Summary of JHF Mortgage-backed Securities ("JHF MBS")

Ver. September 2026

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Japan Housing Finance Agency

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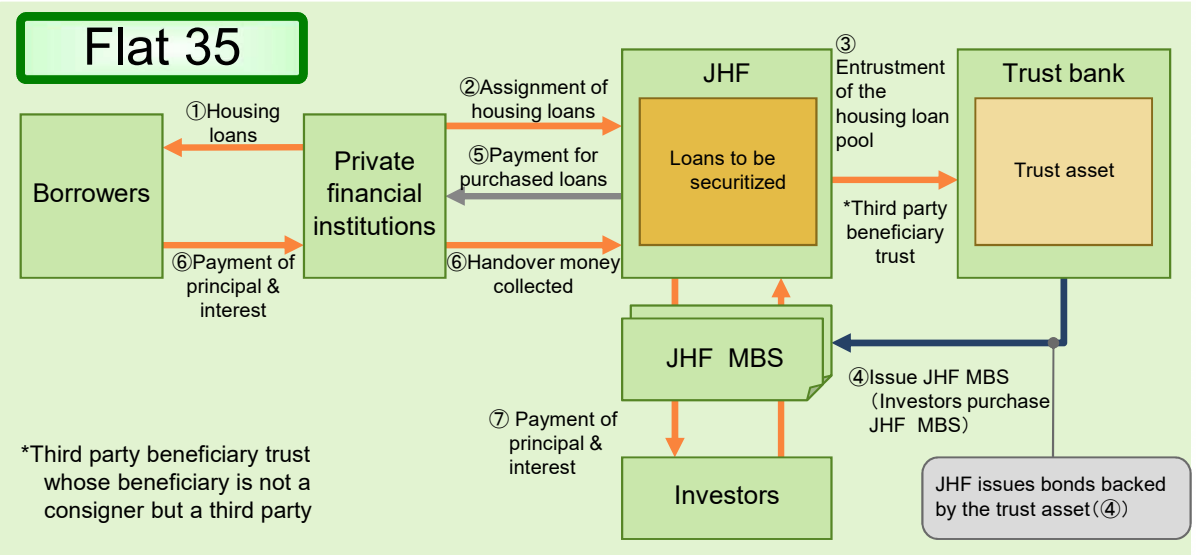
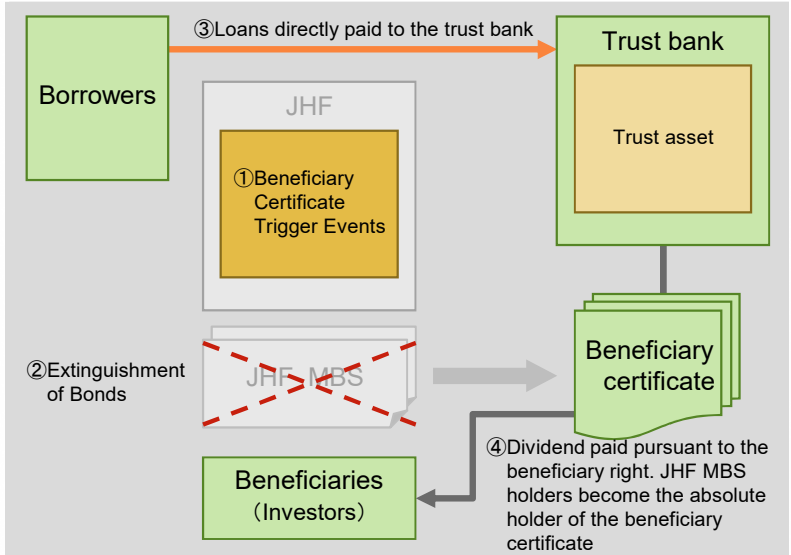
Securitization support business (“Purchase Program”) and JHF MBS

