

## History of [Flat 35]

### [Flat 35] has marked the 10th anniversary in October 2013.

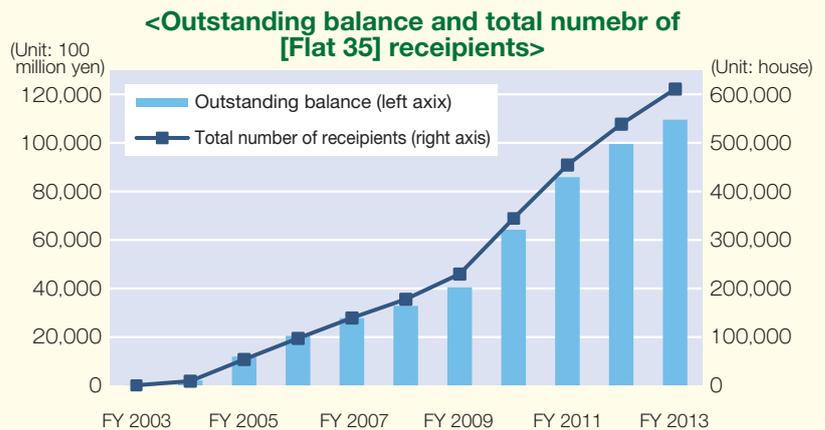
“Flat 35”, which was launched in October 2003, marked its 10th anniversary in October 2013.

We would like to extend our appreciation to private financial institutions and housing companies having supported us for the past decade as well as Flat 35 customers.

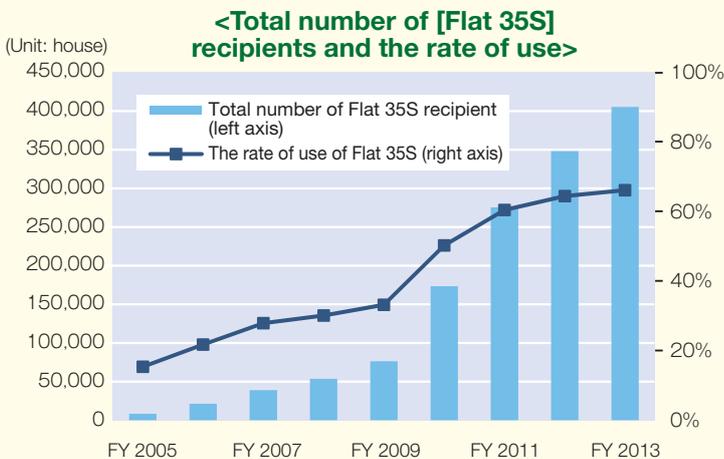
### [Flat 35] has been used for more than 600,000 houses in total with an outstanding balance of approx. 11 trillion yen.

Thankfully, Flat 35 has been used for more than 600,000 houses and the outstanding balance has exceeded 10 trillion yen to reach approx. 11 trillion yen.

We are determined to provide fixed-rate housing loans through Flat 35, to meet the considerable demand.



### Promotion of High-Quality Housing



Flat 35S, a loan scheme featuring a reduced interest rate for a certain period, which was introduced in June 2005 to promote high-quality housing with excellent energy-saving performance and earthquake resistance, has been used for more than 400,000 houses, reaching approx. 70 percent of Flat 35.

JHF will continue to promote high-quality housing by providing Flat 35S to help people enjoy better-quality housing.

#### Do you know Flat 35 TV commercials?

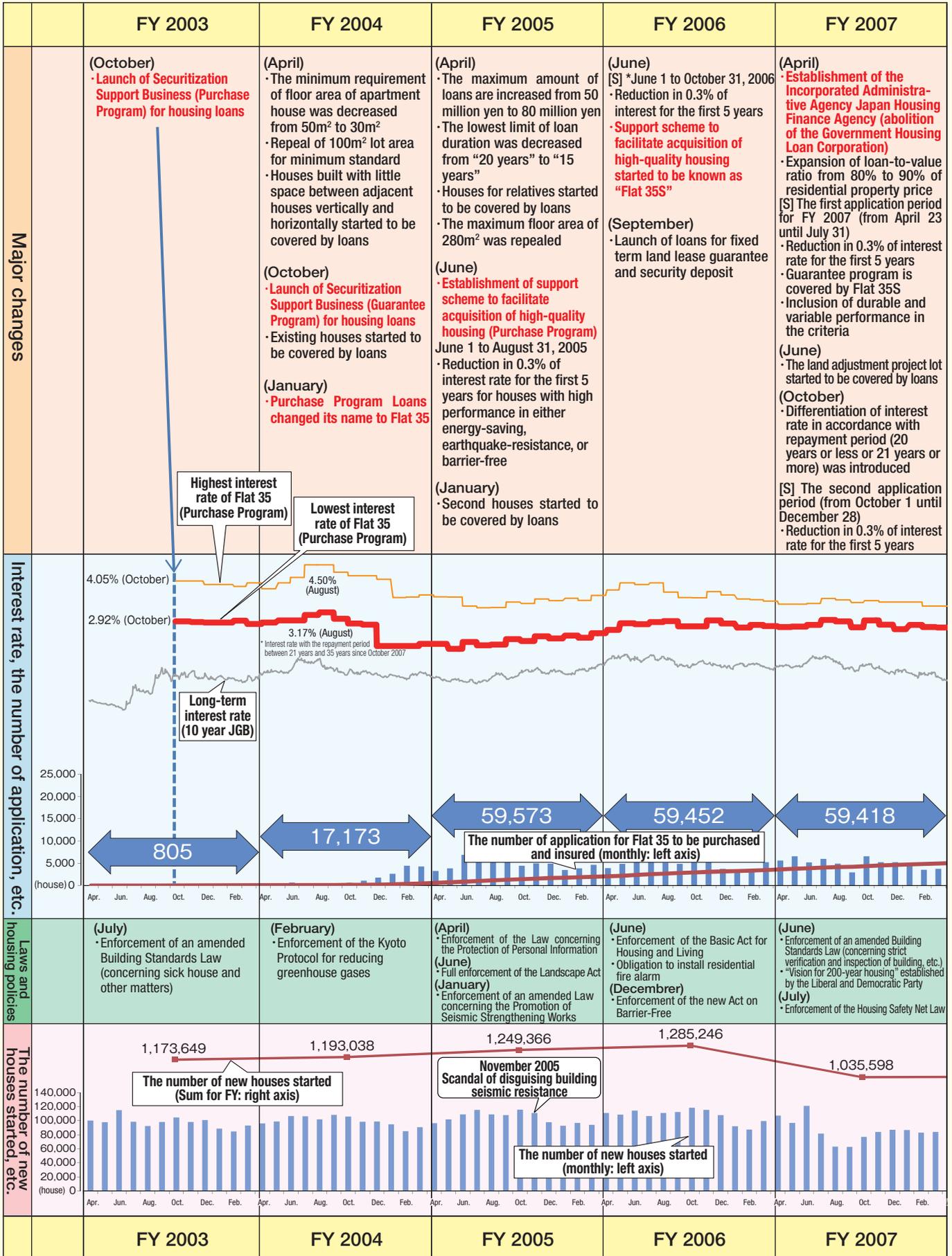
We produce TV commercials to raise awareness of Flat 35.

