

Management Policy

I . Goal of the JHF

- Mission of the Japan Housing Finance Agency
 - The most significant mission of the Japan Housing Finance agency (the “JHF”) is to support private financial institutions including mortgage banks with securitization (Flat 35) and other line of business so that housing loans suitable for each customer’s lifelong plan can be supplied stably and efficiently throughout Japan.
- Establishment of independent operations
 - In order to accomplish the aforementioned mission, the JHF will focus its managerial resources on Flat 35 at first to achieve the targeted business goal for the purpose of establishing its presence in the housing finance market as soon as possible, which will lead to the establishment of independent and stable operations of the JHF.
- Compliance and execution of social responsibility
 - The JHF will fulfill its social responsibilities through the organizational commitment and self-motivated actions of each employee while broadening its scope from compliance to sound business judgment and contribution to society.

II . Management Policy for the JHF

1. Basic concept of reform

- Improvement of productivity
 - The JHF will fundamentally review its business by BPR (Business Process Reengineering) to achieve efficient business operation through increased productivity.
 - The JHF will stably implement the business improvement project, and will make a commitment to cost reduction by reforming information systems, etc.
- Creation of customer value
 - The JHF will pursue customers’ satisfaction, considering their needs at all times. Thus, while putting priority on ultimate borrowers, it will promptly provide the most appropriate services to satisfy middle users (those involved in housing businesses) and private financial institutions including mortgage banks.
- Change of corporate culture
 - Each employee will take the initiative in accomplishing the management concept, considering what he/she can do for customers at all times. The JHF will change its traditional passive corporate culture to positive and active one.

2. Strategic implementation of business

- Securitization business
 - The JHF will focus its managerial resources on Flat 35, and will accomplish its business goals through rapid improvement of products and procedures, strengthening the sales staff, etc., to stabilize its business. The JHF will not only make efforts to develop the MBS market in cooperation with market players but also makes a commitment to explore new areas such as new methods of issuing MBS.
- Loan appraisal/credit risk management
 - The JHF will not only strengthen its capacity for credit appraisal and credit risk management of outstanding loans to reduce delinquent loans, but also implement effective and efficient management/collection for non-performing loans.

- Ancillary businesses for policy measures
 - The JHF will promote information-providing services, making use of the know-how it has long fostered, for the purpose of giving confidence in housing through the proactive provision of a wide range of useful information on housing for customers.
 - For housing loan insurance services and other loan businesses including loans for disaster mitigation, rental housing and workers’ property accumulation savings scheme-tied housing, the JHF will strengthen the productivity of each business, build and implement a system for effective operation in order to make use of the features of each product in the businesses and meet the needs of customers.

3. Capability building on management resources

- Development of a business management system
 - In order to establish independent operation, the JHF will enhance its functions for planning business strategy, controlling the distribution of managerial resources and other activities, and will also realize a business management system for organization management, including PLAN · DO · CHECK · ACTION.
- Strategic distribution of managerial resources
 - The JHF will realize strategic distribution of managerial resources to reflect the actual situation of the market, productivity, etc., by developing a scheme for goal setting and performance assessment of each business segment.
- Appropriate risk management
 - In order to secure the soundness and transparency of business operations, the JHF will implement not only the management of credit risk, interest volatility risk, etc., appropriately but also the positive disclosure of business information.

4. Reform of human resources development

- Development of human resources
 - The JHF will realize the basic concept of reform (improvement of productivity, creation of customer value, and change of corporate culture), and foster human resources that are professionals in housing finance including securitization and credit risk management. Furthermore, each staff member will make a commitment to enhance his/her own knowledge and skills.
- Emphasis on ability and performance
 - The JHF will improve the performance of the organization by increasing the productivity of each person. In order to accomplish this, the evaluation for promotion and salary shall place greater emphasis on ability and performance. The JHF will develop a workplace where staff can make full use of their capabilities so they may feel their lives are rewarding and gain a sense of accomplishment.

Outline of the Plan for FY 2010

Under the provisions in Article 31, paragraph (1) of the Law for General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999), upon the approval of the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Finance, JHF produced an “Action Plan,” which covers yearly business operations from April 1, 2007, to March 31, 2012, based on their mid-term targets (Mid-Term Plan). The following specifies the details of what needs to be worked on in fiscal 2010.

I . Measures to achieve objectives related to the efficiency of business operations

1. Efficiency in organizational operation
2. Reduction in general and administrative expenses, etc.
3. Optimization of operations and systems
4. Propriety of bidding and contracts
5. Inspection of operations
6. Proactive information disclosure

II . Measures to achieve objectives for quality enhancement in services or other operations provided to the public

1. Securitization
2. Housing loan insurance services
3. Housing related information and consultation
4. Loan origination
5. Group credit life insurance, etc.

III . Budget (including estimated personnel expenses), plan for balance of payments and funding

1. Improvement in balance of payments
2. Reduction in losses forwarded
3. Thorough risk management

IV . Maximum short-term borrowing

V . Plan of transferring of, or offering as collateral of important assets, if any

VI . Investment of surplus

VII . Other particulars with regard to business operation regulated by the competent ministerial ordinance

1. Plan for facilities and equipment
2. Plan for human resources
3. Allocation of reserves

Performance Evaluation

The JHF's performance results for each fiscal year are evaluated by the Evaluation Committee for Independent Administrative Agencies (established within both the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Finance) under the provisions of Article 32, paragraph (1) of the Law for General Rules for Incorporated Administrative Agencies (Law 103 of 1999).

In each Evaluation Committee for Independent Administrative Agencies, JHF Sub-committees are established where items related to the evaluation of the JHF are handled.

1. Matters to be decided by the Evaluation Committee for Independent Administrative Agencies (not assigned to the Sub-committees)

(1) Evaluation of performance results

- Evaluation of performance results related to the mid-term targets
- Recommendation to improve the performance, etc. to the relevant independent administrative agencies according to the evaluation results of the mid-term targets (if applicable)

(2) Opinions to competent ministers

- Offer of opinions when considering agencies' operation and organizational status at the time of ending the mid-term target period by the competent minister

2. Matters delegated to JHF Sub-committee

(1) Evaluation of performance results

- Evaluation of performance results at every fiscal year
- Recommendation to improve the performance, etc. to the relevant independent administrative agencies according to the evaluation results of performance results at every fiscal year (if applicable)
- Decision of rate considering performance results related to the retirement allowance of directors

(2) Opinions to competent ministers

- Offer of opinions when planning or changing the mid-term target
- Offer of opinions when permitting and changing permission of the mid-term target
- Offer of opinions when permitting operational guidelines
- Offer of opinions when approving the financial statements
- Providing opinions when approving other financial and accounting matters, etc.

※Reports on JHF activities, etc., which were submitted to the Evaluation Committee for Independent Administrative Agencies, are posted on the JHF website: <http://www.jhf.go.jp/about/kikou/plan.html>