

Details of JHF Business

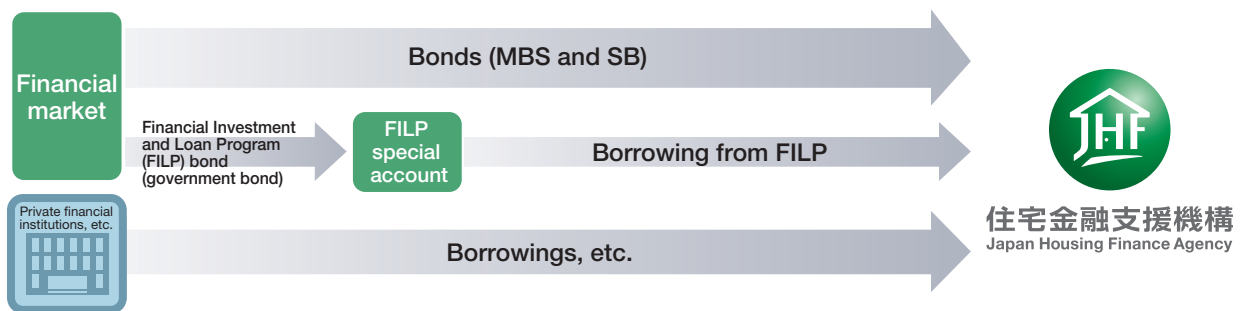
Funding

JHF's major funding sources are mortgage-backed securities ("MBS") and straight bonds with general securities ("SB").

The major funding source of JHF is issuing MBS and SB in the financial markets and JHF applies such monies to Securitization Support Business and other businesses of JHF.

JHF limits the use of borrowing from FILP to loans for recovery from disasters, which requires emergency measures.

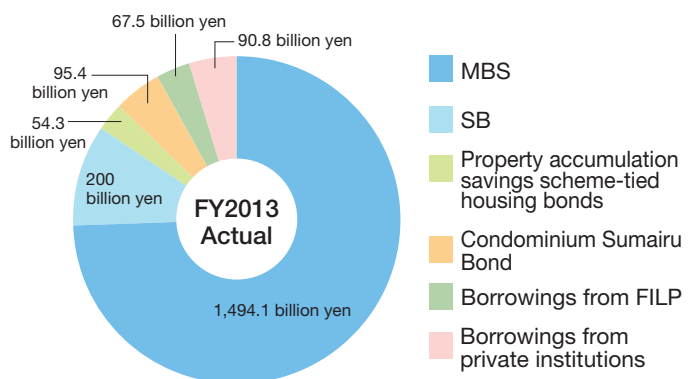
Overview of funding



Breakdown of funding

Major funding source of JHF is issuing MBS and SB.

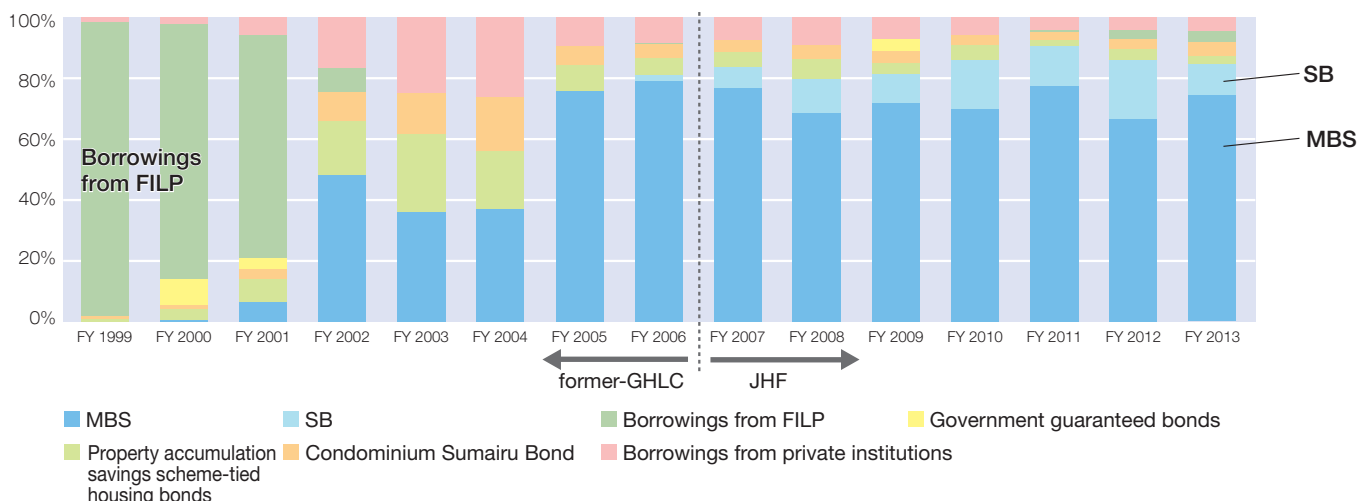
		Results of FY 2013
Bonds	MBS	1,494.1 billion yen
	SB	200 billion yen
	Property accumulation savings scheme-tied housing bonds	54.3 billion yen
	Condominium Sumairu Bond	95.4 billion yen
Borrowings	Borrowings from FILP	67.5 billion yen
	Borrowings from private institutions	90.8 billion yen
Total		2,002.1 billion yen



* Amount of bonds is based on amount paid

Trend of Funding Sources

JHF has shifted its main business of direct lending business conducted by the former-Government Housing Loan Corporation ("former-GHLC") to securitization support business aimed to support organization of fixed-rate housing loans throughout the loan duration by private financial institutions. Thus, the main funding sources have also shifted from borrowings from FILP to fund-raising from the financial market by issuing MBS and SB.



Product features of MBS and SB

	MBS	SB
Collateral	Housing loans* ¹	General security* ²
Rating at the time of issuance* ³	S&P : AAA R&I : AAA	S&P : AA- R&I : AA+
Redemption methods	Monthly pass-through redemption* ⁴	Bullet payment on maturity date
BIS risk weight* ⁵	10% (Standard method)	10%
Eligible collateral security under the requirement of Bank of Japan	Eligible (LTV: 94% of market value applies)	Eligible (LTV: 96% of market value applies to remaining 5 up to 10 years; 94% of market value applies to remaining 10 up to 20 years; 93% of market value applies to remaining 20 up to 30 years)
Amount paid (issuance price)	100 yen paid per 100 yen face value (issued at par)	

* as of July 14, 2014

*¹ MBS: JHF purchases housing loans, Flat 35, and entrust them as collateral of MBS at each issuance.

*² SB: SB is a bond with general security in accordance with provisions of Article 19.5 of the Japan Housing Finance Agency Act. Creditors (SB investors) have the right (lien) to receive the repayment of their receivables prior to other creditors in relation to JHF assets. The order of the lien is the second highest priority following the general lien in accordance with provisions of the Civil Code (Article 19.6 in the same act).

*³ · S&P: Standard and Poor's Rating Services
· R&I: Rating and Investment Information, Inc.
The rating of MBS given by S&P has an identifier (sf) that indicates structured finance.

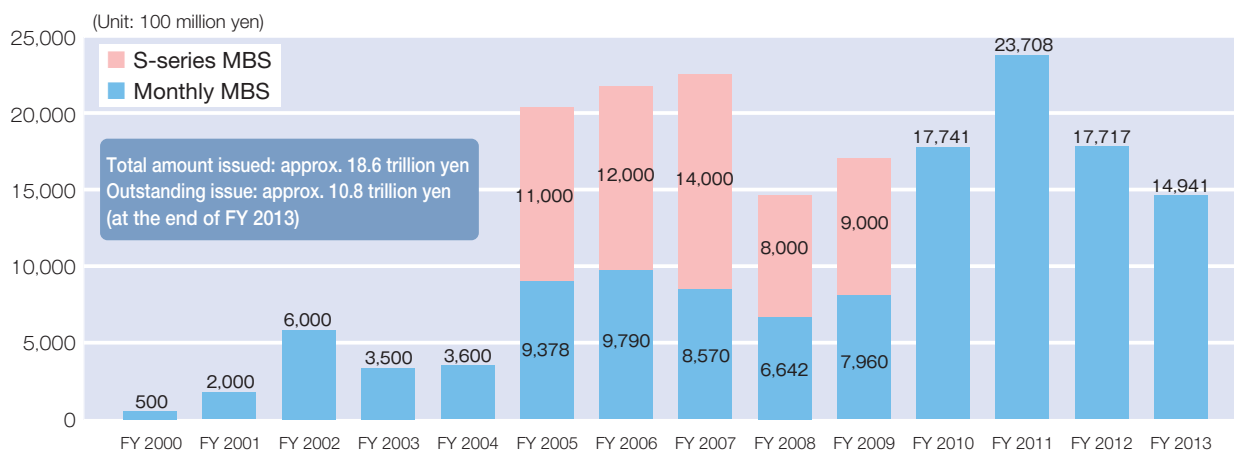
*⁴ See the following page for the monthly pass-through payment method.

*⁵ The capital adequacy ratio under BIS regulations is obtained by dividing the stockholders' equity by risk assets. Each asset has a loanable value in accordance with the degree of risk and this is referred to as risk weight.

