



住宅金融支援機構
Japan Housing Finance Agency

Disclosure Booklet

2017

2017
Disclosure

Profile of Japan Housing Finance Agency (JHF)

Establishment	April 1, 2007
Mission	Japan Housing Finance Agency (JHF) strives to provide smooth and efficient provision of funds necessary for constructing houses and thus contributes to stable living and enhanced social welfare of the Japanese citizens by purchasing mortgages to assist 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.
Capital	708.642 billion yen (as of the end of the fiscal year 2016; 100% of the capital is provided by the Japanese government.)
Number of directors and employees	902 (as of April 1, 2017)
Operations	Securitization support, housing loan insurance service, loan origination
Offices	Head office: 1-4-10 Koraku, Bunkyo-ku, Tokyo, Japan 112-8570 Branches: 8 branches in major cities nationwide
Size of mortgage portfolio	23.3916 trillion yen (as of March 31, 2017) (Including: purchased housing loans – 13.6616 trillion yen and originated loans – 9.673 trillion yen)



1. This booklet is a disclosure material prepared based on the "Law Concerning Access to Information Held by Incorporated Administrative Agencies." (Law No. 140 of 2001).
2. Figures in this booklet
 - (1) Rounding of figures
Amounts are rounded to the nearest unit. Percentages (%) are rounded off at the second decimal point in principle. Thus, a figure in the total section may not equal the sum of the itemized amounts.
 - (2) Indication method
Items with values less than the unit are indicated as "0" while items with no statistical figures are indicated as "-."
3. Information on Japan Housing Finance Agency (JHF), including that on this booklet, is available on the JHF website (<http://www.jhf.go.jp>).
4. If there is any material difference between Japanese original version and this English translation, the Japanese original version shall prevail.

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Message from the President

I would like to express our appreciation for your continuous patronage.

10 years had passed on April 1, 2017 since our establishment. The second mid-term target period was concluded this March and the third mid-term target period started this fiscal year.

During the second mid-term target period which started in April 2012, we promoted various management reforms and have accomplished our targets successfully. I would like to express my appreciation for numerous customers' patronage, understanding and cooperation of financial institutions, home builders, and municipalities.

Meeting the needs of our customers for "Flat 35," which is a long-term fixed rate mortgage through the entire life of the mortgage, the outstanding balance had grown over 13 trillion yen (860 thousand units) at the end of FY 2016 since the introduction of Flat 35 in October 2003.

JHF has been offering "Flat 35 Renovation" in order to promote the transactions of existing houses and making quality of existing houses better, and has been dedicated to the prevalence of it since October 2016. We will continuously offer our long-term fixed rate mortgage as a safe option and vitalize housing market including existing house market and renovation market under the Basic Plan for Housing, which was a Cabinet Decision in March 2016. We will also support the prevalence of safe and high-quality houses.

Last year, 2 organizations began to provide "Flat 35 (Guarantee Program)" which had been suspended for several years. We would like to encourage more financial institutions to join the program.

When issuing MBS (mortgage backed securities) to procure fund for Flat 35, we have been making effort to increase the number of investors and keep the coupon as low as possible so that we can offer preferable interest rate to those who use Flat 35. Consequently, our cumulative MBS issuance amount has reached over 24 trillion yen so that our MBS has become the reputable benchmark in securitization market of Japan. JHF is going to communicate with investors consistently, developing an investment-friendly environment so that we can issue MBS stably and continuously. We are also going to contribute to the development of the securitization market of Japan through enhancing the status of our MBS as the benchmark.

6 years had passed in March 2017 since the Great East Japan Earthquake occurred. Currently, supply of houses is fully in progress in the area hit by the disaster. We are helping the people reconstruct their homes through Sanriku Reconstruction Support Center's operation with municipalities and local financial institutions.

Many natural disasters hit Japan last year including Kumamoto Earthquake in April 2016. Offering Loans for Recovery from Disasters shall be our mission as a part of the public sector and we would be dedicated to helping people who are still suffering from disasters rebuild their former life.

During the third mid-term period, JHF is expected to play a role in building a new house circulation systems and providing mortgages which enables people to rebuild or renovate houses with higher quality. We are also required to operate business efficiently, independently and transparently and to maximize our performance as a government agency.

As you see above, from a public point of view, we are going to offer reverse mortgage insured by JHF and loans for rental housing for the elderly with nurse care or urban development. At the same time, we launched a new scheme this fiscal year that supports households raising children to obtain houses in corporation with municipalities. Another new scheme helps municipalities that are dedicated to promoting UIJ turn or building compact cities.

In addition, to keep the organization transparent and efficient, JHF continuously enhances the internal governance we have energetically focused on and accepts advice about our operation given by “Business Management Deliberative Committee.” The committee consists of third parties of experts.

I hope JHF would be reputed to be necessary for both public and society. All staff of JHF are dedicated to achieving our mission.

I would appreciate all your continued understanding, cooperation, and patronage.



July 2017
Toshio Kato

加藤 利男

President
Japan Housing Finance Agency (JHF)
Incorporated Administrative Agency

Business Overview

JHF focuses on the securitization support business to support provision of fixed-rate housing loans by private financial institutions, but also provides a housing loan insurance service to promote smooth provision of housing loans by private financial institutions, and a loan origination service in areas that are important from the policy perspective, yet difficult for the private sector to handle.

JHF makes efforts to enhance living standards and fulfills its corporate social responsibility (CSR) by smoothly and effectively supplying housing loans needed for construction of houses to support people's lives.

① Securitization support business (Provision of Flat 35)

Support private financial institutions to supply fixed-rate housing loans through the following programs:

- Flat 35 (Purchase Program): JHF purchases fixed-rate housing loans from private financial institutions and securitizes them.
- Flat 35 (Guarantee Program): Private financial institutions securitize fixed rate housing loans insured by JHF, and JHF guarantees interest and principal payment of MBS to investors.

② Housing loan insurance business

JHF supports smooth provision of housing loans by private financial institutions through the establishment of a system for insurance payments to those institutions based on insurance policies taken out in advance, in the event of default of housing loans due to unforeseen situations.

③ Loan origination business (Policy-related loans including loans for disaster recovery and town development loans)

JHF supports housing-reconstruction loans in areas affected by the Great East Japan Earthquake and other natural disasters, urban development projects and projects that facilitate the updating of urban functions and improve disaster-resilience including rebuilding of condominiums and enhancing anti-seismic strength, and promotion of rental housing for stable living for families with children and the elderly via direct loan origination by JHF.

④ Group credit life insurance business

This insurance system provides security for borrowers of Flat 35 (Purchase Program) or JHF originated loans. If the borrowers who have joined this system should die or incur a serious disability, the outstanding loan balance will be offset by insurance paid by a life insurance company or other means.

⑤ Promotion of quality housing

JHF aids the promotion of quality housing through its own technical standards for housing, which are set as part of the requirements for use of Flat 35 and JHF originated loans.

⑥ Management of outstanding loans

JHF appropriately manages outstanding loans through detailed and meticulous responses, such as modification of loan repayment terms for borrowers who have difficulty in making mortgage repayments, while reducing delinquent loans.

⑦ Research and surveys on housing finance

JHF conducts research and surveys on domestic and overseas housing finance markets.

	Results for FY2016	Initial plan for FY2017
Securitization support business (Provision of Flat 35)	Purchase Program: 3.201 trillion yen (116,190 houses) Guarantee Program: 40.6 billion yen (1,378 houses)	Purchase Program: 2.026 trillion yen (75,500 houses) Guarantee Program: 241.5 billion yen (9,000 houses)
Housing loan insurance business	Insurance contracts: 135 institutions, 526.6 billion yen Insurance contracted: 47,122 plans, 352.0 billion yen Insurance continuing: 166,857 plans, 2.17 trillion yen	The ceiling amount of insurance contracts : 349.4 billion yen
Loan origination business	250.1 billion yen (26,795 houses)	254.5 billion yen (21,570 houses)

Mission Statement

Based on independent, transparent,
and efficient management,
and in pursuit of the creation of customer values,
we provide various kinds of financial services
to support liquidity in the housing financial market,
and thus contribute to the improvement
of housing in our country.

Logo concept



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Japan Housing Finance Agency

The letters J, H, and F represent pillars supporting the roof, the horizontal line represents the ground and is intended to create an uplifting feeling, while the sphere symbolizes security and expansiveness. The green color represents growth and vitality. The logo symbolizes a fusion between JHF and the world of housing.

*JHF is the abbreviation for the Japan Housing Finance Agency.

Activities of JHF

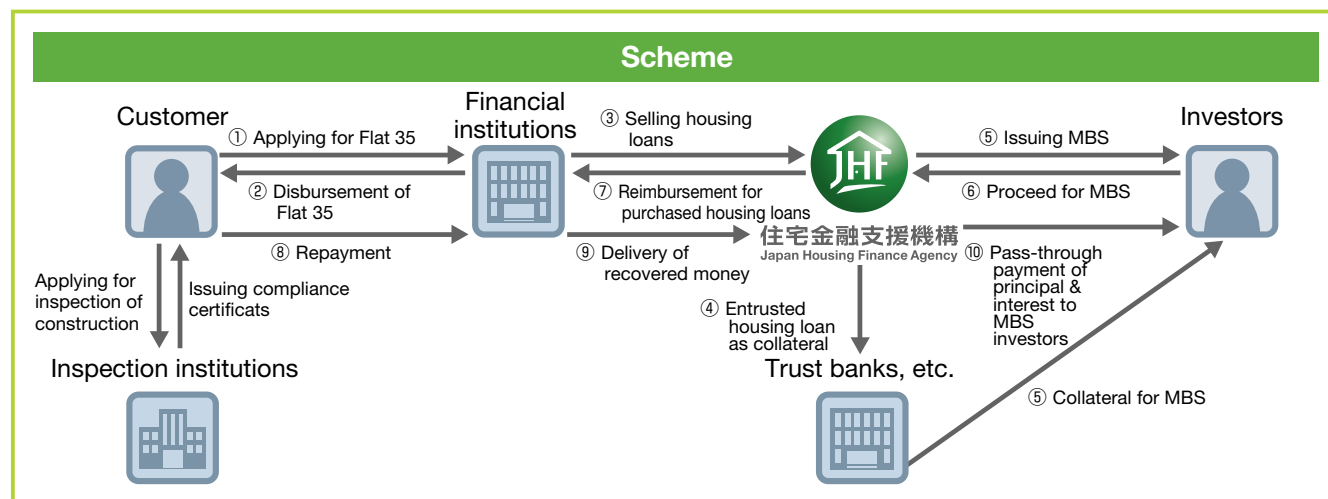
Providing Fixed-rate Housing Loans through Collaboration with Private Financial Institutions

