



住宅金融支援機構

Japan Housing Finance Agency

Disclosure Booklet
2012

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Disclosure



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Logo concept

Pillars supporting a roof are represented by the letters J, H and F. The line representing the ground is intended to create an uplifting feeling, and the sphere symbolizes security and expanse. The green color represents growth and vitality. The logo symbolizes the fusion between JHF and the world of housing.

* JHF is an abbreviation of Japan Housing Finance Agency.

1. This Booklet is a disclosure material (explanatory material related to the operational and financial situations) prepared based on the "Law related to public disclosure of information held by incorporated administrative agencies" (Law No. 140, 2001).

2 Explanatory notes

(1) Rounding of figures

Amounts are rounded to the nearest unit. Percentages (%) are rounded off at the second decimal point in principle. Components do not sum to the totals because of rounding.

(2) Indication method

Items with values less than a unit are indicated as "0" while items with no statistical figures are indicated as "-."

3. Information on JHF, including those in this booklet, is available on its website (<http://www.jhf.go.jp/>).

4. If there is any material difference between Japanese original version and this English translation, the Japanese original version shall prevail.

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Message from the President

We would like appreciate your continued interest.

First of all, I would like to express my deepest condolences and sympathy to everyone affected by the Great East Japan Earthquake of March 11, 2011. The Japan Housing Finance Agency (JHF) supports their housing reconstruction by providing its direct loan origination program for disaster relief and consultations on loan modification. In this fiscal year, JHF has established a new office within the Tohoku Branch to assist in the reconstruction of the Tohoku region, strengthening its support system. Now and in the future, we will continue to work closely with the Japanese government, local governments and regional financial institutions to financially support the reconstruction of the affected areas.

JHF was established in April 2007 and is currently in the first year of its second mid-term target period (FY 2012 – FY2016) as an incorporated administrative agency.

JHF's main business has changed greatly from that of the Government Housing Loan Corporation (GHLC), which JHF used to be, and today we focus on securitization, in which we use funds raised from the capital market to support the provision of Flat 35 (long-term fixed-rate housing loans) by private financial institutions. JHF has also worked on organizational reform since its inception, striving to be a productive and efficient body. Fortunately, as of the end of FY 2011, the outstanding balance of Flat 35 exceeded 8 trillion yen, and the total issuance of MBS (mortgage backed securities) as the major funding source amounted to 15 trillion yen.

In FY 2011, JHF turned a single-year surplus for the accounts excluding the outstanding loan management account (except for those from the defunct Housing Loan Guarantee Association), which was one of the key goals of the first mid-term target period (FY 2007 – FY 2011), and government subsidies were abolished.

In the second mid-term target period, JHF will continue to implement its securitization business by further improving the product features of Flat 35 and funding methods such as MBS, and will provide direct financing in important areas in terms of policy, such as a loan program for serviced rental housing for the elderly, while considering JHF's role contrasted with those of the private sector. Through these activities, JHF aims to eliminate its accumulated deficit by the last year of the second period. Also, JHF will continue to strengthen its internal control by ensuring compliance and enhancing the risk management structure and will continue to streamline the business operations.

Through the housing loan business, JHF is determined to pursue improved housing quality and higher living standards for the people of Japan, and will contribute to a new stage of growth for the Japanese economy and further to a better global environment. We will strive more to meet the expectations of customers using housing loans, affiliated financial institutions and housing-related companies.

We highly appreciate your support for our business.

July 2012

Shinya Shishido

President

Incorporated Administrative Agency
Japan Housing Finance Agency



Overview of JHF

JHF profile

Establishment: April 1, 2007

Mission: JHF shall provide liquidity to housing market by secondary market operation, purchasing mortgages originated by private lenders and securitizing those loans into MBS. JHF shall also provide liquidity to housing market by direct loan origination as well, for such areas which are difficult for private financial institutions to handle as disaster mitigation. JHF is committed to improve the safety and soundness of the living of Japanese people and thus enhance the social welfare.

Capital: 670.621 billion yen (estimation for the end of FY 2012*, fully paid in by the Government of Japan)

* Includes 36.445 billion yen of capital returned to the national treasury as part of the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the Cabinet on December 7, 2010) and reflects the original budget for FY 2012.

Number of directors and employees: 932 (as of April 1, 2012)

Operations: securitization, housing loan insurance service, loan origination

Offices: Head Office: 1-4-10, Koraku, Bunkyo-ku, Tokyo, 112-8570

Branches: 11 branches in major cities nationwide

Size of mortgage portfolio

30.0871 trillion yen (as of March 31, 2012) of which 8.6099 trillion yen represents mortgages purchased through secondary market operation and 21.3555 trillion yen represents loans originated by GHLC and JHF



Business Summary

JHF focuses on the securitization support business to support the provision of long-term fixed-rate housing loans by private financial institutions, but also provides a housing loan insurance service to promote the smooth provision of private housing loans and provides a loan origination service in areas that are important in terms of policy and difficult for the private sector to handle.

Through these services, JHF smoothly and efficiently supplies housing loans necessary for the construction of houses to support people's lives.

1 Securitization support business (provision of Flat 35)

Support for private financial institutions to supply long-term fixed rate housing loans

* Purchase Program: JHF purchases long-term fixed-rate housing loans from private financial institutions, places those loans in trust accounts, and then uses them as collateral to issue MBS (mortgage backed securities).

* Guarantee Program: JHF insures long-term fixed-rate housing loans originated by private financial institutions, and guarantees the timely principal and interest payment of bonds, etc. issued using the insured loans as collateral.

(Refer to page 20)

2 Housing loan insurance service

JHF supports the smooth supply of housing loans originated by private financial institutions with insurance money paid to those institutions based on the insurance policies concluded beforehand if those housing loans should default due to unexpected situations.

(Refer to page 26)

3 Loan origination service

JHF supplies long-term fixed rate housing loans in areas that are important in terms of policy but difficult for the private sector to handle, such as a disaster relief housing loan program, helping people to acquire housing.

(Refer to page 27)

4 Management of outstanding loans

JHF appropriately manages outstanding loans by providing more frequent consultations on repayment and revising the terms of loan repayment for borrowers who have difficulty in making mortgage repayments to reduce the number of delinquent loans.

(Refer to page 35)

5 Operation of group credit life insurance (mutual relief)

This insurance system provides security for borrowers of Flat 35 or JHF loans. If the borrowers who have joined this system should die or incur a serious disability, the outstanding loan balance is offset by the insurance paid by life insurance companies, etc.

(Refer to page 32)

6 Technical assessment

JHF helps improve living quality using its own technical criteria for housing, which are set as one of the requirements for Flat 35 and JHF loans.

(Refer to page 33)

7 Research and surveys on housing finance

JHF conducts surveys on the awareness and behavior of housing loan users and research on overseas housing finance markets and domestic housing finance.

(Refer to page 37)

(Business results, etc.)

	Results of FY 2011	Initial plan for FY 2012
Securitization support business (Provision of Flat 35)	Purchase Program: 2,786.7 billion yen (110,140 houses) Guarantee Program: 11.7 billion yen (510 houses)	Purchase Program: 1,582.9 billion yen (63,000 houses) Guarantee Program: 25.1 billion yen (1,000 houses)
Housing loan insurance service	Insurance contracts: 227 institutions, 713.4 billion yen Insurance effected: 31,422 cases, 479.9 billion yen Insurance continuing: 126,706 cases, 2,470.5 billion yen	Limit of insurance contracts: 288 billion yen
Loan origination service	264.7 billion yen (29,333 houses)	520.1 billion yen (38,610 houses)

Management concept



**Based on independent,
transparent and efficient management,
and in pursuit of the creation of customer value,
we will provide various kinds of financial services to supply
liquidity in the housing finance market,
thus contributing to the improvement of housing in our country.**

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.

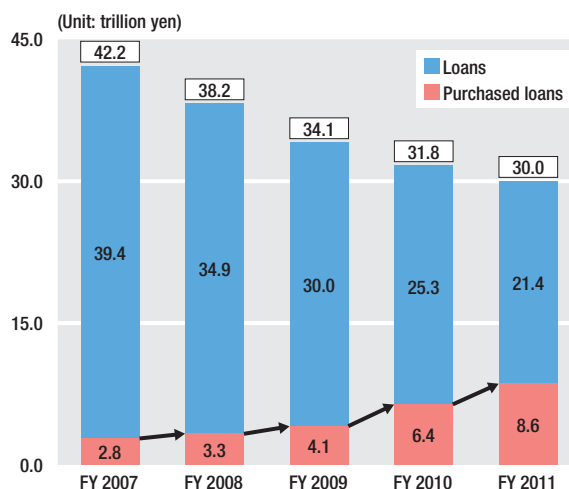
Highlights of Business Performance and Financials

Description of major assets, purchased loans and other loans outstanding

Origination of direct loans were limited to the area of disaster relief and other areas those important in terms of policy, therefore the outstanding balance of direct loans decreased. However, the outstanding balance of purchased loans has steadily increased by lowering the loan interest rate of Flat 35S initiated by the economic countermeasure of the Japanese government and by purchasing of Flat 35S Eco to promote building of energy conservative housing and recovery from the Great East Japan Earthquake.

(Note) The numbers in squares in Fig. 1 indicate the total amounts of loans and purchased loans. The numbers in squares are rounded off, so the total may not match the sum of each numbers.

(Fig. 1: Changes in the outstanding balances of purchased loans and loans)



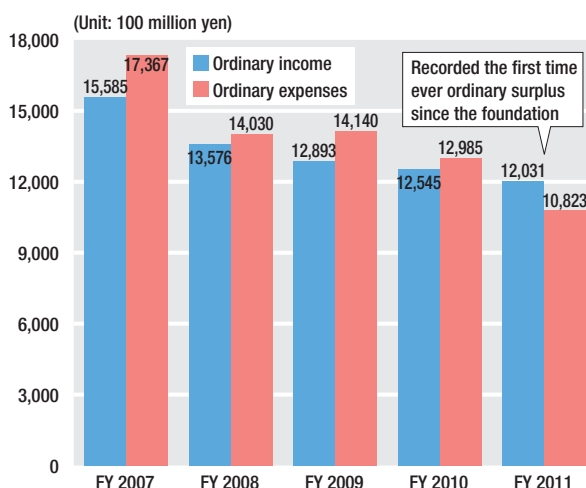
Profits and losses of the entire agency

The ordinary income in FY 2011 was 1.2031 trillion yen mainly consisting of income from asset management, such as interest from purchased loans and interest from direct loans and other loans.

On the other hand, the ordinary expense in FY 2011 was 1.0823 trillion yen mainly consisting of fund raising expense, such as loan interest and bond interest and other interests.

As a result, JHF recorded an ordinary profit of 120.8 billion yen in FY 2011 and recorded its first time ever ordinary surplus since the foundation.

(Fig. 2: Changes in ordinary income and ordinary expenses)



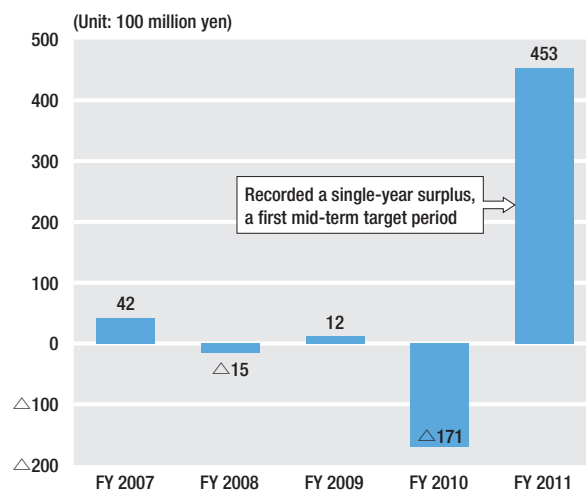
Achievement of a first mid-term target

Under the first mid-term target, accounts other than seasoned loan administration account and excluding assumed account of Incorporated Foundation Housing Loan Guarantee Corporation were mandated to achieve a single-year surplus before the final fiscal year of the first mid-term target period whereas such account achieved 45.3 billion yen total operating profit and achieved such target.

Retained earnings of each account at the end of FY 2011 will be carried forward but below listed amount were returned to the national treasury during the FY 2012 and the rest, an amount approved by the governing ministries, will be carried forward to the second mid-term target period.

The amount paid to the national treasury
 2.1 billion yen associated with housing loan insurance account
 28.7 billion yen associated with account for loans for property accumulation saving scheme-tied houses

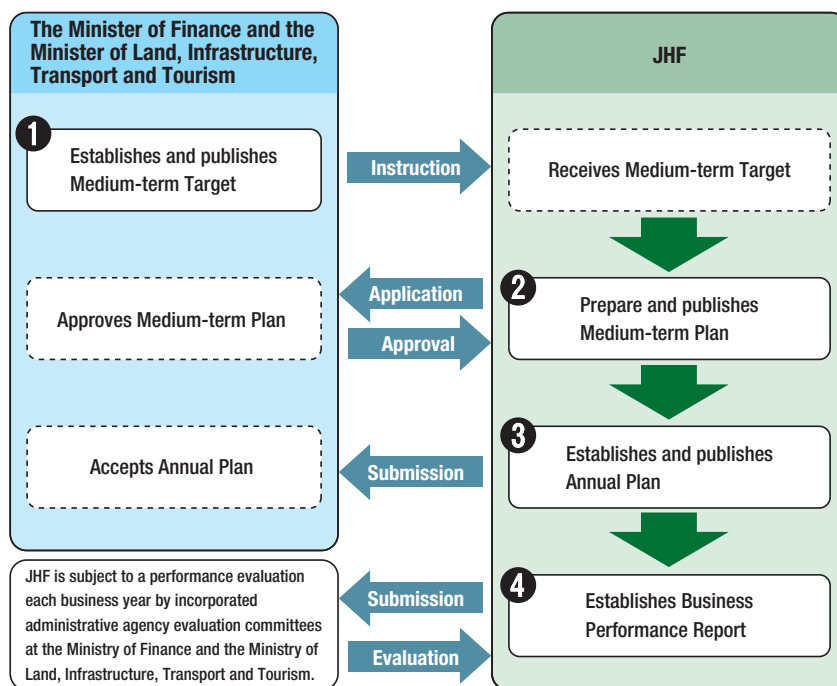
(Fig. 3: Changes in the current total profit and loss (note))



(Note) Accounts other than seasoned loan administration account and excluding assumed account of Incorporated Foundation Housing Loan Guarantee Corporation

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

JHF manages its business based on the Act on the General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999, hereinafter referred to as the “Act on the General Rules”).



(1) Mid-term Target

Relevant ministers establish target of business operations that should be achieved by JHF (Mid-term Target), instruct JHF and publish the Mid-term Target (Article 29 of the Act on the General Rules).

The first Mid-term Target period: April 1, 2007 ? March 31, 2012

The second Mid-term Target period: April 1, 2012 ? March 31, 2017

(2) Mid-term Plan

JHF formulates a Mid-term Plan to achieve the Mid-term Target and publishes the plan after it is approved by relevant ministers (Article 30 of the Act on the General Rules).

(3) Annual Plan

JHF sets a plan on business operations in each fiscal year based on the Mid-term Plan and then submits the plan relevant ministers before publishing it (Article 31 of the Act on the General Rules).

(4) Evaluation of business performance

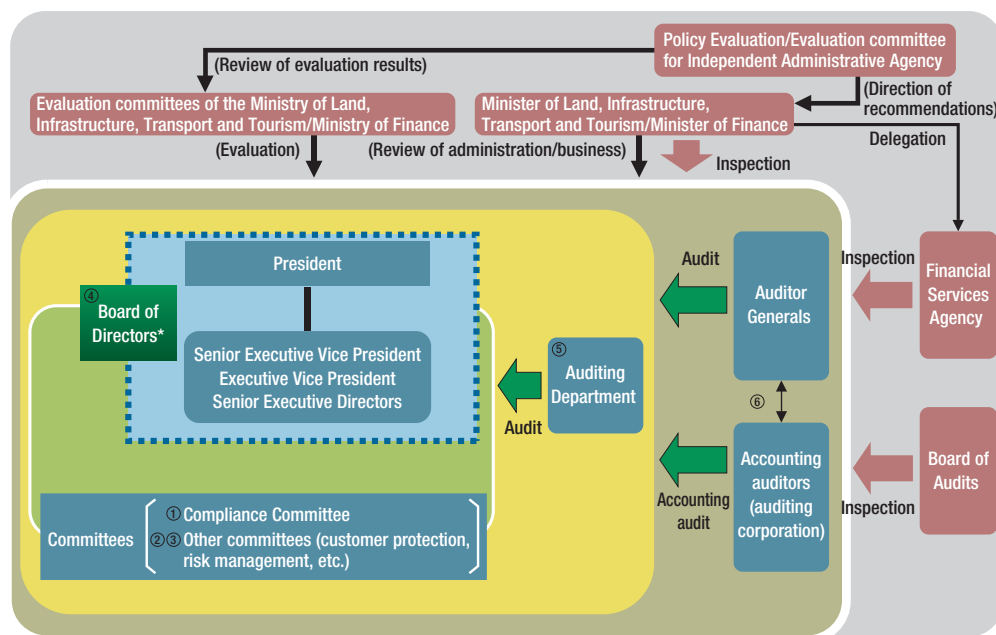
JHF prepares reports on business performance in each fiscal year and the mid-term period, and submits them to incorporated administrative agency evaluation committees at the Ministry of Finance and the Ministry of Land, Infrastructure, Transport and Tourism (Article 34, Paragraph 1 of the Act on the General Rules).

