

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.

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President

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