

# Activities of JHF

## Provide Fixed-rate Housing Loans through Collaboration with Private Financial Institutions

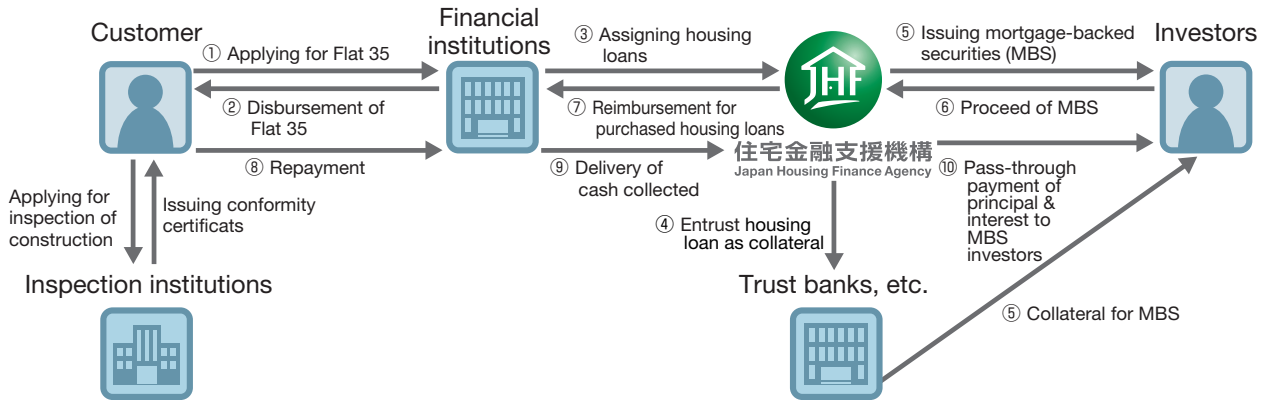
### Security of “Flat 35” by fixing the interest rate until the maturity

“Flat 35” is a fixed interest rate mortgage that JHF offers to people in collaboration with private financial institutions. Because a fixed interest rate mortgage is a type of loan having the borrowing rate and the amount of installments fixed until the maturity as soon as the loan is closed, which enables customers to make long term plans for living.

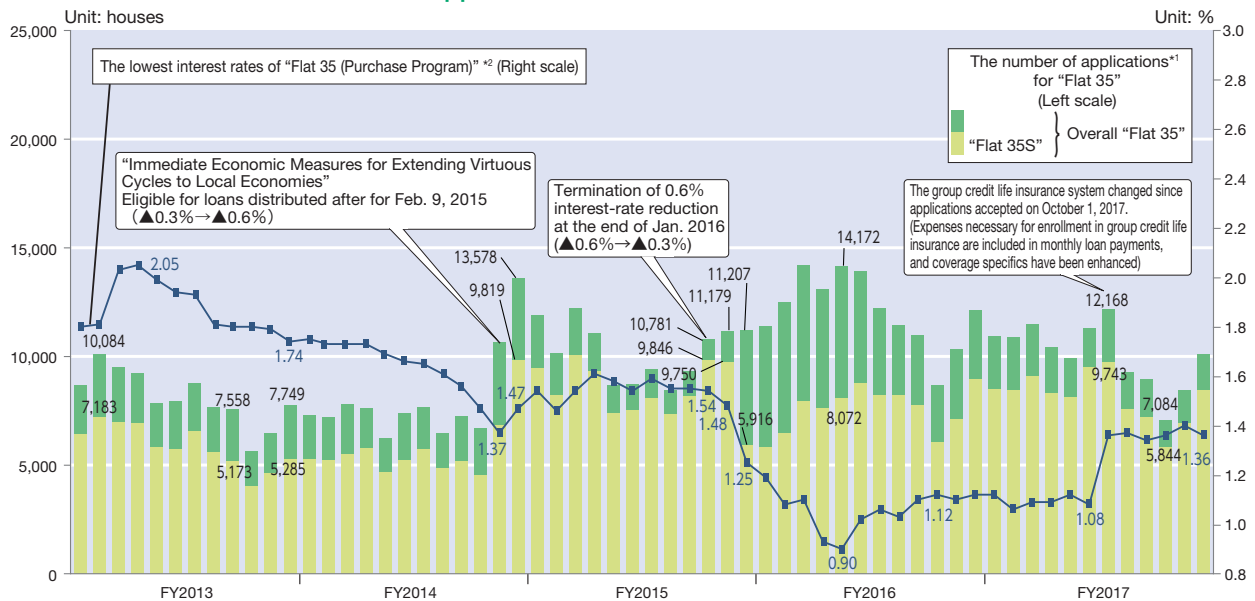
#### Four merits of “Flat 35”

- ① Security of fixed interest rate until the maturity
- ② Support acquisition of high quality housing by reducing interest rates
- ③ No guarantee fee and no fee for prepayment
- ④ Extend consultation during the repayment period

### Scheme of Purchase Program



### <Trend of applications for “Flat 35” and interest rates>

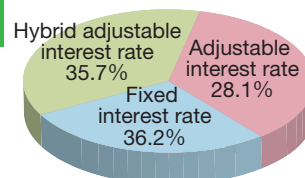


\*1 Total number of houses applying for “Flat 35 (Purchase Program / Guarantee Program)”.