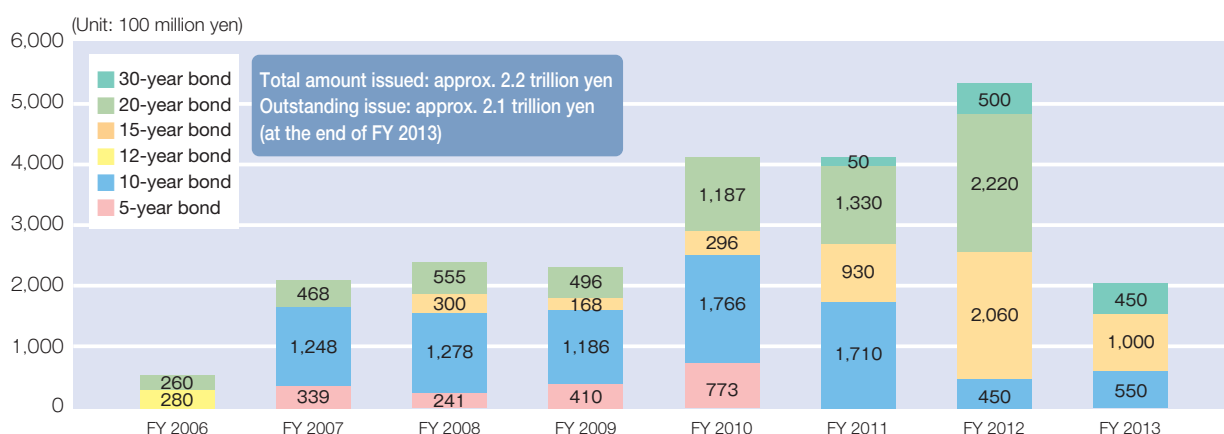
Issuance results of MBS and SB

Monthly MBS and SB are issued to raise funds for Flat 35 and JHF loans while S-series MBS is issued for the purpose of refinancing the outstanding loans borrowed by the former GHLC.

<MBS issuance results>



<SB issuance results>



* JHF implements appropriate Asset Liability Management (ALM) by issuing SB of various maturities.

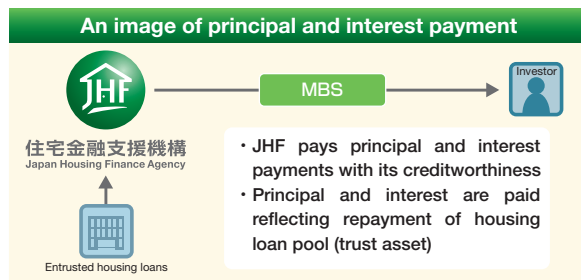
Key Features of MBS (monthly MBS)

● Asset-backed Zaito Agency bond

- Prior to a beneficiary certificate trigger event*, JHF is responsible for all principal and interest payments backed by its creditworthiness. After a beneficiary certificate trigger event, the MBS is no longer a Zaito Agency bond but converted to a beneficiary certificate.
- The risk weight under the standards regulated by the Basel Capital Accords is 10 percent determined by the standardized approach to credit risk.

*Beneficiary Certificate Trigger Events

1. The successor of JHF Monthly 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 Monthly MBS obligation a joint stock corporation (kabusiki kaisha) or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF is dissolved by such act.
3. An act is enacted to designate as JHF Monthly 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.
4. JHF fails to fulfill its payment obligation under JHF Monthly 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.



● Homogeneous and regionally-diversified housing loan pools

- As JHF purchases housing loans nationwide, therefore, housing loan pools are regionally well diversified.
- As JHF applies standardized uniform criteria for all housing loans when purchasing them from private financial institutions, housing loan pools are homogenous.



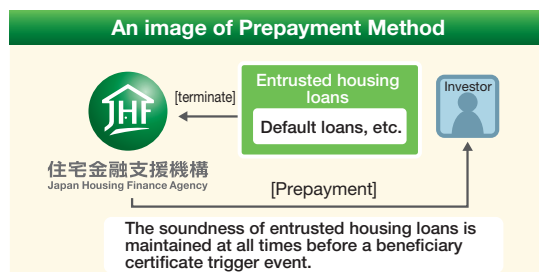
● JHF bears credit risks of defaulted loans

- JHF will pay the principal and interest of delinquent loans up to three months as if loans are current.
- JHF will terminate the defaulted loans including loans delinquent for four months from the trust. Therefore, such loans will be treated as prepayments and JHF removes such defaulted loans from the trust asset and repays an amount equivalent to the outstanding principal amount of the defaulted loan multiplied by the outstanding principal amount of the MBS divided by the outstanding amount of entrusted housing loans*1 [Prepayment Method]*2, *3.

*1 The outstanding amount of entrusted housing loans is calculated based on assumption of no delinquency of housing loans.

*2 As for MBS (S series) and MBS (Monthly) issued by former-GHLC, JHF replaces defaulted loans which include loans delinquent for four months with performing loans and maintains the soundness of the entrusted housing loan pools [Replacement Method].

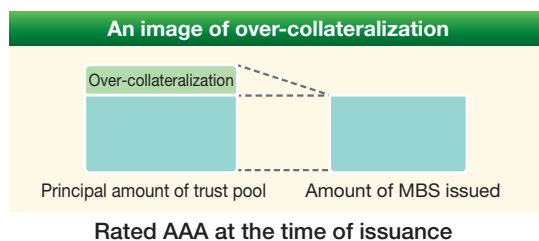
*3 The Prepayment Method and Replacement Method are applicable only prior to a beneficiary certificate trigger event.



● JHF achieved AAA ratings by over-collateralization

- JHF sets a sufficient level of over-collateralization to achieve AAA ratings from S&P and R&I at the time of issuance.
- Minimizing the associated credit risks to the lowest level, investors are eligible to focus just on interest-rate risk and prepayment risk when deciding JHF MBS investment.

*Over-collateralization is an excess amount of the total entrusted housing loan amount over the JHF MBS issuance amount. It functions as credit enhancement after a beneficiary certificate trigger event.



● Principal and interest of JHF MBS are paid monthly in accordance with the repayment of entrusted housing loan pools (monthly pass-through payment method)

- JHF pays the principal and interest of its MBS to investors in accordance with the repayment amount of entrusted housing loan pools that serve as an asset backing the MBS.
- As repayment of the principal and interest of housing loans is made monthly in general, those of JHF MBS are also paid monthly.
- Housing loans are repaid periodically and can also be prepaid. Thus, the principal and interest payment of JHF MBS fluctuate in accordance with the prepayment condition of underlying housing loans.

Securitization Support Business (Provision of Flat 35)

Support private financial institutions to provide fixed-rate housing loans

JHF has implemented Securitization Support Business for private financial institutions to provide fixed-rate housing loans, for which there is a persistent demand from people. Housing loans provided by utilizing JHF platform of securitization are collectively referred to as Flat 35.

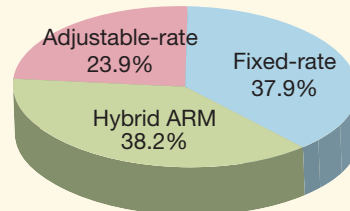
There are two types of program for JHF's securitization business: Purchase Program and Guarantee Program.

Both Purchase Program and Guarantee Program are eligible for "Flat 35S," a support scheme in which reduced interest rates are applied for a certain period for customers who purchase high-quality housing in terms of energy saving and others.

It became 10 years in October 2013 since JHF started the Flat 35.

<Interest rates desired by prospective borrowers of mortgages>

More than one-third prospective borrowers of mortgages desire fixed-rate mortgages.



(Source) JHF "The third survey of recipients of private-sector housing loans in FY 2013 targeting prospective recipients of housing loan (conducted in February 2014)"

"Flat 35" product line up

<p>Flat 35 (Purchase Program)</p>	<p>Flat 35 (Purchase Program) is a fixed-rate mortgage; provided via a collaboration between private financial institutions and JHF. It is a housing loan where the borrowing rate and amount repaid are fixed to maturity when the loan is closed, which makes easier for customers to consider lifelong plans.</p> <p>Flat 35 (Purchased Program) supports customers who purchase their own housing safely because both the interest rate and subsequent lifelong plan are fixed to maturity. We also propose options which allow customers to refinance Flat 35.</p>
<p>Flat 35S</p>	<p>A system in which reduced interest rates are applied for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency and others.</p>
<p>Flat 50</p>	<p>A system that allows a maximum 50-year repayment period for houses certified as long-life high-quality.</p>
<p>Flat 35 Renovation Package</p>	<p>A scheme that finances the purchase of existing houses and renovation in a streamlined procedures by using Flat 35 and loans provided by financial institutions (Flat 35 package).</p>
<p>JHF Transfer Support Loan</p>	<p>A loan for the customer's current owning housing who acquire a new housing on the premise that corporation* rent the customer's current house by using guarantee of the Foundation for Senior Citizens' Housing.</p> <p>* Japan Trans-housing Institute implements lease of housings, as of March 31, 2014</p>
<p>Flat 35 (Guarantee Program)</p>	<p>Flat 35 (Guarantee Program) is a fixed-rate housing loans originated and securitized by private financial institutions with JHF insurance. Refinance is available under this program as well.</p>

Scheme of Flat 35 (Purchase Program)

(For the product details, refer to page 126)