*Reports on business performance in FY 2011 and the First Mid-term Target submitted by JHF to the evaluation committees are available at JHF website. (URL) <http://www.jhf.go.jp/about/kikou/plan.html>

Corporate Governance

Governance Structure

JHF declares a fundamental policy of internal governance for the development of the internal governance system as a way to ensure proper proceedings of its business. It will continue examining the development of internal governance system and will revise the policy if necessary.



*The Board of Directors consists of the President, Senior Executive Vice President, Executive Vice President, Senior Executive Directors and Auditor Generals (as of April 1, 2012).

(1) Compliance

JHF has established a compliance committee among other measures to promote and ensure compliance, which includes even business ethics.

We have also developed an organizational structure to exclude relations with all forces that threaten social order and safety. To this end, JHF provides training to all executives and employees.

(2) Administrative structure on customer protection

To protect the interests of customers and ensure their confidence, we have established committees such as a customer satisfaction committee and an office work monitoring committee to implement adequate explanations to customers, to implement proper responses to consultations from customers, and to ensure appropriate office work practices to protect personal information.

(3) Risk management structure

JHF has developed a risk management system that includes an ALM risk management committee and a credit risk management committee to manage risks comprehensively by identifying the risks inherent to JHF business activities and their specific types and natures.

(4) Board of Directors

As a place for making decisions on important management matters, the President sets the Board of Directors to discuss the matters with other directors. JHF clarifies administrative authority and rules for decision-making to ensure proper business operations.

(5) Internal audits

JHF has set up an audit department, which is independent from other parts of JHF, and carries out periodic audits at the head and branch offices to ensure fair and proper operations in accordance with laws and regulations.

(6) Auditor Generals and accounting auditors

The Auditor Generals, who are independent from JHF and work with accounting auditors, audit the status of establishment and execution of JHF corporate governance.

Basic Policy on Internal Governance

JHF declares a fundamental policy of internal governance for the development of the internal governance system as a way to ensure proper proceedings of its business. In FY 2011, JHF revised the fundamental policy to raise awareness of compliance, encourage appropriate actions and establish a PDCA cycle in internal governance. It will continue examining the development of internal governance system and will revise the policy if necessary.

Basic Policy on Internal Governance

To realize its management concept, the Japan Housing Finance Agency ("JHF") establishes the following internal governance systems to secure proper implementation of our business.

1. Systems to ensure all executives and employees implement their business in compliance with laws, rules and regulations.

- (1) Establishment of a compliance charter
The President shall establish a compliance charter based on observance of laws, rules, and regulations in order to set codes of conduct to realize JHF's management philosophy and to enforce business conducts with its basic mission and social responsibility in mind.
- (2) Compliance enforcement system
 - i. The President shall establish and head a Compliance Committee to discuss and decide important compliance matters.
 - ii. The President shall develop rules for compliance and establish a department to oversee compliance as well as appoint an executive officer responsible for developing an agency-wide compliance enforcement system.
 - iii. The President shall create a Compliance Program each fiscal year, make it acknowledged by all employees, and promote systematic measures to establish compliance. The President shall regularly implement an intermediate inspection on how the program is conducted and make revisions if necessary, and also check employees' awareness of compliance to reflect the results to the Compliance Program.
The President shall also create a compliance manual that sets out specific guidelines for realizing compliance and distribute it to all employees as well as conduct compliance training.
 - iv. The President shall assign a compliance activities enforcement officer in each department to promote compliance activities.
 - v. Executives and employees shall take an uncompromising stance against all forces that threaten social order and safety.
- (3) System for dealing with compliance violations
 - i. The President shall establish a system that enable prompt reporting to the department in charge of compliance when an executive or employee identifies cases that are or may be compliance violations.
 - ii. Aiming at the prevention, early detection and correction of compliance violations, the President shall set up a compliance helpline that allows employees to directly consult with or report to the department in charge of compliance or outside consultation services.
 - iii. When the department in charge of compliance is consulted upon or informed about a case violating compliance, it shall investigate the consultation and the information, discuss the case with the relevant department and take countermeasures.
- (4) Sanction for violations
If an executive or employee has violated laws or regulations, disciplinary action shall be taken against that person in accordance with the regulations concerning disciplinary action.
- (5) Internal audit
 - i. The President shall establish Internal Auditing Department that is independent of other departments which reports directly to the President.
 - ii. The Internal Audit Department shall carry out internal audits based on internal audit regulations and report the results to the President.

2. Systems to manage matters related to customer protection and the storage and management of information on executing duties by executives and employees.

- (1) Ensure a system for managing customer protection-related matters
 - i. The President shall establish regulations for explanations to customers and ensure a system for providing customers with proper and adequate explanations and information on JHF products and services.
 - ii. The President shall establish regulations for customer support management and ensure a system for proper and adequate responses to consultations, requests and complaints.
 - iii. The President shall establish regulations for customer information management and ensure a system for proper management of customer information such as preventing leaks of customer information.
- (2) Privacy policy
The President shall establish a privacy policy for proper handling of customer information as well as establish information security regulations so that information including customer information are used and managed properly.
- (3) Establishment of document management regulations
 - i. The President shall establish regulations for document management for the storage and management of information by executives and employees in the course of executing their duties.
 - ii. Auditor inspections
Auditor shall have access to all documents as necessary.

3. Regulations and other systems for risk management of losses

- (1) Establishment of risk management regulations
The President shall establish risk management regulations to manage risks properly.
- (2) Development of risk management systems
 - i. The President shall comprehensively manage risks by identifying the risks inherent to JHF business activities and their specific types and natures.
 - ii. The President shall manage risks categorized as "credit risks", "guarantee risks", "insurance risks", "market risks", "counterparty risks", "liquidity risks" and "operational risks" and, as necessary, identify important new categories of risk that should be managed according to their importance.
 - iii. The President shall establish the necessary risk management committees to properly deal with each category of risk.
 - iv. The President shall assign a department in charge of integrated risk management and assign an executive to supervise that work and acts to maintain an organizational and cross-sectional risk management system and identify problems.

v. Board of Directors shall evaluate integrated risk management and the inherent risks in new businesses and products.

- (3) Preparation of emergency measures
The President shall take the proper precautionary measures for emergencies such as major impediments and defects, major information leaks, serious losses of trust and disasters. Additionally, the President shall undertake appropriate emergency measures when a disaster or other crisis occurs in order to resume business activities as early as possible.

4. Systems to ensure that executives and employees carry out their work duties effectively

- (1) Mandate administrative authority and decision making rules
The President shall establish regulations for organization and document approvals to clarify administrative authority and decision-making rules.
- (2) Establishment of Board of Directors
The President shall set up Board of Directors with which to discuss important management matters and contribute to the President's decision making.
- (3) Setting of performance targets and budgets for each area of business based on the Annual Plan
 - i. The President shall set specific targets, concrete actions, and budgets for each area of business in order to achieve the Annual Plan.
 - ii. In principle, the President shall assign priorities for new product development, system investments and new businesses based on contribution to the achievement of Annual Plan.
 - iii. The President shall undertake efficient allocation of human resources to each department.
 - iv. The executive officers responsible for each department shall determine concrete measures and effective systems for conducting business for their responsible departments within their responsibilities.
- (4) Quarterly management review of the Annual Plan
 - i. The executive officer in charge of the Corporate Strategy Department shall carry out a quarterly internal review of the Annual Plan and report the results to the Board of Directors.
 - ii. The President shall reexamine or set the concrete measures to be taken in individual departments or improve the work systems in the departments based on the results in i) above.
- (5) Appointment of a Chief Information Officer
The President shall appoint a Chief Information Officer responsible for general operations in order to optimize JHF business processes and system structures.

5. Internal audit system to ensure appropriate business operations

- (1) Establishment of a department in charge of internal audit
The President shall establish a direct internal audit department that is independent of other departments.
- (2) Implementation of internal audit
The internal audit department shall implement such audit based on related rules and regulations, and report the results to the President.

6. System for the employees assigned to assist Auditor Generals and their independence from the President

- (1) Assistant Auditor Generals
Assistant Auditor Generals will be assigned to support auditory work exclusively.
- (2) Independence of employees assisting Auditor Generals
 - i. Auditor Generals shall be consulted in advance regarding personnel transfers of their assistants.
 - ii. Auditor Generals shall be consulted in advance regarding the consideration of disciplinary action against their assistants.

7. Systems for executives and employees to report to Auditor Generals

- (1) Establish guidelines for auditing inspections
 - i. In order to ensure a smooth audit, executives and employees shall promptly cooperate with Auditor Generals or their assistant when asked to provide the necessary explanations or materials based on auditing inspection guidelines.
 - ii. Auditor Generals shall be able to attend Board Meetings or other important committees to make a suggestion.
 - iii. Executives and employees shall circulate to Auditor Generals any important documents or materials stipulated in the auditing guidelines.
- (2) Reports to Auditor Generals
Auditor Generals shall be immediately informed when an employee has violated the law or caused an incident that significantly affects business operations or is the subject of whistle blowing from either internal or external sources.

8. Other systems to ensure effective audits

- (1) Opinion exchanges between the President and Auditor Generals
Auditor Generals can exchange opinions with the President at any time.
- (2) Coordination with other auditing organizations
 - i. Auditor Generals will coordinate closely with the internal audit department in order to make use of those department's internal audits as well as request explanations and reports from the internal department.
 - ii. Auditor Generals will coordinate closely with accounting auditors and actively exchange information as well as request explanations and reports on auditing plans, systems, methods and results from accounting auditors.

9. Establishment of a PDCA cycle in internal control

- (1) The director in charge of the management and planning department shall check on internal control every quarter and report the results.
- (2) Based on the results in (1), the President shall improve the structure on internal control and review the fundamental policy on internal control if necessary.

Compliance

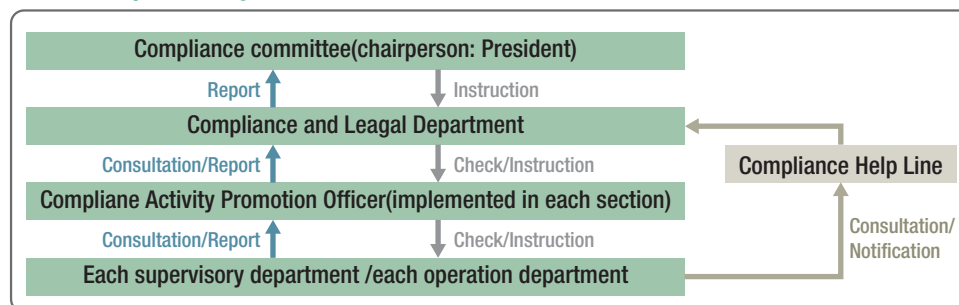
Arrangements for compliance

In order to reliably implement compliance, JHF has set up the Compliance Committee (chairperson is President) comprising of all directors and managers of departments involved in discussing and deciding important matters related to compliance. In addition, the Compliance and Legal Department has been established as the department managing compliance, along with which, in managing the promotion of activities for compliance in each department, a person responsible for compliance is assigned for every department.

Furthermore, in order to prevent violating compliance in JHF in advance, a compliance help line has been set up in and outside the Compliance and Legal Department.

In June 2011, an employee was indicted on a bribery charge. JHF has taken this case seriously and established a committee including outside experts to identify the causes and prevent such a scandal from recurring. Officials and employees will work together to take measures to prevent recurrence to recover trust from the public.

<JHF Compliance System>



JHF provides all executive and staff members with a pocket-size edition of its compliance manual. It will serve to guide them when they look back on actions on their jobs, or when they have difficulty making decisions.

Fostering awareness of compliance

JHF has established the Compliance Charter as a basic principle of compliance. JHF is also making every effort to enhance awareness of compliance among staff; we have developed a compliance manual incorporating the laws, regulations, rules and social requirements pertaining to compliance to be shared by all executives and employees, and set annual compliance programs.

The compliance programs in FY 2011 included newly-set preventive measures against a scandal by employees (specific measures involving strict enforcement of compliance, control of mode of business activities, personnel management and information management) as efforts to be made by all employees. The programs also included agency-wide e-learning, compliance meetings in individual operational units (where interactive opinion exchange is conducted based on compliance topics) and the provision of compliance-related information through the in-house LAN, as well as interactive training using the case method. These educational programs help employees understand compliance and think and act based on their understanding. In addition, JHF monitors the implementation of compliance programs on a quarterly basis to steadily promote and establish compliance activities, examines such programs at the Compliance Committee and undertakes necessary revisions while consulting with outside experts. These efforts are steadily made based on the PDCA cycle.

The Compliance Charter

1. We will comply with laws, rules and regulations as well as social norms, and attempt to undertake all jobs properly in a bid to ensure public confidence.
 - (1) Compliance with applicable laws, rules and regulations as well as socially established good standards of behavior
 - (2) Disclosure of information with willingness and impartiality
 - (3) Protection of information in a manner that prevents any leakage
 - (4) Confrontation against any anti-social parties
2. We will do our utmost to pursue customer confidence and satisfaction.
 - (1) Extending comprehensive housing loan services
 - (2) Providing information required to improve the housing environment
 - (3) Explaining matters to customers until they are satisfied
 - (4) Responding to customers in good faith
3. We will respect the personality of each and every executive and staff member and endeavor to secure workplace where he or she can comfortably work.
 - (1) Respect for the personality and character of each individual
 - (2) Set up of a workplace that can facilitate day-to-day jobs

Responses to Anti-social Forces

JHF has established a basic policy to eliminate any relationships with anti-social forces such as organized crime syndicates, developed a manual for dealing with such anti-social forces, and coordinates with police and related organizations on such matters.

JHF basic policy for dealing with anti-social forces is posted on our website.

(URL) http://www.jhf.go.jp/about/kikou/governance_compliance.html

Customer Protection

Customer Support and Explanations

● Customer Support

JHF has undertaken the followings in order to appropriately respond to consultations and complaints from customers:

- Created a customer support manual
- Assignment of a chief customer support manager and customer support operators
- Monitors and periodically evaluates customer support activities
- Training of customer support personnel
- Established a system for reporting complaints at the financial institutions handling JHF products

● Explanations to Customers

JHF has undertaken the followings in order to provide adequate explanation of our products to customers:

- Created explanatory materials and a manual on how to provide explanations to customers
- Assigned a chief customer explanation manager and a customer explanation administrator
- Monitoring and periodic evaluations of customer explanation activities

Privacy Policy

Recognizing the importance of protecting and adequately managing individuals' information in a highly-networked information society, JHF is aggressively and honestly making a commitment to comply with the Law on Protection of Personal Information Held by Incorporated Administrative Agencies (Law No. 59 of 2003) and other regulations as well as protect individuals' rights and welfare according to the privacy policy as follows:

● Appropriate acquisition of personal information

JHF appropriately acquires information related to customers without using unfair means or by fraud.

● Purpose of using personal information

JHF does not use any personal information in its possession beyond its stated purpose and limited to applications necessary for business operations.

● Measures for security control

JHF takes necessary measures for appropriate management of personal information in its possession, including the prevention of their leakage, loss or damage.

● Duties of directors and employees

Those who are mentioned in (1) and (2) below shall not tell others about any matters regarding personal information gained through the operation of JHF without permission, nor use such information for unreasonable purposes.