\*2 The lowest interest rates indicated are those offered by financial institutions and applicable to loans having tenors between 21 years and 35 years. Interest rates vary according to loan-to-value ratio (90% or lower, or over 90%) for loans since February 2014, therefore indicated are interest rates of loan-to-value ratio 90% or lower. In addition, as interest rates differ depending on the type of group credit life insurance, indicated are interest rates of JHF group credit life insurance applied since October 2017. Many financial institutions provide lower interest rate to the loans having 20 years or less tenor than those having 21-35 years.

### Interest rate type desired by prospective loan-applicants

Approximately one-third of prospective loan-applicants desire fixed interest rate housing loan.



(Source) JHF “The second survey of borrowers of private-sector housing loans in FY 2017 targeting prospective loan-applicants (conducted in April 2018)”

## Support Local Governments That Are Striving to Support Childrearing, Support Relocation or Implement Measures for Vacant Houses

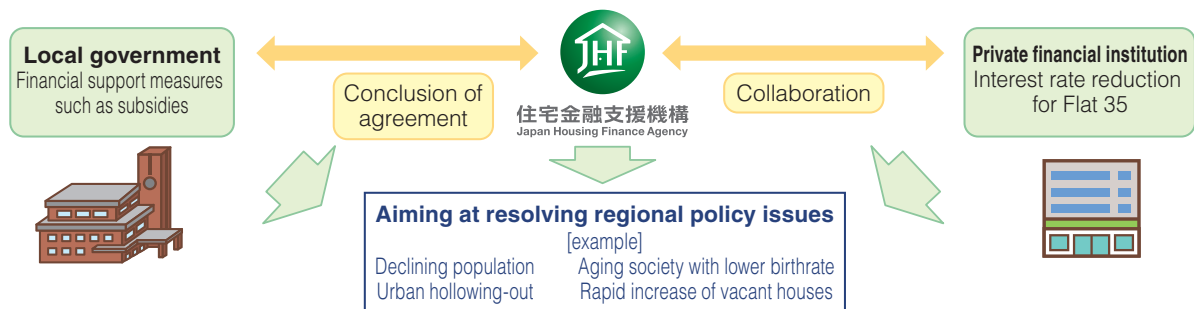
### “Flat 35” Childrearing Support Type, Regional Vitalization Type

Local governments provide proprietary financial aid for home acquisition by conducting measures such as Childrearing Support, promotion of relocation and settlement via UIJ Turn, Compact City Formation, or vacant housing measures and others.

In April 2017, JHF created a new product called Flat35 Childrearing Support Type and Regional Vitalization Type, which lowers the loan interest rate of Flat 35 for a certain period by a joint financial support from local gov-

ernments and by a conclusion of an agreement with such local government. From April 2018, measures for vacant houses also become applicable.

JHF has aggressively addressed collaboration with local communities by concluding agreements with 267 local governments (as of the end of April 2018), and will keep on supporting efforts of local government toward resolving policy issues.



### “Flat 35” Status of conclusion of agreement with local governments relating to Childrearing Support Type or Regional Vitalization Type

JHF has been promoting conclusion of agreements with local governments since May 2017, and the total number of local governments that concluded agreements with JHF amounted to 267 (as of the end of March 2018).

<Number of local governments that had signed agreements by the end of March 2018>

Total of 267 governments (11 prefectures, 165 cities, 82 towns, 9 villages)

Childrearing Support Type: total 201 governments

Regional Vitalization Type: total 193 governments

(Note) Some governments overlap so the total does not add up.

#### <Agreement Signing Ceremony with 19 city and town governments in Ehime Prefecture> (October 31, 2017)



#### ● Comments from local governments that concluded agreements, efforts in collaboration with financial institutions

##### [Ebetsu City, Hokkaido]

“By collaboration with JHF on the Flat 35 Childrearing Support Type, advantage of acquiring a house inside the city improved, which led to 232 household applications, an increase of 70 households from the previous year, to our promotion services” (Ebetsu City, FY2017)

A user of Flat 35 Childrearing Support Type (nearby living), mentioned to us that “Having small children and both of us working, we find our parents taking care of our children is very helpful” (PR Ebetsu 2018 March edition).