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

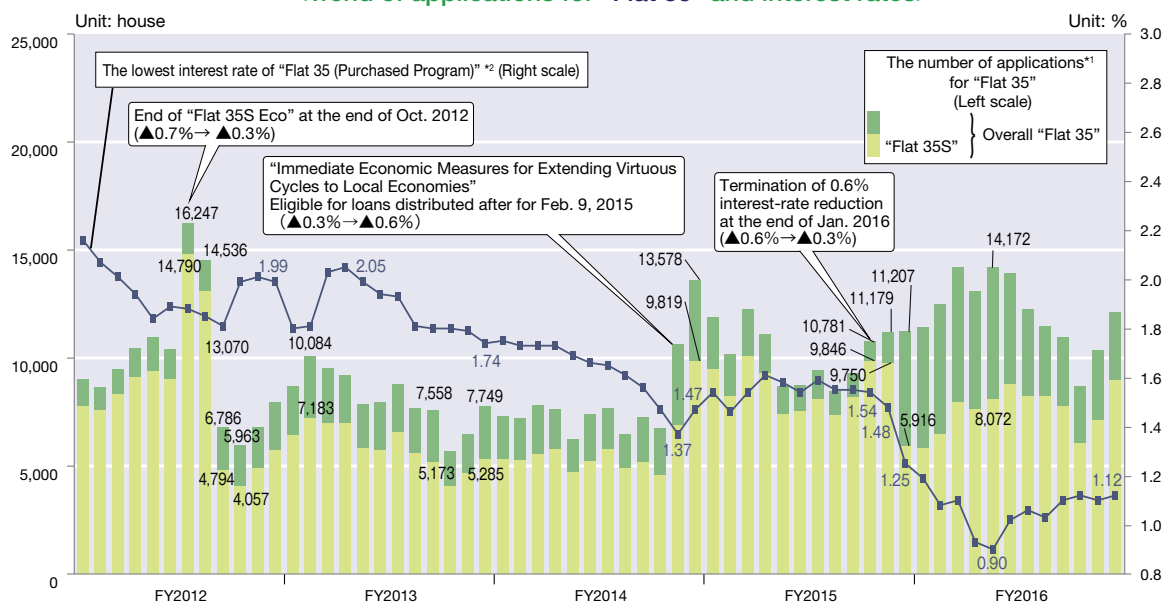
ずっと固定金利の安心
【フラット35】

Four merits of “Flat 35”

- ① Safe because interest rate is fixed to maturity
- ② JHF’s technical criteria to support housing
- ③ No guarantee fee and no fee for prepayment
- ④ Extend consultation during the repayment period



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

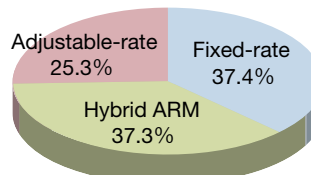


*1 Total number of houses applying for “Flat 35 (Purchased program / Guarantee program)”.

*2 The lowest interest rate among those offered by financial institutions in a case that duration of loan is between 21 years and 35 years (of which 90% or lower rate after February 2014 as interest rates vary according to its loan-to-value ratio (90% or lower, or over 90%). Many financial institutions set lower interest rate to the loans with 20 years or less maturity than those with 21-35 years.

Interest rate desired by prospective loan-applicants

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



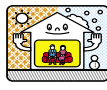



(Source) JHF “The second survey of borrowers of private-sector housing loans in FY 2016 targeting prospective loan-applicants (conducted in April 2017)”

Promotion of High Quality (such as Energy-Efficient) Houses

“Flat 35S” is a system in which lower interest rates are applied for a certain period for customers who applied for “Flat 35” to purchase high quality housing in terms of energy saving, earthquake resilience, and the like.

JHF has been striving to promote high quality housing by providing “Flat 35S”.

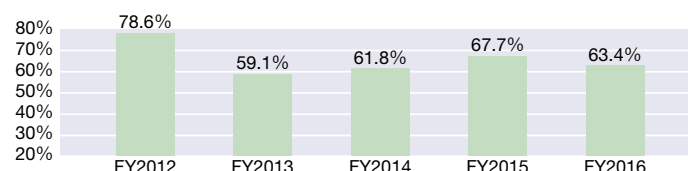
<Four performances targeted by “Flat 35S”>

Housing with high energy-efficient performance	Housing with excellent earthquake-resilience	Housing with excellent barrier-free performance	Housing with high durability and flexibility
 <ul style="list-style-type: none"> ● Use insulation materials adequately. (Fit insulating materials into the frame of the house without gaps) ● Equip windows and doors with double panes, etc. <p>To increase insulation capacity of residences and thus to reduce consumption of electricity and fossil fuels such as kerosene used in heating and cooling systems is required for conservation of the global environment.</p>	 <ul style="list-style-type: none"> ● Ensuring wall quantity and balance of layout ● Strengthen joints in building frames ● Strengthen foundations, etc. <p>It is extremely important to increase earthquake-resistance capabilities of housing and ensure safety in preparation for large-scale earthquakes is extremely important.</p>	 <ul style="list-style-type: none"> ● Ensure that there are no different levels on the same floor. (Elimination of steps on the same floor) ● Install handrails ● Create sufficiently wide corridors, etc. <p>To make housing that is easier for elderly to live in must become fundamental to building housing going forward, including preparation for nursing care at home.</p>	 <ul style="list-style-type: none"> ● Proof against decay and termites ● Ensure ventilation in the roof frame and under-floor (attic and under floor) <p>As Japan has matured as a society, to create high quality housing stock is an urgent task. To build houses that will last as long as possible and to keep using such houses carefully will lead to conservation of our lifestyles and the global environment.</p>

JHF has made efforts to promote high quality housing through “Flat 35” and “Flat 35S.”

In particular, due to interest rate reductions through “Flat 35S,” JHF has contributed steadily for the promotion of high-quality energy-efficient housing, and the like.

<“Flat 35” Share of houses meeting energy-efficient housing among applications for detached houses to be newly built>



Research and Surveys on Housing Finance and Dissemination of Information

JHF conducts research and surveys on domestic and overseas mortgage markets and actively disseminates this information.

Content of Major Surveys

- (1) Customer Surveys of Flat 35 Customers
- (2) Actual condition surveys of private-sector housing loan customers
- (3) Surveys of lending trends for private-sector housing loans
- (4) Surveys of new origination volumes and outstanding loan balances for housing loans by lender type

Publications

The paper “The Reverse Mortgage Market in Japan and Its Challenges” was published in the reverse mortgage special feature issue (Volume 19, Number 1, 2017) of “Cityscape,” the bulletin of the United States Department of Housing and Urban Development.

JHF also contributed Chapter 4 “Housing Policies in Japan” in “The Housing Challenge in Emerging Asia: Options and Solutions,” edited by ADBI, the Asian Development Bank Institute.



Surveys on housing loans overseas and information dissemination overseas

► Ginnie Mae in the United States

JHF held the 2nd Japan-US Housing Finance&Capital Market Roundtable Conference jointly with Ginnie Mae (Government National Mortgage Association) in Tokyo on October 17, 2016.

At the conference, after the speech by Honorable Hisayuki Fujii, the Parliamentary Vice-Minister of Land, Infrastructure, Transport and Tourism, there were presentations on the capital markets, MBS market trends, the current state of reverse mortgages, and trends of housing loan markets, etc., in Japan and the United States by financial institutions and research institutes, etc., including President Tozer of Ginnie Mae.

There were about 100 participants on the day.



► CHDB in Myanmar

On September 5, 2016, Letter of Intent was signed by four parties: the Housing Bureau of Ministry of Land, Infrastructure, the Transport and Tourism, the Department of Urban and the Housing Development of Ministry of Construction and the Construction and Housing Development Bank of the Republic of the Union of Myanmar, and JHF. Japan and Myanmar will promote cooperation in housing finance area in accordance with this Letter of Intent for improvement of dwelling life and economic growth in the Republic of the Union of Myanmar,



Support for Reconstruction from the Great East Japan Earthquake, and Other Disasters

JHF supports early recovery and rebuilding of housing for people in the disaster-affected areas in collaboration with local governments and private financial institutions in those areas.

◆ Consultation sessions on housing reconstruction have been held many times in the area affected by the Great East Japan Earthquake.

In cooperation with national and local governments, JHF has provided local consultations on housing reconstruction for people in the disaster-affected areas since the Great East Japan Earthquake (1,749 consultation sessions were held in total from the end of March 2011 to the end of March 2017.)

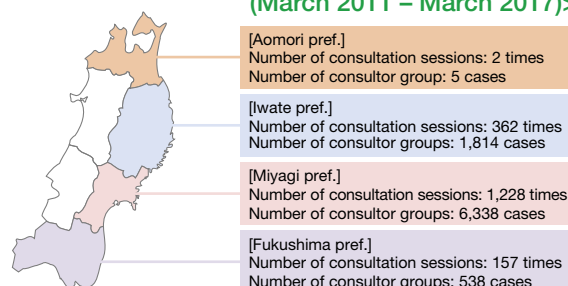
Together with the Iwate Prefectural Housing Support Council, the Miyagi Housing Development Promotion Council for Reconstruction and the Fukushima Prefectural Housing Support Council, we have held regular consultation sessions on various issues since April 2013 in Iwate, Miyagi and Fukushima Prefectures, respectively, as part of a one-stop service that includes loans and financial plans as well as housing plans and various subsidy programs.

Additionally, in cooperation with private financial institutions, we have visited various affected areas and held consultation sessions in these areas since FY2014.

<A consultation session>



<Results of local consultation sessions in Tohoku Area (March 2011 – March 2017)>



Establishment of Sanriku Reconstruction Support Center (June 2014)

Based on the fact that the full-scale supply of residential land will begin along with the project for promotion of group relocation for disaster mitigation in coastal areas of Iwate Prefecture, JHF has established the Sanriku Reconstruction Support Center in Kamaishi City, Iwate Prefecture, where it offers prompt responses on loan consultations.

◆ Response to Kumamoto Earthquake in 2016

JHF has provided information for people in the disaster-affected area and consultations on recovery or rebuilding of housing in collaboration with local governments.

In addition, in cooperation with private financial institutions in the relevant areas, JHF also handles consultations on repayment, and loans for recovery or rebuilding of housing.

Making use of the experience that JHF has cultivated through the Great East Japan Earthquake, JHF will strive for early recovery in collaboration with local government and private financial institutions in the area.

