

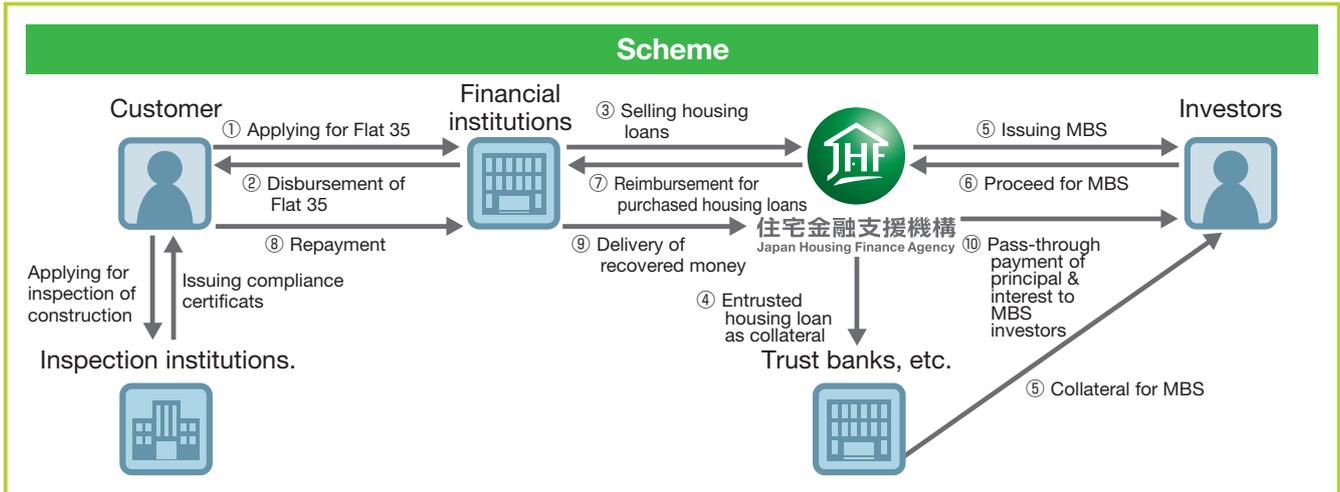
Providing fixed-rate housing loans through collaboration with private financial institutions

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

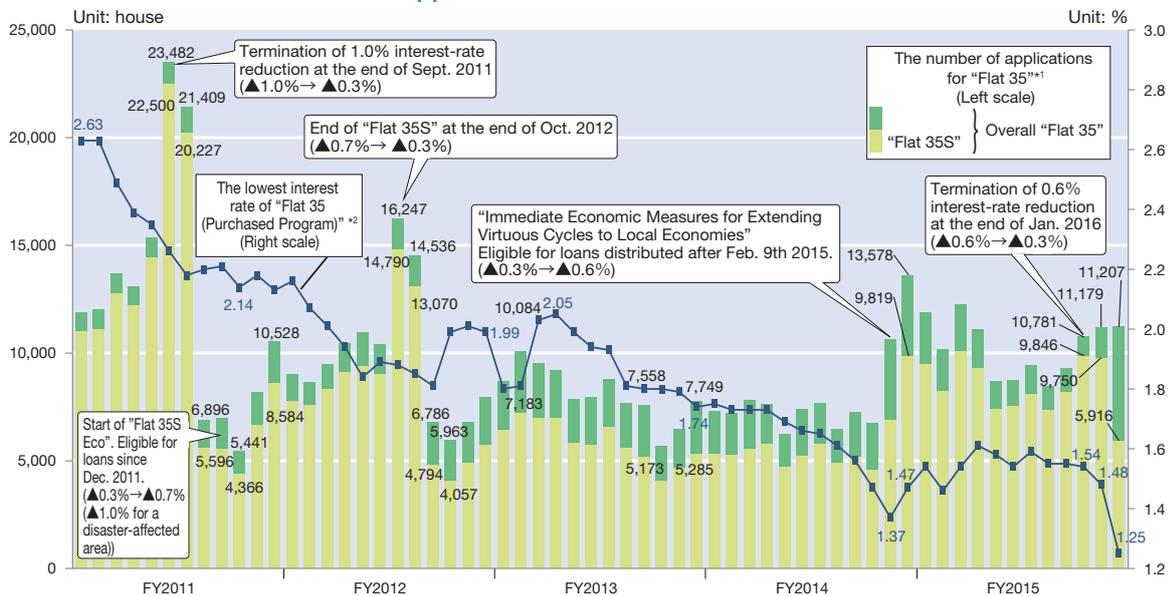
ずっと固定金利の安心
【フラット35】

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



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

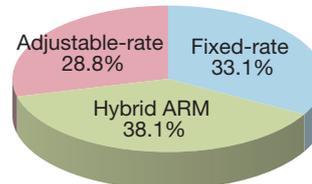


*1 Total number of houses applying for “Flat 35 (Purchased program / Guarantee program)”.