The photos on the right show scenes from the “Family Morning” version aired in May 2014.

It was produced to convey a concept to the viewers that housing loan borrowers can repay with peace of mind, as conveyed by the dialog of a family (husband, wife and their daughter).



# [Flat 35] A decade's history



\*[S]=Flat 35S

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013																								
<p>(April) [S] The first application period for FY 2008 (from April 14 until July 31) • Reduction in 0.3% of interest rate for the first 5 years • Change of the criteria to be met from more than one type out of four to more than two types</p> <p>(September) [S] The second application period for FY 2008 (from September 14 until March 31) • Reduction in 0.3% of interest rate for the first 5 years</p> <p>(October) [S] Change of the criteria to be met from more than two types out of four to more than one type in response to economic measures</p> <p>(January) [S] Inclusion of criteria unique to existing houses</p>	<p>(April) [S] Application period for FY 2009 from April 1 2009, until March 31, 2010 (Since this FY, Flat 35S can be applied throughout the year) • Reduction in 0.3% of interest rate for the first 10 years (eligible for loans disbursed after May 1, 2009) • Launch of JHF Relocation Support Loan (Purchase Program)</p> <p>(June) • Launch of Flat 50 (Purchase Program) • Refinancing started to be covered by Flat 35 (Purchase Program) • Expansion of loan-to-value ratio to 100% of residential property price in by extending programs in response to economic measures (Purchase Program) [S] Launch of a type of Flat 35S reducing interest rate for 20 years (terminated later)</p> <p>(February) [S] In response to the Emergency Economic Countermeasures for Future Growth and Security, the range of interest-rate reduction was extended from 0.3% to 1.0% for the first 10 years • Eligible for loans disbursed after February 15, 2010 and those applied by December 30, 2010</p>	<p>(September) [S] In response to the Three-Step Economic Measures for the Realization of the New Growth Strategy, eligible period for 1.0% of interest-rate reduction was extended for 1 year</p>	<p>(September) • Launch of Flat 35 with special repayment of rent (Purchase Program) [S] Due to higher-than-expected applications, the application period for 1.0% of interest-rate reduction for the first 10 years was terminated on September 30, which was three month ahead of the schedule</p> <p>(December) [S] Extension of the range of interest-rate reduction by Flat 35S Eco based on the Fiscal 2011 the third supplementary budget Eligible for loans disbursed after December 1, 2011 and those applied by October 31, 2012 • Change of the range of interest-rate reduction from 0.3% to 1.0% (0.7% for those cases outside the disaster-affected areas) for cases acquiring housing with excellent energy-saving performance • Change of the name of interest-rate reduction plan to Flat 35S Eco (interest rate plan A/interest rate plan B) and Flat 35S Basic (interest rate plan A/interest rate plan B)</p>	<p>(April) [S] Reduction of the maximum loan-to-value ratio of Flat 35S and Flat 35S Basic from 100% to 90% of residential property price (Purchase Program) • Shortening of the duration of interest-rate reduction period from “20 years/10 years” to “10 years/5 years”</p> <p>(July) • Launch of Flat 35 Renovation Package</p> <p>(October) [S] Termination of accepting applications for Flat 35S Eco in the end of October, as planned • Reduction of the maximum loan-to-value ratio from 100% to 90% of residential property price (Purchase Program) • Shortening of the duration of interest-rate reduction period from “20 years/10 years” to “10 years/5 years”</p> <p>(December) [S] Inclusion of the certified low-carbon housing in the coverage of Flat 35S (interest rate plan A)</p>	<p>(April) [S] Application period for FY 2013 from April 1 2013 until March 31 2014 • Reduction in 0.3% of interest rate for the first 10 years → Flat 35S (interest rate plan A) • Reduction in 0.3% of interest rate for the first 5 years → Flat 35S (interest rate plan B)</p> <p>(October) • 10-year anniversary from the launch of Flat 35</p> <p>(February) • Expansion of loan-to-value ratio to 100% of residential property price by extending programs in response to economic measures (Purchase Program)</p>																								
<p>The number of application for Flat 35 to be purchased and insured (Sum for FY: house)</p> <p>The number of application for Flat 35 to be purchased and insured (total: left axis)</p> <p>Interest rate with loan-to-value ratio less than 90% since February 2014</p> <table border="1"> <caption>Number of applications for Flat 35</caption> <thead> <tr> <th>Fiscal Year</th> <th>Total Applications</th> </tr> </thead> <tbody> <tr> <td>FY 2008</td> <td>52,510</td> </tr> <tr> <td>FY 2009</td> <td>81,737</td> </tr> <tr> <td>FY 2010</td> <td>174,968</td> </tr> <tr> <td>FY 2011</td> <td>148,925</td> </tr> <tr> <td>FY 2012</td> <td>117,172</td> </tr> <tr> <td>FY 2013</td> <td>97,099</td> </tr> </tbody> </table> <table border="1"> <caption>Interest Rate (April to March)</caption> <thead> <tr> <th>Month</th> <th>Interest Rate</th> </tr> </thead> <tbody> <tr> <td>April (FY 2008)</td> <td>2.75%</td> </tr> <tr> <td>April (FY 2009)</td> <td>1.80%</td> </tr> <tr> <td>March (FY 2013)</td> <td>2.40%</td> </tr> <tr> <td>March (FY 2013)</td> <td>1.74%</td> </tr> </tbody> </table>						Fiscal Year	Total Applications	FY 2008	52,510	FY 2009	81,737	FY 2010	174,968	FY 2011	148,925	FY 2012	117,172	FY 2013	97,099	Month	Interest Rate	April (FY 2008)	2.75%	April (FY 2009)	1.80%	March (FY 2013)	2.40%	March (FY 2013)	1.74%
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<p>(November) • Enforcement of an amended Act on Architects and Building Engineers (concerning improvement of qualification and skills of architects and building engineers, etc.)</p>	<p>(April) • Enforcement of an amended Energy Saving Law (June) • Enforcement of the Law concerning the Promotion of Long-Term High-Quality Housing (October) • Enforcement of the Act for Secure Execution of Defect Warranty Liability (December) • Introduction of an eco-point system for housings</p>	<p>(April) • Full enforcement of an amended Energy Saving Law</p>	<p>(November) • Introduction of a housing eco point for reconstruction</p>	<p>(December) • Enforcement of the Law concerning the Promotion of Low-Carbon City</p>	<p>(November) • Enforcement of an amended Law concerning the Promotion of Seismic Strengthening Works (Reference) • Enforcement of an amended Consumption Tax Act (April 1, 2014)</p>																								
<p>The number of new houses became lower than 1 million houses</p> <p>Global financial crisis triggered by the bankruptcy of Lehman Brothers</p> <table border="1"> <caption>Number of new houses</caption> <thead> <tr> <th>Fiscal Year</th> <th>Number of New Houses</th> </tr> </thead> <tbody> <tr> <td>FY 2008</td> <td>1,039,214</td> </tr> <tr> <td>FY 2009</td> <td>775,277</td> </tr> <tr> <td>FY 2010</td> <td>819,020</td> </tr> <tr> <td>FY 2011</td> <td>841,246</td> </tr> <tr> <td>FY 2012</td> <td>893,002</td> </tr> <tr> <td>FY 2013</td> <td>987,254</td> </tr> </tbody> </table> <p>March 2011 Great East Japan Earthquake</p>						Fiscal Year	Number of New Houses	FY 2008	1,039,214	FY 2009	775,277	FY 2010	819,020	FY 2011	841,246	FY 2012	893,002	FY 2013	987,254										
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As of May 2014