- (1) Directors and employees of JHF or those who have engaged in such work.
- (2) Those who are or have been engaged in handling personal information under contract with JHF

● Selecting and supervising consignees

When JHF contracts out all or part of the operations handling personal information, it develops criteria for judging whether consignees take adequate measures and the system was organized to ensure the security of personal information, and contracts out the consignees who meet the criteria. JHF also supervises the consignees if they are abiding by the consignment contract.

● Restriction of provision of personal information to the third parties

JHF does not provide private information to third parties except in specific cases.

● Developing and disclosing the private information file registry

For the private information JHF has on file, a private information file registry is developed according to the provisions of the Law on Protection of Personal Information Held by Incorporated

● Disclosure, revision and stopping the use of private information

When a request is made to disclose, revise or stop the use of private information JHF possesses, JHF responds promptly unless there are particular reasons to do otherwise, after confirming that the person who made the requests is identical to our customer.

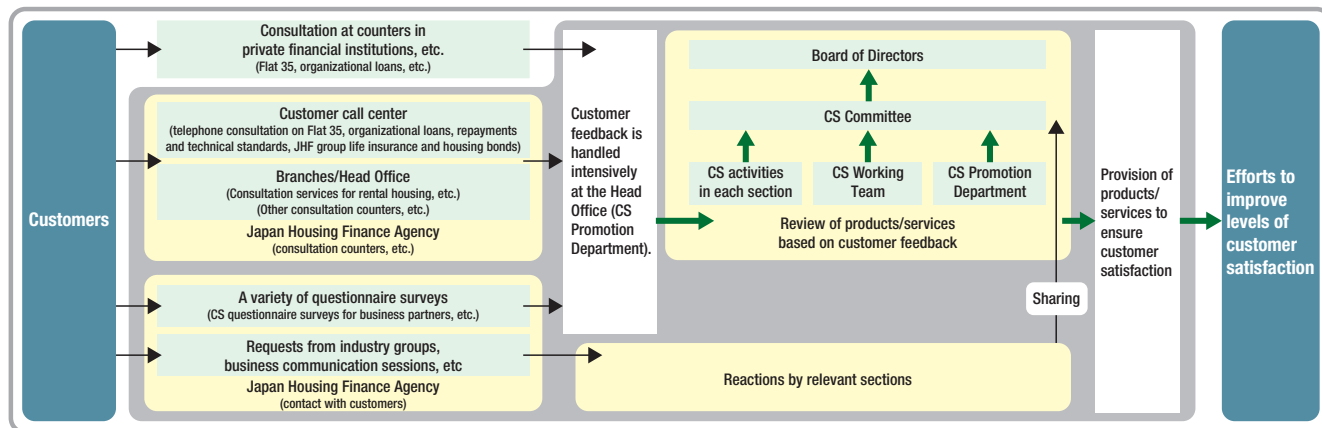
CS Promotion

CS promotion system

In an effort to promote customer satisfaction (CS), JHF runs a CS committee, made up of executives and relevant managers, as well as a CS working group, represented by young members engaged in CS activities across sectional boundaries. Further, it appoints a person in charge of CS activities in each section.

Feedback from customers collected through telephone counseling is analyzed intensively at the CS Promotion Department before being answered by the relevant section or reflected in service improvements and product development. CS promotion is implemented to provide products and services that ensure customer satisfaction.

<CS promotion system>



“Cases of improvement in response to customer feedback” are available on our website

機構について	お客様の声を踏まえた改善事例
<ul style="list-style-type: none"> ご挨拶 機構の概要 組織図 経営理念・経営方針 中期目標・中期計画等 コーポレートガバナンス CS向上への取組 <ul style="list-style-type: none"> CS行動指針 CS推進体制 お客様の声を踏まえた改善事例 業務方法書 住宅金融支援機構法 機構説明パンフレット 	<p>2012年6月29日現在</p> <p>目次</p> <ul style="list-style-type: none"> 商品・サービスの改善事例 パンフレット・ホームページの改善事例 <p>お客様からいただいた貴重なご意見・ご要望をもとに、住宅金融支援機構では様々な改善に取り組んでいます。その一例をご紹介します。</p> <p>商品・サービスの改善事例</p> <p>お客様の声</p> <p>自分の残高をインターネット上でいつでも確認したり、繰上返済のシミュレーションをしたい。</p> <p>改善しました</p> <p>平成22年11月から、当機構の融資（賃貸住宅融資等以外）及び【フラット35】をご利用の方向けに、インターネット上で残高の確認や繰上返済シミュレーションができるサービス「住・My Note」を始めました。</p> <p>「住・My Note」（すまいのーと）は、こちらをご覧ください。</p> <p>(2011年2月掲載)</p>

CS action guidelines

JHF establishes and implements CS action guidelines for CS advancement as a code of conduct for each individual.

We aim to make JHF an organization that is appreciated by all its customers, and act in an attempt to win their confidence and satisfaction.

We offer financial products and services that best suit each individual customer need.

We provide comprehensive explanations to our customers so that they are completely satisfied.

We respond to our customer promptly in good faith, taking all their voices gratefully.

We always ask ourselves what we can do for our customers and act on it.

Efforts toward CS improvements

● Implementation of CS questionnaire surveys

In addition to customer feedback collected through telephone consultation, JHF conducts CS questionnaire surveys of private financial/inspection institutions to which JHF contracts out operations to collect comments and requests on JHF's services, employees' manners, etc.

The results of CS questionnaire surveys are shared with all employees through CS training and feedback to related departments, and measures are taken to resolve the matters of which many customers complain.

For example, when we receive feedback that a work manual or document is difficult to understand, we set up a review committee with accredited private financial institutions to consider revisions and hold a “Plain language strengthening month” throughout JHF so that we can increase satisfaction among our business partners.

Risk Management

In order to properly manage business and gain the understanding and trust of the general public, JHF is maintaining its system that manages various risks that arise in day-to-day business.

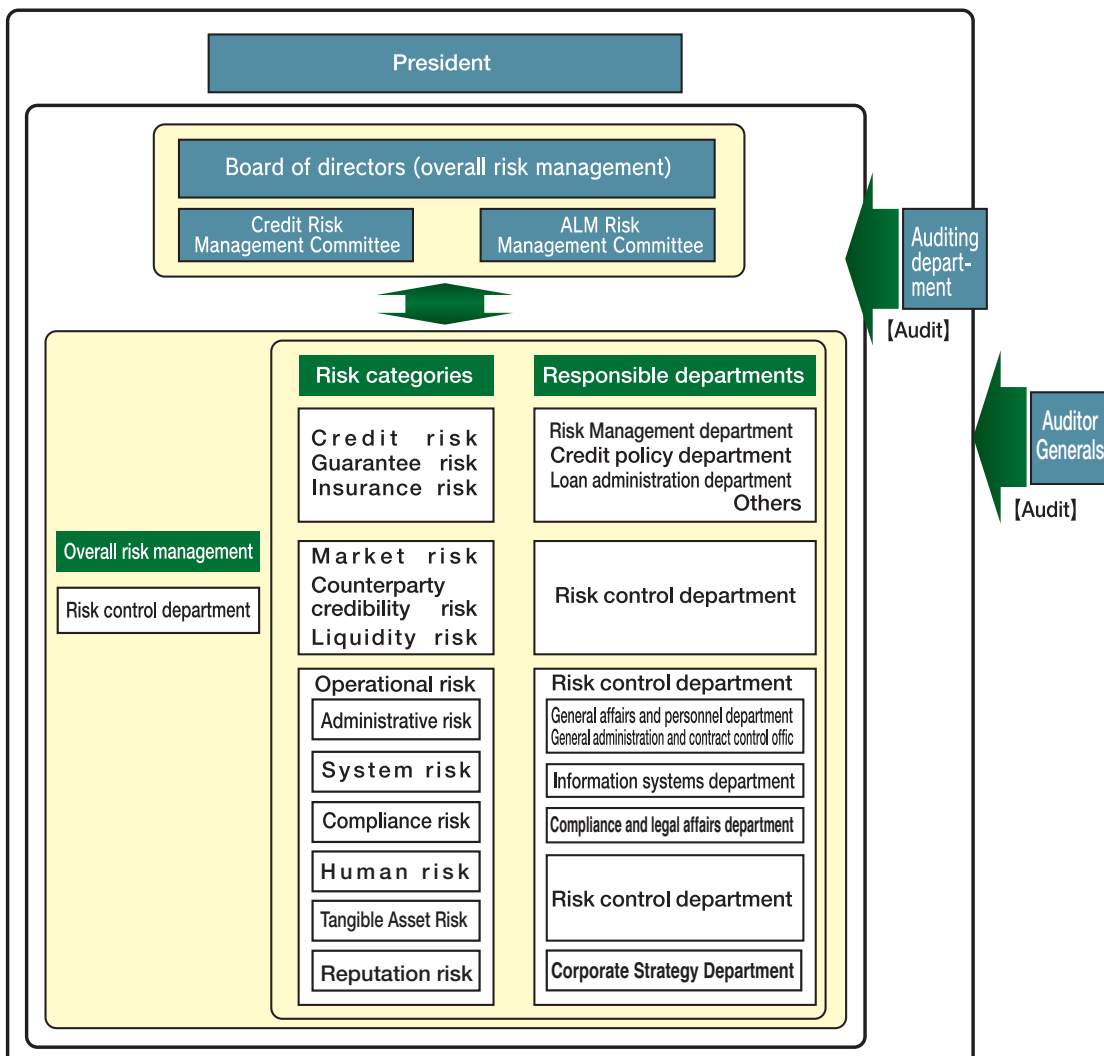
Toward this end, JHF has set up and implemented the Risk Management Manual and the Risk Management Implementing Procedures. The manual stipulates the purpose of risk management, identified and defines individual risks, specifies the risk management framework and methods, and mandates risk management auditing. The implementing procedures spell out specific methods applicable to the management of individual risks.

To achieve these efforts the manual and the procedures require JHF to manage those risks based on an in-depth understanding of their properties. JHF is also required to manage all risks comprehensively by keeping them under total evaluation in relation to its business and nature.

Risk management system

JHF classifies risks into seven categories: credit risks, guarantee risks, insurance risks, market risks, counterparty credibility risks, liquidity risks, and operational risks. In the event of a notable change in the economy, JHF may define new categories of risks that should be managed in addition to those in the conventional categories. To manage these risks both in quantity and in quality, JHF has appointed an executive and a department to deal with each category of risks, and runs a committee to support them. For example, the credit risk management committee examines credit risks, guarantee risks and insurance risks. In parallel, the ALM risk management committee deals with market risks, counterparty credibility risks and liquidity risks. Each committee monitors risks in its territory and discusses plans and proposals concerning the management of those risks. JHF holds a specific executive and department responsible for the total management of all categories of risks. The executive and department follow and evaluate the assessment and management of individual risks and report to the board of executives regularly.

〈Risk management flow〉



Credit risk

This is a risk that can cause losses to JHF with JHF held asset values depreciating or vanishing due to a decline in the credibility of debtors. Long-term housing loans account for a large part of JHF assets. JHF recognizes that buying debts or extending credit can affect its business negatively in the long term. To avoid such risks, JHF checks, analyzes and manages credit risks when it buys debts or extend credit, and when it manage debts owed to it.

● Examination of actual and potential debtors

JHF examines debtors when it considers buying their debts and scrutinizes potential debtors when it plans to extend credit, in accordance with the internal checking criteria and procedures.

● Internal asset auditing

JHF manages credit risks resulting from credit it has extended and discloses balance sheets according to the government accounting criteria. Against this backdrop, JHF audits its assets based on its self-audit procedures that comply with the Finance Inspection Manual of the Financial Services Agency. JHF classifies its assets in accordance with the possibility of loans ending up unpaid and of property values falling. It subsequently calculates necessary reserves for non-performing loans by using an expected loss ratio based on past records.

● Credit extension portfolio management

JHF evaluates the overall risk resulting from all debts owed to it and locates individual risks accurately. To this end, it monitors the debts by what it calls the credit extension portfolio management system. Starting with its findings, JHF analyzes housing loan statistics, estimates probable losses in the future, and rethinks required credit risk premiums. To strengthen its management of credit risk, JHF explores ways to quantify the overall risk in the credit extension portfolio management system.

Guarantee risk

Guarantee risk is a risk that can cause unexpected losses to JHF since the occurrence of guarantee accidents goes beyond expectations that constitutes the basis of the calculation of guarantee fees. JHF extends guarantees for debts as part of its assistance with the securitization of debts. When doing so, however, JHF examines applications meticulously in an attempt to grasp, analyze and manage the overall guarantee risk.

Insurance risk

Insurance risk is a risk that can cause unexpected losses to JHF when the occurrence of insurance accidents goes beyond expectations that constitutes the basis of the calculation of insurance premium. JHF extends mortgage insurance against non-performing housing loans to financial institutions.

When underwriting, JHF conducts proper screening. JHF also utilizes credit portfolio management system for monitoring the performance of underwritten mortgages and examines adequate reserves through future income/cost analysis.

Market risk

Market risk is a risk that can cause losses to JHF due to financial ups and downs attributable to fluctuations in interest rates and other volatile factors. Since housing loans are its major assets, JHF is faced with prepayment risk and refunding risk.

● Prepayment risk

Prepayment risk is a risk that can reduce revenues from loan repayment interest rates due to an increase in repayments prior to deadlines. This can happen when interest rates are cut. JHF estimates an increase in repayments based on established prepayment models, securitizes the debts, and issues bonds spanning varying periods.

● Refunding risk

Refunding risk is a risk that can reduce revenues from loan repayment interest rates due to an increase in rates on borrowings. JHF manages ALM risks by using of interest rate models to estimate the cash flow of assets and liabilities in consideration of future interest rate changes, measuring the periodic profits and losses generated by the aforementioned cash flows and periodic monitoring of duration and other risk indexes

Reference

The following is the duration of securitization assistance accounts and outstanding credit management accounts as of the end of FY 2011.

- Securitization assistance accounts: (assets) 7.68 years and (liabilities) 7.33 years
- Outstanding credit management accounts: (assets) 5.75 years and (liabilities) 4.54 years

● Pipeline risk

Pipeline risk is a risk that can change profits and losses due to a shift in interest rates between the buying of housing loans and the issuing of bonds. JHF executes interest rate swaps that are limited to the purpose of hedging pipeline risks in its Securitization Business and loan origination businesses.

Counterparty credibility risk

Counterparty credibility risk is a risk that can cause losses to JHF when asset values of a counterparty, in which JHF invests excess money, drop or are lost. This can happen when the party runs into financial difficulties. With regard to the investing of excess money into government bonds, municipal bonds and government guaranteed bonds, JHF establishes a guideline regarding the credit risk management of each issuer. JHF also establishes a counterparty risk management method for uses of interest rate swap transactions with financial institutions and monitors those transactions.

Liquidity risk

Liquidity risk is a risk that can cause losses to JHF due to uncertain liquidity of funds. This happens when JHF cannot secure funds because of financial difficulties, or when it is compelled to pay interest at far higher rates than usual simply to secure funds. For managing liquidity risk, JHF has established a floor for liquid asset holdings, and the standards are applied on a daily basis to ensure stable cash management. In addition, in accordance with the degree of liquidity squeeze, we have set three classifications (Normal, Watch, and Crisis) and developed a response measure for the Watch and Crisis situations.

Furthermore, to establish borrowing facilities and other emergency measures to ensure our ability to finance, JHF has stipulated a contingency funding plan to respond to situations that would expose us to liquidity risk.

Operational risk

Operational risk is a risk that can cause losses to JHF due to improper business processes, misconduct of any executive or employee, a faulty information system and/or exogenous events, and includes administrative risk, system risk, legal risk, human risk, tangible asset risk and reputation risk. JHF is working to collect realized risk events to understand the circumstances causing such risk events, analyzes the causes to formulate countermeasures, self-evaluate potential risk and control method to deter its emergence, and implements Risk & Control Self-Assessment (self-assessment of risk inherent in operation and control against the risk for better operation), thereby strengthening the management system against operational risk.

[Definitions and Management Methods for Core Operational Risks]

● Administrative risk

Administrative risk is a risk that can cause losses to JHF when any executive or staff member fails to do his job as expected, causes an accident, or commits wrongdoing.

To reduce the risk, JHF is revising its office work manual, improving office work, enhancing crosschecking between staff members, and educating them about better office work. Other efforts include organizing training sessions for staff members, encouraging voluntary inspections of office work, collecting and analyzing information on mistaken office work, and setting up countermeasures.