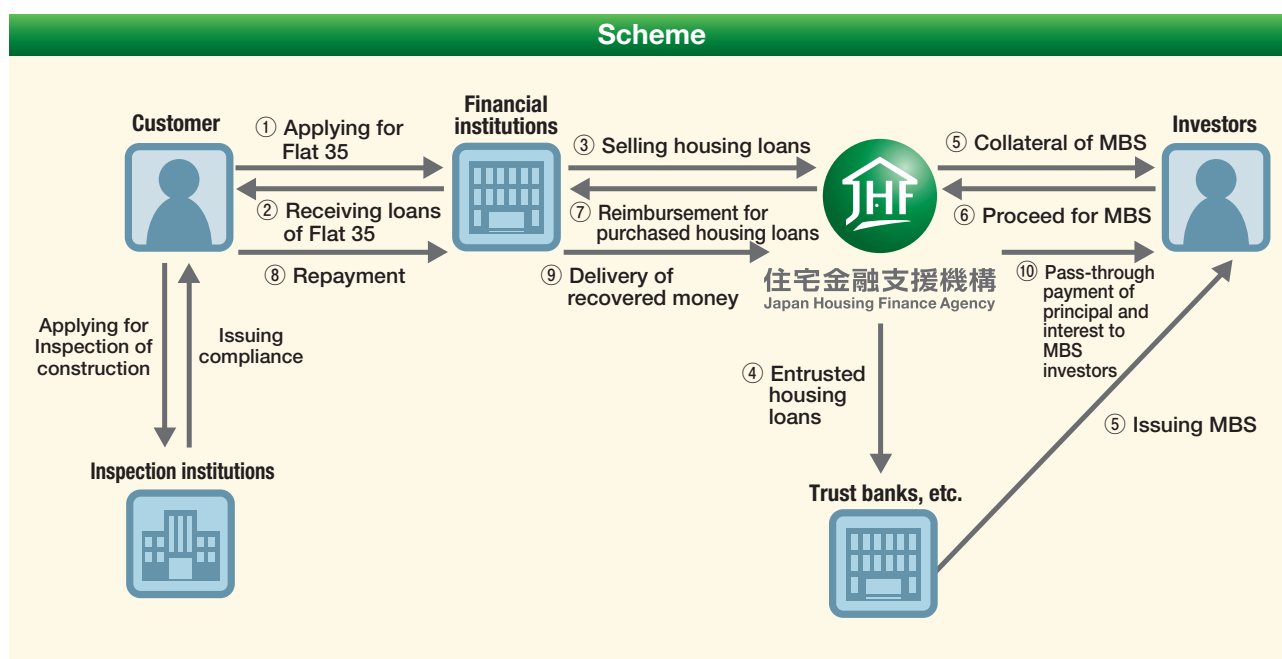
JHF purchases housing loans from private financial institutions and entrusts them to trust banks, etc.

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 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.



● 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 others, and JHF confirms a certificate issued based on the Building Standards Act for new housing.

● Institutions participating in the program

A total of 327 institutions participate in securitization business (Purchase Program), including city banks (5), trust banks (1), regional banks (64), other regional banks (38), cooperative banks (157), credit unions (18), labor credit unions (12), prefectural associations of agricultural credit cooperatives (9) and insurance companies/mortgage banks/other banks (23).

The figures in the brackets indicate the numbers of participating institutions (As of March 31, 2014).

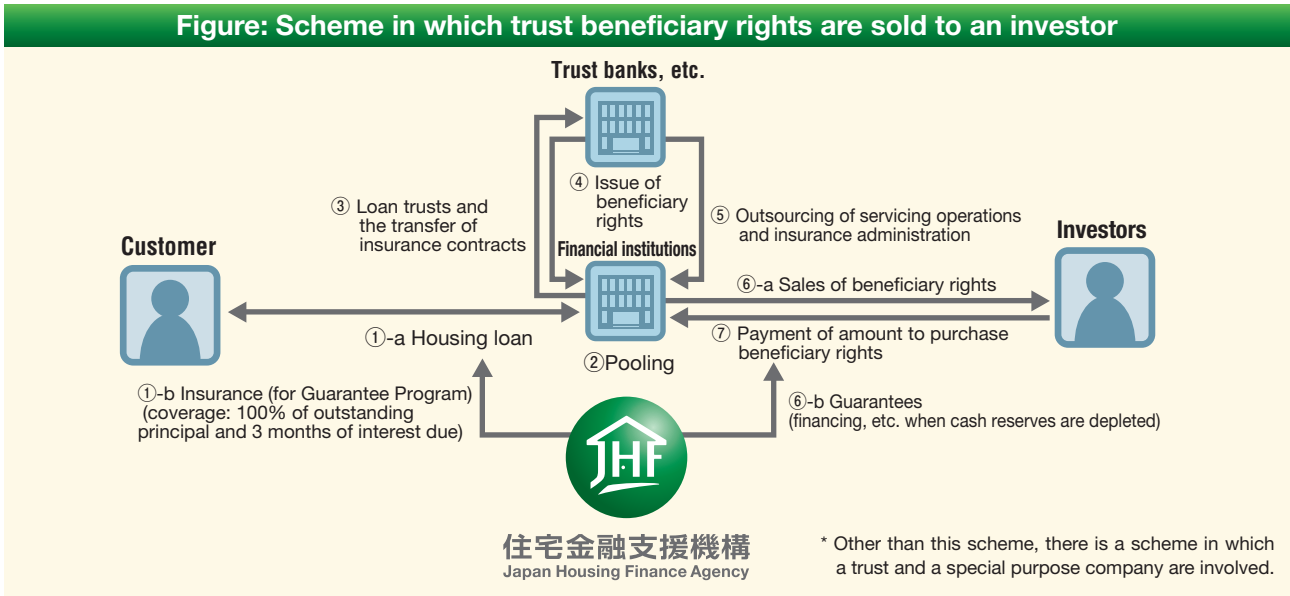
Support to provide security during the repayment period

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.

Scheme of Flat 35 (Guarantee Program)

JHF will underwrite housing loan insurance (for Guarantee Program) for housing loans with fixed-rate housing loans originated by private financial institutions,

and guarantees investors the timely payment of principal and interest on obligations backed by the housing loans as collateral.



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

- The loan is for the construction/purchase of a house for the applicant and/or relatives.*2
- The house satisfies the technical requirements specified by JHF.
- 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).
- The amount of loan 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.

- The maturity of the loan is between 15 years and 35 years, inclusive.
- The interest rate remains fixed to maturity.

*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.

Institutions participating in the business

In the securitization business (Guarantee Program), we concluded agreements with five institutions: city bank (1), regional bank (1) and mortgage banks (3).

The number of institutions participating in the business. (as of May 31, 2014)

* Some financial institutions have suspended the acceptance of new applications (as of May 31, 2014)

Flat 35S

Flat 35S is a system in which reduced interest rates are applied for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency, earthquake-resistance and others.

There are two interest-rate reduction plans for Flat 35S; Flat 35S (Interest rate plan A) and Flat 35S (Interest rate plan B).



Eligible for application from April 1, 2014, to March 31, 2015

Interest-rate reduction plan	Duration of interest-rate reduction	Range of interest-rate reduction
Flat 35S (Interest rate plan A)	First 10 years	Reduction of 0.3%/year from Flat 35
Flat 35S (Interest rate plan B)	First 5 years	

*1 There is a budgetary ceiling for Flat 35S. 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.

*2 Flat 35S is available when constructing and purchasing new housings as well as purchasing existing housings (except "Flat 35" refinancing).

