

# Activities of JHF

## Providing fixed-rate housing loans through collaboration with private financial institutions

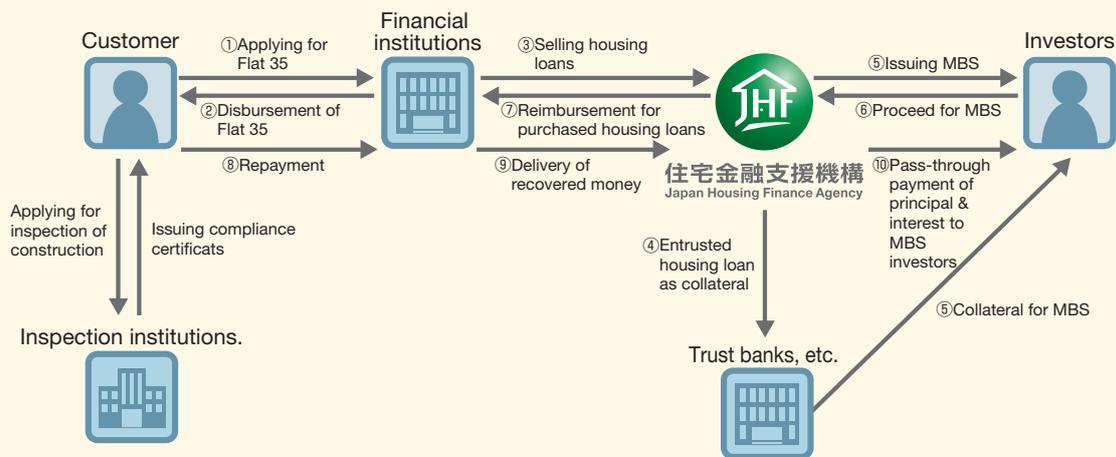
“Flat 35” is the fixed-rate mortgage that JHF offers to people through collaboration with private financial institutions. Because the fixed-rate mortgage is a type of loan that the borrowing rate and the amount of installments are fixed to maturity when the loan is closed, it helps customers to make long term plans for their living.

ずっと固定金利の安心  
【フラット35】

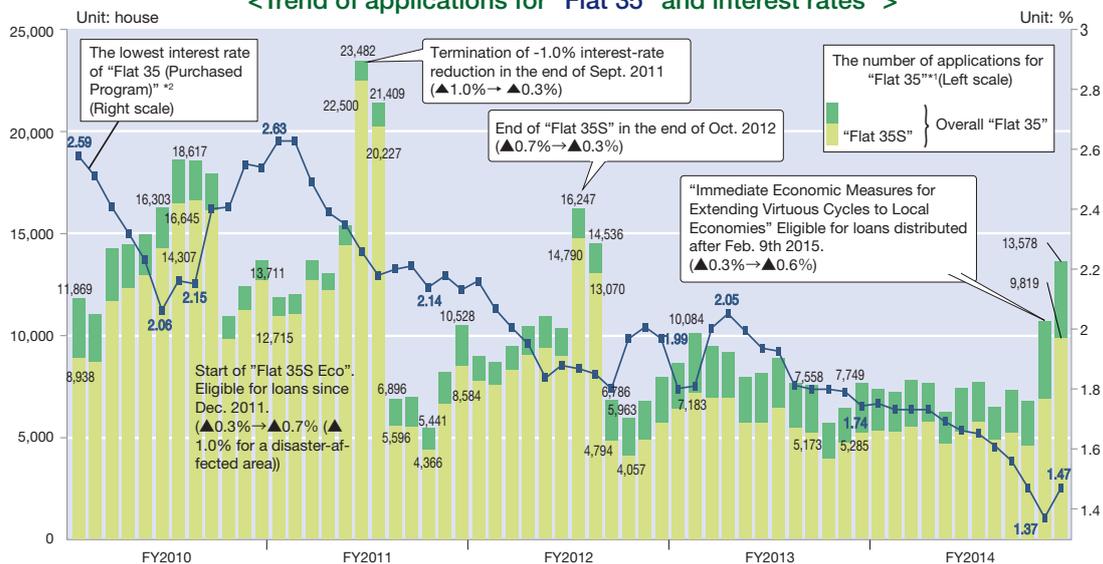
### Four merits of “Flat 35”

- ① Safe because interest rate is fixed to maturity
- ② JHF’s technical criteria to support housing
- ③ No guarantee fee and no fee for prepayment
- ④ Extend consultation during the repayment period

### Scheme



### <Trend of applications for “Flat 35” and interest rates\*1>

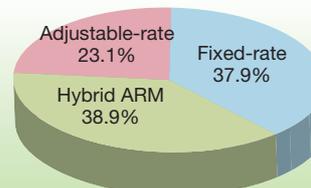


\*1 Total number of houses applying for “Flat 35 (Purchased program / Guarantee program)”.

