

# Management Policy

## I . Goal of JHF

### ● Mission of Japan Housing Finance Agency

- The most significant mission of the Japan Housing Finance agency ("JHF") is to support private financial institutions including mortgage banks with securitization (Flat 35) and other line of business so that housing loans suitable for each customer's lifelong plan can be supplied stably and efficiently throughout Japan.

### ● Establishment of independent operations

- In order to accomplish the aforementioned mission, JHF will focus its managerial resources on Flat 35 at first to achieve the targeted business goal for the purpose of establishing its presence in the housing finance market as soon as possible, which will lead to the establishment of independent and stable operations of JHF.

### ● Compliance and execution of social responsibility

- JHF will fulfill its social responsibilities through the organizational commitment and self-motivated actions of each employee while broadening its scope from compliance to sound business judgment and contribution to society.

## II . Management Policy for JHF

### 1. Basic concept of reform

#### ● Improvement of productivity

- JHF will fundamentally review its business by BPR (Business Process Reengineering) to achieve efficient business operation through increased productivity.
- JHF will stably implement the business improvement project, and will make a commitment to cost reduction by reforming information systems, etc.

#### ● Creation of customer value

- JHF will pursue customers' satisfaction, considering their needs at all times. Thus, while putting priority on ultimate borrowers, it will promptly provide the most appropriate services to satisfy middle users (those involved in housing businesses) and private financial institutions including mortgage banks.

#### ● Change of corporate culture

- Each employee will take the initiative in accomplishing the management concept, considering what he/she can do for customers at all times. JHF will change its traditional passive corporate culture to positive and active one.

### 2. Strategic implementation of business

#### ● Securitization business

- JHF will focus its managerial resources on Flat 35, and will accomplish its business goals through rapid improvement of products and procedures, strengthening the sales staff, etc., to stabilize its business. JHF will not only make efforts to develop the MBS market in cooperation with market players but also makes a commitment to explore new areas such as new methods of issuing MBS.

#### ● Loan appraisal/credit risk management

- JHF will not only strengthen its capacity for credit appraisal and credit risk management of outstanding loans to reduce delinquent loans, but also implement effective and efficient management/collection for nonperforming loans.

#### ● Ancillary businesses for policy measures

- JHF will promote information-providing services, making use of the know-how it has long fostered, for the purpose of giving confidence in housing through the proactive provision of a wide range of useful information on housing for customers.
- For housing loan insurance services and other loan businesses including loans for disaster mitigation, rental housing and workers' property accumulation savings scheme-tied housing, JHF will strengthen the productivity of each business, build and implement a system for effective operation in order to make use of the features of each product in the businesses and meet the needs of customers.

### 3. Capability building on management resources

#### ● Development of a business management system

- In order to establish independent operation, JHF will enhance its functions for planning business strategy, controlling the distribution of managerial resources and other activities, and will also realize a business management system for organization management, including PLAN · DO · CHECK · ACTION.

#### ● Strategic distribution of managerial resources

- JHF will realize strategic distribution of managerial resources to reflect the actual situation of the market, productivity, etc., by developing a scheme for goal setting and performance assessment of each business segment.

#### ● Appropriate risk management

- In order to secure the soundness and transparency of business operations, JHF will implement not only the management of credit risk, interest volatility risk, etc., appropriately but also the positive disclosure of business information.

### 4. Reform of human resources development

#### ● Development of human resources

- JHF will realize the basic concept of reform (improvement of productivity, creation of customer value, and change of corporate culture), and foster human resources that are professionals in housing finance including securitization and credit risk management. Furthermore, each staff member will make a commitment to enhance his/her own knowledge and skills.

#### ● Emphasis on ability and performance

- JHF will improve the performance of the organization by increasing the productivity of each person. In order to accomplish this, the evaluation for promotion and salary shall place greater emphasis on ability and performance. JHF will develop a workplace where staff can make full use of their capabilities so they may feel their lives are rewarding and gain a sense of accomplishment.