*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

Approximately one-third of prospective loan-applicants desire fixed-rate mortgages.



(Source) JHF “The third survey of recipients of private-sector housing loans in FY 2015 targeting prospective loan-applicants (conducted in February 2016)”

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 for “Flat 35” to purchase high quality housing in terms of energy saving, earthquake resilience, and the like. JHF promotes high quality houses by providing “Flat 35S”.

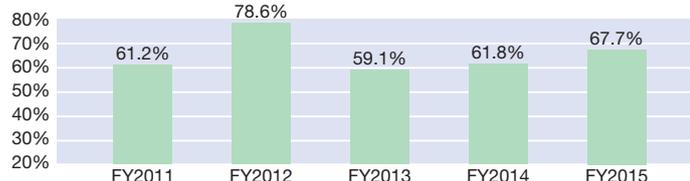
<Four performances targeted by “Flat 35S”>

<p>Housing with high energy-efficient performance</p> <ul style="list-style-type: none"> ● Use insulation materials adequately. (Fit insulating materials into the frame of the house without gaps) ● Equip windows and doors with double panes, etc. <p>To increase insulation capacity of residences and thus to reduce consumption of electricity and fossil fuels such as kerosene used in heating and cooling systems is required for conservation of the global environment.</p>	<p>Housing with excellent earthquake-resilience</p> <ul style="list-style-type: none"> ● Ensuring wall quantity and balance of layout ● Strengthen joints in building frames ● Strengthen foundations, etc. <p>It is extremely important to increase earthquake-resistance capabilities of housing and ensure safety in preparation for large-scale earthquakes is extremely important.</p>	<p>Housing with excellent barrier-free performance</p> <ul style="list-style-type: none"> ● Ensure that there are no different levels on the same floor (Elimination of the steps on the same floor) ● Install handrails ● Create sufficiently wide corridors, etc. <p>To make housing that is easier for elderly to live in must become fundamental to building housing going forward, including preparation for nursing care at home.</p>	<p>Housing with high durability and flexibility</p> <ul style="list-style-type: none"> ● Proof against decay and termites ● Ensure ventilation in the roof frame and under-floor (attic and under floor) <p>As Japan has matured as a society, to create high quality housing stock is an urgent task. To build houses that will last as long as possible and to keep using such houses carefully will lead to conservation of our lifestyles and the global environment.</p>
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Approximately 70% of newly build houses (detached houses) that applied for “Flat 35” were energy-efficient houses.

We have made efforts for the prevalence and advance of high quality housing through “Flat 35” and “Flat 35S.” The share of energy-efficient houses has increased for FY 2014 and FY 2015, due to expansion of interest rate reduction for “Flat35S.”

<“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 Surveys on Housing Finance and Dissemination of Information

JHF conducts research and surveys on domestic and overseas mortgage markets and actively disseminates this information.

Content of Major Surveys

- (1) Customer Surveys of Flat 35 Customers
- (2) Actual condition surveys of private-sector housing loan customers
- (3) Surveys of lending trends for private-sector housing loans
- (4) Surveys of new origination volumes and outstanding loan balances for housing loans by lender type
- (5) Consumption-expenditure surveys for home buyers

Publications

As co-author of “Professionals' Insights into Future Real Estate Investment” (Nikkei BP), in which prominent university professors, and others analyze various aspects of the future of the real property market, staff from the Research Dept. of JHF also wrote the sections about domestic and overseas housing markets.



Surveys on housing loans overseas and information dissemination overseas

▶ Ginnie Mae in the United States

JHF held a roundtable conference jointly with Ginnie Mae (the Government National Mortgage association) in Washington D.C. in the United States, on August 27, 2015. This was the first roundtable conference based on the Memorandum of Understanding, concluded in January 2014, with approximately 100 participants, which became an opportunity to deepen further collaboration between the two countries in housing loan related areas.