Further, by discussing such efforts in JHF's office work monitoring committee, it attempts to secure proper office work handling.

advertisements it plans to post. All these efforts aim to decrease compliance risk. The same department provides the executives with information on the enforcement and abolishment of the law and regulations, and court decisions that can affect JHF business. This course of action aims to prevent anyone in JHF from violating any law, rules and regulations.

● System risk

System risk is a risk that can cause losses to JHF due to a failure, malfunction, defect or misuse of the information system. JHF classifies system risk according to the degree of significance and evaluates each category to set up preventative measures. It also explores a more secure system based on the information security regulations, checks and analyzes system failures and gets countermeasures into action. In preparation for serious failures, JHF enforces the crisis control manual, runs a backup center and organizes accident response drills.

● Compliance risk

Compliance risk is a risk that can cause losses to JHF due to unlawful acts, inappropriate contracts, and uncertainty of legal matters related to business deals. JHF strengthens internal regulations, scrutinizes draft contracts, and gets the legal affairs department to check the contents of all advertisements it plans to post. All these efforts aim to decrease compliance risk. The same department provides the executives with information on the enforcement and abolishment of the law and regulations, and court decisions that can affect JHF business. This course of action aims to prevent anyone in JHF from violating any law, rules and regulations.

Business Continuity Plan

JHF formulated its Business Continuity Plan in FY 2008 to ensure the following matters by continuing business operations under any circumstance such as a massive disaster or a new flu epidemic.

To minimize damage to JHF-related businesses

To prevent reduction in customer service

To improve the creditworthiness of JHFB

We will continuously improve the plan by reviewing it based on training in ordinary times and the experience in the Great East Japan Earthquake.

《Outline of JHF Business Continuity Plan》

[Basic policies]

JHF continues the operations outlined below while ensuring the safety of the lives of visitors, executives, employees and other people and preventing a secondary disaster, such as fires caused by an earthquake.

- Business whose suspension will cause a detrimental effect throughout the organization (system maintenance and operations activities)
- Business whose suspension results in delays of legal or contractual obligations (treasury management, disbursement and settlement systems, etc.)
- Business whose suspension will cause adverse impact on the financial position of JHF or its counterparties (Issuance of MBS and Straight Bond)
- Business whose suspension will have a material effect on customers or persons related to the work of JHF (call center, origination, outstanding mortgage management business, etc.)

[Priority operations that should be continued]

JHF headquarters is located in Metropolitan Tokyo. Should a major-scale disaster occur in this region, disaster headquarters headed by the President will be quickly established.

The disaster headquarters shall immediately determine policies for the deployment of human and physical resources and operational management to continue or restore priority operations.

In addition, when a major-scale disaster occurs outside Metropolitan Tokyo, a disaster victim headquarters will be established that focuses on providing loans for disaster mitigation in support of those in the disaster-affected area.

[Execution framework for business continuity]

In order for all member of JHF to share the importance of business continuity and make such recognition embedded in daily operation, JHF conducts training for employees and executives, training for disaster headquarter establishment and management, and training for operations that should be sustained after a major disaster.

[Measures against Infectious Diseases such as New Types of Influenza]

JHF strived to provide employees with additional information during the pandemic of New Types of Influenza in 2009 to prevent their infection and contagion. When an employee was found to have contracted New Types of Influenza, they were instructed to refrain from coming to work to prevent contagion.

Should another infectious disease outbreak threaten to affect business continuity, to prevent deterioration of our service to customers, JHF will establish an Infection Measures Prevention Headquarters and introduce policies on providing human and physical resources, and strive to their implementations.

Disclosure

JHF accepts requests for information disclosure under the Law on Protection of Personal Information Held by Incorporated Administrative Agencies (Law No. 140 of 2001) at the window of the information disclosure and private information protection set at the Headquarters and branches across Japan. In compliance with the purpose of that law, JHF is making a further commitment to the promotion of disclosure. In order to obtain the understanding of the people, JHF discloses the details of its business, financial status, etc., as follows:

(The above materials)

Materials	Place and manner of disclosure	Time of disclosure (scheduled)
Financial statements (statements of assets and liabilities, statements of profits and losses, documents on the dealing of profits and losses, documents on the calculation of cash flow, documents on the calculation of administrative service costs and relevant appendixes) [Documents concerning the Housing Loan Agency] Financial statements (income statement, balance sheet, inventory) Accompanying detailed statements Financial statements of administrative cost account (administrative cost account, balance sheet on GAAP base, income statement on GAAP base, cash flow statement, statement of appropriation of retained earning on GAAP base, accompanying detailed statements)	<ul style="list-style-type: none"> Published in the Official Gazette Always prepared at each branch (*) 	July August
Report of settlements of accounts	<ul style="list-style-type: none"> Always prepared at each branch (*) 	August
Comments of the auditor and accounting auditor on the financial statements and final accounts reports [Documents concerning the Housing Loan Agency] Comments of the auditor on the financial statements and final accounts reports	<ul style="list-style-type: none"> Always prepared at each branch (*) 	August
Report on activities [Documents concerning the Housing Loan Agency] Report on activities	<ul style="list-style-type: none"> Always prepared at each branch (*) 	August
Business report	<ul style="list-style-type: none"> Always prepared at each branch 	August
Disclosure booklet (this document)	<ul style="list-style-type: none"> Always prepared at each branch 	August
Criteria for the payment of salaries and retirement benefits for directors and employees	<ul style="list-style-type: none"> Always prepared at each branch 	At every revision (modification)
Rules concerning the style of contracts	<ul style="list-style-type: none"> Always prepared at each branch 	At every revision (modification)
Method of calculating usage fees, commissions and other charges collected when applicable by law	<ul style="list-style-type: none"> Always prepared at each branch 	At every revision (modification)
Report on the evaluation of business	<ul style="list-style-type: none"> Always prepared at each branch 	September
Report on the evaluation of policies	<ul style="list-style-type: none"> Always prepared at each branch 	—
Report on the latest audit by the Board of Audit	<ul style="list-style-type: none"> Always prepared at each branch 	December
Issues related to associated organizations (what is stipulated in item 3, paragraph 1, article 22 of the law (Law Concerning Disclosure of Information Owned by Independent Organizations, Law No. 140 of 2001), the names of organizations, activities and relation with JHF, and significant business transactions with JHF, and the names and titles of the person who serve both JHF and any such agency as executives)	<ul style="list-style-type: none"> Always prepared at each branch 	August
Personal data file	<ul style="list-style-type: none"> Always prepared at each branch 	At every revision (modification)
Details of business, performance, outline of organization, state of finance, etc.	<ul style="list-style-type: none"> Website (http://www.jhf.go.jp) 	At every revision (modification)

The above materials are also available on JHF website.
(Only in Japanese)



Website

Documents marked with (*) are compiled into single-volume booklets that go on sale at bookstores (with the exclusion of documents concerning the calculation of GHLC administrative cost, the GHLC final accounts reports, and the statements of auditors on such reports).



Window of the information disclosure and private information protection (Head Office)

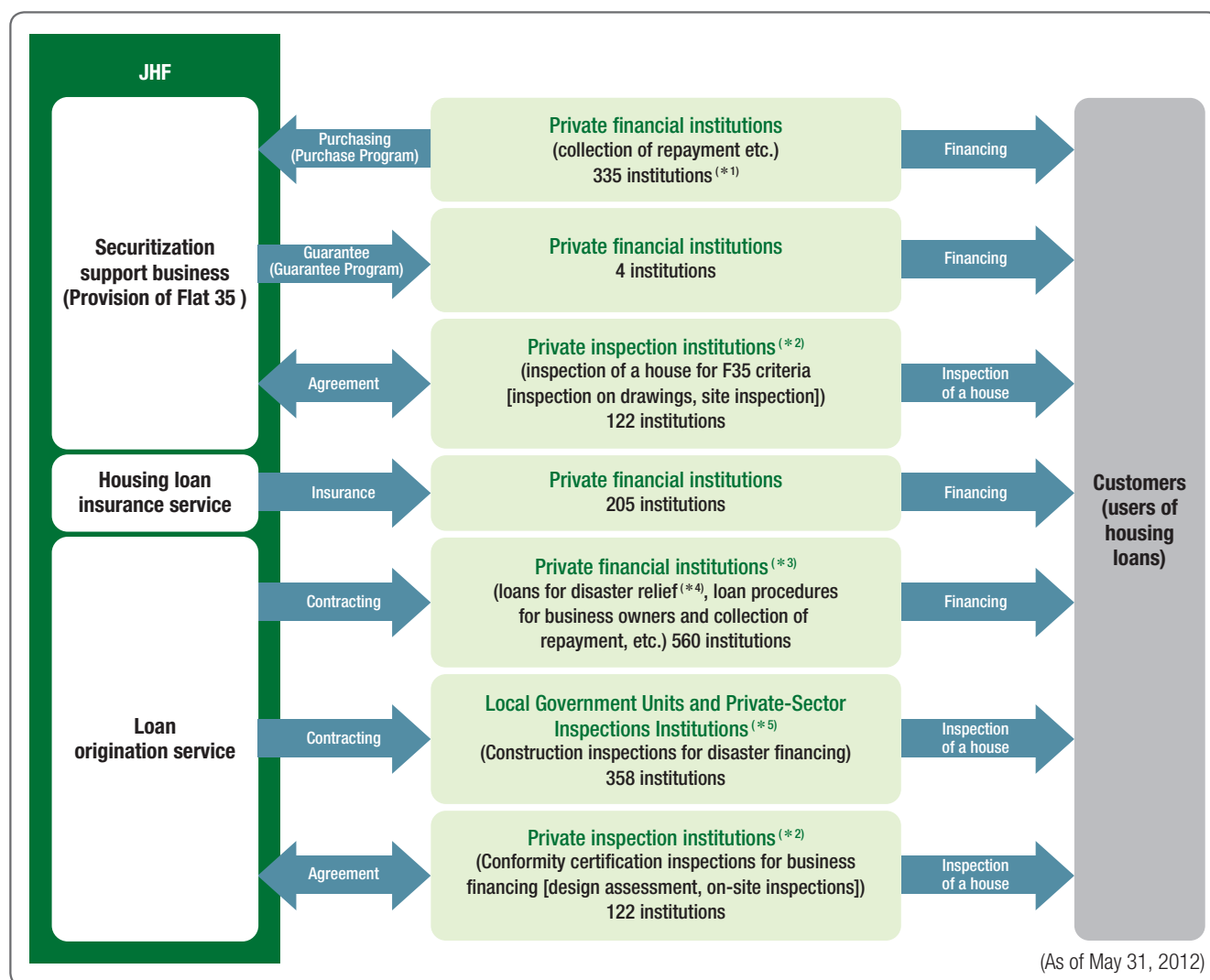
Details and Features of Line of Business

Business Summary

Business operation is efficiently performed through a network of related organizations.

By contracting out some operations to private financial institutions, private inspection institutions, local government units, etc., JHF efficiently carries out business operations.

〈Business Summary〉



* 1 Excludes two institutions to which JHF outsources only the collection of loan payments related to Securitization Business and from which JHF does not purchase housing loans. We contract with one non-financial institution regarding the foreclosure procedure on defaulted borrowers.

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

* 3 We contract out the recovery of credits having forfeited the benefit of time to 3 companies besides private financial institutions.

* 4 Applications for loans for disaster mitigation and loans for disaster mitigation concerning the Great East Japan Earthquake have been entrusted to 128 institutions as of May 31, 2012.

* 5 Refers to designated construction inspection institutions that have agreements with JHF and registered housing performance evaluation institutions.

Funding

MBS (mortgage backed securities) are the major funding sources.

JHF raises funds for securitization and other operations from the capital market mainly through the issuance of MBS (mortgage backed securities).

The use of loans from the Government of Japan is limited to the funds for loans for disaster mitigation, for which emergency measures should be taken.

Purchased loans, etc.

	Result for FY 2011	Budget for FY 2012
Total (Purchased loans) (Loans)	3,164.6 billion yen (2,882 billion yen) (282.6 billion yen)	2,730.6 billion yen (2,224 billion yen) (506.6 billion yen)

Sources of Funding

	Result for FY 2011	Budget for FY 2012
Total of funds raised	3,164.6 billion yen	2,730.6 billion yen

● Self-raised

	Result for FY 2011	Budget for FY 2012
JHF bonds (Mortgage backed securities) (General collateral bonds) (Condominium repair program)	2,829 billion yen (2,370.9 billion yen) (402 billion yen) (56.2 billion yen)	2,346 billion yen (1,710 billion yen) (523.3 billion yen) (112.7 billion yen)
JHF property accumulation savings scheme-tied housing bonds	53.7 billion yen	91.3 billion yen
JHF saving bonds for acquiring houses and house sites	34.8 billion yen	30.9 billion yen
Borrowings from private institutions	122.2 billion yen	118.5 billion yen

● Fiscal Investment and Loan Program

	Result for FY 2011	Budget for FY 2012
Borrowing from Fiscal Investment and Loan Program	16.8 billion yen	300 billion yen

● Subsidies, etc.

	Result for FY 2011	Budget for FY 2012
Income from subsidies, etc.	321.8 billion yen	114.6 billion yen

● Others

	Result for FY 2011	Budget for FY 2012
Collection of repayments for loans and purchased loans	4,672.9 billion yen	3,914.2 billion yen
Redemption from the borrowers	△4,886.6 billion yen	△ 4,184.8 billion yen

(Note 1) For FY 2011, 51.9 billion yen in capital was paid to the national treasury and 1.1 billion yen was returned to the national treasury.

(Note 2) For FY 2012, 36.4 billion yen in capital will be returned to the national treasury although the figure is not budgeted.

Securitization Support Business (Provision of Flat 35)

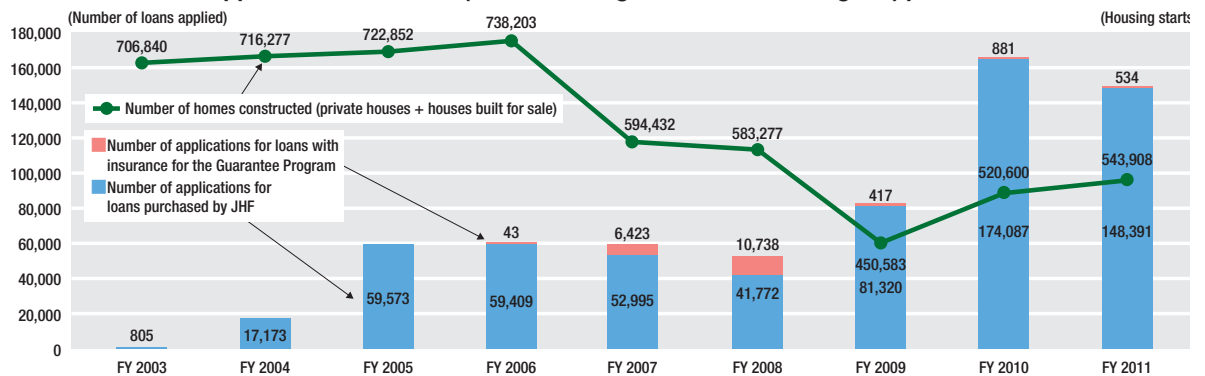
Support for private financial institutions to provide long-term fixed-rate housing loans

JHF has implemented securitization business for private financial institutions to provide long-term fixed-rate housing loans, for which there is a persistent demand from people. Housing loans provided through securitization business are collectively referred to as Flat 35.

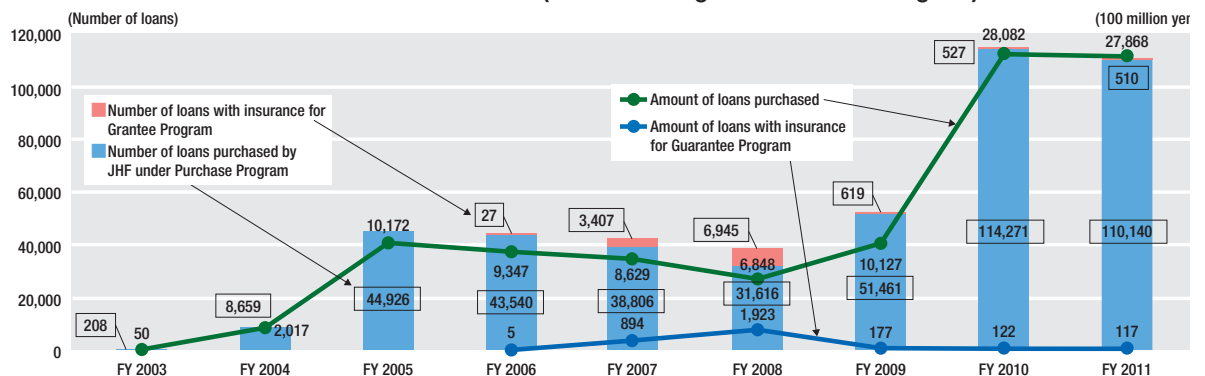
There are two types of program for JHF's securitization business: Purchase Program and Guarantee Program. Both Purchase Program and Guarantee Program are eligible for "Flat 35S," a support scheme in which lower interest rates are applied for a certain period for customers who purchase high-quality housing in terms of energy saving and the like.

