

## About Japan Housing Finance Agency

Establishment	April 1, 2007
Mission	By purchasing mortgages to assist in the lending of funds necessary for constructing houses provided by private financial institutions, and lending funds required for constructing buildings for disaster recovery to supplement lending by private financial institutions, Japan Housing Finance Agency (JHF) strives to provide the smooth and efficient provision of funds necessary for constructing houses that contribute to a stable life and enhanced social welfare for the citizens and residents of Japan.
Capital	¥701,475.42 million (100% of the capital is provided by the Japanese government.)* <sup>1</sup>
Number of directors and employees	895* <sup>2</sup>
Businesses	Securitization support, housing loan insurance service, loan origination businesses
Size of mortgage portfolio	¥24.1843 trillion (Including: purchased housing loans amounting ¥18.0064 trillion)* <sup>1</sup>

\*<sup>1</sup> As of March 31, 2021 \*<sup>2</sup> As of April 1, 2021

## Offices

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As of July 1, 2021

# Integrated Report 2021

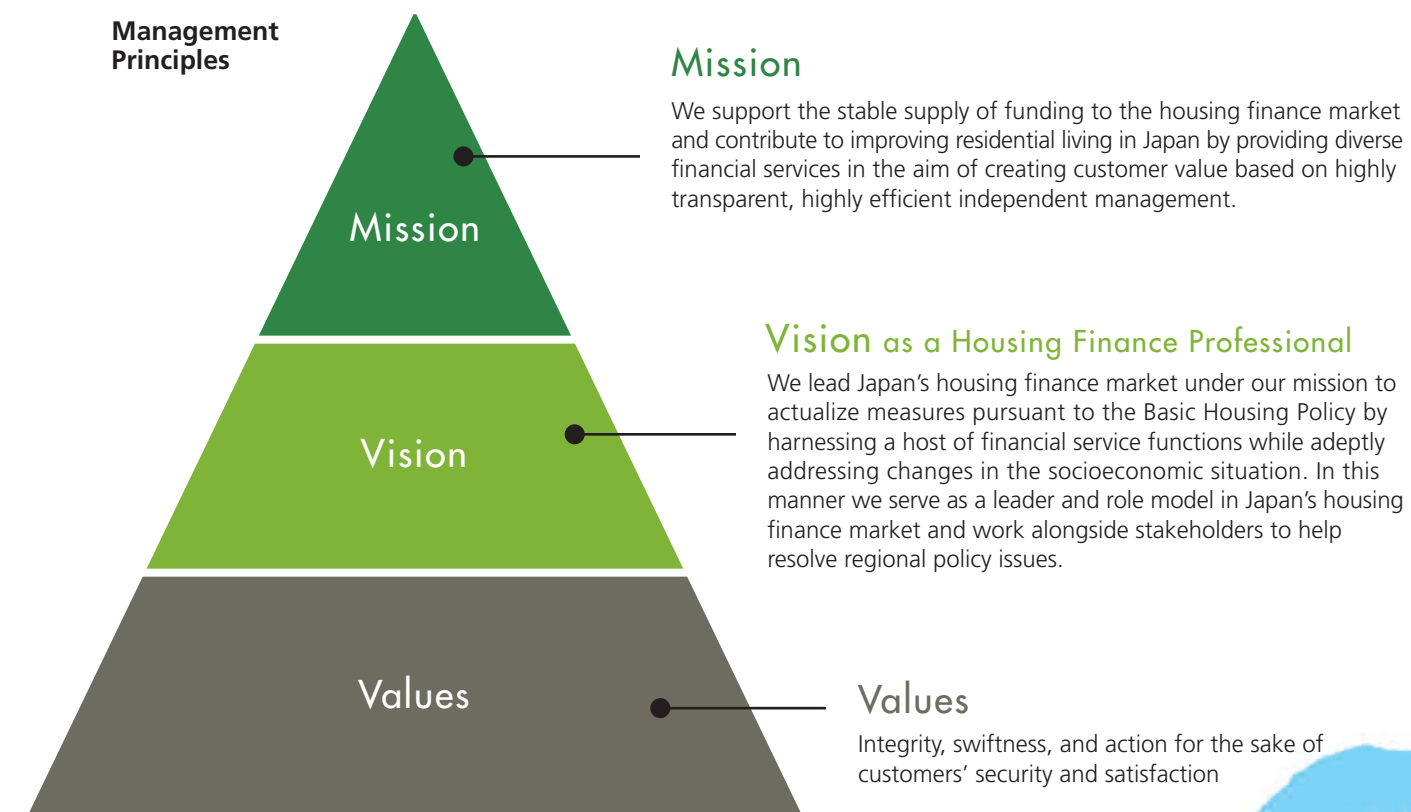




# Our mission is to improve residential living through financing.

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5	Value Creation Process	21	Financial and Non-Financial Highlights



JHF's Management Principles comprise the Mission we relentlessly pursue, the Vision to which we aspire and the Values we share. They guide all of our activities.



# Continuously supporting residential living in Japan since 1950

Established 1950

Government Housing Loan Corporation (GHLC)

## 1950– Rectification of post-war housing shortage

In the immediate aftermath of World War II, Japan faced a severe housing shortage, with demand exceeding supply by 4.2 million units. In response, the GHLC was established to provide long-term, low-interest financing needed to fund housing construction and home-buying so Japanese could live healthy, cultured lives.



Post-war temporary housing

## Improvement in housing quality with GHLC building standards

To improve housing quality, the GHLC developed its own housing construction standards. Additionally, it set up various financing programs to address societal issues, including one to finance construction of homes for owner-occupancy.



GHLC-financed home in the 1960s

## 1966– Satisfaction of housing demand during high economic growth period

Under the First Housing Construction Five-Year Program formulated in 1966, the GHLC promoted expansion of loan programs and streamlining of procedures in the aim of increasing the housing supply enough to accommodate every family. Thanks partly to high economic growth, dwelling units exceeded households on a nationwide basis in 1968 and in every prefecture in 1973.



Suburban large-scale housing complex

## 1976– Transition from securing housing quantity to improving quality

The GHLC improved and expanded loan programs through such means as increasing maximum loan amounts and raising floor-area limits on private homes eligible for GHLC financing to promote formation of a quality housing stock under the Third, Fourth and Fifth Housing Construction Five-Year Programs. It did so in the aim of giving Japanese more comfortable residential living.



Detached single-family house development in late 1970s

Our operations date back to the Government Housing Loan Corporation's founding in 1950. In 2007, we pivoted to the Securitization Support Business to facilitate lending by private financial institutions in the aim of smoothly and efficiently intermediating funding needed for housing construction. We have since been expanding the scope of our value creation activities.

Established 2007

Japan Housing Finance Agency (JHF)

In addition to pivoting to the Securitization Support Business to make the assistance of private financial institutions its primary focus, JHF transformed its own approach to financing, which had previously been dependent on the Fiscal Loan Fund, to a market-funded system.

## 2003– Utilization of financial market functions

In 2003, the GHLC launched a Securitization Support Business (which has used the Flat 35 brand-name since 2005) to support stable availability of long-term fixed-rate housing loans from private financial institutions. It began issuing mortgage-backed securities (MBS) to fund purchases of such loans from financial institutions.



Original Flat 35 pamphlet

## 1995– Support for reconstruction following Great Hanshin-Awaji Earthquake

Following the Great Hanshin-Awaji Earthquake, which did more damage to Japan's housing stock than any previous earthquake, the GHLC supported residential reconstruction by creating new programs and improving Housing Loans for Disaster Recovery in addition to expanding its customer service for those affected.



Earthquake-damaged housing

## 2011– Reconstruction support following Great East Japan and Kumamoto Earthquakes

To support reconstruction following the 2011 Great East Japan Earthquake and the 2016 Kumamoto Earthquake, JHF locally hosted consultation events with homeowners on an ongoing basis, starting immediately after the earthquakes, in collaboration with local governments. It also supported housing reconstruction, mainly through Housing Loans for Disaster Recovery.



Post-earthquake consultation with local homeowners

## 2017– Maximization of housing-related policy implementation functions

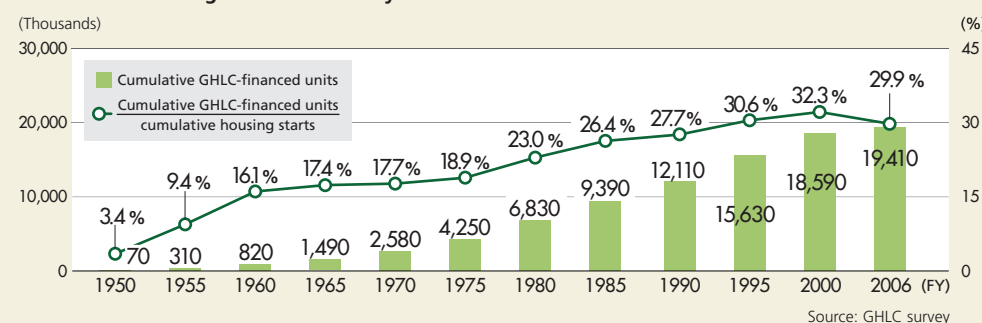
As a public institution staffed with housing finance professionals, JHF carries out a wide range of initiatives pursuant to plans formulated by the government under the Basic Housing Policy, tapping into its wealth of experience and expertise. Such initiatives include childrearing support, community revitalization, housing stability for the elderly and other vulnerable populations, maintenance and management / renovation of the condominium stock, invigoration of the existing home market and reconstruction of disaster-stricken housing.

## Role played by GHLC

### GHLC financed some 30% of post-war housing construction

Over its 57 year history from 1950 to 2007, the GHLC financed 19.41 million housing units, roughly 30% of all housing units built in the post-war era.

#### Cumulative housing units financed by GHLC

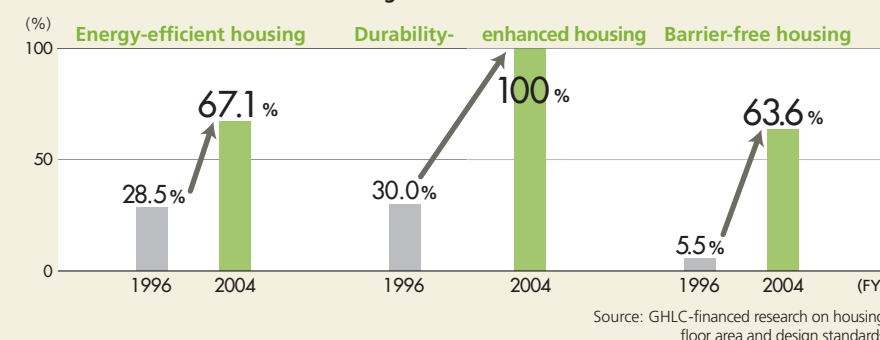


### Contributions to housing quality

From its inception, GHLC had helped to ensure means as establishing its own technical standards

and improve housing quality through such and standardized construction specifications.