# 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.

## Consultation sessions for housing reconstruction have been held many times

In cooperation with national and local governments, JHF has provided local consultations on housing reconstruction for people in the disaster-affected areas since the occurrence of the Great East Japan Earthquake (1,055 consultation sessions were held in total from the end of March 2011 to the end of March 2014).

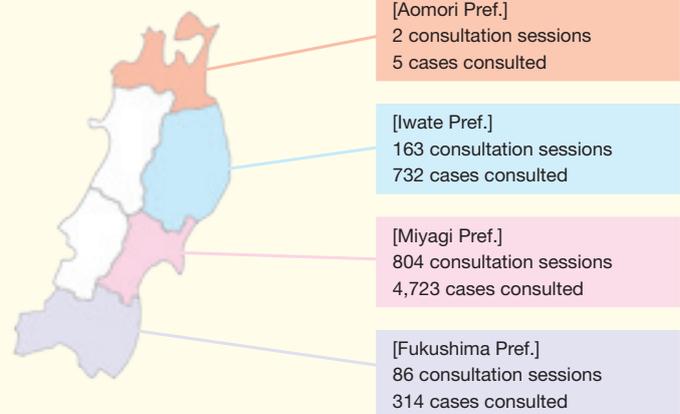
Together with the Iwate prefectural Housing Support Council, Miyagi Housing Development Promotion Council

for Reconstruction, and Fukushima prefectural Housing Support Council, we have held regular consultation sessions in Iwate, Miyagi and Fukushima prefectures since April 2013 respectively, on various issues as part of a one-stop service, including loans and financial plans as well as housing plans and various subsidy programs.

### <A consultation session>



### <Local Consultation Sessions (March 2011 to March 2014)>



## Sanriku Reconstruction Support Center

JHF has visited various affected areas from the Tohoku Branch in Sendai as the base, and held consultation sessions on housing reconstruction.

We also established the Sanriku Reconstruction Support Center on June 26, 2014, in Kamaishi city as a new base to enhance loan consultations on the backdrop of housing site supply expected to be in full-scale roll-out from the latter half of FY2014 to FY 2015 under the projects including that to promote collective relocation for disaster prevention in the areas along Iwate prefectural coastline.

