

# Appendix

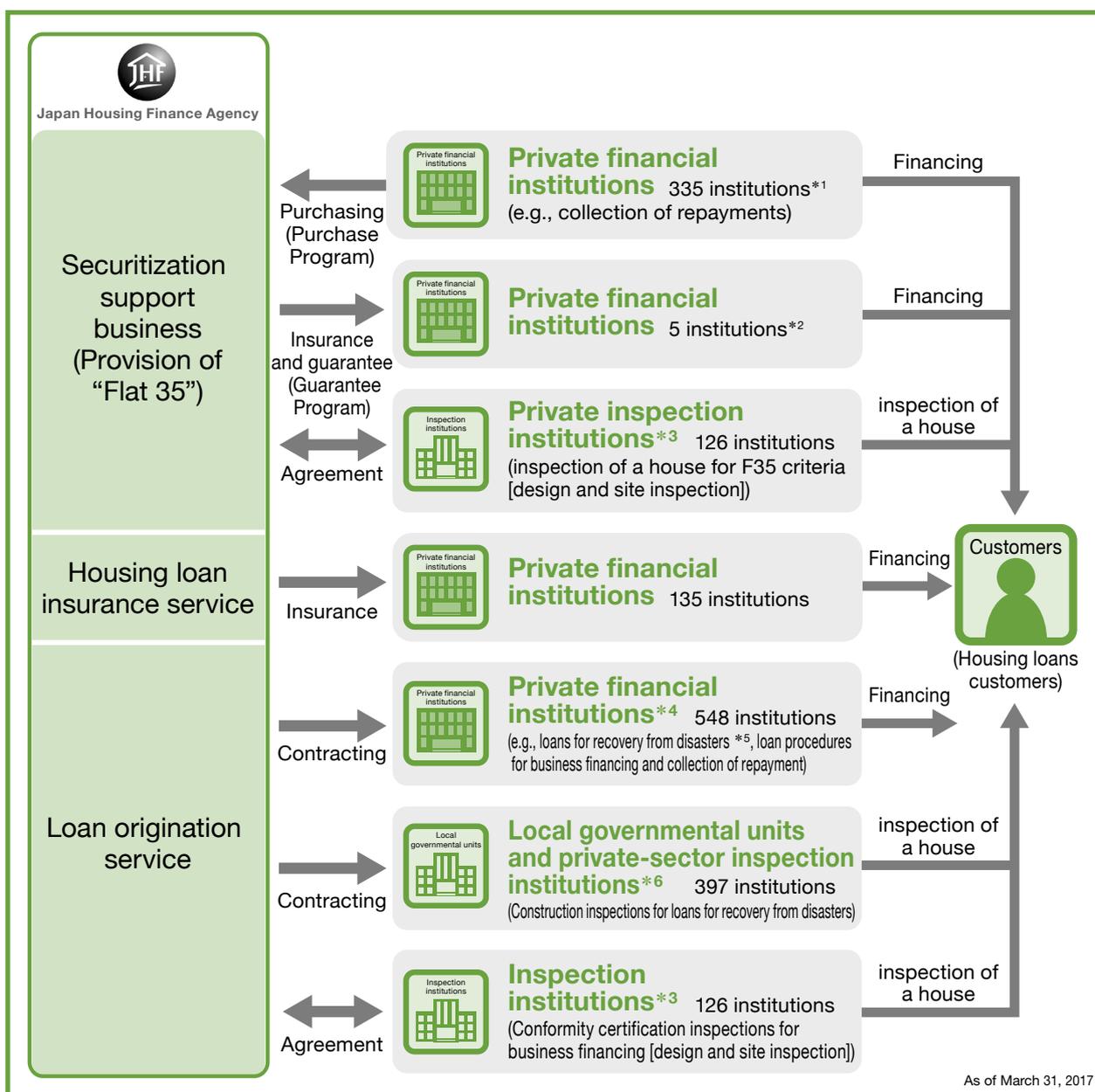
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# Business Operations Framework

Business operations are efficiently run through a network of related organizations.

By contracting out some operations to private financial institutions, private inspection institutions, local government units and so on, JHF efficiently implements its business operations.

## 〈Business Operations Framework〉



\*1 This includes three institutions to which JHF outsources only collection of repayments related to the securitization support business, and from which JHF does not purchase housing loans. JHF also contracts with three collection agencies for recovery of defaulted loans.

\*2 This includes three institutions that have stopped new application acceptance.

\*3 Private inspection institutions are specified inspection institutions and registered housing performance evaluation institutions that have concluded an agreement of conformance certificate services with JHF. Architects who are registered with the Japan Association of Architectural Firms and Japan Federation of Architects & Building Engineers Associations also perform conformance certificate inspections for existing houses and renovations.

\*4 This excludes seven institutions to which JHF outsources only group credit life insurance business. In addition to private financial institutions, JHF contracts with four special servicers for recovery management of defaulted loans.

\*5 Applications for Housing Loans for Recovery from Disasters and Housing Land Loans for Recovery from Disasters concerning the Great East Earthquake are contracted out to 126 institutions as of March 31, 2017.

\*6 This refers to designated construction inspection institutions and registered housing performance evaluation institutions that have agreements with JHF.

## Key Performance Indicators

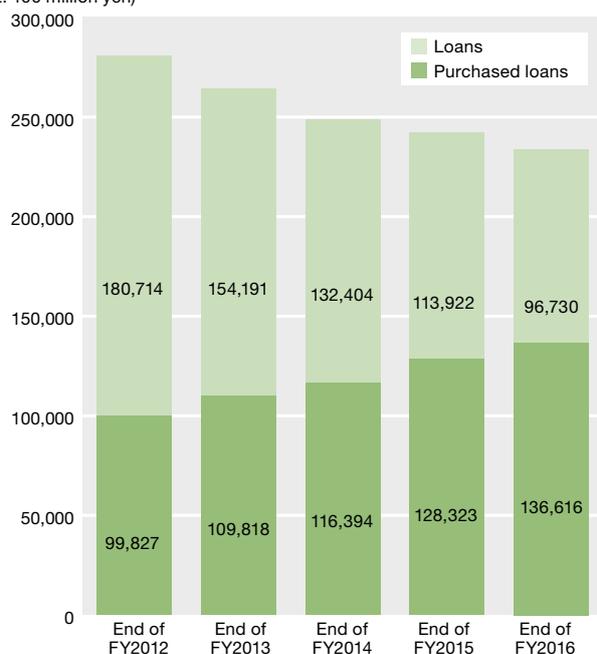
The key performance indicators are summarized in the table below.

(Unit: 100 million yen)

Category	End of FY2012	End of FY2013	End of FY2014	End of FY2015	End of FY2016
Ordinary income	10,490	10,009	9,438	8,221	7,376
Interest on purchased loans and loans	8,547	7,687	6,941	6,229	5,481
Ordinary expenses	8,479	7,644	6,827	6,129	5,462
Interest expense on borrowings and bonds	6,715	5,999	5,247	4,514	3,798
Net income	2,092	2,459	2,824	2,159	2,025
Outstanding balance of purchased loans	99,827	109,818	116,394	128,323	136,616
Outstanding balance of loans	180,714	154,191	132,404	113,922	96,730
Outstanding balance of borrowings	153,748	132,017	110,767	90,396	72,979
Outstanding balance of bonds	139,190	142,733	143,518	153,274	160,480
Capital	6,706	7,050	7,117	7,117	7,086

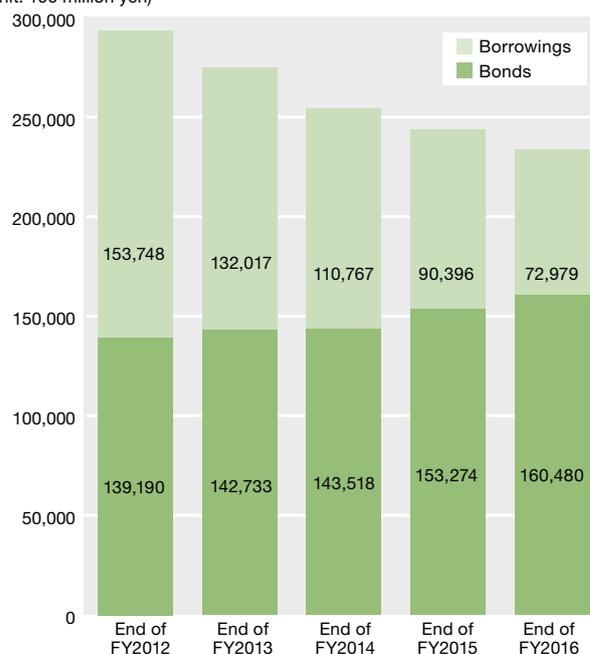
### Outstanding balance of purchased loans and loans

(Unit: 100 million yen)



### Outstanding balance of bonds and borrowings

(Unit: 100 million yen)



# Financial Statements

The FY2016 financial statements for Japan Housing Finance Agency (JHF) were created based on Article 38 of the Act on General Rules for Independent Administrative Agency and approved by the minister in charge.

## Overall Agency

In FY2016, the gross profit of the overall agency was 202.5 billion yen, a decrease of 13.4 billion yen from FY2015.

Major factors in the decrease are the decrease of the outstanding loan balance in the Outstanding Loan Management Account etc. and the decrease of fund management profit due to low interest rates, and some other reasons.

### Balance Sheet

(Unit: million yen)

Item	FY2015	FY2016	Item	FY2015	FY2016
<b>(Assets)</b>			<b>(Liabilities)</b>		
Cash and due from banks	670,070	886,811	<b>Borrowings</b>	9,039,633	7,297,941
Cash	2	1	<b>FILP borrowings</b>	8,917,783	7,118,491
Due from banks	476,241	753,350	<b>Borrowings from private institutions</b>	121,850	179,450
Agency deposit entrusted	193,827	133,460	<b>Bonds</b>	15,327,397	16,047,978
Money in trust	679,536	556,721	<b>Mortgage-backed securities</b>	11,701,838	12,124,393
Securities	1,318,849	1,126,409	<b>General lien bonds</b>	2,558,800	2,864,400
Government bonds	209,595	177,419	Property accumulation saving scheme-tied housing bonds	295,600	250,800
Local government bonds	157,981	163,013	<b>Housing land bonds</b>	771,608	808,702
Government guaranteed bonds	62,995	25,910	<b>Bond issue premiums (△)</b>	△ 448	△ 317
Corporate bonds	319,277	282,067	<b>Insurance policy reserves</b>	56,050	53,654
Certificates of deposit	569,000	478,000	Reserve for outstanding claims	13	20
Purchased loans	12,832,281	13,661,582	<b>Policy reserves</b>	56,038	53,634
Loans	11,392,188	9,673,015	<b>Subsidies reserves</b>	672,753	553,946
Loans on bills	57,394	51,006	Subsidies payable for emergency measures to facilitate housing finance	334,784	276,238
Loan on deed	11,334,794	9,622,009	Subsidies payable for promotion projects for development of high-quality housings	104,545	93,007
Other assets	279,133	200,236	Subsidies payable for emergency measures including loans for recovery from disasters	233,424	184,701
Claims for indemnity	9,370	8,319	<b>Other liabilities</b>	509,822	429,129
Transferred claims (pension)	67,665	57,022	<b>Accrued expenses</b>	55,584	44,723
Accrued revenues	43,812	37,542	<b>Advanced earnings</b>	35,933	33,699
Financial derivative products	109,261	55,605	<b>Financial derivative products</b>	114,912	59,220
Financial derivative product loss carried forward	27,396	20,148	<b>Financial derivative product gain carried forward</b>	7,088	5,098
Accrued insurance premiums	351	555	<b>Accounts payable</b>	284,354	275,660
Other assets	21,278	21,044	<b>Other liabilities</b>	11,950	10,731
Tangible fixed assets	32,012	30,380	<b>Bonus payment reserves</b>	623	628
Buildings	16,709	19,143	<b>Allowance for retirement benefits</b>	12,951	12,978
Accumulated depreciation (△)	△ 5,142	△ 5,275	<b>Allowance for refund of guarantee fees</b>	8,535	5,568
Accumulated impairment loss (△)	△ 566	△ 172	<b>Reserves for mortgage transfer registration</b>	731	—
Lands	18,989	16,381	<b>Guarantee obligation</b>	414,227	379,142
Accumulated impairment loss (△)	△ 1,004	△ 111			
Construction in process account	2,051	—	<b>Total liabilities</b>	26,042,721	24,780,964
Other tangible fixed assets	3,329	1,226			
Accumulated depreciation (△)	△ 2,355	△ 812	<b>(Net assets)</b>		
Accumulated impairment loss (△)	△ 1	△ 0	<b>Capital</b>	711,735	708,642
Intangible fixed assets	4,936	6,522	<b>Government injection monies</b>	711,735	708,642
Software	2,186	2,020	<b>Capital surplus</b>	381	381
Software in process account	2,750	4,502	<b>Capital surplus</b>	381	381
Guarantee obligation reversal	414,227	379,142	<b>Surplus carried forward</b>	638,486	831,427
Reserve for possible loan losses (△)	△ 231,258	△ 200,602	<b>Valuation and conversion adjustments</b>	△ 1,350	△ 1,198
			<b>Deferred gains or losses on hedges</b>	△ 1,350	△ 1,198
			<b>Total net assets</b>	1,349,253	1,539,252
<b>Total assets</b>	<b>27,391,974</b>	<b>26,320,216</b>	<b>Total liabilities and net assets</b>	<b>27,391,974</b>	<b>26,320,216</b>

## Income Statement

(Unit: million yen)

Item	FY2015	FY2016
<b>Ordinary income</b>	822,071	737,607
<b>Income from asset management</b>	636,919	559,742
Interest on purchased loans	191,342	185,358
Interest on GHLC originated loans	431,563	362,718
Changes on claims for indemnity etc.	74	49
Interest on transferred claims (pension)	2,561	2,168
Interest and dividends on securities	11,345	9,441
Interest on deposits	34	7
<b>Income from underwriting insurance</b>	85,509	84,763
Net insurance premium revenue	1,882	3,224
Reimbursement of unused reserve for outstanding claims	8	—
Reimbursement of unused policy reserve	1,025	2,403
Fee from riders on group credit life insurance	65,138	61,706
Revenue from group credit life insurance	2,932	2,775
Dividends on group credit life insurance	14,523	14,655
<b>Income from service transactions</b>	666	608
Guarantee fee	146	123
Other income from services	520	486
<b>Income from subsidies</b>	86,593	81,533
Subsidies for emergency measures to facilitate housing finance	49,373	40,573
Subsidies for promotion projects for development of high-quality housing	31,131	34,691
Subsidies for emergency measures including loans for recovery from disasters	6,089	6,269
<b>Income from other operating activities</b>	42	36
Contract termination fees	42	36
<b>Other ordinary income</b>	12,342	10,924
Reversal of reserve from possible loan losses	1,593	—
Reversal of reserve from refund of guarantee fees	3,108	2,075
Reversal of reserve from mortgage transfer registration	4	583
Income from written-off claims recovered	3,892	4,046
Other ordinary income	3,745	4,220
<b>Ordinary expenses</b>	612,880	546,165
<b>Fund raising expenses</b>	451,896	380,504
Interest on borrowings	243,576	184,978
Interest on bonds	207,828	194,776
Other interest paid	492	750
<b>Insurance underwriting expenses</b>	92,681	89,118
Net insurance paid	1,821	2,278
Unused reserve for outstanding claims carried over -	—	8
Group credit insurance premium paid	87,852	84,004
Payment of group credit life insurance claims	3,008	2,828
<b>Service transaction expenses</b>	26,573	25,653
Service expenses	26,573	25,653
<b>Other operating expenses</b>	12,334	14,519
Amortization of bond issuing expenses	7,861	9,271
Financial derivative products expenses	4,473	5,248
<b>Business expenses</b>	27,319	31,180
Business expenses	27,319	31,180
<b>Other ordinary expenses</b>	2,078	5,191
Provision for reserve for possible loan losses	—	3,049
Other ordinary expenses	2,078	2,142
<b>Ordinary income</b>	209,191	191,442
<b>Extraordinary income</b>	147	1,885
Income from disposal of tangible fixed assets -	—	1,838
<b>Other extraordinary income</b>	147	47
Reimbursement from insolvent customers based on restructuring plan	147	47
<b>Extraordinary losses</b>	2,170	386
Loss on disposal of tangible fixed assets	599	103
Impairment loss	1,571	283
<b>Net income</b>	207,168	192,941
Transfer from reserve of previous mid-term target	8,770	9,596
<b>Gross income</b>	215,938	202,537