JHF's Support System

▶ Support of rebuilding of housing for those affected by the disaster (housing loans for recovery from disaster)

For people whose housing is affected by natural disasters, JHF provides loans for funds necessary for construction, purchase or repair of housing at low interest rates. In addition, we also provide loans for groundwork together with residential construction or repairs when housing lots are damaged due to collapse or liquefaction, etc.

▶ Support for borrowers who are repaying outstanding loans

For borrowers who are affected by disasters, JHF has been providing careful counseling and appropriate support for rebuilding lives through proposals to change repayment methods, etc.

[Modification of repayment methods]

Depending on the degree of disaster affection, JHF has deferred the repayment of loans, extended the repayment period and reduced the interest rate for the grace period.

[Natural Disaster Guidelines]

JHF accepts consultations and requests, etc. with respect to "Guidelines for Consolidation of Personal Debt Caused by Natural Disaster."

◆ Revision of Housing Loans for Recovery from Disasters

Implementa- tion Period	Item	Details
October 2016	Reconsideration of scope of non-secured loan	To increase convenience, it became unnecessary to take out mortgage (non-security) for the case where the loan amount is 3 million yen or lower.
	Disaster-stricken housing land recovery support by making use of land leveling funds	In order to support recovery of disaster-affected residential land, for land leveling construction conducted together with recovery of affected houses (retaining wall repairs, soil improvement), it became possible to use land leveling funds alone.
	Handling of repair work in several stages	In order to be able to handle repair work in several stages for which payment periods of construction fees may differ, it became possible to use loans in multiple instances.
	Inclusion of households that are on long-term evacuation into coverage of loan eligibility under the Act on Support for Reconstructing Livelihoods of Disaster Victims	It became possible for persons who are certified as long-term evacuation households under the Act on Support for Reconstructing Livelihoods of Disaster Victims (Act No. 66 of 1998) to use loans even though they have not been issued disaster certificates.
January 2017	Start of handling of housing loans for recovery from disasters (special system repayment for the elderly)	It became possible for persons of age of 60 or older to use special repayment system for the elderly* when they build, purchase or repair housing for themselves to reside in.

*Repayment each month will only be the interest portion, and the principal will be paid in lump sum when the applicant dies, by disposition of property, etc. by the inheritors (it is possible to reduce the burden of monthly repayment).

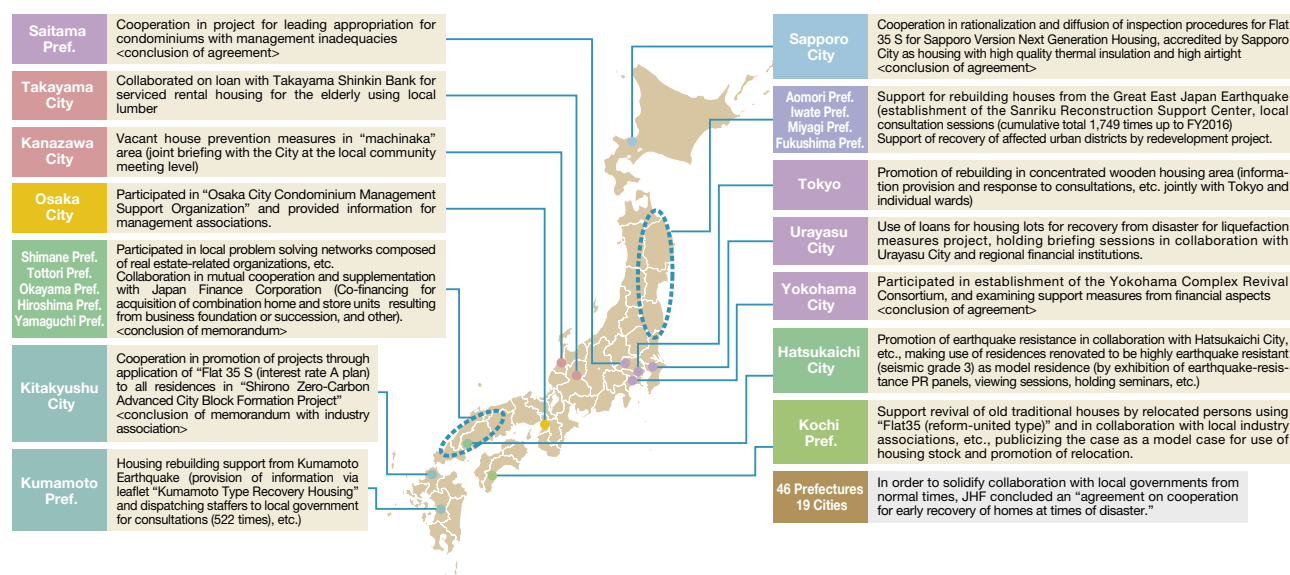
Effort in Collaboration with Local Governments, etc.

◆ Collaboration with local communities (efforts nationwide)

JHF has been making efforts for resolution of tasks related to building housing and urban development in the community in collaboration with local governments, etc. under the management philosophy of “contributing to improvement of housing in Japan.”

Based on the serious social situation of decreasing population and aging society, local governments have been striving for local tasks such as recovery from disaster, disaster prevention, condominium management, revival of housing complexes, migration/relocation, vacant houses measures, stable living for the elderly, etc. nationwide, and JHF has made efforts as well in support of those tasks, centering on financial aspects.

Major local collaboration efforts nationwide (FY2016)

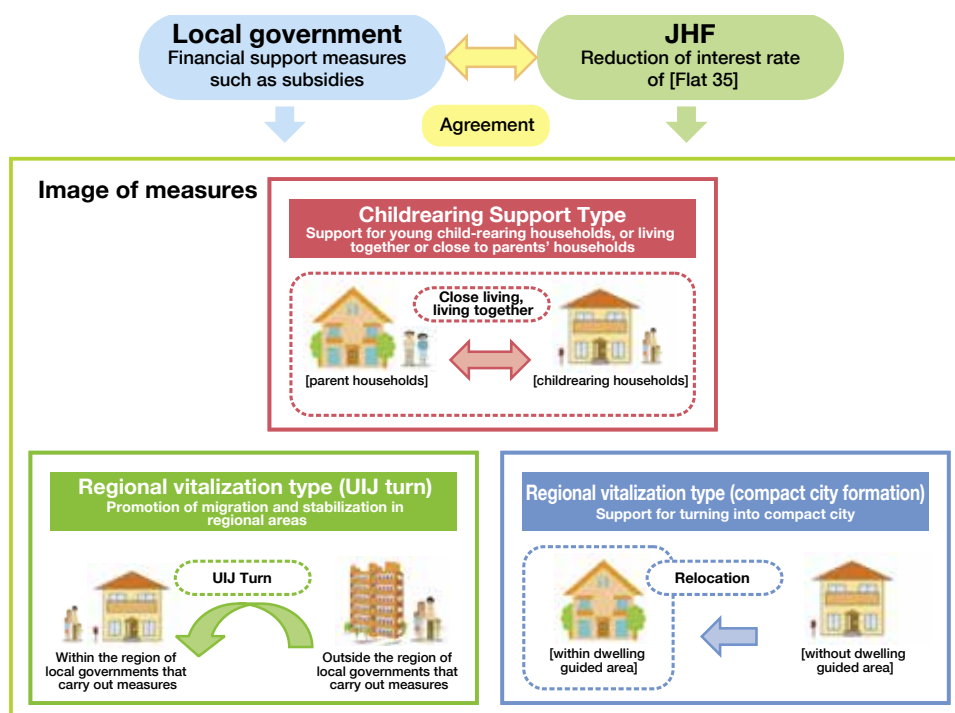


◆ Collaboration with Local communities ([Flat 35] Childrearing Support Type, Regional Vitalization Type)

JHF has been striving to support regional revitalization, etc. by reducing the interest rate on Flat35 together with financial support from local governments.

In April 2017, JHF launched a new product called [Flat35] Childrearing Support Type and Regional Vitalization Type, in relation to regional revitalization named as one of the government’s vital measure, subject to collaboration with measures of local government.

This system is to reduce the interest rate of [Flat 35] for a certain period together with financial support by local government that carried out measures for Childrearing support, UIJ Turn or Compact City Formation, in attempting promotion of childrearing and regional vitalization.



Providing Loans for Politically Important Areas

Rebuilding housings affected by disasters Loans for recovery from disasters etc.

JHF provides low-interest loans for people whose houses were damaged by the Great East Japan Earthquake and the Kumamoto Earthquake in 2016, as well as other earthquakes, torrential rains, gusty winds and typhoons and other natural disasters to build, purchase or renovate their houses. JHF also provides loans for ground-work together with residential structures when housing lots are damaged due to collapse or liquefaction, etc.

(Project example) Liquefaction Measures Project

Project: “Urayasu City Urban Area Liquefaction Measures Project” Urayasu City, Chiba Prefecture

This is a public project to carry out liquefaction measures in a single unit of public facilities such as roads and residential land, upon consent of all the land title holders in the area that have suffered significantly due to liquefaction of ground because of the Great East Japan Earthquake, and the project plans were determined for 3 areas, 471 residential lands, a part of which construction has already started as of March 2017.

JHF supports execution of the project by providing briefing and consultation sessions on funding plans upon structuring of administrative work so that land title holders can use loans for housing land for recovery from disaster, etc., for construction costs which need to be covered by land title holders.

(As of March 31, 2017 Application for loan for housing land for recovery from disaster relating to liquefaction measures project, 22 cases (preliminary))

<status upon suffering disaster>



<construction status>



Stable living for the elderly Loans for rental houses with nursing services for the elderly

JHF provides loans to business operators to build rental houses with nursing services for the elderly, or purchase houses once used for other purposes to convert to rental houses with nursing services for the elderly, or do renovation to convert to rental houses with nursing services for the elderly.

Serviced rental housing for the elderly

This refers to barrier-free rental housing that encompasses services such as monitoring and nursing care for the elderly, which was introduced when the “Act on Securement of Stable Supply of Elderly Persons’ Housing” was revised in 2011. This is rental housing that meets the registration criteria, and is registered with the municipal government. This is supported by governmental subsidies, preferential tax treatment and policy-related loans.

Support for families raising children Loans for energy-saving rental housing for households with small children

JHF provides loans for construction and other purposes to promote the supply of energy-efficient rental housing capable of accommodating families raising children.