### <Opening ceremony> (at Kamaishi City)



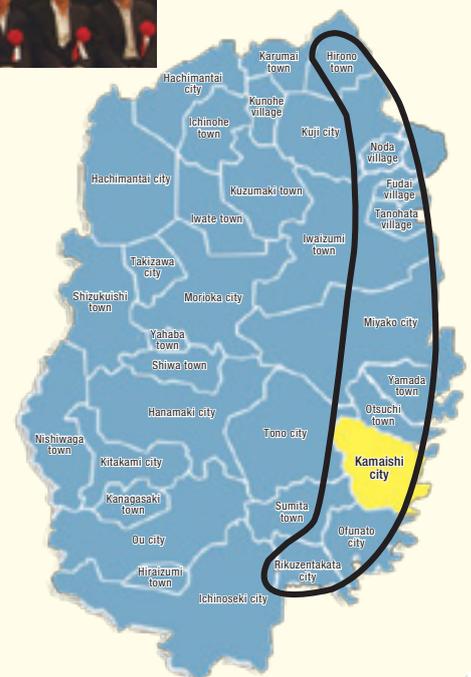
### <Housing supply period through areal readjustment projects\*1 in Iwate Prefecture >

(Unit: dwelling)

Municipality	Points in time available for housing starts (points in time for site-development completions)														FY 2016 and after	Total	
	FY 2012		FY 2013				FY 2014				FY 2015						
	Oct. - Dec. 2012	Jan. - Mar. 2013	Apr. - Jun. 2013	Jul. - Sep. 2013	Oct. - Dec. 2013	Jan. - Mar. 2014	Apr. - Jun. 2014	Jul. - Sep. 2014	Oct. - Dec. 2014	Jan. - Mar. 2015	Apr. - Jun. 2015	Jul. - Sep. 2015	Oct. - Dec. 2015	Jan. - Mar. 2016			
Total of 11 municipalities	0	2	6	12	98	133	128	52	201	568	111	85	536	2,320	4,039	0	8,291
Hirono town	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17	17
Kuji city	0	0	0	1	5	9	0	0	0	0	0	0	0	0	0	0	15
Noda village	0	0	0	0	18	31	2	0	4	70	0	0	0	53	0	0	178
Tanohata village	0	0	6	0	35	0	12	0	0	0	0	0	0	0	0	0	53
Iwazumi town	0	0	0	0	0	0	0	0	0	60	0	0	0	0	0	0	60
Miyako city	0	2	0	3	9	33	5	12	41	47	0	0	0	613	0	0	765
Yamada town	0	0	0	0	0	0	0	4	0	11	0	31	151	179	559	0	935
Otsuchi town	0	0	0	0	2	4	0	0	52	71	13	37	114	827	783	0	1,903
Kamaishi city	0	0	0	0	0	4	1	4	2	132	12	0	0	541	779	0	1,475
Ofunato city	0	0	0	0	8	26	46	0	40	73	86	17	50	107	215	0	668
Rikuzentakata city	0	0	0	8	21	26	62	32	62	104	0	0	221	0	1,686	0	2,222

\*1 Areal readjustment projects include the project to promote the resettlement of communities to more disaster-resistant areas, land adjustment project, and the project to enhance disaster preventive function of fishing village.

\*2 Prepared by JHF based on "Roadmap for reconstruction of housing (as of the end of March 2014)" announced by the Reconstruction Agency etc. on May 13, 2014



## Support for Urban Development

### Promoting the urban disaster-prevention through redevelopment

Urban redevelopment projects are underway in the central area of Ishinomaki and other cities that were severely affected by the tsunami after the Great East Japan Earthquake, to restore their housing and city functions.

JHF extended a loan for initial funds to the redevelopment project preparatory association of “Chuo 3 Chome-1” in Ishinomaki in FY2012. We also extended a loan for initial funds to the association of “Tachimachi 2-chome-5” to realize the project in FY2013.

<An image of the completion of the category 1 urban redevelopment project for Chuo 3 Chome-1>



The usage ratio of JHF loans for urban redevelopment and other projects\* (From April 2007 until the end of September 2013)

**25.4%**

The ratio of projects that received JHF loans among urban redevelopment and other projects\* for which the right conversion plan was approved

\*Urban redevelopment and other projects = urban redevelopment projects and projects to develop disaster-prevention areas with housing implemented by private business operators, etc.

### Support to provide serviced rental housing for the elderly

Due to copyright protection, the article image is not published.

JHF provides loans to construct serviced rental housing for the elderly to secure stable housing for the elderly.

We have created schemes to lower the interest rate and provide a grace period of around one year after launching the project for the monthly repayment of the principal, as well as improving the loan scheme in coordination with private financial institutions. We concluded agreements with 21 private financial institutions as of the end of June 2014 since the first agreement on January 24 the same year.

Publicized in Hokkaido Shimibun Press, January 12, 2014

### Promotion of condominium renovation for enhancing anti-seismic strength

In preparation for predicted gigantic earthquakes in the Nankai Trough and the one directly beneath the Tokyo metropolitan area, the revised Act to Promote Renovation for Earthquake-Resistant Structures (1995 law No. 123) entered into force in November 2013 and there is an urgent need, particularly to renovate condominiums with insufficient earthquake resistance along emergency transportation roads and enhance their anti-seismic strength. Because seismic-isolation work is a very costly form of renovation to enhance anti-seismic strength, JHF raised the loan limit to renovate shared portions of condominiums from 1.5 million to 5 million yen per unit.

<Raise of the limit of loan for reforming the shared parts of condominiums (earthquake resistance improvement)>

