



We appreciate your continued interest and kind consideration.

Four years have passed since the Great East Japan Earthquake. The Japan Housing Finance Agency (JHF) has made efforts to help restore the livelihoods of those affected by the earthquake from the financial perspective by repayment method modification and loans for recovery from disasters. We have held consultation sessions on housing restoration in various areas in cooperation with local governments and architect associations in order to provide detailed support for demands of those affected. In addition, we started in the last fiscal year to hold consultation events in collaboration with private financial institutions. While housing lots provision began in earnest along the coast of Iwate Prefecture, we established the Sanriku Reconstruction Support Center in Kamaishi City as a part of our efforts to make a system to offer loan consultation services more promptly, and we have improved convenience of affected people by providing community-friendly consultation services. We will continue supporting and contributing to restoration from the disaster in cooperation with local communities.

Furthermore, based on our experience responding to the Great East Japan Earthquake and frequent natural disasters in recent years, JHF is reviewing existing agreements with local governments and initiating efforts to conclude new “agreements to cooperate for quick housing recovery at the time of disaster” with them to further strengthen collaboration even in normal times. We will keep working with prefectures and other local governments to have stronger cooperation so as to make the most of our knowledge and experience acquired during the Great East Japan Earthquake when we will cope with disasters in

the future.

“Flat 35” meets the demands of customers who want mortgages with fixed interest rate throughout the loan duration, and it was utilized for 670,000 houses with 11 trillion yen in outstanding balance from the beginning of the operation in October 2003 to the end of the last fiscal year. We will keep making full efforts for “Immediate Economic Measures for Extending Virtuous Cycles to Local Economies”, Cabinet Decision, December 27, 2014 and contribute to vitalization of the housing market and promotion of quality housing. This April, we started offering “Flat 35” for reform loans, only when customers purchased the existing houses and renovated them at the same time to enhance the convenience of customers. Through these activities, we will contribute to addressing of issues on housing policies including the formation of high quality housing stock and vitalization of the resale housing market.

The total amount of mortgage-backed securities (MBS) issued to finance for “Flat 35” exceeded 20 trillion yen. It is expected to have the 100th issuance within this fiscal year, and it is highly regarded as benchmarking of the securitization market. We will make a contribution to development of the securitization market in Japan by stably issuing MBS and enhancing the benchmarkability.

We recognize that JHF has two roles, while considering role-sharing with private financial institutions. One is a provider to offer technical support utilizing our knowledge and experience. The other is an originator to finance funds for important projects from the policy perspective, including improvement of living condition in urban areas with a high concentration of structures, reconstruction and seismic upgrading of deteriorated condominiums and construction of serviced rental housing



for the elderly. We will actively support local revitalization from the financial perspective by collaborating with local communities to meet their demands in the serious social issues of the decreasing population and the aging society with declining birthrate.

Eight years have passed since JHF became an incorporated administrative agency. Through the years, we have implemented various management reforms and steadily achieved targets including discontinuance of subsidies from the national government and dissolution of loss carried forward in the securitization support business. The Act on General Rules for Incorporated Administrative Agencies was revised in April 2015, and incorporated administrative agencies are required to exhibit their functions to implement policies under stricter governance and autonomy.

JHF will continue making efforts to enhance internal governance that we have squarely addressed and keep transparent and efficient management with the strengthened audit function and by obtaining opinions on our business management from the “Business Management Review Committee” consisted

of neutral and external experts. We will take measures against the aging society with declining birthrate and large-scale disasters and tackle local revitalization in order to supply liquidity in the housing finance market and contribute to the improvement of housing in our country. As an agency to implement government policies, we will also proactively address important issues such as vitalization of the housing stock market to form high quality housing stock. Our directors and employees determine to strive to be an essential organization for Japanese society and citizens.

We would like to request kind understanding and support by customers and other stakeholders including private financial institutions, housing businesses, local governments and investors.

July 2015

Toshio Kato

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President

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