Results of Flat 35

About JHF

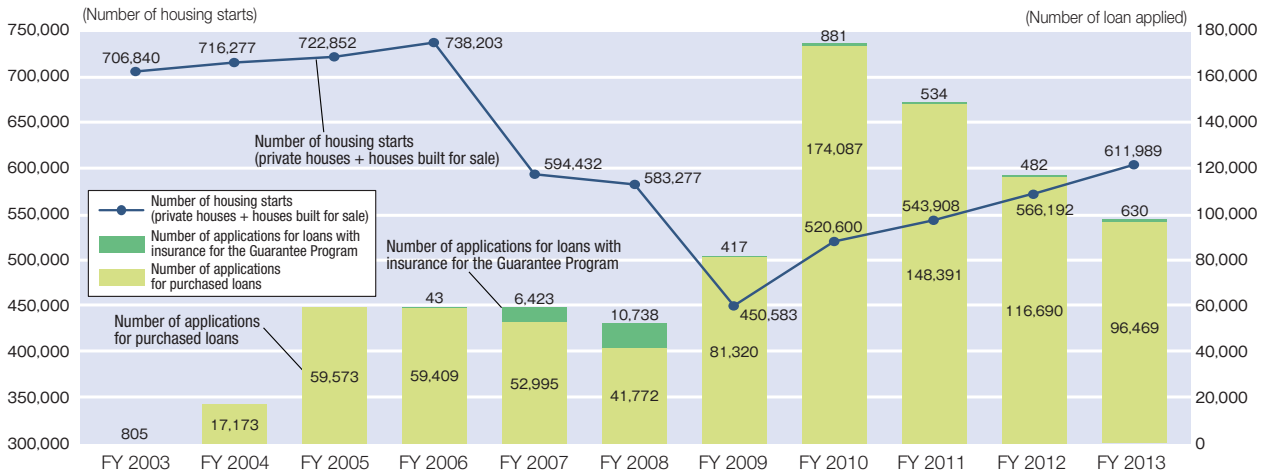
Topics

Corporate Governance

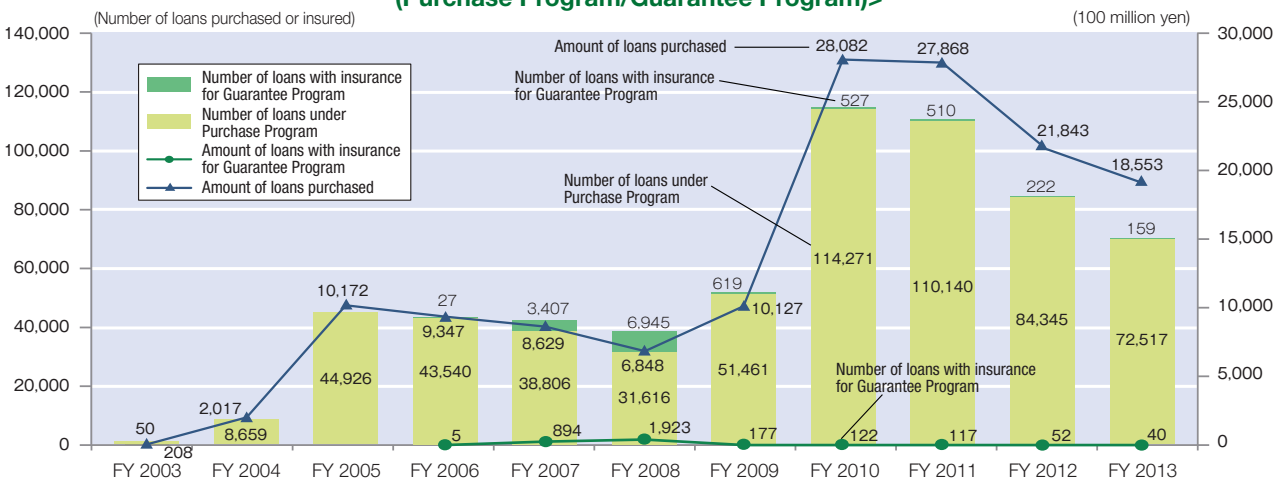
Details of JHF Business

Financial Data

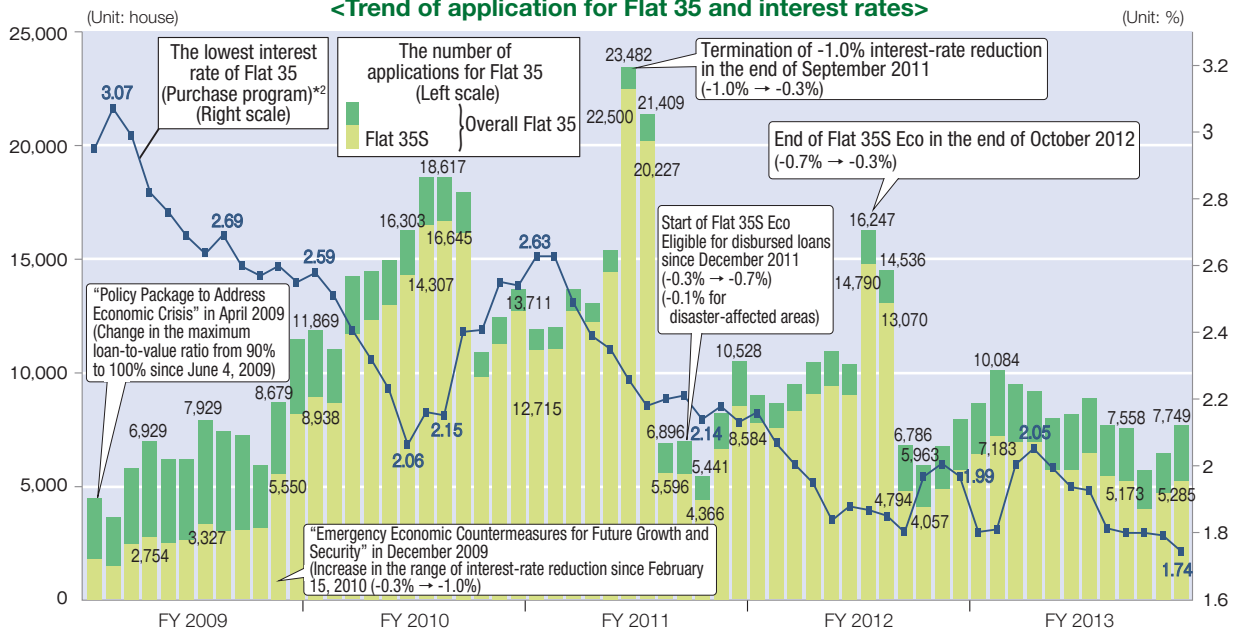
<Numbers of applications for Flat 35 (Purchase Program/Guarantee Program) to be purchased and insured>



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



<Trend of application for Flat 35 and interest rates>



*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 (of which 90% or lower rate after February 2014 as interest rates vary according to the loan-to-value ratio (90% or lower/over 90%). Many financial institutions set the lower interest rate by comparing the cases that duration of loan is shorter than 20 years and between 21 years and 35 years.

Activities to promote Flat 35

●Organizing consultation meetings across Japan

JHF holds consultation meetings on Flat 35 simultaneously across Japan for people considering to own housing.

At some places, a seminar is also organized during the consultation meetings and attracts many audience.

<Consultation meeting>



<Seminar>



<Meetings in May 2014>

- Held at 45 places nationwide
- Number of audience: 902

●Flat 35 website

Since the renewal of the Flat 35 website in May 2013, it has become easier for customers to obtain information they look for.



Product information, such as Flat 35 product outline, interest rate, procedures, etc. is available from Flat 35 website (<http://www.flat35.com>). [Annual number of visitors: approx. 42.8 million (FY 2013)]

●Business activities using tablet terminal

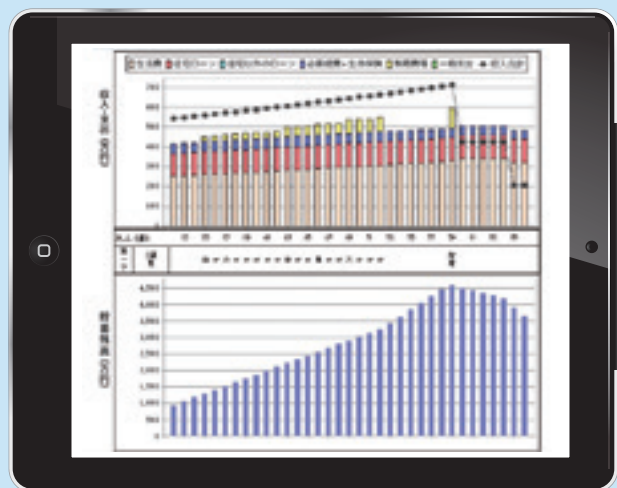
JHF has provided timely information and consultations by utilizing tablet terminals.

When providing consultations to customers at the consultation meetings and other occasions, JHF staff prepares a simulation of repayment plan by using tablet terminals.

<Explanation with tablet terminals>



<An image of estimation made by repayment plan simulation>



A repayment plan for acquiring housing and other estimations in light of monthly family income and expenditure or future life events are available from the simulation.

● Housing Loan Insurance Business

JHF underwrites insurance for private-sector housing loans.

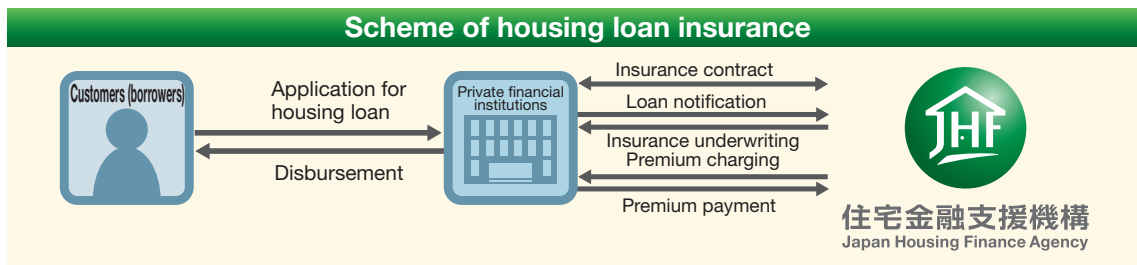
Housing loan insurance is public credit insurance provided by JHF. By underwriting insurance for housing loans originated by private financial institutions, JHF supports the supply of housing loans by private financial institutions.

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).



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

● Financial institutions entering into housing loan insurance contracts

167 financial institutions in total have entered into housing loan insurance contracts. They include: City banks (4), Regional banks (29), Secondary regional banks (10), Cooperative banks (60), Credit associations (15), Prefectural Credit Federation of Agricultural Cooperatives/Japan Agricultural Cooperatives/Prefectural Banking Federations of Fishery Cooperatives/Japan Fishery Cooperatives (26) and Insurance companies/mortgage banks and other banks (23).

() shows the number of institutions having entered into the insurance contract (as of March 31, 2014).

