

ASMMA

December 11, 2020

Update on COVID-19 status in Japan and JHF's business

1. Current status of COVID-19 in Japan
2. Overview of Japanese economy
3. JHF's business and response to COVID- 19

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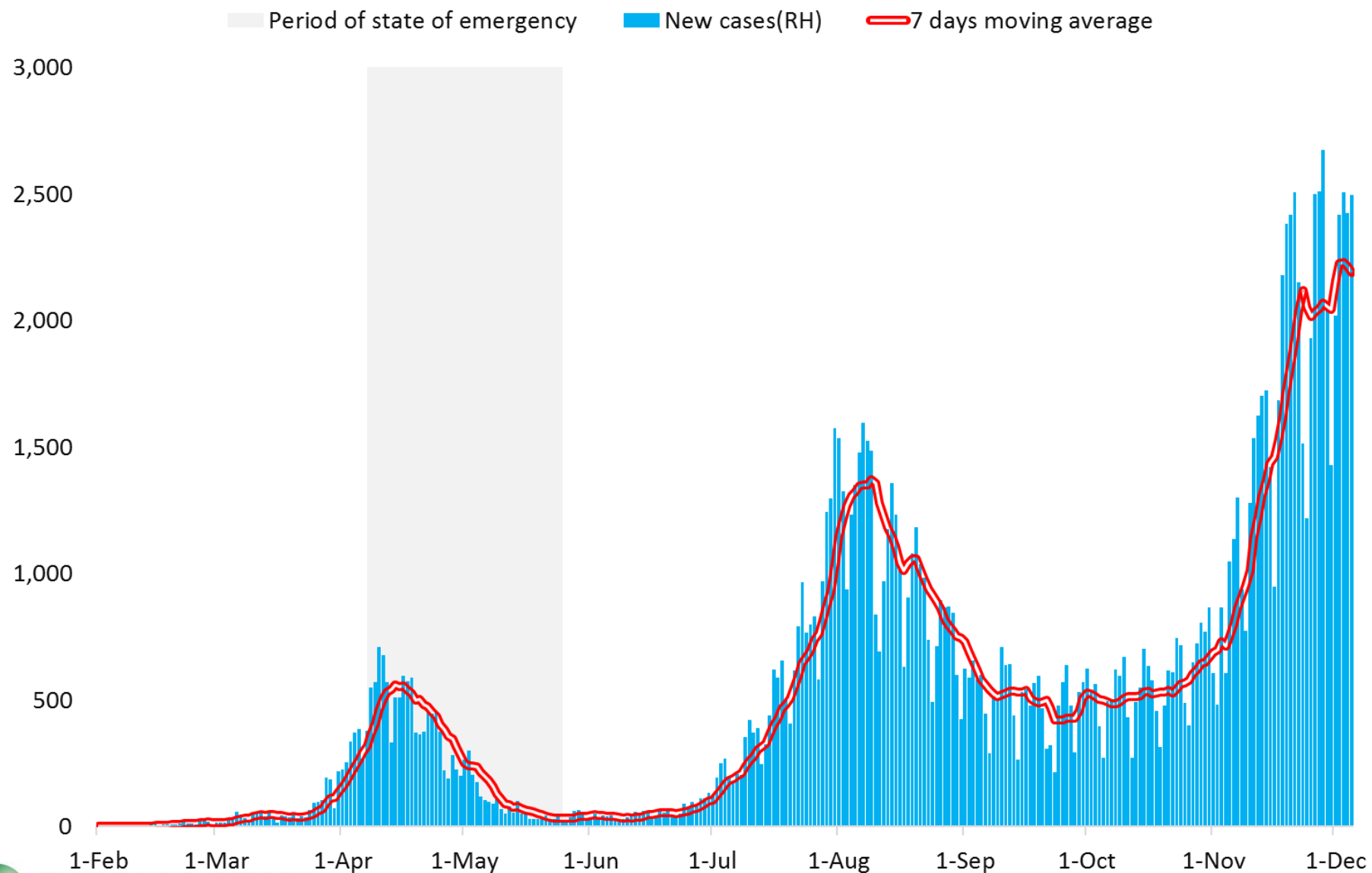
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1. Current status of COVID-19 in Japan