Changes in the numbers of Flat 35 (Purchase Program/Guarantee Program) purchased (insured) and their amounts of money

● Changes in the numbers of applications for Flat 35 (Purchase Program/Guarantee Program) purchased and insured



● Number of loans and amount of disbursements for Flat 35 (Purchase Program/Guarantee Program)



"Flat 35" Product Information Website

Information about "Flat 35" products, including interest rate, financial institutions that provide "Flat 35" products, application procedures, etc. is available on the "Flat 35" website, www.flat35.com. (Annual access figure for FY 2011: 55.05 million)



Securitization Support Business (Purchase Program) Flat 35

Flat 35 (Purchase Program) is a long-term fixed-rate mortgage provided through collaboration between private financial institutions and JHF. The program started in October 2003. Also provided under the same Program is Flat 50, which allows a maximum 50-year repayment period for houses certified as long-life high-quality (durable). Refinancing* of outstanding housing loans is also possible under the same Program.

* Refinancing applies to Guarantee Program as well.

● Features of Flat 35 (Purchase Program)

Safe because interest rate is fixed to maturity

The borrowing rate and the amount repaid is fixed to maturity when the loan is closed.

No guarantee fee and no prepayment penalties

There is no guarantee fee that is usually required for housing loans. No guarantor is required, either. In addition, no fee is required for prepayment and modification of repayment conditions during the repayment period.

JHF's technical criteria to support housing

Houses shall be inspected based on technical criteria set by JHF for thermal insulation, durability and the like, and JHF confirms a certificate issued based on the Building Standards Act for new housing.

(Refer to p. 33 for housing inspection (technical assessment))

Support to provide security during the repayment period

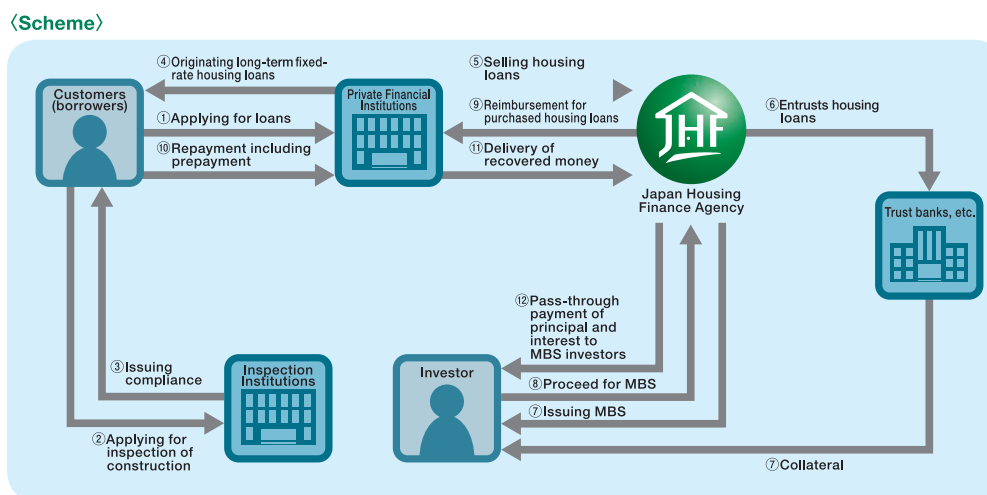
JHF provides consultations for customers experiencing difficulties in repaying their loans, and proposes options for modifying repayment terms and conditions depending on their circumstances. JHF also provides its group credit life insurance as well as group credit life insurance for three major diseases.

(Refer to p. 32 for group credit life insurance)

● Scheme of Flat 35 (Purchase Program)

JHF purchases housing loans from private financial institutions and entrusts them to trust banks, etc. JHF issues MBS backed by this collateral and raises funds for housing loans from the bond market (i.e., from investors). (See the figure below). Using this system, private financial institutions can provide long-term fixed-rate housing loans. Such housing loans must meet certain underwriting criteria set by JHF, and are transferred to JHF from private institutions when they are disbursed.

The interest rate on these loans is decided by individual private institutions based on the coupon on MBS, etc.



● Institutions participating in the securitization business (Purchase Program)

A total of 335 institutions participate in securitization business (Purchase Program), including city banks (5), trust banks (1), regional banks (64), other regional banks (39), cooperative banks (161), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (9) and insurance companies/mortgage banks/other banks (25). The figures in the brackets indicate the numbers of participating institutions (As of May 31, 2012).

Securitization Support Business (Guarantee Program) Flat 35

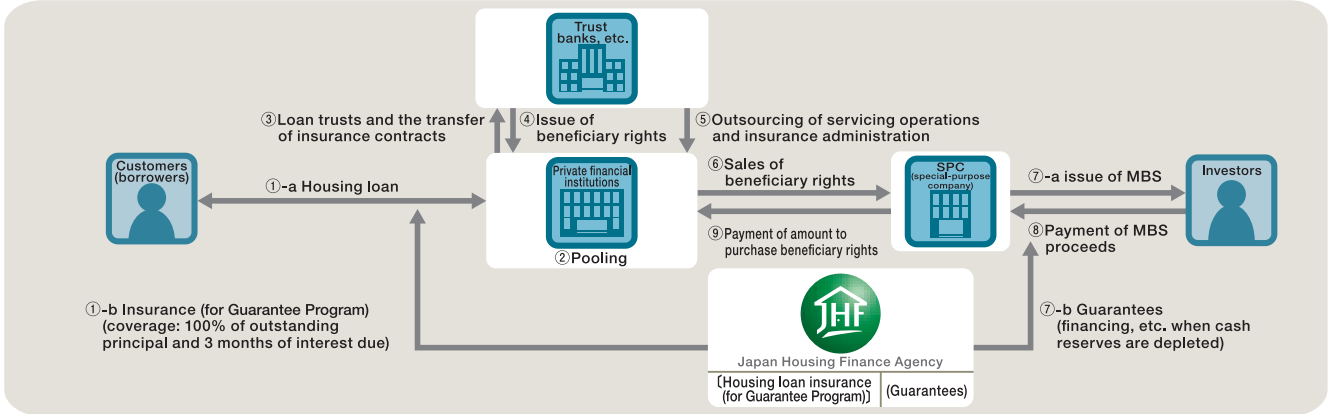
Flat 35 (Guarantee Program) is a long-term fixed-rate housing loans originated and securitized by private financial institutions. JHF provides credit enforcement by guaranteeing timely payment on such MBS and so on. This program started in October 2004.

● Scheme of Flat 35 (Guarantee Program)

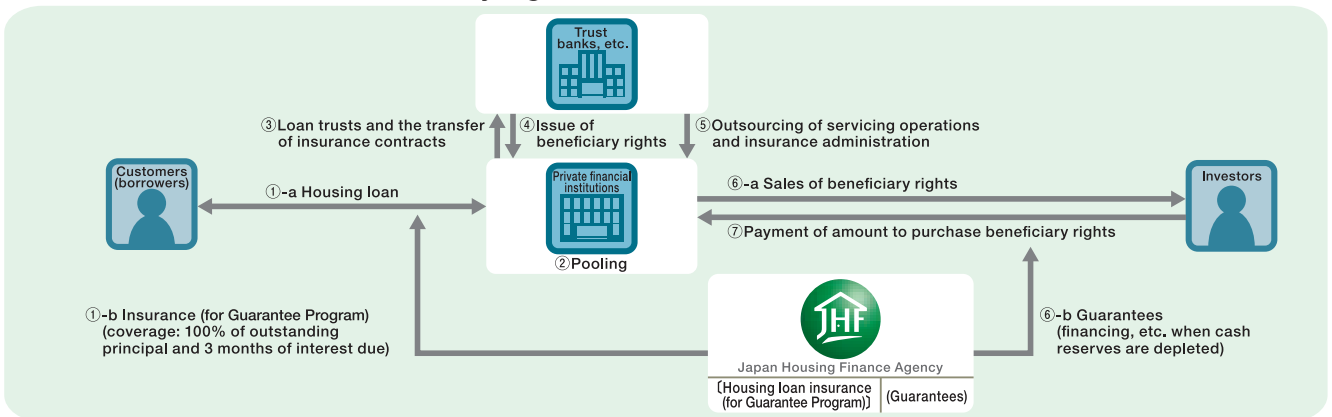
JHF will underwrite housing loan insurance (for Guarantee Program) for housing loans with long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by collateral for the housing loans (see figure below).

◀Scheme▶

■ Cases in which a trust or special-purpose company are involved



■ Cases in which trust beneficiary rights are sold to an investor



● Criteria for housing loans provided by accredited institutions

With regard to housing loans provided through the use of securitization (Guarantee Program) (Flat 35 (Guarantee Program)), since financial institutions themselves structure MBS, various products are available through the originality and ingenuity of these institutions.

Criteria for approving applications for Flat 35 (Guarantee Program) (* 1)

- (1) The loan is necessary for the construction/purchase of a house for the applicant and/or relatives.
- (2) The house in question satisfies the technical requirements specified by JHF.
- (3) The cost of housing construction, including the cost of purchasing the land, or the cost of purchasing the house and land is 100 million yen or less (including consumption tax).
- (4) The amount of money to be taken out is more than 1 million yen and less than 80 million yen, inclusive, and is equal to or less than 100 percent of the cost of the housing construction or the cost to purchase the house and land.
- (5) The duration of the loan is between 15 years and 35 years, inclusive.
- (6) The interest rate remains fixed throughout the duration of the loan.

* 1 Requirements for Flat 35 (Guarantee Program) vary according to the financial institution. Please contact the relevant financial institution for more information.
* 2 Refinancing is also covered.

● Accredited institutions in the securitization business (Guarantee Program)

In the securitization business (Guarantee Program), we concluded agreements with four institutions: city bank (1), regional bank (1) and insurance company/mortgage banks (2). The number of institutions is shown in the parenthesis.

* Some financial institutions have suspended the acceptance of new applications (as of May 31, 2012)

Flat 35S (Purchase Program/Guarantee Program)

Flat 35S is available for Flat 35 (Purchase Program) and Flat 35 (Guarantee Program). This is a system in which lower interest rates are adopted for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency and the like. To support the recovery from the Great East Japan Earthquake and promote eco-friendly housing, we have launched Flat 35S Eco, in which the range and length of interest rate reduction are expanded for energy-saving housing.

● Four types of Flat 35S

There are four interest-rate reduction plans for Flat 35S as outlined below. Please note that the range and duration of interest-rate reduction, maximum loan-to-value ratio and the application deadline vary according to the plan.

Technical criteria vary according to the plan. Please see the Flat 35 website (www.flat35.com) for more information.



Interest-rate reduction plan	Range and duration of interest-rate reduction	Maximum loan-to-value ratio (*2)	Application deadline				
Flat 35S Eco (Interest rate plan A)	First 5 years <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Areas affected by the Great East Japan Earthquake (*1)</td><td>▲1.0%/year</td></tr><tr><td>Other areas</td><td>▲0.7%/year</td></tr></table> 6th to 20th year ▲0.3%/year	Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year	Other areas	▲0.7%/year	100%	October 31, 2012 (Note 1) (Note 2)
Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year						
Other areas	▲0.7%/year						
Flat 35S Eco (Interest rate plan B)	First 5 years <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Areas affected by the Great East Japan Earthquake (*1)</td><td>▲1.0%/year</td></tr><tr><td>Other areas</td><td>▲0.7%/year</td></tr></table> 6th to 20th year ▲0.3%/year	Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year	Other areas	▲0.7%/year		
Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year						
Other areas	▲0.7%/year						
Flat 35S Basic (Interest rate plan A)	First 10 years ▲0.3%/year	90%	March 31, 2013 (Note 2)				
Flat 35S Basic (Interest rate plan B)	First 5 years ▲0.3%/year						

As of April 2012

*1 As for the areas affected by the Great East Japan Earthquake, please see the Flat 35 website (www.flat35.com).

*2 Maximum loan-to-value ratio for Flat 35 (Guarantee Program) is 100%.

(Note 1) The application deadline is scheduled for October 31, 2012. However, since there is a budgetary ceiling for Flat 35S Eco, the deadline will be accelerated if the total amount reaches the ceiling. From the day after the deadline, Flat 35S Eco (interest rate plan A) and Flat 35S Eco (interest rate plan B) will be transformed to the same conditions (in terms of the range and duration of interest-rate reduction and Maximum loan-to-value ratio) as Flat 35S Basic (interest rate plan A) and Flat 35S Basic (interest rate plan B), respectively.

(Note 2) There is a budgetary ceiling for Flat 35S Eco. Applications will be accepted until the total amount reaches the ceiling. The end date will be notified on the Flat 35 website (www.flat35.com) by three weeks prior to ending.

Images of eligible houses for Flat 35S

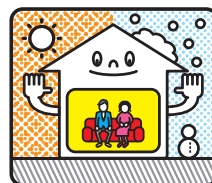
Housing with excellent earthquake resistance

Houses with resistance to stronger earthquakes, preventing collapse, destruction, etc.



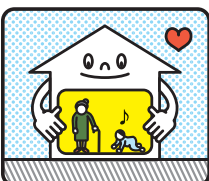
Housing with high energy-saving performance

Houses achieving high air-tightness, etc.



Housing with excellent barrier-free performance

Housing aimed at making daily life easier for seniors



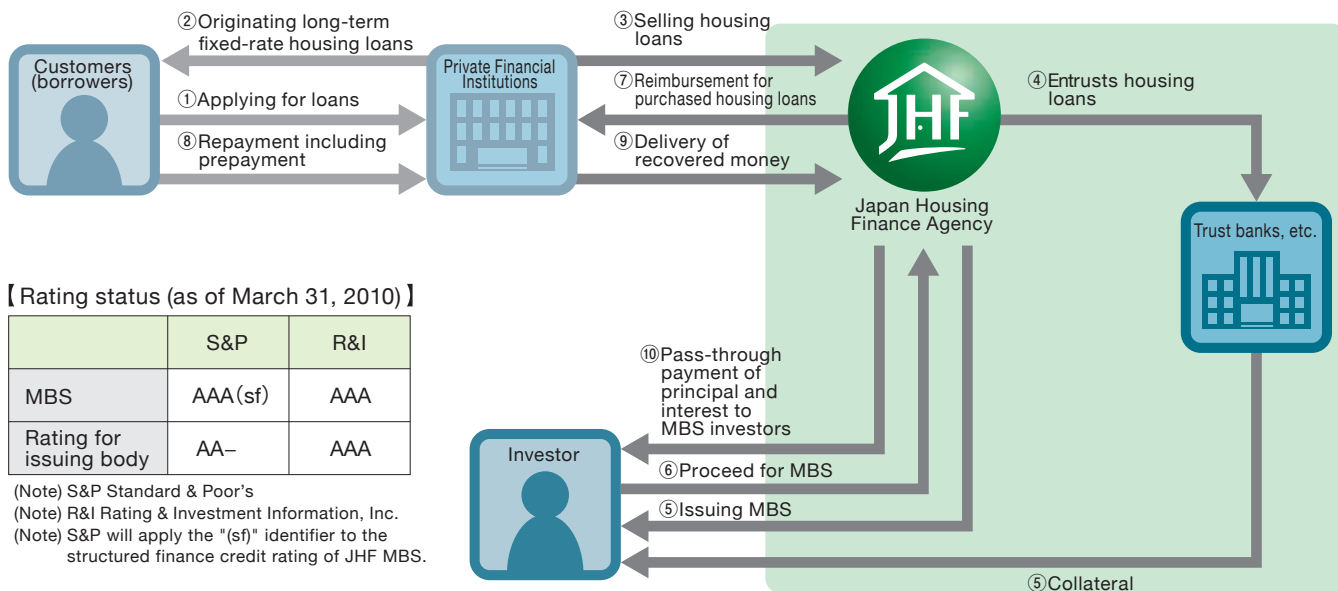
Housing with high durability and flexibility

Housing with durability, measures to maintain long-term good condition



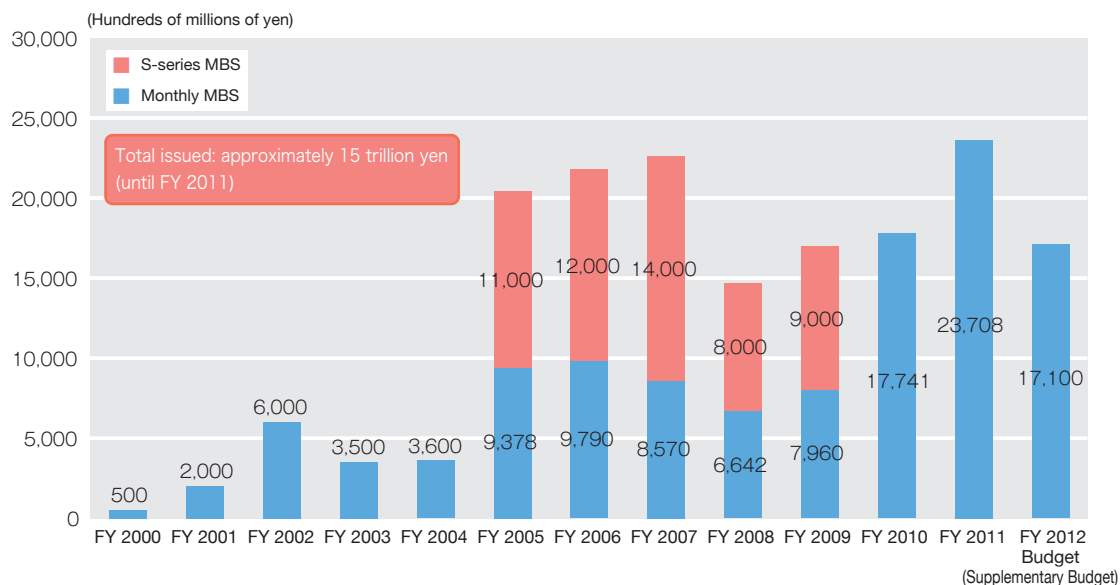
Commitment to MBS (mortgage backed securities)

With the objective of diversifying funding sources, JHF carried out securitization of loans (issuance of MBS: mortgage backed securities) since March, 2001 prior to the reform of Fiscal and Investment Loans Program that began in FY 2001. JHF started securitization activities (Purchase Program) in October, 2003, establishing a scheme for private financial institutions to stably provide long-term fixed-rate housing loans.