▶ CHDB in Myanmar

6 officials from CHDB (Construction and Housing Development Bank) and Ministry of Construction of the Republic of the Union of Myanmar were invited to come to Japan by the Ministry of Land, Infrastructure, Transport and Tourism, and participated in a workshop on housing finance and conducted information exchange from November 5 to 10, 2015.



Support for reconstruction from the Great East Japan Earthquake

Consultation sessions on 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 Great East Japan Earthquake (1,558 consultation sessions were held in total from the end of March 2011 to the end of March 2016.)

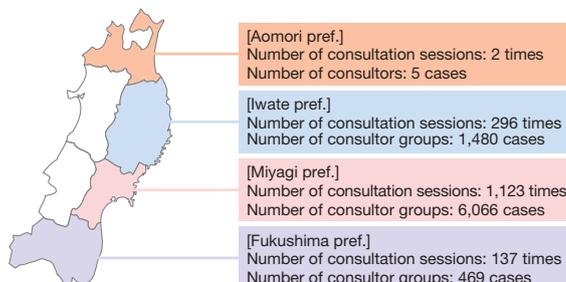
Together with the Iwate Prefectural Housing Support Council, the Miyagi Housing Development Promotion Council for Reconstruction and the Fukushima Prefectural Housing Support Council, we have held regular consultation sessions on various issues since April 2013 in Iwate, Miyagi and Fukushima Prefectures, respectively, as part of a one-stop service that includes loans and financial plans as well as housing plans and various subsidy programs.

Additionally, in cooperation with private financial institutions, we have visited various affected areas and held consultation sessions in these areas since FY2014.

<A consultation session>



<Results of local consultation sessions in Tohoku Area (March 2011 – March 2016)>



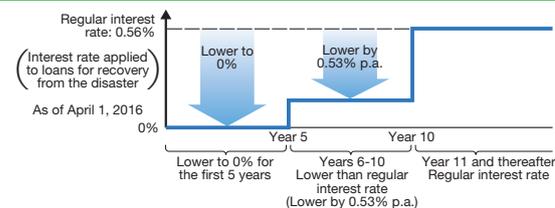
Establishment of Sanriku Reconstruction Support Center (June 2014)

Based on the fact that the full-scale supply of residential land will begin due to the project for promotion of group relocation for disaster mitigation in coastal areas of Iwate Prefecture, JHF has established the Sanriku Reconstruction Support Center in Kamaishi City, Iwate Prefecture, along with a system that offers more prompt responses to consultations on loans.

Support for rebuilding housing for those affected by disasters (Loans for recovery from disasters, etc.)

JHF provides disaster-recovery housing loans (housing loans for recovery from disasters) as well as loans to repair housing lots where such lots are damaged (loans to recover housing lots). We lowered the interest rate (0% p.a. for the first five years for construction and purchase) and extended the grace period and loan maturity. We have received 16,764 applications for disaster-recovery housing loans and made disbursements for 13,295 houses (cumulative numbers as of March 31, 2016).

Image of (Phased) Interest-Rate Reduction (for construction and purchase)



Support and etc. for customers who are under repayments (Special measures for modification of repayment methods)

JHF has deferred repayment of loans in whole or in part, extended the repayment period and lowered the interest rate for a grace period for those affected by disasters. We have approved a total of 6,150 cases for modifying the repayment method (as of March 31, 2016).

We also properly respond to the Guidelines for Individual Debtor Out-of-Court Workouts and assist self-help-based reestablishment of livelihoods and businesses. Repayment

plans have been formulated for 349 of 371 loans for which the application of the Guidelines has been submitted (both are cumulative total figures, as of March 31, 2016).

In addition, for liens inside the projected sites for construction of intermediate storage facilities promoted by the government, JHF created a scheme for removal of its liens when receiving advanced payment, to support restoration of disaster-suffered areas and the lives of those affected.