##### [Nabari City, Mie Prefecture]

Three parties, Nabari city and regional financial institutions and JHF, have concluded the nationwide first “Cooperation Agreement on Financial Support for the Utilization and Prevention of Vacant Houses,”. After the conclusion of the Agreement, the parties are jointly making efforts towards “utilization of vacant houses,” “demolition of dangerous vacant houses,” and “prevention of vacant houses” by participating in vacant house consulting sessions held by Nabari City or holding financial study sessions for local real estate business operators.

##### [Nishio Shinkin Bank]

“Soon after Nishio City and JHF started affiliation and began providing Flat 35 with preferential interest rate targeting childrearing households and people relocating into Nishio City to vitalize the region, our bank started cooperating by decreasing loan handling charges by 0.5%.” (Nishio Shinkin Bank Disclosure, FY2017 version)

##### [Taku City, Saga Prefecture]

Related parties jointly created leaflets showing Flat 35 childrearing Support Type and housing loan provided by regional financial institutions that concluded agreements with Taku City in order to jointly promote regional measures by collaboration of Taku City and regional financial institutions and JHF.

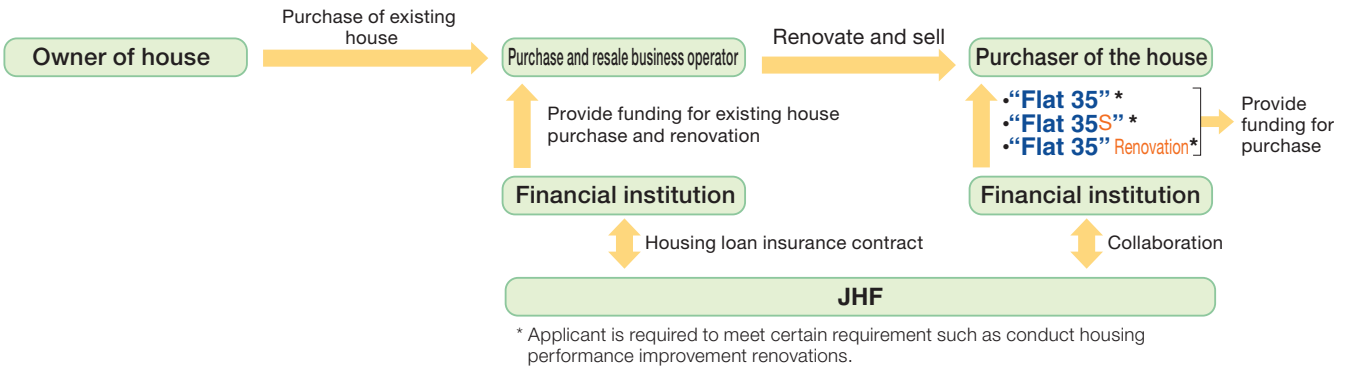
# Stimulate the Market of Existing Houses

## Specified purchase and resale loan insurance so called “Flat 35” Renovation

To stimulate existing house sales and the renovation market, JHF began insurance coverage for purchase and resale business operators from FY2016 to promote liquidity of the existing houses market. In addition, when

an existing house is bought using “Flat 35”, interest rate reduction can be applied if the performance feature of the house satisfies the requirements of “Flat 35S” or “Flat 35” Renovation.

### Ordinary flow of purchase and resale of housing



## Special provision accompanied interest rate assumable “Flat 35”

To stimulate the market of existing houses, JHF introduced “Flat 35” associated with a special provision to enable the purchaser of the house to assume “Flat 35” of

the seller, who is the owner of the long-life quality housing, applying the same interest rate.

## Promote dissemination of high quality housing, such as long-life quality housing by introducing “Flat 35S”

JHF introduced “Flat 35S”, a lowered interest rate applied “Flat 35” and applied for a certain period, to customers purchasing high quality housing, such as long-life quality housing, and to contribute to formation of high quality housing stock.

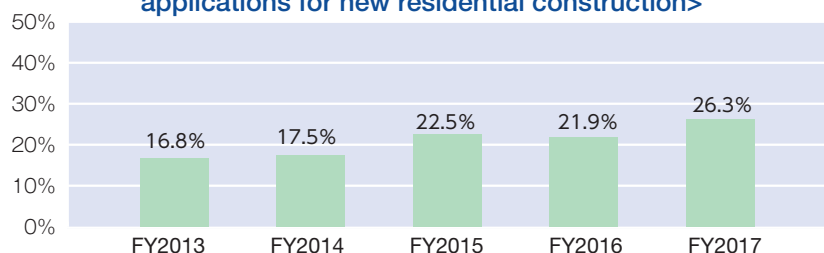
### <Four performance features applicable for “Flat 35S”>