MBS (mortgage backed securities) issuance results

JHF securitizes purchased mortgages under the Flat 35 program (Purchase Program) and outstanding loans originated by the former GHLC. JHF MBS (mortgage backed securities) issuance amounts are as shown below. The outstanding balance as of March 31, 2011 was 9,030.1 billion yen.



(Note) Monthly MBS are issued with the purpose of raising fund related to Securitization Business (Purchase Program) and direct origination business.
 (For issues from FY 2003 onward, "Flat 35" is included in underlying assets with the start of Securitization Business (Purchase Program).)
 (Note) S-series MBS have been issued since FY 2005 for the purpose of refinancing the outstanding loans directly originated by the former Government Housing Loan Corporation.

Key features of JHF MBS (Monthly MBS)

● Asset-backed Zaito Agency bonds

- JHF MBS is asset-backed Zaito Agency bond
- Before Beneficiary Certificate Trigger Event, JHF is primarily responsible for all interest and principal payments. Therefore, JHF MBS is supported by JHF's credit. After Beneficiary Certificate Trigger Events, JHF MBS will no more be a Zaito Agency bond, however, converted to a beneficiary certificate
- The risk weight of Zaito Agency bonds under Basel II standardized approach is 10%

(Notes) Beneficiary Certificate Trigger Events are as follows

1. The successor of JHF MBS obligation is not determined by the act, and the dissolution of JHF is enforced by the act and JHF is dissolved by this act:
2. An act is enacted to designate as the successor of JHF MBS obligation a joint stock corporation (kabusiki kaisha) or a legal entity to which application of the Corporate Reorganization Act (Act #154 of year 2002 including subsequent amendments) or other similar bankruptcy proceedings is legally permitted, and JHF is dissolved by such act:
3. An act is enacted to designate as JHF MBS obligor a joint stock corporation or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF MBS obligor becomes such legal entity:, and
4. JHF fails to fulfill its payment obligation under JHF MBS or other bond issued or assumed by JHF on the day such obligation is due and such condition is not cured within 7 days.

● Backed by regionally diversified and homogeneous housing loan pools

- As JHF purchases Flat 35 nationwide, the underlying housing loan pools of JHF MBSs are regionally diversified.
- JHF applies standardized uniform criteria for all housing loans when purchasing housing loans from the private financial institutions. Therefore, housing loan pools are homogeneous

● JHF bears credit risks of defaulted loans

- Principal and interest of delinquent loans up to three months will be paid by JHF
- For Monthly MBS, JHF prepays the defaulted loans, such as loans delinquent for four months. JHF removes such defaulted loans from the trust asset and repay an amount equivalent to the outstanding principal amount of defaulted loan multiplied by the outstanding amount of JHF MBS divided by the outstanding amount of entrusted housing loans (so called "Prepayment Method")
- For S-series MBS, JHF replaces the defaulted loans, such as loans delinquent for four months, with performing loans and maintains the soundness of the entrusted housing loan pool (so called "Replacement Method")
- * For Monthly MBS issued during GHLC years, JHF applies Replacement Method also to S-series MBS.

* "Prepayment Method" and "Replacement Method" are applicable only before Beneficiary Certificate Trigger Events.

(Notes) The outstanding amount of entrusted housing loans is calculated assuming no delinquency of housing loans occurred.

● Achieves AAA ratings by over-collateralization

- A sufficient level of over-collateralization is set to achieve AAA ratings (the highest possible rating) at the time of issuance.
- By utmost limiting the associated credit risk of JHF MBS, investors can focus on interest rate risk and prepayment risk when deciding JHF MBS investments

(Notes) Over-collateralization is an excess amount of the total entrusted housing loan amount over the issuance amount of JHF MBS, therefore, overcollateralization functions as credit enhancement after Beneficiary Certificate Trigger Events.

● Principal and interest of JHF MBS are paid reflecting repayment of entrusted housing loan pool (so called a Monthly Pass-through Payment Method)

- JHF MBS is an asset-backed security backed by a large number of housing loans
- Principal and interest of JHF MBS are paid to the investors reflecting repayment amount of housing loan pool
- In general, principal and interest of housing loans is paid every month, therefore, principal and interest of JHF MBS are also paid every month
- Housing loans are paid both periodically and can also be prepaid, therefore, principal and interest payment of JHF MBS may change reflecting the condition of prepayment of underlying housing loans
- This method of principal and interest payment of JHF MBS is so called a Monthly Pass-through Payment Method

Housing Loan Insurance Business

JHF underwrites insurance for private-sector housing loans.

Housing loan insurance is public credit insurance provide by JHF. By underwriting insurance for housing loans originated by private financial institutions, JHF supports the supply of housing loans by private financial institutions.

(Note) Business under housing loan insurance is subject to reviewing based on the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agency (approved by the Cabinet on December 7, 2010) (See page 00).

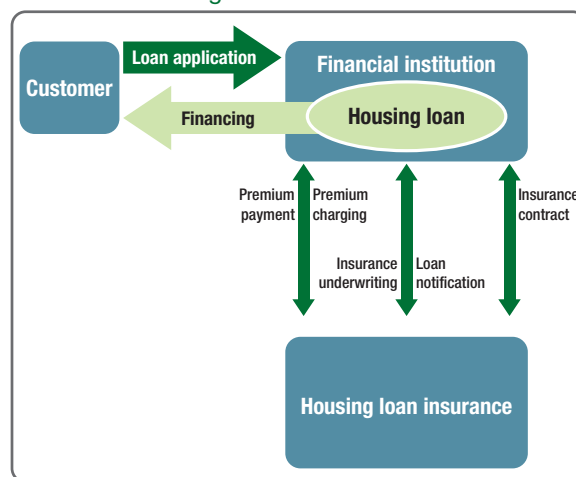
Scheme of housing loan insurance

When housing loans made by private financial institutions default, JHF covers part of the incurred losses based on the insurance policy concluded between JHF and the private finance institution in advance.

10% of the risk weight for the insured portion is applied to housing loans with housing loan insurance in the standard calculation of the capital adequacy ratio.

For more details, see the Announcement of the Financial Services Agency No. 19 (on March 27, 2006).

Scheme of housing loan insurance



Loan types eligible for housing loan insurance

- Loans related to housing (construction, purchase, extension / renovation, etc.)

*Bridge loans and renovation of shared parts of condominiums are also covered.

- The loan amount shall be 80 million yen or less.
- Repayment of the loan is expected without default.
- The collateral/surety and debt-to-income ratio shall meet the criteria determined by JHF.

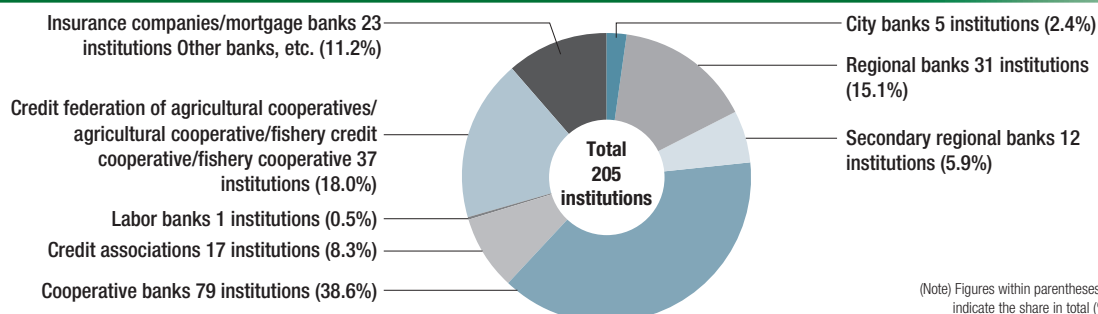
Product outline

Type	Eligible loans	Insurance coverage*1
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35 or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Also applicable to refinance.	100%
Specific short-term loan insurance (bridge-loan type)	Bridge loans for installed payments at the commencement of construction, interim payments and payments on completion that have been underwritten by JHF insurance. To be connected into permanent mortgages that are Flat 35 (including Flat 35 package) or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Those with a loan period of 1 year or less	
Specific personal loan insurance (private financial institute loan type)**	Retail housing loans that are in accordance with the underwriting criteria of a private financial institution and have been approved by JHF in advance (LTV: 85%). Also applicable to refinance (except for in-house refinance by banks)	
Specific personal loan insurance (Reverse mortgage for home improvement loans for elderly people)	Loans for remodeling of property with elderly residents (60 years or older) that has been underwritten for insurance approval by JHF (the principal, etc. is repayable as a lump sum upon the death of the borrower.)	90%
Personal loan insurance**	Retail housing loan in accordance with the underwriting criteria of a private financial institution (LTV: up to 85%, the debt-to-income ratio: up to 40% (if the criteria of the private financial institution is less than these, the values from the criteria are the upper limits)). Also applicable to refinance (except for in-house refinance by banks)	
Personal bridge loan insurance**	Bridge loans in accordance with the underwriting criteria of a private financial institution Loans with maturity of less than one year.	

*1 The ratio of insuring uncollected principals (excluding interest, late charges, etc.)

*2 The insurance is available exclusively to small and mid-sized financial institutions that do not own guaranty companies as subsidiaries as prescribed in the provisions of Article 2 of the Companies Act (Act No. 86 of 2005).

Number of financial institutions entering into housing loan insurance contracts by type of operation (as of May 31, 2012)



(Note) Figures within parentheses indicate the share in total (%).

Loan Origination Business

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

At present, JHF provides loans in limited areas, such as prompt housing reconstruction in disaster-affected areas, constructing serviced rental housing for the elderly, rebuilding old housing in high-density urban districts, and reforming shared parts of condominiums those important in terms of policy and also difficult for the private sector to provide financing for.

Overview of loan origination programs

● Loans for disaster mitigation available for the people affected by disasters

Loans to build, purchase or repair housing damaged by disasters aiming for prompt housing reconstruction in disaster-affected areas.

● Loans for serviced rental housing for the elderly available for those building rental housing for the elderly

Loans to build, purchase and repair serviced rental housing for the elderly aiming to provide safe housing with welfare services for the elderly.

● Loans for energy-saving rental housing available for those building energy-saving rental housing

Loans to build and repair energy-saving rental housing aiming to enhance energy conservation in housing as a measure against global warming.

● Loans for town development available for urban redevelopment unions, condominium rebuilding unions and other reconstruction business operators

Loans for urban redevelopment, condominium reconstruction and reconstruction in high-density urban districts (for initial funding, construction costs, etc.) aiming to improve the disaster-prevention function and the living environment in high-density urban districts.

● Loans for reforming the shared parts of condominiums available for condominium associations and condominium owners

Loans for extensive repair (such as exterior wall repairs) and seismic strengthening of condominiums aiming to improve aged structures and strengthen the seismic resistance of condominiums.

In addition to the above loan programs, JHF supports condominium associations by issuing Condominium Sumairu Bond (“*Mansion Sumairusai*”), which condominium associations can periodically purchase and accumulate as funding for future extensive repairs.

● Special repayment system for the elderly (reform loan/town development loan) available for the elderly

This system is available for elderly building barrier-free housing or purchasing housing in a condominium reconstruction project. In order to reduce the burden of monthly payments, elderly are required to repay only interest until the time of their death and repay the remaining outstanding loan amount at the time of their death.

* In addition to the above loan origination programs, JHF provides loans for those who have joined employees' savings scheme, those who renovate their houses to improve earthquake resistance, and those who conduct works to protect their homes from disasters such as landslides.

Examples of loan programs

Loans for rental housing

Rental housing for the elderly (apartment complex name: Waraku Bokkui Retirement Housing, Inaba-gun, Chiba Prefecture, completed in Feb. 2011)

This rental housing for the elderly provides an ample living space of 25 m² with a bath and toilet, and can be used in the same way as an ordinary one-room apartment. It also provides an in-house daycare facility where renters can avail themselves of nursing care, meals and other services upon request. This facility is certified by the Ministry of Land, Infrastructure, Transport and Tourism as a model for the stable provision of housing for the elderly.

(Note) This apartment complex was constructed with a loan from the previous rental housing loan program.

(Building appearance)



(Inside of the building)



Loans for town development

Condominium rebuilding project (project name: Daikyo-cho Condominium Reconstruction Project, Shinjuku-ku, Tokyo, completed in Mar. 2010)

This project was led by a reconstruction union to improve the living environment after a resolution for reconstruction was adopted in 2006, because the condominium constructed by the Tokyo Metropolitan Housing Supply Corporation in 1957 was considered too old and inconvenient without an elevator.

(Before reconstruction)



(After reconstruction)



Disaster prevention district improvement project (project name: Project to Construct a Disaster Prevention District in the East Area of Higashi-Kishiwada Station, Kishiwada, Osaka Prefecture, completed in Sep. 2010)

This project was meaningful in terms of policy because a fire-resistant district was established by building fireproof structures in an area with a high concentration of wooden houses, and because urban disaster-prevention functions were realized by improving roads and parks. This is a typical case of disaster-prevention district improvement projects implemented in regions.

(Before improvement)



(After improvement)



Loans for reforming shared parts of condominiums

Seismic strengthening works (apartment complex name: Churis Nishiazabu, Nishiazabu, Tokyo, completed in Jan. 2011)

Seismic strengthening works were conducted for this 45-household condominium built in 1978 because the structure was very old and there was a concern about earthquake resistance. The seismic isolation method was adopted for the works since it was the most suitable technique for a condominium in an urban area, given that the structure stands very close to adjacent buildings and that the first floor has pilotis.