- Private financial institutions partnered with Japan Housing Finance Agency (“JHF”) offer and execute long-term fixed-rate housing loans (“Flat 35”)
- JHF purchases Flat 35 from the private financial institutions and entrusts Flat 35 to whom JHF concludes trust agreements and establishes a third-party beneficiary trust for the holders of JHF Mortgage-backed securities (herein after “JHF MBS”)
- JHF issues bonds backed by trust assets
- Should a Beneficiary Certificate Trigger Event occurs, the rights under JHF MBS shall be extinguished, and upon completing the beneficiary determination procedure, JHF MBS will be replaced with the beneficiary certificate backed by the sole credit of the trust asset

Under normal circumstances



After Beneficiary Certificate Trigger Events



Beneficiary Certificate Trigger Events

1. The successor of JHF 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 MBS obligation a joint stock corporation (kabusiki 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 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 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

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Main features of JHF MBS

Point 1 Asset-backed *Agency bond

* Agency Bonds are issued by government agencies called as “ Zaito Agencies”

Point 2 Homogeneous and regionally-diversified housing loan pools

Point 3 JHF bearing the burden of credit risks of defaulted loans

Point 4 Achievement of AAA ratings by over-collateralization**

** As the Green MBS are not structured with over-collateralization, the rating on the notes is generally linked to JHF’s issuer credit rating (S&P：A+, R&I:AA+)

Point 5 Monthly payment of principal and interest in accordance with the repayment of entrusted housing loan pools, leading to the application of monthly pass-through payment

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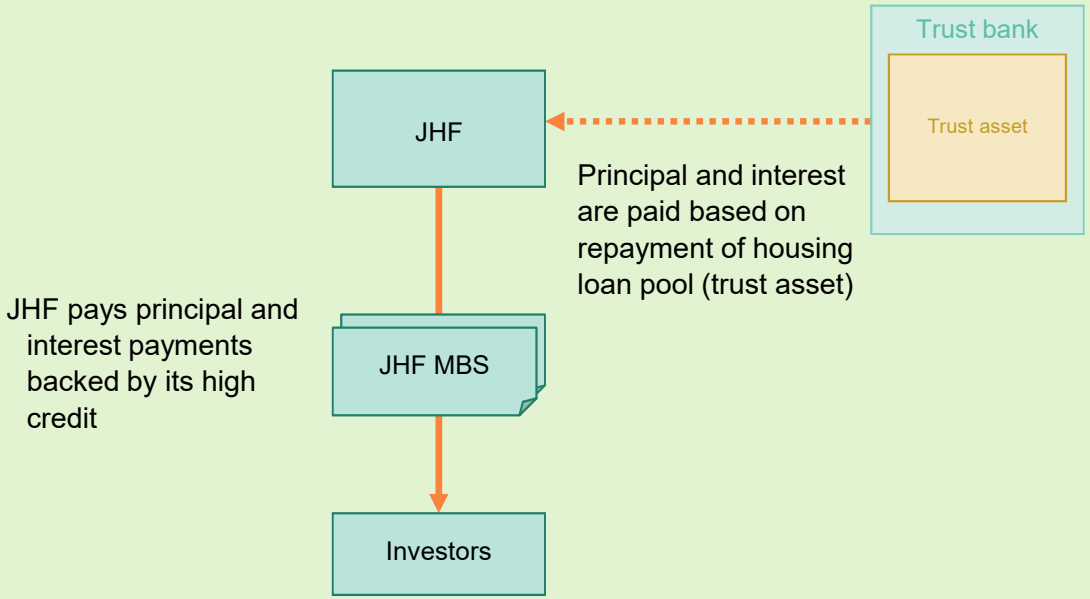
Point 1 Asset-backed Agency bond

- JHF MBS is an asset-backed Agency bond
- Prior to the Beneficiary Certificate Trigger Event, JHF is responsible for all principal and interest payments backed by its high credit. After the Beneficiary Certificate Trigger Event, JHF MBS is no longer a Agency bond but converted to a beneficiary certificate
- The risk weight of the Agency bonds under BIS regulations (Basel standardized approach) is 10 percent according to Japanese FSA

