

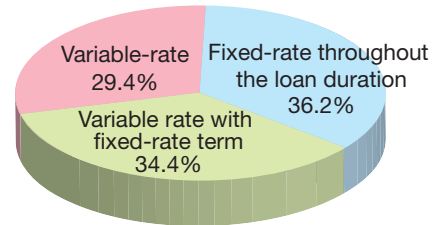
# Activities of JHF

JHF contributes to improve people's living quality through its various financial services.

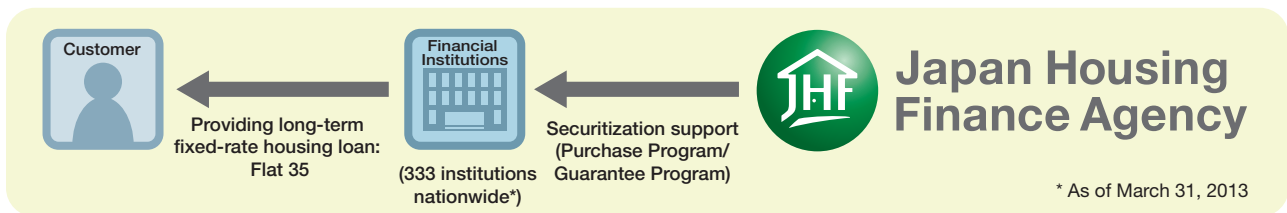
## Providing Long-Term Fixed-Rate Housing Loans through collaboration with Private Financial Institutions

- Long-term fixed-rate housing loans are safe and suitable for customers to make plans for their living because the borrowing rate and the amount repaid are fixed to maturity when the loan is closed.
- More than one-third prospective housing loan recipients desire fixed-rate housing loans throughout the loan duration.
- JHF provides long-term fixed-rate housing loan, "Flat 35", through collaboration with private financial institutions.

<Interest rates desired by prospective recipients of housing loans>



(Source) JHF "The third survey of recipients of private-sector housing loans in FY 2012 targeting prospective recipients of housing loan (conducted in February 2013)"



\* As of March 31, 2013

### Flat 35 has the following 4 benefits

(Refer to page 29 for the details of Flat 35)

#### 1. Safe because interest rate is fixed to maturity

- Flat 35 is the long-term fixed-rate housing loan with the duration up to 35 years. The borrowing rate and the amount repaid are fixed to maturity when the loan is closed.
- No increase in the amount repaid if market interest rate increases after borrowing.

#### 2. No guarantee fee and no fee for prepayment

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

#### 3. JHF's technical criteria to support housing

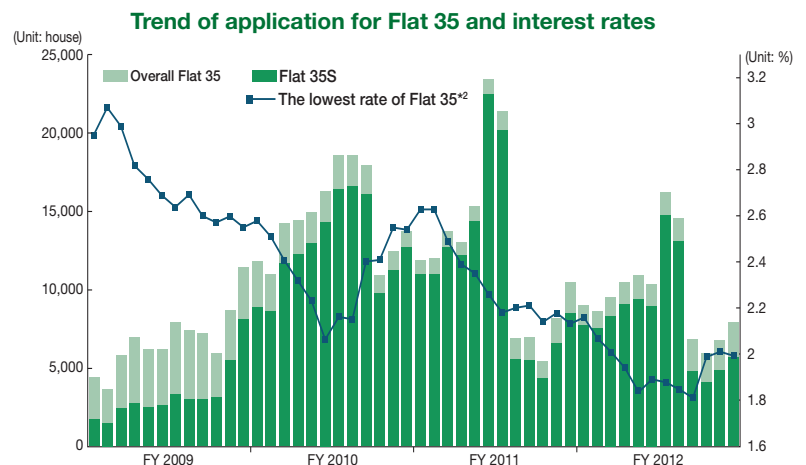
- Houses shall be inspected based on technical criteria set by JHF for thermal insulation, durability and the like, and JHF confirms a certificate issued based on the Building Standards Act for new housing.

#### 4. 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 with coverage for three major diseases.



Brochure: "Flat 35"



\*1 Total number of houses applying for Flat 35 (Purchase Program/Guarantee Program)

\*2 The lowest interest rate among those offered by financial institutions in a case that duration of loan is between 21 years and 35 years

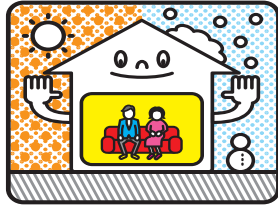
## Promotion of High Performance Houses, such as Energy-Saving Housings

JHF promotes high performance housings through providing “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, earthquake resistance, etc.

