at far higher rates than usual simply to secure funds. For managing liquidity risk, JHF has established a floor for liquid asset holdings, and the standards are applied on a daily basis to ensure stable cash management. In addition, in accordance with the degree of liquidity squeeze, we have set three classifications (Normal, Watch, and Crisis) and developed a response measure for the Watch and Crisis situations. Furthermore, to establish borrowing facilities and other emergency measures to ensure our ability to finance, JHF has stipulated a contingency funding plan to respond to situations that would expose us to liquidity risk.

**Operational risk**

Operational risk is a risk that can cause losses to JHF due to improper business processes, misconduct of any executive or employee, a faulty information system and/or exogenous events, and includes administrative risk, system risk, legal risk, human risk, tangible asset risk and reputation risk. JHF is working to collect realized risk events to understand the circumstances causing such risk events, analyzes the causes to formulate countermeasures, self-evaluate potential risk and control method to deter its emergence, and implements Risk & Control Self-Assessment (self-assessment of risk inherent in operation and control against the risk for better operation), thereby strengthening the management system against operational risk.

<Definitions and Management Methods for Core Operational Risks>

● **Administrative risk**

Administrative risk is a risk that can cause losses to JHF when any executive or staff member fails to do his job as expected, causes an accident, or commits wrongdoing.

To reduce the risk, JHF is revising its office work manual, improving office work, enhancing crosschecking between staff members, and educating them about better office work. Other efforts include organizing training sessions for staff members, encouraging voluntary inspections of office work, collecting and analyzing information on mistaken office work, and setting up countermeasures.

● **System risk**

System risk is a risk that can cause losses to JHF due to a failure, malfunction, defect or misuse of the information system. JHF classifies system risk according to the degree of significance and evaluates each category to set up preventative measures. It also explores a more secure system based on the information security regulations, checks and analyzes system failures and gets countermeasures into action. In preparation for serious failures, JHF enforces the crisis control manual, runs a backup center and organizes accident response drills.

● **Compliance risk**

Compliance risk is a risk that can cause losses to JHF due to unlawful acts, inappropriate contracts, and uncertainty of legal matters related to business deals. JHF strengthens internal regulations, scrutinizes draft contracts, and gets the legal affairs department to check the contents of all advertisements it plans to post. All these efforts aim to decrease compliance risk. The same department provides the executives with information on the enforcement and abolishment of the law and regulations, and court decisions that can affect JHF business. This course of action aims to prevent anyone in JHF from violating any law, rules and regulations.

## Business Continuity Plan (BCP)

JHF formulated its Business Continuity Plan (BCP) in FY2008 to minimize the impact on customers and other concerned parties, as well as to pursue its basic mission and social responsibilities, under circumstances including a large-scale disaster or epidemic of a new strain of Influenza. We conduct various drills and regularly review damage predictions to clarify any new challenges and items to be improved to further sophisticate the BCP.

### Formulation of JHF Business Continuity Plan

JHF places its first priority on ensuring the safety of visitors, executives, employees and other people and takes preventive measures first against such secondary disasters as fires caused by an earthquake, and then works on plans for the continuation of its business operations.

We have formulated action guidelines for executives and employees and an execution framework for business continuity and decided the businesses that need to be continued and the priority order of recovery in case of a natural disaster.

### Drills

We have continuously conducted disaster drills, safety confirmation drills, drills of establishment and operation of disaster headquarters, as well as business continuity drills for executives and employees. After the drills, we clarify new challenges and items to be improved based on opinions and observation of participants to further improve the BCP and drills.

In FY2012, we introduced a new type of drill for gathering on foot in the Tokyo metropolitan area. Based on the drill, we produced and distributed a map that contains walking routes and locations of homecoming support facilities, etc., as well as mental and physical preparation for disasters, to assist those returning home to ensure their safety.

### Preparation of stockpiles

Based on the Tokyo ordinance for people with difficulties returning home, which was enforced in April 2013, JHF has prepared an additional 10 percent to the three days' worth of stockpiled food and beverages for those who may have difficulties returning home.

We are also improving the capacity of power generation, etc. by introducing solar power generation and batteries in order to secure the minimum level of power necessary for business continuation even when the power supply is suspended due to natural disasters, etc.

### Information gathering

JHF gathers information on damage anticipated to be caused by a massive earthquake along the Nankai Trough or an earthquake directly beneath the Tokyo metropolitan area, released by the Central Disaster Prevention Council of the Cabinet Office and Tokyo Metropolitan Government's Disaster Prevention Council. This information is reflected in our own disaster response endeavors.

## Disclosure

JHF accepts requests for information disclosure under the Law on Protection of Personal Information Held by Incorporated Administrative Agencies (Law No. 140 of 2001) at the window of the information disclosure and private information protection set at the Headquarters and branches across Japan. In compliance with the purpose of that law, JHF is making a further commitment to the promotion of disclosure.

In order to obtain the understanding of the people, JHF discloses the details of its business, financial status, etc., as follows. The disclosed materials are also available on JHF website.

### <The above materials>

Materials	Place and manner of disclosure	Time of disclosure (scheduled)
Financial statements (statements of assets and liabilities, statements of profits and losses, documents on the dealing of profits and losses, documents on the calculation of cash flow, documents on the calculation of administrative service costs and relevant appendixes)	·Published in the Official Gazette ·Always prepared at each branch (*)	July August
Report of settlements of accounts	·Always prepared at each branch (*)	August
Comments of the auditor and accounting auditor on the financial statements and final accounts reports	·Always prepared at each branch (*)	August
Report on activities	·Always prepared at each branch (*)	August
Business report	·Always prepared at each branch	August
Disclosure booklet (this document)	·Always prepared at each branch	August
Criteria for the payment of salaries and retirement benefits for directors and employees	·Always prepared at each branch	At every revision (modification)
Rules concerning the style of contracts	·Always prepared at each branch	At every revision (modification)
Method of calculating usage fees, commissions and other charges collected when applicable by law	·Always prepared at each branch	At every revision (modification)
Report on the evaluation of business	·Always prepared at each branch	November
Report on the evaluation of policies	·Always prepared at each branch	At every policy evaluation by competent ministry
Report on the latest audit by the Board of Audit	·Always prepared at each branch	December
Issues related to associated organizations (what is stipulated in item 3, paragraph 1, article 22 of the law (Law Concerning Disclosure of Information Owned by Independent Organizations, Law No. 140 of 2001), the names of organizations, activities and relation with JHF, and significant business transactions with JHF, and the names and titles of the person who serve both JHF and any such agency as executives)	·Always prepared at each branch	August
Personal data file	·Always prepared at each branch	At every revision (modification)
Details of business, performance, outline of organization, state of finance, etc.	·Website ( <a href="http://www.jhf.go.jp">http://www.jhf.go.jp</a> )	At every revision (modification)

\*Documents marked with (\*) are compiled into single-volume booklets for each year and placed ready for use at each branch



(Website) <http://www.jhf.go.jp>



Window of the information disclosure and private information protection (Head Office)

# Details of JHF Business

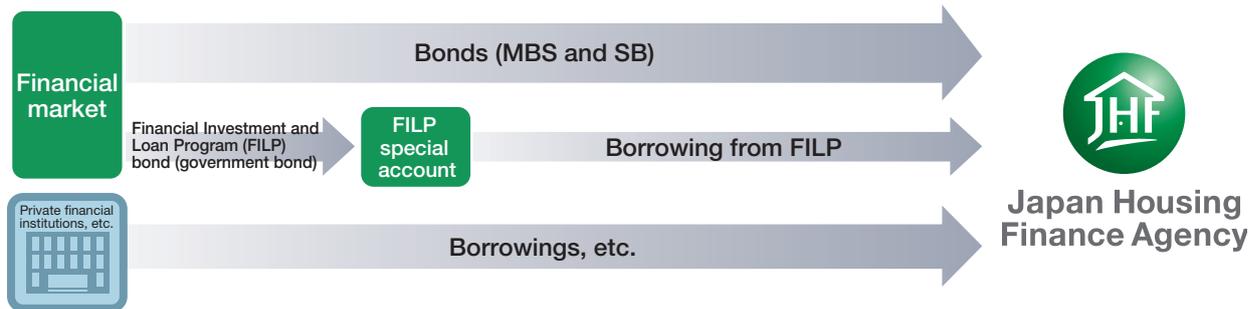
## Funding

JHF's major funding sources are mortgage-backed securities ("MBS") and straight bonds with general securities ("SB").

The major funding source of JHF is issuing MBS and SB in the financial markets and JHF applies such monies to Securitization Support Business and other businesses of JHF.

JHF limits the use of borrowing from FILP to loans for recovery from disasters, which requires emergency measures.