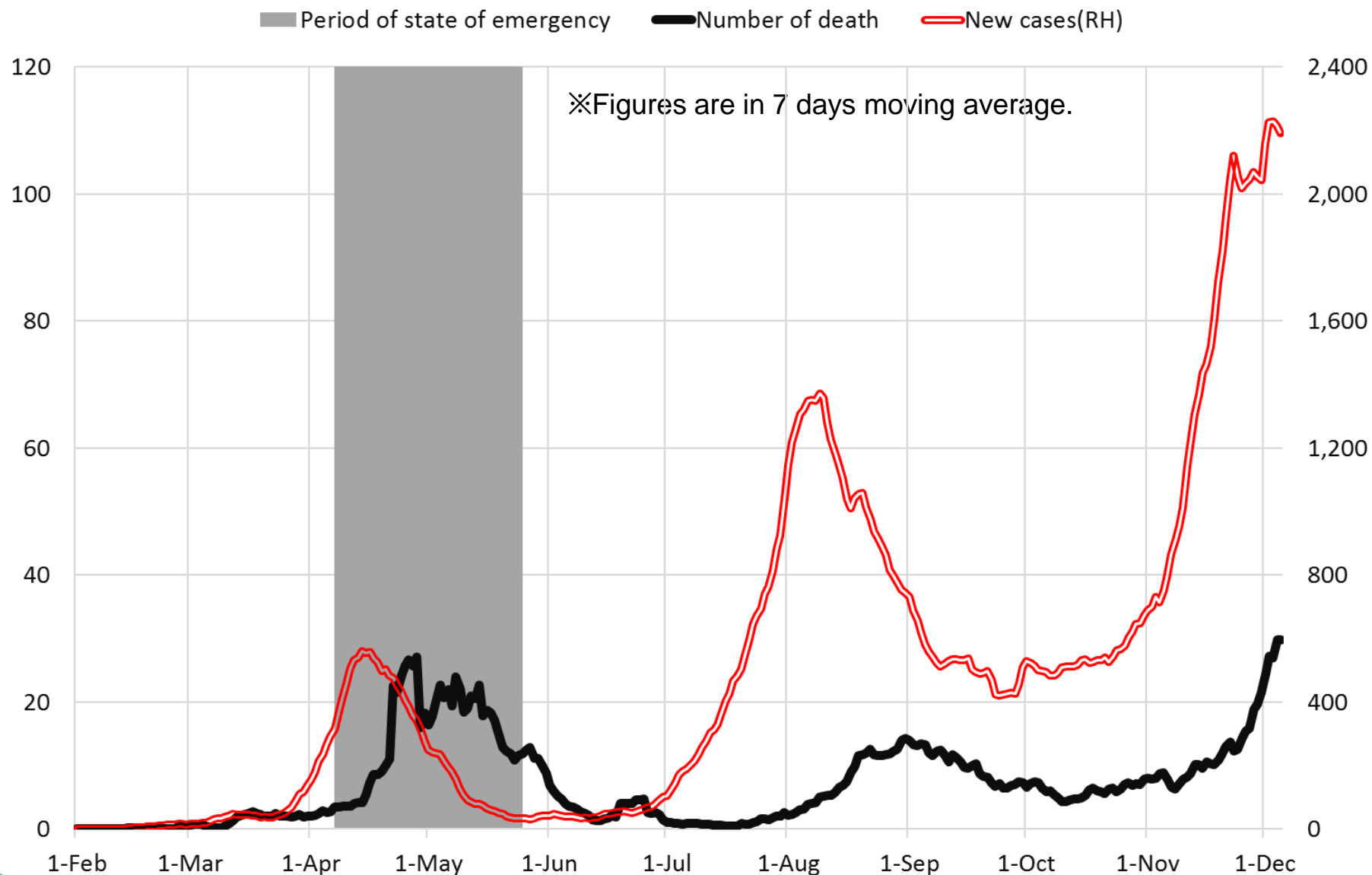
Summary of the current status of COVID-19 in Japan

- Japan faced the first wave of new coronavirus diseases (COVID-19) in April 2020. Government of Japan declared a state of emergency and asked people to stay home to prevent the spread of the virus, which had adverse impact on economic activities.
- The number of new cases subsided in late May and the Government of Japan lifted the state of emergency to reignite economic activities. However, number of new cases started to surge in July and November. That said, accumulated number of death remains 2,465 as of December 10, 2020. How to balance the containment of the spread of COVID-19 and revitalize economic activities remains a great challenge for Japan, as are the cases with many other countries.
- During the first wave, the number of death increased along with the number of cases. In the second and the third wave, there are deviations. Younger generations have significantly lower mortality rate than elderlies, but the mortality rate among the same age group has declined over time.
- Among the G7 countries, Japan has demonstrated a notable performance from the perspectives of number of death per capita. That said, we have to remain vigilant on the development of the situation which could abruptly evolve.