### <Four performances targeted by Flat 35S>

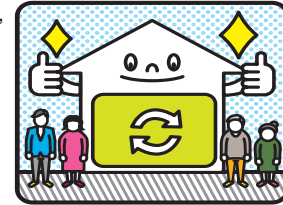
#### Housing with high energy-saving performance

Houses achieving high thermal insulation, etc.



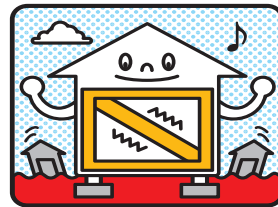
#### Housing with high durability and flexibility

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



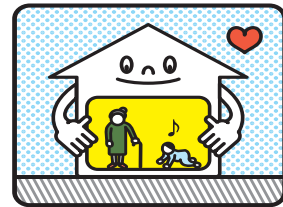
#### Housing with excellent earthquake-resistance

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



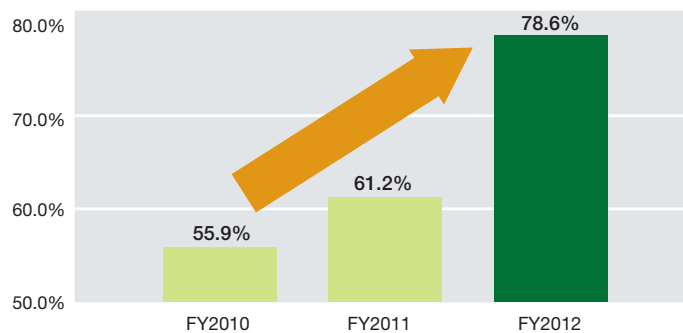
#### Housing with excellent barrier-free performance

Housing aimed at making daily life easier for seniors

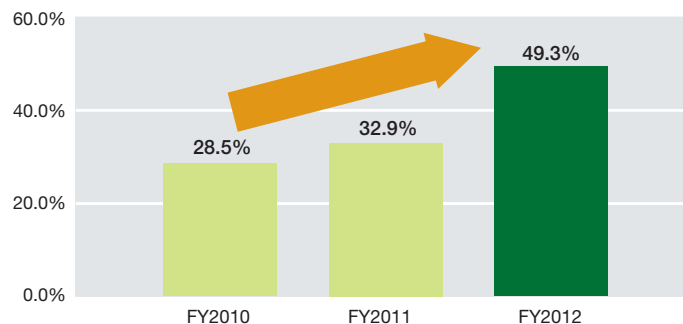


In promoting energy-saving housings as a housing policy, which include Flat 35S Eco and eco point system for housings, JHF expands the range of business operators engaging in energy-saving housings and contributes to promote housings adopted in the energy-saving standards by supporting medium and small home builders' technical capacity improvement.

### <Share of houses meeting energy-saving housing criteria among applications for Flat 35 (detached houses to be newly built)>



### <Share of condominiums meeting energy-saving housing criteria among Flat 35 registered condominiums>



\*Houses meeting energy-saving criteria of Flat 35S among registered houses in each FY.

(For details of “Flat 35 registered condominium”, refer to page 40)