Superior energy-efficient house	Superior earthquake-resilient house	Superior barrier-free performance featured house	Superior durability and flexibility featured house
<ul style="list-style-type: none"> <li>Thermal insulation fully installed</li> <li>Double glazed windows and other energy saving features</li> </ul>	<ul style="list-style-type: none"> <li>Secure wall balance and placement</li> <li>Enhanced wall joints</li> <li>Enhanced housing foundation and others</li> </ul>	<ul style="list-style-type: none"> <li>Without difference in level on the floor</li> <li>Handrail installment</li> <li>Enough width of passageways</li> </ul>	<ul style="list-style-type: none"> <li>Anti-decay and anti-termite features</li> <li>Attic and under floor ventilations and others</li> </ul>
Increase insulation capacity of houses and reduce consumption of electricity and fossil fuels such as kerosene used in heating and cooling is necessary for conservation of the global environment.	To prepare for large-scale earthquake, increasing earthquake-resistance capability and ensuring safety of the house is extremely important.	A house easier for elderly to live in and preparing for home nursing care should become the fundamental of future housing construction.	Formation of high quality housing stock is imperative for Japan’s pre-matured society. Building a long-lasting house and using it with care will lead to global environment conservation.

JHF endeavors to promote high quality housing by introducing “Flat 35.”

JHF steadily contributes to the promotion of long-life quality housing, and others by applying reduced interest rate to “Flat 35S” in particular.

<“Flat 35” share of long-term high quality housing within applications for new residential construction>



## Develop an Environment Where the Elderly Can Live with Security

### “Reverse 60” (reverse mortgage type housing loan insured by housing loan insurance applicable to persons of age 60 or older)

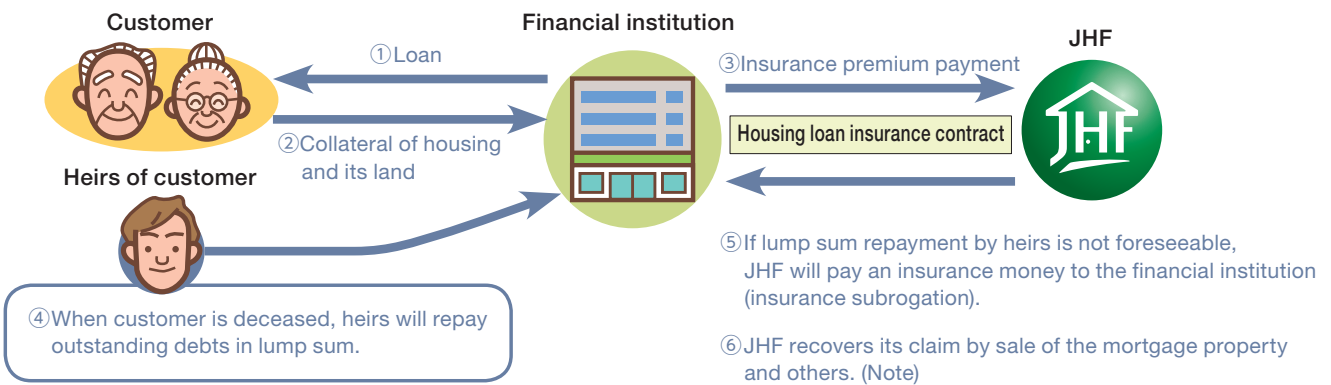
JHF has been supporting the lending of reverse mortgage type housing loans by providing housing loan insurance from a viewpoint of supporting local residences and urban development in an aging society with a declining birth rate.

By product improvements and others reflecting needs of financial institutions every year, the number of partici-

pating financial institutions has increased year by year, and the number of application for insurance coverage in FY2017 reached 174 (446.2% of the previous year) and is increasing.

In addition, from May 2018, JHF applied a nickname of “Reverse 60” to foster customer recognition and respond to diverse housing needs.