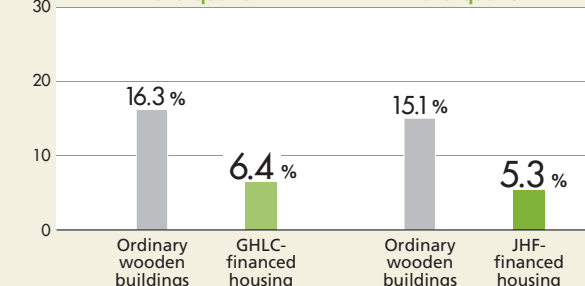
#### Prevalence in GHLC-financed housing



### Promotion of widespread construction of earthquake-resistant housing

Surveys conducted following the Great Hanshin-Awaji Earthquake and 2016 Kumamoto Earthquake, both of which damaged many homes, found that housing financed by the GHLC or by JHF is safer than other housing.

#### Severely damaged housing Great Hanshin-Awaji Earthquake\*1



\*1. Ordinary wooden buildings: based on analysis of 3,953 buildings in Chuo-ku, Kobe (1995 Great Hanshin-Awaji Earthquake Building Damage Survey Committee Report)

\*2. GHLC-financed housing: based on analysis of 1,068 houses in cities (e.g., Takarazuka, Nishinomiya, Kobe) where tremors measured 7 on the seismic intensity scale (GHLC-financed survey of damage to housing in the 1995 Hyogo-ken-Nanbu Earthquake)

\*2. Survey sample: houses built since 1981  
\*2. Ordinary wooden buildings: based on analysis of 1,196 buildings in central Mashiki-machi, Kumamoto Prefecture (September 2016 report of committee to analyze causes of building damage from 2016 Kumamoto Earthquake)

\*2. JHF-financed housing: based on analysis of 208 houses in the Miyazono, Mamizu and Soryo Districts of Mashiki-machi (January 2017 JHF survey)



# Resolving housing-related societal issues through three businesses

## SDGs

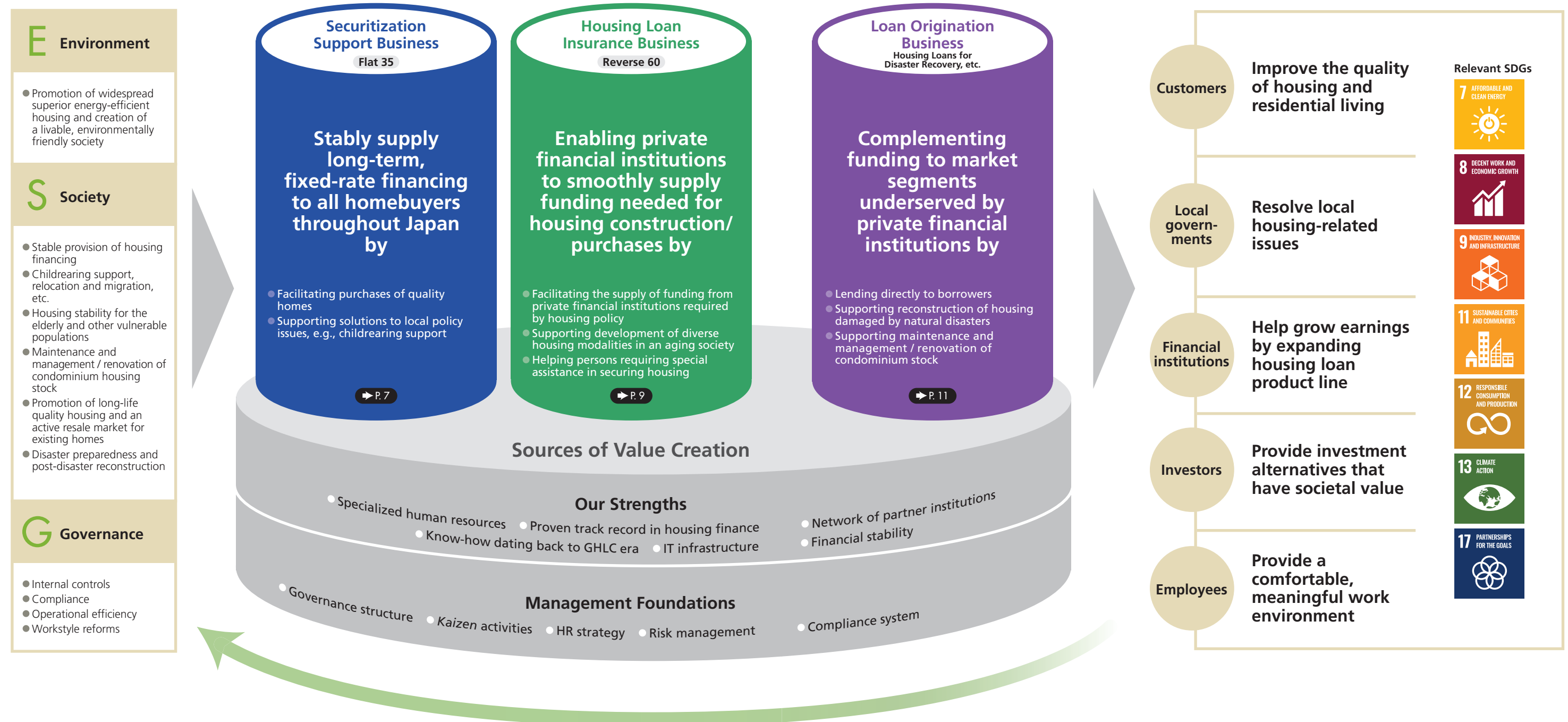
The 2030 Agenda for Sustainable Development adopted by the UN General Assembly in September 2015 includes 17 Sustainable Development Goals (SDGs) pertaining to objectives such as eradicating poverty, rectifying inequality, providing decent jobs and protecting the environment. They comprise 169 sub-targets conducive to attainment of the SDGs.

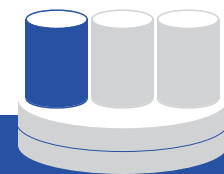


Addressing residential living issues

Helping to solve problems with diverse financial services

Broadly adding value to society





## Securitization Support Business **Flat 35**

Stably supplying long-term, fixed-rate financing to all homebuyers throughout Japan

### Facilitation of the supply of long-term fixed-rate housing loans by private financial institutions

JHF's securitization support business helps private financial institutions provide long-term fixed-rate housing loans. Housing loans offered with the securitization support business's backing are called Flat 35.

### Security of a fixed interest rate until maturity

Long-term fixed-rate housing loans help homeowners plan their financial lives on a long-term basis because their interest rate and payments are fixed for the entire life of their loan when the loan is taken out.

### Facilitation of purchases of quality homes

Loans securitized by the securitization support business, including Flat 35S loans, help homebuyers purchase quality homes such as energy-efficient and long-life quality housing.

## Diverse product lineup meeting various needs

JHF supports private financial institutions with both the Purchase Program and Guarantee Program to enable them to provide housing loans at long-term fixed interest rates. JHF offers borrowers a number of options to reduce their interest rate below the regular Flat 35 rate for a portion of their loan term, including Flat 35S, Flat 35 Renovation and Flat 35 Regional Partnership loans.

### How the Purchase and Guarantee programs differ

<b>Purchase Program</b>	JHF purchases long-term fixed-rate housing loans from private financial institutions and securitizes them.
<b>Guarantee Program</b>	JHF insures long-term fixed-rate housing loans securitized by private financial institutions and guarantees the loans' interest and principal payments to investors.

### Borrowers qualify for reduced interest rate if certain criteria are met

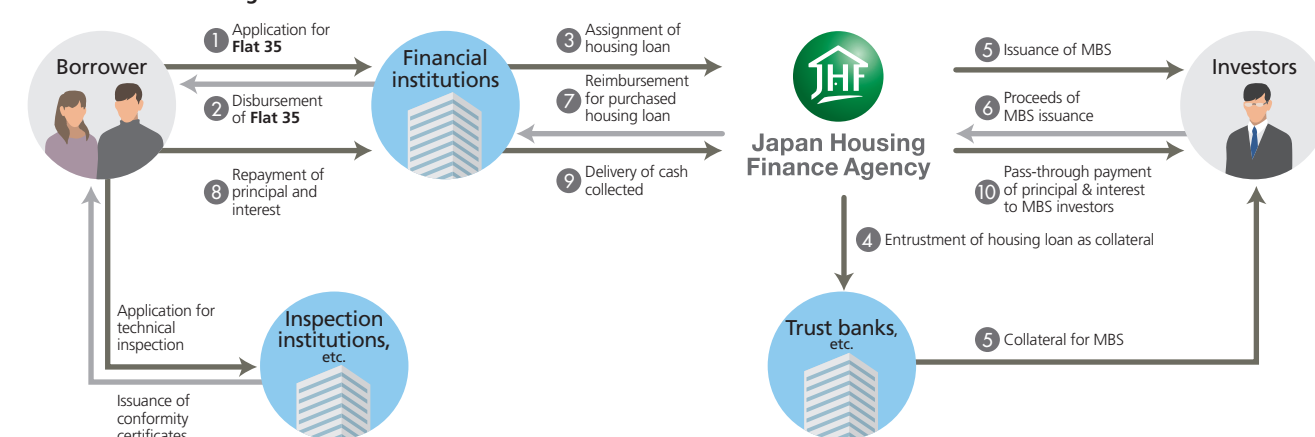
Reduced rate options	Requirements to qualify for reduced rate
<b>Flat 35S</b> → P. 13 FOCUS 1	<ul style="list-style-type: none"> <li>Superior energy-efficient homes</li> <li>Superior earthquake-resistant homes</li> <li>Superior barrier-free homes</li> <li>Superior durable/modifiable homes</li> </ul>
<b>Flat 35 Renovation</b>	<ul style="list-style-type: none"> <li>Renovations conducive to higher-performance housing</li> </ul>
<b>Flat 35 Regional Partnership program</b> → P. 13 FOCUS 1	<ul style="list-style-type: none"> <li>Childrearing support</li> <li>Formation of compact city</li> <li>Disaster management measures</li> <li>Relocation to rural area</li> <li>Utilization of vacant homes</li> <li>etc.</li> </ul>
<b>Flat 35 Rural In-migration Support program</b>	<ul style="list-style-type: none"> <li>Relocation subsidies granted by local governments</li> </ul>

## Lending/securitization process

JHF purchases housing loans from private financial institutions and places them into a trust held by a trust bank or other trustee. It raises capital from the bond market (investors) to purchase the loans by issuing mortgage-backed securities (MBS) secured by the loans (see diagram below). Such a scheme enables private financial institutions to offer long-term fixed-rate housing loans. These loans conform to certain standards (Purchase Standards) set by JHF. Loans are assigned to JHF as soon as they are funded.