(Building appearance)



(Part of the seismic works: seismic isolation device)



(Part of the seismic works: seismic isolation device)



Condominium Sumairusai supporting condominium associations

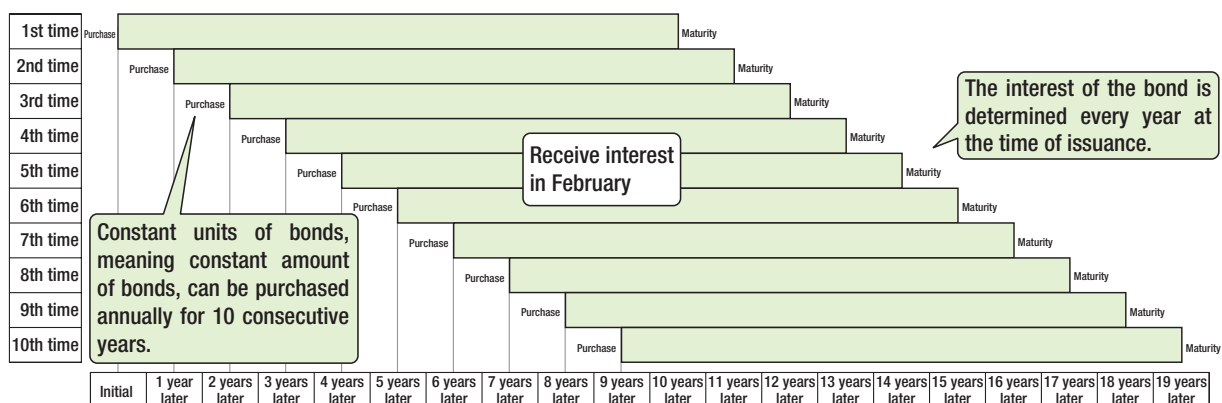
Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond issued by JHF with the approval of the national government aimed to support condominium associations to systematically accumulate and properly manage funds for repair costs.

- * To ensure a safe living environment over a long period of time, condominium associations collect money from residents to accumulate funds for the maintenance and future repairs of the shared parts of condominiums, such as exterior walls and elevators.
- * Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond that condominium associations can continuously purchase. JHF issues the bond to support proper management and systematic accumulation of funds for repair costs. JHF began to offer the bond in 2000 and has received a fund totaling approximately 775 billion yen from approximately 20,000 condominium associations.
- * JHF semiannually sends a magazine named Mansion Information Box (“Mansion Jyoho Bokkusu”) containing useful information about management of condominium to condominium associations those purchased Condominium Sumairu Bond (“Mansion Sumairusai”). In addition, JHF will send out a mail magazine containing invitation to seminars regarding management and reconstruction of condominiums

Features of Condominium Sumairu Bond (“Mansion Sumairusai”)

- * A 10-year bond with interest to be paid in February each year.
(The annual average interest rate increases yearly according to the elapsed years since the issuance of the bond.)
- * The bond is issued for 500,000 yen per unit and multiple units can be purchased at a time.
- * Constant units of bonds can be purchased annually for 10 consecutive years.
- * Redemption before maturity for repair purpose can be applied if one or more years have elapsed since the initial issuance date of the bond.

An image of purchasing the bond for 10 consecutive years



Efforts to Support Recovery from the Great East Japan Earthquake

We would like to express our deepest condolences and sympathy to all those affected by the Great East Japan Earthquake.

JHF is providing loans to rebuild or repair disaster-affected houses (disaster relief housing loans, etc.). JHF also provides consultations regarding possible modification of loan contracts for JHF/former GHLC borrowers, including Flat 35 (Purchase Program) borrowers.

We are striving to serve all those who have been affected by the disaster and wish for the earliest possible recovery.

Efforts to support disaster victims

● Establishment of a disaster relief framework

JHF set up a disaster response headquarters in the Head Office (Tokyo) and a local disaster response headquarters in the Tohoku Branch (Sendai city) on the day of the earthquake to quickly and smoothly provide consultations to disaster victims with respect to special loans and repayments.

We also set up a reconstruction support office in the Tohoku Branch in April 2012 to strengthen cooperation with local governments and other related bodies concerning a collective relocation promotion project for disaster prevention.

● Consultations in affected areas

JHF has dispatched a total of 165 employees as counselors from its head and branch offices to affected areas on a one-week rotation. In addition to consultations at the branch office, the employees dispatched have provided consultations on loans and repayments at more than 100 housing consultation counters set up at Sendai city and other local government offices.

Support through consultations on loans and repayments

With the passing of the government's first and third FY 2011 supplementary budgets, JHF has expanded its disaster mitigation programs for housing loans and loan modification.

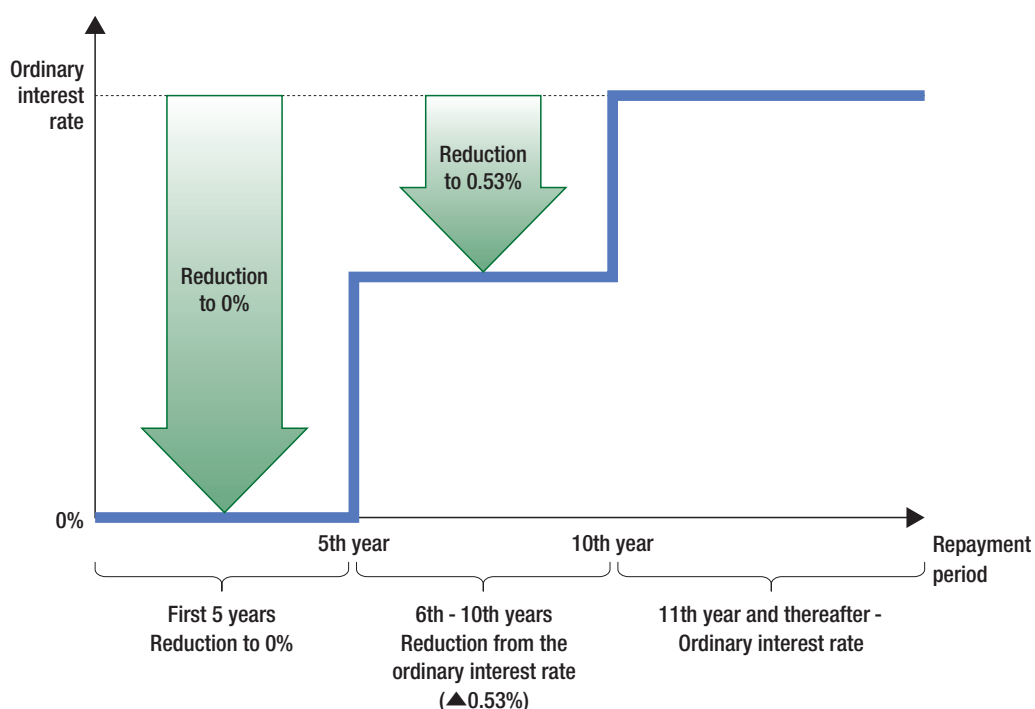
To facilitate use of these programs, we have also made 72 improvements to our programs and procedures (simplification of the classification for loan limits, expansion of people eligible for loans (addition of successors to disaster-affected rental housing), etc.) based on the requests, complaints and other comments from customers and financial institutions.

● Disaster relief housing loans, etc

JHF has expanded its programs, such as interest-rate reduction and the extension of deferred principal payment periods and payback periods with regard to disaster relief housing loans, and has established a new type of financing to support repair work in cases where the residential lot suffers damage but the housing remains intact.

Applications for disaster relief housing loans, etc. amounted to 4,451 as of March 31, 2012.

(Reference: case of construction/purchase of housing)



● Modification of loan terms

Borrowers of JHF (former GHLC), including Flat 35 (Purchase Program) borrowers, who are affected by the Great East Japan Earthquake are eligible for a grace period for a part or all of the repayment and/or an extension of repayment periods up to five years (it was three years before the expansion). During the grace period, the interest rate reduction was expanded from a maximum reduction of 1.5% to the lower of either the level after the maximum reduction of 1.5% or the level of 0.5%.

As a result, modifications of loan terms amounted to 4,159 as of March 31, 2012.

Afflicted ratio / Modification of loan terms	Grace period of a part or all of the repayment	Extension of the repayment period	Interest rate during the grace period
Under 30%	1 year	1 year	The lower of: 1) the interest rate after a reduction of 0.5%; or 2) an interest rate of 1.5%
30% or more and under 60%	Up to 3 years	Up to 3 years	The lower of: 1) the interest rate after a reduction of 1.0%; or 2) an interest rate of 1.0%
60% or more	Up to 5 years	Up to 5 years	The lower of: 1) the interest rate after a reduction of 1.5%; or 2) an interest rate of 0.5%

JHF appropriately deals with the Guidelines of Workout for Restructuring Debt Owed by Individual Debtors to support self-help reconstruction of lives and businesses.

(Reference) Use results of the Guidelines of Workout for Restructuring Debt Owed by Individual Debtors Number of claims: 21 (as of Mar. 31, 2012)

● Group Credit Life Insurance

The following special measures were taken for Great East Japan Earthquake disaster victims.

1. For customers who found it temporarily difficult to pay the special contract premium for group credit life insurance, the time limit of the payment period was extended to no later than March 31, 2012. In addition, special contract premiums paid on or after February 28, 2011 were temporarily refunded upon request (number of extensions: 473 (number of temporary refunds: 12) (as of Mar. 31, 2012)).

2. Group credit life insurance coverage was paid with the cooperation of life insurance co-underwriters for simplified and quick implementation (number of insurance payments due to the disaster: 256 (as of Mar. 31, 2012)).

Contact points for consultations

We have set up the following contact points for consultation services for disaster victims.

● Telephone Consultation Service

■ JHF Customer Call Center

Dedicated Support Line for Disaster Victims

 **0120-086-353**

- * Please note that the above telephone line is strictly for the use of disaster victims.
- * If you cannot access the above line from an IP phone, etc. please use the following number. (TEL: 048-615-0420)
- * Telephone consultations are available from 9:00-17:00 daily, including Saturdays and Sundays.

■ Borrowers with outstanding balance

JHF has a variety of options for modifying repayment terms in accordance with the level of damages. Please ask the financial institutions at which you are serviced.

● Website

■ JHF website referring to the Great East Japan Earthquake

[http : //www.jhf.go.jp/shinsai](http://www.jhf.go.jp/shinsai)

■ Mobile website

[http : //www.jhf.go.jp/i](http://www.jhf.go.jp/i)



QR code



Special website referring to the Great East Japan Earthquake

Operation of Group Credit Life Insurance (Mutual Relief)

Providing security for unforeseeable circumstances during the loan repayment period

JHF's group credit life insurance (mutual relief) program is a system in which if borrowers of Flat 35 or retail loans through JHF etc. who have joined in this system die or incur a serious disability, the outstanding loan balance is offset by the insurance (mutual aid money) that is paid by life insurance companies and the like.

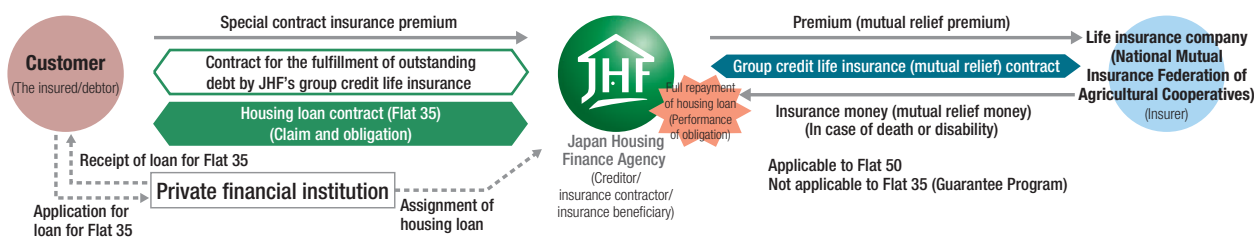
In addition, group credit life insurance with security insurance for three major diseases (cancer, acute myocardial infarction and cerebral apoplexy) is also available.

If the housing loan is co-borrowed with the spouse, the both can join this scheme (known as Duet) (unavailable to those with group credit life insurance with security insurance for three major diseases).

* Retail loans through JHF, etc. refer to housing loans from JHF, the Welfare and Medical Service Agency (the former Government Pension Investment Fund) and Okinawa Development Finance Corporation.

Scheme of JHF's group credit life insurance

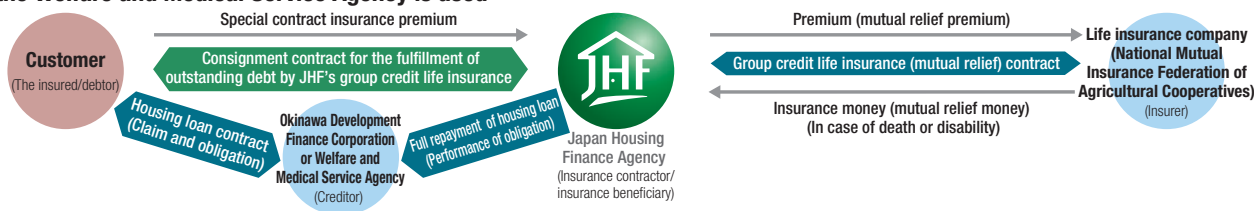
● In the case where Flat 35 is used



● In the case where a JHF loan (disaster relief loan, etc.) is used

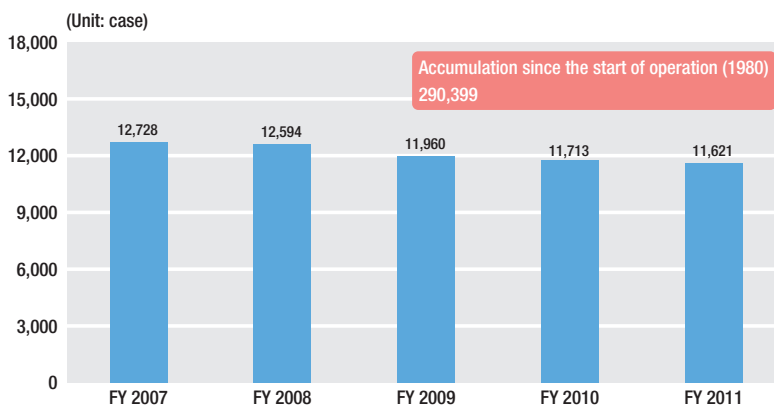


● In the case where a loan from the Okinawa Development Finance Corporation or the Welfare and Medical Service Agency is used



Changes in the number of obligations performed with group credit life insurance

Number of obligations performed with group credit life insurance



Technical Assessment

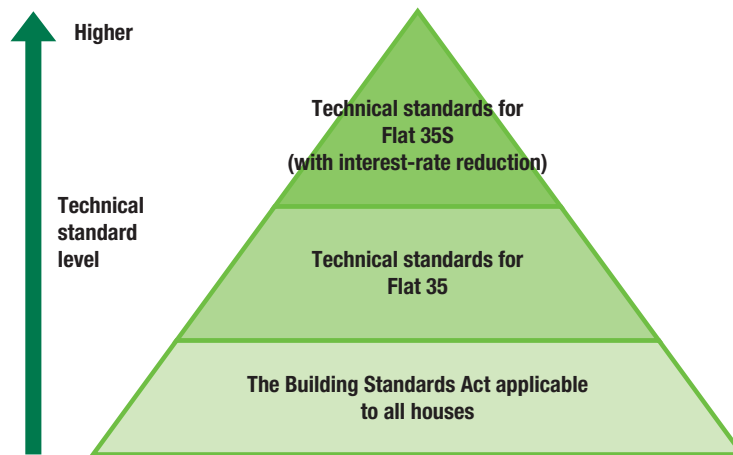
JHF provides support for improving housing standards in accordance with its proprietary technical criteria.

JHF has established technical standards for housing durability, thermal insulation and the like as one of the requirements for Flat 35 and conducts technical assessments based on the standards while ensuring conformity with the housing performance labeling system and other regulations. Further, JHF checks for the issuance of compliance certificates based on the Building Standards Act for newly built houses.

JHF technical standards

In addition to the Building Standards Act, JHF has its proprietary technical standards for housing eligible for Flat 35 as shown in the figure below. The technical standards for Flat 35 are largely divided into essential standards and those that are requirements for interest-rate reduction.

We have also our own standards for JHF-originated loans (loans for serviced rental housing for the elderly and other loans).



Encouraging Quality Housing

JHF supports the improvement of housing quality through its proprietary technical criteria for Flat 35. Specifically, JHF cuts interest rates for a certain period for housing that is highly energy efficient, seismic resistant, barrier-free, durable and with variable performance to attract consumers to the high quality housing (refer to page 23).