## Support for Recovery from the Great East Japan Earthquake

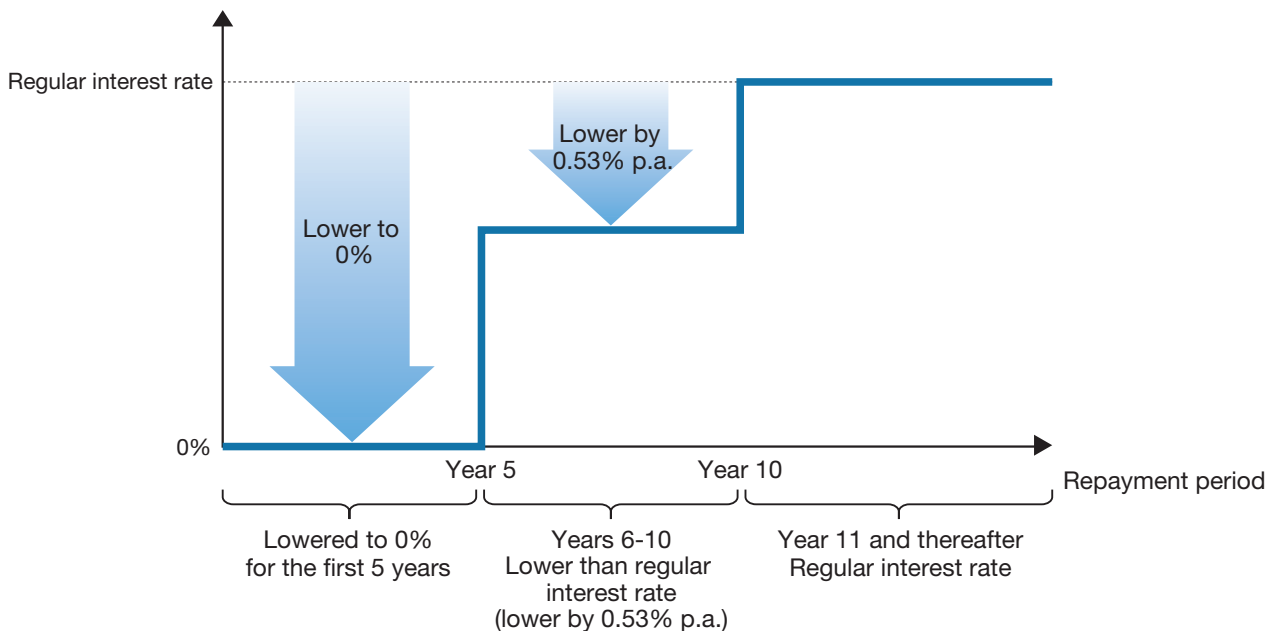
JHF has worked as one to help with the recovery from the Great East Japan Earthquake.

### Support for reconstruction of the housing of the people affected (loans for recovery from disasters, etc.)

JHF provides loans to build, purchase and repair affected housing structures (loans for recovery from disasters) and loans to repair housing lots in case of damage caused only to the lots (loans for housing lot recovery). We have expanded the programs by lowering the interest rates (zero percent for the first five years in case of construction and purchase) and extending the principal deferment period and repayment period.

JHF has received a total of 9,789 applications for loans for recovery from disasters and extended 5,586 loans (as of March 31, 2013).

#### <Image of Interest-Rate Reduction (for construction and purchase)>



### Support for people repaying loans (modification of repayment method)

JHF has deferred repayment of loans in whole or in part, extended the repayment period and lowered the interest rate for the deferment period for those affected by the disaster. We have approved a total of 5,277 cases for modifying the repayment method (as of March 31, 2013).

We also properly respond to the Guidelines for Individual Debtor Out-of-Court Workouts and assist self-help-based re-establishment of livelihood and businesses. The repayment plan has been formulated for 47 of 153 claims for which the application of the guidelines has been requested (as of March 31, 2013).

Repayment method modification	Deferment of repayment	Extension of repayment period	Lowering of interest rate* during deferment period
Affected rate Less than 30%	1 year	1 year	Lower rate (regular interest rate - 0.5% or 1.5%)
30% to less than 60%	Up to 3 years	Up to 3 years	Lower rate (regular interest rate - 1.0% or 1.0%)
60% or more	Up to 5 years	Up to 5 years	Lower rate (regular interest rate - 1.5% or 0.5%)

\* Interest rate is per annum.

## Consultations to assist housing reconstruction for people affected by the disaster

In cooperation with national and local governments, JHF dispatches its employees from across Japan to provide consultations on housing reconstruction for people in the disaster-affected areas.

We have held regular consultation sessions since April 2013 on a wide variety of issues including loans and repayments, as well as housing plans and various subsidy programs. We also began a program in which we receive telephone inquiries and send loan simulation results by mail.

### <Local Consultation Sessions (March 2011 to March 2013)>

<A consultation session>



[Aomori Pref.]  
Employee dispatch: 2 sessions  
Consultation: 5 cases

[Iwate Pref.]  
Employee dispatch: 121 sessions  
Consultation: 446 cases

[Miyagi Pref.]  
Employee dispatch: 616 sessions  
Consultation: 3,566 cases

[Fukushima Pref.]  
Employee dispatch: 55 sessions  
Consultation: 206 cases

<A one-to-one consultation session>



### [Voices of JHF employees who have been consulted by people affected by the disaster]

We often hear customers say in the consultation sessions they would be able to live in their own house if they use the loan for housing reconstruction, although they have almost given up on their own.