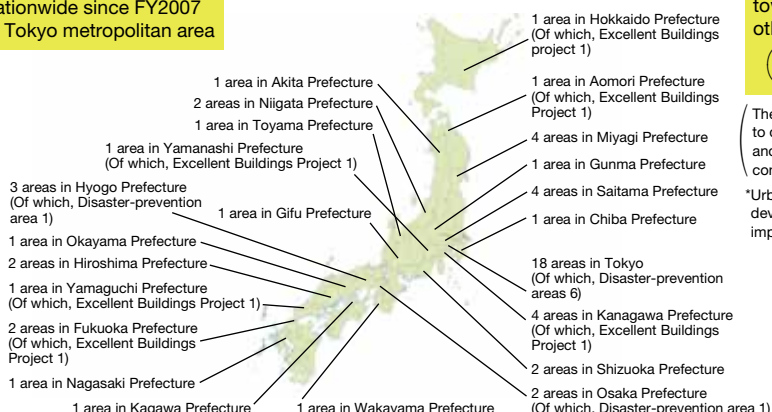
Development of safe residential areas Urban development loans

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

- Rebuilding old condominiums (including sale of land)
- Disaster-prevention block improvement projects and projects to rebuild rental structures in core city centers with high concentrations of structures
- Urban redevelopment projects, etc.
- Joint rebuilding projects in urban areas with high concentrations of structures, rebuilding projects of buildings that conform with wall setback standards of the district planning.

[As of end of FY2016]
Acceptance of 56 projects nationwide since FY2007
Acceptance of 18 projects in Tokyo metropolitan area

- Urban development projects:
42 areas in 18 prefectures (26 cities, 6 wards)
- Disaster-prevention area improvement projects:
8 areas in 3 Prefectures (2 cities, 4 wards)
- Excellent buildings improvement projects:
6 areas in 6 Prefecture (6 cities)



The share of JHF loans to develop towns in urban redevelopment and other projects*.

(From April 2007 to March 2017) **28.5%**

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

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

Disaster-prevention area improvement projects

(Example)

Project: “Ebaramachi Station Front Area Disaster-Prevention Area Improvement Project”
Shinagawa Ward, Tokyo.
Completed in March 2016

<before development>



<after development>



Complex awarded for JHF President's Letter of Appreciation for FY2016

Urban Redevelopment projects

(Example)

Project: “Hiroshima Station South Exit B Block Urban Redevelopment Project” Hiroshima City, Hiroshima Pref.
Completed in August 2016
“Hiroshima Station South Exit C Block Urban Redevelopment Project” Hiroshima City, Hiroshima Pref.
Completed in December 2016

<Hiroshima Sta. South Exit B Block>



<Hiroshima Sta. South Exit C Block>



Complex awarded for JHF President's Letter of Appreciation for FY2017

Renovation of Condominium Stocks Loans for renovating common areas of condominiums

JHF provides loans for condominium management associations and unit owners to repair exterior walls and other areas to help them address deterioration and enhance anti-seismic strength.

Stable living for the elderly, and others/ Condominium stock maintenance and renovation

Special repayment system for the elderly (renovation loans/urban development loans)

In general, funding plans by ordinary housing loans with repayment of principal and interest become difficult as the repayment period shortens when the borrower gets old.

This system can be used when an elderly person who is 60 years of age or older renovates his/her house in terms of barrier-free or earthquake resistance, or builds or purchases a housing unit supplied by a condominium rebuilding project, etc. Before the decease of the borrower the borrower only pays interest, and by which the burden of repayment is eased while the elderly borrower is alive. After the decease of all of the borrowers (including joint debtors) JHF requires the inheritors, etc. to repay the outstanding balance in lump sum by means of sale of the residence and land subject to financing, etc.

JHF holds briefing and consultation sessions, etc. with management associations, etc. that are considering rebuilding of condominiums, to cooperate in forming agreements on rebuilding.

Scenes from briefing



Improving Earthquake Resilience Loans for Renovation (earthquake resistance improvement)

JHF provides loans for earthquake-resilient renovation aiming to improve the earthquake resistance of housing.

In preparation for the anticipated Nankai Trough Earthquake or earthquakes that might directly hit the Tokyo metropolitan area, etc., the “Revision of the Act on Promotion of Seismic Retrofitting of Buildings” (Act No. 123 of 1995) went into effect in November 2013, and earthquake-resilient renovation of condominiums lacking earthquake-resilience along emergency transport roads in particular is considered to be an urgent task.

This earthquake-resistant renovation construction, a great deal of expense is required for seismic isolation construction, etc., so we increased the loan limit amount for loans to renovate shared parts of condominiums (earthquake-resistant repair construction) from 1.5 million yen, for the case of general large-scale renovation, to 5 million yen, and reduced the loan interest rate.

Strengthening Operating Foundations to be an Organization that can Implement Effective and Efficient Business Operations

Financial Conditions and other (FY2016 Settlement)

Status of assets and debts

Total assets as of end of FY2016 were approximately 26 trillion yen, and total debts were approximately 25 trillion yen. Status of major assets and debts is as follows.

► Status of outstanding balance of purchased loans and other loans

The balance of “Flat 35 (Purchased loans)” at the end of FY2016 was approximately 14 trillion yen. The balance of purchased loans has been increasing year by year and now accounts for a majority of the balance of the housing loans that JHF holds.

► Status of outstanding balance of bonds and borrowings

Fundraising from the financial markets through issuance of MBS has increased due to the business growth of “Flat 35,” etc., and now the MBS outstanding balance accounts for a majority of the balance of fundraising from bonds, etc. Meanwhile, borrowings for Fiscal Loan Funds, which are borrowings from the Japanese government, have declined due to the decrease in the balance in the Outstanding Loans Management Account.

Status of profit and loss

JHF posted gross income of 202.5 billion yen for the overall agency.

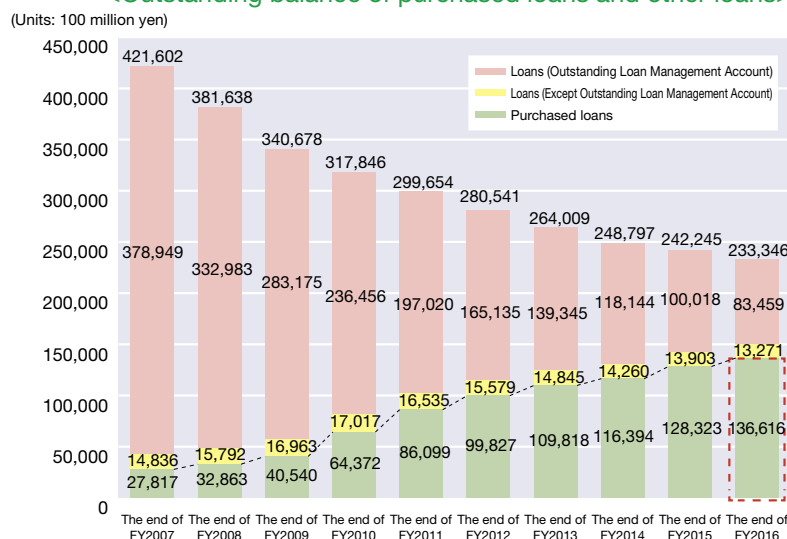
<Securitization Support Account>

JHF posted gross income of 64.5 billion yen in the Securitization Support Account, through an increase in the balance of purchased loans and appropriate loan management and so on. From this, including the reserves up to the previous term, it posted a surplus carried forward of 276.7 billion yen. As costs tended to emerge later than earnings for credit risk, etc. of the Securitization Support Business (Purchased Program), the loss in the latter half was offset by profit in the first half of the loan period, and therefore, in order to be prepared for future emergence of credit risk, etc., JHF has carried over the necessary amount as reserve funds to the 3rd Mid-term Target Period.

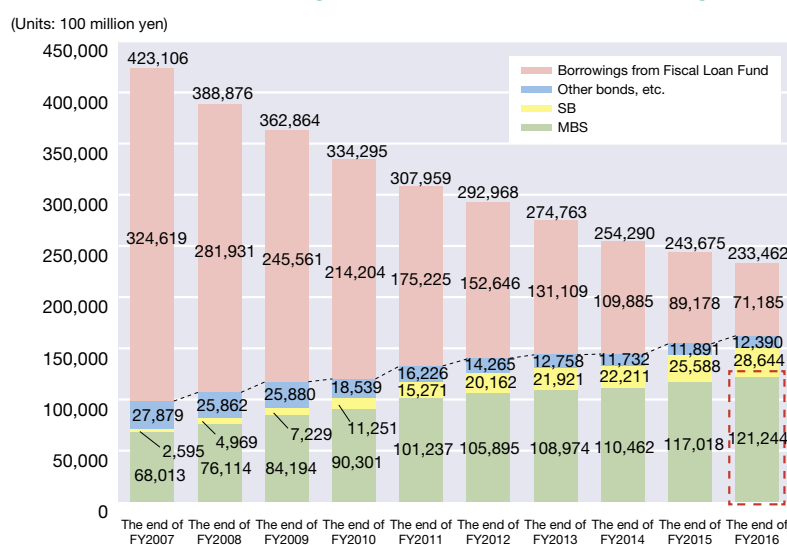
<Outstanding Loans Management Account>

JHF posted gross profit of 121.1 billion yen in the Outstanding Loan Management Account due to appropriate loan management. By this, including reserve fund up to the previous term, JHF posted a surplus carried forward of 143.3 billion yen. From the perspective of concluding the project stably without incurring new state liability, in order to be prepared for future emergence of credit risk, etc., JHF has carried forward the entire amount of surplus to the 3rd Mid-term Target Period.