Interest rates on housing loans are set based largely on MBS yields by the private financial institutions originating the loans.

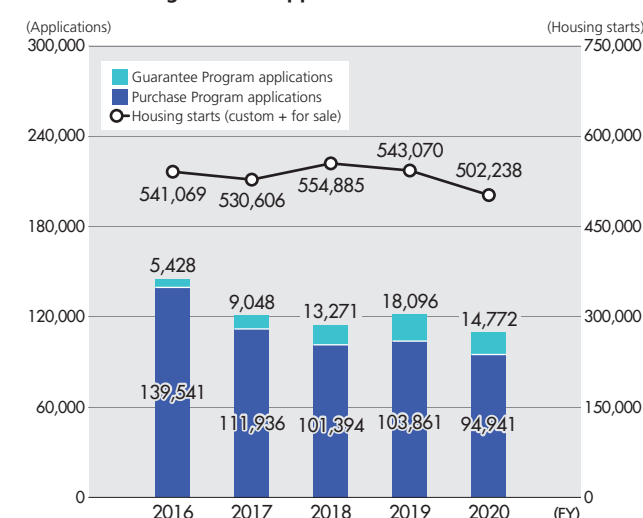
### How the Purchase Program works



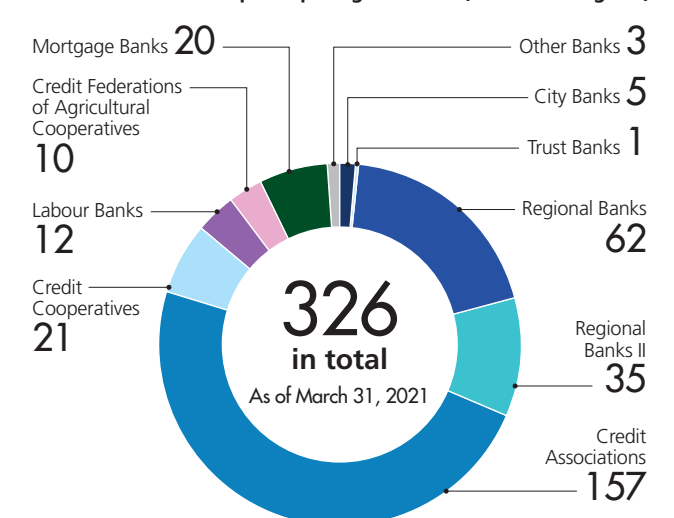
## Usage

In FY2020, Flat 35 Purchase Program applications totaled 94,941, down 8,920 from FY2019. Flat 35 Guarantee Program applications likewise decreased, down 3,324 to 14,772.

### Purchase and guarantee applications

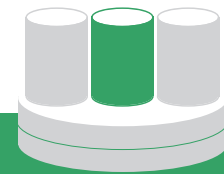


### Financial institutions participating in Flat 35 (Purchase Program)



Note: Some participating financial institutions have temporarily stopped accepting new applications (as of March 31, 2021).





## Housing Loan Insurance Business

Enabling private financial institutions to smoothly supply funding needed for housing construction/purchases

### Facilitating the supply of funding required by housing policy

JHF supports private financial institutions with a housing loan insurance program to enable the financial institutions to uninterruptedly provide housing loans. JHF pays insurance claims in accord with an agreement entered into in advance with the financial institution if an insured event occurs due to unforeseen circumstances.

### Supporting development of diverse housing modalities in an aging society

JHF offers Reverse 60 loans through private financial institutions to meet diverse housing needs arising from the elderly's changing lifestyles.

### Helping persons requiring special assistance in securing housing

JHF provides rent obligation guarantee insurance that insures rental obligations guaranteed by rental obligation guarantors to enable persons who require special assistance in securing housing to live in rental housing with peace of mind.

## Main products

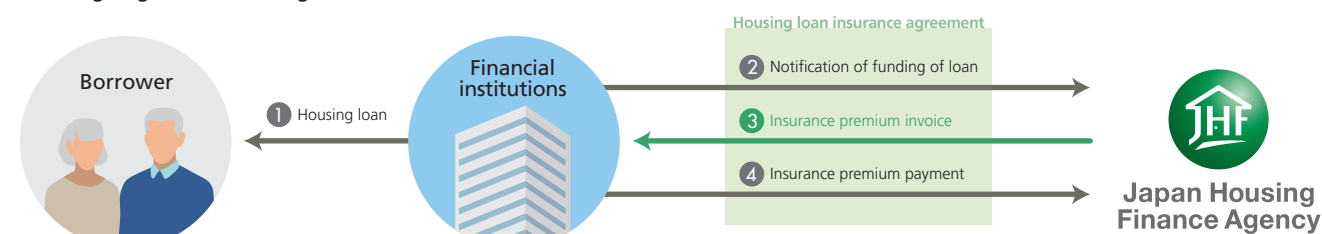
Type	Loan(s) insured	Percent indemnified
<b>Flat 35 Package</b>	Housing loans used in combination with Flat 35 or Housing Loans for Disaster Recovery	100% <sup>*2</sup>
<b>Flat 35 Bridge loan</b>	Loans with a term of up to one year that are used to fund land purchases, construction down-payments, construction progress payments and/or final construction payments and are slated to be refinanced with any of the following loans: <ul style="list-style-type: none"> <li>Flat 35</li> <li>Flat 35 Package</li> <li>Housing Loans for Disaster Recovery</li> <li>Housing loans originated by private financial institution in combination with Housing Loans for Disaster Recovery</li> <li>Reverse 60</li> </ul>	
<b>Reverse 60</b> ➔ P. 15 FOCUS 2	Reverse mortgage loans used by borrowers aged 60 or older (bullet loan repayable upon the borrower's death)	
<b>Specified purchase and resale insurance</b>	Loans with a term of up to one year that are extended to borrowers in the business of buying, renovating and reselling existing homes (home resale business)	
● <b>Personal loan insurance</b> <sup>*1</sup>	● Private financial institutions' own housing loans	90%
● <b>Personal bridge loan insurance</b> <sup>*1</sup>	● Loans with a term of up to one year used to fund land purchases, construction down-payments, construction progress payments and/or final construction payments	
<b>Rent obligation guarantee insurance</b>	Rental obligations of persons requiring special assistance in securing housing occupying registered housing <sup>*3</sup> that are guaranteed by a rental obligation guarantor	70% <sup>*4</sup>

<sup>\*1</sup> Available only to small/mid-sized financial institutions that do not own a guarantee provider as a subsidiary as defined in Article 2(3) of the Companies Act (Act No. 86 of 2005)  
<sup>\*2</sup> Insurance coverage of 100% indemnified loans must be approved by JHF  
<sup>\*3</sup> "Registered housing" is defined in Article 10(5) of the Act on Promotion of Offering of Rental Housing to Persons Requiring Special Assistance in Securing Housing (Act No. 112 of 2007)  
<sup>\*4</sup> Limited to the lesser of 70% of 12 months' rent (8.4 months' rent) or ¥1 million

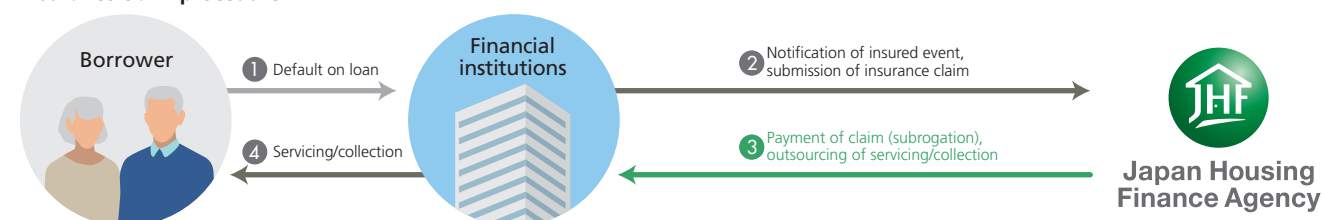
## Housing loan insurance scheme

With housing loan insurance, JHF pays insurance claims in accord with an agreement entered into in advance with a private financial institution if the financial institution's housing loan is subject to an insured event due to unforeseen circumstances. Under regulatory capital ratio calculation standards, a 10% risk weighting is applied to housing loans to the extent they are insured.

### From signing of insurance agreement until insurance comes into force



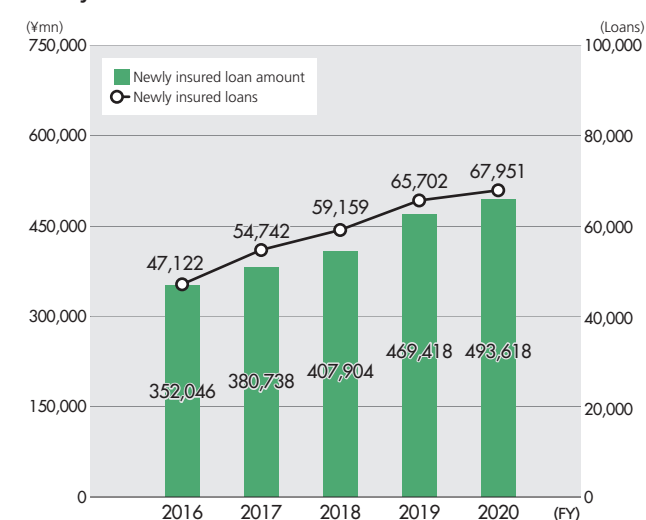
### Insurance claim procedure



## Housing loan insurance usage

In FY2020, ¥493.6 billion of housing loan insurance on 67,951 loans went into force.