\*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 (of which 90% or lower rate after February 2014 as interest rates vary according to its loan-to-value ratio (90% or lower, or over 90%). Many financial institutions set lower interest rate to the loans with 20 years or less maturity than those with 21-35 years.

### Interest rate desired by prospective loan-applicants

More than one-third of prospective loan-applicants desire fixed-rate mortgage.



(Source) JHF “The third survey of recipients of private-sector housing loans in FY 2014 targeting prospective loan-applicants (conducted in February 2015)”

## Promotion of High Quality (such as Energy-Efficient) Houses

“Flat 35S” is a system in which lower interest rates are applied for a certain period for customers who applied “Flat 35” to purchase high quality housing in terms of energy saving, earthquake resilience, etc.

JHF promotes high quality house through providing “Flat 35S”.

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

<b>Housing with high energy-efficient performance</b>  <ul style="list-style-type: none"> <li>● Use heat-installation materials sufficiently. (Fit heat insulating material with no space between the frameworks of the house)</li> <li>● Equip windows and doors with double device, etc.</li> </ul>	<b>Housing with excellent earthquake-resilience</b>  <ul style="list-style-type: none"> <li>● Securing wall quantity and balance layout</li> <li>● Strengthen joint parts of building frames</li> <li>● Strengthen foundation, etc.</li> </ul>
<b>Housing with excellent barrier-free performance</b>  <ul style="list-style-type: none"> <li>● Ensure that there are no different levels on the same floor. (Elimination of steps on the same floor)</li> <li>● Install handrails</li> <li>● Make sufficiently wide corridors, etc.</li> </ul>	<b>Housing with high durability and flexibility</b>  <ul style="list-style-type: none"> <li>● Proof against decay and termite</li> <li>● Ensure ventilation in the roof frame and under the floor (Attic and underfloor)</li> </ul>

### About 60% of newly build houses (detached houses) that applied for “Flat 35” were energy-efficient houses.

Thanks to the promotion of “Flat 35” and “Flat 35S”, the range of energy-efficient housing” for housing industries has been expanding. The share of energy-efficient houses were increased from FY 2010 to FY 2012 due to a substantial interest rate reduction. Also, in response to the emergency economic measure, JHF expands the reduction range of interest rate on “Flat 35S”, eligible for loans disbursed after Feb. 9, 2015 and is promoting high quality houses such as energy-efficient house.

### <“Flat 35” Share of houses meeting energy-efficient housing among applications for detached houses to be newly built>



\*Houses (detached houses to be newly built) meeting energy-saving criteria of “Flat 35S”

## Research and Survey on Housing Finance and Dissemination of Information

JHF conducts researches and surveys on domestic and overseas mortgage markets, including “Customer Survey on Flat 35 Users”, and proactively disseminates these information.

### <Contents of Major Surveys>

- |  |  |
|--|--|
| (1) Customer Survey on Flat 35 Users (Twice a year)  | ② “Flat 35” recipients version   |
| (2) Survey on new origination volume and the outstanding loan balances by type of lenders (Quarterly)                                | ③ Prospective private-sector housing loans recipients version                          |
| (3) Actual condition survey on private-sector housing loan users<br>• Usage status by type of borrowing rate (Once every two months) | (5) Actual condition survey on refinance of private-sector housing loans (Once a year) |
| (4) Actual condition survey of private-sector housing loan users (Three times a year)  | (6) Consumption-expenditure survey on the home buyers                                  |
| ① Private housing loan recipients version  | (7) Survey on bank lending of private-sector housing loans (Once a year)               |