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)*2	Retail housing loans that are in accordance with the underwriting criteria of a private financial institution and have been approved by JHF in advance.	
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*2	Retail housing loan in accordance with the underwriting criteria of a private financial institution.	
Personal bridge loan insurance*2	Bridge loans in accordance with the underwriting criteria of a private financial institution Loans with maturity of less than one year.	

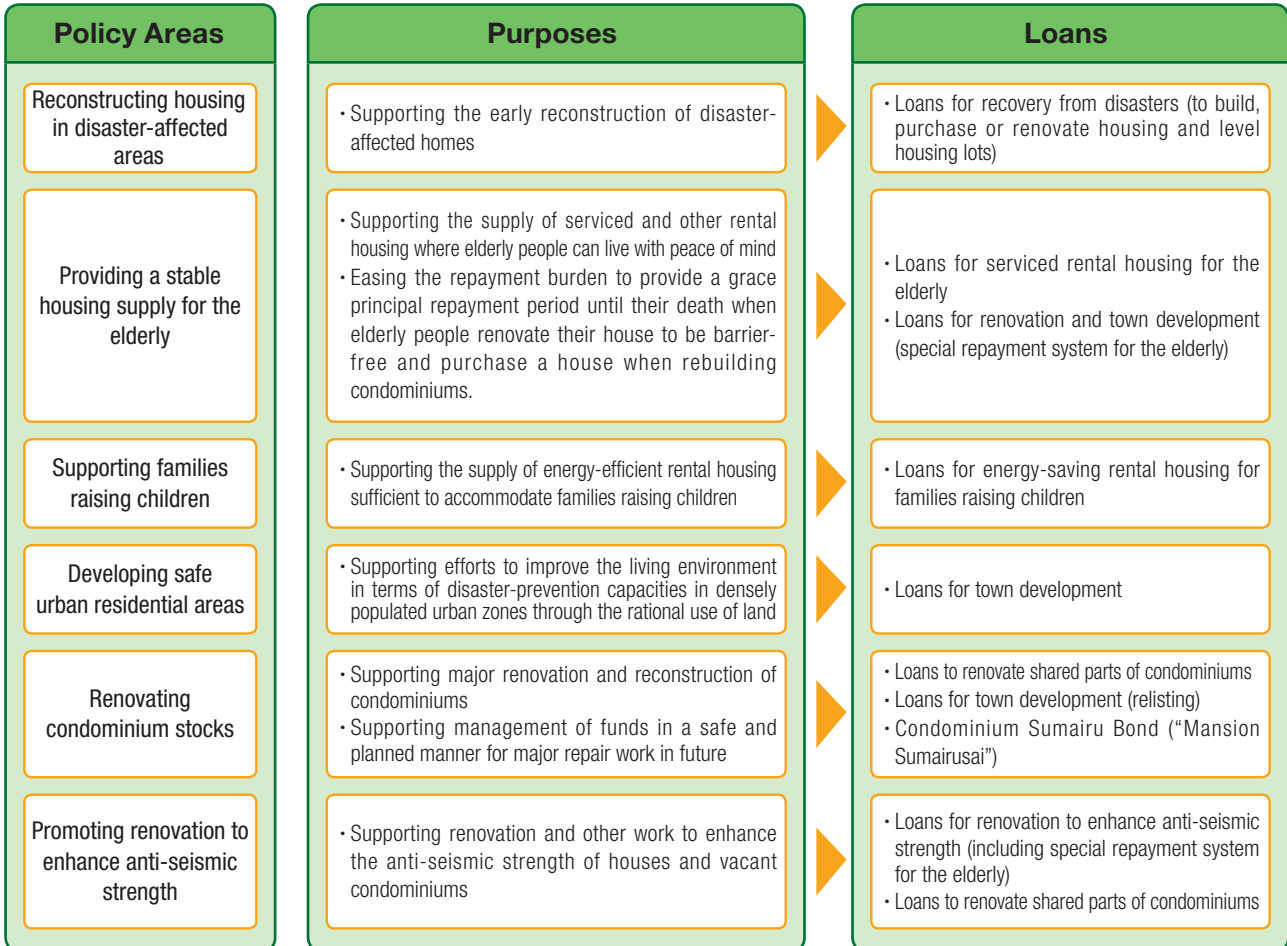
*1 The ratio of insuring uncollected principals (excluding interest, late charges, etc.)

*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).

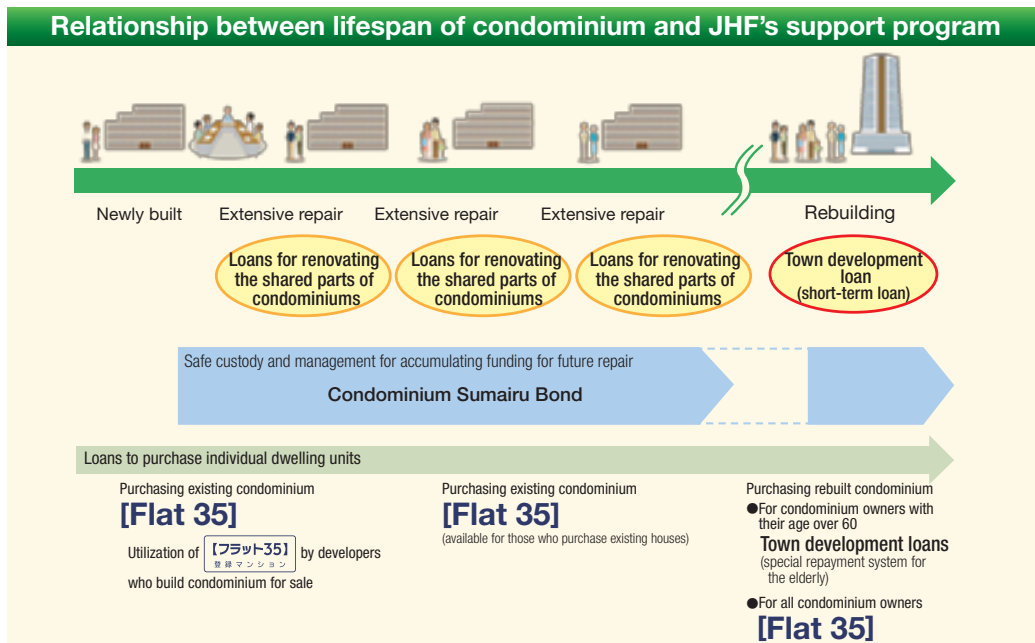
Loan Origination Business (government-policy-related loans for recovery from disasters, town development, etc.)

JHF provides 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 renovating shared parts of condominiums, which are important in terms of policy and also difficult for the private sector to provide financing for.



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



Details of Loans

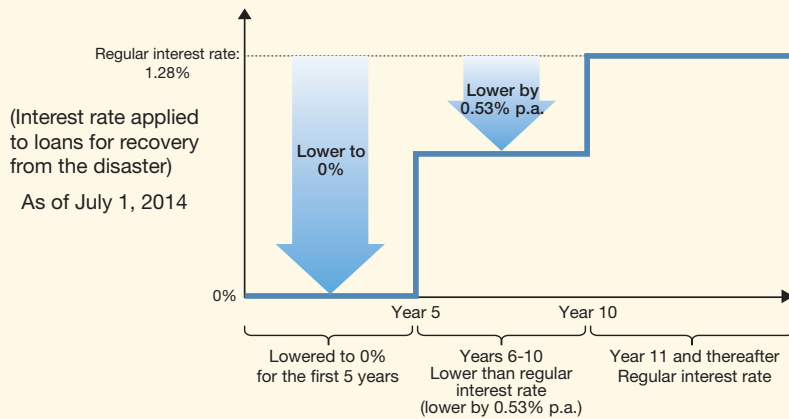
● Loans for recovery from the disaster Support for rebuilding housings affected by disasters

JHF provides low-interest loans for people whose houses are damaged by natural disasters such as earthquakes, torrential rain, gusty winds and typhoons as well as the Great East Japan Earthquake to build, purchase or renovate their houses. We also provide loans for the ground works together with residential structures when housing lots are damaged due to collapse or liquefaction, etc.

Support to reconstruct housing affected by the Great East Japan Earthquake

JHF provides disaster-recovery loans as well as loans to repair housing lots where such lots are damaged (loans to recover housing lots). We lower the interest rate (0% p.a. for the first five years for construction and purchase) and extend the grace period and loan maturity, for example. We received 13,401 applications for disaster-recovery housing loans and disbursed for 9,732 houses (both totals as of March 31, 2014).

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



Simplification of Procedures for Loan Application for Recovery from the Great East Japan Earthquake

- **Support for people living in areas from which they were ordered to evacuate due to the nuclear power plant accident**
When people who were living in areas subject to an evacuation order due to the nuclear power plant accident on March 11, 2011, build or purchase a house outside these areas, we now provide disaster-recovery housing loans upon confirmation that they were living in such areas without presenting their victims' certificates (issued by the municipal government to show the degree of damage after confirming the damage based on a field survey, etc.) or submission of residence registry after moving into housing for which loans are provided
- **Support for a project to promote collective relocation for disaster-prevention**
Mortgage liens placed on housing lots in areas subject to the project to promote collective relocation for disaster-prevention are written off and the owners purchase land for the new location before the municipal government reimburses the purchase price of the land to JHF. JHF then directly receives the money for purchasing the old lots payable by the municipal government, allowing the mortgage to be written off. We have created a scheme to facilitate the implementation of this project.