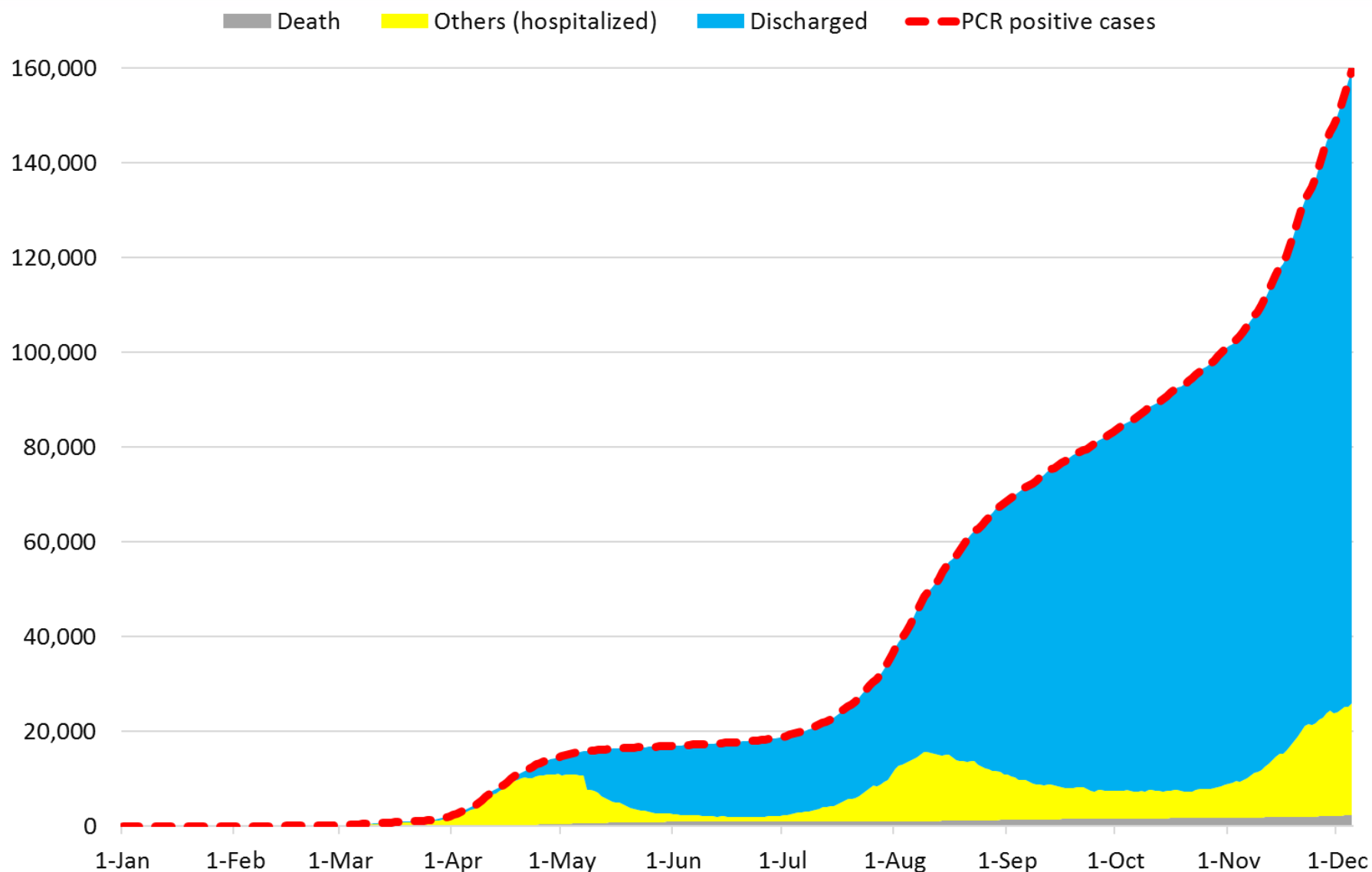
Number of confirmed new cases in Japan



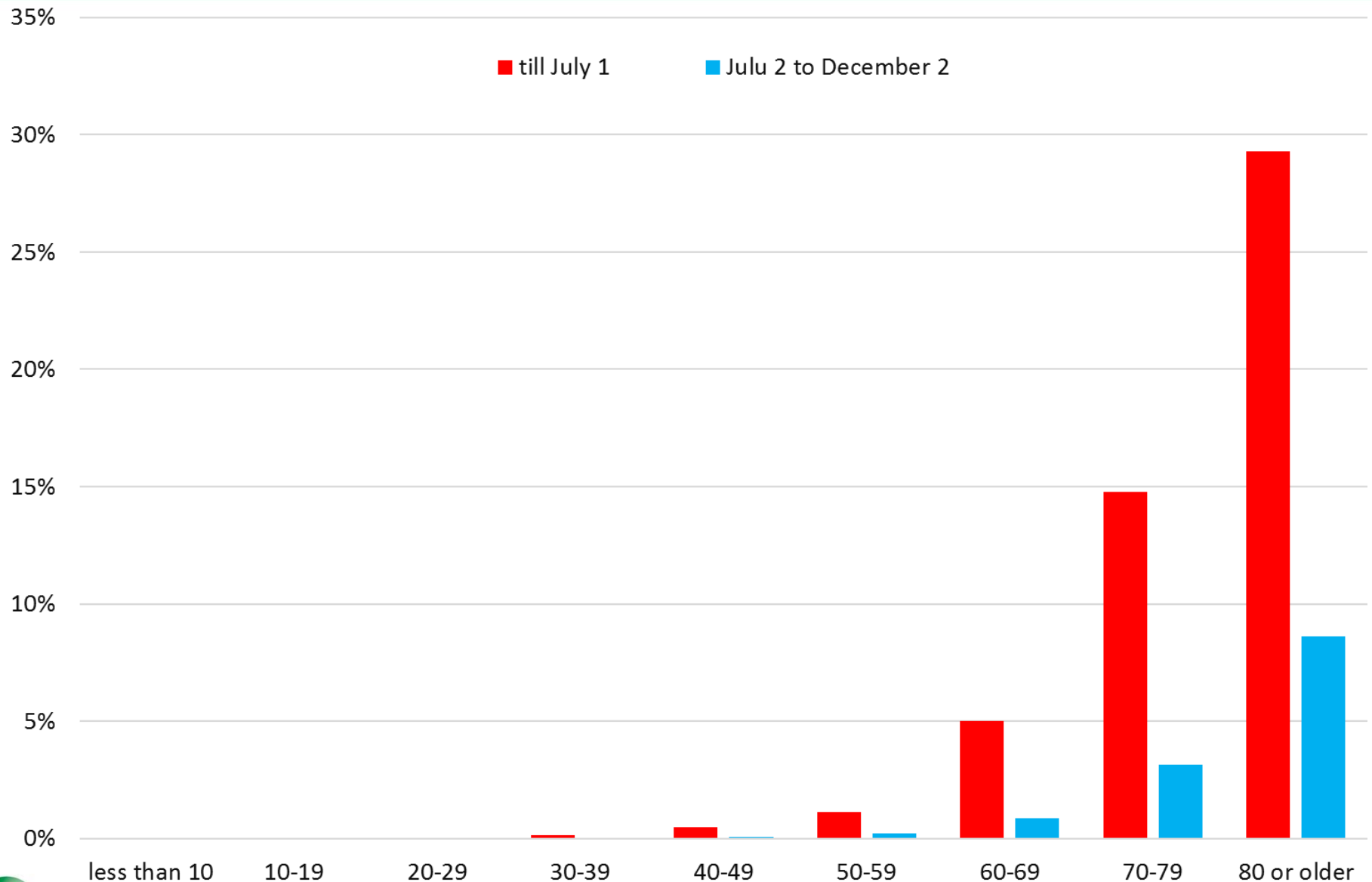
Number of COVID-19 related death and confirmed new cases