We provide a variety of suggestions and are pleased when we feel we are able to help customers rebuild their houses on their own as we hear them say, "Thank you," with a smile after consultation. For example, we propose schemes of a parent-child relay repayment or the loan to acquire a home for the parent for elderly customers and they are relieved at the possibility of reconstruction on their own. Another example is those who lost their job due to the earthquake and just found a new job become positive about reconstruction after learning they can apply for a loan. Some also say they are able to imagine a new house they will build after looking at the pamphlet for area-based housing reconstruction.

Although we sometimes wonder what we can do as the community reconstruction program for providing housing lots, etc., begins to move gradually toward full-scale recovery, we intend to serve each customer we have direct contact with. Feeling we are useful to our customers gives us pleasure and satisfaction and we feel proud of being involved in the consultations.

## Support for the project to promote the resettlement of communities to more disaster-resistant areas in cooperation with local governments and financial institutions

Land and other mortgages before the completion of repayment of housing loans have been an issue for the project to promote the resettlement of communities to more disaster-resistant areas. JHF has created a scheme to finish the mortgage by directly receiving the payments for purchase of land, etc., that is paid by local governments, etc., to assist the project.

## Production of pamphlets for area-based housing reconstruction (Ver. 2) in collaboration with the council for area-based housing reconstruction in Iwate, Miyagi and Fukushima prefectures

The pamphlet provides suggestions on area-specific housing to serve as guidelines for housing reconstruction.

It also introduces the estimated construction cost for acquiring houses based on model plans and funding simulations of utilizing loans for recovery from disasters.

\* The pamphlet is also available on the JHF website.  
[http://www.jhf.go.jp/shinsai/tohoku\\_topics.html](http://www.jhf.go.jp/shinsai/tohoku_topics.html)



## Providing loans which are important in terms of policy and are difficult for private financial institutions to originate

### Loans for disaster-affected people

- Besides supports for recovery from the Great East Japan Earthquake, JHF provides loans to build, purchase and repair housings affected by disasters and loans for contributing to disaster prevention and mitigation aiming to promote prompt housing reconstruction in areas affected by heavy rain, gust, and other disasters.
  - ⇒ Loans for recovery from disasters / loans for works to protect housings from landslide, etc. / loans for disaster-prevention works in residential lots (Refer to page 35)

<Individual consultation>



<An advertisement for loans for recovery from disasters>



### Response to aging society

- JHF provides 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 serviced rental housing for the elderly (Refer to page 35)
- JHF has established a system available for elderlies building barrier-free housing or purchasing housing in a condominium reconstruction project. In order to reduce the burden of monthly payments, elderlies 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.
  - ⇒ Special repayment system for the elderly (Refer to page 35)

<Building appearance>



<Inside of the building>



### Enhancement of environmental performance (energy-saving) of rental housing for households with small children

- JHF provides loans to build and repair energy-saving rental housing aiming to provide rental housing with high-environmental performance for households with small children.
  - ⇒ Loans for energy-saving rental housing (Refer to page 35)

<Building appearance>



<Inside of the building>





### Response to town development

- JHF provides loans for urban redevelopment and reconstruction in high-density urban districts aiming to improve the disaster-prevention function and the living environment in high density urban districts.  
⇒ Town development loan (Refer to page 35)

<Before improvement>



<After improvement>



### Response to condominium-related issues

- JHF provides loans for extensive repair (such as exterior wall repairs), seismic strengthening, and reconstruction of condominiums aiming to improve aged structures and strengthen the seismic resistance of condominiums.  
⇒ Loans for reforming the shared parts of condominiums / loans for town development (Refer to page 35)
- JHF issues bonds for supporting condominium associations to be able to periodically purchase and accumulate the bonds as funding for future repairs.  
⇒ Mansion Sumairusai (Refer to page 35 and 37)

<Before reconstruction>



<After reconstruction>



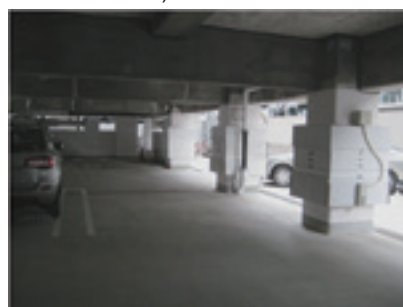
### Promotion of improving earthquake resistance