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

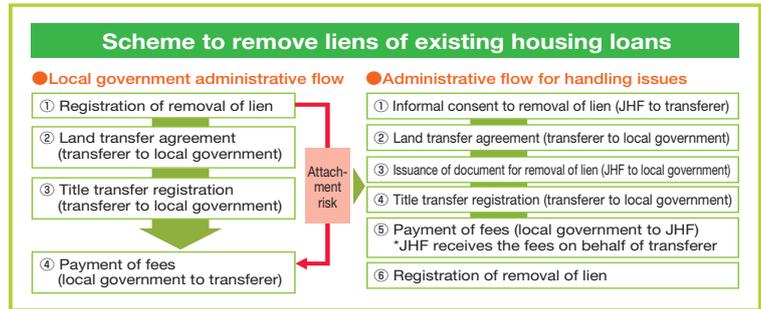
Damaged rate \ Repayment method modification	Grace period	Extension of repayment period	Lowering of interest rate* during grace period
Less than 30%	1 year	1 year	Lower rate (regular interest rate – 0.5% or 1.5%)
30% to less than 60%	Up to 3 years	Up to 3 years	Lower rate (regular interest rate – 1.0% 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.

Support for project of promoting group relocation for disaster prevention

Response to purchase by local government of residential land affected by disaster

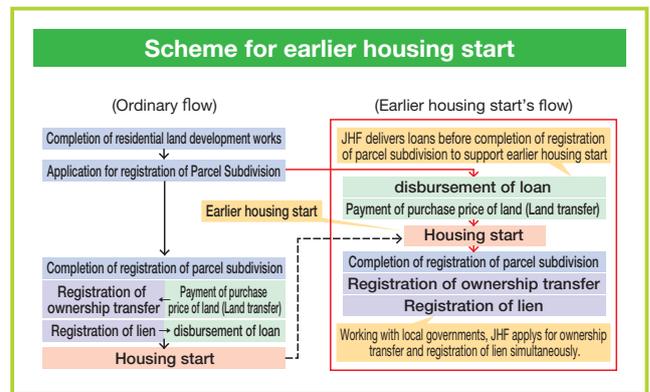
For liens of housing loans that have become obstacles to the purchase by local government of original residential land affected by disaster before transfer under the project of promoting group relocation for disaster prevention, JHF created a scheme in which JHF directly receives sales proceeds from land, etc. paid by the local government and thereby removes the liens in advance of the receipt of sales proceeds. In addition, JHF supports smooth execution of the project of promoting group relocation for disaster prevention by encouraging financial institutions to use this scheme.



Support for early housing construction starts on developed land

Loans in advance of land registration of parcel subdivision into housing lots

For smooth implementation of “Shortening of the period from site preparation to housing construction by earthquake survivors” mentioned in the “Measures for acceleration of housing reconstruction and recovery town development (the fifth step)” (Announced by the Reconstruction Agency on May 27, 2014), JHF, in 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 developed by the project of promoting group relocation for disaster prevention, or other means by arranging secure procedures to register liens on land after transfer of land titles. Thanks to this scheme, we support earlier housing construction starts by people affected by disasters.



Handling of registration of special agreement on redemption of housing land after transfer

Based on the fact that giving advances is difficult in the case of general housing loans when a special agreement on redemption by local government is registered on housing land after transfer, JHF shared the problem with local government and

coordinated the response. In addition, when a special agreement on redemption is registered, JHF makes it possible to use disaster-recovery housing loans and Flat 35 by executing a memorandum with the local government, to the effect that JHF directly receives the purchase price that will be paid to the land owner at the time of exercise of redemption rights.

Support for people who evacuated from the nuclear power plant accident (Related to the Act on Special Measures for the Reconstruction and Revitalization of Fukushima)

Handling of disaster-recovery housing loans by enforcement of the Act on Special Measures for the Reconstruction and Revitalization of Fukushima (March 2012)

JHF made those who lived in the zone in which an evacuation order was issued due to the nuclear power plant accident of March 11, 2011 eligible to apply for a disaster-recovery loan for the purchase of or building of a house without a “Victims’ certificate” (that verifies the degree of damage of his/her

previously inhabited house with on-site survey, by the local government etc. and certifies the status of damage) if the fact can be confirmed that the person was living inside a zone in which an evacuation order was issued.

Handling of disaster-recovery housing loans by enforcement of the Revision of the Act on Special Measures for the Reconstruction and Revitalization of Fukushima (May 2015)

In the case where people return to a zone damaged by the nuclear disaster after the evacuation order on the zone has been lifted and reconstruct their houses using disaster-recovery housing loans, in the past a “victims’ certificate” to verify that the previously inhabited house was damaged was required. In response to the revision of the Act on Special Measures for the Reconstruction and Revitalization of Fukushima that came into effect in May 2015, and to support people’s return to zones where evacuation orders have been lifted, JHF now makes people who were living in the zone as of March, 11 2011 eligible to apply for disaster-recovery loans without such certificates for the purchase of or building of housing in the city that includes the zone.