● Loans for serviced rental housing for the elderly Support for stable living for the elderly

We provide loans to business operators who build serviced rental housing for the elderly or purchase real estate to convert it into such housing that contributes to stable living for the elderly.

Serviced rental housing for the elderly

This refers to barrier-free rental housing that encompasses services such as watching and nursing care for the elderly, which was introduced when the Act to Secure a Stable Supply of Elderly Persons' Housing was revised. It is rental housing that meets the registration criteria, and is registered with the municipal government and for which support such as subsidies, preferential tax treatment and policy-related loans are provided.

(Example)

Apartment complex name: "Morita-san Chi", Noda, Chiba Prefecture, completed in Oct. 2012

The serviced rental housing for the elderly provides good support, including family-like homemade meals which many elderly people are looking forward to as well as deathwatch. The building is carefully designed to have residents feel at home with stained glass, mosaic tiles, and comfortable chairs.

Letter of Appreciation of JHF President was awarded in FY 2013

<Building appearance>



<Inside of the building>



●Loans for energy-efficient rental housing sufficient to accommodate families raising children

Support for families raising children

JHF provide loans for business operators for construction, etc. and to promote the supply of energy-efficient rental housing capable of accommodating families raising children.

(Example)

Apartment complex name: "ViaCirCo", Minami-ku, Saitama, Saitama Prefecture, completed in Jan. 2013

All the housing has different floor plans, reflecting the hope of the owner to create a lively community where various families communicate. Buildings are located interestingly, with shared spaces centering on two courtyards, for a living environment where residents can communicate and enjoy each season.

Letter of Appreciation of JHF President was awarded in FY 2013

<Building appearance>



<Inside of the building>



●Town development loans

Support for development of safe residential area

JHF provides loans for the following projects to secure disaster-prevention capacities and improve living conditions in urban areas with a high concentration of structures to promote rational land use:

- Rebuilding old condominiums with insufficient anti-seismic strength and other problems related to the living environment
- A project to rebuild rental structures in core city centers with a high concentration of structures
- A project to develop disaster-prevention areas and secure disaster-prevention capacities and rational and sound land use
- An urban redevelopment project for rational and sound intensive land use in cities and renewal of their urban functions

The share of JHF loans to develop towns in urban redevelopment and other projects* (From April 2007 until the end of September 2013)

25.4%

The ratio of projects that received JHF loans to develop towns among urban redevelopment and other projects* for which the correct conversion plan was approved

*Urban redevelopment and other projects = urban redevelopment projects and projects to develop disaster-prevention areas with housing implemented by private business operators, etc.

Urban redevelopment project

(Example)

Project name: First Class Urban Rebuilding Project in the South Area of the Western Part of Toiyamachi, Gifu, Gifu Prefecture, completed in Aug. 2012

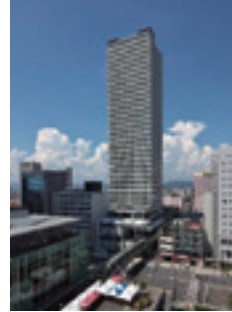
The area is situated at a corner of a textile wholesalers' street in front of JR Gifu Station. However, problems tending to blight city centers, such as aging of buildings and an increase in vacant stores, have emerged in recent years. Against this backdrop, an urban redevelopment project was implemented to be equipped with urban functions demanded to fit the era and the construction of complexes (housing, business and commercial) to optimally exploit the potential of the location; in front of the station in the prefectural capital.

Letter of Appreciation of JHF President was awarded in FY 2013

<Before improvement>



<After improvement>



Project to construct a disaster-prevention area

(Example)

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

Fireproof structures were initially constructed and roads and parks were improved for disaster-prevention in an area with a high concentration of wooden structures in front of the station to prevent fire from spreading and secure safe evacuation.

Letter of Appreciation of JHF President was awarded in FY 2012.

<Before improvement>



<After improvement>



Project to rebuild condominiums

(Example)

Project name: Daikyo-cho Condominium Reconstruction Project, Shinjuku-ku, Tokyo, completed in Jan. 2010

As the four-story condominium building sold in 1957 was aging, half a century after its construction and given the lack of elevators and the aging of residents, the residents began to find it difficult to live there. Against the backdrop, a reconstruction association was formed to rebuild it under the Act to Facilitate the Reconstruction of Condominiums.

Letter of Appreciation of JHF President was awarded in FY 2012.

<Before reconstruction>



<After reconstruction>



●Loans for renovating shared parts of condominiums

Support for renovation of condominium stocks

JHF finances condominium management associations and unit owners to repair exterior walls and others to help them address deterioration and enhance their anti-seismic strength.

(Example)

Apartment complex name: Lions Mansion Hisasue”, Takatsu-ku, Kawasaki city, completed in Mar. 2012

Renovating condominiums on a slope is a progressive example. Problems, including a lack of elevators for the first to third floors, became increasingly apparent as residents aged. The repair committee of the management association played a central role in repeatedly explaining the benefits of repair work to residents to help build a consensus. Additional elevators were built together with major repair works to renew the functions and achieve living situations commensurate to the many elderly residents there.

Letter of Appreciation of JHF President was presented in FY 2013.



●Assist condominium associations with Condominium Sumairu Bond (“Mansion Sumairusai”)

Support for renovation of condominium stocks

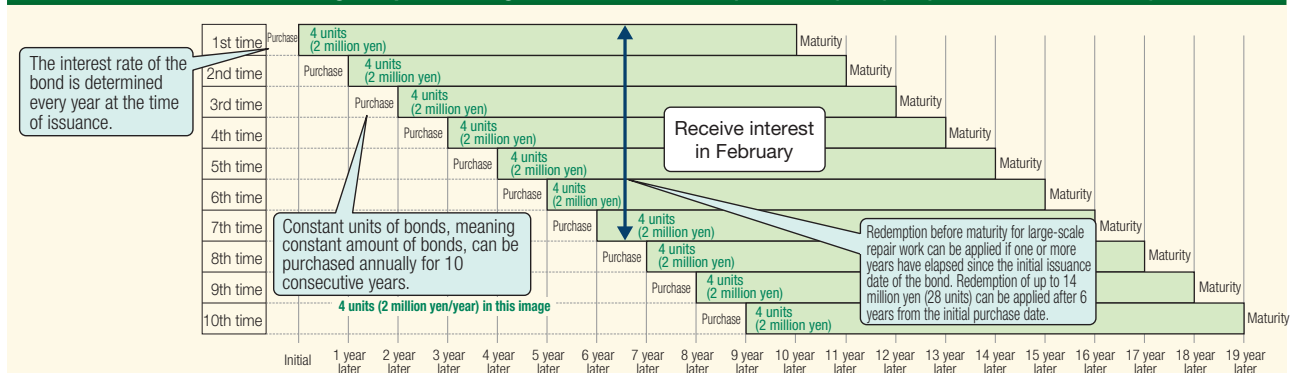
Mansion Sumairusai is a bond issued by the JHF with approval from the government, which aims to support the efforts of condominium management associations to accumulate and properly manage funds they collect from unit owners for future repairs in a planned manner. JHF began to offer the bond in FY2000 and has received a total of 996 billion yen in deposits from 22,000 condominium associations.

JHF sends a magazine named Condominium Information Box (“Mansion Joho Bokkusu”) containing useful information on condominium management biannually as well as a mail magazine containing invitations to seminar sessions for condominium management and renovation to condominium associations having purchased the bond.

Features of the Condominium Sumairu Bond

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

An image of purchasing 4 units of the bond (2 million yen/year) for 10 consecutive years



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

Support for stable living for the elderly

This system is 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.

●Reform loan (earthquake resistance improvement)

Support for promotion of improving earthquake resistance

JHF provides loans for seismic strengthening aiming to improve earthquake resistance of housings.

Group Credit Life Insurance

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 (Purchase Program) or JHF loans for individuals such as disaster relief loan, who have joined in this system die or incur a serious disability, the outstanding loan balance is offset by the insurance (mutual relief money) that is paid by life insurance companies and others.

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") ("Duet" is not available for three major diseases).

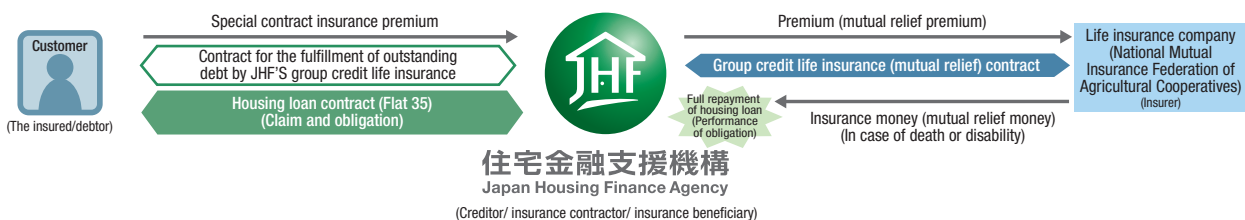
* JHF loans for individuals include housing loans from JHF, the Welfare and Medical Service Agency (the former Government Pension Investment Fund) and Okinawa Development Finance Corporation.

