

● Message from the President

JHF will contribute to improvement of Japan's housing life.

I would like to express our appreciation for your continuous patronage.

JHF's 12th fiscal year has started since this April. I appreciate patronage of many customers and understanding and cooperation of stakeholders, including private financial institutions, home-builders, local governments, and investors.

"Flat 35", a housing loan having a long-term fixed-interest rate applicable during the tenor, has been lent to almost 950,000 housing units as of the end of FY 2017 since its launch in October 2003. For the purpose of increasing customer usability, JHF improved product feature of "Flat 35" by enabling Group Credit Life Insurance premium to be paid as a part of monthly payment from October 2017. JHF will continue our effort to sustain the customer viewpoints and will strive to meet customer demands.

During the third period for the medium-term , which started in April 2017, JHF is expected to maximize its ability to execute government policies in order to improve the standard of housing life in Japan by providing financial support to realize the measures based on the Outline of Basic Act for Housing set by the Government of Japan while maintaining sound financial base established throughout the first and second medium-term target periods.

From this point of view, in last fiscal year, JHF launched a new program called "Flat 35" Childrearing

Support Type and Regional Vitalization Type to support acquisition of houses in line with local governments' measures including support for childrearing households, UIJ Turn promotion, and Compact City formation from this fiscal year, JHF added vacant house countermeasure to the lending criteria of "Flat 35" Regional Vitalization Type in order to utilize vacant houses more efficiently.

In order to continue to be a useful resource to the local communities, JHF will continue our effort to further address local policy issues.

JHF has been offering "Flat 35" Renovation Type in order to promote existing home sales and contribute to building safer and higher quality stock of existing homes.

In addition, from the viewpoint of developing housing and towns in a society with a declining birth rate and aging, JHF has been supporting financial institutions to provide reverse mortgage type housing loan, to which JHF's housing loan insurance applies. JHF will continue product improvements reflecting the needs from financial institutions, and beginning from May 2018, JHF applied a product name of "Reverse 60" in order to facilitate customer recognition and JHF will further take necessary steps to meet variety of demands in houses.

In alignment with the amendment of the Act to Promote the Supply of Rental Housing for People Who Require Consideration in Securing Housing and



from October 2017, JHF started providing insurance on guarantee for rent payment obligations of people who require consideration in securing housing. For FY2018, JHF will continue to promote the program and support securement of rental homes for people who require consideration in securing housing.

Furthermore, JHF will offer, in collaboration with private financial institutions, the housing finance including common space renovation loans to support maintenance and management of condominium stock, urban development loans, which are required as a public-sector institution.

In March 2018, the Business Management Deliberative Council, which was established to advise JHF' business management from a neutral position, submitted a comprehensive report on JHF's past business performance. In the Council's evaluation, JHF received positive evaluation on supplementing private businesses and our efforts as a policy implementation organization. JHF appreciates the Council's continued deliberation on the appropriateness of our business management and JHF will refer to the results of the deliberation for JHF's future business management.

JHF has been stably and efficiently issuing mortgage-backed securities (MBS) to finance "Flat 35" with the support from the increasing number of investors. JHF's cumulative MBS issuance amount has

surpassed 26 trillion yen, which enabled JHF MBS to achieve benchmark status in the securitization market in Japan. JHF will properly and carefully communicate with investors in order to stably and continuously issue MBS, and contribute to the development of the securitization market in Japan.

With regards to the support of recovery from disasters, such as the Great East Japan Earthquake, which occurred 7 years ago, and the Kumamoto Earthquake, JHF will carefully consult with the disaster affected customers and provide Housing Loans for Disaster Recovery and others. JHF will strive to provide one-stop service in collaboration with local governments.

I would appreciate the continued understanding and patronage from all customers who use our loans and stakeholders such as private financial institutions, home-builders, local governments, and investors.

July 2018
Toshio Kato

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President
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