### Newly insured loans and loan amount



### Financial institutions with housing loan insurance agreements





## Loan Origination Business

Complementing funding to market segments underserved by private financial institutions

### Direct lending in market segments underserved by private financial institutions

JHF lends directly to borrowers but only in market segments that are both important from a policy standpoint and underserved by private financial institutions. The types of projects JHF funds directly include reconstruction of housing damaged by natural disasters, reconstruction or improvement of aging condominium buildings and urban de-densification.

### Supporting reconstruction of housing damaged by natural disasters

JHF provides low-interest funding to people to repair, rebuild or purchase housing damaged by earthquakes, typhoons, flooding, windstorms and other natural disasters.

### Supporting maintenance and management / renovation of condominium stock

JHF supports maintenance and management / renovation of the condominium stock with a suite of services offered in collaboration with local governments, private financial institutions and condominium management industry groups to promote appropriate maintenance, renovation and reconstruction of condominiums.

## Policy areas in which JHF lends

Policy area	Objective(s)	JHF loan programs
<b>Reconstruction of disaster-damaged housing</b> ➔ P. 17 FOCUS 3	<ul style="list-style-type: none"> <li>To support expeditious reconstruction of housing damaged by natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>To provide Housing Loans for Disaster Recovery (for home repair, construction and purchases)</li> </ul>
<b>Disaster preparedness</b>	<ul style="list-style-type: none"> <li>To facilitate relocation of, and construction of replacement homes for, homes in landslide zones</li> <li>To prevent damage due to, e.g., soil runoff using reinforcement work for housing sites</li> </ul>	<ul style="list-style-type: none"> <li>Landslide Prevention Housing Loans</li> <li>Loans for Disaster-Proofing of Housing Sites</li> </ul>
<b>Housing stability for the elderly</b>	<ul style="list-style-type: none"> <li>To facilitate the supply of quality rental housing that enables the elderly to continue living with peace of mind and access assisted-living services</li> <li>To grant elderly homeowners special repayment terms and reduce their payments when they borrow to make accessibility improvements to their homes or to build or purchase a home as a result of, e.g., reconstruction of condominium</li> </ul>	<ul style="list-style-type: none"> <li>Loans to Finance Serviced Housing for the Elderly</li> <li>Renovation Loans with special repayment method for the elderly</li> <li>Urban Development Loans with special repayment method for the elderly</li> <li>Housing Loans for Disaster Recovery with special repayment method for the elderly</li> </ul>
<b>Support for childrearing families</b>	<ul style="list-style-type: none"> <li>To facilitate the supply of energy-efficient rental housing that meets the space requirements of childrearing families</li> </ul>	<ul style="list-style-type: none"> <li>Loans for Construction of Energy-Efficient Rental Housing for Childrearing Families</li> <li>Rental Housing Renovation Loans</li> </ul>
<b>Development of safe residential communities</b>	<ul style="list-style-type: none"> <li>To help improve the residential environment, particularly from a disaster-preparedness standpoint, in high-density urban areas through intelligent land use</li> </ul>	<ul style="list-style-type: none"> <li>Urban Development Loans for Short-Term Operating Funds</li> </ul>
<b>Maintenance and revitalization of condominium stock</b> ➔ P. 19 FOCUS 4	<ul style="list-style-type: none"> <li>To support planned accumulation of condominium repair reserves and custody/investment thereof</li> <li>To facilitate large scale repairs and reconstruction of condominium</li> </ul>	<ul style="list-style-type: none"> <li>Condominium <i>Sumairu</i> Bonds</li> <li>Loan for Renovating Common Elements of Condominiums</li> <li>Urban Development Loans</li> </ul>
<b>Seismic reinforcement of housing stock</b>	<ul style="list-style-type: none"> <li>Seismic improvement of houses and condominiums through seismic retrofitting and seismic reinforcement works</li> </ul>	<ul style="list-style-type: none"> <li>Renovation Loans (seismic retrofitting work)</li> <li>Loan for Renovating Common Elements of Condominiums</li> <li>Rental Housing Renovation Loans</li> </ul>

Note: Other loan programs include loans to workers saving to buy a home through property accumulation savings.

## Main products

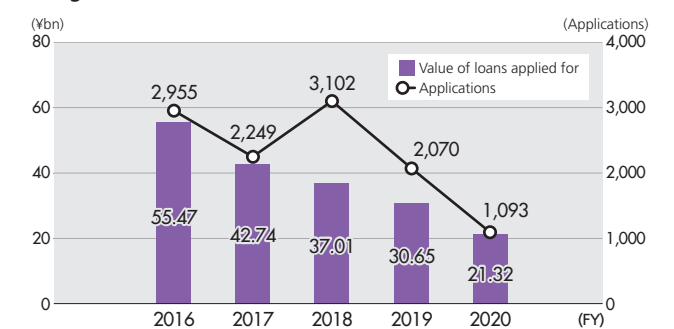
### ● Housing Loans for Disaster Recovery

JHF provides low-interest funding to people to repair, rebuild or purchase housing damaged by earthquakes, typhoons, flooding, windstorms and other natural disasters.

JHF meets a broad range of housing reconstruction needs by offering loans with unconventional repayment terms in addition to regular self-amortizing loans. For example, it offers a special repayment method for the elderly, where the borrower pays interest only monthly and the loan principal is repayable upon the death of all named borrowers. Other examples include loans repaid over two generations, i.e., by parents and children, and loans paid by children for their parents or grandparents.

In FY2020, JHF received 1,093 applications for ¥21.32 billion of disaster-recovery housing loans in aggregate.

Usage

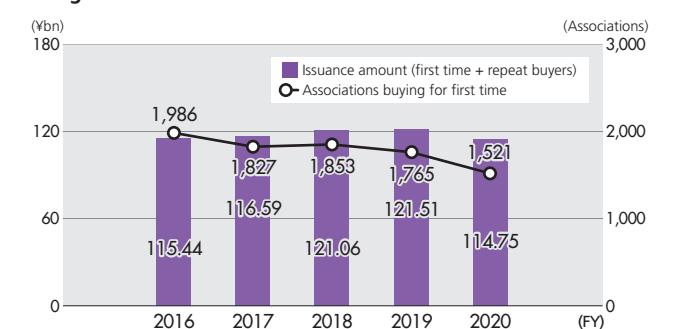


### ● Condominium *Sumairu* Bonds

Since FY2000, the GHLC/JHF has been issuing government-sanctioned bonds to help condominium management associations appropriately manage and invest repair reserves collected from owners of condo units.

In FY2020, JHF issued some ¥114.75 billion of such bonds (229,500 bonds) to condominium management associations, including 1,521 associations purchasing the bonds for the first time.

Usage



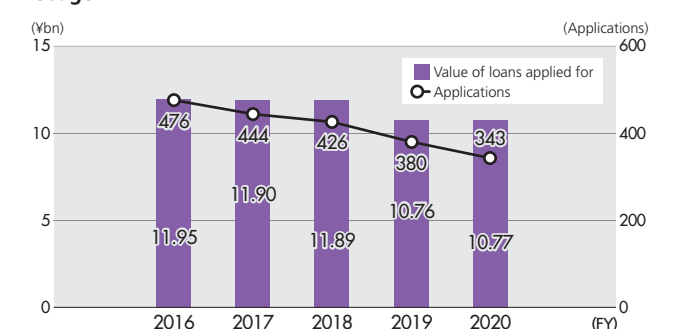
### ● Loan for Renovating Common Elements of Condominiums

JHF lends to condominium management associations and compartmentalized owners lacking sufficient reserves to fund needed major repairs.

We offer reduced borrowing rates to condominium associations that own Condominium *Sumairu* Bonds or are borrowing to do seismic retrofitting works.

In FY2020, JHF received 343 applications for ¥10.77 billion of loans in aggregate.

Usage



### ● Urban Development Loans

JHF lends funds to finance the following types of projects that promote intelligent land-use through such means as improving the residential environment or disaster-preparedness in high-density urban areas.

- Reconstruction of aging condominium buildings
- Fire and earthquake risk mitigation projects and rental property reconstruction projects in priority high-density urban areas at risk of fire and earthquake
- Urban redevelopment projects
- Joint reconstruction projects undertaken by multiple homeowners in high-density urban areas and projects to rebuild buildings that conform to certain standards (e.g., building setback standards in a district plan)

Cumulative usage (FY2007–2020)

#### Redevelopment projects



#### Condominium reconstruction projects





# FOCUS 1

## Helping to build a quality housing stock and address local issues

### Flat 35

JHF offers Flat 35S loans to help build a quality housing stock. Additionally, it supports local communities with Flat 35 Regional Partnership loans, through which it collaborates with local government programs to address local policy issues.



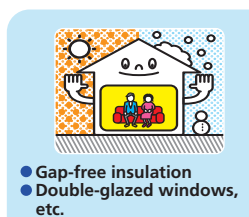
### Flat 35S

Flat 35S loans feature a lower interest rate than Flat 35 loans for the first 10 years (Interest Plan A) or first five years (Interest Plan B) of the loan term. They are available to borrowers purchasing a superior energy-efficient, earthquake-resistant or otherwise high-quality home.

To qualify for Flat 35S financing, a home must meet technological standards set by JHF. A home's conformance with such standards is verified through an inspection (design and/or on-site inspection) performed by a third-party inspection service.

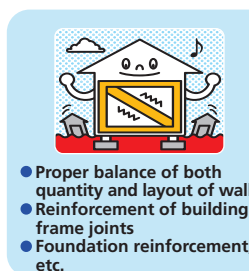
JHF issues green bonds to fund its purchases of Flat 35S loans for energy efficient homes.

#### Four eligible categories of housing



#### Superior energy-efficient homes

Global environmental preservation requires improvement in a home's insulation efficiency and reduced consumption of electric power and fossil fuels to heat and cool homes.



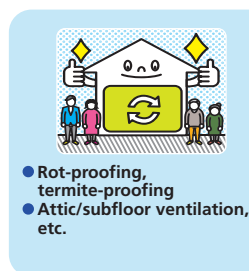
#### Superior earthquake-resistant homes

It is important to ensure safety by making homes more earthquake-resistant in preparation for a major earthquake.