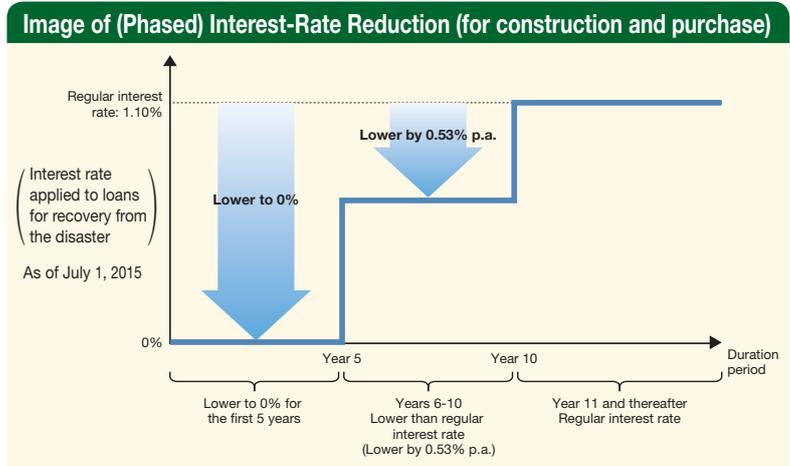
### “Housing Finance Markets in Southeast Asian Countries”

JHF researched on housing finance markets of six Southeast Asian markets (Thailand, Malaysia, Indonesia, Philippines, Myanmar, and Vietnam), in which many Japanese companies are operating, through hearing with governmental financial institutions and experts of each country. The results were compiled in an English-language brochure. Also, by summarizing similarities and differences among countries and introducing the housing finance market in Japan at the end, it contributes to giving of-ficers in charge in each country better understanding to the system of other countries.



## Support to rebuild housing of those who were affected by disasters (Loans for recovery from the disaster, etc.)

JHF provides disaster-recovery loans (loans for recovery from the disaster) as well as loans to repair housing lots where such lots are damaged (loans to recover housing lots). We lower the interest rate (0% p.a. for the first five years for construction and purchase) and extend the grace period and loan maturity. We received 14,924 applications for disaster-recovery housing loans and disbursed for 11,406 houses (both totals as of March 31, 2015).



## Support for People's Return to Zones where Evacuation Orders have been Lifted (Related to the Revision of Act on Special Measures for Fukushima Reconstruction and Revitalization)

In case people return to zones damaged by nuclear disasters after evacuation orders on the zones have been lifted and reconstruct their houses by using disaster-recovery housing loans, "victims' certificate" that verifies his/her previously inhabited house was damaged was required before. JHF, in response to the revision of Act on Special Measures for Fukushima Reconstruction and Revitalization that came into effect in May 2015, and to support people's return to the zones where evacuation order have been lifted, now makes people who lived in the zone as of March 11 2011 eligible to apply disaster-recovery loans for the purchase or build house in the city including the said zone without such certificate.

### <Handling of disaster-recovery housing loans (The revised parts are shown in the red frame)>

Situation of the place of residence		Place in which houses will be built or purchased	Submission of victim certificate for applying disaster-recovery housing loans
In a time of disaster (As of Mar. 11, 2011)	Situation of evacuation orders on the day of applying		
Zones that are subject to an evacuation order	Zones that the evacuation order is not yet lifted. •Difficult-to-return zone •Restricted residence Zone •Zone in preparation for the lifting of the evacuation order	In a city, town or village which is same as the place of residence at the time of disaster	Not required
	Zones where above-mentioned evacuation orders have been lifted •Zones where evacuation orders have been lifted	In a city, town or village which is different from the place of residence at the time of disaster	Required→Not required
		In a city, town or village which is same as the place of residence at the time of disaster	Required

## Support for customers who are paying outstanding loans (Special measures for 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 grace period for those affected by the disaster. We have approved a total of 6,014 cases for modifying the repayment method (as of March 31, 2015).

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 308 of 355 loans for which the application of the Guideline has been submitted (both are cumulative total figures, as of March 2015).

### <Modification of repayment method for those affected by the Great East Japan Earthquake>

Damaged rate \ Repayment method modification	Grace period	Extension of repayment period	Lowering of interest rate* during grace period
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.

## Consultation session for housing reconstruction have been held many times.

In cooperation with national and local governments, JHF has provided local consultation on housing reconstruction for people in the disaster-affected areas since the occurrence of the Great East Japan Earthquake (1,322 consultation sessions were held in total from the end of March 2011 to the end of March 2015.)

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.