Housing with excellent earthquake-resistance

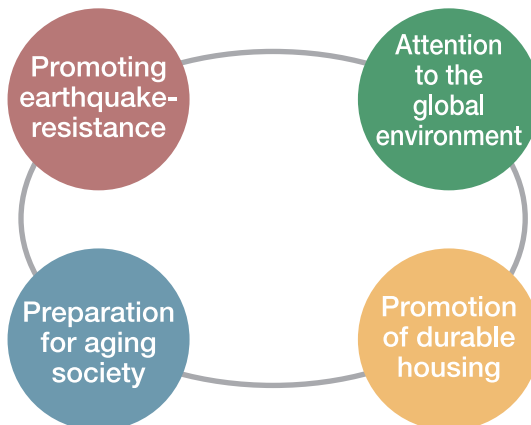
- Securing of wall quantity Balanced layout
- Strengthen joint parts of building frames
- Strengthen foundation

It is very important to prepare for large earthquakes, enhance housing seismic resistance and ensure safety.

Housing with excellent barrier-free performance

- Ensure that there are no different levels on the same floor.
- Install handrails
- Make sufficiently wide corridors.

It should be a principle requirement in building houses that houses are comfortable for elderly people, including preparation for nursing care.



Housing with high energy-saving performance

- Use heat-insulation materials sufficiently.
- Equip windows and doors with double-closing device.

It is required that houses be more heatproof so that they consume less electricity and fossil fuels such as kerosene for heating and cooling in view of conserving the global environment.

Housing with high durability and flexibility

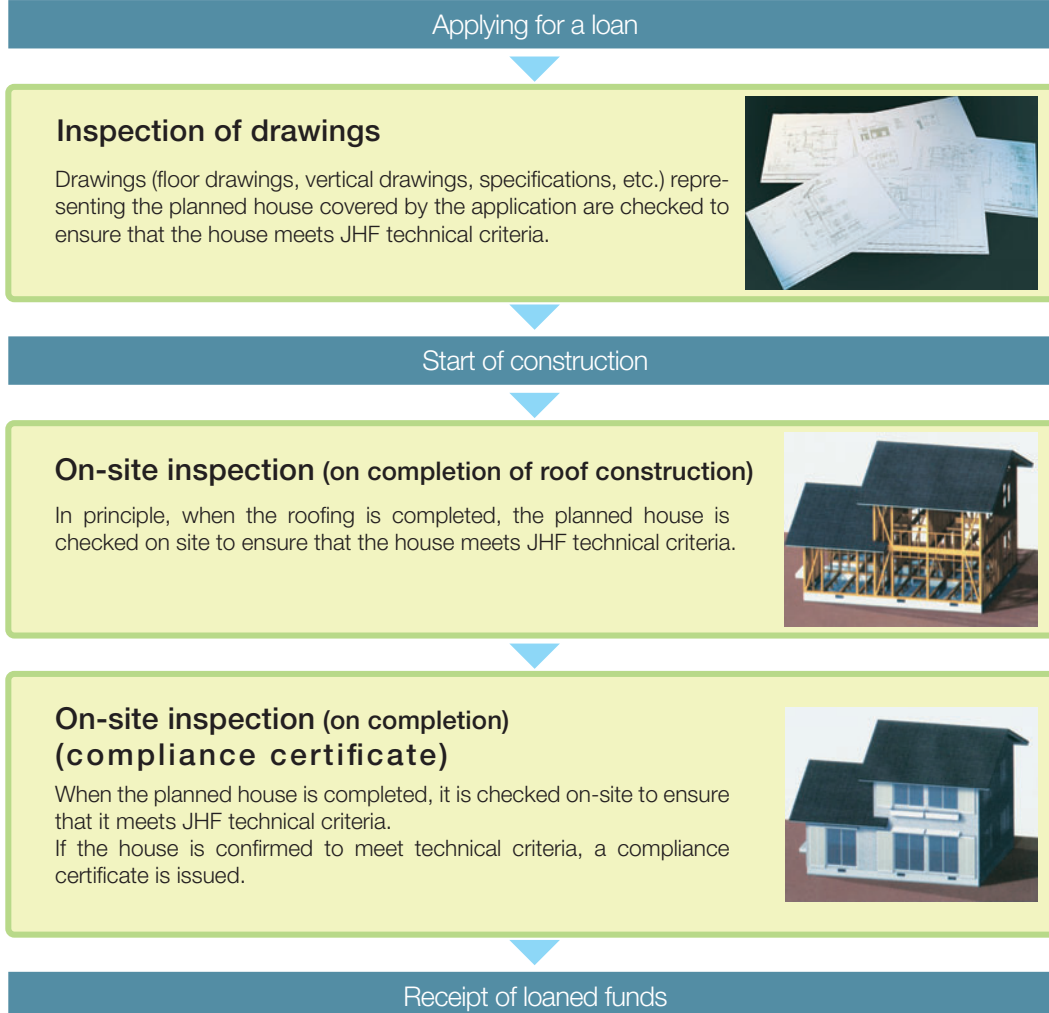
- Proof against decay and termites
- Ensure ventilation in the roof frame and under the floor

As Japan has become a mature society, there is now an urgent need for a good-quality housing stock to be built. Building as durable houses as possible and using them carefully for a long time will help us to protect our lives and the global environment.

Flow of technical assessment

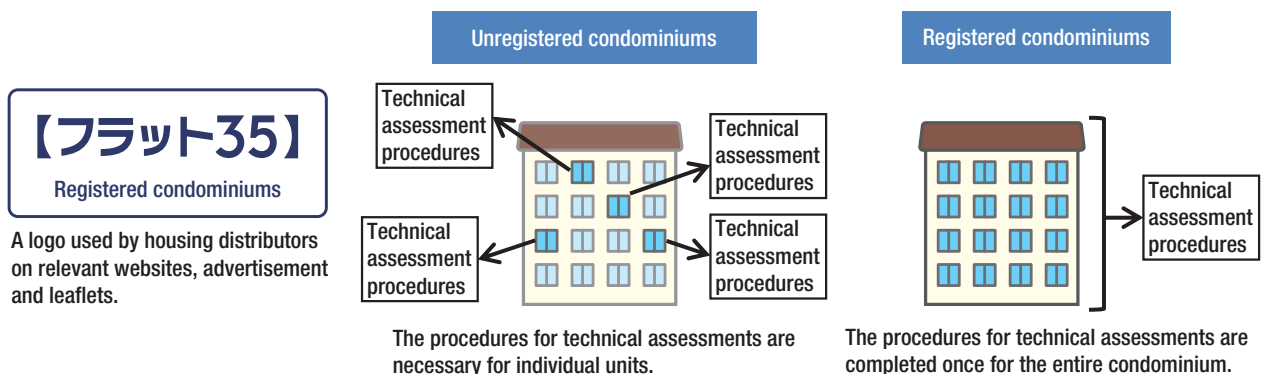
Technical assessments for Flat 35 are performed both at the drawing stage and at construction sites by private inspection institutions that have contractual agreements with JHF (in cases of newly built housing). If customers' houses are confirmed to meet technical standards for Flat 35 through the design and on-site inspections, private inspection institutions issue compliance certificates. Technical assessments are also performed for loans for serviced rental housing for the elderly.

In the case of a detached house to be newly built with Flat 35



Promotion of Flat 35-registered condominiums

JHF promotes the Flat 35-registered condominium scheme, which allows housing distributors to have the entire condominium complex inspected instead of having individual dwelling units inspected. Under this scheme, housing distributors can advertise and sell their condominiums as applicable for Flat 35. Property information on registered condominiums is posted on JHF website.



Management of Outstanding Loans

JHF provides feeling of safety for customers during the repayment period.

Overview of the management of outstanding loans

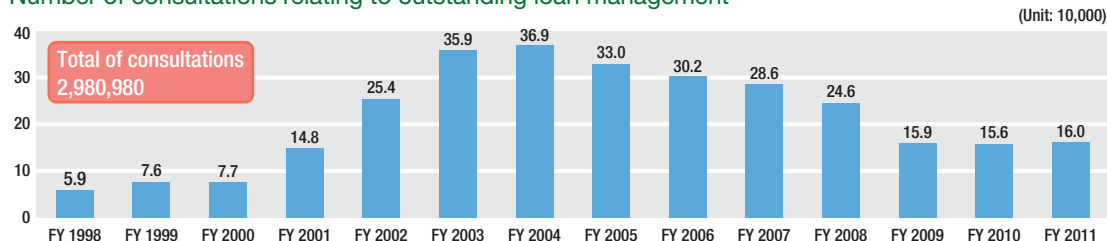
JHF provided 2.366 million housing loans (outstanding amount of 30.1 trillion yen)* for customers as of the end of March 2012. The repayment of housing loans continues for a long period of time, during which we provide consultations on loan modification, prepayment and the issuance of certificates of outstanding balance so that customers can avoid uncertainty.

* The figure includes housing loans originated by GHLC.

Situation of consultations on repayments

JHF has organized a consultation system with servicing financial institutions for customers experiencing difficulty in repaying their loans in the adverse economic conditions. Also we have prepared options for modifying repayment terms and conditions depending on family income and other circumstances to alleviate repayment burdens. We support customers so they may live with a sense of security until their repayments have been completed.

Number of consultations relating to outstanding loan management



Application situation of special measures for modifications to repayment methods

For customers experiencing difficulty in repaying their loans in the adverse economic conditions, JHF offers special measures for modifications to repayment methods to alleviate repayment burdens depending on family income and other circumstances, so that borrowers can continue to pay.

Other loan modification options include the change of repayment date, adjustments to the proportion of monthly and biannual bonus repayments and cancellation of biannual bonus repayments.

● Application requirements for special measures for modifications to repayment methods

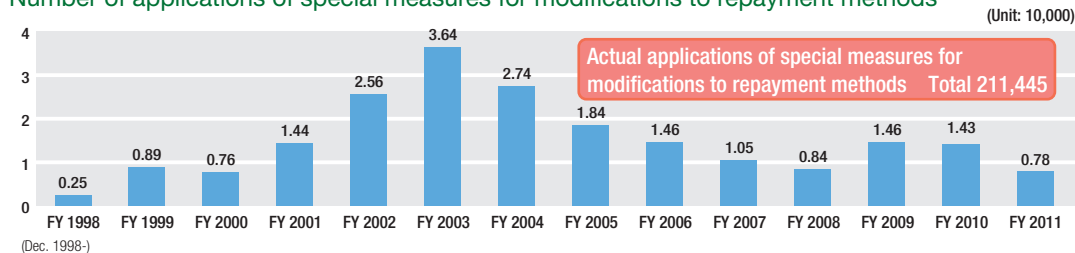
1. If customers have difficulty with repayment due to bankruptcy or changes in circumstances concerning the customers' employment; and
2. If the customers fall under any of the following items:
 - The DTI ratio (debt-to-income ratio) for JHF loans is 25% or more;[M.T.1]
 - The monthly income is equal to the number of family members multiplied by 64,000 yen or less;
 - The DTI ratio for housing loans from JHF and the private sector exceeds a certain percentage, and the income reduction rate reaches 20% or more; and
3. If the customers are able to continue the repayment under a modified repayment term, the extension of the repayment period up to 15 years will be applied to their loans to alleviate their monthly amortization.

Of them, for people unemployed or suffered reduction of income more than 20%, each repayment burden will be greatly alleviated by setting a grace period of up to three years and reducing the interest rate during this period*.

* The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

- (Loans under GHLC)
 - Current interest rate of 6% or less: 1% reduction
 - Current interest rate of more than 6%: reduced to 5%
- (Flat 35)
 - 1% reduction regardless of the current interest rate

Number of applications of special measures for modifications to repayment methods



(Dec. 1998-)

Efforts on Finance Facilitation

● Strengthening of the business system in light of the enactment of the Small and Medium Sized Enterprises Finance Facilitation Law

In light of the enactment of the Act on Temporary Measures concerning the Facilitation of Financing for Small and Medium Sized Enterprises (Act No. 96 of 2009, hereinafter referred to as the “Small and Medium Sized Enterprises Finance Facilitation Law”), JHF reveals its business policies and strengthens the system based on the policies to provide more appropriate consultations on housing loans for customers.

Business policies

1. JHF fully recognizes its role as a safety net for customers who have difficulty in repaying their housing loans, provides consultations on repayment and presents better repayment alternatives.
2. JHF pays due attention on the sustainability of the borrower after the modification.
3. JHF provides detailed explanations to customers regarding repayment condition changes such as the increase of aggregate payment as a result of repayment changes.

Strengthening of the implementation framework (From December 2009)

1. Established positions and section at the head office
 - Executive Vice President in charge of workout plans shall supervise overall customer relations.
 - Director General in charge of workout plans shall support Executive Vice President as deputy.
 - Secretariat in the department shall be responsible for customer support to facilitate the supply of services.
2. Established positions at branch offices
 - Deputy Branch Manager in charge of workout plans shall supervise overall customer relations regarding mitigation measures in the branch offices.
 - Leader and sub-leader are assigned as directors in charge of workout plans.
3. Established position responsible for customer support management at the Head Office
 - Director General in charge of customer relations is assigned as the supervisor for customer support with regard to workout plans, and the call center responds to queries from borrowers in this regard.

Implementation status

〈Implementation status of measures in accordance with Article 4 of the Small and Medium Sized Enterprises Finance Facilitation Law (loans to small and medium sized enterprises)〉

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	507	99,676
Of which, the number of accepted applications and their amount	431	84,676
Of which, the number of rejected applications and their amount	36	7,434
Of which, the number of applications under underwriting and their amount	16	3,822
Of which, the number of withdrawn applications and their amount	24	3,743

(Dec. 4, 2009 -Mar. 31, 2012)

〈Implementation status of measures in accordance with Article 5 of the Small Business Finance Facilitation Law (loans to individuals with mortgage obligation)〉

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	67,335	864,239
Of which, the number of accepted applications and their amount	48,582	625,498
Of which, the number of rejected applications and their amount	2,234	30,057
Of which, the number of applications under underwriting and their amount	1,972	24,977
Of which, the number of withdrawn applications and their amount	14,547	183,706

(Dec. 4, 2009 -Mar. 31, 2012)

Research and Survey on Housing Finance

Research and study on housing finance to promote securitization business

With the rapid progress of globalization, every aspect of the Japanese economy has been affected by global financial affairs and business trends, and the environment surrounding housing loans has become complicated.

In addition, a structural shift in the Japanese housing loan market is taking place due to changes in lifestyles, consumers' awareness and behavior resulting from an aging population with a dwindling birthrate, as exemplified by a decrease in the population of young people, a reduced number of families and an increasing number of aged households.

Based on these backgrounds, the Research and Survey Department conducts the following surveys and research activities to promote securitization business while continuously providing accurate and fair information to allow consumers and market players to select appropriate loans.

Surveys of housing loan markets and housing loan users

The department researches and studies the awareness and behavior of housing loan users concerning the selection of housing loans, including interest rates in the housing loan market, the attributes of users of "Flat 35" and other housing loans, sources of information on housing loans and reasons for their choices, and the volume of origination and trends of private housing loan.

Survey results were published on JHF website, with more than 800,000 accesses (FY 2011 results), and is widely viewed for the latest information on market trends.

Surveys on overseas housing finance markets

JHF collects the latest information on overseas housing finance markets through literature research and field investigation, analyzes and reports their effects on Japan through finance and economy magazines and its own Housing Finance Magazine. In addition, JHF interacts with international organizations and public/private institutions overseas to exchange information, thereby deepening mutual understanding and making international contributions.

disseminate of information and knowledge about housing and finance to society

JHF exchanges information and makes presentations on research covering a wide range of fields at outside seminars and academic conferences to disseminate its information and knowledge about housing and finance to society.

Fiscal 2012 surveys (draft)

Title	Target	Outline
Survey on new origination volume and outstanding loan balances by types of lenders	Relevant parties and organizations	Annual and quarterly statistics on the volume of loan origination and outstanding loan balances by types lender
Survey of trends of private-sector housing loans being extended	Private financial institutions	Questionnaire survey of private financial institutions concerning housing loan policies, marketing strategies, underwriting and securitization
Survey of recipients of housing loans	Recipients of housing loans (incl. Flat 35 users)	Internet survey on the usage situation of housing loans (incl. Flat 35) concerning interest rates, awareness among recipients about interest risk, responses to an increase in repayments caused by rising interest rates, and profiles of recipients
Survey of potential housing loan recipients	Potential housing loan users	Internet survey on property acquisition plans, desired interest rate types of housing loans, etc
Survey of Flat 35 recipients	Flat 35 users	Survey of recipient profiles, repayment plans and mortgaged properties, etc
Survey of housing finance abroad	Overseas housing finance markets	Collection of data and information on housing finance markets in the United States, Europe and Asia, on-site surveys and the exchanges of information at international conferences

Results of surveys conducted by JHF are available at its website including past results.

Website: <http://www.jhf.go.jp/research/index.html>