Before Beneficiary Certificate Trigger Events



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Point 2 Homogeneous and regionally-diversified housing loan pools

- Housing loan pools are regionally well diversified, because JHF purchases housing loans nationwide
- Housing loan pools are homogeneous, because JHF applies standardized uniform criteria(“Purchase standards”) to all housing loans when purchasing the loans from private financial institutions
- JHF MBS is backed only by JHF eligible loans enabling straightforward cash flow analysis, because JHF sets eligibility standards of housing loans, such as timing of loan execution and other lending criteria, for loans JHF purchases

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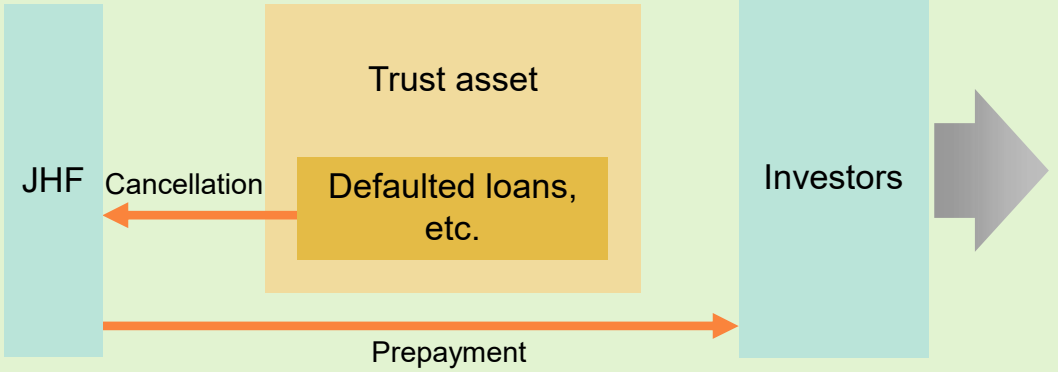
Point 3 JHF bearing the burden of credit risks of defaulted loans

- JHF continues its payment of principal and interest of delinquent loans up to three months
- JHF purchases the defaulted loans such as four-month delinquent loans and excludes them from the trust asset. In such case, principal of such loans will be prepaid in an amount equal to the ratio of the outstanding principal amount of JHF MBS divided by the outstanding amount of entrusted housing loans*. This payment method is called “Cancellation Method”*,**

* The outstanding amount of entrusted housing loans is calculated by assuming no delinquency of housing loans

** The Cancellation Method are applicable only prior to the Beneficiary Certificate Trigger Events

Image of Cancellation Method



The soundness of the trust asset is maintained at all times before the Beneficiary Certificate Trigger Events

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Point 4 Achievement of AAA ratings by over-collateralization (“OC”) *

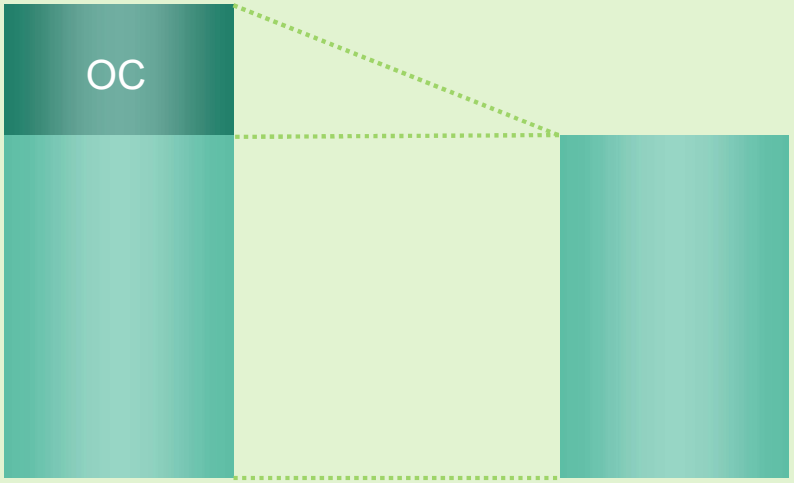
- Sufficient level of OC is provided to achieve the highest AAA ratings at the time of JHF MBS issuance
- By minimizing the associated credit risk, JHF MBS investors are able to invest by focusing just on interest-rate risks and prepayment risks