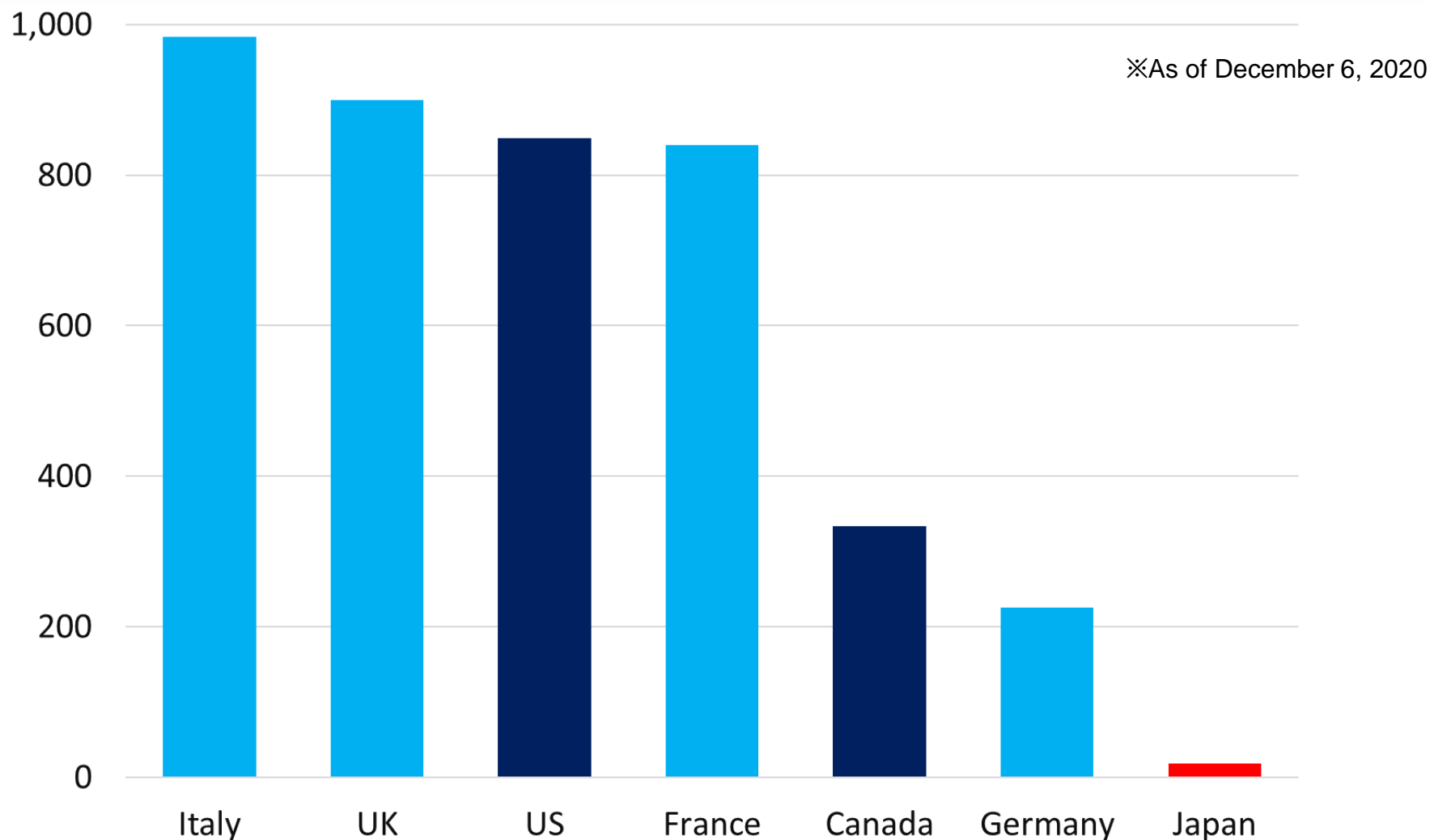
Breakdown of the cumulative cases by current status