#### Scheme of “Reverse 60”



#### (Note) Recourse type and non-recourse type

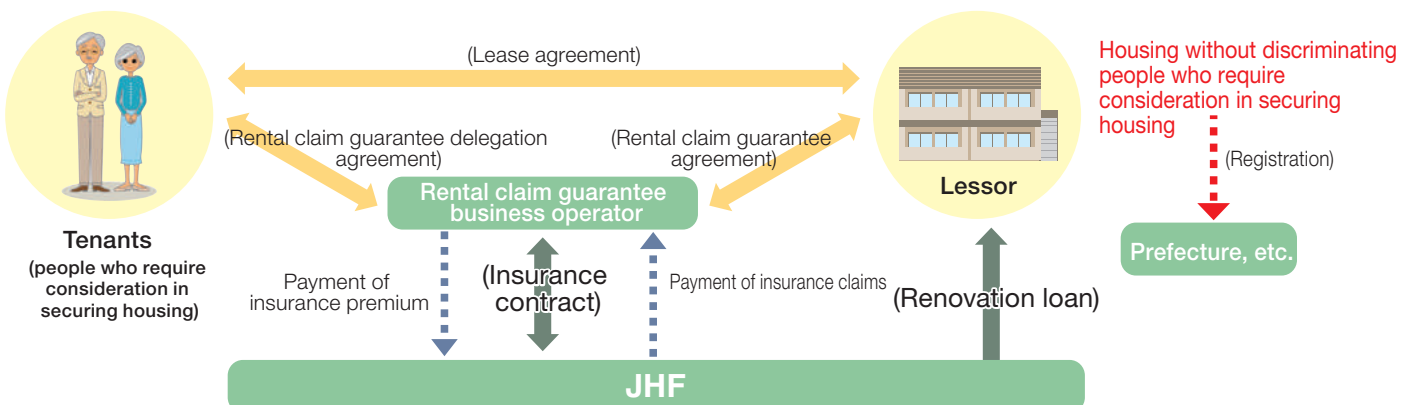
When the sale price of the mortgaged property is less than the outstanding debts, claim against the heirs will become either of the following:

- Recourse type:** outstanding debts will be charged. Claim will be made to the uncollected portion of the debt.
- Non-recourse type:** No claim will be made to the uncollected portion of the debt. (\* The type differs between the financial institution.

### Rental housing renovation loan insured by rental claim guarantee insurance (residential safety net)

As a result of revision of the Act to Promote the Supply of Rental Housing for People who Require Consideration in Securing Housing, a new residential safety net system has been implemented utilizing private rental housing or vacant houses, by introducing a registration system for rental housing, so called registered housing, available without discriminating people who require consideration in securing housing, such as the elderly, low-income groups, or households with children and others.

Consequently, JHF introduced renovation loans for registered housing and insurance for rental claim guarantee provided by rental claim guarantee business operators guaranteeing rental claim payable to the lessor (rental claim guarantee insurance) for the rent provided to those requiring consideration in securing housing.



# Support Maintenance, Management and Renovation of Condominium Stocks

## Condominium Sumairu Bond



### Support planned accumulation of repair reserve fund and its investment.

JHF supports planned accumulation and investment of monies for repair funds of condominium management association by issuing JHF bonds to the association. Moreover, if a management association that purchased JHF bond applies for a condominium common areas renovation loan, the loan interest rate will be lowered by 0.2% per year.

## Loans for renovating common areas of condominiums



### Support large-scale renovation construction work, and others by providing loans.

If fund shortage is inevitable due to large-scale renovation and others, JHF provides loans for renovation and others for the condominium management associations. In the case of conducting earthquake-resistant renovation construction, JHF will lower the loan interest rate.



## Urban development loans (short-term business loan)



### Support reconstruction of condominiums by loans

When reconstruction of a condominium becomes necessary due to aged deterioration and others of the condominium, JHF provides business loans for reconstruction and others to the condominium rebuilding associations.

## Support earthquake-resistant reinforcement of condominiums with insufficient earthquake-resistant capabilities (Toda City, Saitama Prefecture)

In order to resolve various problems, such as unreceived management fees and others, associated with operation of management association, the Skylark Warabi Management Association resolved the problems by coordinating with condominium management consultants, external advisors, and the board of directors of the management association. Furthermore, by conducting earthquake-resistant reinforcement construction work utilizing subsidy

from Saitama Prefecture and JHF's loans for renovating common areas of condominiums contributing not only to the safety of residents of the condominium but also to improvement of disaster prevention performance of the area as the condominium was a building built on the side of emergency transportation road.

This was reported on television by local broadcaster as a pioneering case and contributed to realization of measures by local governments.

<Outer appearance before construction>



<Outer appearance after construction>



## Support self-reconstruction of superannuated condominiums by providing business loans (Shibuya-ku, Tokyo)

Before the reconstruction, the building was a condominium build on the land with a leasehold right and has aged 45 years since its construction in 1970. Although a location of 6 minutes walking distance from Shibuya station was an advantage, the site area was small and the number of dwelling units increased only by 20 units before and after the reconstruction, which failed to

receive business cooperation from developers and others and led to consideration of a business plan to conduct self-reconstruction initiated by consultant business operators and owners. JHF provided business loans to the condominium rebuilding association.

<Before development>



<After development>



# Support Housing and Urban Development to Withstand Disasters and Rebuilding of Housing from Disasters

## ▶ Prepare for disasters (disaster prevention)

Loans for renovation (earthquake-resistant renovation construction), loans for disaster-prevention works in residential lots and loans for works to protect housings from landslide and others.

JHF aims to enhance housing durability against earthquake by providing loans to earthquake-resistant renovation construction and to secure protection against landslide disasters by following the advice from the local government and by providing loans to reinforcement construction on residential sites.