* As the Green MBS are not structured with over-collateralization, the rating on the notes is generally linked to JHF’s issuer credit rating

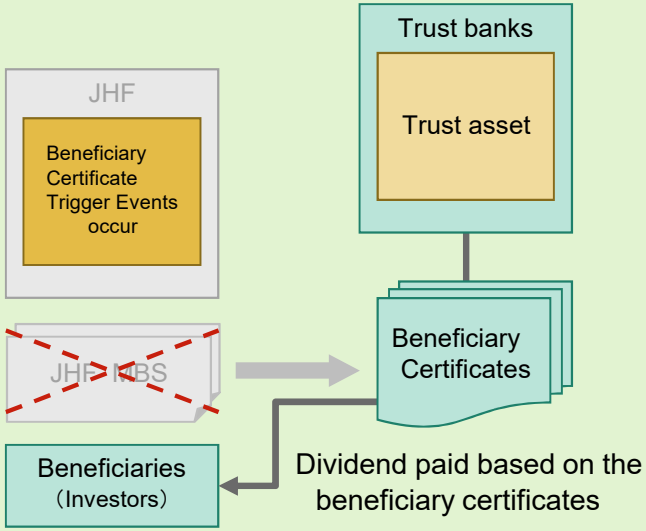
Concept of over-collateralization

At the time of issuance

JHF MBS receives **AAA** ratings from S&P and R&I



After Beneficiary Certificate Trigger Events



** Above chart describes an image of OC before and after the Beneficiary Certificate Trigger Events. Therefore, the chart does not represent the actual OC ratio

*** JHF receives A+/AA+ issuer credit ratings from S&P/R&I（As of August 31,2026). For the latest issuer credit ratings , visit the website of each rating agency

**** The rating of JHF MBS given by S&P has an identifier (“sf”) that indicates structured finance

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Point 5 Monthly payment of principal and interest in accordance with the repayment of entrusted housing loan pools, leading to application of monthly pass-through payment – Part 1

- JHF MBS is an asset-backed security backed by a pool of housing loans
- JHF pays to the investors the principal and interest of JHF MBS in accordance with the repayment amount of the entrusted housing loan pools backing JHF MBS
- As the principal and interest of housing loans are paid monthly in general, investors of JHF MBS are also paid monthly
- Housing loans are paid as scheduled and can also be prepaid. Thus, the principal and interest payment of JHF MBS fluctuate in accordance with the prepayment condition of underlying housing loans
- Such principal and interest payment are called “Monthly Pass-through Payment”

Image of payment of principal and interest with no prepayment, equivalent to 0% PSJ of housing loan

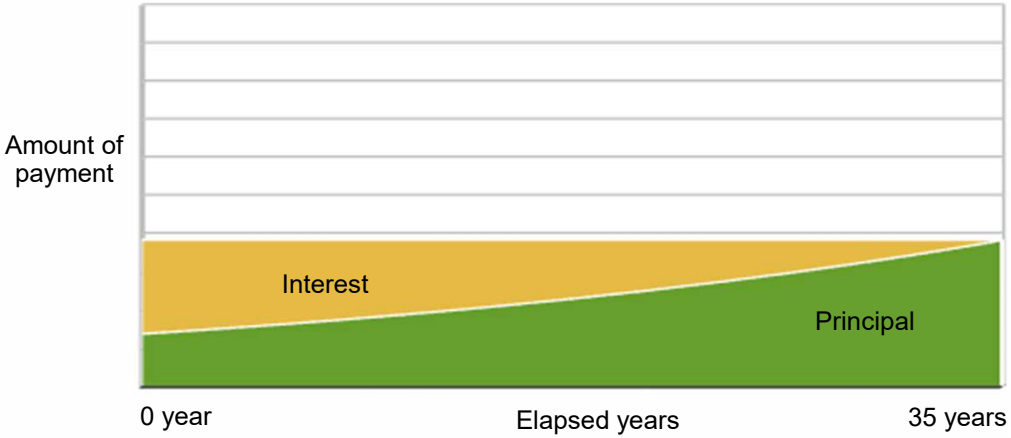


Image of payment of principal and interest with prepayment of 5% PSJ applied to housing loan