<Handling of disaster-recovery housing loans>

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.	In a city, town or village which is same as the place of residence at the time of disaster	Not required
	<ul style="list-style-type: none"> •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 different from the place of residence at the time of disaster	
	Zones where above-mentioned evacuation orders have been lifted	In a city, town or village which is same as the place of residence at the time of disaster	Required
<ul style="list-style-type: none"> •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		

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

Rebuilding housings affected by disasters Loans for recovery from disasters

JHF provides low-interest loans for people whose houses were damaged by the Great East Japan Earthquake and the Kumamoto Earthquake in 2016, as well as other earthquakes, torrential rains, gusty winds and typhoons and other natural disasters to build, purchase or renovate their houses. We also provide loans for ground-work together with residential structures when housing lots are damaged due to collapse or liquefaction, etc.

Stable living for the elderly Loans for rental houses with nursing services for the elderly

JHF provides loans to business operators to build rental houses with nursing services for the elderly, or purchase houses once used for other purposes to convert to rental houses with nursing services for the elderly, or do renovation to convert to rental houses with nursing services 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 the “Act on Securement of Stable Supply of Elderly Persons’ Housing” was revised in 2011. This is rental housing that meets the registration criteria, and is registered with the municipal government. This 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

This is rental housing developed to promote stable living for the elderly in the Yukarigaoka community, where the aim is to harmonize natural and urban functions. It has well-developed common use areas, with the Family Kitchen, where visiting family and residents can have meals together, and the Care Garden, where the residents are able to enliven their five senses, other things, and alliances with medical institutions to further the security and safety of residents; disaster measures are also considered, with self-power generation equipment for a maximum of 48 hours in case of power outages, etc.

FY2015 JHF President’s letter of appreciation awarded housing development

<Building appearance>



<Living room>



<Inside bedroom>



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

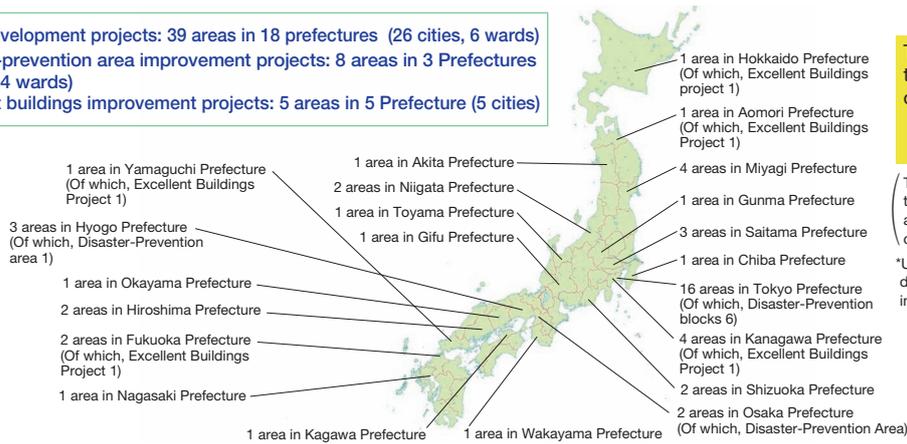
JHF provides loans for construction and other purposes to promote the supply of energy-efficient rental housing capable of accommodating families raising children.

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 high concentrations of structures to promote rational land use:

- Rebuilding old condominiums (including sale of land)
- Disaster-prevention block improvement projects and projects to rebuild rental structures in core city centers with high concentrations of structures
- Urban redevelopment projects, etc.
- Joint rebuilding projects in urban areas with high concentrations of structures, rebuilding of buildings that conform with wall setback standards for local greenery.

- Urban development projects: 39 areas in 18 prefectures (26 cities, 6 wards)
- Disaster-prevention area improvement projects: 8 areas in 3 Prefectures (2 cities, 4 wards)
- Excellent buildings improvement projects: 5 areas in 5 Prefecture (5 cities)



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

(From April 2007 to March 2016) **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: “First Class Urban Rebuilding Project in Sakae and Tokiwa Area”, Sasebo, Nagasaki Prefecture, Completed in Sept. 2014

<Overview of facility>



<After development>



▶ Project to rebuild condominiums

(Example)

Project name: “Central Mitake Condominium Reconstruction Project,” Shibuya, Tokyo, completed in July 2015

<Before construction>



<After construction>



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 other areas to help them address deterioration and enhance anti-seismic strength.