Mortality rate by age group

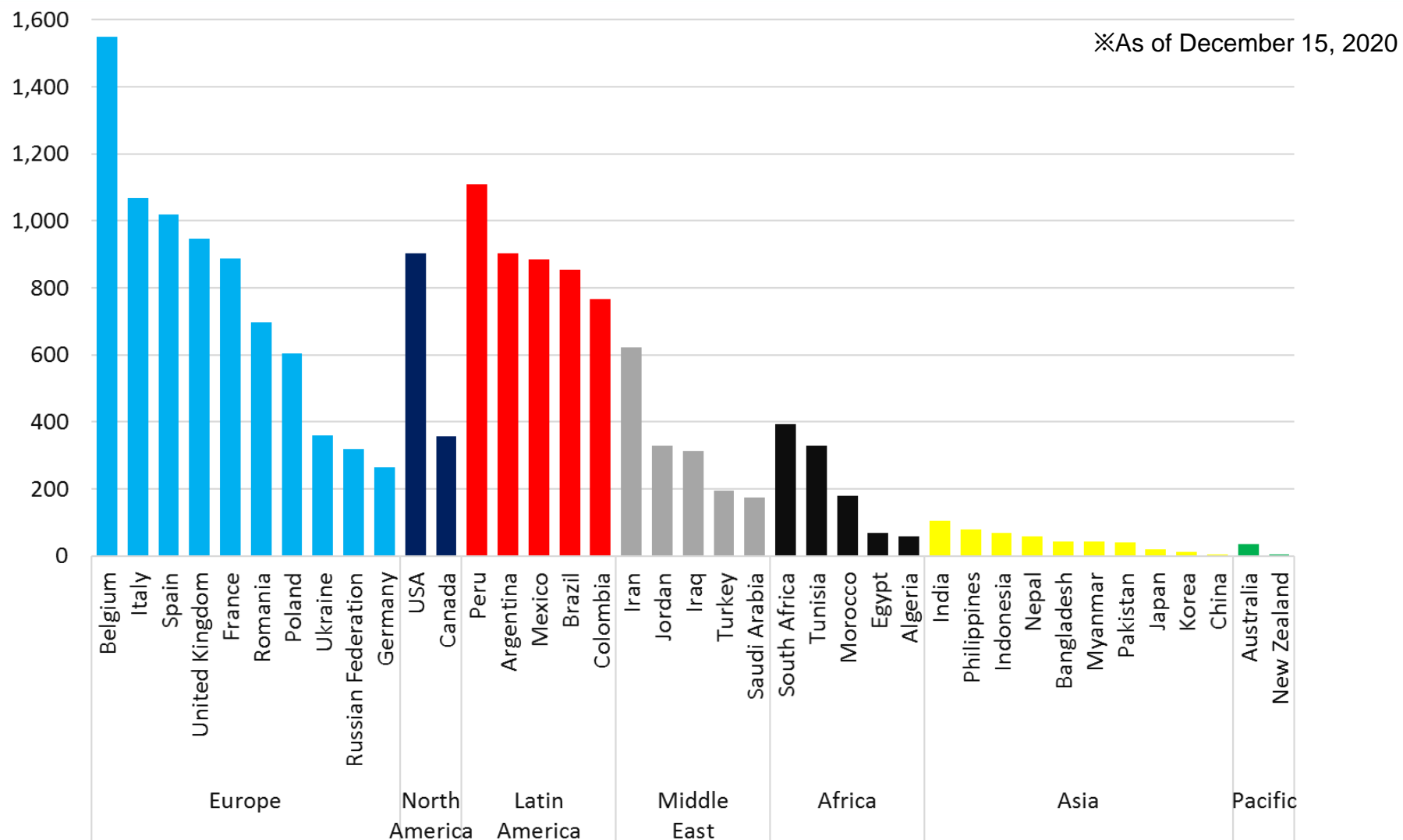


Number of death per 1 million population among G7 countries



(Note) Population is based the estimate for 2020 from the United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019, Online Edition. Rev. 1.