## Cash Flows Statement

(Unit: million yen)

Item	FY2015	FY2016
<b>I . Cash flow from operating activities</b>		
<b>Outlays on the purchase of loans</b>	△ 2,320,230	△ 3,209,741
<b>Loan disbursement</b>	△ 185,674	△ 203,313
<b>Outlays on personnel expenses</b>	△ 9,890	△ 10,059
<b>Outlays on insurance</b>	△ 1,821	△ 2,278
<b>Outlays on group credit life insurance premium</b>	△ 87,992	△ 84,364
Outlays on payment on group credit life insurance claims	△ 3,025	△ 2,832
<b>Other operating outlays</b>	△ 46,046	△ 48,571
<b>Income from collection of purchased loans</b>	1,142,993	2,362,689
<b>Income from collection of loans</b>	2,006,242	1,899,313
<b>Income from interest on purchased loans</b>	191,189	185,971
<b>Income from interest on loans</b>	437,258	368,093
<b>Loan origination fees and other revenues</b>	67	54
<b>Income from insurance premiums</b>	1,809	2,960
Income from riders on group credit life insurance	63,673	59,578
<b>Income from group credit life insurance</b>	2,755	2,713
Dividends received from group credit life insurance	11,267	14,523
<b>Income from other operations</b>	24,505	23,685
<b>Income from treasury subsidies</b>	23,800	23,624
Outlays on the repayment of treasury subsidies	△ 25,839	△ 64,040
<b>Subtotal</b>	1,225,039	1,318,004
Interest and dividends received	72,087	56,745
<b>Interest paid</b>	△ 524,548	△ 439,108
<b>Cash flow from operating activities</b>	772,577	935,641
<b>II . Cash flow from investing activities</b>		
<b>Outlays on acquisition of securities (bonds)</b>	△ 36,904	△ 69,425
<b>Income from redemption of securities (bonds)</b>	426,596	170,411
<b>Net change in securities (certificates of deposits) (△ indicates negative amount.)</b>	137,000	91,000
<b>Outlays on acquisition of tangible fixed assets</b>	△ 2,053	△ 1,948
<b>Gain on disposal of tangible fixed assets</b>	310	3,515
<b>Outlays on acquisition of intangible fixed assets</b>	△ 5,197	△ 2,117
<b>Outlays on depositing of term deposit</b>	△ 120,000	△ 99,000
<b>Income from withdrawal of term deposit</b>	50,000	169,000
<b>Outlays on increase of monetary trusts</b>	△ 0	—
<b>Income from decrease of monetary trusts</b>	88,868	124,035
<b>Other income</b>	△ 93	10
<b>Cash flow from investing activities</b>	538,529	385,481
<b>III . Cash flow from financing activities</b>		
<b>Income from long-term borrowings from private institutions</b>	112,700	126,000
<b>Outlays on payment of long-term borrowings from private institutions</b>	△ 79,050	△ 68,400
<b>Income from issuance of bonds (after deducting insurance expense)</b>	2,474,259	2,983,171
<b>Outlays on redemption of bonds</b>	△ 1,506,654	△ 2,271,986
<b>Income from FILP borrowings</b>	39,600	35,000
<b>Outlays on payment of FILP borrowings</b>	△ 2,110,300	△ 1,834,292
<b>Outlays on payment of lease obligation</b>	△ 715	△ 660
<b>Outlays for return to the national treasury concerning unnecessary estates</b>	△ 120	△ 3,214
<b>Cash flow from financing activities</b>	△ 1,070,281	△ 1,034,381
<b>IV . Increase in cash</b>	240,825	286,741
<b>V . Opening balance of cash</b>	359,245	600,070
<b>VI . Closing balance of cash</b>	600,070	886,811

## Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY2015	FY2016
<b>I . Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
Fund raising expenses	451,896	380,504
Insurance underwriting expenses	92,681	89,118
Service transaction expenses	26,573	25,653
Other operating expenses	12,334	14,519
Business expenses	27,319	31,180
Other ordinary expenses	2,078	5,191
Loss on disposal of tangible fixed assets	599	103
Impairment loss	1,571	283
Subtotal	615,050	546,551
<b>(2) (Deduction) Non-subsidy revenues etc.</b>		
Income from asset management	△ 636,919	△ 559,742
Income from insurance underwriting	△ 85,509	△ 84,763
Income from service transactions etc.	△ 666	△ 608
Income from other operating activities	△ 42	△ 36
Other ordinary income	△ 12,342	△ 10,924
Gain on disposal of tangible fixed assets	—	△ 1,838
Reimbursement from insolvent customers based on restructuring plan	△ 147	△ 47
Subtotal	△ 735,625	△ 657,959
Total operating expenses	△ 120,575	△ 111,407
<b>II . Differences on removal/sales not recorded in income statement</b>	△ 532	—
<b>III . Expected increase in retirement benefits not recorded in allowances</b>	6	6
<b>IV . Opportunity costs</b>		
Opportunity costs related to items such as central and local government injection monies	—	461
<b>V . (Deduction) Payment for corporation tax and return to the national treasury</b>	△ 120	△ 120
<b>VI . Administrative cost</b>	△ 121,222	△ 111,061

## Significant Accounting Policies (Overall Agency)

1. Application of Accounting Standards, etc. for Incorporated Administrative Agency after revision  
 A From this fiscal year, JHF has applied the Accounting Standard for Incorporated Administrative Agency after revision and the Annotations of Accounting Standard for Incorporated Administrative Agency (revised on January 27, 2015), and the Q&A about Accounting Standard for Incorporated Administrative Agency and the Annotations of Accounting Standard for Incorporated Administrative Agency (Final revision in February 2016) (the "Incorporated Administrative Agency Accounting Standards, etc.") in preparation of financial statements.

However, concerning the provisions of No. 43 (Annotation 39) of the Accounting Standard for Incorporated Administrative Agency, since transitional measures are applied pursuant to Article 8 of the Supplementary Provisions of the Act for Partial Revision of Act on General Rules for Incorporated Administrative Agencies (Act No. 66 of 2014), until the completion of transitional measures, segment information is disclosed in accordance with the ongoing segment categories.

2. Depreciation

(1) Tangible fixed assets

Straight line method is applied.

The usual life terms of major assets are given below:

Building: 2 – 50 years

Other tangible fixed assets: 2 – 43 years

(2) Intangible fixed assets

Straight line method is applied.

For software used internally at the Agency, this is based on usable years (5 years) internally at the Agency.

3. Criteria for reporting Reserves

(1) Reserves for Possible Loss on Loans

Borrowers are categorized into six groups, normal borrowers, borrowers requiring caution other than those requiring management, borrowers requiring management, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default, and reserves are recorded as below in order to cover loss on purchased loans and loans:

a. For "substantially defaulted borrowers" and "borrowers in default," the difference between the balance of the loan and the expected recoverable amount from the collateral is recorded for each loan.

b. For "borrowers with high probability of default," the expected recoverable amount from the collateral is deducted from the balance, and the amount considered necessary out of the remaining amount is recorded.

c. For "borrowers requiring management" and "borrowers requiring caution other than those requiring management" concerning loans of which cash flow in collection of loan principle and receipt of interest can be rationally estimated, the difference between the amount of the cash flow discounted by an agreed interest rate and the book value is recorded.

d. For loans other than listed above, an amount is recorded based on the expected loss rate calculated by past loan losses during a particular period.

(2) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(3) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on retirement benefit obligations and projected pension assets at the end of the particular business year.

In calculation of retirement benefit obligations, concerning the method of having the projected retirement benefit amount be attributed to the period until the end of this fiscal year, a straight-line method is applied.

For prior service expenses, an amount equally divided under the straight-line method by a set number of years within the average number of working years remaining for directors and employees at the time the liability was generated (10 years) is recorded as expense.

The amount of actuarial difference equally divided under the straight-line method by a set number of years within the average number of working years remaining for directors and employees at the time when the difference is generated (10 years) is recorded as expense, starting from the business year following the year when the difference is generated.

(4) Allowance for Refund of Guarantee Fees

Out of guarantee fees that parties who receive loans that are part of the account for loans for property accumulation saving scheme-tied houses and the outstanding loan management account, as well as those who receive loans related to transferred claims (from pension) described in Notes 1 (2) for the housing loan account, paid when entrusting a guarantee to the Housing Loan Guarantee Corporation on their loans as stipulated by Article 6, Paragraph 1 of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, hereafter referred to as the JHF Law), the expected amount of refund is recorded in order to cover the necessary expenses for refund of prepaid fees.

4. Criteria for Recording Mandatory Policy Reserves

In order to pay for future liabilities related to insurance relations stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955), the amount calculated by the method designated by the competent minister in accordance with Article 13 of the Ministerial Ordinance related to the Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourist Ministerial Ordinance No. 1 of 2007; hereafter referred to as "the Ministerial Ordinance") ("Calculation method designated by the competent minister based on Article 13 of the Ministerial Ordinance Related to Business Operation and Accounting and Finances of the Japan Housing Finance Agency (Finance No. 245 and National Housing Material No. 30: 2015) is recorded.

5. Criteria and Method for Valuing Marketable Securities (including marketable securities invested as trust assets in the money in trust)

(1) Securities held to maturity

The amortized cost method (straight-line method) is applied.

(2) Other securities

The purchase price is recorded.

6. Method for Valuing Financial Derivative Products (Derivative Transactions)

The market value method is applied.

7. Treatment of Interest Rate Swap Transactions

(1) Interest rate swap transactions on the securitization account

For gains and losses from interest rate swaps contracted to hedge the pipeline risk of JHF bonds issued to procure funds needed to purchase mortgages from lenders, the amount calculated by the method designated by the competent minister pursuant to the stipulations of Article 12 of the Ministerial Ordinance ("Method designated by the competent minister based on Article 12 of the Ministerial Ordinance Related to Business Operation and Accounting and Finances of the Japan Housing Finance Agency" (Finance No. 174 and National Housing Material No.122: 2007)) is recorded as gains from deferred derivative products and losses from deferred derivatives products.

(2) Interest rate swap transactions on the housing loan account

Deferred hedge accounting is used to account for interest rate swap transactions contracted to hedge the pipeline risk of JHF bonds issued to procure funds for loans to finance rental housing constructions.

Hedge effectiveness is assessed based on the variation in the amount of hedged objects and hedging instruments.

8. Depreciation of Bond Issue Premiums

Bond issue premiums are amortized using a straight-line method over the maturity of the bond.

9. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

For calculating the opportunity costs to central government investments and local government investments, with reference to the Japanese government 10-year fixed-rate bond yield as of the end of March 2017, 0.065% was applied.

10. Accounting for Leases

Finance leases with a total lease fee of 3 million yen or larger are accounted for as regular purchases.

Finance leases with a total lease fee less than 3 million yen are accounted for as normal leases.

11. Accounting for Consumption Tax

The tax inclusive method is applied.

# Notes (Overall Agency)

## 1. Matters Relating to the Balance Sheet

### (1) Collateralized assets

Purchased loans and loans are entrusted as collateral for mortgage backed securities.

(Unit: yen)

	Assets entrusted as collateral		Collateral related to liabilities	
	Item	Amount	Item	Amount
Securitization Account	Purchased loans	13,022,585,000,616	MBS	10,754,895,668,380
Housing Loan Account	Loans	17,923,146,189	MBS	19,162,320,969
Outstanding Loan Management Account	Loans	1,474,775,469,064	MBS	1,350,334,856,651
Total		14,515,283,615,869		12,124,392,846,000

### (2) Transferred claims (from pension)

Based on Article 7, Paragraph 1, Item 3 of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005; hereafter referred to as the "JHF Law"), the balance of claims transferred from the Welfare and Medical Service Agency is recorded.

### (3) Gains and losses from deferred derivative products

Gains and losses on interest rate swaps stipulated by Article 12 of the Ministerial Ordinance Related to Business Operation and Accounting and Finances of Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure and Transportation Ministerial Ordinance No. 1 of 2007).

## 2. Matters Relating to the Cash Flows Statement

### (1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank: 886,811,101,127 yen

Closing balance of cash: 886,811,101,127 yen

### (2) Material non-cash transactions

The value of assets and liabilities related to finance leases, which are significant non-cash transactions, newly recorded during FY2016 were both 20,360,010 yen.

## 3. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

## 4. Matters Relating to Retirement Benefits

### (1) Overview of the retirement benefit plan

JHF has adopted the Corporate Pension Fund plan and lump-sum retirement allowance plan as the defined-benefit system and the Defined-contribution Pension plan as the defined-contribution system. Although JHF has adopted the multi-employer plan for its Corporate Pension Fund plan, since the amount of pension assets can be reasonably calculated based on the ratio of the retirement benefit obligations, related notes are stated and included in the notes on defined-benefit systems below.

Under the Corporate Pension Fund plan (reserve system), pensions are paid based on remuneration and salaries to directors and employees, and their years of service. Under the lump-sum retirement allowance plan (non-reserve system), lump-sum moneys are paid based on remuneration and salaries to directors and employees as retirement allowances, and reserves for retirement benefits and net pension expenses are calculated based on the simplified method for directors and on the basic method for employees.

Note that the Minister of Health, Labour and Welfare has approved exemption from returning the previous portion for the substitution part of Employees' Pension Funds on October 1, 2014. With this, JHF abolished its Employees' Pension Funds plan as of October 1, 2014 and transferred the system to a Defined-benefit Corporation Pension plan and Defined-contribution Pension plan.