Stable living for the elderly, and others/ Condominium stock maintenance and renovation Special repayment system for the elderly (renovation loans/urban development loans)

In general, funding plans by ordinary housing loans with repayment of principal and interest become difficult as the repayment period shortens when the borrower gets old.

This system can be used when an elderly person who is 60 years of age or older renovates his/her house in terms of barrier-free or earthquake resistance, or purchases a housing unit supplied by a condominium rebuilding project, etc. Before the decease of the borrower the borrower only pays interest, and after the decease of the borrower we require the inheritors, etc. to repay the outstanding balance in lump sum, and due to this scheme, the burden of repayment is eased while the elderly borrower is alive.

JHF holds briefing and consultation sessions, etc. with management associations, etc. that are considering rebuilding of condominiums, to cooperate in forming agreements on rebuilding.

Scenes from briefing



Improving Earthquake Resilience Renovation (earthquake resistance improvement)

JHF provides loans for earthquake-resilient renovation aiming to improve the earthquake resistance of housing.

In preparation for the anticipated Nankai Trough Earthquake or earthquakes that might directly hit the Tokyo metropolitan area, etc., the “Revision of the Act on Promotion of Seismic Retrofitting of Buildings” (Act No. 123 of 1995) went into effect in November 2013, and earthquake-resilient renovation of condominiums lacking earthquake-resilience along emergency transport roads in particular is considered to be an urgent task.

This earthquake-resilient renovation construction, a great deal of expense is required for seismic isolation construction, etc., so we increased the loan limit amount for loans to renovate shared parts of condominiums (earthquake-resistant repair construction) from 1.5 million yen, for the case of general large-scale renovation, to 5 million yen, and reduced the loan interest rate by 0.2% from the ordinary interest rate.

Strengthening operating foundations to be an organization that can implement effective and efficient business operations

Financial Conditions and other (FY2015 Settlement)

Status of assets and debts

Total assets as of end of FY2015 were approximately 27 trillion yen, and total debts were approximately 26 trillion yen.

Status of major assets and debts is as follows.

▶ Status of outstanding balance of purchased loans and other loans

The balance of "Flat 35 (Purchased loans)" at the end of FY2015 was approximately 13 trillion yen.

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

▶ Status of outstanding balance of bonds and borrowings

Fundraising from the financial markets through issuance of MBS has increased in accordance with the business growth of "Flat 35".

Meanwhile, borrowings for Fiscal Loan Funds, which are borrowings from the Japanese government, has declined due to the decrease in the balance in the Outstanding Loans Management Account.

Status of profit and loss

JHF posted gross income of 215.9 billion yen for the overall agency.