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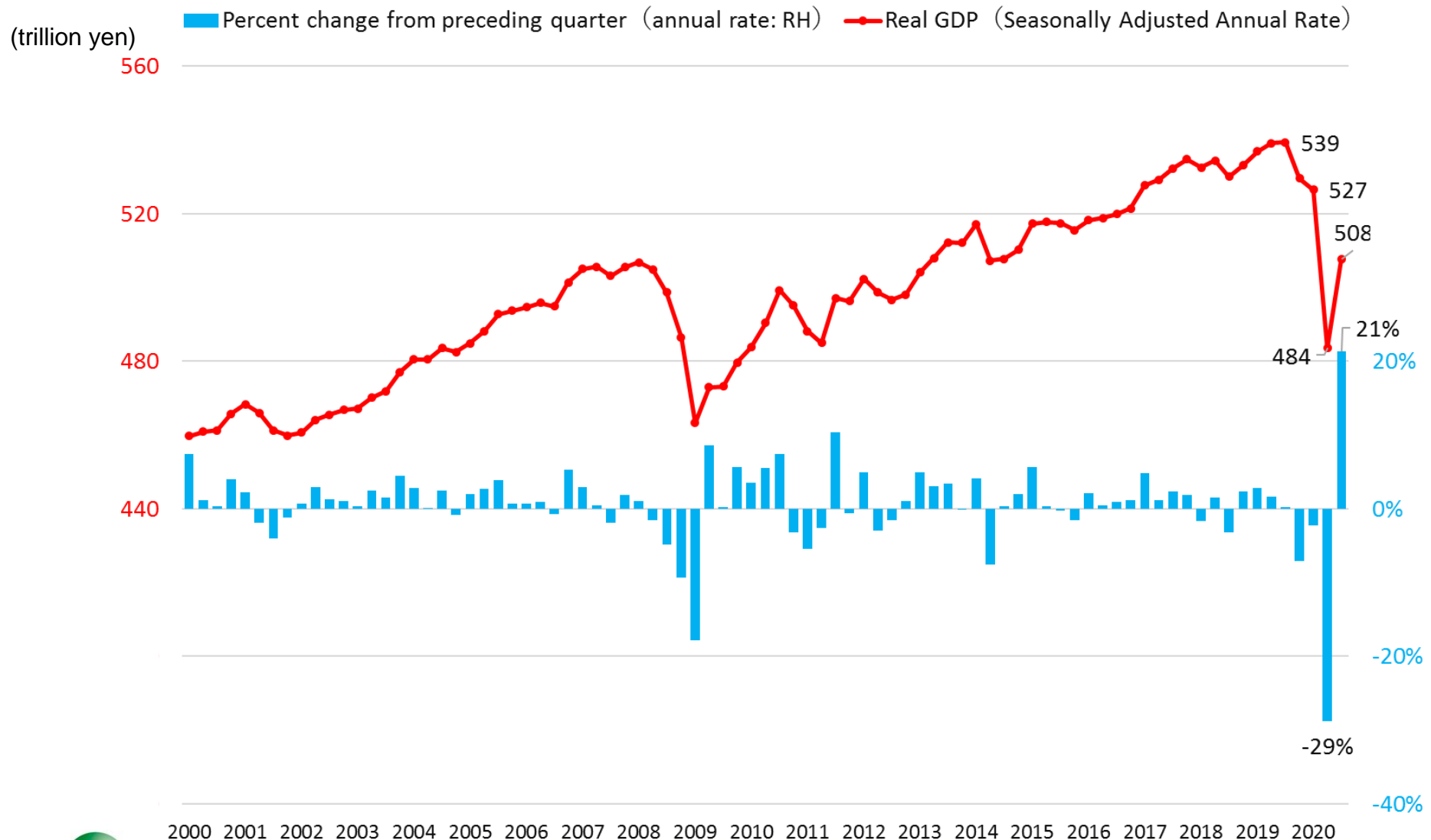
2. Overview of Japanese economy