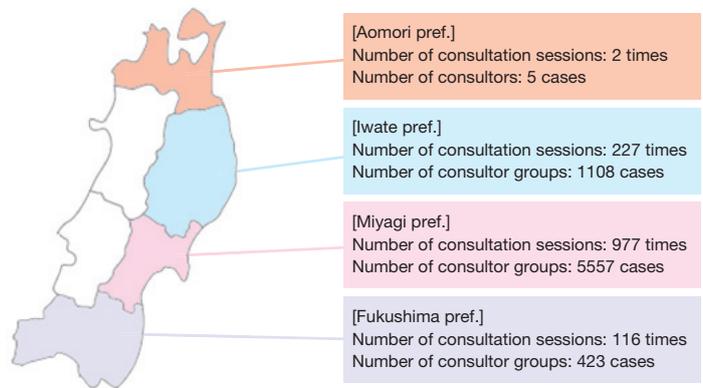
Also, in cooperation with private financial institutions, we have visited various affected areas and held consultation sessions in these areas.

In addition, JHF established the Sanriku Reconstruction Support Center in Kamaishi city and established a system that offers more prompt response to consultations on loans.

<A consultation session>



<Results of local consultation sessions in Tohoku Area (March 2011 – March 2015)>

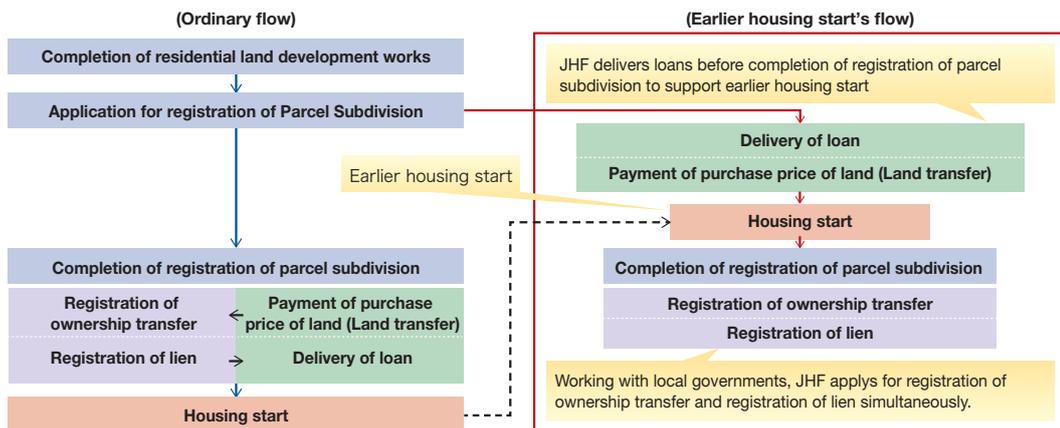


## Support for earlier housing start in housing complexes covered by recovery projects such as the project to promote the resettlement of communities to more disaster-resilient areas.

To make smooth implementation of “Shortening of period from site preparation to housing construction by earthquake survivors” written in “Measures for acceleration of housing reconstruction and recovery town development (the fifth steps)” (Announced by Reconstruction Agency on May 27, 2014), JHF, through collaboration with national and local governments, created a scheme that enables JHF to lend to people affected by disasters before the completion of land registration of parcel subdivision of housing lots made by the projects to promote the resettlement of communities to more disaster-resilient areas or other means by setting secure procedure to register lien upon land after transfer of title of the said land.

By this measure, we support in earlier housing start by people affected by disasters.

<Scheme for earlier housing start>



## Provides loans for which societal demand is expected to grow, and

### Rebuilding housings affected by disasters Loans for recovery from disasters

JHF provides low-interest loans for people whose houses are damaged by natural disasters such as earthquakes, torrential rain, gusty winds and typhoons as well as the Great East Japan Earthquake to build, purchase or renovate their houses. We also provide loans for the ground works together with residential structures when housing lots are damaged due to collapse or liquefaction, etc.

### Stable living for the elderly Loans for serviced rental housing for the elderly

JHF provides loans to business operators who build serviced rental housing for the elderly or purchase residential-purpose real estate to convert it into such housing that contributes to stable living for the elderly.

#### Serviced rental housing for the elderly

This refers to barrier-free rental housing that encompasses services such as monitoring and nursing care for the elderly, which was introduced when “Act on Securement of Stable Supply of Elderly Persons’ Housing” was revised in 2011. It is rental housing that meets the registration criteria, and is registered with the municipal government. It is supported by governmental subsidies, preferential tax treatment and policy-related loans.