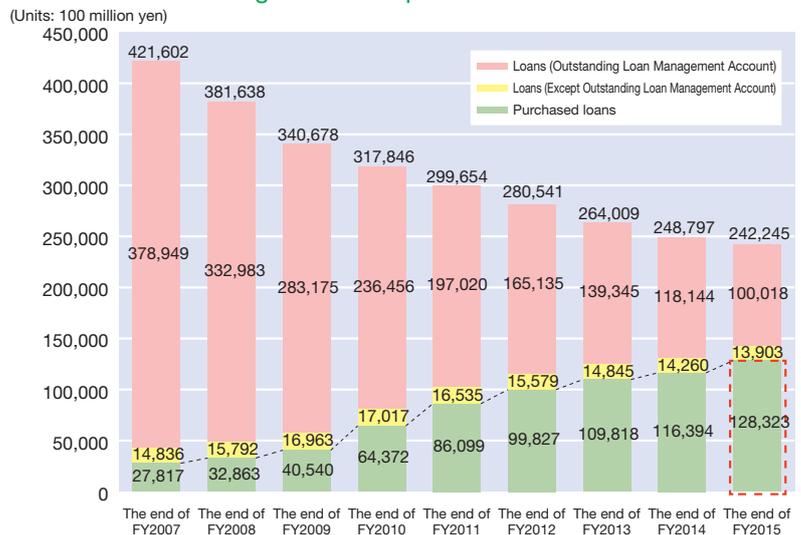
<Securitization Support Account>

JHF posted gross income of 66.3 billion yen in the Securitization Support Account, through an increase in the balance of purchased loans and appropriate loan management and so on. Thanks to this, including the reserves up to the previous term, it posted a surplus carried forward of 212.2 billion yen. As costs tended to emerge later than earnings for credit risk, etc. of the Securitization Support Business (Purchased Program), the loss in the latter half was offset by profit in the first half of the loan period, and therefore, in order to be prepared for future emergence of credit risk, etc., JHF posted this 66.3 billion yen as reserve fund (under Article 44.1 of the Act on General Rules for Independent Administrative Agency).

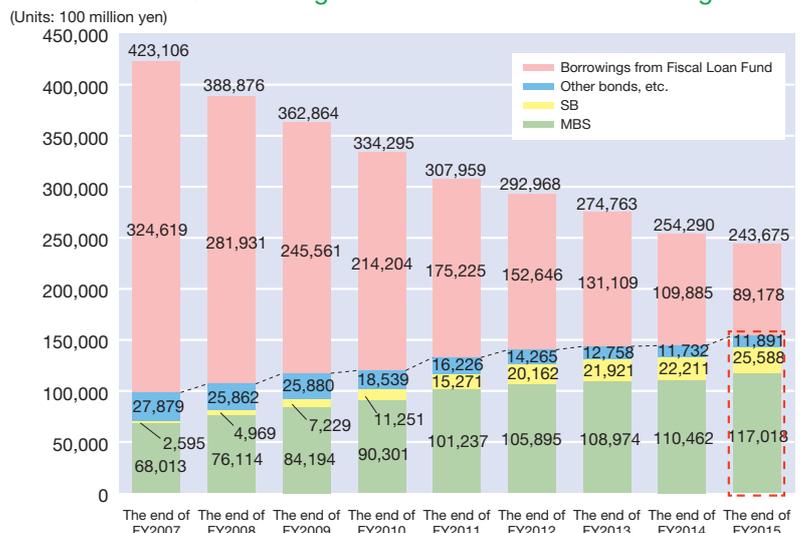
<Outstanding Loans Management Account>

JHF posted gross profit of 130.6 billion yen in the Outstanding Loans Management Account due to appropriate loan management. By this, the loss carried forward was eliminated and JHF posted a surplus carried forward of 22.2 billion yen. From the perspective of concluding the project stably without incurring new state liability, in order to be prepared for future emergence of credit risk, etc., JHF posted this 22.3 billion yen as reserve fund (under Article 7.7 of Supplementary Provisions of Act on the Japan Housing Finance Agency, Independent Administrative Agency).

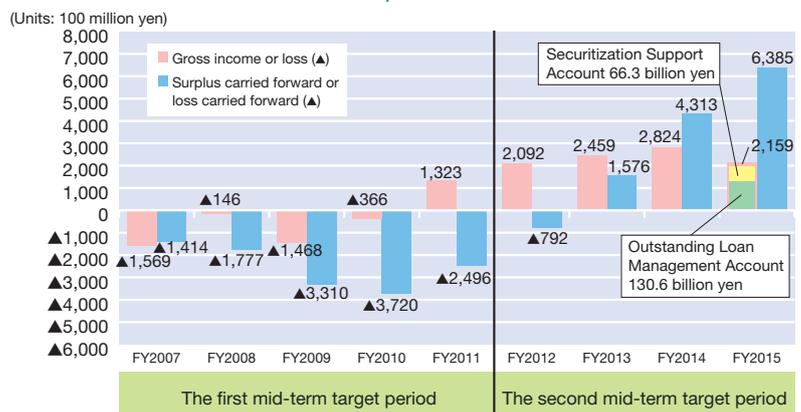
<Outstanding balance of purchased loans and other loans>