### Overview of funding

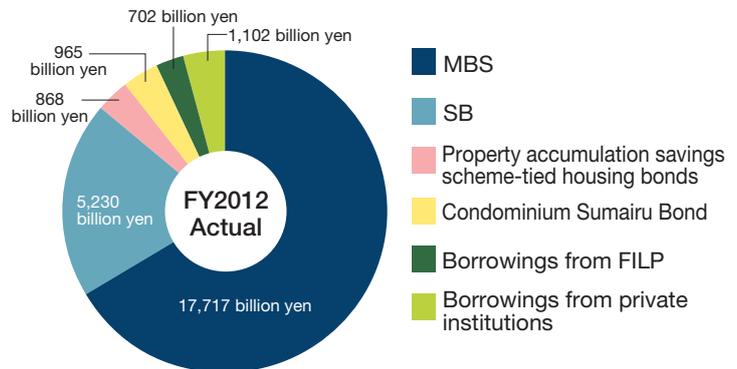


### Breakdown of funding

Major funding source of JHF is issuing MBS and SB

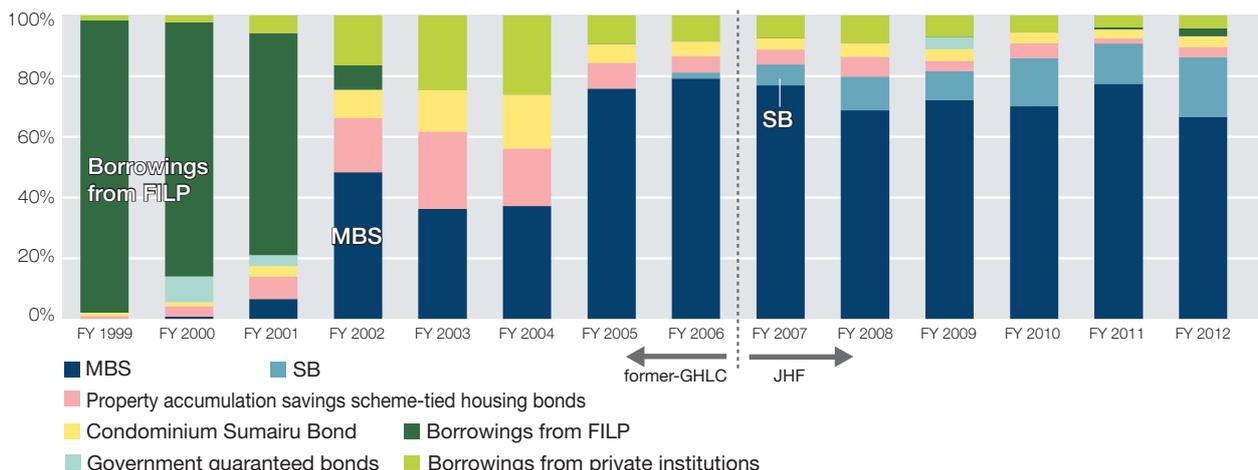
		Results of FY 2012
Bonds	MBS	1,771.7 billion yen
	SB	523 billion yen
	Property accumulation savings scheme-tied housing bonds	86.8 billion yen
	Condominium Sumairu Bond	96.5 billion yen
Borrowings	Borrowings from FILP	70.2 billion yen
	Borrowings from private institutions	110.2 billion yen
Total		2,658.4 billion yen

\* Amount of bonds is based on amount paid



### <Reference: Trend of Funding Sources>

JHF has shifted its main business of direct lending business conducted by the former-Government Housing Loan Corporation ("former-GHLC") to securitization support business aimed to support organization of long-term fixed-rate housing loans by private financial institutions. Thus, the main funding sources have also shifted from borrowings from FILP to fund-raising from the Financial market by issuing MBS and SB.



## Product features of MBS and SB

	MBS	SB
Collateral	Housing loans* <sup>1</sup>	General security* <sup>2</sup>
Rating at the time of issuance* <sup>3</sup>	S&P: AAA R&I: AAA	S&P: AA – R&I: AA +
Redemption methods	Monthly pass-through redemption* <sup>4</sup>	Bullet payment on maturity date
BIS risk weight* <sup>5</sup>	10% (Standard method)	10%
Eligible collateral security under the requirement of Bank of Japan	Eligible (LTV: 95% of market value applies)	Eligible (LTV: 95% of market value applies to remaining 5 up to 20 years; 93% of market value applies to remaining 20 up to 30 years)
Amount paid (issuance price)	100 yen paid per 100 yen face value (issued at par)	

\*1 MBS: JHF purchases housing loans, Flat 35, and entrust them as collateral of MBS at each issuance.

\*2 SB: SB is a bond with general security in accordance with provisions of Article 19.5 of the Japan Housing Finance Agency Act. Creditors (SB investors) have the right (lien) to receive the repayment of their receivables prior to other creditors in relation to JHF assets. The order of the lien is the second highest priority following the general lien in accordance with provisions of the Civil Code (Article 19.6 in the same act).

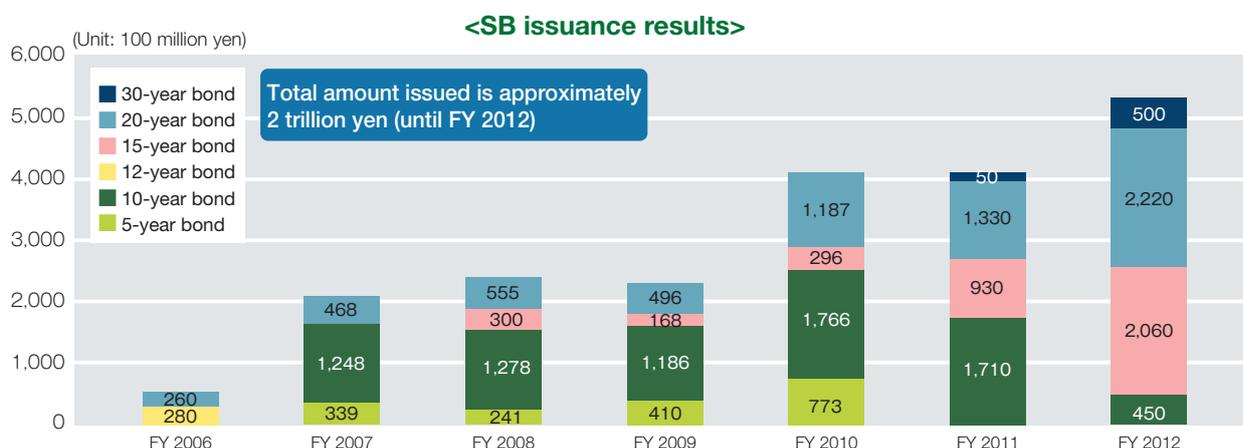
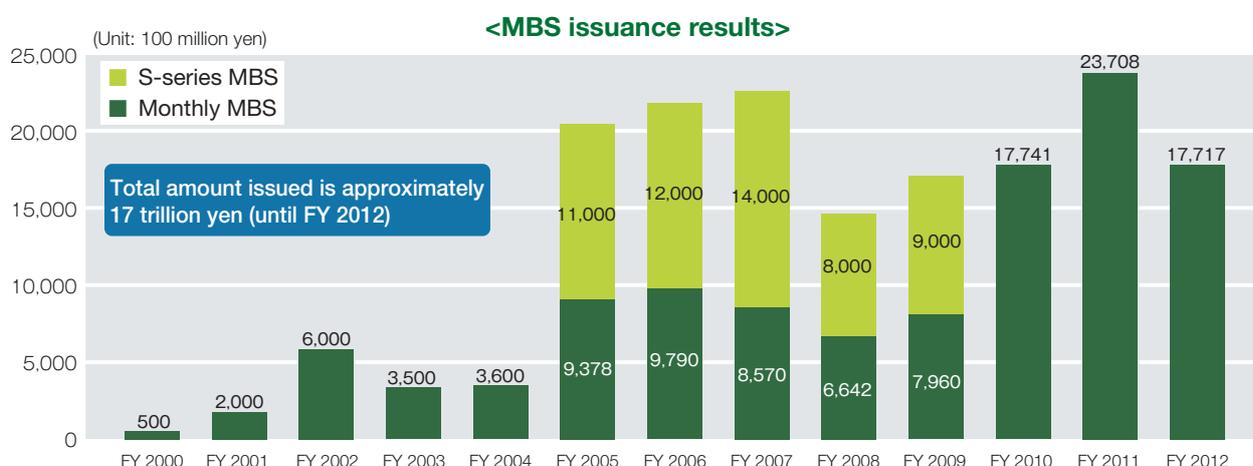
\*3 · S&P: Standard & Poor's · R&I: The rating of MBS given by S&P has an identifier (sf) that indicates structured finance.

\*4: See the following page for the monthly pass-through payment method.

\*5: The capital adequacy ratio under BIS regulations is obtained by dividing the stockholders' equity by risk assets. Each asset has a loanable value in accordance with the degree of risk and this is referred to as risk weight.

## Issuance results of MBS and SB

Monthly MBS and SB are issued to raise funds for Flat 35 and JHF loans while S-series MBS is issued for the purpose of refinancing the outstanding loans borrowed by the former GHLC.



\* JHF implements appropriate Asset Liability Management (ALM) by issuing SB of various maturities.