#### (Example)

Apartment complex name: “Miraia Court Miyanomori”, Sakura, Chiba Prefecture, completed in Feb. 2015

<Building appearance>



<Living room>



<Inside of a bedroom>



### Support for families raising children Loans for energy-saving rental housing for house holds with small children

JHF provides loans for business operators for construction and other purposes to promote the supply of energy-efficient rental housing capable of accommodating families raising children.

#### (Example)

Apartment complex name: “CRYSTA KYOTO”, Minami-ku, Kyoto, Kyoto Prefecture, completed in Mar. 2015

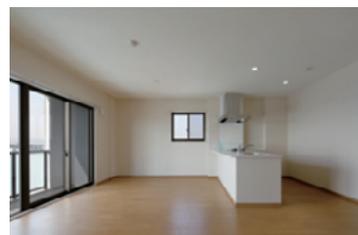
<Building appearance>



<multipurpose space>



<Inside of a room>



## which are difficult for private financial institutions to originate



### Development of safe residential areas Town development loans

JHF provides loans for the following projects to secure disaster-resilience and improve living conditions in urban areas with a high concentration of structures to promote rational land use:

- Rebuilding old condominiums (including sale of the land)
- Disaster-prevention block improvement projects and projects to rebuild rental structures in core city centers with a high concentration of structures
- Urban redevelopment projects, etc.
- Joint rebuild projects in urban areas with a high concentration of structures, rebuild of buildings that conform with the wall retreat criteria in district plantings.

The share of JHF loans to develop towns in urban redevelopment and other projects\*.

(From April 2007 until March 2015) **27.5%**

(The ratio of projects that received JHF loans to develop towns among urban redevelopment and other projects\* for which the correct conversion plan was approved.)

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

#### Urban redevelopment project

(Example)

Project name: “The First Class Urban Rebuilding Project in Sakae and Tokiwa Area”, Sasebo, Nagasaki Prefecture, Completed in Sept. 2014



#### Project to rebuild condominiums

(Example)

Project name: “Machida Yamazaki Residential Condominium Reconstruction Project”, Machida, Tokyo, completed in Sept. 2009

<Before reconstruction>



<After reconstruction>



### Renovation of Condominium Stocks Loans for renovating shared parts of condominiums

JHF provides loans for condominium management associations and unit owners to repair exterior walls and others to help them address deterioration and enhance their anti-seismic strength.

### Stable Living for the Elderly, etc. Special repayment system for the elderly (reform loan/town development loan)

This system is available for elderly to build barrier-free housing or to purchase housing in condominium reconstruction projects. 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.

### Improving Earthquake Resilience Reform loan (earthquake resistance improvement)

JHF provides loans for seismic strengthening aiming to improve earthquake resilience of housing.



# Strengthening operating foundations to be an organization that

## Financial Conditions and others (FY2014 Settlement)

### Status of major assets

The balance of “Flat 35 (Purchased loans)” at the end of FY2014 was approximately 12 trillion yen.

The balance of the purchased loans has been increasing year by year and now accounts for about half of the balance of the housing loans that JHF holds.

### Status of major debts

The fundraising from the financial market through issuance of MBS has increased in accordance with the business growth of “Flat 35”. Meanwhile, borrowings for Fiscal Loan Funds, which is the borrowings from Japanese government, has been declined due to the decrease of the balance of Outstanding Loans Management Account.

### Status of profit and loss

JHF posted gross income of 282.4 billion yen for the overall agency.

#### <Securitization Support Account>

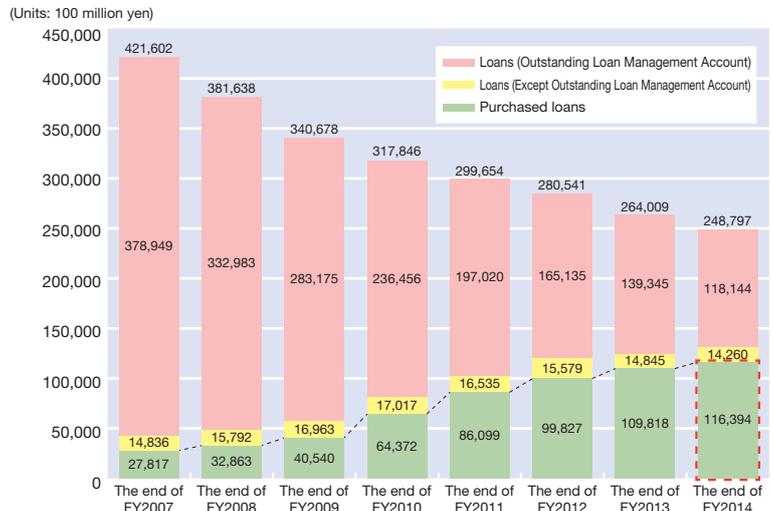
JHF, though increase of the balance of purchased loans and appropriate loan management and so on, posted gross income of 78.9 billion yen in Securitization Support Account. Yet, the profit is counted as the reserve under Article 44.1 of the Act on General Rules for Independent Administrative Agency with approvals from the competent ministers to be prepared for future emergence of risk. As the result, JHF posted the reserve fund of 145.8 billion yen.