Limit of loan is the lower amount of ① or ②

- ① 80% of work costs
- ② Number of units × Loan limit per unit

Loan limit per unit

Raised from **1.5 million** to **5 million yen**

## Current MBS Status

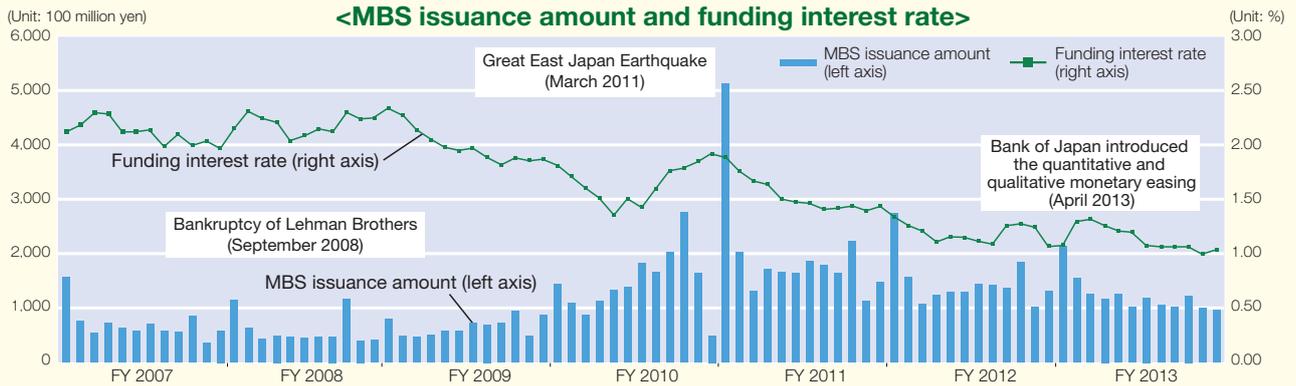
### Providing low long-term fixed-rate interest housing loans by issuing MBS

Careful investor relation activities prompted more investors to participate in investing in MBS, which enabled stable fundraising, even amid the changing financial environment in Japan and overseas.

In February 2014, the coupon interest rate of MBS lowered to 1.00%, the lowest coupon interest rate in

history of JHF. We have successfully implemented efficient fundraising and provided customers with low fixed-rate interest housing loans throughout the loan duration.

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



### Efforts to maintain and expand the scope of investors who enter the MBS market

Our active information provision and careful PR activities for investors helped us realize participation of an estimated 50 to 80 companies per monthly MBS issuance.

#### Activities to improve investors' recognition and understanding

- Individual visits to investors (225 companies in Japan and 9 overseas)
- Briefing sessions for investors
- Lecture on the MBS market in Japan at conferences for investors held by securities firms in Japan and overseas, etc.

Partly because of dialog using English documents in briefing sessions for overseas investors, an estimated 36 overseas investment firms, four of which new, are believed to have invested or revived their dormant investment account.

#### Ample information offering to respond to investor needs

- Production of materials containing the monthly MBS and SB issuance plan in FY2014 to promote new and expanded investment before investors formulate their FY2014 investment plan.
- Teleconferencing with overseas investors interested in monthly MBS for more efficient and faster operations.

### Efforts to develop the MBS market in Japan

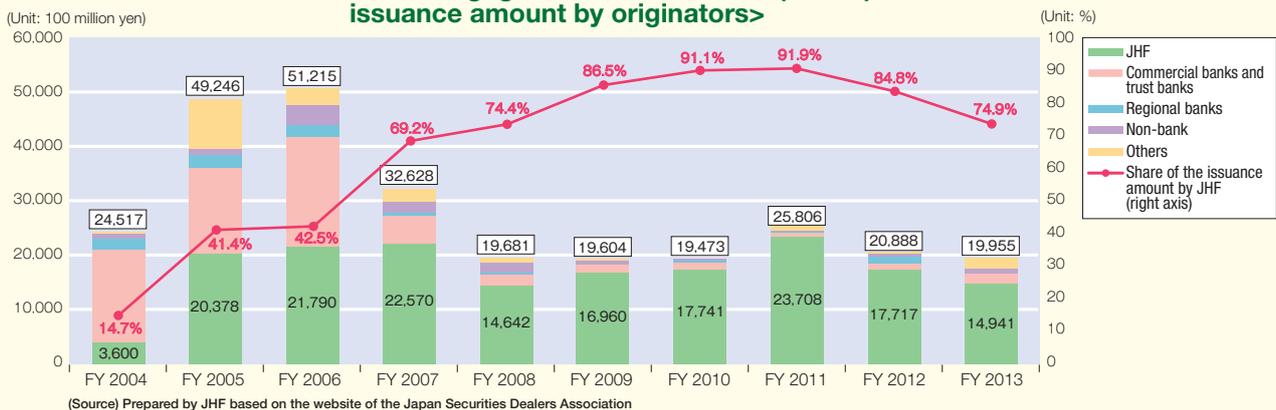
The JHF committee that examines issues related to securitization support business, established in February 2013, and comprising external experts, recommended that it should raise funds stably and efficiently by equalizing the MBS issuance amount, given the importance of enhancing its function as benchmark for the time being. Based on this recommendation, we equalized the MBS issuance amount (16.1 billion yen

(20 billion based on trust claims)) in January 2014 as the amount would be likely to exceed considerably the investor demand.

Underwriting securities firms regarded such efforts as favorable to investors for maintaining a stable MBS issuance environment.

\*The above intent is also described in the cabinet decision, December 2013.

### <Residential Mortgage-Backed Securities (RMBS) issuance amount by originators>



(Source) Prepared by JHF based on the website of the Japan Securities Dealers Association

## Activities to sophisticate Research and Survey

### Strengthen cooperative relationship with overseas institutions

#### Ginnie Mae

JHF and the Government National Mortgage Association (Ginnie Mae) concluded the Memorandum of Understanding (MOU) on January 9, 2014 at Washington DC., to strengthen their cooperative relationship, the pillar of which is their information exchange. It was the first time for both organizations to conclude the MOU and symbolizes a close relationship between Japan and the U.S.