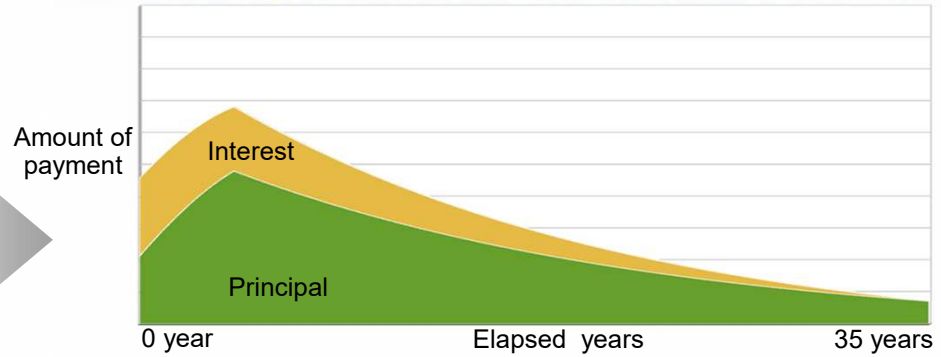
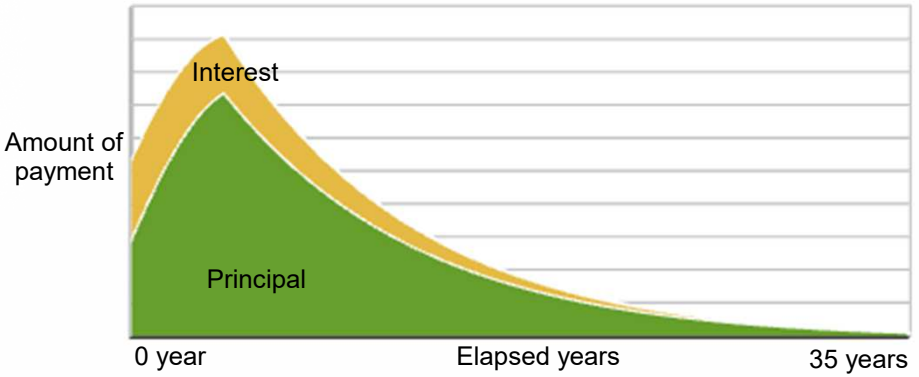


Image of payment of principal and interest with prepayment of 10% PSJ applied to housing loan



* The image of payment of principal and interest assumes JHF MBS backed by 35-year housing loan with equal installment and no bonus payment just for simplicity
** Above percentage of PSJ indicates the speed of prepayment of principal and interest according to the Prepayment Standard Japan (“PSJ”) model
*** The calculation assumes no clean-up call