## Key Features of MBS (monthly MBS)

### ● Asset-backed Zaito Agency bond

- Prior to a beneficiary certificate trigger event\*, JHF is responsible for all principal and interest payments backed by its creditworthiness. After a beneficiary certificate trigger event, the MBS is no longer a Zaito Agency bond but converted to a beneficiary certificate.
- The risk weight of the Zaito Agency bonds under BIS regulations (Basel II standardized approach) is 10 percent.

\* Beneficiary certificate trigger events are as follows:

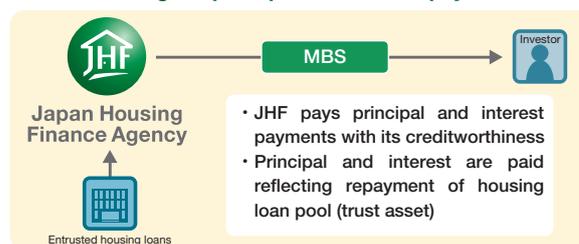
- 1 The successor of JHF MBS obligation is not determined by the act and JHF is dissolved as a result of the enforcement of the act on JHF dissolution.
- 2 An act that designates a corporation as the successor of JHF MBS obligation or a legal entity to which application of the Corporate Reorganization Act (No. 154 of 2002 and its revisions thereafter) or other similar bankruptcy proceedings is legally permitted is enforced and JHF is dissolved.
- 3 An act that designates a corporation as the successor of JHF MBS obligation or a legal entity to which application of the Corporate Reorganization Act (No. 154 of 2002 and its revisions thereafter) or other similar bankruptcy proceedings is legally permitted is enforced and the MBS creditor becomes such legal entity.
- 4 JHF fails to fulfill its payment obligations under JHF MBS or other bonds issued or assumed by JHF on the day such obligation is due and such a condition is not cured within seven days.

### ● Homogeneous and regionally-diversified housing loan pools

- As JHF purchases housing loans nationwide, therefore, housing loan pools are regionally well diversified.
- As JHF applies standardized uniform criteria for all housing loans when purchasing them from private financial institutions, housing loan pools are homogenous.



### <An image of principal and interest payment>



### ● JHF bears credit risks of defaulted loans

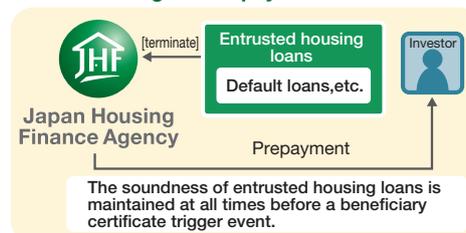
- JHF will pay the principal and interest of delinquent loans up to three months as if loans are current.
- JHF will terminate the defaulted loans including loans delinquent for four months from the trust. Therefore, such loans will be treated as prepayments and JHF removes such defaulted loans from the trust asset and repays an amount equivalent to the outstanding principal amount of the defaulted loan multiplied by the outstanding principal amount of the MBS divided by the outstanding amount of entrusted housing loans\*<sup>1</sup> [Prepayment Method]\*<sup>2</sup>, \*<sup>3</sup>.

\*<sup>1</sup> The outstanding amount of entrusted housing loans is calculated based on assumption of no delinquency of housing loans.

\*<sup>2</sup> As for MBS (S series) and MBS (Monthly) issued by former-GHLC, JHF replaces defaulted loans which include loans delinquent for four months with performing loans and maintains the soundness of the entrusted housing loan pools [Replacement Method].

\*<sup>3</sup> The Prepayment Method and Replacement Method are applicable only prior to a beneficiary certificate trigger event.

### <An image of Prepayment Method>

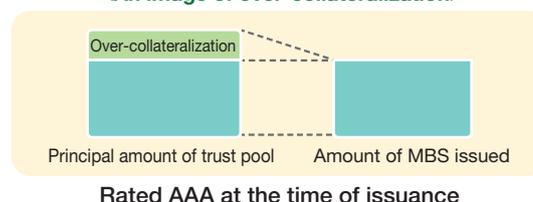


### ● JHF achieved AAA ratings by over-collateralization

- JHF sets a sufficient level of over-collateralization to achieve AAA ratings from S&P and R&I at the time of issuance.
- Minimizing the associated credit risks to the lowest level, investors are eligible to focus just on interest-rate risk and prepayment risk when deciding JHF MBS investment.

\*Over-collateralization is an excess amount of the total entrusted housing loan amount over the JHF MBS issuance amount. It functions as credit enhancement after a beneficiary certificate trigger event.

### <An image of over-collateralization>



### ● Principal and interest of JHF MBS are paid monthly in accordance with the repayment of entrusted housing loan pools [monthly pass-through payment method]

- JHF pays the principal and interest of its MBS to investors in accordance with the repayment amount of entrusted housing loan pools that serve as an asset backing the MBS.
- As repayment of the principal and interest of housing loans is made monthly in general, those of JHF MBS are also paid monthly.
- Housing loans are repaid periodically and can also be prepaid. Thus, the principal and interest payment of JHF MBS fluctuate in accordance with the prepayment condition of underlying housing loans.

## Securitization Support Business (Provision of Flat 35)

### Support for private financial institutions to provide long-term fixed-rate housing loans

JHF has implemented securitization business for private financial institutions to provide long-term fixed-rate housing loans, for which there is a persistent demand from people. Housing loans provided by utilizing the scheme of securitization are collectively referred to as Flat 35.

There are two types of program for JHF’s securitization business: Purchase Program and Guarantee Program. Both Purchase Program and Guarantee Program are eligible for “Flat 35S,” a support scheme in which lower interest rates are applied for a certain period for customers who purchase high-quality housing in terms of energy saving and the like.

It will be 10 years in October 2013 since JHF started the Flat 35.

#### “Flat 35” product line up

<b>Flat 35 (Purchase Program)</b>	Flat 35 (Purchase Program) is a long-term fixed-rate mortgage provided through collaboration between private financial institutions and JHF.
<b>Flat 35S</b>	A system in which lower interest rates are adopted for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency and the like.
<b>“Flat 35” (Refinancing)</b>	A scheme that allows refinancing Flat 35 after fulfillment of the current housing loans without relocating to other residence.
<b>Flat 50</b>	A system that allows a maximum 50-year repayment period for houses certified as long-life high-quality.
<b>“Flat 35” (renovation package)</b>	A scheme that allows to loan necessary funds for purchase of existing houses and renovation with unified procedures by receiving Flat 35 and loans provided by financial institutions (Flat 35 package).
<b>JHF Relocation Support Loan</b>	A loan for customers who acquire a new housing on the basis that corporation* leasing housings by using guarantee of the Foundation for Senior Citizens’ Housing leases the customers’ current owning housing. * Japan Trans-housing Institute implements lease of housings, as of March 31, 2013
<b>Flat 35 (Guarantee Program)</b>	Flat 35 (Guarantee Program) is a long-term fixed-rate housing loans originated and securitized by financial institutions for the purpose of providing customers with long-term fixed-rate housing loans.

## Scheme of Flat 35 (Purchase Program)

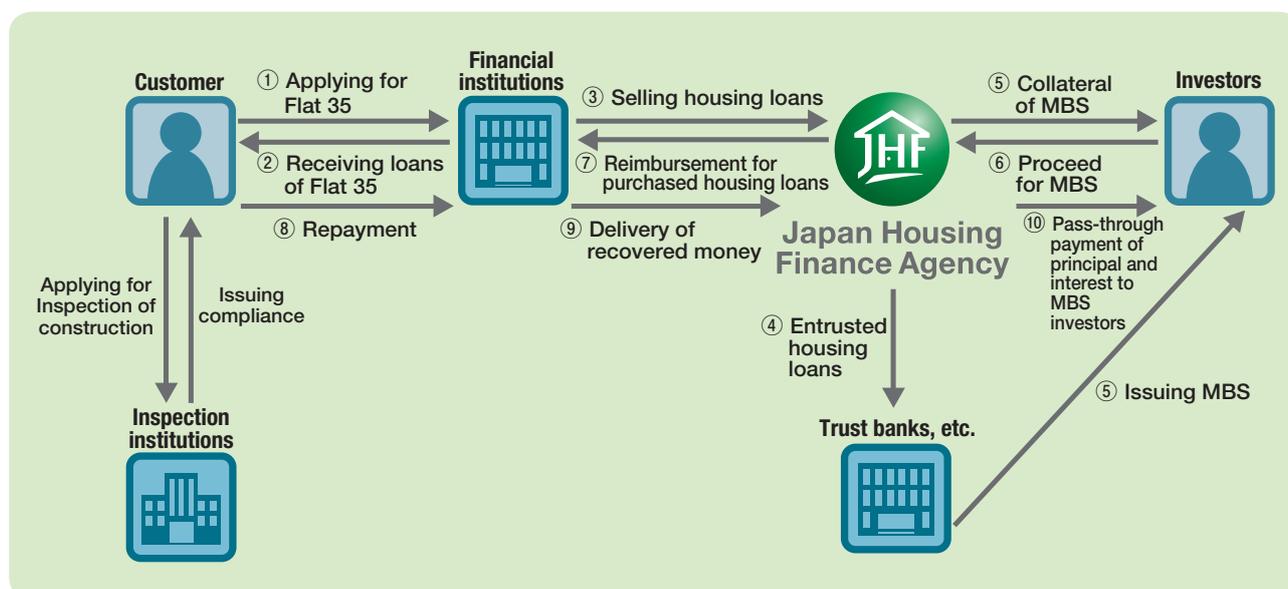
(For the product details, refer to page 99)

JHF purchases housing loans from private financial institutions and entrusts them to trust banks, etc. JHF issues MBS backed by this collateral and raises funds for housing loans from the bond market (i.e., from investors). (See the figure below).