Overview of Japanese economy

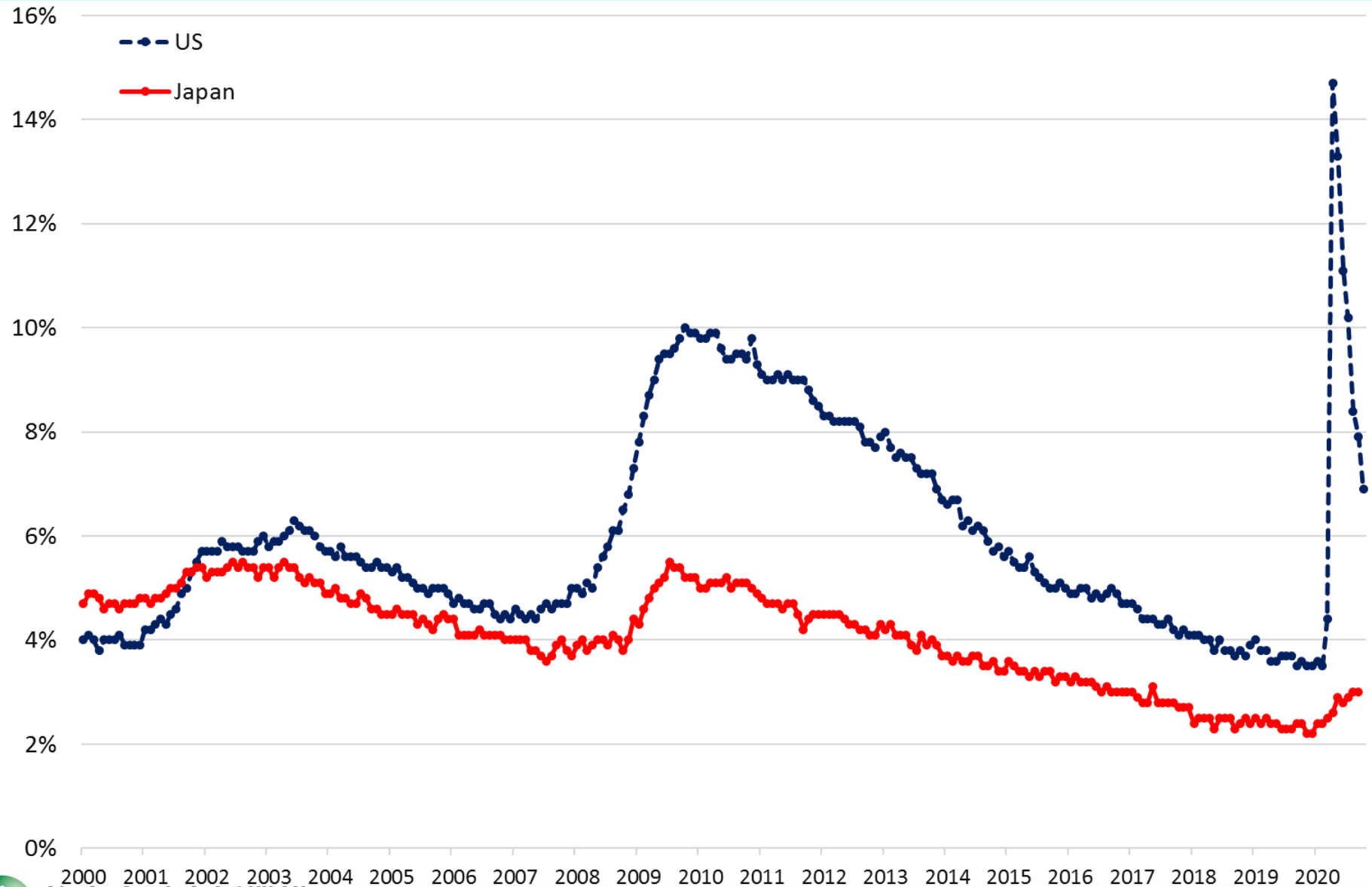
- Japan is facing an unprecedented challenge to keep the economy afloat while containing the spread of COVID-19. GDP plummeted in 2020Q2 and recovered moderately in Q3.
- During the period of state of emergency, the government asked businesses to close with a certain amount of compensation. The government subsidized businesses that maintained employment even they suspended their operations. Even so, unemployment rate increased in Japan, though not as rapid as the US.
- Number of foreigners visiting Japan plummeted with 99% year over year decline through March to October 2020. Personal consumption by inbound tourists was one of the key driver of Japanese economy, and demand for accommodation was also one of the main factors affecting the property price in Japan.
- Fortunately, however, there is no statistics which shows detrimental impact on the housing market so far. Residential property price as well as number of housing starts remains almost unaffected by the pandemic so far.
- Government of Japan introduced comprehensive economic stimulus package to address the crisis. Although fiscal deficit has increased, interest rates are kept low thanks to accommodative monetary policy measures by the Bank of Japan.

GDP plummeted in 2020Q2 and recovered moderately in Q3

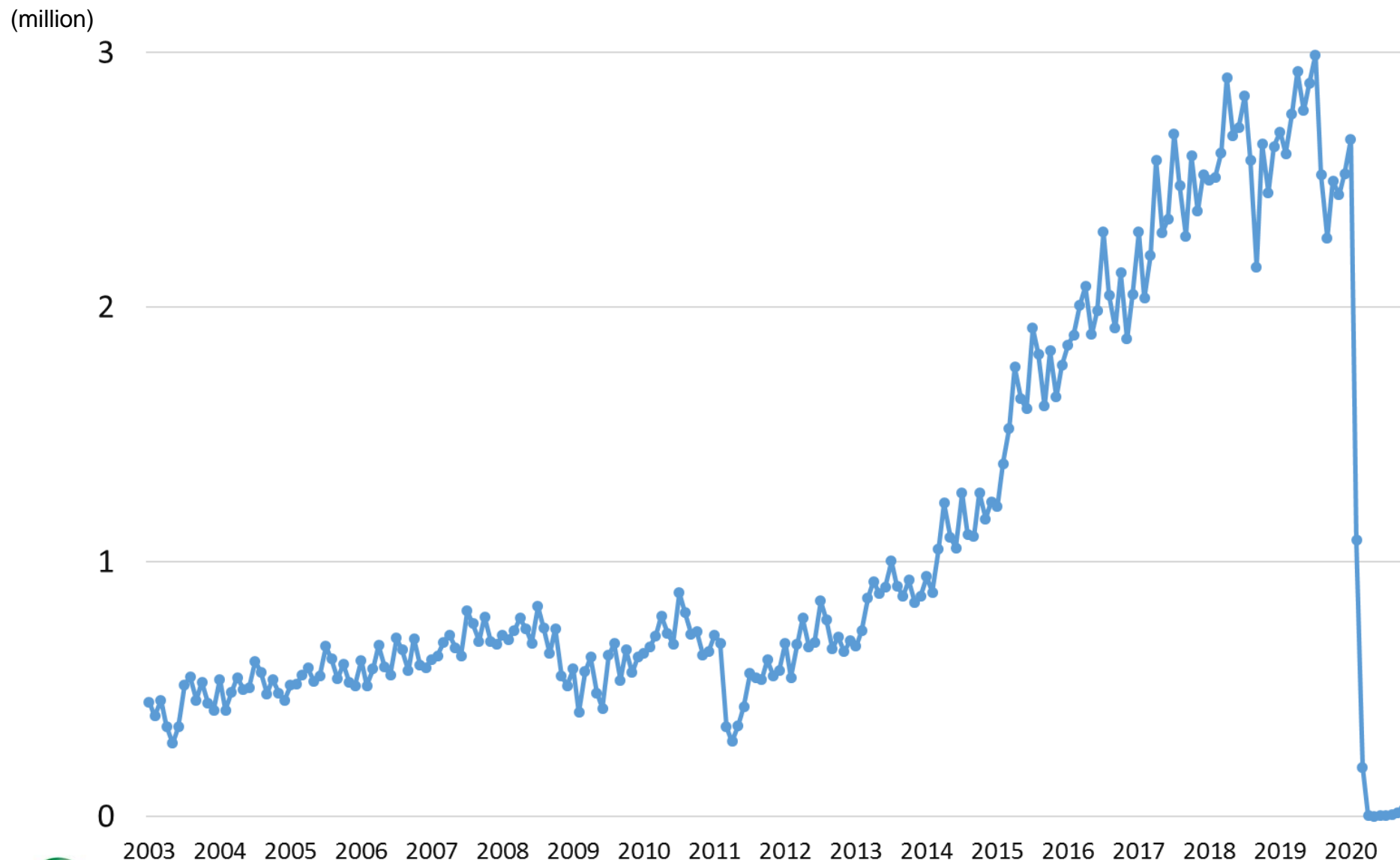
■ Quarterly estimates of Real GDP (Gross Domestic Products) : seasonally adjusted annual rate