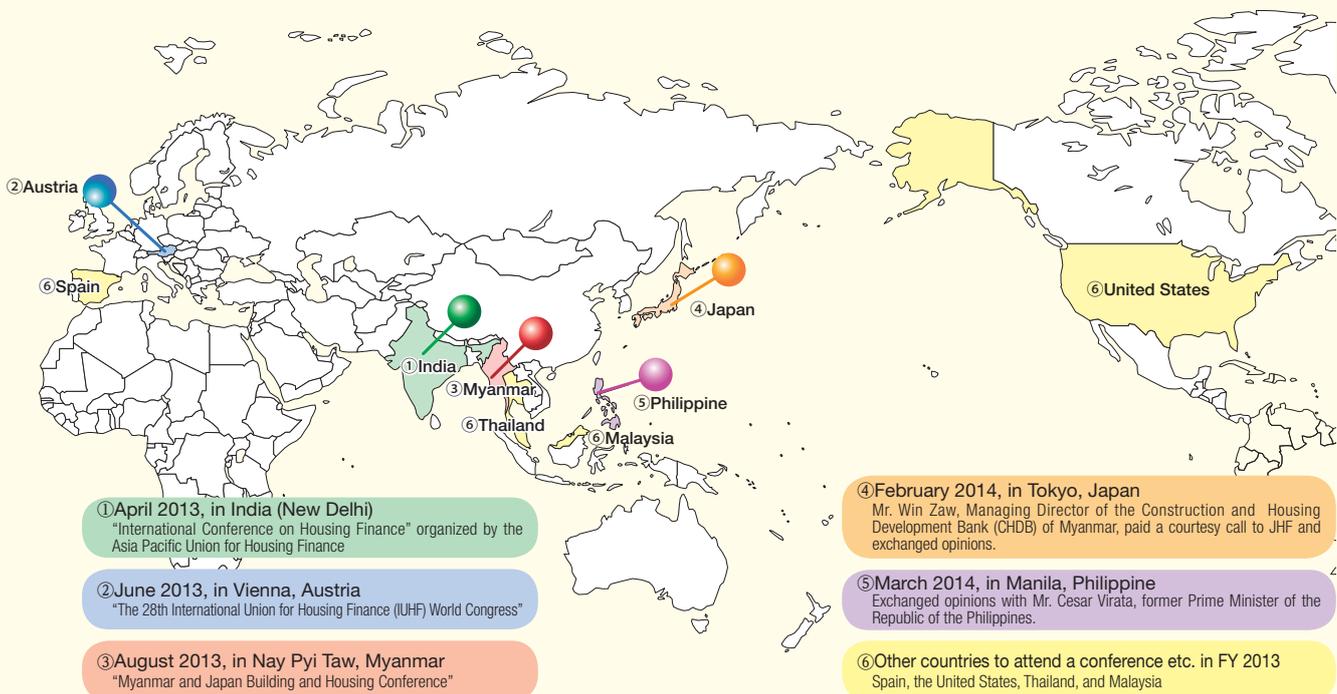
#### SMC Thailand

The JHF President, Mr. Shishido, delivered a speech at the “Secondary Mortgage Markets: Asia Forum 2013” held on July 31, 2013, in Bangkok, Thailand, where representatives from securitization facilities in Japan, Thailand, Philippine, Malaysia, and Korea attended to deliver speech to around 400 participants.

On February 18, 2014, JHF and the Secondary Mortgage Corporation (SMC), Thailand, concluded the MOU at the JHF Headquarters.



### Worldwide dissemination of the results of survey and research on housing finance in Japan

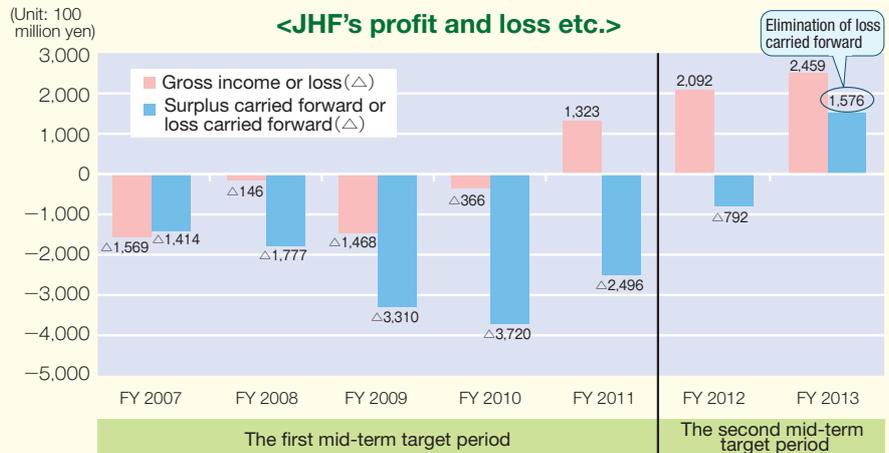


# Key Features of Financial and Business Performance

## Financial Conditions (FY2013 Settlement)

### Loss carried forward eliminated for the entire agency

JHF posted gross income of 245.9 billion yen to eliminate the loss carried forward for the overall agency at the end of FY2013.

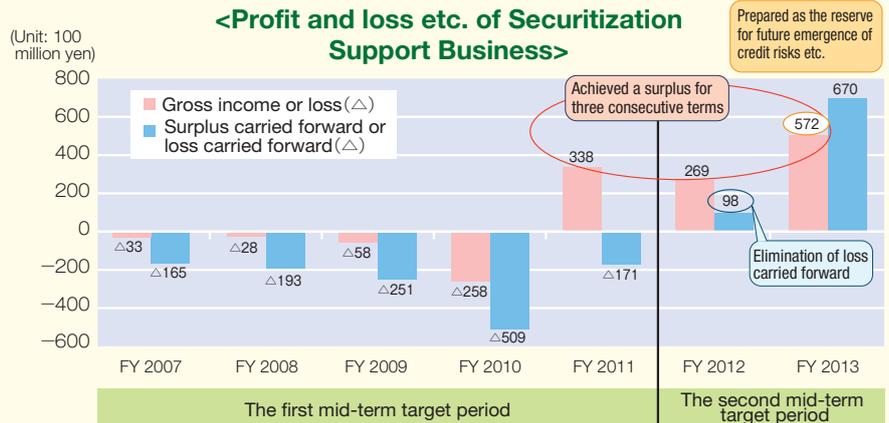


\*The surplus carried forward in FY2013 includes a reserve fund of 67 billion yen (after appropriation of profit for the year) in preparation for the emergence of future credit risk in a securitization support account as well as reserves of 312.7 billion yen for the group credit life insurance business.