- JHF provides loans for seismic strengthening aiming to improve earthquake resistance of housings.  
⇒ Loans for reforming the shared parts of condominiums / reform loan (Refer to page 35)

<Building appearance>



(Part of the seismic works: seismic isolation device)



(Part of the seismic works: seismic isolation device)



## Various Activities Related to Corporate Social Responsibilities (CSR)

### Formulation and implementation of the Plan to Address Global Warming

#### Plan to Address Global Warming (excerpt)

##### [Purpose of the Plan]

In consideration of its public nature, JHF has formulated a plan to address global warming to help achieve the greenhouse gas emissions reduction target Japan promised to the international community and contribute to the conservation of the global environment.

##### [Policy of the Plan]

JHF has already made such behavioral and operational efforts to reduce CO<sub>2</sub> emissions as the Cool-Biz energy-saving campaign, turning off lights during lunch breaks and after using restrooms, and reduction of use of copying paper. Significant emissions reduction is expected to be enabled by facility-related efforts. Accordingly, JHF will enhance such facility-related efforts as the replacement of cost-efficient energy-saving facilities at the head office building, which accounts for 70 percent of JHF's CO<sub>2</sub> emissions, while continuing to make behavioral and operational efforts that include properly turning off lights, proper setting of air-conditioning temperatures and management of operation hours.

##### [Implementation Period]

The plan is being implemented in the period from FY2008 to FY2012.

##### [Scope of the Plan]

This plan covers all office work and projects carried out by JHF, excluding those performed by contractors.

##### [Goal]

The targeted 10% reduction of average global gas (CO<sub>2</sub>) emissions from FY2010 to FY2012 compared with FY2006 was achieved with a 20.3% reduction (See the table below).

##### [Efforts to reduce greenhouse gas emissions]

- Making sure of proper operation and management of head office and branch office buildings
- Introduction and replacement of energy-saving facilities at the head office building
- Eco-conscious purchase and use of goods
- Other considerations to reduce greenhouse gas emissions
- Employee education

##### <Results of CO<sub>2</sub> emission (unit: t-CO<sub>2</sub>/year)>

FY 2006 (a)	FY2010	FY 2011	FY2012	Average between FY 2010 and FY 2012 (b)	Reduction rate (1 - (b) / (a))
2,360.4	2,103.8	1,809.8	1,733.0	1,882.2	20.3%

### Purchase of eco-friendly goods

In accordance with the provisions of Article 7 of the Act on Promoting Green Purchasing (Act concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities, Act No. 100 of 2000), JHF formulates and releases a purchase policy every year to promote the purchase of goods and services that contribute to the reduction of environmental burdens (eco-friendly goods, etc.). The paper used for this disclosure also meets the requirements of the Act.

\* An overview of the purchase policy and results is available on the JHF website.

(Website) <http://www.jhf.go.jp/teikyoku/kankyoku.html>

### Participation in local activities

JHF cleans up nearby streets once every two months in an effort to contribute to the local community.



## Dissemination of Japanese housing finance system across the world

JHF offers information on its experience and knowledge in Japanese housing finance to the global community to contribute to the development of the market in other countries.

### <Panel discussion at the World Bank>

In May 2012, a JHF employee was invited to the “5th Global Housing Finance Conference: Housing Finance in Emerging Markets” held at the World Bank in Washington, DC as a panelist to give a presentation on the recovery from the Great East Japan Earthquake in comparison with the earthquake in Haiti in “Session 7-2: Post Disaster Housing and Reconstruction”.



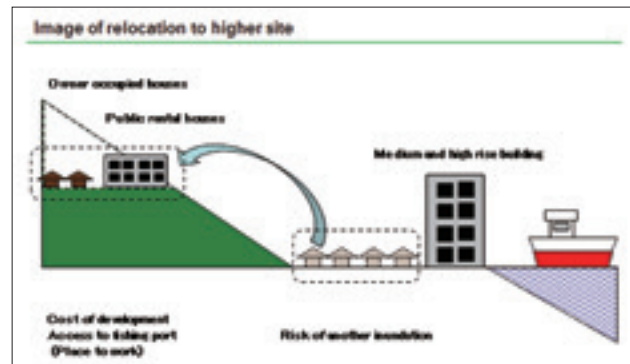
### <Presentation in Sydney>



In June 2012, a JHF employee was invited to “the Australasian and Asian Covered Bond Investor Forum” that was held in Sydney by Euromoney for the first time in the Asia Pacific region as a panelist to represent Asia and discussed on the trend of Asian covered bond market.