#### Superior barrier-free homes

An elderly-friendly floor plan, including accommodations for in-home long-term care, will be a fundamental element of home design going forward.



#### Superior durable/modifiable homes

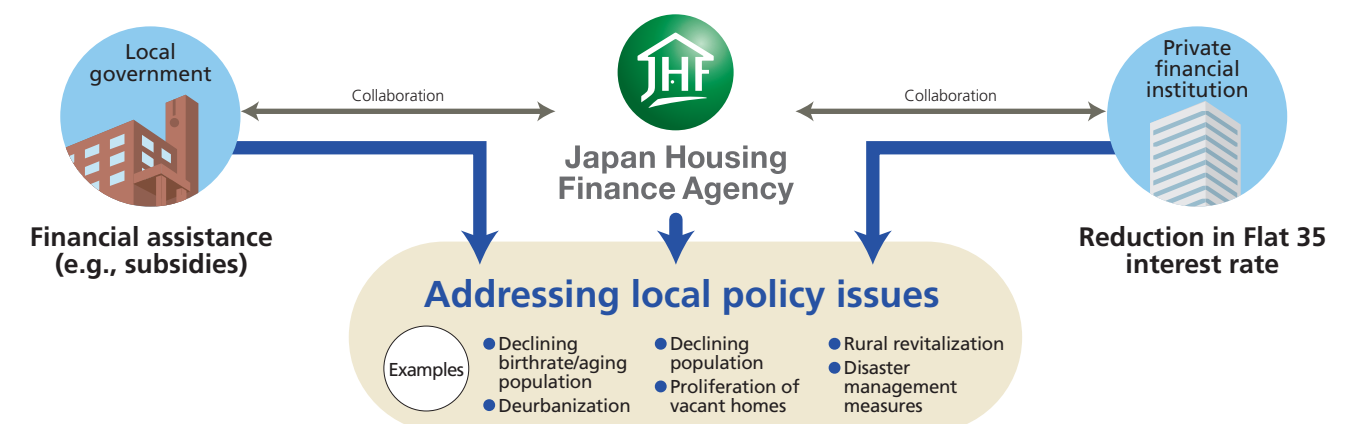
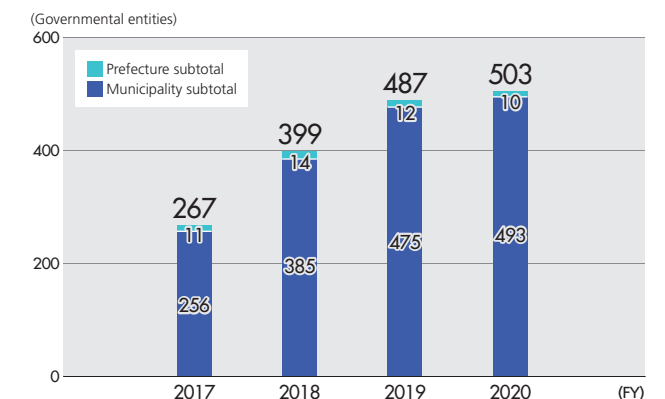
With Japan now a mature society, building a quality housing stock is imperative. Building homes that will last as long as possible and continuously taking good care of them will help to protect the global environment in addition to our own daily lives.

## Flat 35 Regional Partnership and Rural In-migration Support programs

JHF runs the Flat 35 Regional Partnership and Rural In-migration Support programs in collaboration with local governments proactively pursuing policy aims such as supporting childrearing families and attracting in-migration. The program offers a lower interest rate than the rate on regular Flat 35 loans for an initial portion of the loan term, together with financial assistance (e.g., grants) from the local government to subsidize home purchases (the program is a successor to the Flat 35 Childrearing Support and Regional Vitalization programs, which were combined and renamed in April 2021).

Local government policy areas for which Flat 35 Regional Partnership loans can be used include support for childrearing families, relocation to rural areas, formation of compact cities, utilization of vacant homes and disaster management measures.

#### Local governments partnering with JHF



## TOPICS Green bond issuance

JHF issued Japan's first green bonds (secured straight bonds) to fund housing loans in January 2019 and has since repeatedly issued green bonds. It uses the proceeds from green bond issuance to purchase Flat 35S loans secured by newly built housing that meets the Flat 35S program's energy-efficiency standards.

JHF green bonds were selected by the Ministry of the Environment as a FY2018 Model Case of Green Bond Issuance, affirming that they comply with the Ministry's 2017 Green Bond Guidelines.

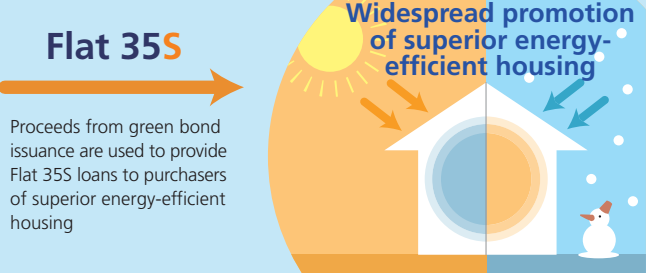
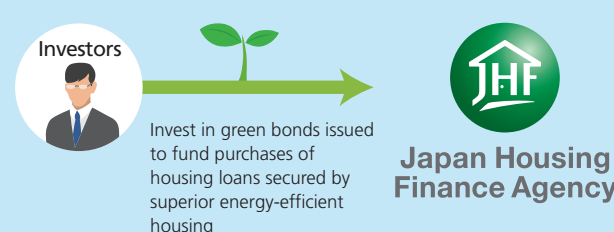
JHF's green bond issuance has generated widespread publicity for JHF's efforts to broadly promote energy-efficient

housing with Flat 35S loans. Investor support for JHF green bonds has helped JHF further promote quality housing as an institution involved in policy implementation.

**Issuance** (as of March 31, 2021)

	Number of issuance	Annual issuance
FY2018	1	¥10bn
FY2019	5	¥70bn
FY2020	13	¥215bn

#### How JHF green bonds benefit the environment





# FOCUS 2

## Meeting the elderly's increasingly diverse housing needs

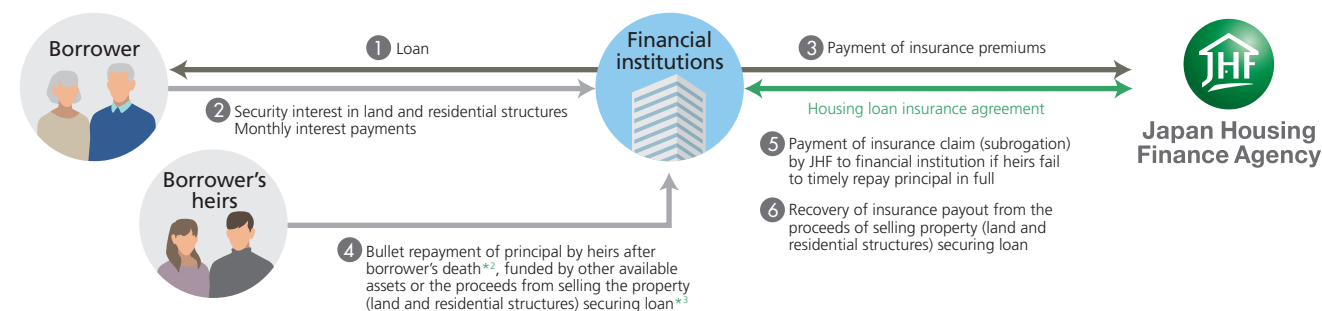
### Reverse 60

JHF offers housing loan insurance that facilitates the supply of Reverse 60 reverse mortgages by private financial institutions to meet the elderly's increasingly diverse housing needs and foster an environment that enables the elderly to live with peace of mind.



## How Reverse 60 works

Reverse 60 borrowers make monthly interest-only payments. The loan principal is repayable in full after the borrower's death. The borrower's heirs have the option of repaying the principal by using their own funds or the proceeds from selling the property (land and residential structures) securing the loan. Because the monthly payments are interest only, they are lower than the monthly payments on an equivalent self-amortizing loan.



### Main features



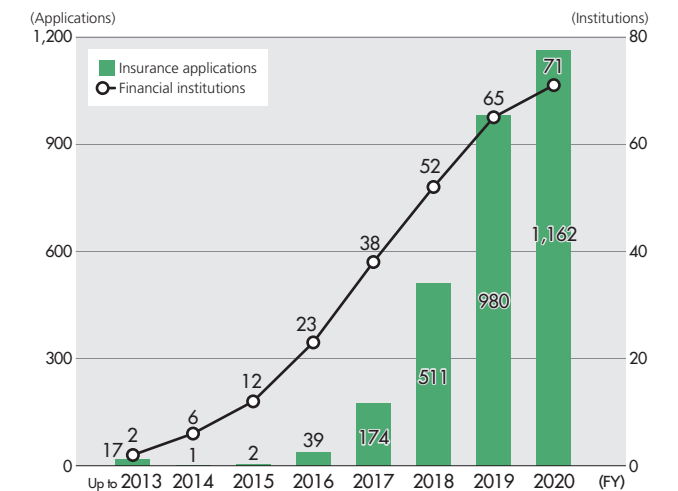
\*1. Reverse 50 loans are available to borrowers between the ages of 50 and 59. Treatment of loan amount differs between Reverse 60 and Reverse 50 loans. Ascertain the terms and conditions before applying for a Reverse 50 loan.  
 \*2. In the case of joint borrowers, principal is repayable after both borrowers have died.  
 \*3. If the loan is nonrecourse, heirs are not personally liable for repayment of any remaining principal balance if the proceeds from the sale of the property (land and residential structures) securing the loan are insufficient to fully repay the principal owed. The property (land and residential structures) securing the loan need not be sold if the borrower fully prepaes the loan's principal while alive or if the borrower's heirs repay the loan in full after the borrower's death using their own funds.

## Reverse 60 usage

Reverse 60 loans have been available since 2009. JHF has improved the Reverse 60 program over the intervening years to better meet the needs of the elderly and financial institutions. Reverse 60 loan proceeds can now be used for various purposes when purchasing a home. The most impactful product improvement was the introduction of nonrecourse Reverse 60 loans in 2017. The availability of nonrecourse loans dispelled anxieties about reverse mortgages among the elderly and their heirs. We believe that elderly borrowers are now using Reverse 60 loans with greater peace of mind.