<Outstanding balance of bonds and borrowings>



<JHF's profit and loss etc.>

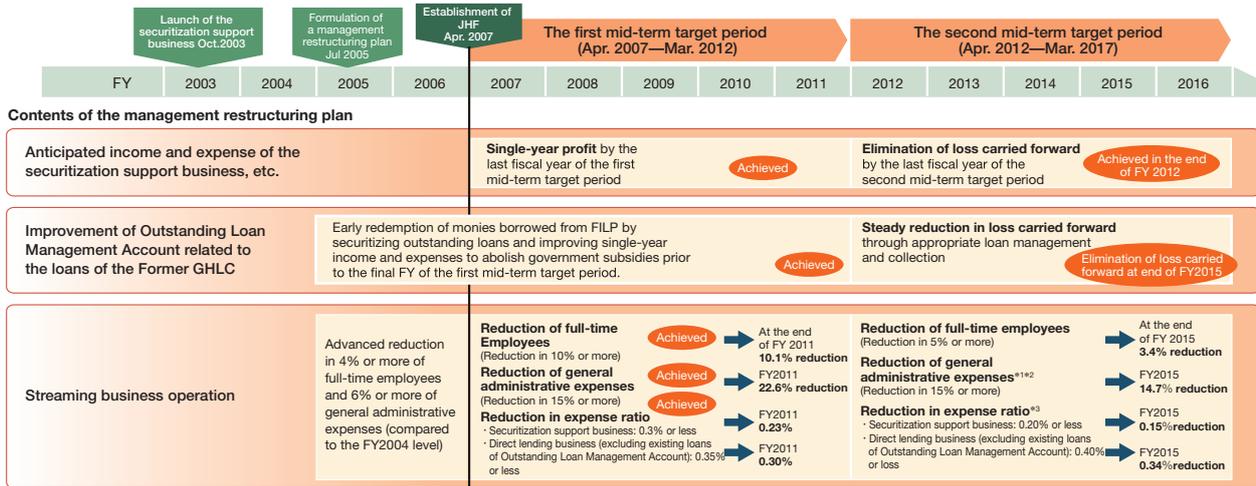


* The surplus carried forward in FY2015 includes a reserve fund of 212.2 billion yen (after appropriation of profit for the year) in the Securitization Support Account, a reserve fund of 295.2 billion yen for the group credit life insurance business, and a reserve fund of 22.2 billion yen (after appropriation of profit for the year) in the Outstanding Loans Management Account.

Business Operations Optimization

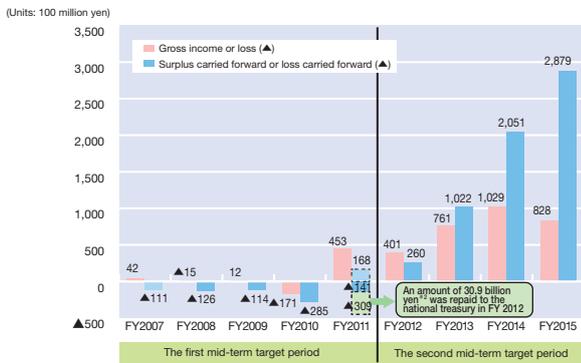
In the housing loan market, JHF has been working on efficiency improvements of business operations and improvement of financial details while steadily accumulating results in order to promote support and complement private financial institutions under autonomous management, and achieved the goals of the first mid-term target period.

JHF achieved its goal of eliminating loss carried forward for the Securitization Support Account at the end of FY2012, and for the Outstanding Loans Management Account the loss carried forward was eliminated at the end of FY2015, thus the loss carried forward was eliminated for all accounts. JHF will steadily work toward achievement of the other goals of the second mid-term target period.



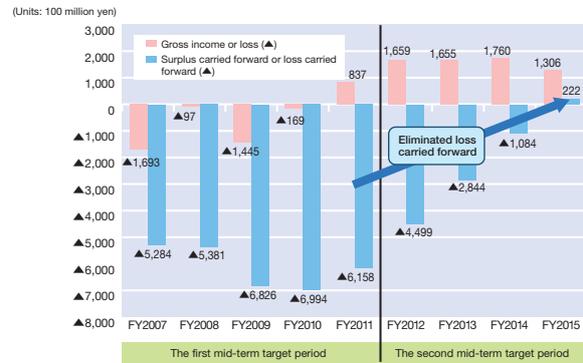
*1 Commissioning cost (excluding business outstanding cost), wages of temporary employees and expenses of office supplies, etc.
 *2 General administrative expenses in the second mid-term target period do not include labor costs, for which a reduction target is set separately based on government policy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



* 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 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 March 2016, the coupon interest rate of MBS was lowered to 0.48%, the lowest coupon interest rate in the history of JHF, and we have successfully implemented efficient fundraising and provided customers with low fixed-rate interest housing loans throughout loan duration.

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