## Urban development loans

Reconstruction to enforce earthquake-resistance and flame-resistance in a highly densed urban area promotes disaster resistance capability of urban areas. JHF provides loans to such reconstruction projects.

## ▶ Reconstruction of housing after disasters

### Loans for recovery from disasters

JHF provides low interest rate loans to reconstruct houses for people living in houses affected by natural disasters such as the Great East Japan Earthquake and the 2016 Kumamoto Earthquake. In addition and in collaboration with local governments, JHF carefully consults with customers affected by disasters.

## Response to Kumamoto Earthquake in 2016

JHF endeavors for early recovery of houses and support for life rebuilding of disaster affected people in collaboration with local governments.

### ▶ Consultation sessions in collaboration with local governments

JHF has dispatched our staff members to counseling desks arranged by local government for disaster affected people and provided consultations on loans for recovery from disasters and others. (816 dispatches to 19 cities and towns until the end of March 2018 resulted to consultation to 4,609 groups).

In addition, in order to support rebuilding of the everyday lives of people who faced difficulty in repaying housing loans and others, JHF provides information or conduct consultations on repayment at various seminars and consultation sessions. Collaborating with the Kumamoto Bar Association and the Kyushu Finance Bureau and others, JHF hosted the House Rebuilding Free Consultation Sessions in Kumamoto City in June and Mifuneco in September, 2017, and in Mashiki-cho in February 2018.

<Consultation sessions counter>



### ▶ Collaboration with Kumamoto Prefecture and others

JHF has contributed to realization of projects in Kumamoto Prefecture and Kumamoto City aimed to subsidize the loan interest on JHF's housing loans for recovery from disaster (preferential payment arrangement for elderlies) and to support reconstruction of housing for the elderly.

In addition and in collaboration with Kumamoto Prefecture and local housing business operator organizations, JHF issued a booklet introducing Recovery House in Kumamoto, proposing earthquake resistant house with lowered cost tailored for disaster affected people and supporting the reconstruction of houses.

<Recovery House in Kumamoto>



## Support reconstruction of condominium that suffered Kumamoto Earthquake (Kumamoto City, Kumamoto Prefecture)

Kamikumamoto Heights condominium was damaged by April 2016 Kumamoto Earthquake and a condominium rebuilding union was established following the approval under the Act on Facilitation of Reconstruction of Condominiums in December 2017.\*

JHF consulted with the city of Kumamoto to enable application of urban development loans (preferential payment arrangement for elderlies) and conducted several explanatory sessions

for residents and 36 counseling sessions for elder residents to support for consensus formation.

JHF will continue to support early recovery in cooperation with local financial institutions, consulting companies and developers and others.

\* Became the first example of rebuilding case pursuant to the Act and applied to for-sales type of condominiums affected in Kumamoto City

<The fourth building had the largest inclination as pilings were damaged to cause inclination>



<Damaged pilings>



<Subsidence caused liquefaction>



Financial highlights, points in performance results

Financial Conditions (FY2017 results)

Status of profit and loss

<Securitization Support Account>

JHF posted gross income of 77 billion yen in the Securitization Support Account by increasing the balance of purchased loans and by conducting appropriate loan management and by other reasons.

As expenses tend to be realized later than earnings due to credit risk, etc. of the Securitization Support Business (Purchase Program), the loss in the latter half will be offset by profit in the first half of the loan period, therefore, in order to prepare against future emergence of credit risk, etc., JHF has carried over the entire amount of gross income as reserve funds (Article 44, paragraph 1 of the Act on General Rules for Incorporated Administrative Agencies).

<Outstanding Loans Management Account\*>

JHF posted gross profit of 104.5 billion yen, a 16.5 billion yen decrease year-on-year basis, in the Outstanding Loan Management Account, due to decrease in the loan balance and by other reasons.

From the perspective of concluding the business smoothly without incurring new liabilities to National Treasury, and to prepare against future emergence of credit risk, etc., JHF has carried forward the entire amount of surplus as reserves (Article 7, paragraph 7 of supplementary provisions of Act on the Japan Housing Finance Agency, Independent Administrative Agency).

<Housing Loan Insurance Account>

JHF posted gross profit of 7.5 billion yen, 0.2 billion yen increase year-on-year basis, in the Housing Loan Insurance Account and retained earnings of 8.9 billion yen.

<Property Accumulation Housing Fund Loan Account>

JHF posted gross profit of 0.6 billion yen, 0.6 billion yen decrease year-on-year basis, in the Property Accumulation Housing Fund Loan Account and retained earnings of 36.4 billion yen.