### A surplus posted in the securitization support account for two consecutive years

JHF posted gross income of 57.2 billion yen in the securitization support account.

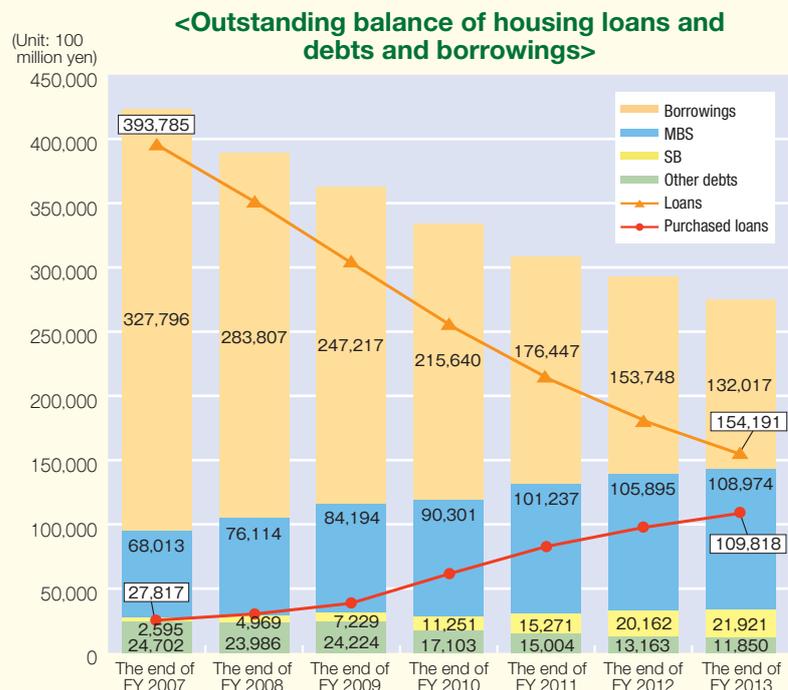
As the cost tends to emerge later than earnings as for the credit risk of the securitization support business (Purchase Program), the loss in the latter half is offset by the profit in the first half of the loan period. Thus, the profit is counted as the reserve under Article 44.1 of the Act on General Rules for Incorporated Administrative Agency with approval from the competent minister to be prepared for future emergence of risk.



### Fundraising ratio of MBS, etc., increased

The ratio of fundraising from the financial market through issuance of MBS has increased in accordance with the business growth of Flat 35 (Purchased Program).

The balance of Flat 35 at the end of FY2013 was approx. 11 trillion yen, whereas the balance of direct loans originated by GHLC has decreased and the balance of Flat 35 is to exceed the balance of direct loans within several years.

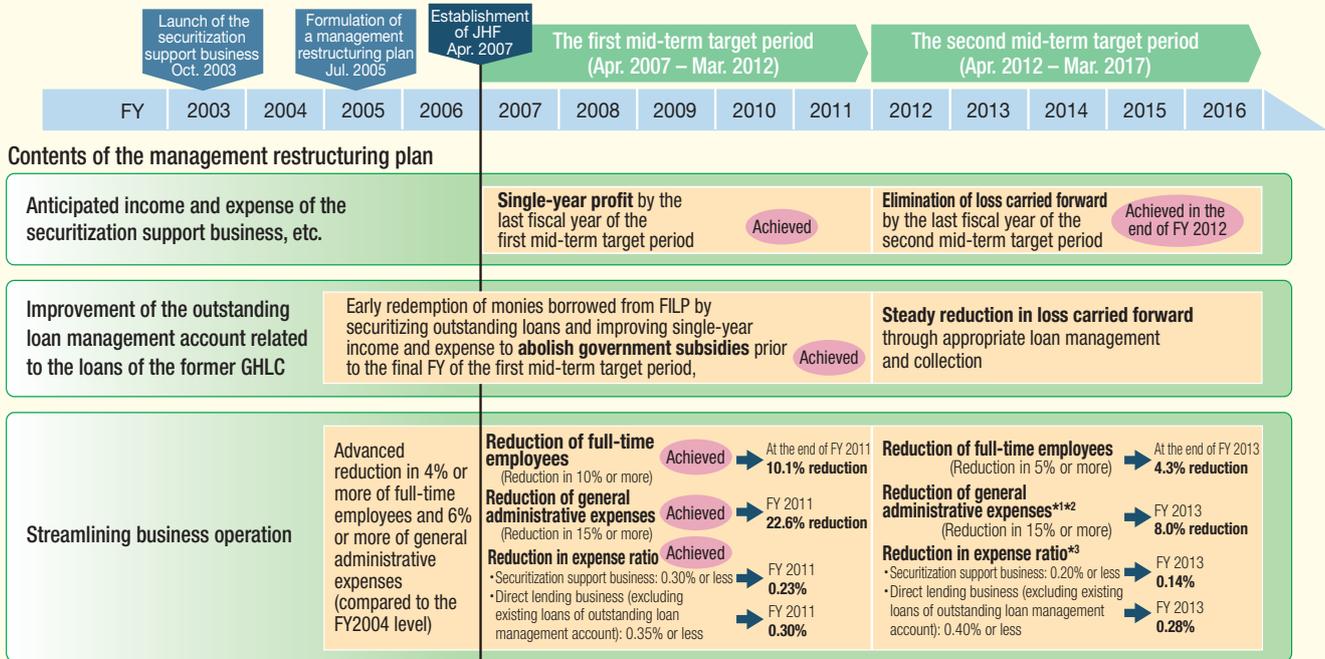


## Streamlining business operation

To support and complement private financial institutions in the housing financial markets, with independent business operations, JHF has steadily consolidated its business performance, while striving to streamline operations and improve its financial status to achieve the target for the first mid-term period

successfully.