### (2) Defined-benefit system

① Reconciliation of opening balance and closing balance of retirement benefit obligations	
Opening balance of retirement benefit obligations	31,151,099,914 yen
Service cost	695,687,500
Interest cost	153,391,746
Current term's actuarial difference	△ 61,082,888
Retirement benefit payment	△ 992,979,155
Current term's prior service cost	0
Contribution from participants	0
Closing balance of retirement benefit obligations	30,946,117,117

② Adjustment table for opening balance and closing balance of pension assets	
Opening balance of pension assets	16,535,711,741 yen
Expected return on plan assets	274,265,730
Current term's actuarial difference	△ 19,579,593
Contribution by employer	362,416,220
Retirement benefit payment	△ 518,674,355
Contribution from participants	0
Closing balance of pension assets	16,634,139,743

③ Adjustment table of retirement benefit obligations and pension assets, and reserve for retirement benefit and prepaid pension cost recorded on the balance sheet	
Retirement benefit obligations under reserve system	20,151,010,085 yen
Pension assets	△ 16,634,139,743
Unfunded retirement benefit obligations under reserve system	3,516,870,342
Unfunded retirement benefit obligations under non-reserve system	10,795,107,032
Subtotal	14,311,977,374
Unrecognized actuarial difference	△ 2,982,451,235
Unrecognized prior service cost	1,648,351,506
Net asset and liabilities amount recorded on balance sheet	12,977,877,645
Reserve for retirement benefits	12,977,877,645
Prepaid pension costs	0
Net asset and liabilities amount recorded on balance sheet	12,977,877,645

④ Retirement benefit-related income	
Service cost	695,687,500 yen
Interest cost	153,391,746
Expected return on plan assets	△ 274,265,730
Current term's amortization of actuarial differences	540,998,878
Current term's amortization of prior service cost	△ 251,925,590
Extra retirement benefits extraordinarily paid	0
Total	863,886,804

### ⑤ Primary breakdown of pension assets

Ratio of primary categories for total pension assets is as follows:

Bonds	63%
Stock	23%
General account	14%
Cash and deposits	1%
Total	100%

\*As the numbers are rounded off, the total is not 100%.

### ⑥ Method of configuration of ratio of long-term expected return on assets

In order to decide on the ratio of long-term expected return on pension assets, the distribution of current and predicted pension assets and the ratio of long-term return expected currently and in the future from a variety of assets that compose pension assets are taken into account.

### ⑦ Calculation basis for actuarial calculations

Major calculation basis for actuarial calculation at closing of fiscal year

Discount rate	0.6%
Ratio of long-term expected return on plan assets	2.5%

(Note) Amount of a lump sum payment for directors processed by simple method is included

### (3) Defined-contribution system

Amount required to be contributed to defined-contribution system is 45,767,698 yen.

## 5. Impairment losses on fixed assets

### (1) Assets in which impairment is recognized

Impairment of the employee dormitories in the table below is recognized in this fiscal year as the likelihood of use has significantly decreased and disposal is planned.

As buildings and land pertain to the profit and loss calculation, the amount of impairment is recorded in the income statement.

<Dormitory>

JHF branch	Dormitory	Location	Book value			Impairment	
			Buildings	Lands	Total	Buildings	Lands
1 Head office	Yachiyo Dorm	Yachiyo-shi	33,397,000	64,603,000	98,000,000	144,746,202	105,397,000
2 Kyushu	Ozasa Dorm No. 1	Chuo-ku, Fukuoka-shi	0	54,000,000	54,000,000	27,387,411	5,200,000
Total			33,397,000	118,603,000	152,000,000	172,133,613	110,597,000

(Note 1) Book values above are those at the end of this fiscal year.

(Note 2) Impairment amounts were calculated based on assessments of real estate appraisals measured by the net sale values.

### (2) Assets in which impairment is indicated

Indications of impairment of the employee dormitories (buildings and lands) and the branch office in the table below were recognized since they are to be abolished by the end of FY2020.

As regular maintenance is done on these dormitories and they have functions pursuant to their usage, their impairment is not recognized.

<Dormitory>

JHF branch	Dormitory	Location	Book value		
			Buildings	Lands	Total
1 Head office	Yatsu Dorm	Narashino-shi	178,429,806	279,000,000	457,429,806
2 Hokkaido	Makomanai Dorm	Minami-ku, Sapporo-shi	140,594,530	84,400,000	224,994,530
3 Hokkaido	Asabu Dorm	Kita-ku, Sapporo-shi	53,542,456	91,700,000	145,242,456
4 Tokai	Ogimachi Dorm	Mito-ku, Nagoya-shi	172,532,916	304,000,000	476,532,916
5 Kinki	Nagai Dorm	Sumiyoshi-ku, Osaka-shi	162,044,937	338,000,000	500,044,937
6 Kinki	Nishinomiya Dorm	Nishinomiya-shi	155,823,969	283,000,000	438,823,969
7 Hokuriku	Nukashin Dorm 1A	Kanazawa-shi	8,861,714	22,700,000	31,561,714
8 Hokuriku	Nukashin Dorm 1B	Kanazawa-shi	9,449,421	21,400,000	30,849,421
9 Shikoku	Showa Dorm	Takamatsu-shi	35,504,178	57,600,000	93,104,178
10 Shikoku	Miyawaki Dorm	Takamatsu-shi	32,999,951	41,300,000	74,299,951
11 Chugoku	Hijiyama Dorm	Minami-ku, Hiroshima-shi	28,190,523	138,000,000	166,190,523
12 Chugoku	Itsukaichi Dorm	Saeki-ku, Hiroshima-shi	65,480,455	87,910,000	153,390,455
13 Tohoku	Hachiman Dorm No. 3	Aoba-ku, Sendai-shi	42,548,478	83,840,000	126,388,478
14 Tohoku	Hachiman Dorm No. 4	Aoba-ku, Sendai-shi	83,960,551	64,400,000	148,360,551
15 Kyushu	Suzenji Dorm No. 1	Chuo-ku, Kumamoto-shi	40,976,636	50,000,000	90,976,636
16 Kyushu	Obyama Dorm	Chuo-ku, Kumamoto-shi	16,563,544	23,600,000	40,163,544
17 Kyushu	Nishijin Dorm No. 1	Sawara-ku, Fukuoka-shi	6,412,254	73,700,000	80,112,254
18 Kyushu	Takatori Dorm	Sawara-ku, Fukuoka-shi	15,087,224	165,000,000	180,087,224
19 Kyushu	Ozasa Dorm No. 2	Chuo-ku, Fukuoka-shi	139,239,059	118,000,000	257,239,059
Total			1,388,242,602	2,327,550,000	3,715,792,602

(Note) Book values above are those at the end of this fiscal year as the date of abolishment is not fixed at the last day of the year.

<JHF branch>

JHF branch	Location	Book value		
		Buildings	Lands	Total
1 Shikoku	Bancho, Takamatsu-shi	64,934,531	171,000,000	235,934,531
Total		64,934,531	171,000,000	235,934,531

(Note) Book values above are those at the end of this fiscal year as the date of abolishment is not fixed at the last day of the year.

## 6. Financial Products

### (1) Matters relating to the situation of financial products

#### a. Policy on financial products

To support financing of private financial institutions providing monies required for housing construction, JHF conducts loan claim assignment business as well as lending business for financing construction of disaster recovery buildings to supplement lending by private financial institutions. In order to conduct these businesses, JHF procures funds by issuance of FILP (Fiscal Investment and Loan Program) bonds and borrowings from financial institutions and the FILP.

#### b. Description of financial products and their risk

The financial assets that JHF holds are mainly mortgages to individuals in Japan, which are exposed to credit risk that is caused by contractual default by borrowers. Most of the mortgages are long-term fixed rate loans, which are exposed to market risk including prepayment risk, refinancing risk, and pipeline risk. The securities held by JHF are mainly bonds, which are held to maturities and exposed to credit risk of the issuers and market risk.

JHF's sources of fundings are FILP bonds and borrowings, which are exposed to liquidity risk that can cause failures in fund raising under certain adverse market conditions.

#### c. Risk management system relating to financial products

##### (a) Efforts for risk management

In order to build a systematic, cross-sector risk management system, JHF has designated a specific executive and department to control overall risk management. It has also designated executives and departments that deal with individual risks both quantitatively and qualitatively and committees to support them. Specifically, the Credit Risk Management Committee has been established to manage credit risk and the ALM Risk Management Committee to deal with market risk, liquidity risk, and counterparty credit risk. These committees monitor status of each risk and deliberate planning and proposals related to management of each risk.

In addition, JHF assigns an executive and a department responsible for inclusive risk management in order to manage the risks from a comprehensive point of view and maintains a system to understand and evaluate assessment of individual risks and management of the risks as a whole and periodically report the results to the board of directors. As JHF's overall risk management, financial resilience to both credit risk and asset liability management risk is verified by conducting a lifetime income simulation with both risks taken into consideration in a cross-section way based on the same cash flow scenario incorporating the interest rate scenario and the probability of default scenario.

JHF also set up and implemented Basic Risk Management Rules that stipulates basics including definitions of individual risks, purposes of risk management, and framework and methods of risk management as well as risk management regulations that stipulates risk management framework and methods for individual risks. Individual risks are managed according to these regulations with their characteristics taken into account, and comprehensive risk management to understand and evaluate these individual risks inclusively is implemented.

##### (b) Credit risk management

In JHF, the section responsible for credit risk management secures independence from the sales promotion department and has an established framework to appropriately conduct: purchase loan screening, loan screening, management and servicing of loans retained by

JHF, and self-assessment. In order to check and manage credit risk correctly, the agency categorizes holding credits based on their risk profiles, analyzes the attributes of the borrowers contained in the portfolio by category, and estimates the amount of possible future losses and cost of dealing with credit risk.

(c) Market risk management

JHF has established a market risk management department independent from the market department to appropriately manage prepayment risk, refinance/reinvestment risk, and pipeline risk.

JHF manages prepayment risk by estimating prepayment amount utilizing prepayment models and by procuring funds with combination of housing loan securitization and issuance of various maturity bonds.

Refinancing/reinvestment risk and pipeline risk are managed by estimating the cash flow of assets and debts with future interest fluctuations taken into consideration, forecasting the periodical profit and loss according to the cash flow, and periodically monitoring risk indexes such as the duration.

Note that pipeline risks are managed by interest swap transactions for the purpose of hedging and so forth, when necessary.

(d) Liquidity risk management

In JHF, a risk management department, which is independent of the financing management department sets management indicators for financing of liquidity assets, etc. to implement monitoring. In addition, it secures fundraising methods such as emergency borrowing facilities, and also has established administrative categories according to cash management tightness, thereby the actions are predetermined depending on the category.

(e) Counterparty credit risk management

JHF's risk management division, which is independent from the funding management division, sets the counterparty credit risk management indicators and implement monitoring. The credit risk management methods are established for issuers of bonds held by JHF and the financial institutions that are the counterparties in interest rate swap transactions.

d. Supplementary explanation of the matters relating to mark-to-markets of financial products

Market values of financial products include values based on market prices and rationally calculated values if market prices are not available. As certain preconditions are applied for calculation of these values, the values may change depending on the preconditions.

(2) Matters relating to the mark-to-markets of financial products

The values of major financial products on the balance sheet as of the end of the fiscal year, their market prices, and differences between them are outlined in the table below. The values of products whose market prices are difficult to obtain are not included in the table (refer to Note. 2).

(Unit: yen)

	Book value on the value sheet	Market price	Difference
(1) Cash and due from banks	886,811,101,127	886,811,101,127	0
(2) Money in trust	556,720,763,427	561,940,846,413	5,220,082,986
(3) Securities			
Securities held to maturity	648,409,172,188	693,424,455,530	45,015,283,342
Other securities	478,000,000,000	478,000,000,000	0
(4) Purchased loans	13,661,581,739,495		
Reserve for possible loan losses (*1)	△ 50,702,751,053		
	13,610,878,988,442	14,202,232,929,714	591,353,941,272
(5) Loans	9,673,015,058,324		
Reserve for possible loan losses (*1)	△ 140,323,937,044		
	9,532,691,121,280	10,673,399,674,739	1,140,708,553,459
(6) Claims for indemnity (*1)	2,828,008,387	2,828,008,387	0
(7) Transferred claims (from pension) (*1)	56,074,732,981	62,789,114,418	6,714,381,437
<b>Total assets</b>	<b>25,772,413,887,832</b>	<b>27,561,426,130,328</b>	<b>1,789,012,242,496</b>
(1) Borrowings	7,297,940,718,000	7,712,455,250,386	414,514,532,386
(2) Bonds(*2)	16,047,978,051,972	16,792,446,174,102	744,468,122,130
(3) Accounts payable	275,659,730,000	275,659,730,000	0
<b>Total liabilities</b>	<b>23,621,578,499,972</b>	<b>24,780,561,154,488</b>	<b>1,158,982,654,516</b>
Financial derivative products (*3)	(3,614,836,888)	(3,614,836,888)	0
<b>Total financial derivative products</b>	<b>(3,614,836,888)</b>	<b>(3,614,836,888)</b>	<b>0</b>

(\*1) Accounts on general and individual reserves for possible loan losses for purchased loans and loans are deducted. Since reverses for possible loan losses for claims for indemnity and transferred claims (from pension) are less important, their values are subtracted directly from the amounts on the balance sheet.

(\*2) Since bond issue premiums are less important, the values are subtracted directly from the amounts on the balance sheet.

(\*3) The values of financial derivative products listed as assets or liabilities are indicated en bloc. The changes in values of assets or liabilities caused by transactions are indicated on a net basis, and if the sum of them results in negative, the item is indicated in parentheses.

(Note) Method of calculating the market price of financial products

Assets

(1) Cash and due from banks

As all dues from banks had no fixed maturity date and the market price was close to the book value, the book value was applied as the market price.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The market price of bonds was based on market prices including quotation by market makers released by industry groups. As certificates of deposits have a short contract period and their market price was close to the book value, the book value was applied as the market price.

(4) Purchased loans

The future cash flow of purchased loans was estimated in terms of their type, borrowers and maturities. The future cash flow was then discounted at a rate that would be applied to a similar newly purchased mortgage to calculate the market value.

Regarding loans of borrowers in default, substantially defaulted borrowers, and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collaterals, the market price was close to the amount on the balance sheet on the settlement day with the current expected irrecoverable amount subtracted, and this price was applied as the market price.

(5) Loans

The future cash flow of loans was estimated in terms of their type, borrowers, and maturities. The future cash flow was then discounted at a rate that would be applied to a similar newly originated loan to calculate the market price.

Regarding loans of borrowers in default, substantially defaulted borrowers, and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collaterals and guarantees, the market price was close to the amount on the balance sheet on the settlement day with the current expected irrecoverable amount subtracted, and this price was applied as the market price.

As for loans on bills, because the maturities are short and the market value was close to the book value, the book value is applied as the market value.

(6) Claims for indemnity

As the sum of loan losses was estimated based on an expected recoverable amount from the collaterals, the market price was close to the amount on the balance sheet on the settlement day with the current expected irrecoverable amount subtracted, and this price was applied as the market price.

(7) Transferred claims from pension

The future cash flow of transferred claims from pension was estimated in terms of their type, borrowers, and maturities. The future cash flow was then discounted at a rate that would be

applied to a similar newly transferred loan to calculate the market price.

Regarding loans of borrowers in default, substantially defaulted borrowers, and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collaterals, the market price was close to the amount on the balance sheet on the settlement day with the current expected irrecoverable amount subtracted, and this price was applied as the market price.

Liabilities

(1) Borrowings

The total amount of principal and interest was discounted at a rate that would be applied to a similar new borrowing to calculate the market price.

Because the contracted term for borrowings at private financial institutions about account for loans for property accumulation saving scheme-tied housing was short and the market price was close to the book value, the book value was applied as the market price.

(2) Bonds

The prices of mortgage-backed securities and general lien bonds were based on market prices including quotation by market makers released by industry groups.