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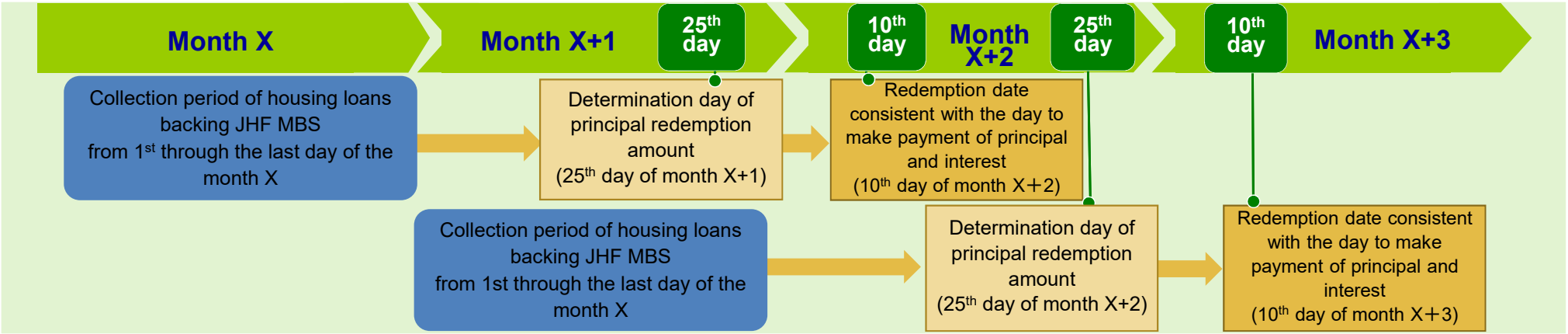
Point 5 Monthly payment of principal and interest in accordance with the repayment of entrusted housing loan pools, leading to application of monthly pass-through payment – Part 2

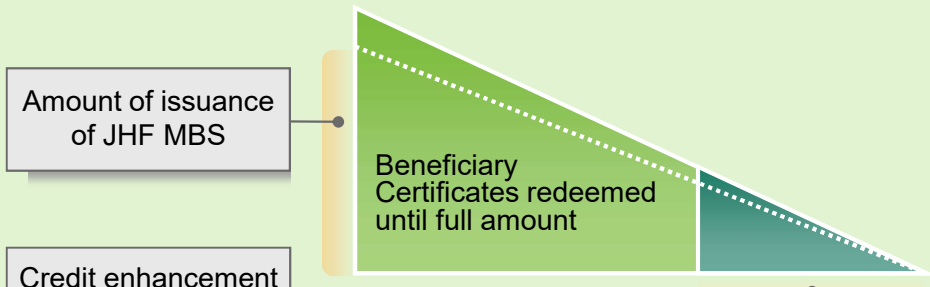
- According to the month X collection of the actual principal amount, JHF MBS principal redemption amount on 10th day of month X+2 is determined on the 25th day of month X+1
- Before Beneficiary Certificate Trigger Events, principal and interest of JHF MBS is pro-rated and paid accordingly to the outstanding amount of JHF MBS and OC ratio. This payment is called “Pro-rata Payment”
- In case of the Beneficiary Certificate Trigger Events, principal payment of the beneficiary certificate is accelerated in lieu of the payment to OC. This payment is called “Sequential Payment”

Image of schedule for payment of principal and interest of JHF MBS



Before Beneficiary Certificate Trigger Events

After Beneficiary Certificate Trigger Events



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Where to find information about JHF MBS

- Information related to JHF and JHF MBS are available on JHF website and on information vendor's screens
- Rating agencies provide their views by rating reports and newsletters
- Prospective Lead Managers and Underwriters provide data to assist decision-making on investment of JHF MBS

Bond description | **Issue announcement** | **Factors** | **Bond cash flow** | **Rating reports** | **Prepayment speed** | **WAL**

Collateral information | **Secondary price** | **JHF financials** | **and other information**

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Information vendors

Bloomberg
Refinitiv

Rating agencies

R&I
S&P

Prospective Lead Managers and Underwriters

- Barclays Securities Japan Limited
- BNP Paribas Securities(Japan) Limited
- Daiwa Securities Co. Ltd.
- Goldman Sachs Japan Co., Ltd.
- BofA Securities Japan Co., Ltd.
- Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- Mizuho Securities Co., Ltd.
- Nomura Securities Co., Ltd.
- SMBC Nikko Securities Inc.

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Summary of funding plan (FY2026)

Actual issuance amount and funding plan by JHF

billion yen

	FY2025		FY2026
	Budget	Actual	Budget
Mortgage-backed securities ("JHF MBS")	989.1	543.1	879.2* (969.2)

* Numbers in parentheses are the original plan.

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