

# Overview of JHF

## JHF profile

**Establishment:** April 1, 2007

**Mission:** JHF shall provide liquidity to housing market by secondary market operation, purchasing mortgages originated by private lenders and securitizing those loans into MBS. JHF shall also provide liquidity to housing market by direct loan origination as well, for such areas which are difficult for private financial institutions to handle as disaster mitigation. JHF is committed to improve the safety and soundness of the living of Japanese people and thus enhance the social welfare.

**Capital:** 670.621 billion yen (estimation for the end of FY 2012\*, fully paid in by the Government of Japan)

\* Includes 36.445 billion yen of capital returned to the national treasury as part of the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the Cabinet on December 7, 2010) and reflects the original budget for FY 2012.

**Number of directors and employees:** 932 (as of April 1, 2012)

**Operations:** securitization, housing loan insurance service, loan origination

**Offices:** Head Office: 1-4-10, Koraku, Bunkyo-ku, Tokyo, 112-8570

**Branches:** 11 branches in major cities nationwide

**Size of mortgage portfolio**

30.0871 trillion yen (as of March 31, 2012) of which 8.6099 trillion yen represents mortgages purchased through secondary market operation and 21.3555 trillion yen represents loans originated by GHLC and JHF



# Business Summary

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

Through these services, JHF smoothly and efficiently supplies housing loans necessary for the construction of houses to support people's lives.

## 1 Securitization support business (provision of Flat 35)

Support for private financial institutions to supply long-term fixed rate housing loans

\* Purchase Program: JHF purchases long-term fixed-rate housing loans from private financial institutions, places those loans in trust accounts, and then uses them as collateral to issue MBS (mortgage backed securities).

\* Guarantee Program: JHF insures long-term fixed-rate housing loans originated by private financial institutions, and guarantees the timely principal and interest payment of bonds, etc. issued using the insured loans as collateral.

(Refer to page 20)

## 2 Housing loan insurance service

JHF supports the smooth supply of housing loans originated by private financial institutions with insurance money paid to those institutions based on the insurance policies concluded beforehand if those housing loans should default due to unexpected situations.

(Refer to page 26)

## 3 Loan origination service

JHF supplies long-term fixed rate housing loans in areas that are important in terms of policy but difficult for the private sector to handle, such as a disaster relief housing loan program, helping people to acquire housing.

(Refer to page 27)

## 4 Management of outstanding loans

JHF appropriately manages outstanding loans by providing more frequent consultations on repayment and revising the terms of loan repayment for borrowers who have difficulty in making mortgage repayments to reduce the number of delinquent loans.

(Refer to page 35)

## 5 Operation of group credit life insurance (mutual relief)

This insurance system provides security for borrowers of Flat 35 or JHF loans. If the borrowers who have joined this system should die or incur a serious disability, the outstanding loan balance is offset by the insurance paid by life insurance companies, etc.

(Refer to page 32)

## 6 Technical assessment

JHF helps improve living quality using its own technical criteria for housing, which are set as one of the requirements for Flat 35 and JHF loans.

(Refer to page 33)

## 7 Research and surveys on housing finance

JHF conducts surveys on the awareness and behavior of housing loan users and research on overseas housing finance markets and domestic housing finance.

(Refer to page 37)

### (Business results, etc.)

	Results of FY 2011	Initial plan for FY 2012
Securitization support business (Provision of Flat 35)	Purchase Program: 2,786.7 billion yen (110,140 houses) Guarantee Program: 11.7 billion yen (510 houses)	Purchase Program: 1,582.9 billion yen (63,000 houses) Guarantee Program: 25.1 billion yen (1,000 houses)
Housing loan insurance service	Insurance contracts: 227 institutions, 713.4 billion yen Insurance effected: 31,422 cases, 479.9 billion yen Insurance continuing: 126,706 cases, 2,470.5 billion yen	Limit of insurance contracts: 288 billion yen
Loan origination service	264.7 billion yen (29,333 houses)	520.1 billion yen (38,610 houses)

## Management concept



**Based on independent,  
transparent and efficient management,  
and in pursuit of the creation of customer value,  
we will provide various kinds of financial services to supply  
liquidity in the housing finance market,  
thus contributing to the improvement of housing in our country.**

# Management Policy

## I. Goal of JHF

### ● Mission of Japan Housing Finance Agency

- The most significant mission of the Japan Housing Finance agency (“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, 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 JHF.