In recent years, use of Reverse 60 loans has increased substantially together with the number of financial institutions that offer them, reflecting Reverse 60's growing name recognition and financial institutions' growing interest in assembling a suite of housing loan products for the elderly.

### Financial institutions offering Reverse 60 and applications for insurance coverage



### Major product improvements

<b>FY2009</b>	● Reverse 60 loans launched for home improvements only	<b>FY2017</b>	● Nonrecourse loans made available
<b>FY2011</b>	● Serviced housing for the elderly move-in payments added as an allowable use of loan proceeds		
<b>FY2015</b>	● Construction, home purchase and refinancing added as allowable uses of loan proceeds	<b>FY2018</b>	● Maximum LTV ratio raised for long-life quality housing ● Age restrictions relaxed ● Acquisition of second home added as an allowable use of loan proceeds
<b>FY2016</b>	● Acquisition of home for son or daughter's family added as an allowable use of loan proceeds ● Outsourced collection of subrogation claims discontinued ● Borrowers granted ability to pledge as additional collateral other property other than the property to be financed with the loan	<b>FY2020</b>	● Maximum loan amount raised

## Needs driving Reverse 60's evolution

Elderly homeowners who want to upgrade their housing environment often face challenges in obtaining a loan to do so.

- |  |   |
|--|---|
| <p><b>They want to, for example...</b></p> <ul style="list-style-type: none"> <li>● Renovate their old home.</li> <li>● Do a barrier-free remodeling by installing handrails, creating a step-free environment, etc.</li> <li>● Downsize their home because they no longer need as much space after becoming empty-nesters.</li> <li>● Move closer to their children to help with childcare of grandchildren.</li> </ul> | <ul style="list-style-type: none"> <li>● Move to a higher-density neighborhood with better access to shopping or healthcare.</li> <li>● Reduce their monthly mortgage payment because pension benefits are their only income.</li> <li>● Buy a new home while keeping enough money at hand saved for the future.</li> </ul> |
|--|---|

## TOPICS JHF partners with municipality and bank to address vacant home problem

With the city of Kawanishi grappling with a vacant home problem, JHF discussed a tripartite partnership with Kawanishi and the Kawanishi-based Senshu Ikeda Bank, Ltd. In March 2021, the three parties entered into the first agreement to collaboratively promote solutions to the vacant home problem in the six-prefectures of the Kinki region. Working in concert with JHF, Senshu Ikeda Bank is offering preferential interest rates on (Reverse 60) housing loans that can be used to purchase vacant homes and loans that can be used to renovate or demolish vacant homes.

JHF's role within the alliance includes raising awareness among businesses and local residents to help to resolve Kawanishi's vacant home problem.

Agreement signing ceremony  
 (From left: JHF Kinki General Manager (at the time) Namiwa, Kawanishi Mayor Koshida and Senshu Ikeda Bank CEO Ukawa)



# FOCUS 3

## Supporting restoration and reconstruction of disaster victims' homes

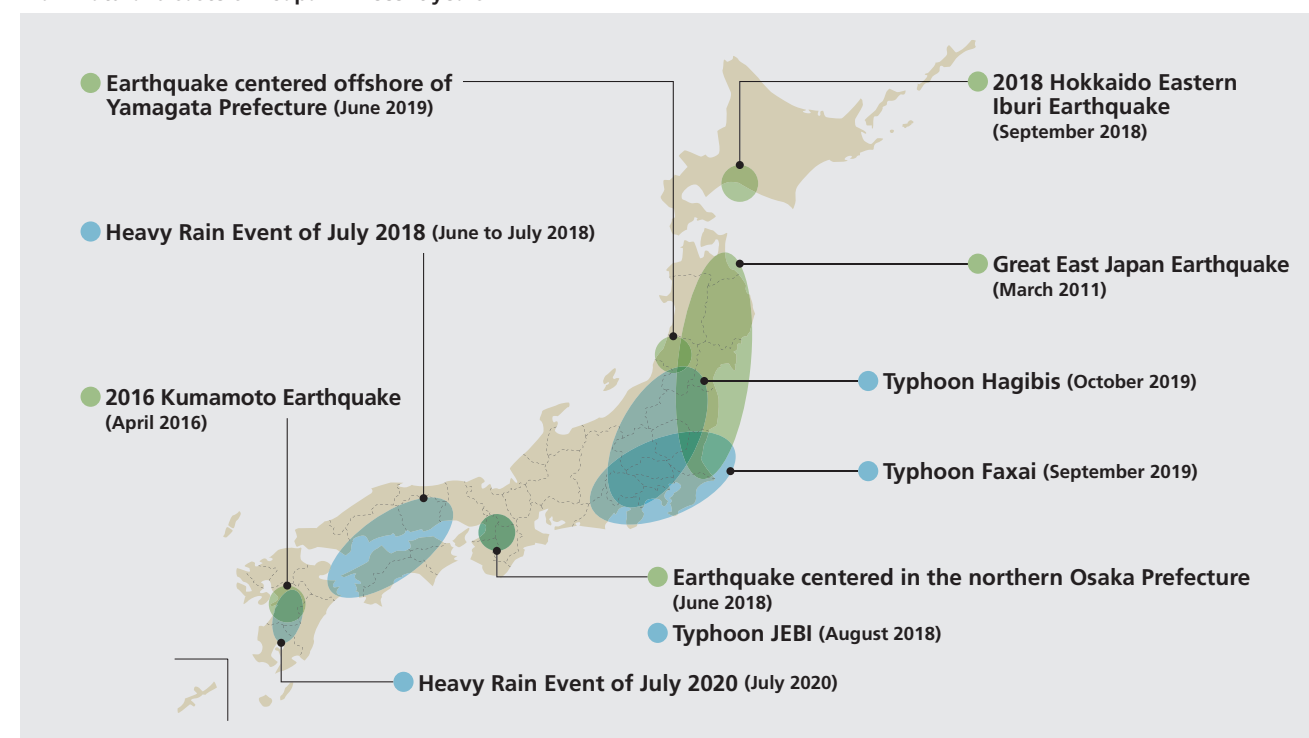
To expedite restoration and reconstruction of homes damaged by natural disasters, JHF mobilizes its entire organization to provide Housing Loans for Disaster Recovery and modify existing loan repayment methods through individual consultations with homeowners. JHF also finances anti-seismic home improvements to help fortify housing and communities against natural disasters.



### Reconstruction of disaster-damaged homes (Housing Loans for Disaster Recovery)

To support recovery from frequent natural disasters in Japan, JHF supports the recovery process in close collaboration with local governments and other interested parties. It does so by providing not only loans needed to fund housing reconstruction but also one-stop counseling for disaster victims on various matters, particularly national and local government assistance programs.

#### Main natural disasters in Japan in recent years



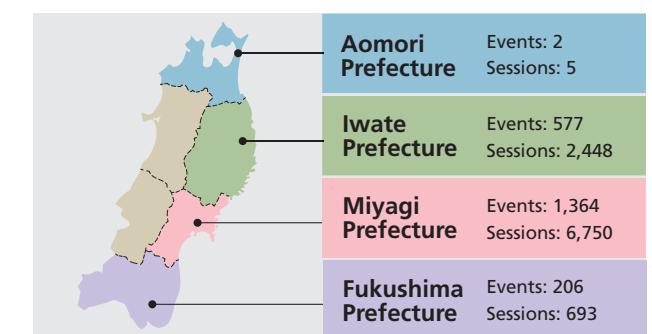
### Responses to major natural disasters

#### ● Response to Great East Japan Earthquake

Ten years have passed since the unprecedentedly destructive Great East Japan Earthquake occurred on March.

To facilitate reconstruction of homes damaged by the earthquake, JHF has been counseling homeowners in their own communities in collaboration with local governments on an ongoing basis since the earthquake (it has held 2,149 counseling events as of March 31, 2021). It has augmented its Housing Loans for Disaster Recovery through such means as offering reduced interest rates (e.g., 0% for first five years on loans to finance construction or purchases), granting principal repayment moratoriums and extending loan maturities for borrowers (as of March 31, 2021, JHF has received a cumulative 20,928 disaster-recovery housing loan applications and funded 17,672 loans).

#### Counseling events held locally in Tohoku Region (March 2011–March 2021)



#### ● Response to 2016 Kumamoto Earthquake

To aid recovery from the April 2016 Kumamoto Earthquake, JHF has been supporting the reconstruction of housing by proposing “Kumamoto Disaster-Recovery housing” which is earthquake-resistant housing built with building materials sourced from within Kumamoto Prefecture to reduce construction costs in collaboration with Kumamoto Prefecture and local housing-related organizations.

Additionally, JHF developed a Housing Loan for Disaster Recovery with a special repayment method for the elderly in

January 2017 to support reconstruction of elderly residents' homes. Under the program, Kumamoto Prefecture and the city of Kumamoto partially subsidize the elderly borrowers' interest payments. The program is now available to elderly residents of other disaster-affected areas in Japan.



#### ● Supporting people affected by natural disasters in collaboration with local governments

JHF has diligently responded to more recent natural disasters also, likewise in collaboration with local governments. After Kurashiki, Okayama Prefecture, was flooded by torrential rains in July 2018, JHF helped elderly residents rebuild their homes by providing a reduced-payment type of its Housing Loans for Disaster Recovery developed in collaboration with the city of Kurashiki.

#### Recent natural disasters and new JHF programs in response thereto

2018 Northern Osaka Earthquake, etc.	Housing Loans for Disaster Recovery for repairs with interest subsidy from Osaka Prefecture
Earthquake offshore Yamagata Prefecture	Housing Loans for Disaster Recovery for repairs with interest subsidy from city of Tsuruoka
Heavy Rain Event of July 2018	Housing Loans for Disaster Recovery with a special repayment method for the elderly subsidized by city of Kurashiki

#### The outline of Housing Loans for Disaster Recovery Work with a special repayment method for the elderly subsidized by the City of Kurashiki



#### Disaster-preparedness loans

In addition to Housing Loans for Disaster Recovery intended to finance repair or reconstruction of homes damaged by natural disasters, JHF also offers renovation loans for seismic retrofitting work, landslide prevention housing loans and loans for disaster-proofing of housing sites.