Using this system, private financial institutions can provide long-term fixed-rate housing loans. Such housing loans must meet certain underwriting criteria set by JHF, and are transferred to JHF from private institutions when they are disbursed.

The interest rate on these loans is decided by individual private institutions based on the coupon on MBS, etc.

### <Scheme>



### ● Features of Flat 35 (Purchase Program)

- Safe because interest rate is fixed to maturity

The borrowing rate and the amount repaid is fixed to maturity when the loan is closed.

- No guarantee fee and no prepayment penalties

There is no guarantee fee that is usually required for housing loans. No guarantor is required, either. In addition, no fee is required for prepayment and modification of repayment conditions during the repayment period.

- JHF's technical criteria to support housing

Houses shall be inspected based on technical criteria set by JHF for thermal insulation, durability and the like, and JHF confirms a certificate issued based on the Building Standards Act for new housing.

- Support to provide security during the repayment period

JHF provides consultations for customers experiencing difficulties in repaying their loans, and proposes options for modifying repayment terms and conditions depending on their circumstances. JHF also provides its group credit life insurance as well as group credit life insurance for three major diseases.

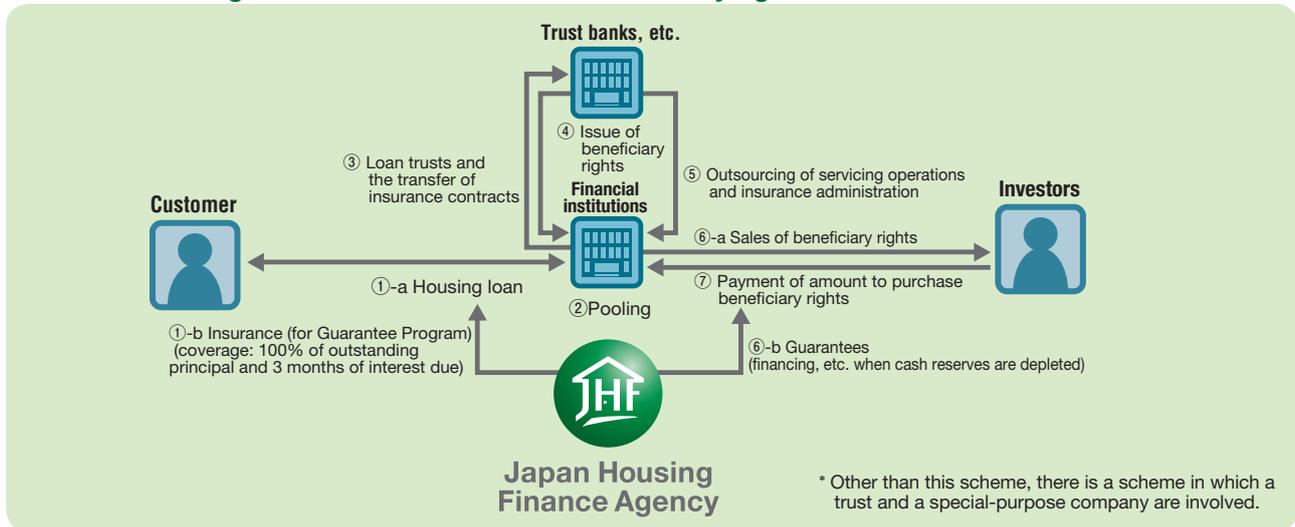
### ● Institutions participating in the business

A total of 333 institutions participate in securitization business (Purchase Program), including city banks (5), trust banks (1), regional banks (64), other regional banks (38), cooperative banks (160), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (9) and insurance companies/mortgage banks/other banks (25). The figures in the brackets indicate the numbers of participating institutions (As of March 31, 2013).

### Scheme of Flat 35 (Guarantee Program)

JHF will underwrite housing loan insurance (for Guarantee Program) for housing loans with long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by the housing loans as collateral.

<Figure: Scheme in which trust beneficiary rights are sold to an investor>



#### Criteria for approving applications for Flat 35 (Guarantee Program) (\*1)

- The loan is necessary for the construction/purchase of a house for the applicant and/or relatives.\*2
- The house in question satisfies the technical requirements specified by JHF.
- The cost of housing construction, including the cost of purchasing the land, or the cost of purchasing the house and land is 100 million yen or less (including consumption tax).
- The amount of money to be taken out is more than 1 million yen and less than 80 million yen, inclusive, and is equal to or less than 100 percent of the cost of the housing construction or the cost to purchase the house and land.
- The duration of the loan is between 15 years and 35 years, inclusive.
- The interest rate remains fixed throughout the duration of the loan.

\*1 Requirements for Flat 35 (Guarantee Program) vary according to the financial institution. Please contact the relevant financial institution for more information.  
 \*2 Refinancing is also covered.

#### Institutions participating in the business

In the securitization business (Guarantee Program), we concluded agreements with five institutions: city bank (1), regional bank (1) and mortgage banks (3). The number of institutions participating in the business. (as of May 31, 2013)  
 \* Some financial institutions have suspended the acceptance of new applications (as of May 31, 2013)

### Flat 35S

Flat 35S is a system in which lower interest rates are adopted for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency, earthquake-resistance and the like.

There are two interest-rate reduction plans for Flat 35S; Flat 35S (Interest rate plan A) and Flat 35S (Interest rate plan B).



Eligible for application from April 1, 2013, to March 31, 2014\*1

Interest-rate reduction plan	Duration of interest-rate reduction	Range of interest-rate reduction	Maximum loan-to-value ratio
Flat 35S (Interest rate plan A)	First 10 years	Reduction of 0.3%/year from Flat 35	90%*2*3
Flat 35S (Interest rate plan B)	First 5 years		

\*1 There is a budgetary ceiling for Flat 35S. Applications will be accepted until the total amount reaches the ceiling. The end date will be notified on the Flat 35 website (www.flat35.com) by three weeks prior to ending.

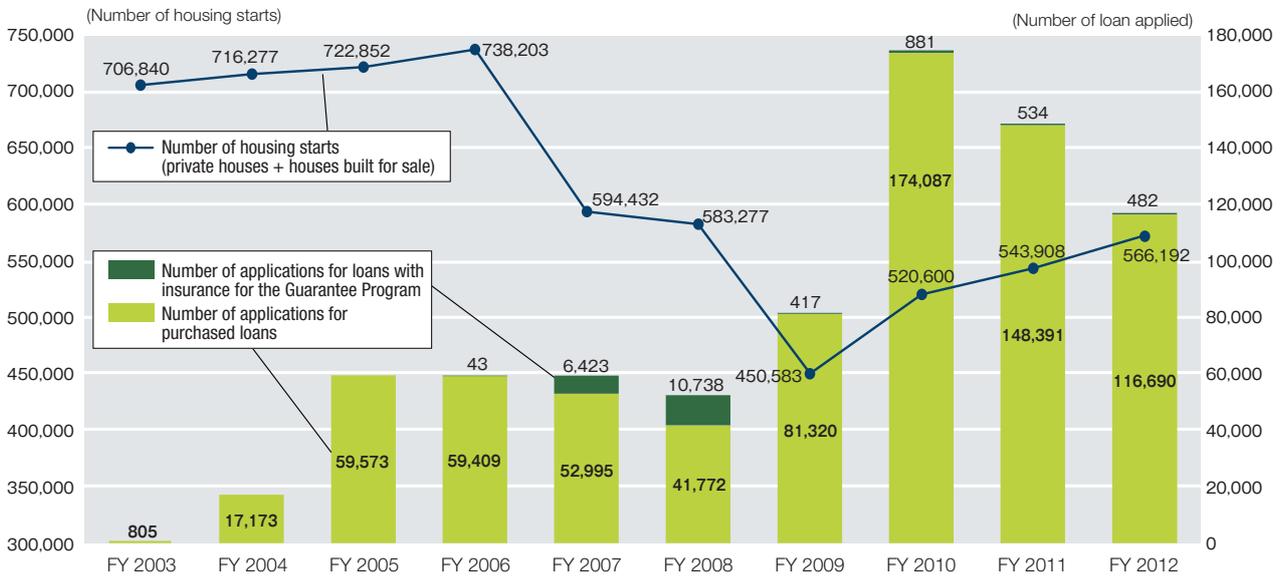
\*2 The same loan-to-value ratio in cases not receiving Flat 35S

\*3 Maximum loan-to-value ratio for Flat 35 (Guarantee Program) is 100%.