# Mid-term Target/Mid-term Plan/Annual Plan

## Medium-term Target

The Minister of Finance and the Minister of Land, Infrastructure, Transport and Tourism prescribe objectives for JHF business operations according to the provisions in Article 29, Paragraph 1 of the Act on the General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

FY 2011 marks the final year of the first Mid-term target (April 1, 2007 to March 31, 2012).

## Medium-term Plan

JHF creates a medium-term plan as required under Article 30, Paragraph 1 of the Act on the General Rules for Incorporated Administrative Agencies in order to realize the objectives prescribed by the Minister of Finance and the Minister of Land, Infrastructure, Transport and Tourism. Ministerial approval of the plan is required.

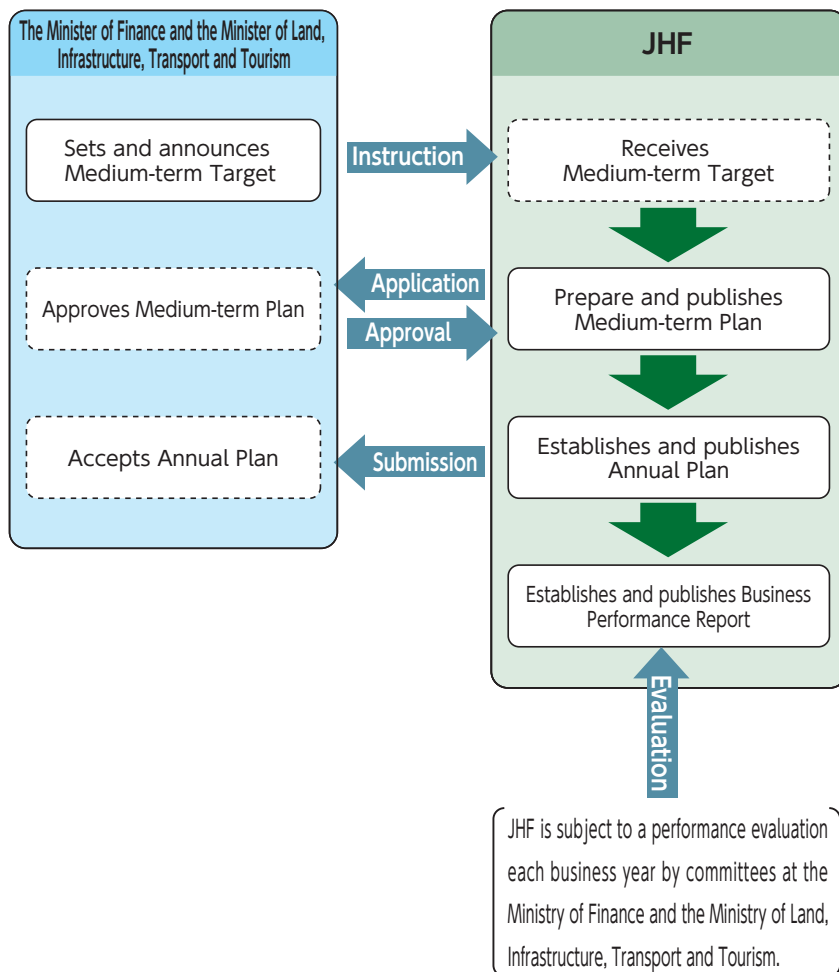
FY 2011 marks the final year of the first Medium-term Plan (April 1, 2007 to March 31, 2012).

## Annual Plan

JHF establishes an Annual Plan based on the Medium-term Plan under Article 31, Paragraph 1 of the Act on the General Rules for Incorporated Administrative Agencies.

The Annual Plan for FY 2011 sets out measures to achieve objectives for streamlining organizational operation and for improving service to the public as well as the quality of other operations.

In addition, JHF terminated its business activities for providing housing information while adding loan programs for energy efficient housing and houses for seniors with services in light of the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Institutions (approved by the Cabinet on December 7, 2010).