The renovation loans for seismic retrofitting work aim to increase the earthquake-resistance of homes built to outdated

earthquake-resistance standards. Because many homeowners who undertake anti-seismic home improvements are elderly, JHF offers two repayment options to borrowers aged 60 or older. The first is a regular self-amortizing repayment schedule. The second is a special repayment method for the elderly involving interest-only monthly payments with bullet repayment of the entire principal balance after the deaths of all borrowers.



# FOCUS 4

## Supporting maintenance and management / renovation of condominium housing stock



### Implementation Council on Financial Support to Increase Condominiums' Value

In FY2018, JHF spearheaded the establishment of, and provided administrative staff for, the Working Group on Financial Support to Increase Condominiums' Value in response to the emerging societal problem of aged condominiums. The WG's other members included condominium management associations, private financial institutions, consultants, attorneys, Tokyo Metropolitan Government and the Ministry of Land, Infrastructure, Transport and Tourism.

The WG identified issues it deemed particularly important and set an agenda from the standpoint of developing financial infrastructure to address the aged condominium problem.

In FY2019, the WG was dissolved in preparation to implement its agenda. It was replaced by a newly established Implementation Council on Financial Support to Increase Condominiums' Value, which embarked on preparations to expeditiously implement the WG's agenda.

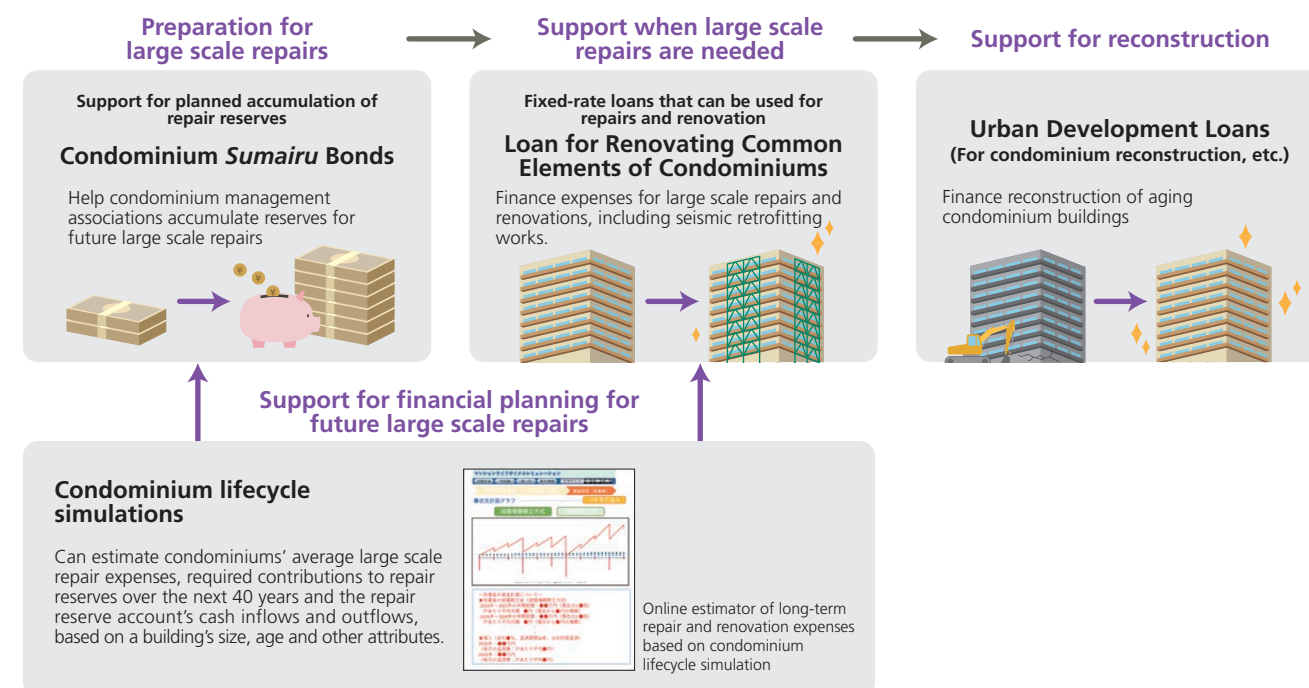
In FY2020, the Implementation Council transitioned to the implementation phase while continuing to work on matters that required further discussion. In September 2020, it released an online estimator of long-term repair and renovation expenses based on a condominium lifecycle simulation (available for free (in Japanese) on JHF's website).

The Implementation Council is implementing initiatives to promote maintenance and management / renovation of the condominium housing stock in FY2021 and beyond.

### JHF programs targeted at condominium housing stock

JHF has established programs that help condominium management associations financially navigate the condominium lifecycle. The online estimator provides guidance on using Condominium *Sumairu* Bonds and loans for renovation of condominiums' common elements based on its estimate results. Reconstruction loans also are available for condominiums.

JHF is actively endeavoring to publicize its programs to promote their integrated utilization in the aim of maintaining and renovating the condominium housing stock.



## Response to COVID-19

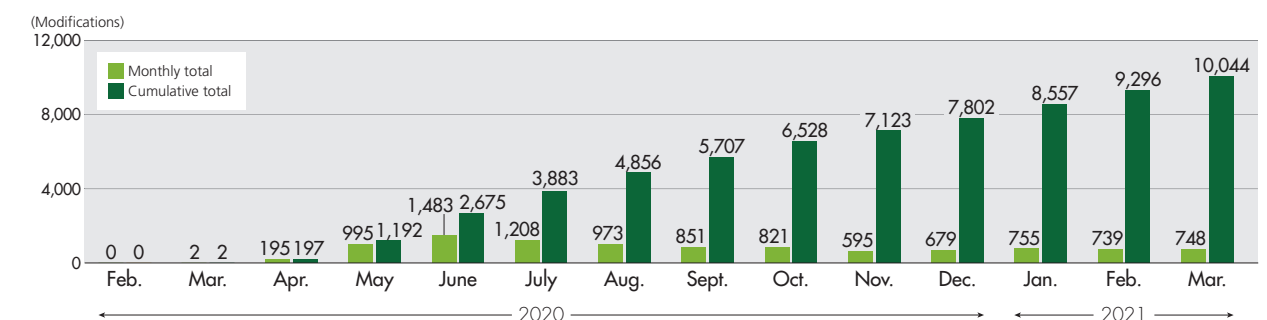
### Accommodations for borrowers facing difficulties making payments on JHF housing loans

JHF offers payment modification options to borrowers facing repayment difficulties due to COVID-19 so they can comfortably remain current on their loans (borrowers can take advantage of multiple options in combination).

JHF has approved 10,044 payment modifications (as of March 31, 2021) as a result of its efforts to help borrowers facing repayment difficulties due to COVID-19.

<b>Borrower</b>	Our income was reduced by COVID-19	→	<b>Preferential payment arrangements</b> Extension of loan maturities, etc.	<ul style="list-style-type: none"> <li>Monthly payment can be reduced.</li> <li>Although the monthly payment decreases, total interest and principal payable over the life of the loan increases.</li> </ul>
	We want to temporarily reduce our payment	→	<b>Loan modification</b> Temporary reduction in monthly payment	<ul style="list-style-type: none"> <li>Monthly payment can be reduced for a period set through consultation with the borrower.</li> <li>Post-loan modification monthly payment and total interest and principal payable over the life of the loan increases.</li> </ul>
	We can no longer comfortably afford our semiannual extra payments payable from bonus income	→	<b>Bonus payment modifications</b>	<ul style="list-style-type: none"> <li>Change in bonus payment months.</li> <li>Adjustment of principal amortization between monthly and bonus payments.</li> <li>Discontinuation of bonus payments.</li> </ul>

### COVID-19 payment modifications approved



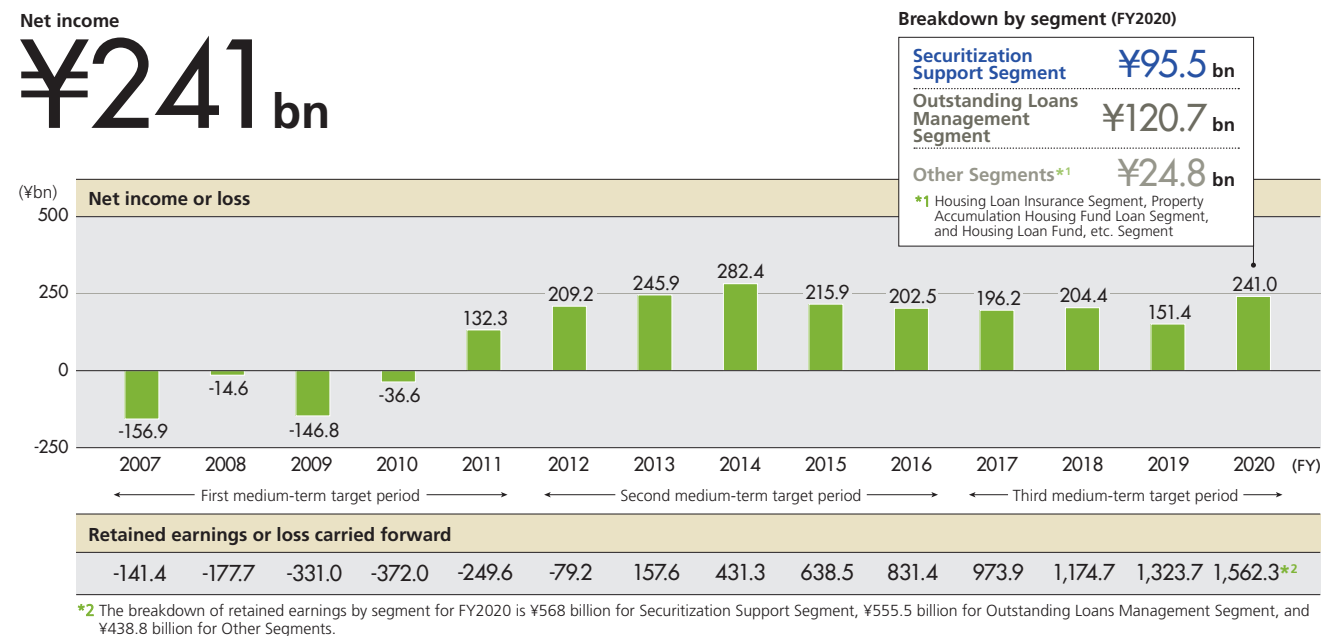
### Accommodations for borrowers facing difficulty paying group credit life insurance premiums

JHF is extending group credit life insurance premium due dates for borrowers facing temporary difficulty paying the premiums due to COVID-19 at the request of the borrower. The number of premium deferrals granted totaled 392 (as of March 31, 2021).