Regarding property accumulation saving scheme-tied housing bonds, the total amount of principle and interest is discounted at a rate that would be applied to a similar new bond issue to calculate the market price.

For housing land bonds, estimated future cash flow was discounted at a rate that would be applied to a similar new bond issue to calculate the market price.

(3) Accounts payable

Because the term when the outstanding payment was unpaid was short and the market price was close to the book value, the book value was applied as the market price.

Financial derivative products

Financial derivative products JHF executes are an interest-rate swap agreement, and the market price was calculated based on the discount present value.

7. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	177,316,525,176	202,104,617,450	24,788,092,274
	Municipal bonds	150,236,720,841	160,463,994,280	10,227,273,439
	Government guaranteed bonds	25,909,622,021	27,050,850,800	1,141,228,779
	Corporate bonds	234,159,115,006	243,396,699,000	9,237,583,994
	Subtotal	587,621,983,044	633,016,161,530	45,394,178,486
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	102,545,139	92,780,000	△ 9,765,139
	Municipal bonds	12,776,280,360	12,592,840,000	△ 183,440,360
	Government guaranteed bonds	0	0	0
	Corporate bonds	47,908,363,645	47,722,674,000	△ 185,689,645
Subtotal	60,787,189,144	60,408,294,000	△ 378,895,144	
<b>Total</b>		<b>648,409,172,188</b>	<b>693,424,455,530</b>	<b>45,015,283,342</b>

(2) Other securities

(Unit: yen)

Category	Type	Book value on the balance sheet	Acquisition cost	Difference
Securities whose book value on the balance sheet does not exceed the acquisition cost	Others	478,000,000,000	478,000,000,000	0

None of the book values on the balance sheet exceeds its acquisition cost.

8. Important Liability Incurring Activities

There is nothing to report.

9. Important Subsequent Events

There is nothing to report.

10. Payment to the National Treasury in Connection with Unnecessary Assets

(1) Outline of assets returned to the national treasury as unnecessary assets

a) Type

Cash and deposits

b) Book value

Cash and deposits: 3,213,641,611 yen

(2) Cause of becoming unnecessary assets

For the capital executed by FY2015, the assets above were recognized to have become unnecessary for conducting the business without uncertainty considering the future expected business volume.

(3) Method of return to the National Treasury

Payment into the National Treasury was made in accordance with the stipulations of Article 46-2, Paragraph 1 of the Act on General Rules for Independent Administrative Agency (Act No. 103 of 1999).

(4) Amount paid into the National Treasury

3,213,641,611 yen

(5) Date of return to the National Treasury

March 30, 2017

(6) Amount of reduction in capital

3,093,290,000 yen

## Risk Management Loans

Japan Housing Finance Agency is not a corporation to which Banking Act (1981 Law No. 59) is applied. However, it has disclosed risk management loans by referring to the disclosure standards in private financial institutions from 1997 fiscal year. In addition, after 2000 fiscal year it has disclosed risk management loans based on the criteria in self-assessment results.

**It should be noted that among these risk management loans not all of the disclosed outstanding balance is to be uncollectible, as the recovery from the first rank of mortgage and other collateral can be achieved.**

### ◆ 2012 Fiscal Year - 2016 Fiscal Year Risk Management Loans

(Unit: 100 million yen,%)

Classification	FY2012			FY2013			FY2014		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	1,050	64	1,113	883	83	966	757	85	842
Delinquent loan(B)	5,423	379	5,801	4,215	380	4,595	3,542	379	3,921
Delinquent loan more than 3 months(C)	1,284	185	1,469	1,118	171	1,289	966	146	1,111
Sub-total(D)=(A)+(B)+(C)	7,756	628	8,384	6,216	634	6,850	5,265	609	5,875
Ratio(D)/(G)×100	4.26	0.63	2.98	4.00	0.58	2.58	3.95	0.52	2.35
Restructured loan(E)	12,195	460	12,654	10,357	465	10,822	8,333	444	8,777
Total(F)=(A)+(B)+(C)+(E)	19,951	1,087	21,038	16,573	1,099	17,672	13,599	1,053	14,652
Ratio(F)/(G)×100	10.97	1.09	7.47	10.68	1.00	6.67	10.20	0.90	5.87
Principal balance(G)	181,920	99,827	281,747	155,224	109,818	265,042	133,294	116,394	249,688

(Unit: 100 million yen,%)

Classification	FY2015			FY2016		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	684	98	783	608	106	715
Delinquent loan(B)	3,038	375	3,413	2,509	358	2,866
Delinquent loan more than 3 months(C)	788	150	938	697	136	833
Sub-total(D)=(A)+(B)+(C)	4,510	623	5,133	3,814	600	4,414
Ratio(D)/(G)×100	3.93	0.49	2.11	3.92	0.44	1.89
Restructured loan(E)	6,862	446	7,308	5,714	455	6,169
Total(F)=(A)+(B)+(C)+(E)	11,373	1,069	12,442	9,528	1,055	10,583
Ratio(F)/(G)×100	9.92	0.83	5.12	9.78	0.77	4.52
Principal balance(G)	114,692	128,323	243,015	97,384	136,616	233,999

Note: The total may not match due to rounding.

For disclosure standards of risk management loans, they are to be disclosed based on the asset self-assessment results.

\* "Outstanding loan etc" means loans and reimbursement loans relating to loans other than purchased loans.

Note:

1 Insolvent debtor loan(A)

Loan principal outstanding amount of the borrowers who are categorized as insolvent debtors as a result of asset self-assessment.

2 Delinquent loan(B)

Loan principal outstanding amount loaned to borrowers who are categorized as actual insolvent debtors and potential insolvent debtors as a result of asset self-assessment.

3 Delinquent loan more than 3 months(C)

Loan principal outstanding amount which has become overdue and has passed the repayment period by more than three months, and which does not fall into Insolvent debtor loan(A) nor Delinquent loan (B).

4 Restructured loan(E)

Loan principal outstanding amount for which the beneficial arrangements for debtors such as reduction of interest rate, deferral of interest payments, and principle repayment grace (hereinafter "change of repayment conditions") were carried out in advance with the aim for the debtor's management reconstruction or support, and which does not fall into Insolvent debtor loan (A) nor Delinquent loan (B). However, among the amount which has passed four years since the repayment conditions were changed, the amount which has been repaid normally is not included in restructured loans as it is considered its credit risk becomes equal to normal loans.

The total loan principal outstanding amount which falls into this category and therefore is not included in restructured loans is 83.3 billion yen.

It should be noted that the disclosed restructured loan amount includes loans whose repayment conditions have been changed due to the request of the government's economic measures etc.

5 Reference

For loans of the Japan Housing Finance Agency, not all of the disclosed outstanding balance is to be uncollectible as the recovery from the first rank of mortgage and other collateral can be achieved.

### [Restructured loans]

JHF carries out loan repayment counselling with care and encourage the continuation of repayment by changing repayment conditions in accordance with the circumstances of individual customers who obtained houses using our loans such as "Flat 35 (purchased program)," and who has found it temporarily difficult to repay the loan due to various circumstances, such as changes in the living environment or even in the case of large-scale natural disasters such as the Great Hanshin-Awaji Earthquake or the Great East Japan Earthquake, so that customers can continue to live in a house which is the foundation of life.

In addition, based on the cabinet decision of October 1998, for the loan repayment difficulty due to employer's bankruptcy etc, JHF provides special measures and the mitigation measures of lending conditions in accordance to the national policy.

Our restructured loans, which account for about 58% of the risk management loans, were caused by the implementation of the repayment terms amendment as a measure to fulfill the above-mentioned policy objectives. Moreover, restructured loans have a lower credit loss ratio compared to other risk management loans, and we believe it is unlikely to lead to the proliferation of bad debts.

JHF supports customers by changing repayment conditions so they can continue to live in their houses as long as they can. At the same time, JHF is committed to maintain sound financial conditions.

## 2016 Fiscal Year Self-Assessment and Risk Management Loans

(Unit: 100 million yen)

	Self-assessment debtor classification	Self-assessment loan classification				Reserve funds (Reserve ratio)	Risk management loans
		Unclassified	Classification II	Classification III	Classification IV		
Outstanding loans etc	Insolvent debtors 612	Preserved part by collateral/ security 294	Full amount other than preserved part by collateral/ security is reversed 318		Individual bad debt reserve funds 318 (100%)	Insolvent debtors loan amount 608	
	Actual insolvent debtors 1,066	Preserved part by collateral/ security 468	Full amount other than preserved part by collateral/ security is reversed 598			598 (100%)	Delinquent loan amount 2,509
	Potential insolvent debtors 1,456	Preserved part by collateral/ security 858	Part other than preserved part by collateral/ security is reversed is reserved by the expected loss rate of next three years 598			228 (38.2%)	
	Attention needed debtors	Management needed debtors 6,480	Reserved by the expected loss rate of next three years based on past bad debt result rate 6,480		General bad debt reserve funds 220 (3.4%)	Amount of delinquent loan more than 3 months 697	
	Other attention needed debtors 4,697	Reserved by the expected loss rate of next one year based on past bad debt result rate 4,697		47 (1.0%)		Restructured loan amount 5,714	
Normal debtors 83,360	Reserved by the expected loss rate of next three years based on past bad debt result rate 83,360			60 (0.1%)			
Purchased loans	Insolvent debtors 107	Preserved part by collateral/ security 52	Full amount other than preserved part by collateral/ security is reversed 55		Individual bad debt reserve fund 55 (100%)	Insolvent debtors loan amount 106	
	Actual insolvent debtors 333	Preserved part by collateral/ security 146	Full amount other than preserved part by collateral/ security is reversed 187			187 (100%)	Delinquent loan amount 358
	Potential insolvent debtors 29	Preserved part by collateral/ security 17	Part other than preserved part by collateral/ security is reversed is reserved by the expected loss rate of next three years 12			2 (17.8%)	
	Attention needed debtors	Management needed debtors 596	Reserved by the expected loss rate of next three years based on past bad debt result rate 596		General bad debt reserve fund 24 (4.0%)	Amount of delinquent loan more than 3 months 136	
	Other attention needed debtors 250	Reserved by the expected loss rate of next one year based on past bad debt result rate 250		9 (3.5%)		Restructured loan amount 455	
Normal debtors 135,396	Reserved by the expected loss rate of next three years based on past bad debt result rate 135,396			230 (0.2%)			

### Note

- Amount less than the unit has been rounded.
- The reserve ratio is an reserve rate for the balance after deducting the preserved amount by collateral and securities for “actual insolvent debtors/ debtors” and “potential insolvent debtors.” It is a reserve rate for loans for “attention needed debtors” and “normal debtors.”
- Major differences between self-assessment and risk management loans
  - ・ The applicable loans are loans, reimbursement loans, accrued interest on loans, accrued interest on purchased loans, suspense payments, and advance receivables in self-assessment, whereas they include loans, purchased loans, and reimbursement loans in risk management loans.
  - ・ The debtor classification in self-assessment are classified by repayment situations and financial contents etc of debtors, whereas risk management loans are classified based on repayment situations of debtors excluding the amount of loans to insolvent debtors and delinquent loans.
- For the calculation of reserve funds of purchased loans, the increase in new purchased loans in recent years and the change in the future portfolio, in addition to bad debt results during a certain period in the past, etc, are taken into account.

# Product Outline

## Product Outline of Flat 35 (Purchase Program)

As of April 1, 2017

Application requirements	<ul style="list-style-type: none"> <li>Those aged less than 70 at the time of application (if the two-generation loan repayment scheme (there are certain requirements) is applied, this loan applies also to people aged 70 years and over).</li> <li>Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>Those whose repayments on all loans*, including Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined, but the repayment period may be shortened).</li> </ul>					
	<table border="1"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <p>* Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including income of the co-borrowers, if any).</p> <ul style="list-style-type: none"> <li>In the case that the house and its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership of the property.</li> </ul> <p>(Note 1) The income of the year before the year of application (between January and December 2016 in the case of FY 2017) shall be examined in principle. The income stated in the official certificate is as follows:            ① For those with only salary income, amount of salary income            ② For those other than the above, amount of net incomes (a total income from business, real estate, interest, dividend income, and salary income)</p> <p>(Note 2) The number of applicants is limited to two people including a co-borrower.</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less
Annual income	Less than 4 million yen	4 million yen or more				
DTI	30% or less	35% or less				
Purpose of the loan	<ul style="list-style-type: none"> <li>Loans for construction/purchase of a new home or purchase of an existing home for occupation by the applicant or relatives</li> <li>Loans for construction/purchase of a house for weekends (a second house) to be used by the applicant</li> </ul>					
House covered by loan	<ul style="list-style-type: none"> <li>Houses that satisfy the technical criteria set by JHF</li> <li>Have either of the following floor area:*<sup>1</sup></li> </ul> <table border="1"> <tbody> <tr> <td>Detached house, terrace house including semi-detached house and flat<sup>2</sup></td> <td>70 m<sup>2</sup> or more</td> </tr> <tr> <td>Apartment complex (condominium and similar)</td> <td>30 m<sup>2</sup> or more</td> </tr> </tbody> </table> <p>*<sup>1</sup> In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).            *<sup>2</sup> Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls.            Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house.</p> <ul style="list-style-type: none"> <li>Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax).</li> <li>No conditions on the size of land for the house</li> </ul>	Detached house, terrace house including semi-detached house and flat <sup>2</sup>	70 m <sup>2</sup> or more	Apartment complex (condominium and similar)	30 m <sup>2</sup> or more	
Detached house, terrace house including semi-detached house and flat <sup>2</sup>	70 m <sup>2</sup> or more					
Apartment complex (condominium and similar)	30 m <sup>2</sup> or more					
Amount of the loan	<ul style="list-style-type: none"> <li>One to 80 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 100% or less of construction cost*<sup>1</sup> or purchase cost (excluding costs for the nonresidential space*<sup>3</sup>)</li> <li>*<sup>1</sup> If applicant desires to borrow for land acquisition cost, that cost may be included.</li> <li>*<sup>2</sup> Nonresidential space such as stores or offices, etc. is not eligible for lending.</li> </ul>					
Duration of the loan	<ul style="list-style-type: none"> <li>15 years (10 years if the applicant and/or a co-borrower is aged 60 and over), and whichever is shorter between ① and ② below (increment: 1 year)</li> <li>① 80 years minus the age*<sup>1,2</sup> of the applicant at the time the application is filed with the part of the period less than one year counted as one year.</li> <li>*<sup>1</sup> If there is a co-borrower who uses over 50% of his/her income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower.</li> <li>*<sup>2</sup> If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower.</li> <li>② 35 years</li> </ul> <p>(Note 1) The loan is not available if whichever shorter between ① and ② is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over).            (Note 2) Customers who have selected a loan of 20 years or less cannot change the period to 21 years or more during the repayment period.</p>					
Borrowing rate	<ul style="list-style-type: none"> <li>Fixed rate*<sup>1</sup></li> <li>The borrowing rate differs according to its loan duration (20 years and under, or 21 years and over) and its loan-to-value ratio (90% or lower, or over 90%).</li> <li>*<sup>1</sup> Under Flat 35S, the interest rate is reduced for a certain period, Flat 35 Renovation, Flat 35 Childrearing Support Type, and Flat 35 Regional Vitalization Type.</li> <li>*<sup>2</sup> Loan-to-value ratio is calculated with the following formula:  <math display="block">\text{Loan-to-value ratio} = \frac{\text{Borrowing amount of [Flat 35]}}{\text{Construction or purchase cost of a house (including the land purchased for the house)}}</math> </li> <li>*<sup>3</sup> Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions.</li> <li>*<sup>4</sup> The interest rate applied is that on the date of disbursement, not of application. The disbursement date shall be determined by the financial institution.</li> <li>*<sup>5</sup> Some financial institutions offer the same borrowing rate regardless of the loan duration and the loan-to-value ratio.</li> </ul>					
Amortization	<ul style="list-style-type: none"> <li>Monthly principal and interest equal repayment or monthly principal equal repayment.</li> <li>Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen.</li> </ul>					
Collateral	<ul style="list-style-type: none"> <li>JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> </ul> <p>(Note) Fees for closing the mortgage (registration license tax, compensation for an escrow agents, etc.) shall be paid by the borrower.</p>					
Guarantor	<ul style="list-style-type: none"> <li>Not required.</li> </ul>					
Group credit life insurance	<ul style="list-style-type: none"> <li>The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events.</li> </ul> <p>(Note) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions.</p>					
Fire insurance	<ul style="list-style-type: none"> <li>Customers of the scheme must take out fire insurance until the end of repayment of the funds (meaning either a fire insurance provided by nonlife insurance company or mutual aid fire insurance stipulated by laws) for the dwelling that is the purpose of borrowing loan.</li> <li>The insurance amount must at least equal the outstanding loan amount* and fire damage to the dwelling must be the subject of indemnification.</li> <li>* If the loan amount exceeds the amount (evaluation amount) calculated by evaluation criteria stipulated by an insurance company, the evaluation amount shall be applied.</li> <li>Insurance period, payment method of fire insurance premiums and handling of the pledge to the fire insurance claims vary by the financial institution offering the loan.</li> </ul> <p>(Note 1) A fire insurance premium shall be paid by the customer.            (Note 2) Customer must confirm with financial institutions that handles the loan to which the customer applies to for requirements for fire insurance.</p>					
Fees for the Origination of the loan Fees for the inspection of the property	<ul style="list-style-type: none"> <li>Origination fees*<sup>1,2</sup> may differ between financial institutions offering loans.</li> <li>Different institutions/experts that certify suitability impose different fees for inspecting properties.*<sup>2</sup></li> <li>*<sup>1</sup> Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>*<sup>2</sup> Origination fees and property inspection fees shall be paid at the customer's expense.</li> </ul>					
Guarantee Fee and Prepayment Fee	<ul style="list-style-type: none"> <li>Not required.</li> </ul> <p>(Note) When the loan is prepaid partially, the day of the payment shall be on the monthly payment day.            In addition, the amount of prepayment shall be 100,000 yen or more through "Su-My Note" (Internet Service for customers during their repayment period), or 1,000,000 yen or more at counters of financial institutions.</p>					

\* Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or JHF which purchases the loan. In addition, if loan-to-value ratio exceeds 90%, JHF more carefully examines repayment certainty and other matters.

# Product Outline of Flat 35 (Refinance)

As of April 1, 2017

<p><b>Application requirements</b></p>	<ul style="list-style-type: none"> <li>● In principle, the applicant for loan refinance is the same person as the borrower of the outstanding loan. However, a co-borrower can be added at the time of refinancing (the number of borrowers is limited to two people).</li> <li>* If a borrower is added or if the proportion of the ownership to the house is changed at the time of refinancing, please consult with the local tax office or a tax accountant on housing loan tax credit and tax.</li> <li>● In the case that the house or its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership.</li> <li>● Those aged less than 70 at the time of application (if the two-generation loan repayment scheme is applied (there are certain requirements), this loan applies also to people aged 70 years and over).</li> <li>● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>● Those whose repayments on all loans*, including Flat 35 Loan Refinance, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined)</li> </ul> <table border="1" data-bbox="296 342 979 389"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>* All loans include, besides loans under the Flat 35 Loan Refinance program, those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including the income of the co-borrower, if any).</li> <li>● Those who have not missed a repayments on an outstanding loan for at least one year from the loan agreement date (*) to the refinance application date.</li> <li>* The loan agreement date is the date when a new borrower is registered in case the original borrower is changed due to inheritance or other reason (excluding the addition of a borrower).</li> </ul> <p>(Note 1) The property subject to the loan must be owned by the applicant and must be occupied by the applicant or relatives. * Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant.</p> <p>(Note 2) The income of the year before the year of application (between January and December 2016 in the case of FY 2017) shall be examined in principle. The income stated in the official certificate is as follows: ① For those with only salary income, amount of salary income ② For those other than the above, amount of net incomes (a total income from business, real estate, interest, dividend income, and salary income)</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
Annual income	Less than 4 million yen	4 million yen or more					
DTI	30% or less	35% or less					
<p><b>Purpose of the loan</b></p>	<ul style="list-style-type: none"> <li>● Refinancing for the housing loan of either ① or ② outlined below</li> <li>① Construction/purchase of a house that is owned and occupied by the applicant</li> <li>* Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant.</li> <li>② Construction/purchase of a house that is owned by the applicant and occupied by relatives</li> </ul> <p>(Note) Loans other than housing loans, e.g., multi-purpose loans and investment loans, are not eligible for refinancing, nor are housing loans for housing improvements.</p>						
<p><b>Requirements for the housing loan and house that are subject to refinancing</b></p>	<ul style="list-style-type: none"> <li>● The amount of the original loan taken out at the acquisition of a house shall meet the following requirements: ① 80 million yen or less ② The total LTV (loan to value*<sup>1,2</sup>) ratio is 100% or less. * 1 The cost for acquiring the lot is included. * 2 The charges incurred at the acquisition of the house is excluded.</li> <li>● The cost for the construction or purchase of a house (including the lot purchased for the house) is 100 million yen or less (including consumption tax).</li> <li>● Have either of the following floor area : *<sup>1</sup></li> </ul> <table border="1" data-bbox="296 871 1161 925"> <tbody> <tr> <td>Detached house, terrace house including semi-detached house and flat<sup>2</sup></td> <td>70 m<sup>2</sup> or more</td> </tr> <tr> <td>Apartment complex (condominium and similar)</td> <td>30 m<sup>2</sup> or more</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>* 1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).</li> <li>* 2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house.</li> <li>● No conditions on the size of land for the house</li> <li>● Houses that satisfy the technical criteria etc. set by JHF.</li> </ul>	Detached house, terrace house including semi-detached house and flat <sup>2</sup>	70 m <sup>2</sup> or more	Apartment complex (condominium and similar)	30 m <sup>2</sup> or more		
Detached house, terrace house including semi-detached house and flat <sup>2</sup>	70 m <sup>2</sup> or more						
Apartment complex (condominium and similar)	30 m <sup>2</sup> or more						
<p><b>Amount of the loan</b></p>	<ul style="list-style-type: none"> <li>● One to 80 million yen (in increment of 10 thousand yen). The lower of the outstanding amount of the current housing loan or 200% of the* assessment rate of collateral by JHF</li> <li>* The following costs can be included: ① costs for stamp duty affixed on the loan contract; ② origination fees for the refinance; ③ costs for registration and inundation of mortgage (registration license tax); ④ compensation for escrow agent who files the mortgage; ⑤ special premium for JHF's group credit life insurance (for the first year); and ⑥ costs for Flat 35 criteria inspection (fees for inspection of s house).</li> </ul>						
<p><b>Duration of the loan</b></p>	<ul style="list-style-type: none"> <li>● 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over*<sup>1,2</sup> at the time the application is filed) or over, and whichever is shorter between ① and ② below for the upper limit (unit: 1 year) ① 80 years minus the age of the applicant at the time the application is filed*<sup>1,2</sup> with the part of the period less than one year counted as one year. * 1 If there is a co-borrower who uses over 50% of his/her annual income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower. * 2 If the two-generation loan repayment scheme is applied (there are certain requirements), the loan conditions shall be based on the age of the successor regardless of any co-borrower. ② 35 years less the month elapsed on the outstanding mortgage rounded at one year increment * 1 Starting date of the calculation is the date of closing on the outstanding mortgage * 2 This treatment may not be applicable at some financial institutions. Please ask the financial institution originating the loan.</li> </ul> <p>(Note 1) The loan is not available if whichever shorter between ① and ② is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over). (Note 2) Customers who have selected a loan of 20 years or less cannot change the period to 21 years or more during the repayment period.</p>						
<p><b>Borrowing rate</b></p>	<ul style="list-style-type: none"> <li>● Fixed rate</li> <li>● The borrowing rate *<sup>1,2</sup> applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years*<sup>3</sup> and over. * 1 Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions. * 2 The interest rate applied is that on the date of disbursement, not of application. The disbursement date when the recipient takes out the loan shall be determined by the financial institution. * 3 Some financial institutions offer the same borrowing rate regardless of the duration of the loan.</li> </ul>						
<p><b>Amortization</b></p>	<ul style="list-style-type: none"> <li>● Monthly principal and interest equal repayment or monthly principal equal repayment. Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen.</li> </ul>						
<p><b>Collateral Loan Refinance</b></p>	<ul style="list-style-type: none"> <li>● JHF holds a first-lien mortgage on the house and land to which the loan is extended. Note that, even though the borrower is now repaying a Flat 35 or other housing loan offered by JHF (including the former GHLC), JHF requires the borrower to take out a mortgage on Flat 35 after refinancing.</li> </ul> <p>(Note) Fees for filing the mortgage at the title recording office (registration license tax, compensation for an escrow agent, etc.) shall be paid by the borrower.</p>						
<p><b>Guarantor</b></p>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>						
<p><b>Group credit life insurance</b></p>	<ul style="list-style-type: none"> <li>● The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events.</li> <li>● If the group credit life insurance is applied to the loan to be refinanced, the insurance will be terminated at the time of refinancing. Those who wish to have JHF credit life insurance must take out a new policy.</li> </ul> <p>(Note 1) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions. (Note 2) If customers who have JHF credit life insurance withdraw due to the discretionary early redemption, JHF refunds the customers the amount equivalent to unexpired guaranteed months of their prepaid fees as JHF set for a special contract premium. However, this may not be the case according to the period of withdrawal, etc.</p>						
<p><b>Fire insurance</b></p>	<ul style="list-style-type: none"> <li>● Customers of the scheme must take out fire insurance until the end of repayment of the funds (meaning either fire insurance provided by nonlife insurance company or mutual aid fire insurance stipulated by laws) for the dwelling that is the purpose of refinancing loan.</li> <li>● The insurance amount must at least equal the outstanding loan amount* and fire damage to the dwelling must be the subject of indemnification. * If the loan amount exceeds the amount (evaluation amount) calculated by evaluation criteria stipulated by an insurance company, the evaluation amount shall be applied.</li> <li>● Insurance period, payment method of fire insurance premiums and handling of the pledge* to the fire insurance claims vary by the financial institution offering the loan. * In the case where a lien is established on rights to demand fire insurance claims, insurance claims will be paid preferentially not to the owner of the building but to JHF by the insurance company.</li> <li>● Fire insurance that has already been taken out by the borrower may continue to be used.</li> </ul> <p>(Note 1) A fire insurance premium shall be paid at the customer's expense. (Note 2) Customer must confirm with financial institutions that handles the loan to which the customer applies to for requirements for fire insurance.</p>						
<p><b>Fees for loan origination and property inspection</b></p>	<ul style="list-style-type: none"> <li>● Origination fees*<sup>1,2</sup> may differ between financial institutions offering loans.</li> <li>● Fees for the inspection of the property are*<sup>2</sup> necessary to certify the conformity with technical standards prescribed by JHF in a document. Different institutions/experts that certify suitability impose different fees for inspecting properties.*<sup>2</sup> * 1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com). * 2 Origination fees and property inspection fees shall be paid by the borrower.</li> </ul>						
<p><b>Guarantee Fee and Prepayment Fee</b></p>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul> <p>(Note) When the loan is prepaid partially, the day of the payment shall be on the monthly payment day. In addition, the amount of prepayment shall be 100,000 yen or more through "Su-My Note" (Internet Service for customers during their repayment period), or 1,000,000 yen or more at counters of financial institutions.</p>						
<p><b>Special matters in the case of refinance</b></p>	<ul style="list-style-type: none"> <li>● Flat 35 S, Flat 35 Renovation, Flat 35 Childrearing Support Type, and Flat 35 Regional Vitalization Type are not applicable to loan refinancing.</li> </ul>						

# Product Outline of Loans for Recovery from Disasters (Great East Japan Earthquake)

[For Individuals]