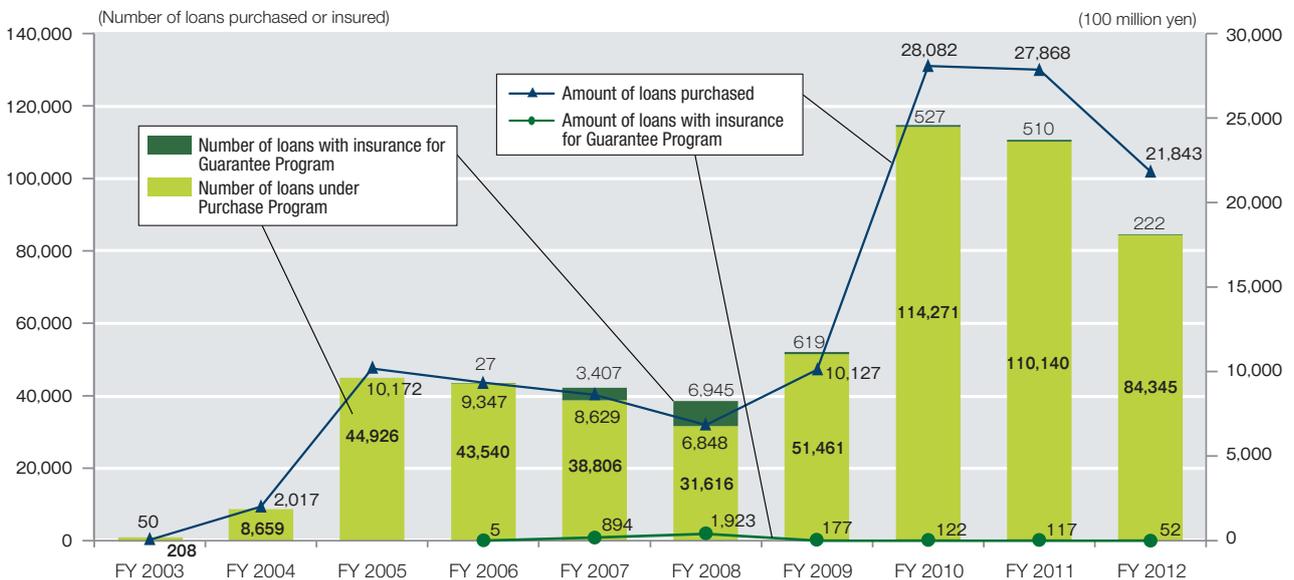
(Note) Flat 35S is available when constructing and purchasing new housings as well as purchasing existing housings (except "Flat 35" refinancing).

## Results of Flat 35

### < Changes in the numbers of applications for Flat 35 (Purchase Program/Guarantee Program) to be purchased and insured >



### < Number of loans and amount of disbursements for Flat 35 (Purchase Program/Guarantee Program) >



## Activities related to Flat 35

### Organizing consultation meetings across Japan

JHF holds consultation meetings on Flat 35 simultaneously at each place across Japan for people considering acquisition of housing.

At some places, a seminar is also organized during the meetings and receives many participants.

<Meetings in May 2013>

- Held at 45 places nationwide
- Number of participants: 1,299

<Consultation meeting>



<Seminar>



### Flat 35 website

Since the renewal of the Flat 35 website in May 2013, it has become easier for customers to obtain information they look for.



Product information, such as Flat 35 product outline, interest rate, procedures, etc. is available from Flat 35 website (<http://www.flat35.com>).

[Annual number of visitors: approx. 51.42 million (FY 2012)]

### Business activities using tablet terminal

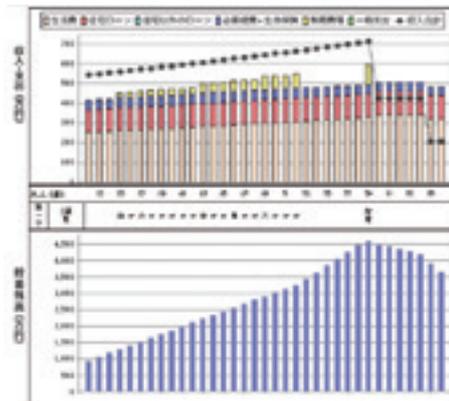
JHF has provided timely information and consultations by utilizing tablet terminals.

When providing consultations to customers at the consultation meetings and other occasions, using tablet terminals, JHF staff prepares a simulation of repayment plan.

<Explanation with tablet terminals>



<An image of estimation made by repayment plan simulation>



A repayment plan for acquiring housing and other estimations in light of monthly family income and expenditure or future life events are available from the simulation.

### Activities of Branches

[Kinki Branch of JHF] “Fratto Plaza” is opened  
Customers feel free to visit “Fratto Plaza” where it provides advice on housing loans, information on Flat 35, and a simulation of repayment plan based on customers’ life plan.

Business hours:

Mon. – Fri.  
10:00 – 17:00 (Closed on national holidays and Year-end and New Year holidays)



[Hokuriku Branch of JHF] Public relation activities at “Kanazawa-Jo Relay Marathon”

11 JHF staffs participated in Kanazawa-Jo Relay Marathon hosted by the Hokkoku Shimbun. Handing over a sash with a logo of “Flat 35”, the staffs successfully finished the marathon. Only the participants are allowed to present commercial message in the event and the staffs also promoted Flat 35 and provided information on consultation meetings across Japan.



## Housing Loan Insurance Business

### JHF underwrites insurance for private-sector housing loans.

Housing loan insurance is public credit insurance provided by JHF. By underwriting insurance for housing loans originated by private financial institutions, JHF supports the supply of housing loans by private financial institutions.

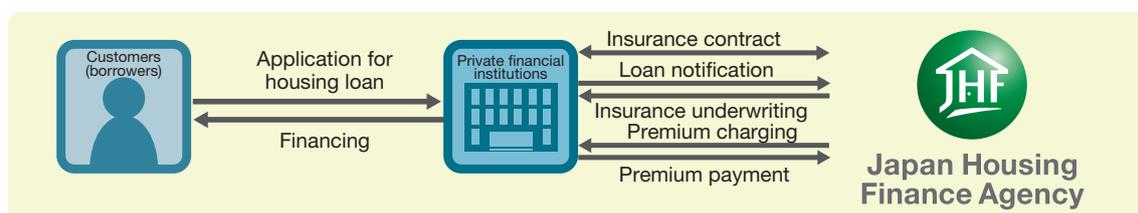
#### Scheme of housing loan insurance

When housing loans made by private financial institutions default, JHF covers part of the incurred losses based on the insurance policy concluded between JHF and the private financial institution in advance.

10% of the risk weight for the insured portion is applied to housing loans with housing loan insurance in the standard calculation of the capital adequacy ratio.

For more details, see the Announcement of the Financial Services Agency No. 19 (on March 27, 2006).

#### <Scheme of housing loan insurance>



#### Loan types eligible for housing loan insurance

- Loans related to housing (construction, purchase, extension / renovation, etc.)
  - \* Bridge loans and renovation of shared parts of condominiums are also covered.
- Outstanding amount of loan with insurance shall be 80 million yen or less.
- Repayment of the loan is expected without default.
- The collateral/surety and debt-to-income ratio shall meet the criteria determined by JHF.

#### Product outline

Type	Eligible loans	Insurance coverage *1
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35 or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Also applicable to refinance.	100%
Specific short-term loan insurance (bridge-loan type)	Bridge loans for installed payments at the commencement of construction, interim payments and payments on completion that have been underwritten by JHF insurance. To be connected into permanent mortgages that are Flat 35 (including Flat 35 package) or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Those with a loan period of 1 year or less	
Specific personal loan insurance (private financial institute loan type) *2	Retail housing loans that are in accordance with the underwriting criteria of a private financial institution and have been approved by JHF in advance (LTV: 85%). Also applicable to refinance (except for in-house refinance by banks)	
Specific personal loan insurance (Reverse mortgage for home improvement loans for elderly people)	Loans for remodeling of property with elderly residents (60 years or older) that has been underwritten for insurance approval by JHF (the principal, etc. is repayable as a lump sum upon the death of the borrower.)	90%
Personal loan insurance *2	Retail housing loan in accordance with the underwriting criteria of a private financial institution (LTV: 85%, the debt-to-income ratio: up to 30% for those with annual income less than 4 million yen and up to 35% for those annual income 4 million yen or more (if the criteria of the private financial institution is less than these, the values from the criteria are the upper limits)). Also applicable to refinance (except for in-house refinance by banks)	
Personal bridge loan insurance *2	Bridge loans in accordance with the underwriting criteria of a private financial institution Loans with maturity of less than one year.	

\* 1 The ratio of insuring uncollected principals (excluding interest, late charges, etc.)

\* 2 The insurance is available exclusively to small and mid-sized financial institutions that do not own guaranty companies as subsidiaries as prescribed in the provisions of Article 2 of the Companies Act (Act No. 86 of 2005).