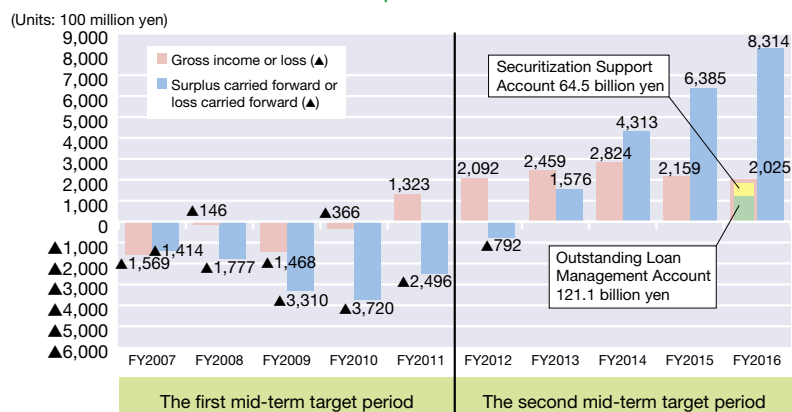
<Outstanding balance of purchased loans and other loans>



<Outstanding balance of bonds and borrowings>



<JHF's profit and loss etc.>

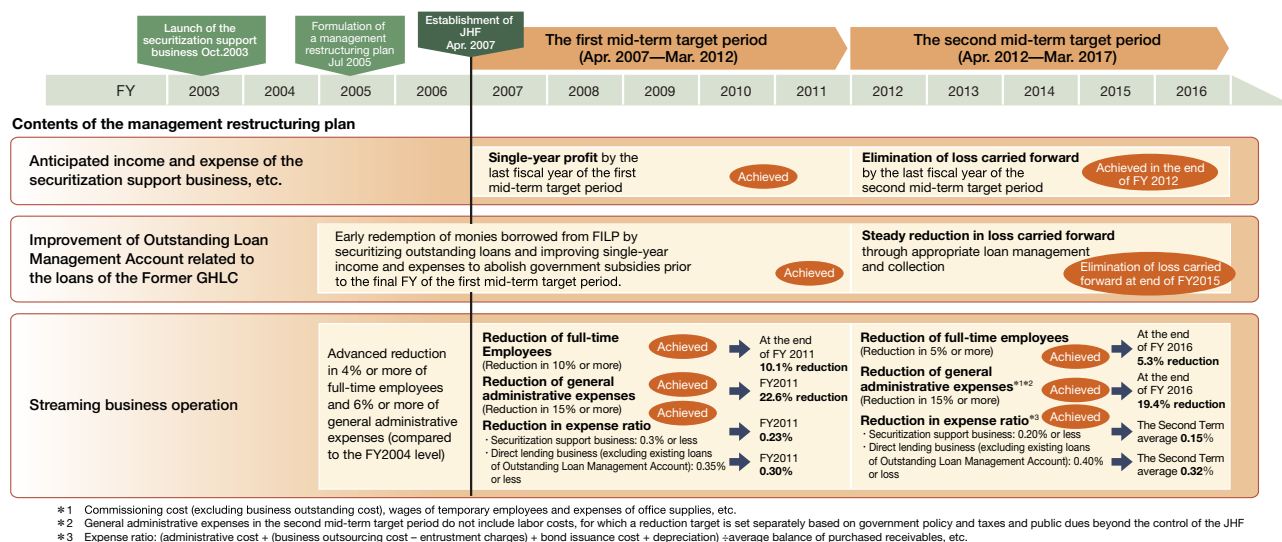


* The surplus carried forward in FY2016 includes a reserve fund of 276.7 billion yen (after appropriation of profit for the year) in the Securitization Support Account, a reserve fund of 285.7 billion yen for the group credit life insurance business, and a reserve fund of 143.3 billion yen (after appropriation of profit for the year) in the Outstanding Loan Management Account.

Business Operations Optimization

In the housing loan market, JHF has been working on efficiency improvements of business operations and improvement of financial details while steadily accumulating results in order to promote support and complement private financial institutions under autonomous management, and achieved the goals of the first mid-term target period.

JHF achieved its goal of eliminating loss carried forward for the Securitization Support Account at the end of FY2012, and for the Outstanding Loans Management Account the loss carried forward was eliminated at the end of FY2015, thus the loss carried forward was eliminated for all accounts. JHF also achieved all the other goals of the Second Mid-term Target Period.



Disposition of reserve after the 2nd Mid-Term Target Period (carry forward to the 3rd Mid-term Target Period)

Reserve as of end of FY2016, which is the final business year of the 2nd Mid-term Target Period is carried forward to the 3rd Mid-term Target Period upon obtaining approval of business expenses, etc. by the competent ministers under the Act on the Japan Housing Finance Agency, Incorporated Administrative Agency, in preparation for future credit risk and interest fluctuation risk, as well as from the perspective of stable business termination or continuation concerning the Outstanding Loans Management Account, etc.

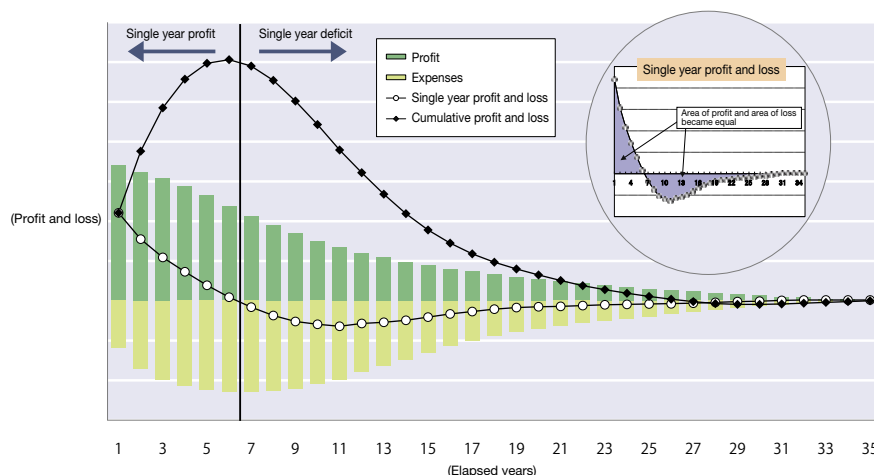
For Securitization Support Account and Housing Loan Insurance Account, where the reserve exceeds the necessary amount, JHF remits the amount of the portion that exceeds the necessary amount to the national treasury.

(unit : 100 million yen)

	Securitization Support Account	Housing Loan Insurance Account	Property Accumulation Housing Fund Loan Account	Housing Fund Loan, etc. Account	Outstanding Loan Management Account
Amount of reserve	2,767	292	359	3,464	1,433
Amount approved by the competent minister as to be carried over to the 3rd Mid-Term Target Period.	2,598	14	359	3,464	1,433
Amount of payment to national treasury	169	278	—	—	—

Credit risk profit loss structure (image)

As costs tended to emerge later than earnings for credit risk and interest rate fluctuation risk of the Securitization Support Business, etc., the loss in the latter half was offset by profit in the first half of the loan period in its profit and loss structure.



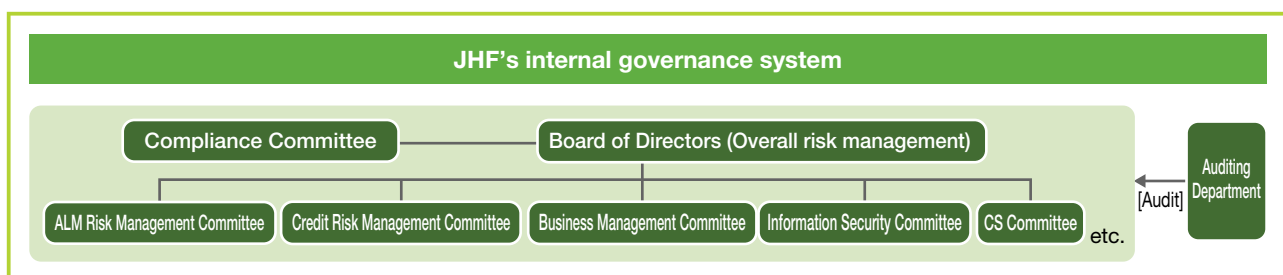
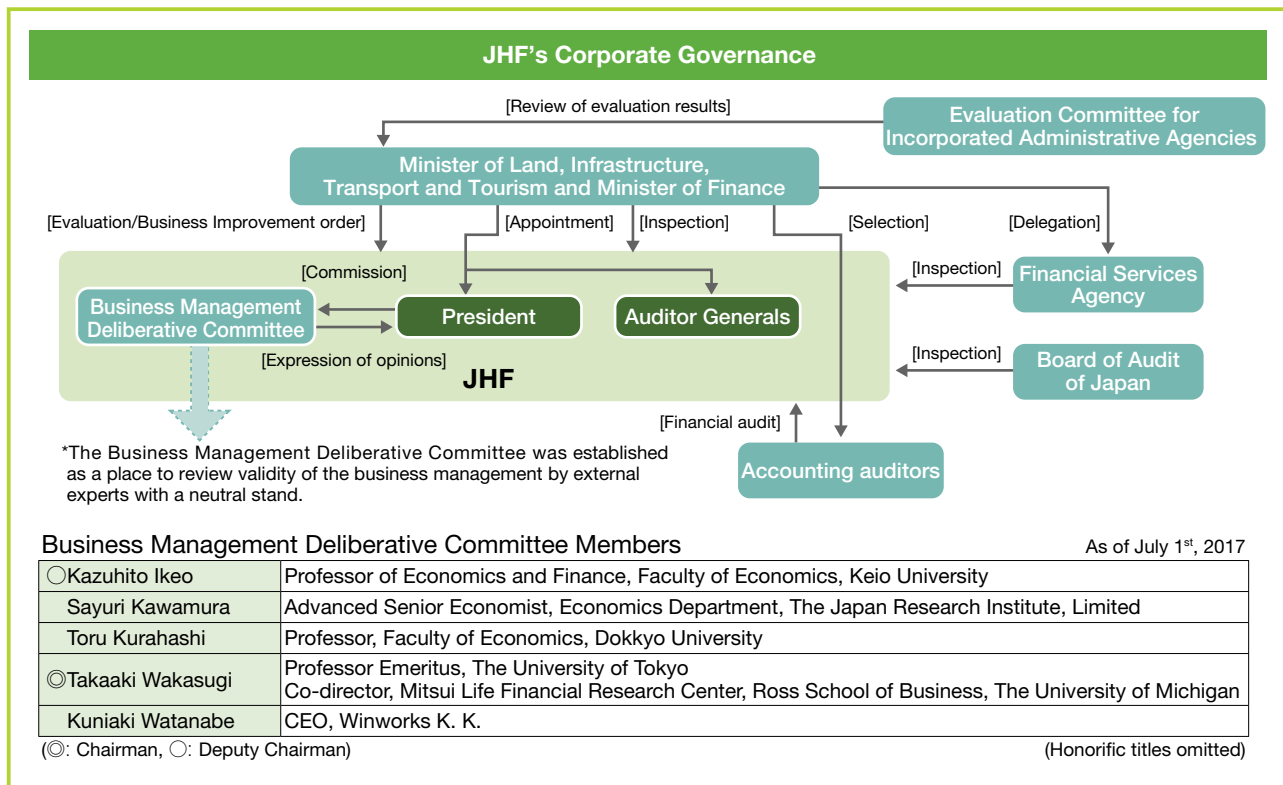
Corporate Governance

Governance Structure

Recognizing its basic mission and social responsibility as an Incorporated Administrative Agency, JHF gives priority to strengthening corporate governance in its business management and actively implements activities to ensure sound and proper conduct of its business with high ethical standards and wisdom under transparent and efficient management based on the Act on General

Rules for Independent Administrative Agency.

Moreover, in order to develop its internal governance system for appropriate business operations, JHF has established the Basic Policy on Internal Governance and promotes appropriate internal governance by the PDCA cycle as well as further sophistication of internal governance by enhancing the governance environment.