### ● Compliance and execution of social responsibility

- 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 JHF

### 1. Basic concept of reform

#### ● Improvement of productivity

- JHF will fundamentally review its business by BPR (Business Process Reengineering) to achieve efficient business operation through increased productivity.
- 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

- 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. JHF will change its traditional passive corporate culture to positive and active one.

### 2. Strategic implementation of business

#### ● Securitization business

- 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. 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

- 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 nonperforming loans.

#### ● Ancillary businesses for policy measures

- 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, 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, 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

- 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, 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

- 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

- 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. 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.

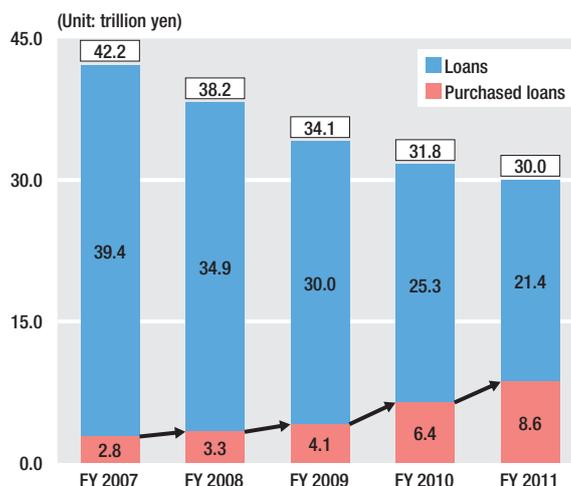
# Highlights of Business Performance and Financials

## Description of major assets, purchased loans and other loans outstanding

Origination of direct loans were limited to the area of disaster relief and other areas those important in terms of policy, therefore the outstanding balance of direct loans decreased. However, the outstanding balance of purchased loans has steadily increased by lowering the loan interest rate of Flat 35S initiated by the economic countermeasure of the Japanese government and by purchasing of Flat 35S Eco to promote building of energy conservative housing and recovery from the Great East Japan Earthquake.

(Note) The numbers in squares   in Fig. 1 indicate the total amounts of loans and purchased loans. The numbers in squares   are rounded off, so the total may not match the sum of each numbers.

(Fig. 1: Changes in the outstanding balances of purchased loans and loans)



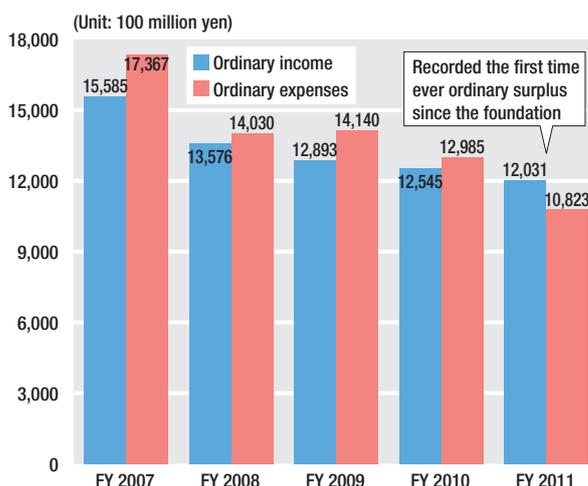
## Profits and losses of the entire agency

The ordinary income in FY 2011 was 1.2031 trillion yen mainly consisting of income from asset management, such as interest from purchased loans and interest from direct loans and other loans.

On the other hand, the ordinary expense in FY 2011 was 1.0823 trillion yen mainly consisting of fund raising expense, such as loan interest and bond interest and other interests.

As a result, JHF recorded an ordinary profit of 120.8 billion yen in FY 2011 and recorded its first time ever ordinary surplus since the foundation.

(Fig. 2: Changes in ordinary income and ordinary expenses)



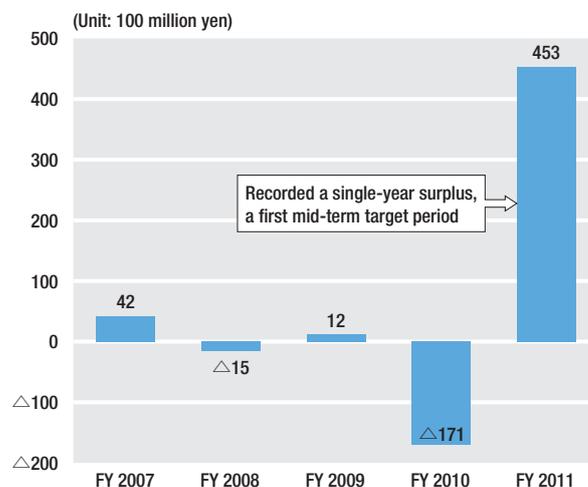
## Achievement of a first mid-term target

Under the first mid-term target, accounts other than seasoned loan administration account and excluding assumed account of Incorporated Foundation Housing Loan Guarantee Corporation were mandated to achieve a single-year surplus before the final fiscal year of the first mid-term target period whereas such account achieved 45.3 billion yen total operating profit and achieved such target.