Scheme of JHF's group credit life insurance

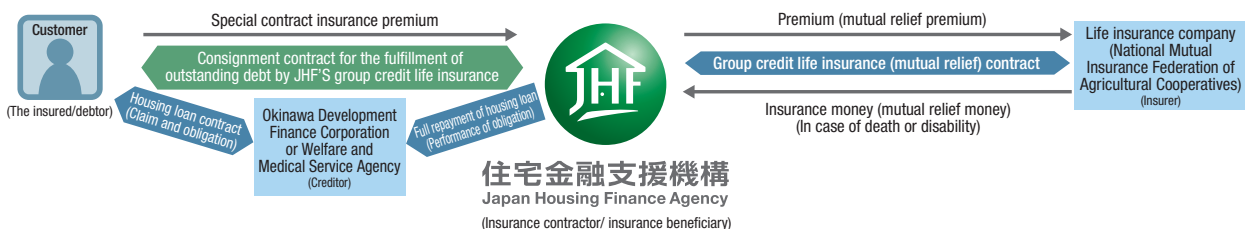
Under Flat 35 (Purchased Program)



Under a JHF loan (disaster relief loan, etc.)



Under a loan from the Okinawa Development Finance Corporation or the Welfare and Medical Service Agency



<Number of payments with group credit life insurance>

(Unit: case)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
The number of payments with group credit life insurance	11,960	11,713	11,621	10,745	10,203

* Accumulation since the start of operation (1980): 311,347 cases

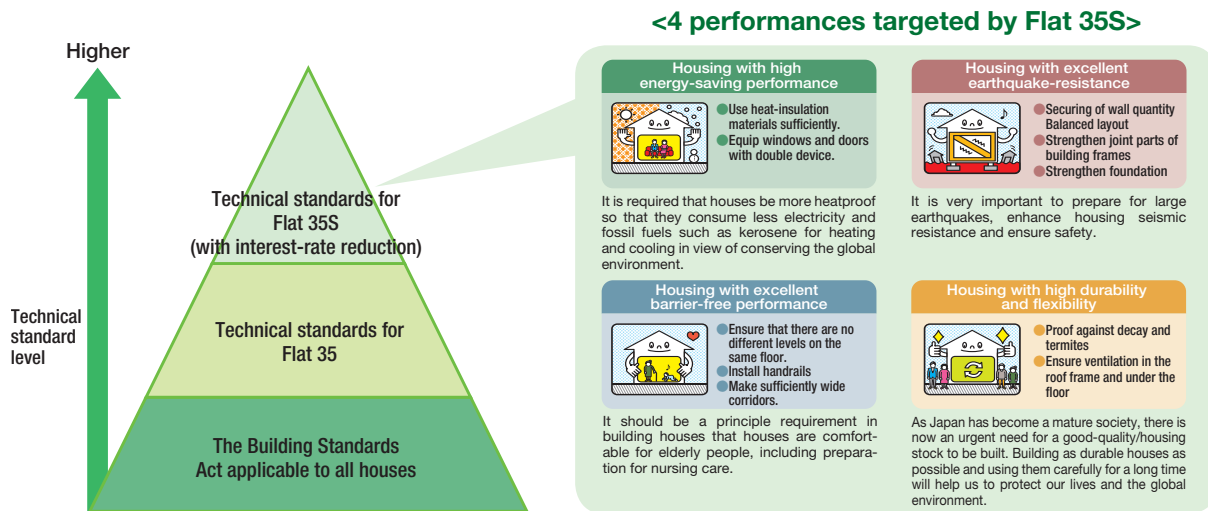
Promotion of quality housings

JHF improves living environment with technical standards established by JHF to promote quality housings

Encouraging technical standards and quality housings

JHF establishes the technical standards for Flat 35. The standards are largely divided into essential standards and those that are requirements for Flat 35S. Specifically, JHF reduces 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.

Technical standards are also set for loans for serviced rental housing for the elderly.



Promoting Quality Housing

●Preparation and issuance of housing construction specifications

JHF prepares and issues housing construction specifications to explain details of implementation methods and materials to be used which are not specified in the Flat 35 technical standards or drawings.

The specifications have its approximately 60-year history from the time of the former-GHLC.

●Seminar on specifications organized for housing industries

JHF explains details of technical standards of Flat 35 and Flat 35S by using housing construction specifications at seminars organized for housing industries. JHF also dispatches its employees as a lecturer to a seminar organized by industry associations.

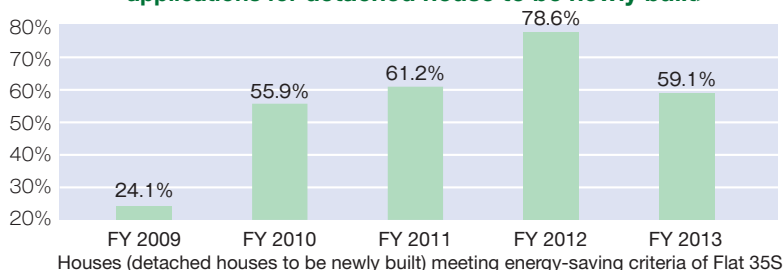


<Seminar on specifications>



Thanks to the promotion of Flat 35 and Flat 35S, the range of energy-saving housing* for housing industries has been expanding. The share of energy-saving housing increased from FY 2010 to FY 2012 due to a substantial interest rate reduction in Flat 35S and remained at approximately 60% of the share after the end of the reduction. JHF is currently striving to maintain equivalent promotion toward the full enforcement of the amended Act on Energy-Saving Standards, which is planned in April 2015.

<[Flat 35] Share of houses meeting energy-saving housing among applications for detached house to be newly built>



Technical assessment to ensure compliance of housings with technical criteria

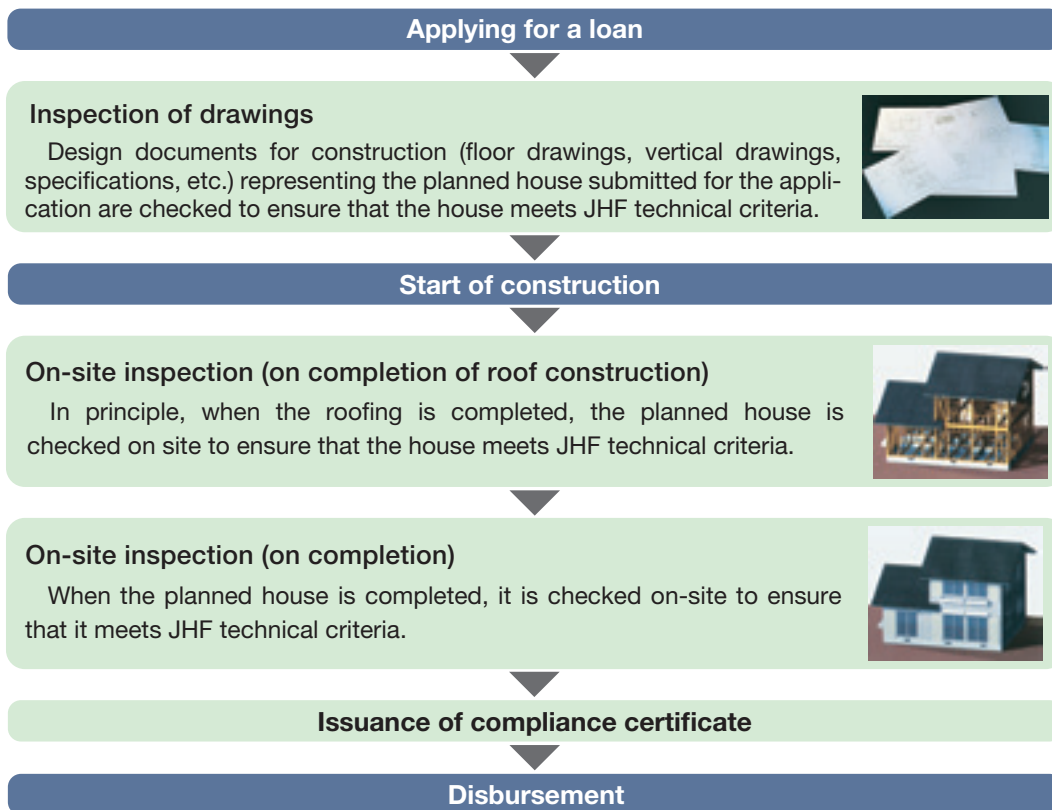
JHF conducts technical assessments based on the technical standards while ensuring compliance with the housing performance labeling system and other regulations. Further, JHF checks for the issuance of compliance certificates based on the Building Standards Act for newly built houses.

● Technical assessment method

Technical assessments for Flat 35 are conducted 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 conducted for loans for serviced rental housing for the elderly.