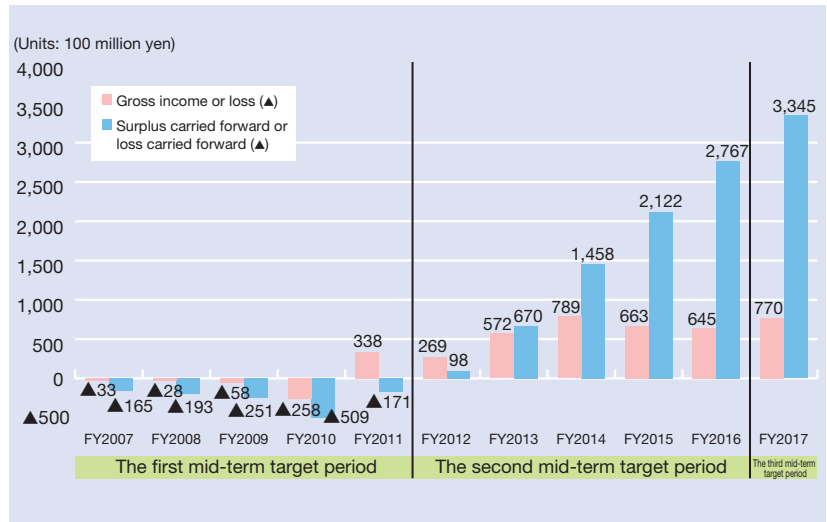
<Housing Loan Fund, etc. Account>

JHF posted gross profit of 6.6 billion yen, 1.8 billion yen decrease year-on-year basis, in the Housing Loan Fund, etc. Account, and retained earnings of 346.3 billion yen (including 298.9 billion yen reserve for the group credit life insurance business).

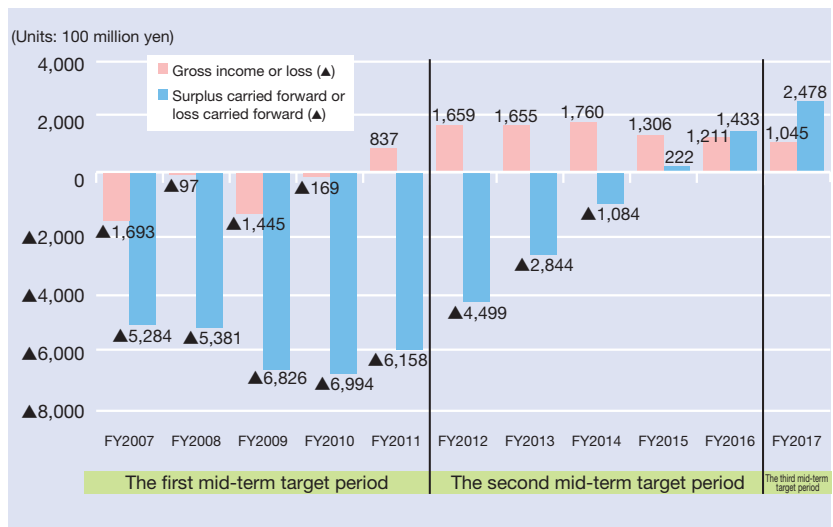
Together with the previously mentioned three accounts plus the Securitization Support Account and Outstanding Loans Management Account, JHF as a whole posted gross profit of 196.2 billion yen.

\* Since the Outstanding Loans Management Account is the account that manages the loans originated by the former Government Housing Loan Corporation before FY2004, therefore, the outstanding loan amount will continue decreasing as no new loans will be originated.

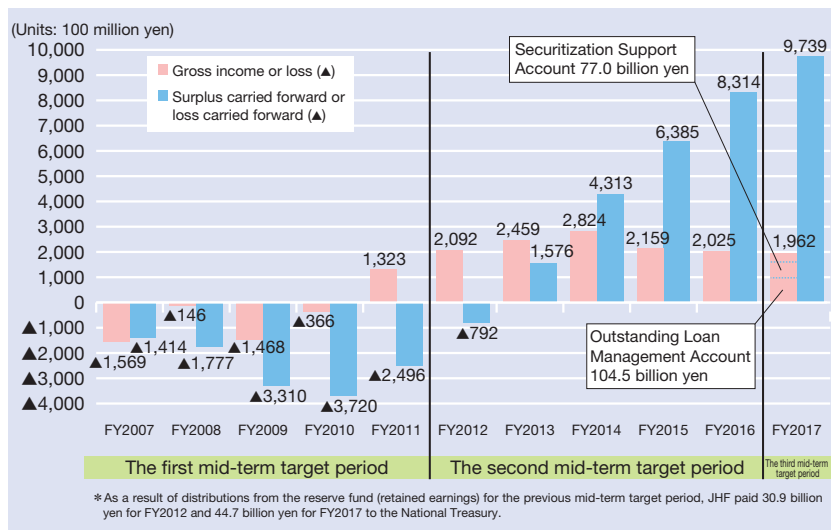
<Status of profit and loss, etc. of Securitization Support Account>



<Status of profit and loss, etc. of Outstanding Loans Management Account>



<Whole JHF's profit and loss etc.>



\* As a result of distributions from the reserve fund (retained earnings) for the previous mid-term target period, JHF paid 30.9 billion yen for FY2012 and 44.7 billion yen for FY2017 to the National Treasury.