### <Image of relocation to higher site>

JHF makes efforts to enhance the understanding of the international community on Japanese housing finance through such activities as participation as an Advisory Board Member of the Asia Pacific Union for Housing Finance (APUHF) and contribution of articles to journals published by the International Union for Housing Finance (IUHF).



## Efforts to promote empowerment of female employees

JHF endeavors to create a working environment that allows each female employee to use their ability to the fullest, which leads to their growth and that of the agency. Our efforts include dispatch of female workers to leader development training, provision of opportunities for success, and enhanced support for a smooth return after childcare leave.

### <Declaration of Positive Action>



(Website) <http://www.positiveaction.jp/declaration/>

### <Lecture on Promotion of female employees' empowerment >



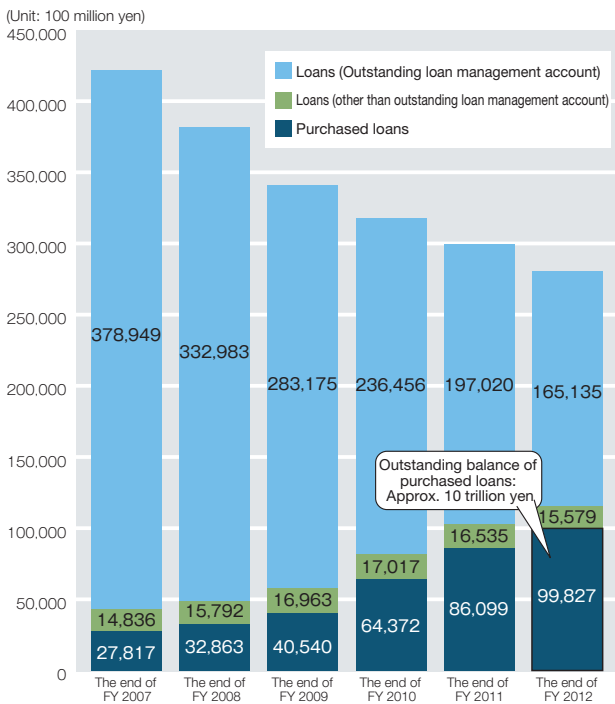


# Key Features of Business Performance and Financials

## Outstanding balance of purchased loans amounts 10 trillion yen

The outstanding balance of purchased loans amounts approximately 10 trillion yen in response to business expansion of Flat 35.

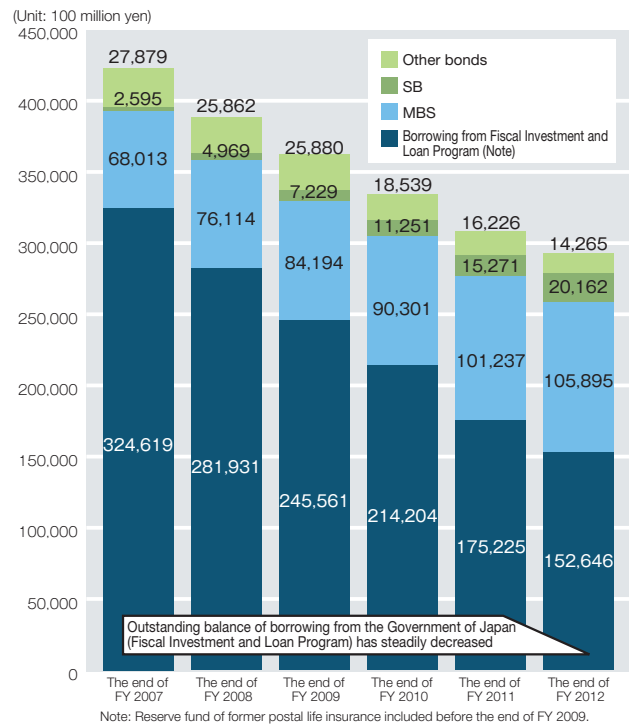
### <Outstanding balance of purchased loans and loans>



## Increase in the ratio of fund raising from finance markets

The outstanding balance of governmental loans have steadily decreased while the ratio of fund raising from financial market through issuance of mortgage-backed securities ("MBS") and straight bond with general securities ("SB") has increased.