JHF posts the Business Performance Report submitted to the IAA Evaluation Committee on its website. (Website) <http://www.jhf.go.jp/about/kikou/plan.html>

## Efforts to Support Recovery from the Great East Japan Earthquake

- JHF is undertaking the following efforts to support the recovery from the Great East Japan Earthquake.
- Established a Headquarters for Disaster Victims headed by the president and established a structure throughout the organization to address issues relating to this matter.
  - Expand the loans for disaster mitigation to reconstruction and repair houses and expand the special loan modification programs for borrowers financed by JHF (and former GHLC), including “Flat 35” (Purchase Program) loans, in accordance with the enactment of government’s FY 2011 supplementary Budget.
  - Provide consultation on loan application for disaster mitigation and repayment of existing loans, hold consultation meetings in disaster-affected areas, etc.

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## Widening the Interest-Rate Reductions for “Flat 35S” to Support the Housing Market

JHF works with private financial institutions to provide long-term fixed-rate mortgages known as “Flat 35”. Persons applying for “Flat 35” loans who will acquire high-quality housing that is earthquake-resistance, energy-saving performance, barrier-free performance, or with enhanced durability and flexibility, may be eligible for “Flat 35S,” which offers a reduced borrowing rate for a certain period.

In addition, those who apply by December 30, 2011 will be able to take advantage of a larger reduction in the borrowing rate due to government economic stimulus packages.

The reduction of interest rates for “Flat 35S” and other measures as part of government economic stimulus packages have proven successful, with new housing starts in FY 2010 accounted 819,020 units, a 5.6% increase from the previous fiscal year.

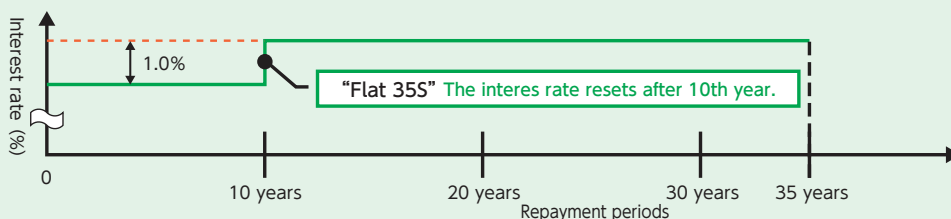
The expanded “Flat 35” attracted borrowers; Outstanding balance for Flat 35 amounted to 6.5 trillion yen and JHF had issued approximately 13 trillion yen in MBS (mortgage backed securities) in total as of the end of March 2011.

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Information current as of July 2011.

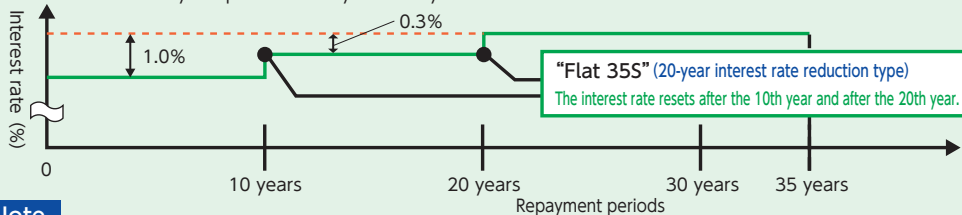
### ① What is “Flat 35S”?

The interest rate for borrowed money is reduced by 1.0 percent for a “Flat 35” loan over the initial 10 years.



### ② What is “Flat 35S” (20-year interest rate reduction type)?

The interest rate is reduced by 1.0 percent for a “Flat 35” loan for the initial 10 years, and then reduced by 0.3 percent from year 11th year to 20th



#### Note

- \* The interest-rate reduction will apply to persons applying for “Flat 35S” (support scheme to facilitate for acquiring high-quality housing) by December 30, 2011.
- \* There is a ceiling on the amount of funds available for “Flat 35S” (support scheme to facilitate for acquiring high-quality housing), and applications will be closed when the applications approached the ceiling. Any earlier closing date for applications will be announced on the “Flat 35” website ([www.flat35.com](http://www.flat35.com)) three weeks ahead of the actual closing date.
- \* “Flat 35” (Guarantee Program) is eligible for the support scheme to facilitate for acquiring high-quality housing.
- \* “Flat 35S” (support scheme to facilitate for acquiring high-quality housing) cannot be used for refinancing of existing mortgages.