Basic Policy on Internal Governance (Overview)

1. System to ensure that execution of tasks by our employees conforms to laws and regulations
2. System for customer management including privacy policies and management and storage of information related to execution of tasks by our employees
3. Regulations related to loss risk management and other systems
4. System to ensure that tasks are effectively executed by our employees
5. Internal audit system to ensure proper business
6. System related to employees assisting the auditor, if requested, and their independence from the President
7. System for employees to report to the auditor and other systems related to report to the auditor
8. Other systems to ensure effective audits by the auditor
9. Establishment of the PDCA cycle for internal governance

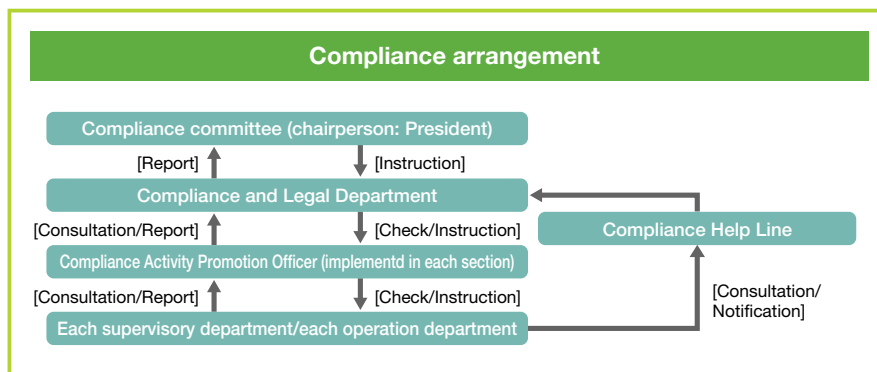
Compliance

◆ Arrangements for compliance

In order to reliably implement compliance, JHF has set up the Compliance Committee (chaired by the President) comprising all directors and managers of departments involved in discussing and deciding important matters related to compliance. In addition, the Compliance and Legal Department has been established as the department for managing compliance, along with which, in

managing the promotion of activities for compliance in each department, a person responsible for compliance is assigned for each department.

Furthermore, for advance prevention of compliance violations at JHF, a compliance help line has been set up in and outside of the Compliance and Legal Department.



JHF provides all executives and staff members with a pocket-size edition of its compliance manual. It will serve to guide them when they look back on actions on their jobs, or when they have difficulty making decisions.

◆ Compliance activities

JHF has established the Compliance Charter as its basic principles of compliance and developed a compliance manual that stipulates the laws and regulations to be complied with, rules, social requirements, and matters to be noted pertaining to compliance in order to enhance awareness of compliance among all executives and employees.

As a plan to ensure compliance at JHF, a Compliance Program is defined and implemented each fiscal year.

Specific activities of the Compliance Program include agency-wide e-learning, compliance meetings by individual operational units (where familiar compliance top-

ics are discussed interactively among a few members by the case method), and monthly dissemination of compliance-related information over the internal LAN. These educational programs help employees understand compliance and to think and act autonomously based on their understanding.

In addition, JHF has steadily promoted compliance activities in the PDCA cycle by quarterly monitoring and examining implementation of the Compliance Program in the Compliance Committee and making necessary modifications of Compliance Program policies.

The Compliance Charter (excerpts)

1. We comply with laws, rules and regulations as well as social norms, and strive to undertake all tasks properly in efforts to ensure public confidence.
 - (1) Compliance with laws and regulations as well as social norms
 - (2) Proactive and fair disclosure of information
 - (3) Strict information management
 - (4) Resistance against all anti-social parties
2. We do our utmost to pursue customer confidence and satisfaction.
 - (1) Provision of comprehensive housing loan services
 - (2) Provision of appropriate and sufficient explanations
 - (3) Sincere responses to customer voices
3. We respect the unique individuality of each executive and staff member and endeavor to secure a comfortable work environment.
 - (1) Respect for the personality and character of each individual
 - (2) Comfortable work environment

Responses to Anti-social Forces

To reject any relationship with anti-social forces such as organized crime syndicates, JHF has incorporated an item concerning resistance against all anti-social parties into its compliance charter and established a basic policy, which is available on our website. In addition, regulations and manuals for dealing with such anti-social forces have been developed. Through these efforts, JHF has established a system for reporting to and consulting immediately and properly with management and the Compliance and Legal Department, which is the department that oversees responses to anti-social forces,

when any business with such anti-social forces or undue claim from such forces is identified.

JHF also conducts training and other sessions on how to handle undue claims in cooperation with the police and other relevant institutions.

Incorporating stipulations on rejection of anti-social forces into business contracts, JHF eliminates any relationship, not only with organized crime syndicates but also with any affiliated parties of such organizations that anti-social forces utilize to illegally receive loans.

JHF continues its efforts to reject anti-social forces.

Basic Policy on Anti-Social Forces

1. JHF shall have no relationship with any anti-social forces, and the President, the management, and all employees shall work together to take an uncompromising stance toward such forces.
2. JHF shall establish a system to reject anti-social forces and educate management and employees to ensure their knowledge of the handling manual for such forces.
3. JHF shall ensure the safety of management and employees who handle undue claims from anti-social forces.
4. JHF shall cooperate closely with such external institutions as the police, National Center for Removal of Criminal Organization, and lawyers.
5. JHF shall take legal actions, both civil and criminal, against undue claims from anti-social forces.
6. JHF shall accept no “backstage deals” to conceal facts, even when undue claims from anti-social forces are based on irregularities related to JHF’s business activities or involve its employees.
7. JHF shall provide no funds to anti-social forces.

Information Security

JHF has been dedicated to information security measures.

In FY2016, we strengthened our information security measures promotion system as follows:

- Improving of JHF’s information security measures in alignment with “Common Standards for Information Security Measures for Government Agencies (FY2016)” established by NISC (National Center of Incident Readiness and Strategy for Cybersecurity)
- Enforcing information security measures in alignment with Information Security Measures Promotion Plan (FY2016) and launching new plans for FY2017.
- Training JHF’s staff in order to enhance IT literacy and revising information security measures based on self-assessment.

Risk Management

In order to properly manage its business and gain the understanding and trust of the general public, JHF maintains a system to adequately manage the various risks that may arise in its day-to-day operations.

JHF has established risk management regulations, including the “Risk Management Basic Rules,” that stipulate the purpose of risk management, identify and define individual risks, and specify basic systems such as the

risk management system and methods and auditing of the status of risk management implementation. Based on these rules, JHF manages risks from a comprehensive point of view by understanding and evaluating the various risks overall that are characteristic of the housing loan business, with the operations and characteristics of JHF taken into consideration as well.

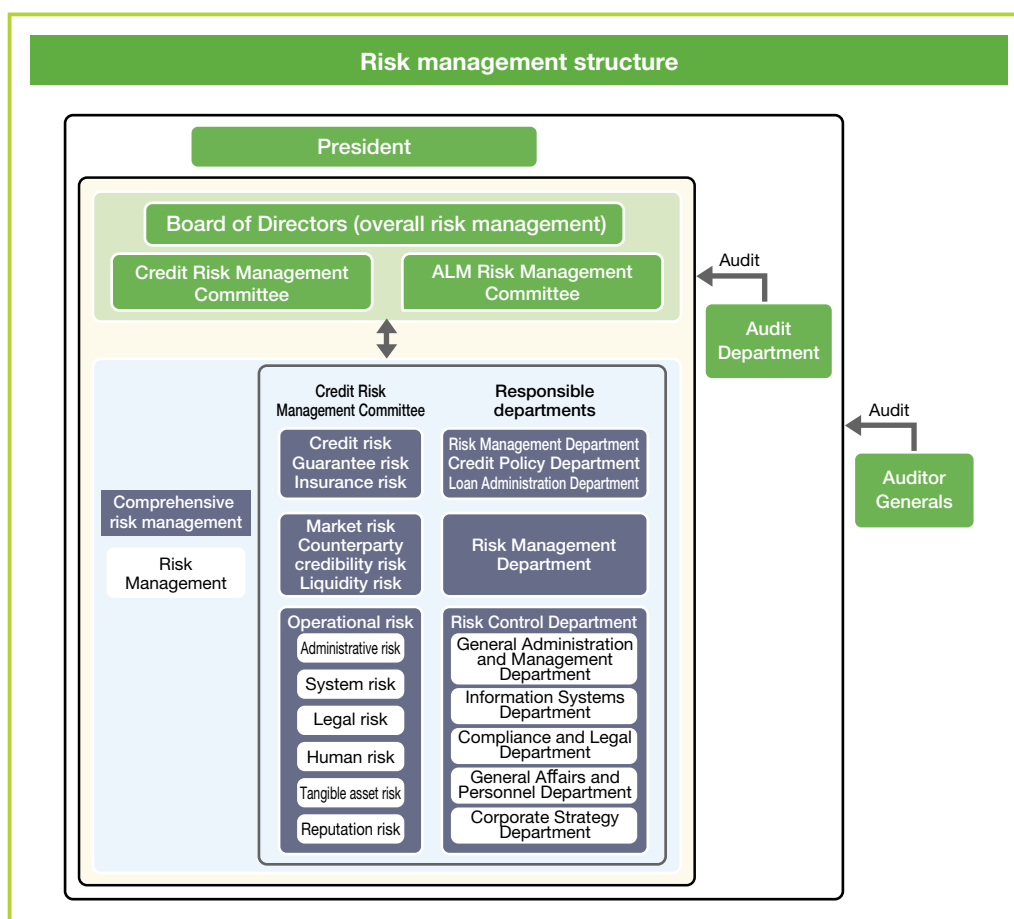
Risk management structure

JHF classifies risks into seven categories: credit risk, guarantee risk, insurance risk, market risk, counterparty credibility risk, liquidity risk, and operational risk. In the event of a significant change in the economy, JHF will define new categories of risk to be managed as necessary.

To properly manage these risks qualitatively and quantitatively, JHF has built the requisite system by appointing an executive and a department responsible for managing each risk category. In particular, the “Credit Risk Management Committee” was established to manage credit risk, guarantee risk, and insurance risk, and

the “ALM Risk Management Committee” was established manage market risk, counterparty credibility risk, and liquidity risk. These committees monitor the status of each risk and deliberate on planning and proposals related to the management of each risk.

In addition, JHF assigns an executive and a department responsible for comprehensive risk management in order to manage the risks from a comprehensive point of view and maintains a system to track and evaluate management of the risks overall and periodically report the results to the Board of Directors.