#### Financial institutions entering into housing loan insurance contracts

207 financial institutions in total have entered into housing loan insurance contracts. They include: City banks (5), Regional banks (32), Secondary regional banks (12), Cooperative banks (79), Credit associations (17), Labor banks (1), Prefectural Credit Federation of Agricultural Cooperatives/Japan Agricultural Cooperatives/Prefectural Banking Federations of Fishery Cooperatives/Japan Fishery Cooperatives (37) and Insurance companies/mortgage banks and other banks (24).

( ) shows the number of institutions having entered into the insurance contract (as of March 31, 2013).

## Loan Origination Business (loans for recovery from disasters, etc.)

We provide loans for which societal demand is expected to grow, and which are difficult for private financial institutions to originate.

At present, JHF provides loans in limited areas, such as prompt housing reconstruction in disaster-affected areas, constructing serviced rental housing for the elderly, rebuilding old housing in high-density urban districts, and reforming shared parts of condominiums those important in terms of policy and also difficult for the private sector to provide financing for.

### Overview of loan origination programs

#### ●Loans for recovery from disasters available for the people affected by disasters

Loans to build, purchase or repair housing damaged by disasters aiming for prompt housing reconstruction in disaster-affected areas.

#### ●Loans for serviced rental housing for the elderly available for those building rental housing for the elderly

Loans to build purchase and repair serviced rental housing for the elderly aiming to provide safe housing with welfare services for the elderly.

#### ●Loans for energy-saving rental housing available for those building energy-saving rental housing

Loans to build and repair energy-saving rental housing aiming to enhance energy conservation in housing for families with small children.

#### ●Loans for town development available for urban redevelopment unions, condominium rebuilding unions and other reconstruction business operators

Loans for urban redevelopment, condominium reconstruction and reconstruction in high-density urban districts (for initial funding, construction costs, etc.) aiming to improve the disaster-prevention function and the living environment in high-density urban districts.

#### ●Loans for reforming the shared parts of condominiums available for condominium associations and condominium owners

Loans for extensive repair (such as exterior wall repairs) and seismic strengthening of condominiums aiming to improve aged structures and strengthen the seismic resistance of condominiums.

##### Condominium Samurai Bond (“Mansion Samuraisai”)

JHF supports condominium associations by issuing Condominium Sumairu Bond (“Mansion Sumairusai”), which condominium associations can periodically purchase and accumulate as funding for future extensive repairs.

#### ●Special repayment system for the elderly (reform loan/town development loan) available for the elderly

This system is available for elderly building barrier-free housing or purchasing housing in a condominium reconstruction project. In order to reduce the burden of monthly payments, elderly are required to repay only interest until the time of their death and repay the remaining outstanding loan amount at the time of their death.

\* In addition to the above loan origination programs, JHF provides loans for those who have joined employees’ savings scheme, those who renovate their houses to improve earthquake resistance, and those who conduct works to protect their homes from disasters such as landslides.

## Examples of projects financed

### Loans for rental housing

Serviced rental housing for the elderly (apartment complex name: "Morita-san Chi", Noda, Chiba Prefecture, completed in Oct. 2012)

Letter of Appreciation of JHF President was presented in FY 2013.

This serviced rental housing for the elderly develops community-based business, which prepares and provides care plans optimum for each renter. It also provides ample services including emergency transportation and hospital arrangement by installing an in-house daycare facility and in collaboration with local medical institutions.

<Building appearance>



<Inside of the building>



### Loans for town development

Condominium rebuilding project (project name: Daikyo-cho Condominium Reconstruction Project, Shinjuku-ku, Tokyo, completed in Jan. 2010)

Letter of Appreciation of JHF Senior Executive Director was presented in FY 2010.

This project was led by a reconstruction union to improve the living environment after a resolution for reconstruction was adopted in 2006, because the condominium constructed by the Tokyo Metropolitan Housing Supply Corporation in 1957 was considered too old and inconvenient without an elevator.

<Before reconstruction>



<After reconstruction>



Disaster prevention district improvement project (project name: Project to Construct a Disaster Prevention District in the East Area of Higashi-Kishiwada Station, Kishiwada, Osaka Prefecture, completed in Sep. 2010)

Letter of Appreciation of JHF President was presented in FY 2012.

This project was meaningful in terms of policy because a fire-resistant district was established by building fireproof structures in an area with a high concentration of wooden houses, and because urban disaster-prevention functions were realized by improving roads and parks. This is a typical case of disaster-prevention district improvement projects implemented in regions.

<Before improvement>



<After improvement>



● Loans for reforming shared parts of condominiums

Seismic strengthening works (apartment complex name: Churis Nishiazabu, Nishiazabu, Tokyo, completed in Jan. 2012)  
Letter of Appreciation of JHF President was presented in FY 2012.

Seismic strengthening works were conducted for this 45-dwelling units condominium built in 1978 because the structure was very old and there was a concern about earthquake resistance. The seismic isolation method was adopted for the works since it was the most suitable technique for a condominium in an urban area, given that the structure stands very close to adjacent buildings and that the first floor has pilotis.

<Building appearance>



<Part of the seismic works: seismic isolation device>



<Part of the seismic works: seismic isolation device>



Condominium Sumairusai supporting condominium associations

Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond issued by JHF with the approval of the national government aimed to support condominium associations to systematically accumulate and properly manage funds for repair costs.

To ensure a safe living environment over a long period of time, condominium associations collect money from residents to accumulate funds for the maintenance and future repairs of the shared parts of condominiums, such as exterior walls and elevators.

Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond that condominium associations can continuously purchase. JHF issues the bond to support proper management and systematic accumulation of funds for repair costs.

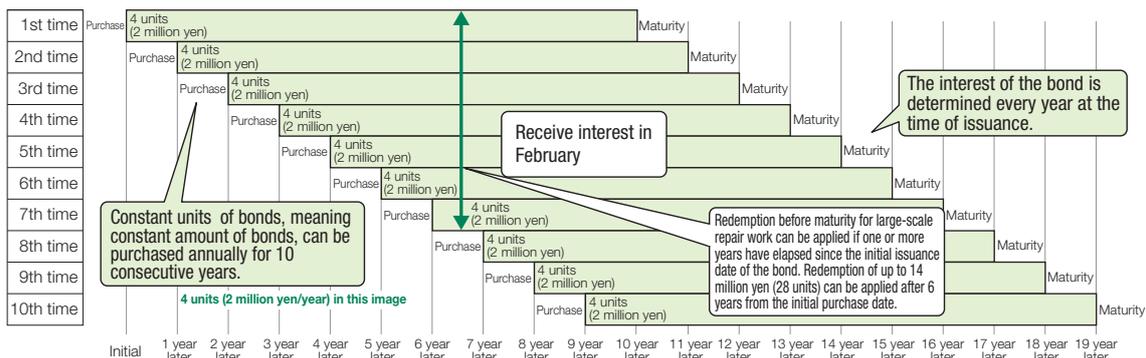
JHF began to offer the bond in 2000 and has received a fund totaling approximately 870.8 billion yen from approximately 20,000 condominium associations.

JHF semiannually sends a magazine named Mansion Information Box (“Mansion Jyoho Bokkusu”) containing useful information about management of condominium to condominium associations those purchased Condominium Sumairu Bond (“Mansion Sumairusai”). In addition, JHF will send out a mail magazine containing invitation to seminars regarding management and reconstruction of condominiums

[Features of Condominium Sumairu Bond (“Mansion Sumairusai”)]

- A 10-year bond with interest to be paid in February each year.  
(The annual average interest rate increases yearly according to the elapsed years since the issuance of the bond.)
- The bond is issued for 500,000 yen per unit and multiple units can be purchased at a time.
- Constant units of bonds can be purchased annually for 10 consecutive years.
- Redemption before maturity for repair purpose can be applied if one or more years have elapsed since the initial issuance date of the bond.

<An image of purchasing 4 units of the bond (2 million yen/year) for 10 consecutive years>



## Operation of Group Credit Life Insurance

### Providing security for unforeseeable circumstances during the loan repayment period

JHF's group credit life insurance (mutual relief) program is a system in which if borrowers of Flat 35 (Purchase Program) or retail loans through JHF etc., such as loans for recovery from disasters, who have joined in this system die or incur a serious disability, the outstanding loan balance is offset by the insurance (mutual relief money) that is paid by life insurance companies and the like.

In addition, group credit life insurance with security insurance for three major diseases (cancer, acute myocardial infarction and cerebral apoplexy) is also available.

If the housing loan is co-borrowed with the spouse, the both can join this scheme (known as Duet) (unavailable to those with group credit life insurance with security insurance for three major diseases).

\* Retail loans through JHF, etc. refer to housing loans from JHF, the Welfare and Medical Service Agency (the former Government Pension Investment Fund) and Okinawa Development Finance Corporation.