As of April 1, 2017

Purpose	<ul style="list-style-type: none"> <li>● Fund to build, purchase or repair own housing or housing of parents damaged by disaster                     <ul style="list-style-type: none"> <li>※Also covers housing to be leased to people affected by disasters.</li> <li>※Cannot be used to refinance housing loans.</li> </ul> </li> </ul>
Loan Amount	<ul style="list-style-type: none"> <li>● The loan amount is the lower amount of the total of each required amount or the total loan limit of the following (in increment of ¥100,000, at least ¥100,000)</li> <li>◆Construction             <ul style="list-style-type: none"> <li>①Basic loan amount (construction fund) : ¥16.5 million <sup>(Note 1)</sup> (Land acquisition fund) : ¥9.7 million <sup>(Note 2)</sup> (Land leveling fund) : ¥4.4 million</li> <li>②Special additional amount (construction fund) : ¥5.1 million</li> </ul> <p>(Note 1) The loan limit when living with an affected relative is ¥22.8 million. "Living with an affected relative" refers to circumstances in which the candidate borrower and their lineal relative, previously living apart from the borrower, were both affected and now live together in a newly built house.</p> <p>(Note 2) The basic loan amount (Land acquisition fund) is up to ¥5.8 million when the candidate borrower obtains a leasehold right. Although the deposit for a fixed-term leasehold is also eligible for loans provided certain conditions are met, the basic loan amount (Land acquisition fund) in such cases is up to ¥3.8 million.</p> <ul style="list-style-type: none"> <li>※The total basic loan amount (construction fund) and special additional amount (construction fund) is up to the construction cost.</li> <li>※The basic loan amount (Land acquisition fund) and basic loan amount (Land leveling fund) are each up to the required cost amount.</li> <li>※The basic loan amount (land acquisition fund) can be borrowed together with the basic loan amount (construction fund).</li> <li>※The cost to remove damaged houses can be included in the construction cost.</li> <li>※The basic loan amount (Land acquisition fund) is available only when the candidate borrower obtains land after the disaster.</li> <li>※The basic loan amount (land leveling fund) is available for removing accumulated soil, earth cut, earth fill, or retaining wall construction, etc., which are carried out alongside the construction of damaged housing part.</li> <li>※The loan amount for those who receive subsidies for housing construction from national or municipal governments may be reduced.</li> </ul> </li> <li>◆Purchase             <ul style="list-style-type: none"> <li>●Purchase a new house                 <ul style="list-style-type: none"> <li>①Basic loan amount (purchase fund) : ¥26.2 million <sup>(Note 1), (Note 2)</sup></li> <li>②Special additional amount (purchase fund) : ¥5.1 million</li> </ul> </li> <li>●Purchase an existing (second-hand) house                 <ul style="list-style-type: none"> <li>①Basic loan amount (purchase fund); good existing houses, good existing condominiums: ¥26.2 million <sup>(Note 1), (Note 2)</sup></li> <li>existing houses, existing condominiums: ¥23.2 million <sup>(Note 1), (Note 2)</sup></li> <li>②Special added amount (purchase fund): ¥5.1 million</li> </ul> </li> </ul> <p>(Note 1) Out of the basic loan amount (purchase funds), 9.7 million yen of the basic loan amount (land acquisition funds) is included. Out of the basic loan amount (purchase funds), the limit to the basic loan amount (land acquisition funds) shall be 5.8 million yen, in the case when you get the leasehold right. Financing limit of the basic loan amount (purchase funds) shall be the above-mentioned amount of money which has been reduced by 3.9 million yen. The deposit for a fixed-term leasehold of land shall also be financed if certain conditions are met in the case of acquiring the leasehold. However, the loan limit of basic loan amount (purchase funds) shall be the amount of money that has been reduced by 5.9 million yen from the above-mentioned amount of money, as 3.8 million yen will be the limit for the basic loan amount (land acquisition funds) in this case.</p> <p>(Note 2) In the case of disaster-affected relatives living together and holding the ownership of its land, 32.5 million yen will be the limit for new housing purchase, good existing houses and good existing condominiums, and 29.5 million yen for existing houses and existing condominiums.</p> <ul style="list-style-type: none"> <li>※Affected relatives living together refers to lineal relatives who had been estranged and affected, and when you live in newly constructed housing.</li> <li>※For the total amount of the basic loan amount (purchase funds) and special additional amount (purchase funds), the purchase price shall be the limit.</li> <li>※For basic loan amount (purchase funds), the basic loan amount (land acquisition funds) alone cannot be utilized by itself.</li> <li>※For applicants who are eligible to receive subsidies for residential construction from local governments, nation, etc, the loan amount may be reduced</li> </ul> </li> <li>◆Repair             <ul style="list-style-type: none"> <li>Basic loan amount (repair fund) : ¥7.3 million (Relocation fund) : ¥4.4 million <sup>(Note)</sup> (Land leveling fund) : ¥4.4 million <sup>(Note)</sup></li> <li>Special additional amount (Land leveling fund) : ¥2.3 million</li> </ul> <p>(Note) When the candidate borrower borrows both a basic loan (relocation fund) and basic loan (Land leveling fund), the total is up to ¥4.4 million.</p> <ul style="list-style-type: none"> <li>※The loan limits of basic loan account (repair fund), basic loan amount (Land leveling fund), and basic loan amount (relocation fund) is the required amount in each case.</li> <li>※Total amount of loans for funding for repairs that will be conducted antecedently in the case of doing repairs in several stages and funding for repairs other than antecedent repairs, shall be up to the above-stated amount.</li> <li>※The basic loan amount (repair fund) is also available for extension work and gate repairs carried out alongside the repair of the damaged housing part.</li> <li>※The basic loan amount (land leveling fund) and special additional amount (land leveling fund) is available for removing accumulated soil, cut earth, earth fill, or retaining wall construction, etc., which are carried out alongside the construction of damaged housing part.</li> <li>※The basic loan amount (relocation fund) can be borrowed alongside the basic loan amount (repair fund).</li> <li>※The special additional amount (Land leveling fund) can be borrowed for the portion that exceeds the basic loan amount (Land leveling fund).</li> <li>※The loan amount for those who receive subsidies for housing repair from national or municipal governments may be reduced.</li> <li>※The loan amount may not be that the candidate borrower is expecting following the screening.</li> </ul> </li> </ul>
Repayment Period	<ul style="list-style-type: none"> <li>● The maximum repayment period is the shorter one of ① or ② below (one-year units.)</li> <li>①Maximum repayment period under the application category and structure of housing             <ul style="list-style-type: none"> <li>◆Construction or purchase of new house                 <ul style="list-style-type: none"> <li>· Fireproof, semi-fireproof, wooden (durability): 35 years,</li> <li>· wooden (ordinary): 25 years</li> </ul> </li> <li>◆Purchase of an existing (second-hand) house                 <ul style="list-style-type: none"> <li>· Good existing house or condominium: 35 years</li> <li>· Existing house or condominium: 25 years</li> </ul> </li> <li>◆Repair: 20 years</li> </ul> <ul style="list-style-type: none"> <li>※The principal repayment deferment period (payment of interest only) can be set for up to five years (in one-year units) from the date of execution of the loan agreement when building or purchasing a house and the repayment period is extended for the deferment period. The principal repayment deferment period (payment of interest only) can be set for up to one year from the date of execution of the repair loan agreement (with no extension of the repayment period.)</li> </ul> </li> <li>②Maximum repayment period based on age             <ul style="list-style-type: none"> <li>"80 years old" — the highest age of applicant or combined-income earner (Note) (months and days less than one year are rounded up)</li> <li>(Note) Only applicable when more than 50% of the income of the combined-income earner is used toward the total combined income.</li> </ul> </li> </ul>
Interest Rate	<ul style="list-style-type: none"> <li>● Fixed interest rate (entire-term)</li> <li>※The applicable loan interest rate is as of the day of applying for the loan.</li> <li>※As the basic loan interest increases in stages, monthly repayment increases after the first five years and ten years (only after the first five years in case of repair.)</li> </ul>
Collateral	<ul style="list-style-type: none"> <li>● JHF shall hold a first-lien mortgage on the house and land to which the loan is extended in principle.</li> <li>Nonetheless, establishment of a mortgage is unnecessary in the case where the loan amount is 3 million yen or less, and so forth.</li> <li>※Fees for filing the mortgage at the title recording office (compensation for an escrow agent, etc.) shall be paid by the borrower.</li> </ul>
Fire Insurance	<ul style="list-style-type: none"> <li>● Customers of the scheme must take out fire insurance until the end of repayment of the funds (meaning either fire insurance provided by nonlife insurance company selected at the discretion of the borrower or mutual aid fire insurance stipulated by laws) for the dwelling that is the purpose of borrowing loan.</li> <li>Fire damage to the building must be the subject of indemnification.</li> <li>The insurance amount must be at least equal to the outstanding loan amount.*</li> <li>* If the loan amount exceeds the amount (evaluation amount) calculated by evaluation criteria stipulated by the nonlife insurance company, the evaluation amount shall be applied.</li> <li>※Fire insurance premium shall be paid by borrower.</li> </ul>
Guarantor	<ul style="list-style-type: none"> <li>● Not necessary (A guarantor is required to borrow a disaster-recovery loan to lend property to an affected person).</li> </ul>
Handling charges	<ul style="list-style-type: none"> <li>● Loan fees, fees to change to repayment method, and fees for advanced repayment are not required.</li> </ul>

# Product Outline of Housing Loans for Recovery from Disasters (For the General Public)

[For Individuals]

As of April 1, 2017

Purpose	<ul style="list-style-type: none"> <li>● Funds to build, purchase or repair own housing or housing of parents damaged by disaster               <ul style="list-style-type: none"> <li>※Also covers housing to be leased to people affected by disaster.</li> <li>※Cannot be used to refinance housing loans.</li> </ul> </li> </ul>												
Loan amount	<ul style="list-style-type: none"> <li>● The loan amount is the lower amount of the total of each required amount or the total loan limit of the following (in increment of ¥100,000, at least ¥100,000).</li> <li>◆Construction           <ul style="list-style-type: none"> <li>①Basic loan amount               <table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 20px;">(construction fund)</td> <td>: ¥16.5 million <sup>(Note 1)</sup></td> </tr> <tr> <td style="padding-right: 20px;">(land acquisition fund)</td> <td>: ¥9.7 million <sup>(Note 2)</sup></td> </tr> <tr> <td style="padding-right: 20px;">(land leveling fund)</td> <td>: ¥4.4 million</td> </tr> </table> </li> <li>②Special additional amount (construction fund) : ¥5.1 million</li> </ul> </li> <li>(Note 1) The loan limit when living with an affected relative is ¥22.8 million. "Living with an affected relative" refers to circumstances in which the candidate borrower and their lineal relative, previously living apart from the borrower, were both affected and now live together in a newly built house.</li> <li>(Note 2) The basic loan amount (land acquisition fund) is up to ¥5.8 million when the candidate borrower obtains a leasehold right. Although the deposit for a fixed-term leasehold is also eligible for loans provided certain conditions are met, the basic loan amount (Land acquisition fund) in such cases is up to ¥3.8 million.</li> <li>※The total basic loan amount (construction fund) and special additional amount (construction fund) is up to the construction cost.</li> <li>※The basic loan amount (land acquisition fund) and basic loan amount (land leveling fund) are each up to the required cost amount.</li> <li>※The basic loan amount (land acquisition fund) can be borrowed together with the basic loan amount (construction fund).</li> <li>※The cost to remove damaged houses can be included in the construction cost.</li> <li>※The basic loan amount (land acquisition fund) is available only when the candidate borrower obtains land after the disaster.</li> <li>※The basic loan amount (land leveling fund) is available for removing accumulated soil, earth cut, earth fill, or retaining wall construction, etc., which are carried out alongside the construction of damaged housing part.</li> <li>※The loan amount for those who receive subsidies for housing construction from national or municipal governments may be reduced.</li> <li>◆Purchase           <ul style="list-style-type: none"> <li>●Purchase a new house               <ul style="list-style-type: none"> <li>①Basic loan amount (purchase fund) : ¥26.2 million <sup>(Note 1), (Note 2)</sup></li> <li>②Special additional amount (purchase fund) : ¥5.1 million</li> </ul> </li> <li>●Purchase an existing (second-hand) house               <ul style="list-style-type: none"> <li>①Basic loan amount (purchase fund); good existing houses, good existing condominiums: ¥26.2 million <sup>(Note 1), (Note 2)</sup></li> <li>existing houses, existing condominiums: ¥23.2 million <sup>(Note 1), (Note 2)</sup></li> <li>②Special additional amount (purchase fund): ¥5.1 million</li> </ul> </li> <li>(Note 1) Out of the basic loan amount (purchase funds), 9.7 million yen of the basic loan amount (land acquisition funds) is included. Out of the basic loan amount (purchase funds), the limit to the basic loan amount (land acquisition funds) shall be 5.8 million yen, in the case when you get the leasehold right. Financing limit of the basic loan amount (purchase funds) shall be the above-mentioned amount of money which has been reduced by 3.9 million yen. The deposit for a fixed-term leasehold of land shall also be financed if certain conditions are met in the case of acquiring the leasehold. However, the loan limit of basic loan amount (purchase funds) shall be the amount of money that has been reduced by 5.9 million yen from the above-mentioned amount of money, as 3.8 million yen will be the limit for the basic loan amount (land acquisition funds) in this case.</li> <li>(Note 2) In the case of disaster-affected relatives living together and holding the ownership of its land, 32.5 million yen will be the limit for new housing purchase, good existing houses and good existing condominiums, and 29.5 million yen for existing houses and existing condominiums.</li> <li>Affected relatives living together refers to lineal relatives who had been estranged and affected, and when you live in newly constructed housing.</li> <li>※For the total amount of the basic loan amount (purchase funds) and special additional amount (purchase funds), the purchase price shall be the limit.</li> <li>※For basic loan amount (purchase funds), the basic loan amount (land acquisition funds) alone cannot be utilized by itself.</li> <li>※For applicants who are eligible to receive subsidies for residential construction from local governments, nation, etc., the loan amount may be reduced.</li> </ul> </li> <li>◆Repair           <ul style="list-style-type: none"> <li>Basic loan amount               <table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 20px;">(repair fund)</td> <td>: ¥7.3 million</td> </tr> <tr> <td style="padding-right: 20px;">(relocation fund)</td> <td>: ¥4.4 million <sup>(Note)</sup></td> </tr> <tr> <td style="padding-right: 20px;">(land leveling fund)</td> <td>: ¥4.4 million <sup>(Note)</sup></td> </tr> </table> </li> <li>(Note) When the borrower borrows both a basic loan (relocation fund) and basic loan (land leveling fund), the total shall be up to ¥4.4 million.</li> <li>※The loan limits of basic loan account (repair fund), basic loan amount (Land leveling fund), and basic loan amount (relocation fund) is the required amount in each case.</li> <li>※Total amount of loans for funding for repairs that will be conducted antecedently in the case of doing repairs in several stages and funding for repairs other than antecedent repairs shall be up to the above-stated amount.</li> <li>※The basic loan amount (repair fund) is also available for extension work and gate repairs carried out alongside the repair of the damaged housing part.</li> <li>※The basic loan amount (land leveling fund) is available for removing accumulated soil, cut earth, earth fill, or retaining wall construction, etc., carried out alongside the repair of the damaged housing part.</li> <li>※The basic loan amount (relocation fund) can be borrowed alongside the basic loan amount (repair fund.)</li> <li>※The loan amount for those who receive subsidies for housing repair from national or municipal governments may be reduced.</li> <li>※The loan amount may not be that candidate borrower is expecting following underwriting.</li> </ul> </li> </ul>	(construction fund)	: ¥16.5 million <sup>(Note 1)</sup>	(land acquisition fund)	: ¥9.7 million <sup>(Note 2)</sup>	(land leveling fund)	: ¥4.4 million	(repair fund)	: ¥7.3 million	(relocation fund)	: ¥4.4 million <sup>(Note)</sup>	(land leveling fund)	: ¥4.4 million <sup>(Note)</sup>
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(relocation fund)	: ¥4.4 million <sup>(Note)</sup>												
(land leveling fund)	: ¥4.4 million <sup>(Note)</sup>												
Repayment Period	<ul style="list-style-type: none"> <li>● The maximum repayment period is the shorter one of ① or ② below (one-year units).</li> <li>①Maximum repayment period under the application category and structure of housing           <ul style="list-style-type: none"> <li>◆Construction or purchase of new house               <ul style="list-style-type: none"> <li>· Fireproof, semi-fireproof, wooden (durability): 35 years</li> <li>· wooden (ordinary): 25 years</li> </ul> </li> <li>◆Purchase of an existing (second-hand) house               <ul style="list-style-type: none"> <li>· Good existing house or condominium: 35 years</li> <li>· Existing house or condominium: 25 years</li> </ul> </li> <li>◆Repair: 20 years</li> <li>※The principal repayment deferment period (payment of interest only) can be set for up to three years (in one-year units) from the date of execution of the loan agreement when building or purchasing a house and the repayment period is extended for the deferment period. The principal repayment deferment period (payment of interest only) can be set for up to one year from the date of execution of the repair loan agreement (with no extension of the repayment period).</li> </ul> </li> <li>②Maximum repayment period based on age           <ul style="list-style-type: none"> <li>"80 years old" — the highest age of applicant or combined-income earner <sup>(Note)</sup> (months and days less than one year are rounded up)</li> <li>(Note) Only applicable when more than 50% of the income of the combined-income earner is used toward the total combined income.</li> </ul> </li> </ul>												
Interest Rate	<ul style="list-style-type: none"> <li>● Fixed interest rate (entire-term)</li> <li>※The applicable loan interest rate is as of the day of applying for the loan.</li> </ul>												
Collateral	<ul style="list-style-type: none"> <li>● JHF shall hold a first-lien mortgage on the house and land to which the loan is extended in principle. Nonetheless, establishment of a mortgage is unnecessary in the case where the loan amount is 3 million yen or less, and so forth.</li> <li>※Fees for filing the mortgage at the title recording office (compensation for an escrow agent, etc.) shall be paid by the borrower.</li> </ul>												
Fire Insurance	<ul style="list-style-type: none"> <li>● Customers of the scheme must take out fire insurance until the end of repayment of the funds (meaning either fire insurance provided by nonlife insurance company selected at the discretion of the borrower or mutual aid fire insurance stipulated by laws) for the dwelling that is the purpose of borrowing loan. Fire damage to the building must be the subject of indemnification. The insurance amount must be at least equal to the outstanding loan amount.*</li> <li>* If the loan amount exceeds the amount (evaluation amount) calculated by evaluation criteria stipulated by the nonlife insurance company, the evaluation amount shall be applied.</li> <li>※Fire insurance premium shall be paid by borrower.</li> </ul>												
Guarantor	<ul style="list-style-type: none"> <li>● Not required (A guarantor is required to borrow a disaster-recovery loan to lend property to an affected person).</li> </ul>												
Handling charges	<ul style="list-style-type: none"> <li>● Loan fees, fees to change repayment method, and fees for advanced repayment are not required.</li> </ul>												