## Efforts to Improve Housing Quality and Address Environmental Problems, etc.

JHF believes that part of its contribution to society is to implement its business line properly in accordance with its mandates.

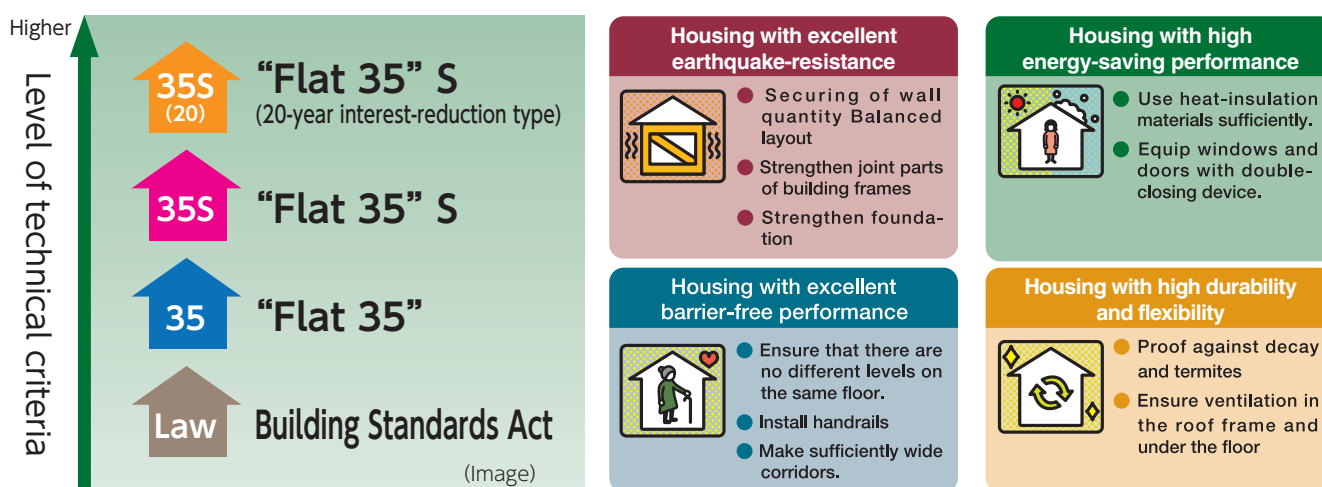
As part of those initiatives, JHF is committed to assisting borrowers through long-term fixed-rate mortgages “Flat 35” , which is good for the borrowers to establish a life plan. JHF also provides “Flat 35S” the support scheme to facilitate for acquiring high-quality housing that is earthquake-resistance, energy-saving performance, barrier-free performance, or with enhanced durability and flexibility. Such business activities contribute to enriching the quality of houses and citizens’ lives, support the growth of the Japanese economy, and contribute to improvements in the global environment.

Our efforts also address global warming, reductions of CO2 emission and landscape issues.

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The technical criteria required for “Flat 35” are

Four types of “High-Quality Houses” for “Flat 35S”



## Efforts on Finance Facilitation

With the implementation of the Act Concerning Temporary Measure to Facilitate Financing for Small and Medium Enterprises (FY 2009 Law No. 96), JHF is implementing measures such as the followings in order to provide an even better response to inquiries about housing loans.

- Establish guidelines for consultation on payments or modifications in recognition of our role as a safety net for borrowers who are having difficulty meeting their repayment obligations for existing mortgages, etc.
- Create an organization-wide structure headed by executive officer in charge for dealing with troubled borrowers.

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