### Scheme of JHF's group credit life insurance

#### ● In the case where Flat 35 (Purchased Program) is used



#### ● In the case where a JHF loan (loans for recovery from disasters, etc.) is used



#### ● In the case where a loan from the Okinawa Development Finance Corporation or the Welfare and Medical Service Agency is used



### <Changes in the number of obligations performed with group credit life insurance> (Unit: case)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
The number of obligations performed with group credit life insurance	12,594	11,960	11,713	11,621	10,745

\* Accumulation since the start of operation (1980): 301,144 cases

## Promotion of quality housings

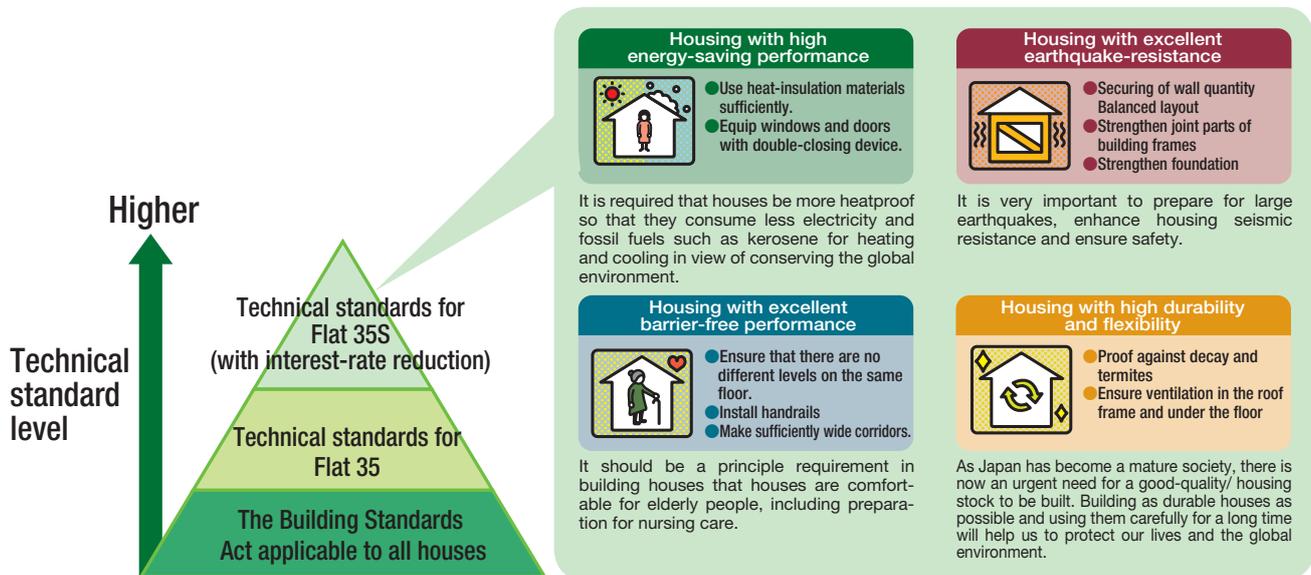
JHF makes efforts on improving living environment in accordance with technical standards established by JHF with the purpose of promotion of quality housings.

### Encouraging Technical standards and quality housings

JHF establishes the technical standards for Flat 35. The standards are largely divided into essential standards and those that are requirements for Flat 35S. Specifically, JHF cuts interest rates for a certain period for housing that is highly energy efficient, seismic resistant, barrier-free, durable and with variable performance to attract consumers to the high quality housing.

Technical standards are also set for loans for serviced rental housing for the elderly.

#### <4 performances targeted by Flat 35S>



### Promoting Quality Housing

#### ●Preparation and issuance of housing construction specifications

JHF prepares and issues housing construction specifications to explain details of implementation methods and materials to be used which are not specified in the Flat 35 technical standards or drawings.

The specifications have its approximately 60-year history from the time of the former-GHLC.

#### ●Seminar on specifications organized for housing distributors

JHF explains details of technical standards of Flat 35 and Flat 35S by using housing construction specifications at seminars organized for housing distributors. JHF also dispatches its employees as a lecturer to a seminar organized by industry associations.



#### <Seminar on specifications>



## Technical assessment to ensure conformity of housings with technical criteria

JHF conducts technical assessments based on the technical standards while ensuring conformity with the housing performance labeling system and other regulations. Further, JHF checks for the issuance of compliance certificates based on the Building Standards Act for newly built houses.

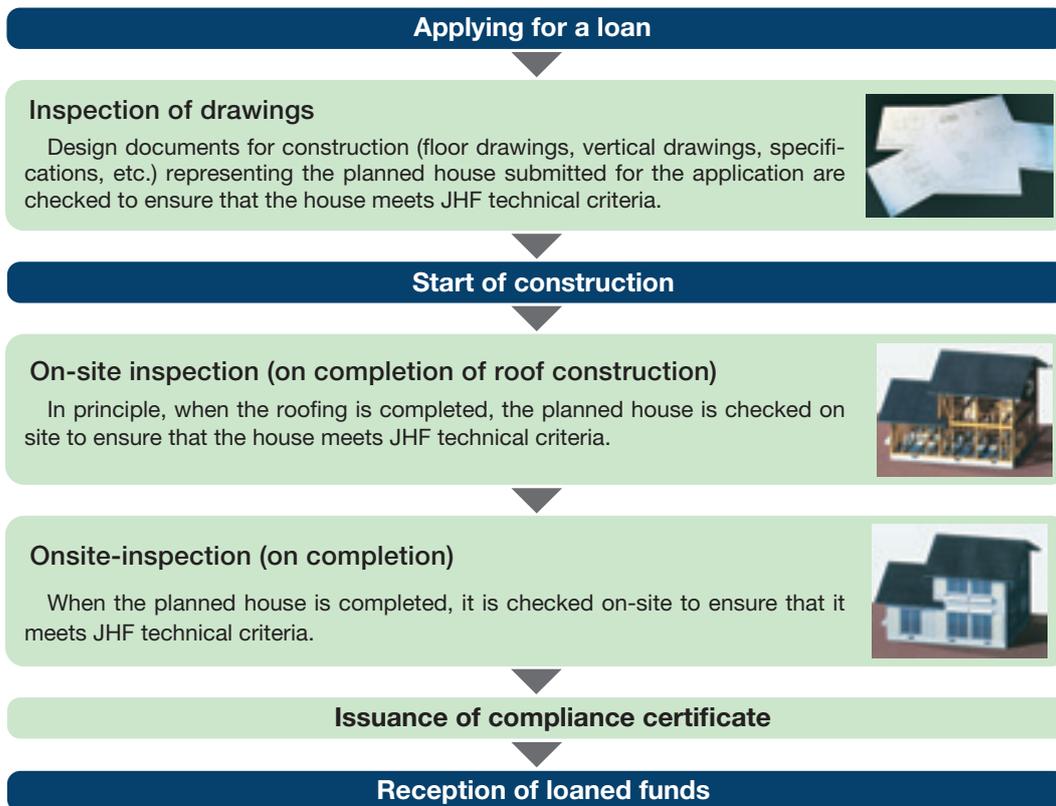
### ● Technical assessment method

Technical assessments for Flat 35 are performed both at the drawing stage and at construction sites by private inspection institutions that have contractual agreements with JHF (in cases of newly built housing).

If customers' houses are confirmed to meet technical standards for Flat 35 through the design and on-site inspections, private inspection institutions issue compliance certificates.

Technical assessments are also performed for loans for serviced rental housing for the elderly.

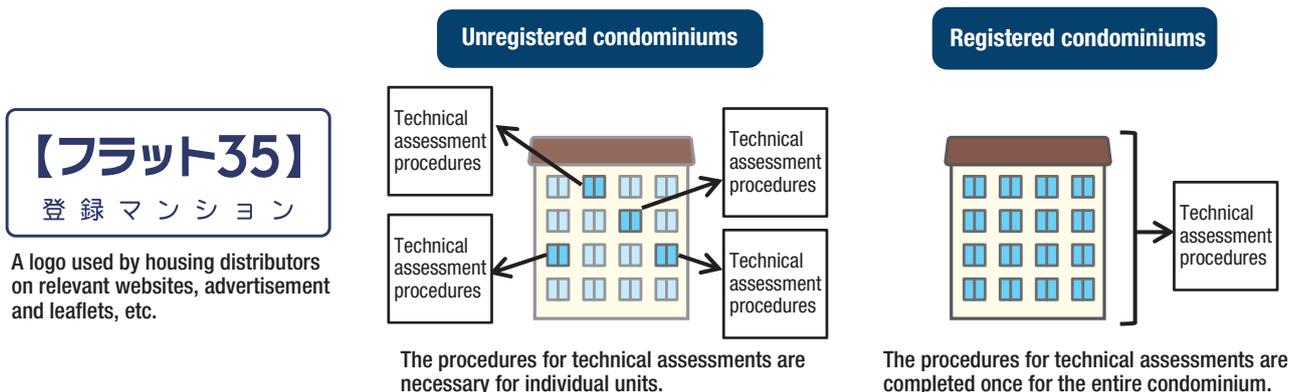
### <General flow of technical assessment for Flat 35 (in the case of a detached house to be newly built)>



### ● Promotion of Flat 35-registered condominiums

JHF promotes the Flat 35-registered condominium scheme, which allows housing distributors to have the entire condominium complex inspected instead of a regular procedure of having individual dwelling units inspected.