### <Outstanding balance of debts and borrowings>

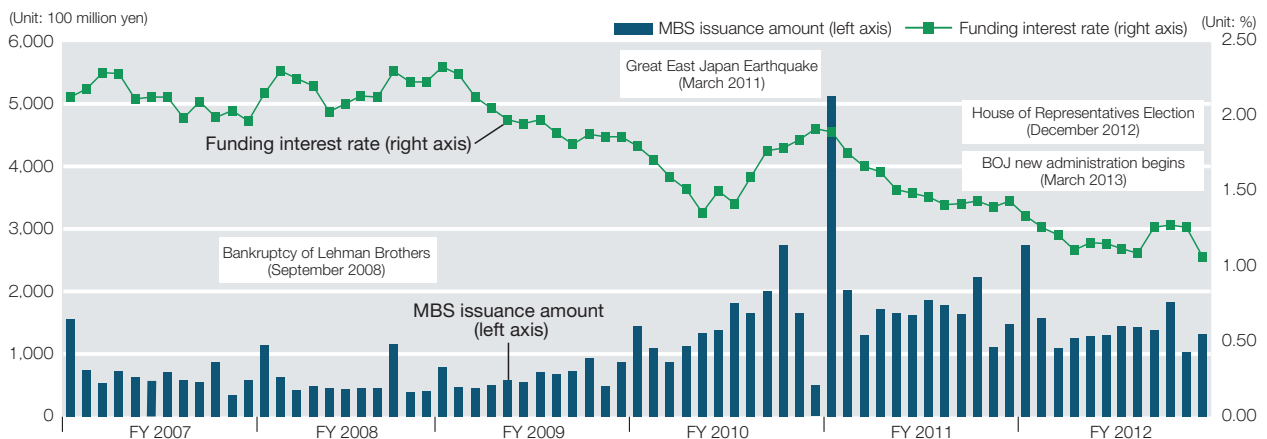


## Origination of low long-term fixed-rate housing loans by issuing MBS

Careful investor relation activities drove more investors to participate in investing MBS, which led to a stable fund raising even in various changing financial environment in Japan and overseas.

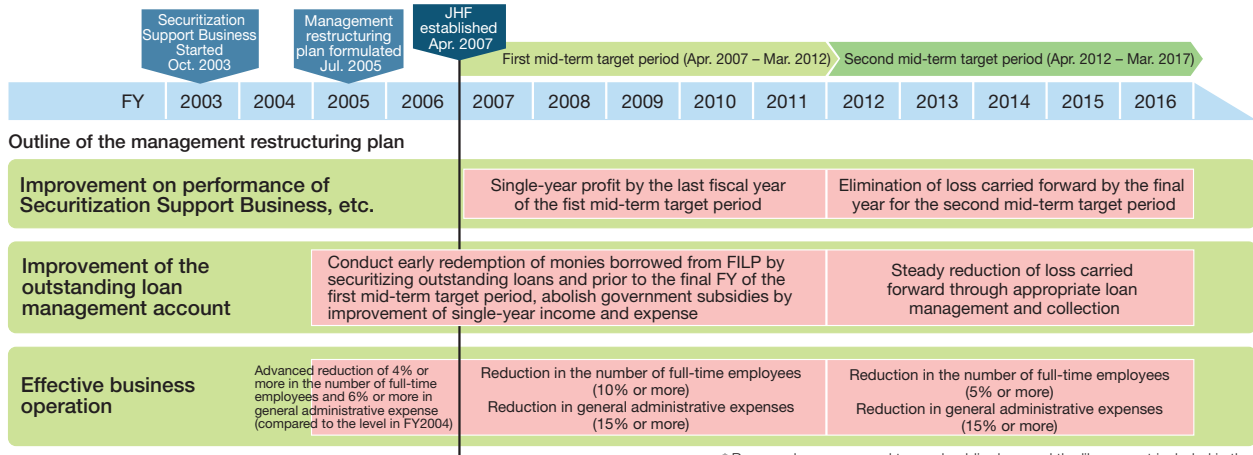
In March 2013, the coupon interest rate of MBS lowered to 1.07%, a historical low of JHF. JHF has successfully implemented an efficient fund raising and provided customers low long-term and fixed-rate housing loans.