# Product Outline of Urban Development Loan (Short-Term Project Loan)

As of April 1, 2017

<b>Types of Town Development Loan</b>		Construction and Purchase Fund
	<b>Redevelopment Project</b>	● Fund needed for projects by redevelopment associations, etc., during the period from project design and planning to construction completion and transfer of the site and floor space retained by the project execution body
<b>Eligible Borrower</b>		● Individual or small and medium-sized corporations or associations implementing reconstruction projects (urban redevelopment associations, associations of disaster prevention area development, condominium rebuilding associations, etc.)
<b>Zone Requirement</b>		● Both the following conditions must be satisfied. Visit the JHF website for details. ① The zone shall be a residential, commercial or semi-industrial zone. ② The zone shall be a fire control or semi-fire control zone.
<b>Project Requirement / Structural Requirement</b>		● [Project Requirement] The projects listed below are eligible for the loan. Visit the JHF website for details. ① Condominium rebuilding project ② Joint rebuilding project ③ Rental structure rebuilding project ④ Comprehensive design and coordinated rebuilding project ⑤ Rebuilding project to comply with district plan, etc.  ● [Structural Requirement] Projects must meet all the following conditions. Visit the JHF website for details. ① The ratio of total area of the residential portion must exceed 50 percent of the total building area. ② The building must be either a fireproof or semi-fireproof structure. ③ More than 50 percent of the legal floor-area ratio must be used. ④ The floor area per residential unit must be 30m <sup>2</sup> or more and 280m <sup>2</sup> or less. ⑤ It must comply with the technical requirements provided by JHF.
<b>Loan Amount</b>	<b>Eligible Project Cost</b>	● Survey, design and planning cost, land or leasehold acquisition cost, construction cost, repair cost, contribution of participating members, etc. ※ The purchase fund is available for projects for which the purchaser is originally planning to obtain it from the beginning of the project.
	<b>Maximum Loan Ratio</b>	● 100% of the eligible project cost (Projects have JHF screening after loan applications and the loan amount may not be the expected following the screening of the evaluation of collateral, etc.) ※ The loan amount is in units of 100,000 yen and at least one million yen
<b>Interest Rate</b>	<b>Interest-Rate Level</b>	● 0.58% ※ The interest rate is reviewed monthly. The rate above is as of April 1, 2017.
	<b>Interest-Rate Decision</b>	● The interest rate is that of the date of the fund delivery. (However, the interest rate at the time of refinancing applies when refinancing by renewing the bill.) ※ The interest rate applicable to individual loans applies from the time of delivery of fund until the delivery date of the second half in April of the following fiscal year to that of the fund delivery (as designated by JHF). However, in case of refinancing, the interest rate applies from the refinancing date until one day before the fund delivery of the second half in April of the following year. The interest rate after refinancing applies until the date of the fund delivery in the second half in April in the following fiscal year to that of the refinancing. (In case of further refinancing, it applies until one day before the delivery of the second half in April.)
<b>Loan Repayment maturity</b>		● The date is within two years of completion of the building and designated by JHF in accordance with each project.
<b>Loan Repayment Method</b>		● The principal and interest are repaid on the repayment date designated by JHF upon discussion with JHF in accordance with the transfer condition of the site and floor space retained by the project execution body, etc. The repayment amount is calculated by JHF based on the sales price of the housing unit eligible for the loan (sales price when JHF approved the project plan and consumption tax is included) multiplied by the repayment ratio <sup>*1</sup> calculated as follows. Contact JHF for details. <Repayment Ratio Calculation Method> Repayment ratio shall be calculated as follows in principle, in accordance with the loan ratio <sup>*2</sup> and the number of sold units. ① Until 30% of housing units subject to the loan are sold In principle, "50% + (loan ratio (%) - 50%) x 2" ② After 30% of housing units subject to the loan are sold In principle it shall be the same as the loan ratio. ※ 1 The repayment ratio refers to the ratio of repayment amount to the sales price of housing units (consumption tax included) subject to the loan when JHF approved the project plan. ※ 2 The loan ratio is the ratio of the JHF loan amount to the total sales price of housing units (consumption tax included) subject to the loan when JHF approved the project plan. ※ 3 The repayment ratio is 100% when the loan ratio is 75% or more and the same as the loan ratio when the loan ratio is below 50%. ※ 4 When there is minimal concern over repayment because of the debt guarantee by companies in good standing and provision of a separate mortgage, the loan ratio can be the repayment ratio. ● The principal and interest are to be paid in lump sum on the date in April designated by JHF each year. If lump-sum repayment is not possible because the business term exceeds the repayment date, the bill can be renewed on the repayment date for refinancing to continue borrowing. When refinancing on the repayment date, the loan shall be repaid with the loan based on the loan commitment of the following fiscal year on the repayment (refinancing) date. The accrued interest shall be paid on the same date or added to the principal. Contact JHF for the specific repayment amount and other details.
	<b>Repayment Resources: Examples</b>	● The sales proceeds of the site and floor space retained by the project execution body, settlement money of right holders for floor increase, subsidies, etc.
<b>Loan Contract Form</b>		● Promissory note
<b>Collateral</b>		● The first fixed mortgage shall be imposed on the land and building and the first pledge and assignment security right, etc. shall be imposed on the claims of the project executing body for JHF. It is individually consulted based on the project contents. The expense of imposing a mortgage (registration license tax and fees for judicial scrivener, etc.) shall be borne by the borrower.
<b>Guarantor</b>		● Following loan screening, the borrower may be required to obtain surety with sufficient guarantee capacity. ※ An individual can serve as the cosigner only when the applicant is the operator of the corporation. ※ When a corporation serves as the cosigner, guarantees of guarantee agencies <sup>(Note)</sup> approved by JHF at the time of application are available in addition to a eligible corporation. ※ A guarantee fee must be paid to a guarantee agency.
<b>Building Technical Requirement</b>		● The building needs to be inspected (design inspection and on-site completion inspection) for conformance with the technical requirements stipulated by JHF. ※ The building needs to be inspected by a conformance certifying agency. ※ Inspection fees must be covered by customers (fees differ depending on the conformance certifying agency).
<b>Fire Insurance</b>		● The building shall have fire insurance when JHF deems it necessary. (The first pledge is imposed on the right to claim insurance money for JHF when it deems the pledge necessary.) ※ Fire insurance premiums shall be paid at the customer's expense.
<b>Fees for Partial Advanced Payment</b>		● Not required.
<b>Fees to Change Repayment condition</b>		● Not required.

※ JHF screens loan applications based on its own procedures and there may be cases in which applicants' expectations are not satisfied following the screening.

(Note) The guarantee agencies approved by JHF as of April 1, 2017, and their fees are listed below:

- Shutoken Funen Kenchiku Kosha and Jutaku Kaiyō Kaihatsu Kosha: 1% of loan amount p. a. (paid annually)
- Zenkoku Shigaichi Saikaihatsu Kyokai: 0.2 to 0.75% of loan amount p. a. (paid annually) (There are other requirements to be guaranteed.)

## Product Outline of Loans for Construction of Rental Housing

As of April 1, 2017

<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>● Up to 100% of the cost of construction projects eligible for the loan (in units of ¥100,000)</li> <li>※ The expectations of the applicants may not be met following screening by JHF.</li> <li>※ The loan amount by JHF for those who receive subsidies, etc. for housing construction from national or municipal governments etc may be reduced in the equivalent amount to the relevant subsidies, etc.</li> </ul>
<b>Loan Period</b>	<ul style="list-style-type: none"> <li>● Within 35 years (in one-year units)</li> <li>※ A one-year principal repayment deferral period (payment of interest only) can be set from the date of loan delivery for loans for serviced rental housing construction for the elderly. (The repayment period is not extended.)</li> </ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>● As interest rate schemes, there are four schemes depending on the use or nonuse of the advanced repayment restriction system, after choosing either 35-year fixed interest rate or 15-year fixed interest rate.</li> <li>● The interest rate differs depending on the interest type.</li> <li>● The interest rate is determined about two months after the end of the month of application.</li> <li>※ The interest rate scheme cannot be changed after application.</li> <li>※ When an applicant chooses a 15-year fixed interest rate, the interest rate is reviewed 15 years after concluding the contract. The interest rate for the remaining repayment period is fixed after review, and among the JHF interest schemes in the review, the rate for the fixed interest period that exceeds the length of the remaining repayment period and is the shortest is applicable. However, if the borrower requests and pays fees before the prescribed deadline, the rate for the fixed interest period that is shorter than the length of the remaining repayment period may be applicable.</li> <li>In such instance, as of the time of elapse of the fixed interest rate period, the applicable rate will be reviewed again.</li> <li>※ 35-year fixed interest rate and 15-year fixed interest rate can be combined.</li> <li>※ Visit the JHF website or JHF office for details of the borrowing interest.</li> </ul>
<b>Repayment Method</b>	<ul style="list-style-type: none"> <li>● Equal monthly instalments of the principal and interest or equal monthly instalments of the principal.</li> </ul>
<b>Collateral</b>	<ul style="list-style-type: none"> <li>● JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> <li>※ If the title to the land is ordinary leasehold, general fixed-term leasehold, fixed-term leasehold for business or leasehold with special agreement for building transfer, JHF holds a first-lien mortgage on the registered leasehold.</li> <li>※ If the title to the land is surface right, JHF holds a first-lien mortgage on the registered surface right.</li> <li>※ Another mortgage may be requested in addition to the building and site subject to the loan following the screening of land and building evaluation and balance of payments plan, etc.</li> <li>※ The expense of imposing a mortgage (registration license tax and fees for judicial scrivener, etc.) shall be borne by the borrower.</li> </ul>
<b>Guarantor</b>	<ul style="list-style-type: none"> <li>● The borrower must have an individual (limited to the operator of the corporation when the applicant is a corporation) or corporate cosigner with sufficient guarantee capacity.</li> <li>※ The cosigner in the application may not be approved following JHF screening.</li> <li>※ When a corporation serves as the cosigner, guarantee of guarantee agencies approved by JHF at the time of application is available in addition to an eligible corporation. (A guarantee fee is required separately to use a guarantee agency. Rejection is possible following screening by the guarantee agency. See the Reference at the end of the Guide to Loans for Rental Housing to check the guarantee agencies approved by JHF.)</li> <li>※ No cosigner is required in the case of use of loans to construct serviced rental housing for the elderly (communal facility type).</li> </ul>
<b>Fire Insurance</b>	<ul style="list-style-type: none"> <li>● Customers of the scheme must take out fire insurance provided by nonlife insurance company or mutual aid fire insurance stipulated by laws, until the end of repayment of the funds.</li> <li>※ Fire insurance premiums shall be paid at the customer's expense.</li> </ul>
<b>Property Inspection</b>	<ul style="list-style-type: none"> <li>● The building shall have design and completion site inspections by a conformance certifying agency.</li> <li>※ The property inspection fees shall be borne by the borrower. (The fees differ according to the conformance certifying agency.)</li> </ul>
<b>Loan fee</b>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>
<b>Fees to Change Repayment Method</b>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>
<b>Fees for Advanced Payment</b>	<ul style="list-style-type: none"> <li>● Not required.</li> <li>※ If the borrower chooses the "advanced repayment restriction system" and repays all or part of the Debts in advance within 10 years from the execution date of the contract, the borrower is required to pay an advanced repayment penalty.</li> </ul>
<b>Advance Repayment Restriction System</b>	<ul style="list-style-type: none"> <li>● If the borrower chooses the advanced repayment restriction system and repays all or part of the Debts in advance within 10 years from the execution date of the contract, the borrower is required to pay "5% of the repayment amount" in addition to interest, as an advanced repayment penalty.</li> </ul>
<b>Fund receipt</b>	<ul style="list-style-type: none"> <li>● Intermediate funds can be received when construction commences (up to 30% of the total loan amount), completion of roof work (up to 30% of the total loan amount, and the cumulative total must be up to 60%*), and completion (up to 30% of the total loan amount, and the cumulative total must be up to 90%*2).</li> <li>※ 1 The amount of intermediate fund when construction commences and on completion of roof work may depend on the land evaluation value by JHF.</li> <li>※ 2 In the case where use of guarantee from a guarantee agency is applicable. If not applicable, the amount must be up to 20% of the total loan amount, and the cumulative total must be up to 80%.</li> <li>※ 3 In the case of use of guarantee by a guarantee agency, the guarantee fee shall be deducted at the time of receipt of the first intermediate funds. If Intermediate funds are not used, the guarantee fee will be deducted at the time of the receipt of funds after the conclusion of the loan and mortgage establishment agreement.</li> <li>※ 4 Accrued interest will be deducted for delivered funds up to the previous time when receiving 2nd intermediate funds and thereafter.</li> <li>※ 5 The fund cannot be received in the case of loans to construct serviced rental housing for the elderly unless the housing is registered as such pursuant to Article 5.1 of the Act to Secure a Stable Supply of Elderly Persons' Housing (Law No. 26 of 2001, hereinafter referred to as the "Act on Elderly Housing".)</li> </ul>
<b>Compliance of Beginning of Construction</b>	<ul style="list-style-type: none"> <li>● The loan commitment may be canceled if the construction does not start by the scheduled construction start year and month, and JHF sees no rational reason for it.</li> </ul>
<b>Registration of Serviced Housing for the Elderly</b>	<ul style="list-style-type: none"> <li>● All of the units of housing related to the project of serviced housing for the elderly eligible for the loans must be registered under "registration of serviced housing for the elderly" as such pursuant to Article 5.1 of the Act on Elderly Housing.</li> <li>※ Registration must be completed before procedures to receive funds (or before procedures to receive the first intermediate funds if intermediate funds are desired), and a document confirming completion of registration shall be submitted to the JHF contact office in each sales area.</li> <li>※ Throughout the loan period (until completion of repayment), registration needs to be renewed every five years under the Act on Elderly Housing and a document confirming completion of the renewal shall be submitted to the JHF contact office in each sales area.</li> </ul>
<b>Contract with Residents of Serviced Rental Housing for the Elderly</b>	<ul style="list-style-type: none"> <li>● Contracts concerning residency of all units of rental housing eligible for loans pertaining to the project of serviced housing for the elderly are necessarily limited to building lease contracts until the end of repayment of the funds.</li> </ul>
<b>Submission of Income-Tax Returns</b>	<ul style="list-style-type: none"> <li>● Applicants (cosigners also included hereinafter) for loans must submit the following document to JHF every year at its request (third parties commissioned by JHF included hereinafter.) The document concerns the "applicant" and the "corporation he/she operates" when he/she is an individual and "applicant", "representative of the applicant" and "corporations operated by the applicant's representative" when it is a corporation.</li> <li>When JHF requests a survey or report on the matters, the request shall be met immediately.</li> <li>· Copy of corporate financial statements (set of balance sheet, profit-and-loss statement, and statement of account items, etc.)</li> <li>· Copy of income-tax returns or corporate-tax returns with receipt seal of the taxation office</li> <li>· Copy of repayment schedule for any loans other than JHF loans</li> <li>· Survey report on the project of the building for which the loan is provided</li> <li>· Other document designated by JHF</li> <li>The above documents must be submitted to JHF also by the business operator that leases the entire building or service provider.</li> </ul>