Risk categories

Credit risk

This is the risk of JHF suffering a loss in relation to credit that JHF owns due to a decline or loss of value of an asset caused by deterioration of the creditworthiness of a debtor. Since housing loans account for a large part of JHF assets, JHF properly underwrites the credit risk of the loans it purchases or originates, and manages and performs self-assessment of the loans that it holds, and tracks, analyzes, and manages overall credit risk.

►► Underwriting

JHF has established underwriting criteria and methods and underwrites the credit risk of loans it purchases or originates accordingly.

►► Self-assessment

JHF properly manages the credit risk of loan claims that it owns and conducts self-assessment according to self-assessment criteria established in accordance with the “Financial Inspection Manual” of the Financial Service Agency in order to adequately disclose financial information in a manner that conforms with the “Accounting Standards for Incorporated Administrative Agencies.” In specific terms, JHF calculates the necessary reserves for non-performing loans by classifying its assets in accordance with the probability of default and loss severity and by applying the expected loss given default ratio calculated based on historical performance.

►► Credit portfolio management

Using the credit portfolio management system for periodical monitoring, JHF analyzes the utilization status of housing loans, forecasts future losses, and reviews the necessary credit risk premium in order to accurately evaluate the overall credit risk of all the debts that it holds and the location of risk. JHF also makes efforts to further enhance risk assessment utilizing the credit portfolio management system to strengthen credit risk management.

Guarantee risk

This is the risk of JHF suffering a loss due to variance in the occurrence of a guarantee incident from the estimate made at the time of the guarantee fee calculation. JHF guarantees MBS in the securitization support business (guarantee program). JHF performs proper underwriting and strives to track, analyze, and manage overall guarantee risk.

Insurance risk

This is the risk of JHF suffering a loss due to variance in the occurrence of an insurance incident from the estimates made at the time of the insurance premium calculation. JHF extends insurance against non-performing housing loans to private financial institutions. JHF performs proper underwriting and strives to track, analyze, and manage overall insurance risk by monitoring with the credit portfolio management system and verifying the sufficiency of reimbursement of the unused policy reserve by future cash flow analysis.

Market risk

This is the risk of Net Income fluctuating for a reporting period according to changes in the risk factors, such as the interest rate. At JHF, whose main assets are mortgages, this type of risk includes prepayment risk, refinance or reinvestment risk, and pipeline risk.

►► Prepayment risk

This is the risk of reduction of revenue for a period by loss of expected interest income due to an increase in the loan prepayment amount resulting from a decline in the interest rate. JHF manages this risk by estimating the prepayment amount by the prepayment model and procuring funds combining securitization and bond issuances of various maturities.

►► Refinance/reinvestment risks

This is the risk for reduction of revenues in a period by an increase in the interest paid due to a rise in the funding cost or decrease in the interest income received due to a drop in interest on investment when either refinancing or reinvestment is required. JHF manages this risk by utilizing the interest model to estimate the cash flow of assets and debts taking future interest fluctuations into consideration and forecasting periodical net income according to cash flow, and periodically monitoring risk indexes such as duration.

►► Pipeline risk

This is the risk of net income fluctuating from a certain reporting period due to the interest fluctuating in the period from the decision on the mortgage interest rate to the decision on funding cost. JHF manages this risk by hedging with interest rate swaps, as necessary.

Counterparty risk

This is the risk of JHF suffering a loss from a decline or loss of asset values due to deterioration in financial conditions at bond issuers at which surplus funds are invested or counterparties to interest rate swap deals. JHF defines the risk management methods of bond issuers and counterparties of interest rate swap deals, and monitors them.

Liquidity risk

This is the risk of JHF being unable to raise necessary funds or being required to finance at an interest rate significantly higher than normal in order to secure funds, or being unable to trade in the market due to market turmoil, or being forced to make deals at prices significantly less favorable than usual. JHF sets the minimum net line of liquidity assets as a management standard for a measure against liquidity risk, observes this standard in daily operations, and manages financing stably. In addition, the credit line in case of emergencies is set to secure means of procurement, and management classifications according to the urgency of funding needs (normal, watch, and crisis) are defined as well as the responses required at times of “watch” and “crisis.” Furthermore, an action plan for a situation that impacts financing (contingency funding plan) is defined to establish a system for prompt response when liquidity risk becomes eminent.

Operational risk

This is the risk of JHF suffering a loss due to improper operational processes, personnel activities, or information systems, or an external phenomenon. This risk includes administrative risk, system risk, legal risk, human risk, tangible asset risk, and reputation risk. JHF strengthens the operational risk management system by noting significant risk phenomena to comprehend the status of occurrence, defining measures based on causal analysis, self-analyzing risks that exist in internal operations and the control methods to constrain them, and implementing RCSA (Risk & Control Self-Assessment) to improve operations based on the results of self analysis. The following are the definitions and control methods of main operational risks.

▶ Administrative risk

This is the risk of JHF suffering a loss due to inaccurate administration work, accident, or fraud, etc. caused

by its executives or employees (including those who are engaged in JHF operations other than its executives and employees), or fraud by those who are not engaged in JHF operations. JHF reduces administrative risk by organizing administration work manuals, improving administrative work, enhancing crosschecking among staff, providing instructions and training on administrative work, performing internal self-checks, and collecting and analyzing information on administrative errors and taking preventive measures against their recurrence.

▶ System risk

This is the risk of JHF suffering a loss due to failure, malfunction, defect, or misuse of information systems. JHF reduces system risk by taking measures based on classifications according to importance and risk assessment, developing systems with functionalities, reliability, and information security taken into consideration, and comprehending and analyzing information on system failures and taking preventive measures against their recurrence. In preparation for serious failures, JHF upgrades its crisis management manual and maintains stable operations by taking necessary measures such as duplexing systems, establishing backup centers, and conducting emergency drills.

▶ Legal risk

This is the risk of JHF suffering a loss due to unlawful acts, inappropriate contracts, or vagueness in legal matters related to business deals. To reduce legal risk, the Legal Affairs Department performs legal checks before establishing internal regulations, concluding contracts, and submitting advertisements. JHF also prevents violations of laws and regulations by collecting information on new legislation, amendments, etc., and court judgments that may affect the business.

Others

As a measure for comprehensive risk management, JHF simulates income for mid-to-long term.

Based on cash flow with future changes in interest rates taken into consideration, the simulation calculates across multiple risks if losses resulting from credit risk and market risk are covered by interest income.

The simulation also performs stress tests on both risks and analyses based on business volume change scenarios to verify financial resilience.

■ Details of JHF Business

Funding

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

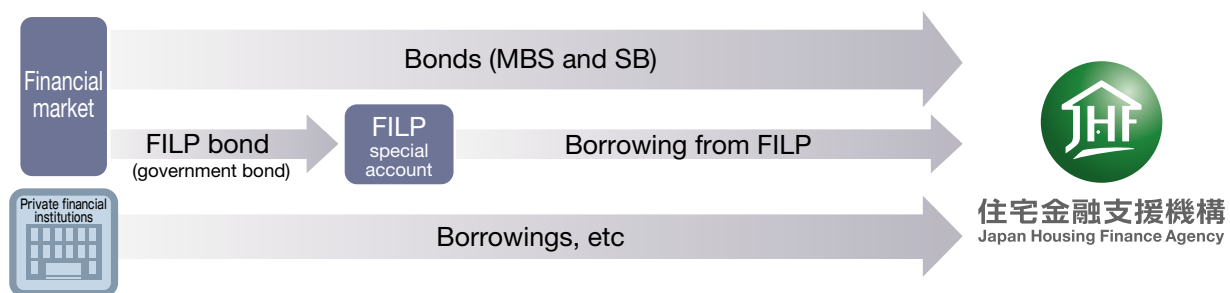
JHF procures funding required for operations such as the securitization support business mainly from the financial market by issuance of MBS and SB.

In addition, implementation of fundraising by syndicat-

ed loans etc. still continues.

JHF limits use of borrowings from Fiscal Investment and Loan Program (FILP) to loans for recovery from disasters requiring emergency measures.

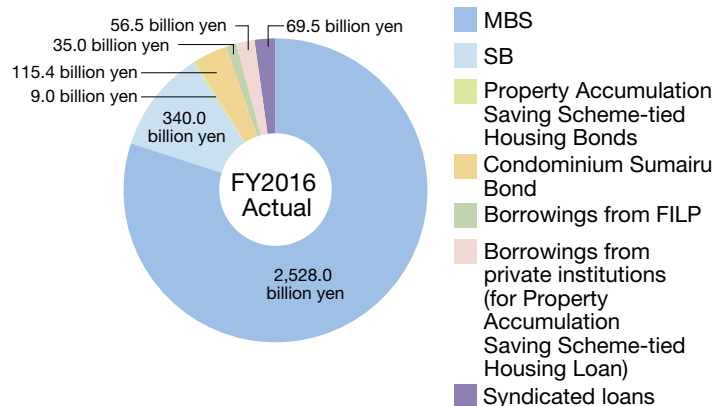
◆ Overview of funding



Breakdown of funding

The majority of funds are procured by issuance of MBS and SB.

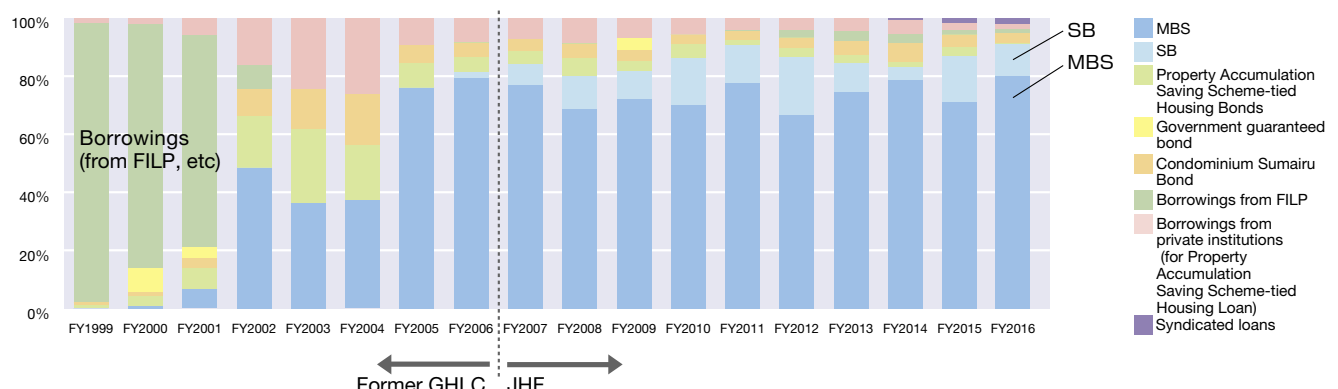
		Results of FY2016
Bonds	MBS	2,528.0 billion yen
	SB	340.0 billion yen
	Property Accumulation Savings Scheme-tied Housing Bonds	9.0 billion yen
	Condominium Sumairu Bond	115.4 billion yen
Borrowings	from FILP	35.0 billion yen
	From private institutions (for Property Accumulation Savings Scheme-tied Housing Loan)	56.5 billion yen
	Syndicated loans	69.5 billion yen
Total		3,153.4 billion yen



Trend of funding sources

JHF shifted its main business from direct loans of the former Government Housing Loan Corporation (GHLC) to Securitization Support Business aimed to support provision of mortgages with fixed interest rate throughout

the loan duration by private financial institutions. Due to this change, main funding sources also has shifted from borrowings from FILP to funding from the financial market by issuance of MBS and SB.