### Outreach to borrowers

JHF is actively endeavoring to publicize its accommodations for borrowers facing repayment difficulties due to COVID-19 through such means as publishing the accommodations on its homepage, issuing press releases and advertising in newspapers.

## Net income or loss / Retained earnings or loss carried forward (overall for the five segments)

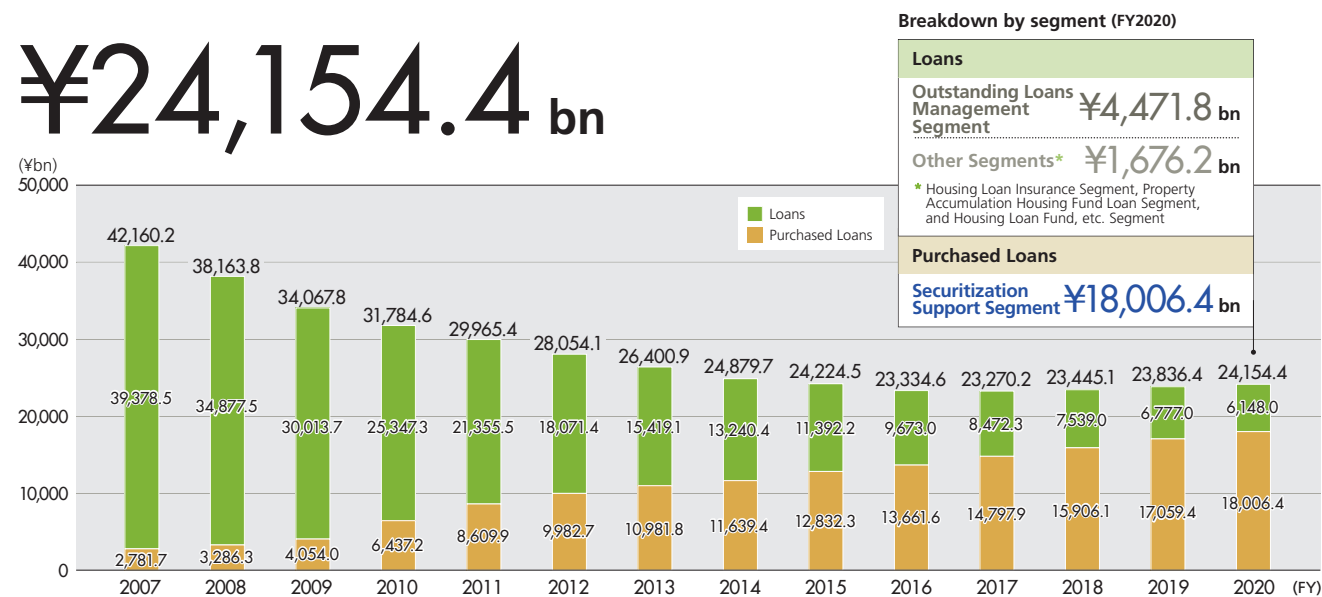


Net income increased ¥89.6 billion year on year to ¥241.0 billion. This is because of a reversal of the allowance for credit losses due to the review of the allowance for credit losses, which increased in the previous fiscal year, in preparation for loan losses associated with the COVID-19 pandemic, based on loan losses results for the fiscal year under review.

Furthermore, the necessary amount in preparation for future losses was carried over to the fourth medium-term target period from the reserve fund (retained earnings of ¥1,562.3 billion) for FY2020, which is the final fiscal year of the third medium-term target period, and in turn, the remaining amount of ¥88.6 billion has been paid to National Treasury.\*3

\*3 JHF paid ¥30.9 billion and ¥44.7 billion to the National Treasury in FY2012 and FY2017, respectively.

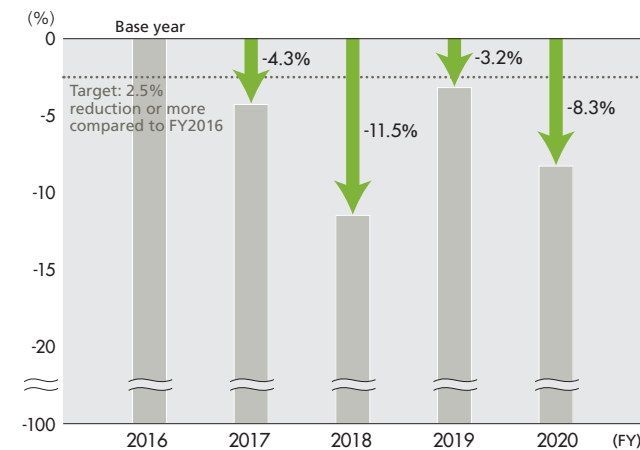
## Assets (total of loans purchased and originated)



Assets (total of loans purchased and originated) as of the end of FY2020 amounted to approximately ¥24 trillion. The outstanding balance of Flat 35 (purchased loans) at the end of FY2020 was about ¥18 trillion. The balance of purchased loans has been increasing year after year and now segments for around 75% of the outstanding housing loans held by JHF.

## Administrative expenses

**Down 8.3 %**

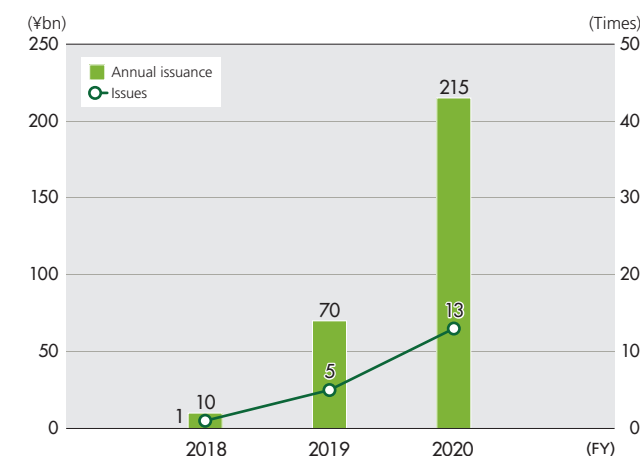


JHF established a target to reduce administrative expenses by 2.5% or more compared to FY2016 by the final fiscal year of the third medium-term target period (FY2017 to FY2020). We achieved this target after reducing administrative expenses by 8.3% in FY2020 thanks to efforts to ensure appropriate spending on costs.

**Note:** Administrative expenses refer to operating expenses minus expenses related to business execution, personnel expenses, tax and public dues and expenses based on special factors.

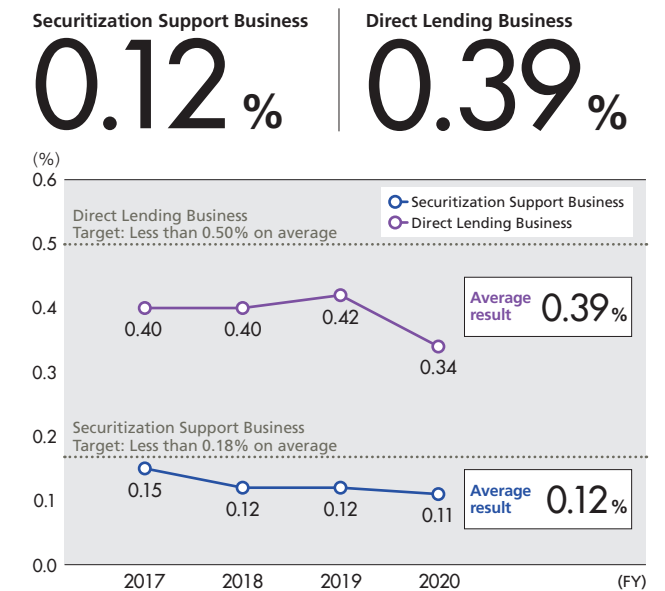
## Green bond issuance

**¥215 bn**



JHF issued Japan's first green bonds (secured straight bonds) to fund housing loans in January 2019 and has since repeatedly issued green bonds. We will contribute to the further penetration and promotion of quality housing as a policy implementing agency by receiving funding support from investors.

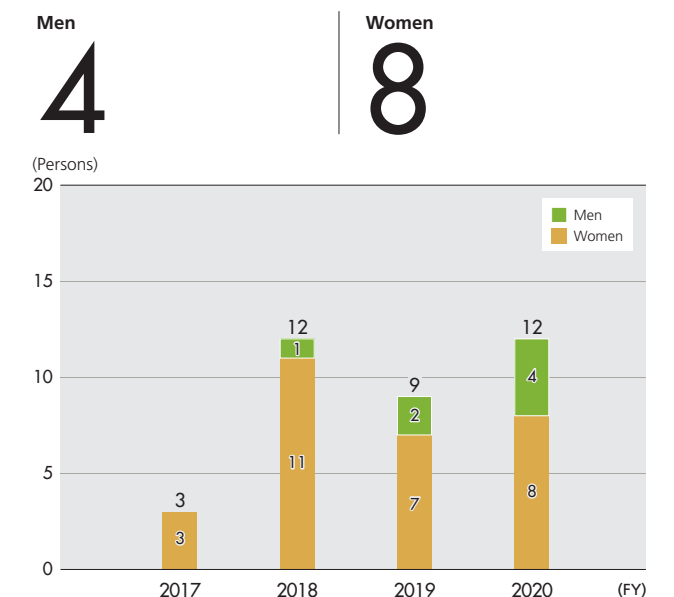
## Expense ratio



JHF established a target to achieve an expense ratio of under 0.18% on average for Securitization Support Business and under 0.50% for Direct Lending Business in the third medium-term target period (FY2017 to FY2020). We achieved both targets as the expense ratio for Securitization Support was 0.12% on average and 0.39% for Direct Lending.

**Notes:** 1. Expense ratio of Securitization Support Business: The ratio of total annual administrative related expenses and bond issuance related expenses to the average annual purchase amount of housing loans purchased.  
2. Expense ratio of Direct Lending Business: The ratio of total annual administrative related expenses and bond issuance related expenses to the average annual loan balance of housing loans originated.

## Number of employees taking childcare leave



JHF is working to provide a workplace environment that is considerate of the needs of each and every employee. This involves establishing support systems for work-life balance, including a childcare leave program.