<General flow of technical assessment for Flat 35 (in the case of a detached house to be newly built)>

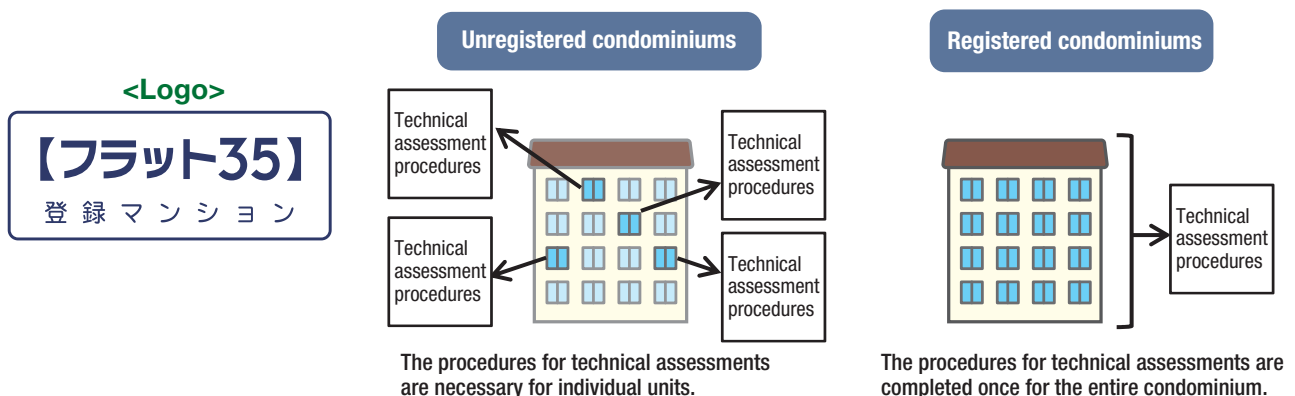


● Promotion of Flat 35-registered condominiums

JHF promotes the Flat 35-registered condominium scheme, which allows housing distributors to have the entire condominium complex inspected instead of a regular procedure 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.

A logo of Flat 35-registered condominiums is used by housing distributors on relevant websites, advertisement and leaflets, etc.



Management of Outstanding Loans

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

Overview of the management of outstanding loans

JHF provided 2.04 million housing loans (outstanding amount of 26.5 trillion yen)* for customers as of the end of March 2014.

The repayment of housing loans continues for a long period of time, during which we provide consultations

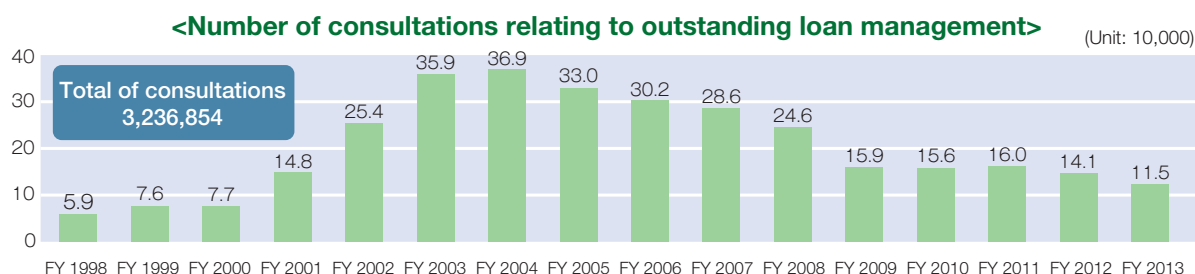
on loan modification, prepayment and the issuance of verification of outstanding balance so that customers can avoid uncertainty.

* 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.



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

If customers, who meet the JHF's criteria, have difficulty with repayment due to bankruptcy or changes in circumstances concerning the customers' employment but 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*.

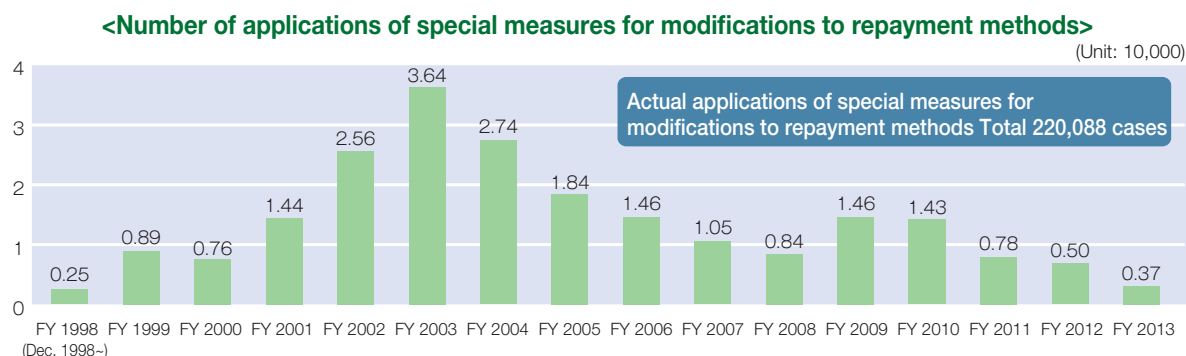
*The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

(Direct loans under former-GHLC and JHF)

- Current interest rate of 6% or less: 1% reduction
- Current interest rate of more than 6%: reduced to 5%

(Flat 35)

- Until FY 2012: 1% reduction regardless of the current interest rate
 - Until FY 2013: 0.5% reduction regardless of the current interest rate
 - In FY 2014: 0.5% reduction regardless of the current interest rate
- Note that the interest rate after the reduction is 2.0% at the minimum.



Response to the Great East Japan Earthquake

●Special measures for those affected by the disaster/Guidelines for Individual Debtor Out-of-Court Workouts

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 5,685 cases for modifying the repayment method (as of March 31, 2014).

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 196 of 299 claims for which the application of the Guidelines has been requested (as of March 31, 2014).

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

Existence of mortgages until 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 terminate the mortgage by directly receiving the payments for purchase of land, etc., that is reimbursed by local governments, etc., to assist the project.

<Modification of repayment method for those affected by the Great East Japan Earthquake>

Repayment method modification Damaged rate	Deferment of repayment	Extension of repayment period	Lowering of interest rate* during deferment period
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.

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 "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.

JHF continues to respond to consultations from customers receiving housing loans regarding payment, etc. appropriately after the expiration of the Finance Facilitation Law at the end of March 2013.

<Number of applications for loan modifications and their amount (December 4 2009 - March 31 2014)>

(Unit: Number of cases, million yen)

	Loans to small and medium sized enterprises*1		Loans to individuals with mortgage obligation*2	
	Number of cases	Amount	Number of cases	Amount
Number of applications for loan modifications and their amount	663	127,210	89,564	1,138,497
Of which, the number of accepted applications and their amount	569	109,479	65,770	838,214
Of which, the number of rejected applications and their amount	38	7,557	2,951	40,060
Of which, the number of applications under underwriting and their amount	7	1,603	892	10,749
Of which, the number of withdrawn applications and their amount	49	8,572	19,951	249,475

*1 Measures in accordance with Article 4 of the Finance Facilitation Law

*2 Measures in accordance with Article 5 of the Finance Facilitation Law

● Research and Survey on Housing Finance

Research and study on housing finance to promote securitization business

JHF conducts the following surveys and research activities to promote securitization business while

continuously providing accurate and fair information to enable customers to select appropriate products.

Surveys of domestic housing loan market

JHF conducts surveys on housing markets including new domestic loan origination and outstanding loan balances, on profile of housing loan recipients, on consumers' awareness and behavior in terms of their housing loan selection, and on other relevant theme.

Results of the latest and unique surveys are widely utilized by governmental institutions and think tanks, etc.

Research results (Website)

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

Analyses and information dissemination on housing finance market

JHF disseminates results of survey analyses on domestic and overseas market of housings and housing loans through its website as well as compiles and issues publications with the results. JHF also contributes to academic journals including the Japan

Association of Real Estate Sciences (JARES) and noted economic journals, etc., in addition to exchange information and present research results at broad fields of seminars and academic conference.

Surveys on overseas housing finance and dissemination of information overseas

JHF collects the latest information on systems and trends of overseas housing finance market, analyzes their effects on Japan. These information are disseminated through the JHF website as well as reported to media including JHF Housing Finance Journal. In addition, JHF interacts with international

organizations and public/private institutions overseas, or attends international conferences to provide information on housing finance in Japan. Through these activities, JHF contributes to international mutual understanding. (Refer to page 13 for the details)

<Speech at the International Union for Housing Finance>



<An example of a report in Housing Finance Journal>



<Presentation at the JARES conference>



Fiscal 2013 surveys

The following reports are available from "Kihou" on the JHF website.
<http://www.jhf.go.jp/about/kihou/index.html>

● Domestic housing finance

- "Will the housing loan market see great progress again? -current situation and issues in promoting housing loans"
- "Costs of durable consumer goods and their purchase status for acquisition of houses"
- "Housing loans and household income and expenditure"
- "Profile of customers: from the survey results on Flat 35S recipients"
- "Current situations and the future of construction industry in Japan"
- "The state of housing construction in the area affected by the Great East Japan Earthquake and the profile of disaster-recovery loan recipients"

● Overseas housing finance

- "Common Securitization Platform to integrate Fannie Mae and Freddie Mac MBS – FHFA proposes reform amid of record high profit"
- "A report on attending the 28th International Union for Housing Finance World Congress"
- "Recent housing policy and housing finance in India"
- "The Obama administration's plan to reform the housing finance market and bills of the United States Senate and the House of Representatives to wind down GSEs"
- "Housing market and housing finance in Indonesia"
- "The update of the Government National Mortgage Association (Ginnie Mae)"
- "Housing market and housing finance in Malaysia"