Product features of MBS and SB

	MBS	SB
Collateral	Housing loans ^{*1}	General mortgage ^{*2}
Rating at time of issuance ^{*3}	S&P: AAA R&I: AAA	S&P: A+ R&I: AA+
Redemption methods	Monthly pass-through redemption ^{*4}	Bullet payment on maturity date
BIS risk weight ^{*5}	10% (Standardized approach)	
Eligible collateral security under the requirements of the Bank of Japan	Eligible	
Amount paid (issuance price)	100 yen paid per 100 yen face value (issued at par)	In principle, 100 yen paid per 100 yen face value (issued at par)

*as of April 28, 2017

*1. MBS entrusts housing loans "Flat 35" purchased by JHF as collateral at each issuance.

*2. SB is a general mortgage bond in accordance with the provision of Article 19 Paragraph 4 of the Act on the Japan Housing Finance Agency, Independent Administrative Agency, and creditors (SB investors) have the right (lien) to receive repayment of their receivables in relation to JHF assets ahead of other creditors. This lien has the second highest order of priority, after a general lien, as defined by the provision of the Civil Code (Paragraph 5 of the Article above).

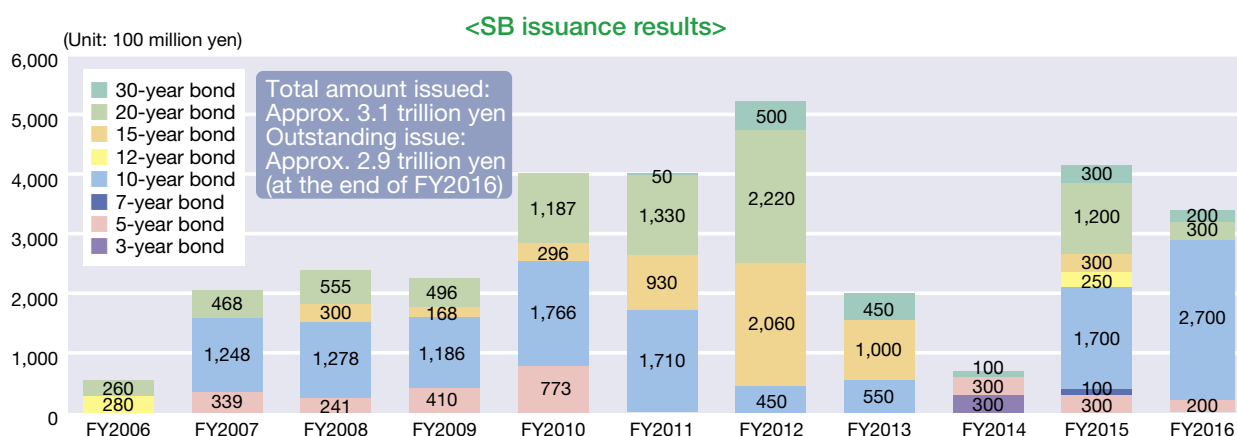
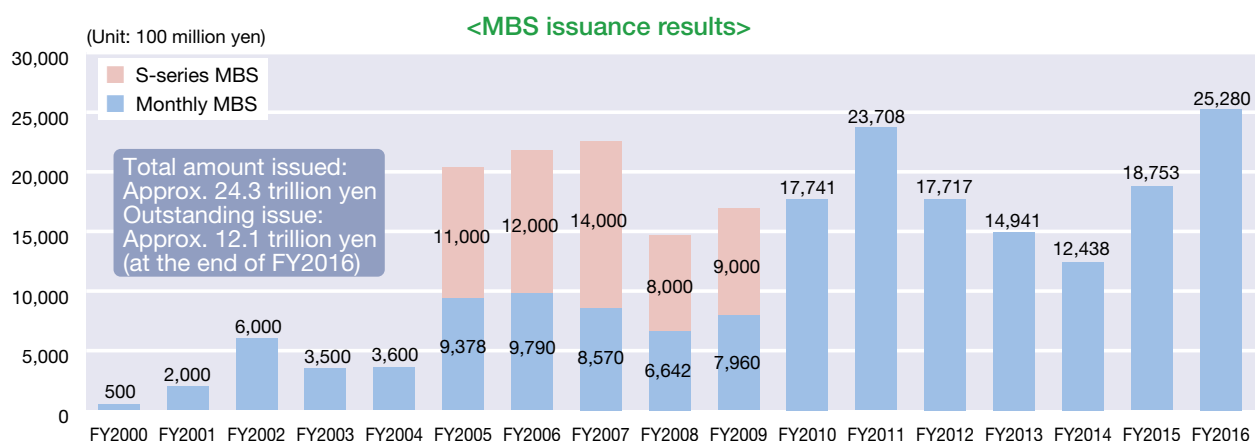
*3. - S&P: S&P Global Ratings Japan Inc.
- R&I: Rating and Investment Information, Inc.
The rating of MBS given by S&P has an identifier (sf) that indicates structured finance.

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

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

Issuance results of MBS and SB

Monthly MBS and SB are issued to procure funds for "Flat 35" and JHF loans while S-series MBS is issued for the purpose of refinancing outstanding loans from the former GHLC business.



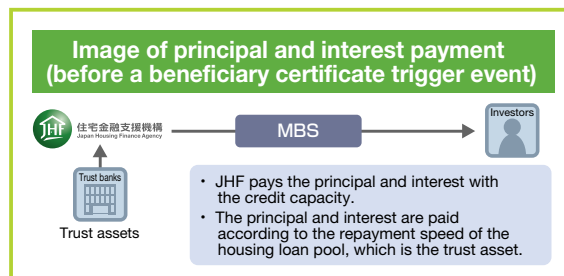
Key Features of MBS (Monthly MBS)

Asset-based Zaito Agency Bond

- Prior to a beneficiary certificate trigger event*, JHF pays the principal and interest with its credit capability, and when a beneficiary certificate trigger event occurs, the MBS is no longer a Zaito Agency Bond but converted to a beneficiary certificate.
- The risk weight under the Basel Capital Accords is 10% by the standard credit risk method.

* Beneficiary certificate trigger events

1. The successor of JHF Monthly MBS obligation is not determined by the act, and the dissolution of JHF is enforced by the act and JHF is dissolved by this act.
2. An act is enacted to designate as the successor of JHF Monthly MBS obligation a joint stock corporation (kabushiki kaisha) or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF is dissolved by such act.
3. An act is enacted to designate as JHF Monthly MBS obligor a joint stock corporation or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF MBS obligor becomes such legal entity.
4. JHF fails to fulfill its payment obligation under JHF Monthly MBS or other bond issued or assumed by JHF on the day such obligation is due and such condition is not cured within 7 days.



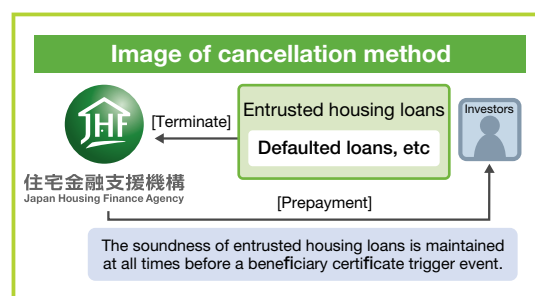
Homogeneous and regionally diversified housing loan pool

- JHF purchases mortgages nationwide to create housing loan pool with highly effective regional diversification.
- JHF applies standardized criteria for purchasing mortgages from private financial institutions to create homogeneous housing loan pool.



JHF bears credit risk of defaulted loans.

- JHF pays MBS principal and interest on delinquent loans to investors for up to three months as if the loans were current.
- JHF will terminate defaulted loans including loans delinquent for four months from the trust. Therefore, such loans will be treated as prepayments and JHF removes such defaulted loans from the trust asset and repays an amount equivalent to the outstanding principal amount of the defaulted loan multiplied by the outstanding principal amount of the MBS divided by the outstanding amount of entrusted housing loans¹ [Prepayment Method]^{2, 3}.



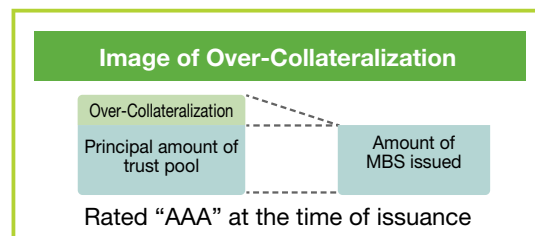
¹1. The outstanding amount of the entrusted housing loan on assumption that there is no delinquency of the entrusted housing loan

²2. As for S-series MBS and Monthly MBS issued by former GHLC, JHF maintains the soundness of the entrusted housing loan pool by replacing entrusted loans defaulted due to four-month delay and so on with equivalent housing loans. [Replacement method]

³3. The "cancellation method" and the "replacement method" are applicable only prior to a beneficiary trigger event.

JHF achieves AAA ratings by Over-Collateralization.

- JHF receives AAA rating (the highest) from S&P and R&I at the time of issuance by setting a sufficient level of Over-Collateralization*.
- Minimizing the associated credit risk to the lowest level, investors are eligible to focus just on interest-rate risk and prepayment risk when deciding JHF MBS investment.



* Over-Collateralization is the amount of the total entrusted housing loan amount exceeding the amount of MBS issued, which functions as credit enhancement after a beneficiary certificate trigger event.

Monthly payment of MBS principal and interest according to the repayment of the entrusted housing loan pool (Monthly Pass-Through Payment Method)

- JHF pays MBS principal and interest to the investors according to the repayment amount of the entrusted housing loan pool that serves as the asset backing MBS.
- In general, repayment of the principal and interest of housing loans is made every month. Thus, the Monthly payment

of MBS principal and interest is paid monthly as well.

- Since prepayment is possible in addition to scheduled payment with housing loans, monthly payment of MBS principal and interest changes depending on the situation of prepayment of housing loans.