\* Interest rate of Flat 35 consists of funding interest rate, expenses for JHF's business operation, and fees payable to financial institutions.



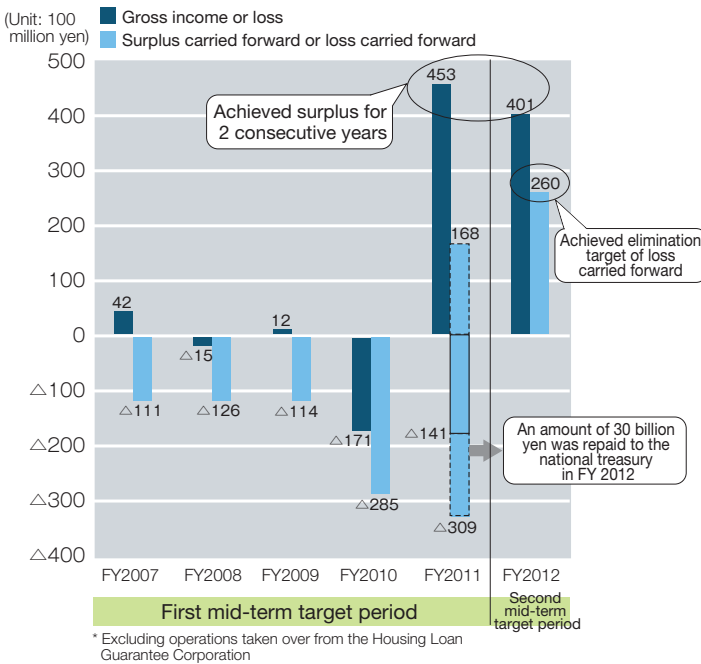
## Improving financial status and streamlining business operation

In order to support and complement private financial institutions in the housing financial markets, having an independent business operations, JHF has accumulate its business performance steadily and made efforts to improve financial status and streamline business management.

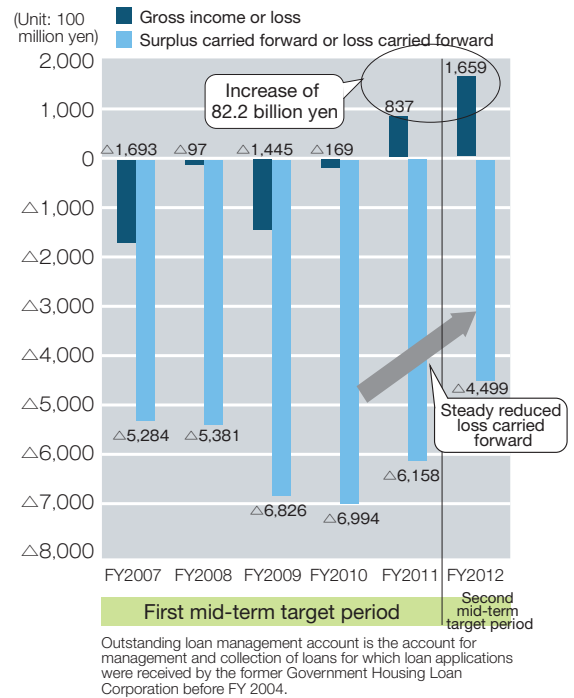


### Improvement of financial status

#### <Account other than the outstanding loan management>

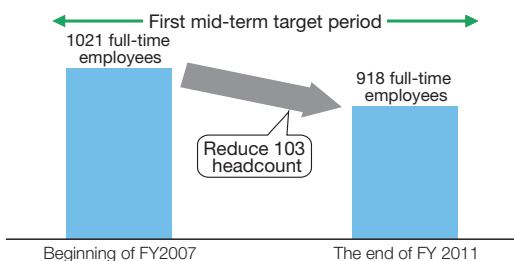


#### <Outstanding loan management account>



### Streamlining business operation

Reduced 103 headcount of full-time employees (△10.1%) and achieved the first mid-term target (△10% or more), compared to the beginning of FY 2007.



Reduced 3.695 billion yen of the general administrative expense (△22.6%) and achieved the first mid-term target (△15% or more), compared to the beginning of FY 2006.