As the cost tends to emerge later than earnings as for the credit risk of the securitization support business (Purchased Program), the loss in the latter half is offset by the profit in the first half of loan period. So surplus in the first half is pooled as reserve and the reserve may be reduced to compensate for the losses that occur later.

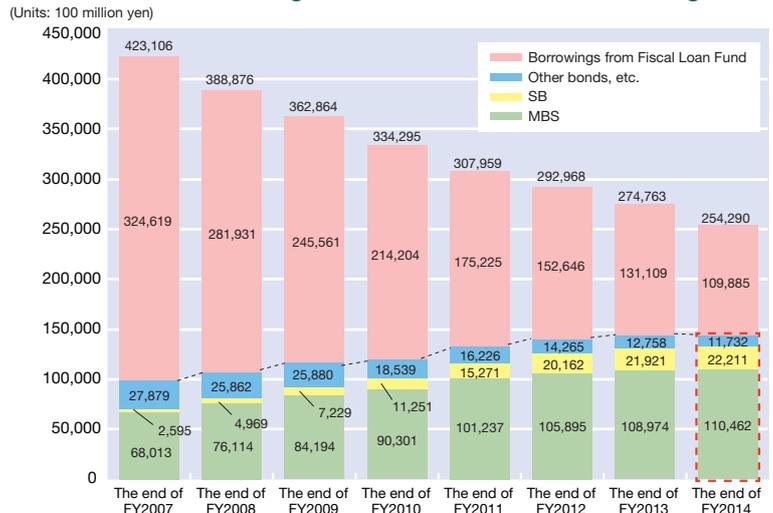
#### <Outstanding Loans Management Account>

JHF posted gross profit of 176 billion yen in Outstanding Loan Management Account due to appropriate loan management. By this, the loss carried forward turn to 108.4 billion yen.

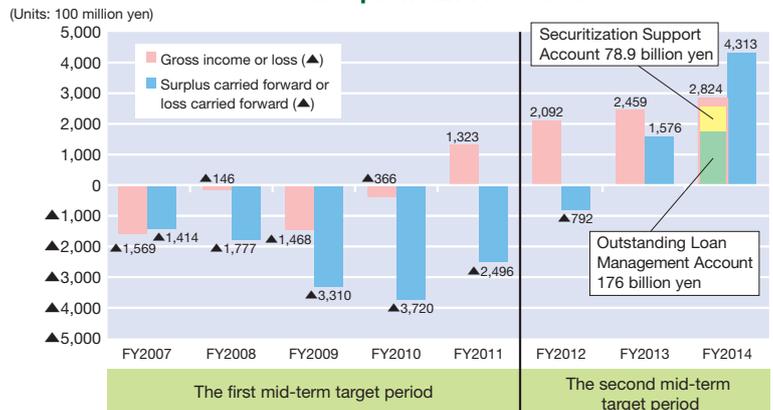
### <Outstanding balance of purchased loans and other loans>