# Product Outline of Loans to Renovate Common Areas of Condominiums [for Condominium Associations (in the case of Condominium Management Center Guarantee\*)]

\*To apply for this loan, guarantee is required JHF approved.  
(Visit the JHF website for details)  
As of April 1, 2017

<b>Purpose</b>	<ul style="list-style-type: none"> <li>● Fund for condominium associations to reform common area of condominium</li> <li>※ This loan is unapplicable for refinance.</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>● The lower amount of either "80% or less of construction cost" or "¥1.5 million (or ¥5 million for earthquake resistant improvement work) × the number of housing units" (in units of ¥0.1 million. ¥1 million as the minimum (less than ¥0.1 million is rounded off)).</li> <li>※ If the borrower receives subsidies, the loan amount should be the lower amount of either the amount stated above or the construction cost from which the subsidies are deducted.</li> <li>※ Monthly repayment amount should be 80% or less of the amount of contribution to reserve fund for renovation. Because of this, it is possible that the amount of possible financing may be less than the amount stated above. In addition, if the borrower also uses other loans, the total repayment amount including the relevant loan should be 80% or less of amount of contribution to reserve fund for renovation.</li> </ul>
<b>Repayment Period</b>	<ul style="list-style-type: none"> <li>● Between 1 year and 10 years (in unit of a year)</li> </ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>● Fixed-rate (entire life of the loan)</li> <li>※ Loan interest rate as of the borrowing application date is applicable.</li> </ul>
<b>Repayment Method</b>	<ul style="list-style-type: none"> <li>● Equal monthly instalments of the principal and interest or equal monthly instalments of the principal.</li> </ul>
<b>Collateral</b>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>
<b>Guarantor</b>	<ul style="list-style-type: none"> <li>● Guarantee institution that JHF approves (Condominium Management Center)</li> <li>※ Guarantee fees shall be paid at borrowers expense.</li> </ul>
<b>Fire Insurance</b>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>
<b>Submission of completion report</b>	<ul style="list-style-type: none"> <li>● Required after the completion of the construction work.</li> </ul>
<b>Fund receipt</b>	<ul style="list-style-type: none"> <li>● It takes around from 1 to 1.5 months after conclusion of loan agreement following the completion of the construction work.</li> </ul>
<b>Loan Fee</b>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>
<b>Prepayment penalty</b>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>

※ Please understand in advance that even though the above-stated conditions are satisfied at the time of application, there is a possibility that JHF will refuse to loan or reduce the amount of loan compared to the desired amount for management associations about which there is concern about repayment as a result of screening by JHF or a guarantee agency.

※ Loans cannot be extended to a management association that has a relationship with anti-social forces.

(including the case where a member of the management association falls under anti-social force, or the case where a residence is used for offices, etc. of anti-social forces.)

※ Once the borrower makes an application, the borrower may not re-file an application (application after being declined, etc.) until the end of the month that is six months after the application date.

# Corporate Data

## History of Former GHLC and JHF

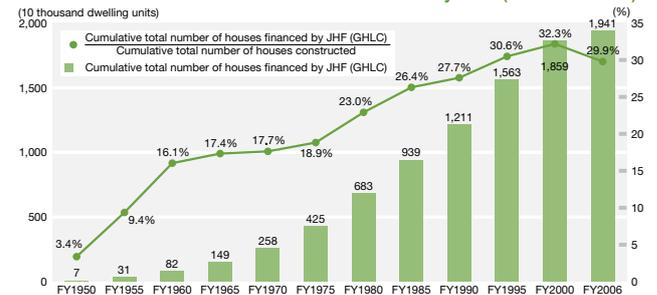
Year	Historical matter	Year	Historical matter
June 1950	• Establishment of the GHLC	May 2011	• Expansion of loans for recovery from disasters and loan modification for the people affected by the Great East Japan Earthquake (e.g. 0% of interest-rate for the first 5 years, a grace period for repayment, etc.)
March 2001	• Launch of MBS (Mortgage-backed Securities) issuance.	November 2011	• Launch of a loan program for serviced rental housing for the elderly.
October 2003	• Launch of securitization business (Purchase Program) (the current "Flat 35 (Purchase Program)").	December 2011	• Expansion of interest-rate reduction for the first 5 years for housing with high energy-saving performance concerning "Flat 35S" ( $\Delta 0.3\% \rightarrow \Delta 0.7\%$ ( $\Delta 1.0\%$ for the disaster-affected area)) (until the end of October 2012, as a provisional measure)
October 2004	• Launch of Securitization business (Guarantee Program) (the current "Flat 35S (Guarantee Program)")	April 2012	• Commencement of the second mid-term target period (5 years until March 2017).
June 2005	• Launch of support scheme to facilitate for acquiring high-quality housing through the securitization business (Purchase Program) (the current "Flat 35S (Purchased Program)").	February 2015	• Expansion of interest-rate reduction for the first 5 years for housing (the first 10 years for long-life quality housings) concerning "Flat 35S" ( $\Delta 0.3\% \Delta 0.6\%$ ) (until the end of January 2016, as a provisional measure)
July 2005	• Promulgation of JHF Law	October 2016	• Launch of Flat 35 Renovation (housing capability improvement renovation promotion model project) (interest rate reduction is 0.6% off for the first 5 years or 10 years)
September 2006	• Launch of SB (General Collateral Bonds) issuance	April 2017	• 3rd Mid-Term Target Period of incorporated administrative agency (four years up to March 2021) starts. • Flat 36 Childrearing Support Type and Regional Vitalization Type starts. (interest rate reduction is 0.25% off for the first 5 years)
April 2007	• Abolition of GHLC. • Establishment of JHF • Commencement of the first mid-term target period (5 years until March 2012)		
June 2009	• Launch of "Flat 35S" 20-year interest rate reduction (the service is currently terminated).		
February 2010	• Expansion of interest rate reduction in "Flat 35S" for the 10 years ( $\Delta 0.3\% \rightarrow \Delta 1.0\%$ ) until the end of September 2011, as a provisional measure).		

### (Reference) Roles Former GHLC has Played

**Approximately 30% of all houses built after World War II were financed by JHF (formerly Government Housing Loan Corporation; GHLC)**

The achievement of former GHLC loans reached 19.41 million dwellings for 57 years from its establishment in 1950 to its closure by the end of FY2006. This accounts for approximately 30% of dwellings built after World War II.

### (The accumulated number of houses financed by JHF (Former GHLC))



Source: Survey by former GHLC

## Related Data

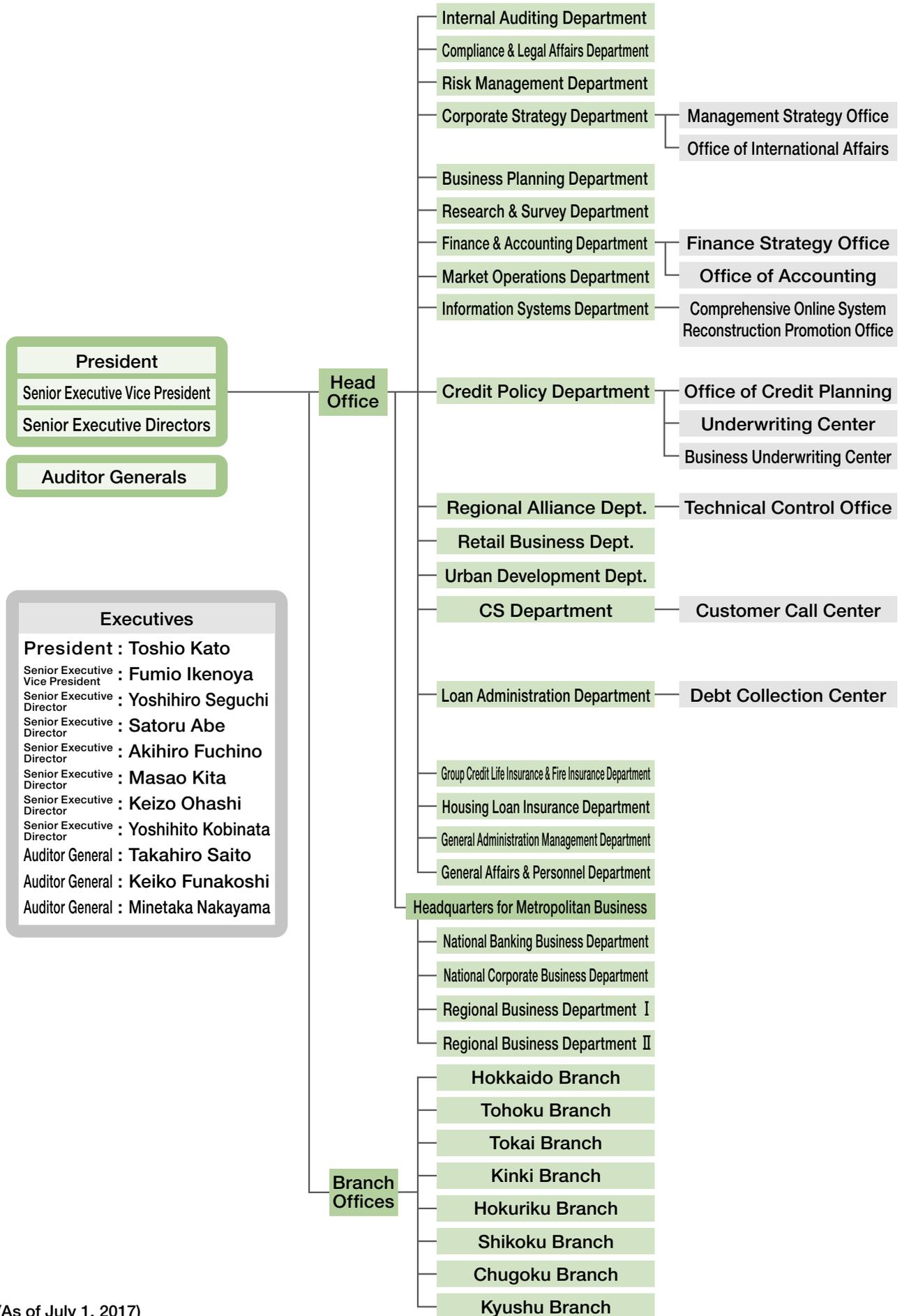
			FY2014	FY2015	FY2016
"Flat 35" (Purchased program, Guarantee Program)	Number of application	Purchased program	95,796 houses	123,095 houses	139,541 houses
		Guarantee program	—	—	5,428 houses
	Number of loans under purchased program		64,770 houses	85,278 houses	116,190 houses
	Number of loans with insurance for Guarantee program		—	—	1,378 houses
	Outstanding Balance of purchased loans		11,639.4 billion yen	12,832.3 billion yen	13,661.6 billion yen
Outstanding Balance of purchased loans with insurance		165.2 billion yen	141.5 billion yen	158.8 billion yen	
Loan for rental housing (note) * Accepting application for loans since 2005	Number of loan contracted		8,618 houses	8,362 houses	10,743 houses
	Amount of loans		80.8 billion yen	86.3 billion yen	114.4 billion yen
	Outstanding Balance of loans		631.2 billion yen	605.9 billion yen	572.5 billion yen
Great East Japan Earthquake related loans for recovery from the disaster and other loans	(Loans for recovery from the disaster) Number of loan contracted		2,120 houses	1,788 houses	1,527 houses
	Outstanding Balance of loans		183.1 billion yen	210.9 billion yen	228.7 billion yen
	Number of special repayment system approved cases		329 cases	136 cases	34 cases
Outstanding loans * Loans that were accepted by former GHLC before FY 2004.	Number of Cases		1,252,351 cases	1,116,869 cases	991,338 cases
	Outstanding Balance of loans		11,814.4 billion yen	10,001.8 billion yen	8,345.9 billion yen

(Note) Figures of number of loan contracted and amount of loan that are shown here are calculated by number of loan contracted in the fiscal year minus number of contracts that were declined in the fiscal year (including declination of loans approved in the previous fiscal year).

		FY2014	FY2015	FY2016
MBS	Amount of issuing	1,243.8 billion yen	1,875.3 billion yen	2,528.0 billion yen
	Outstanding issue	11,046.2 billion yen	11,701.8 billion yen	12,124.4 billion yen

※ Throughout this document, numbers that are smaller than money amount unit were rounded.

# Executives and Organization Chart



(As of July 1, 2017)

■ **Customer Call Center**

Hours: 9:00 – 17:00

(Open every day except national holidays and around the New Year period)

- For consultation on Flat 35, JHF loans, and technical criteria:

 **0120-0860-35** (toll-free)

- For consultation on loans for disaster relief, etc.:  
Dedicated Support Line for Disaster Victims

 **0120-086-353** (toll-free)

\*If you cannot access the above line (international call, etc.),  
please call the following number (regular call rate)

**TEL: +81-(0)48-615-0420**

■ **JHF website**

<http://www.jhf.go.jp>

◆ **Head Office and Regional Offices**

(As of July 1, 2017)

JHF Offices	Address	Phone Number
<b>Head Office</b>	1-4-10 Koraku, Bunkyo-ku, Tokyo 112-8570	+81-(0)3-3812-1111 (operator)
<b>Hokkaido Branch</b>	13-3-13 Kita 3-jo Nishi, Chuo-ku, Sapporo-shi 060-0003	+81-(0)11-261-8301 (operator)
<b>Tohoku Branch</b>	1-3-18 Katahira, Aoba-ku, Sendai-shi 980-0812	+81-(0)22-227-5012 (operator)
<b>Tokai Branch</b>	3-20-16 Shinsakae, Chikusa-ku, Nagoya-shi 464-8621	+81-(0)52-263-2934 (operator)
<b>Kinki Branch</b>	4-5-20 Minami-Honmachi, Chuo-ku, Osaka-shi 541-8546	+81-(0)6-6281-9260 (operator)
<b>Hokuriku Branch</b>	2 Flr. Kanazawa Park Bldg., 3-1-1 Hirooka, Kanazawa-shi 920-8637	+81-(0)76-233-4251 (operator)
<b>Shikoku Branch</b>	2-10-8 Ban-cho, Takamatsu-shi 760-0017	+81-(0)87-825-0621 (operator)
<b>Chugoku Branch</b>	8-3 Moto-machi, Naka-ku, Hiroshima-shi 730-0011	+81-(0)82-221-8694 (operator)
<b>Kyushu Branch</b>	6 Flr. Hakataekimae Business Center, 3-25-21 Hakataekimae, Hakata-ku, Fukuoka-shi 812-8735	+81-(0)92-233-1203 (operator)



**住宅金融支援機構**  
Japan Housing Finance Agency

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