**Status of assets and debts**

Total assets as of end of FY2017 amounted approximately 26 trillion yen, and total debts amounted approximately 24 trillion yen. Status of major assets and debts is as follows.

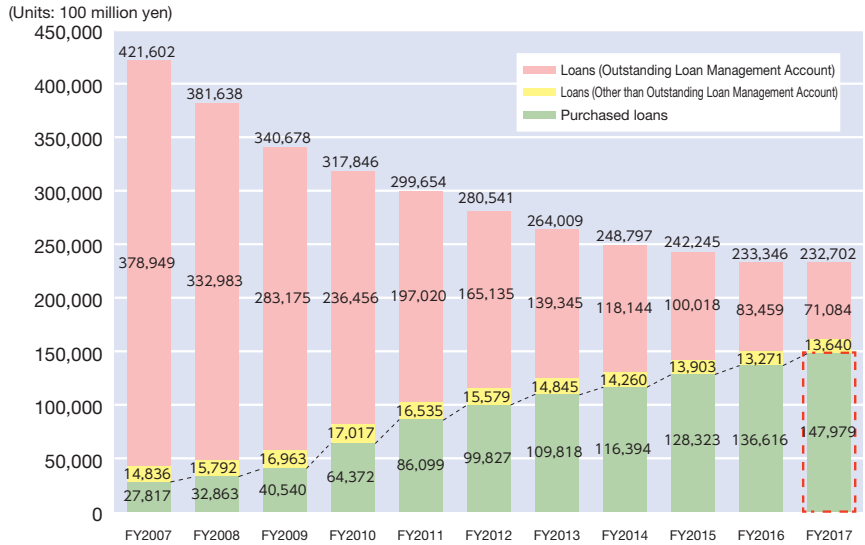
▶ **Status of outstanding balance of purchased loans and other loans**

The outstanding balance of “Flat 35 (purchased loans)” at the end of FY2017 was approximately 15 trillion yen. The outstanding balance of purchased loans has been increasing year by year and now accounts for 60% of the outstanding balance of the housing loans that JHF holds.

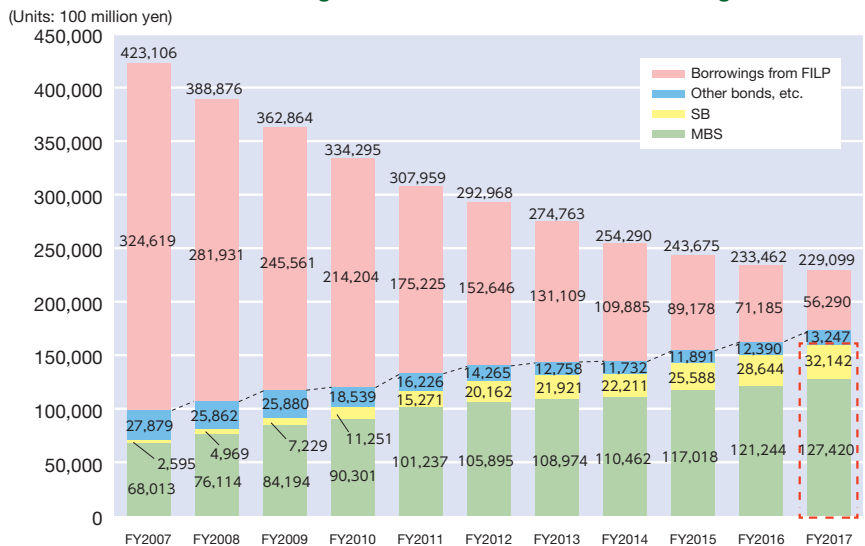
▶ **Status of outstanding balance of bonds and borrowings**

Fundraising from the financial markets by issuing mortgage-backed securities (MBS) or straight bond (SB) has increased due to business growth of “Flat 35 (purchased loans).” Meanwhile, borrowings from Fiscal Investment and Loan Program (FILP), which are borrowings from the Japanese government, have declined due to the decrease in the balance in the Outstanding Loans Management Account.

<Outstanding balance of purchased loans and other loans>



<Outstanding balance of bonds and borrowings>



cf. Credit risk profit loss structure (image)

As expenses tend to be realized later than earnings due to credit risk and interest rate fluctuation risk associated with the Securitization Support Business, etc., the loss in the latter half will be offset by profit in the first half of the loan period.