### <Outstanding balance of bonds and borrowings>



### <JHF's profit and loss etc.>

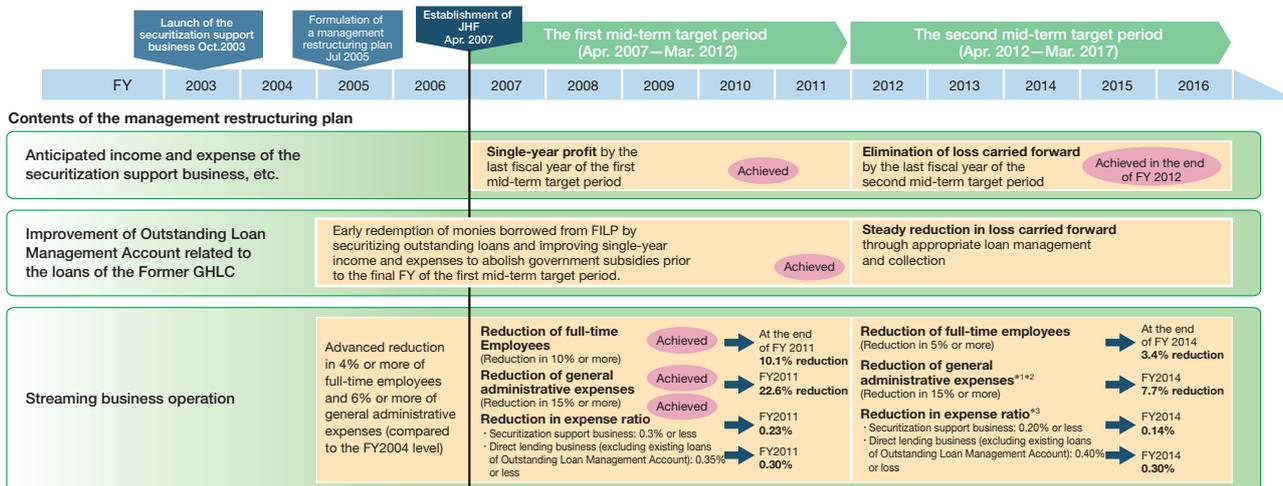


\*The surplus carried forward in FY2014 includes a reserve fund of 145.8 billion yen (after appropriation of profit for the year) in preparation for the emergence of future credit risk in Securitization Support Account as well as a reserve fund of 304 billion yen for the group credit life insurance business

# can implement effective and efficient business operation

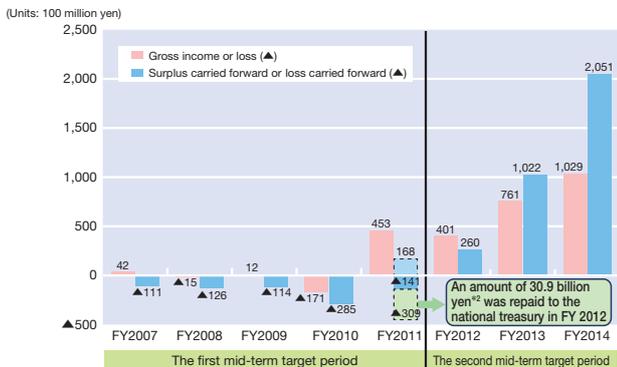
## Business Operation Optimization

In the housing loan market, JHF has been working on the efficiency of business operations and improvement on financial contents in order to promote support and complement of private financial institutions under autonomous management. As a result, JHF has achieved ahead of schedule its goal of eliminating loss carried forward during the second mid-term target period, in regards to the revenue and expenditure in Securitization Support Business, etc.



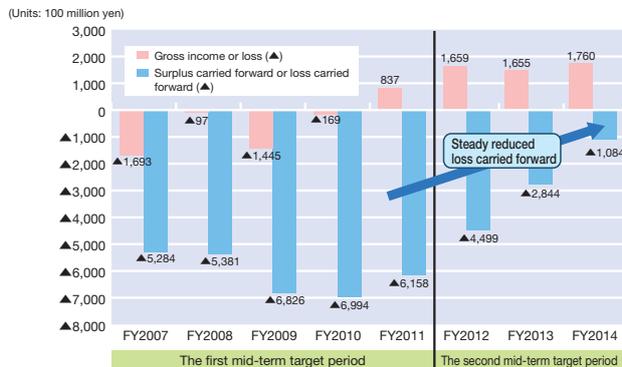
\*1 Commissioning cost (excluding business outstanding cost), wages of temporary employees and expenses of office supplies, etc.  
 \*2 General administrative expenses in the second mid-term target period do not include labor costs, for which a reduction target is set separately based on government policy 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.

### <Accounts excluding Outstanding Loan Management Account\*1>



\*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\*2>



\* Outstanding Loan Management Account is the account for management and collection of loans for which loan applications were received by former Government Housing Loan Corporation before FY2004

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

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 January 2015, the coupon interest rate of MBS lowered to 0.60%, 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.

### <MBS issuance amount and funding interest rate>