Under this scheme, housing distributors can advertise and sell their condominiums as applicable for Flat 35. Property information on registered condominiums is posted on JHF website.



## Management of Outstanding Loans

JHF provides feeling of safety for customers during the repayment period.

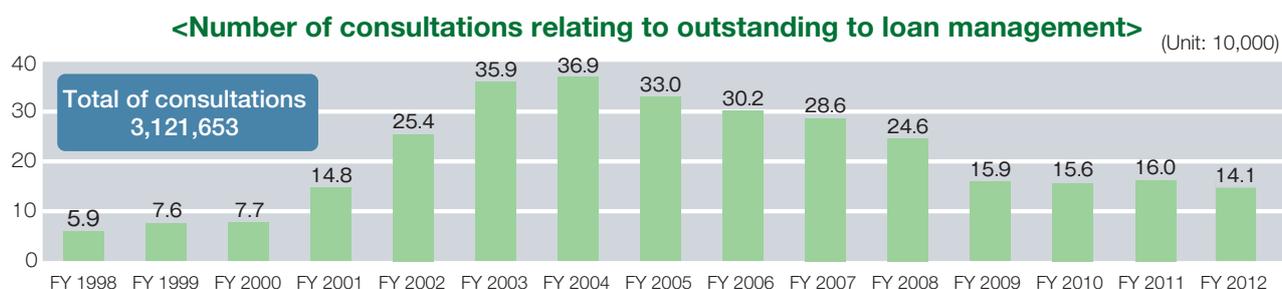
### Overview of the management of outstanding loans

JHF provided 2.198 million housing loans (outstanding amount of 28.2 trillion yen)\* for customers as of the end of March 2013. The repayment of housing loans continues for a long period of time, during which we provide consultations on loan modification, prepayment and the issuance of certificates of outstanding balance so that customers can avoid uncertainty.

\* The figure includes housing loans originated by GHLC.

### Situation of consultations on repayments

JHF has organized a consultation system with servicing financial institutions for customers experiencing difficulty in repaying their loans in the adverse economic conditions. Also we have prepared options for modifying repayment terms and conditions depending on family income and other circumstances to alleviate repayment burdens. We support customers so they may live with a sense of security until their repayments have been completed.



### Application situation of special measures for modifications to repayment methods

For customers experiencing difficulty in repaying their loans in the adverse economic conditions, JHF offers special measures for modifications to repayment methods to alleviate repayment burdens depending on family income and other circumstances, so that borrowers can continue to pay.

Other loan modification options include the change of repayment date, adjustments to the proportion of monthly and biannual bonus repayments and cancellation of biannual bonus repayments.

#### ● Application requirements for special measures for modifications to repayment methods

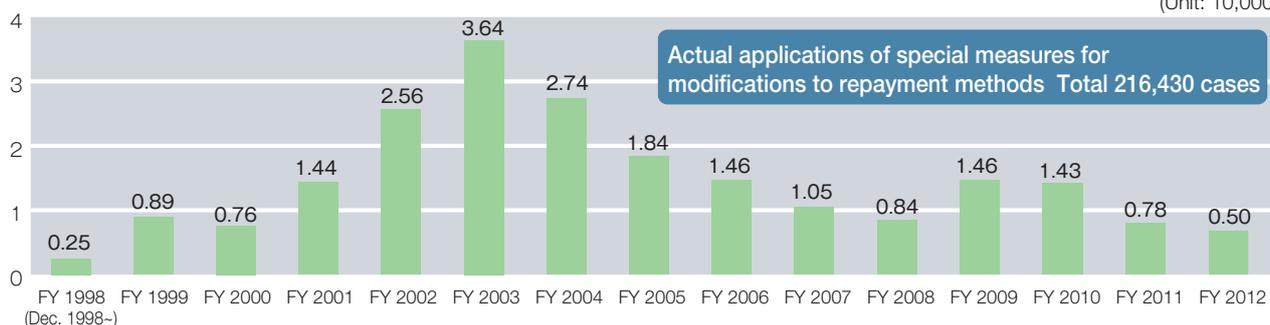
- If customers have difficulty with repayment due to bankruptcy or changes in circumstances concerning the customers' employment; and
- If the customers fall under any of the following items:
  - The DTI ratio (debt-to-income ratio) for JHF loans is 25% or more;[M.T.1]
  - The monthly income is equal to the number of family members multiplied by 64,000 yen or less;
  - The DTI ratio for housing loans from JHF and the private sector exceeds a certain percentage, and the income reduction rate reaches 20% or more; and
- If the customers are able to continue the repayment under a modified repayment term, the extension of the repayment period up to 15 years will be applied to their loans to alleviate their monthly amortization. Of them, for people unemployed or suffered reduction of income more than 20%, each repayment burden will be greatly alleviated by setting a grace period of up to three years and reducing the interest rate during this period\*.

\* The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

(Loans under former-GHLC)	· Current interest rate of 6% or less: 1% reduction
	· Current interest rate of more than 6%: reduced to 5%
(Flat 35)	· Until FY 2012: 1% reduction regardless of the current interest rate
	· In FY 2013: 0.5% reduction regardless of the current interest rate

### <Number of applications of special measures for modifications to repayment methods>

(Unit: 10,000)



### Strengthening of the business system in light of the enactment of the Small and Medium Sized Enterprises Finance Facilitation Law

In light of the enactment of the Act on Temporary Measures concerning the Facilitation of Financing for Small and Medium Sized Enterprises (Act No. 96 of 2009, hereinafter referred to as the "Finance Facilitation Law"), JHF reveals its business policies and strengthens the system based on the policies to provide more appropriate consultations on housing loans for customers.

JHF continues to respond to consultations from customers receiving housing loans regarding payment, etc. appropriately after the expiration of the Finance Facilitation Law at the end of March 2013.

### <Number of applications for loan modifications and their amount (December 4 2009 – March 31 2013)>

(Unit: Number of cases, million yen)

	Loans to small and medium sized enterprises*1		Loans to individuals with mortgage obligation*2	
	Number of cases	Amount	Number of cases	Amount
Number of applications for loan modifications and their amount	595	113,375	80,073	1,022,822
Of which, the number of accepted applications and their amount	510	98,641	58,584	750,690
Of which, the number of rejected applications and their amount	37	7,516	2,602	34,970
Of which, the number of applications under underwriting and their amount	12	1,567	1,187	14,677
Of which, the number of withdrawn applications and their amount	36	5,651	17,700	222,486

\*1 Measures in accordance with Article 4 of the Finance Facilitation Law

\*2 Measures in accordance with Article 5 of the Finance Facilitation Law

## Research and Survey on Housing Finance

### Research and study on housing finance to promote securitization business

JHF conducts the following surveys and research activities to promote securitization business while continuously providing accurate and fair information to enable customers to select appropriate loans.

#### Surveys of domestic housing loan market

JHF conducts surveys on housing markets including new domestic loan origination and outstanding loan balances, on profile of housing loan recipients, on consumers' awareness and behavior in terms of their housing loan selection, and on other relevant theme. Results of the latest and unique surveys are widely utilized by governmental institutions and think tanks, etc.

(Website) <http://www.jhf.go.jp/about/research/index.html>

#### Analyses and information dissemination on housing finance market

JHF has compiled and issued publications with results of survey analyses on domestic and overseas market of housings and housing loans are compiled as well as contributed to academic journals including the Japan Association of Real Estate Sciences (JARES) and noted economic journals, etc. In addition, JHF has exchanged information and presented research results at broad fields of seminars and academic conference.

#### Surveys on overseas housing finance and dissemination of information overseas

JHF collects the latest information on systems and trends of overseas housing finance market, analyzes and reports their effects on Japan through media including its own Housing Finance Magazine. In addition, JHF interacts with international organizations and public/private institutions overseas, or at international conferences to provide information on housing finance in Japan. Through these activities, JHF contributes to international mutual understanding.

A publication written by JHF staff



Presentation at the JARES conference



An example of a report in Housing Finance Magazine



### Fiscal 2012 surveys

The following reports are available from “Kihou” on the JHF website.  
<http://www.jhf.go.jp/about/kihou/index.html>

#### ● Domestic housing finance

“Aging Society and New Housing-Related Demands”, “New Possibilities Brought by Lengthening Durability of Housings”, “Historical change of Financial Profitability of Banks and its Current Circumstance”, “Historical Transitions of Housing Loans and Housing Markets”, “Features of Housing Loan Recipients in Japan based on JHF Survey”, and “Current Situation and its Background of Housing Finance Markets in Japan”

#### ● Overseas housing finance

“Updates of Housing Finance Markets in the United States”, “Information Dissemination: from Japan to the World”, “German Building-Saving Scheme”, “Banking Crisis in Spain and ECB’s Policy Response”, “Trend of Housing Finance in the World”, and “On Situation Surrounding Housing Market in the United States”