Retained earnings of each account at the end of FY 2011 will be carried forward but below listed amount were returned to the national treasury during the FY 2012 and the rest, an amount approved by the governing ministries, will be carried forward to the second mid-term target period.

The amount paid to the national treasury  
 2.1 billion yen associated with housing loan insurance account  
 28.7 billion yen associated with account for loans for property accumulation saving scheme-tied houses

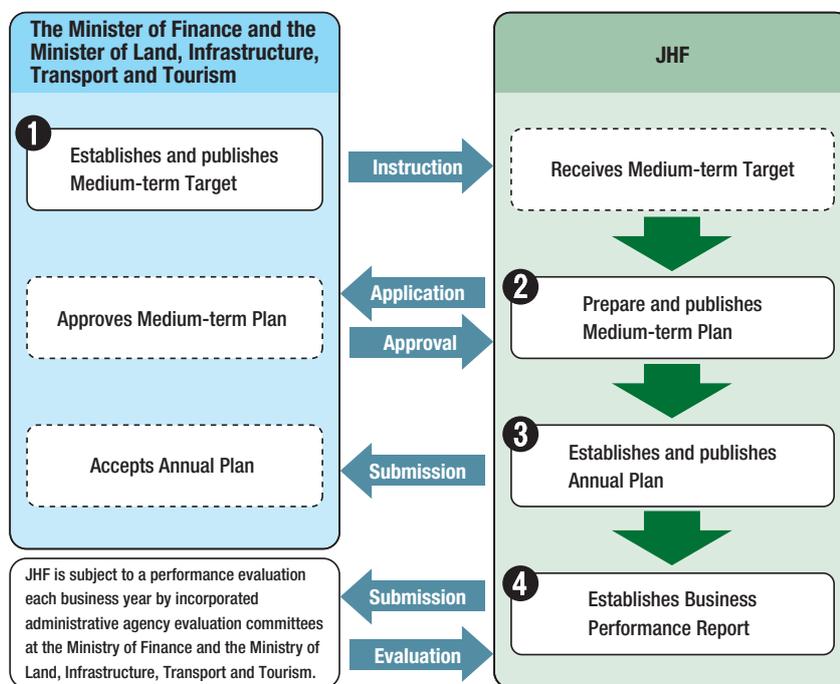
(Fig. 3: Changes in the current total profit and loss (note))



(Note) Accounts other than seasoned loan administration account and excluding assumed account of Incorporated Foundation Housing Loan Guarantee Corporation

# Mid-term Target/Mid-term Plan/Annual Plan

JHF manages its business based on the Act on the General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999, hereinafter referred to as the “Act on the General Rules”).



## (1) Mid-term Target

Relevant ministers establish target of business operations that should be achieved by JHF (Mid-term Target), instruct JHF and publish the Mid-term Target (Article 29 of the Act on the General Rules).

The first Mid-term Target period: April 1, 2007 ? March 31, 2012

The second Mid-term Target period: April 1, 2012 ? March 31, 2017

## (2) Mid-term Plan

JHF formulates a Mid-term Plan to achieve the Mid-term Target and publishes the plan after it is approved by relevant ministers (Article 30 of the Act on the General Rules).

## (3) Annual Plan

JHF sets a plan on business operations in each fiscal year based on the Mid-term Plan and then submits the plan relevant ministers before publishing it (Article 31 of the Act on the General Rules).

## (4) Evaluation of business performance

JHF prepares reports on business performance in each fiscal year and the mid-term period, and submits them to incorporated administrative agency evaluation committees at the Ministry of Finance and the Ministry of Land, Infrastructure, Transport and Tourism (Article 34, Paragraph 1 of the Act on the General Rules).

\*Reports on business performance in FY 2011 and the First Mid-term Target submitted by JHF to the evaluation committees are available at JHF website. (URL) <http://www.jhf.go.jp/about/kikou/plan.html>