We have also achieved the target of eliminating losses carried forward in the securitization support business before the end of the second mid-term period and remain hard at work to achieve other targets for the period.

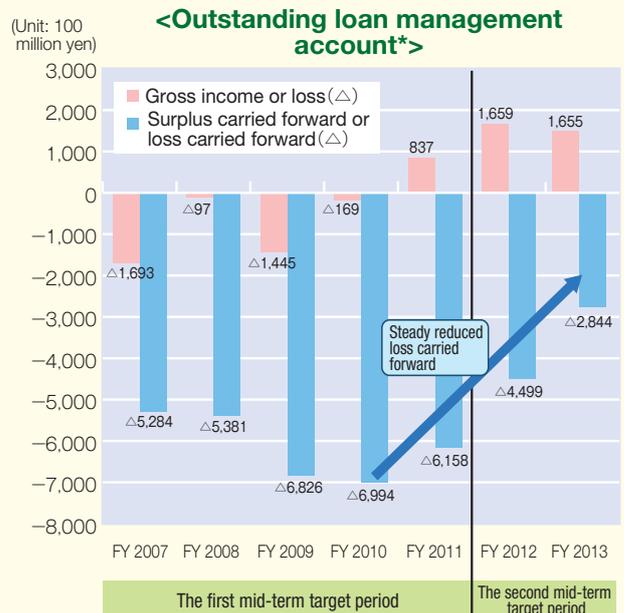
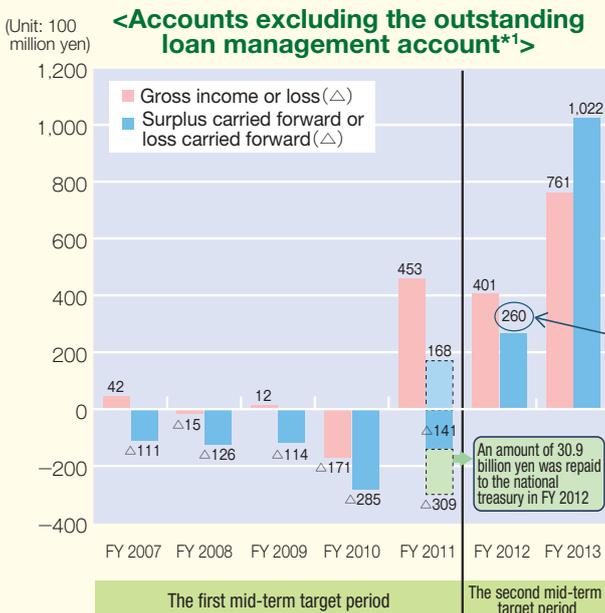


\*1 Commissioning cost (excluding business outsourcing cost), wages of temporary employees and expenses of office supplies, etc.  
 \*2 General administrative expenses in the second mid-term target period do not include labor costs, for which a reduction target is set separately based on government policy and taxes and public dues beyond the control of the JHF.  
 \*3 Expense ratio: (administrative cost + (business outsourcing cost - entrustment charges) + bond issuance cost + depreciation) ÷ average balance of purchased receivables, etc.

## Improvement of financial status

The financial status is steadily improving, as evidenced by the successful elimination of loss carried forward in FY2012 in all accounts except for the outstanding loan management account and loss carried forward of the outstanding loan management account decreased steadily. This is mainly contributed

by the increase in interest income by the purchased receivables of Flat 35, and the increase in the reversal of reserve for possible loan losses caused by the decreased repayment delay and default, which is thanks to the effort of all employees; spearheaded by branches.



\*1 Excluding operations taken over from the Housing Loan Guarantee Cooperation  
 \*2 Housing loan insurance account: 2.12 billion yen  
 Account for loans for property accumulation saving scheme-tied houses: 28.74 billion yen

Outstanding loan management account is the account for management and collection of loans for which loan applications were received by the former Government Housing Loan Corporation before FY 2004.

## Efforts to promote empowerment of female employees

JHF registered the Positive Action Declaration with the Ministry of Health, Labour and Welfare in May 2013; acknowledging that empowerment of female employees was essential for our growth and to set out the basic policy to promote women's empowerment.

In November, we informed all employees, including Board members, of concrete measures for the next three years included in the timetable to implement efforts to promote women's empowerment. We are also working to establish a corporate culture, change employees' awareness, encourage the active employment of women and support efforts for continuation of employment.

About 40 percent of new graduate employees were women in FY2014. Similarly, in April 2014, a female employee was appointed as branch manager as a first, including the period of the predecessor, GHLC.

### <Main efforts based on the timetable>

- Establishment of a section in charge of women's empowerment
- Interview with female employees
- Various training programs, including training to develop female leaders
- Awareness survey (all employees including Board members)
- Expansion of support programs for continuation of employment

### <Declaration of Positive Action>



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

### <Training to develop female leaders>



We conducted training for women to assume leadership and improve their positions.

### <Lecture to promote women's empowerment>



We held a lecture to promote awareness reform among employees and deepen their understanding of promotion of women's empowerment.

## Nationwide employees' KAIZEN convention

JHF is actively working on KAIZEN to improve work efficiency and CS from customers' perspectives. We aim to improve the practical capacity by encouraging each employee in each section to think actively and carry out KAIZEN voluntarily.

We hold an annual nationwide KAIZEN convention to link the outcomes of such efforts to corporation-wide KAIZEN activities to raise employees' awareness of KAIZEN and promote horizontal expansion of the KAIZEN activities of each section.

The event took place on November 7 at the head office in FY2013, featuring six sections selected from Best KAIZEN cases of 29 sections nationwide through employee voting, etc., who presented their examples passionately.

We invited Professor Isao Endo of the Graduate School of Commerce, Waseda University to the convention, who is famous for his books on practical capacity and visualization, and he commented on each KAIZEN case.

### <Nationwide Employees' KAIZEN Convention>