Unemployment rate in Japan and the US

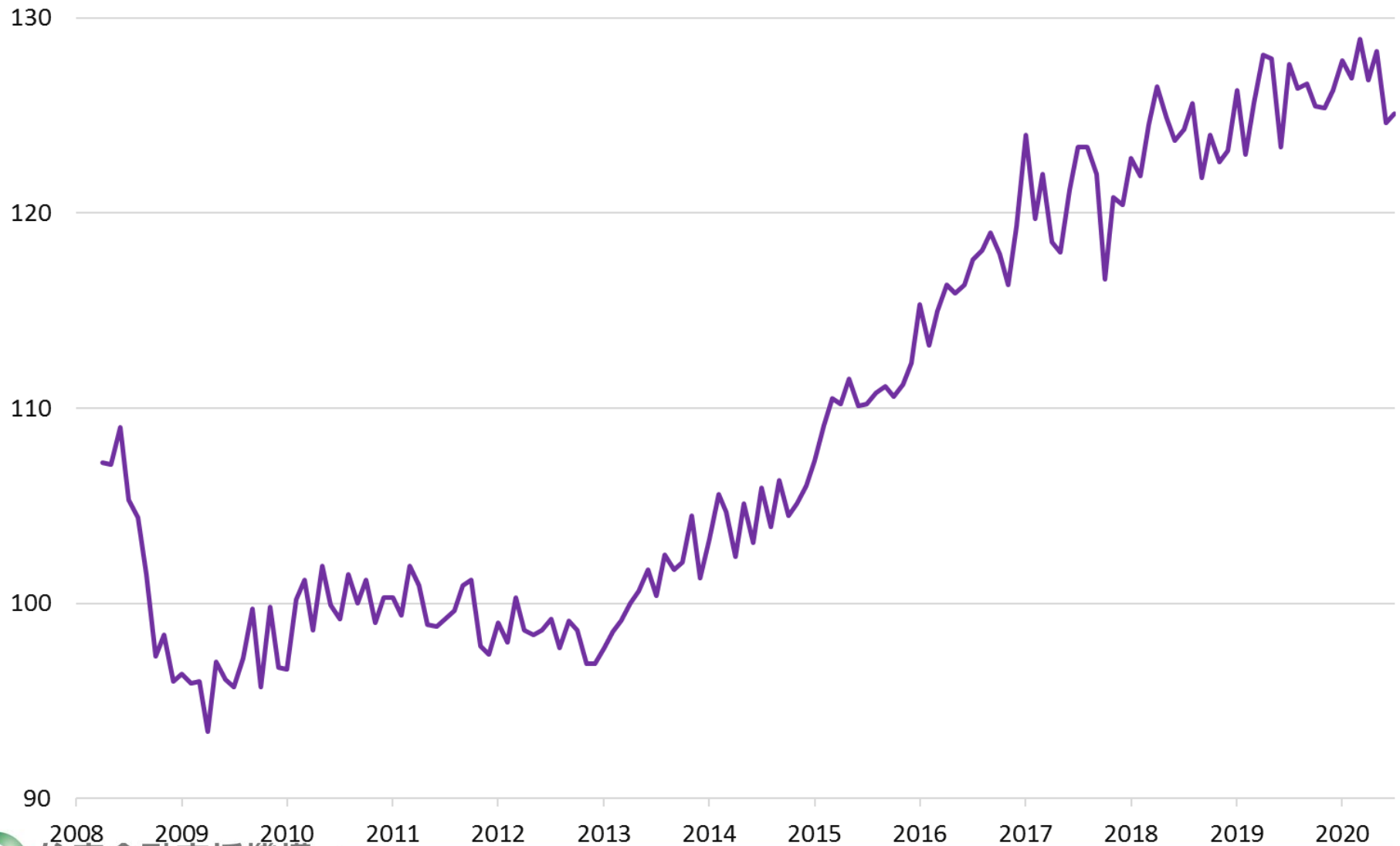


Number of foreigners visiting Japan



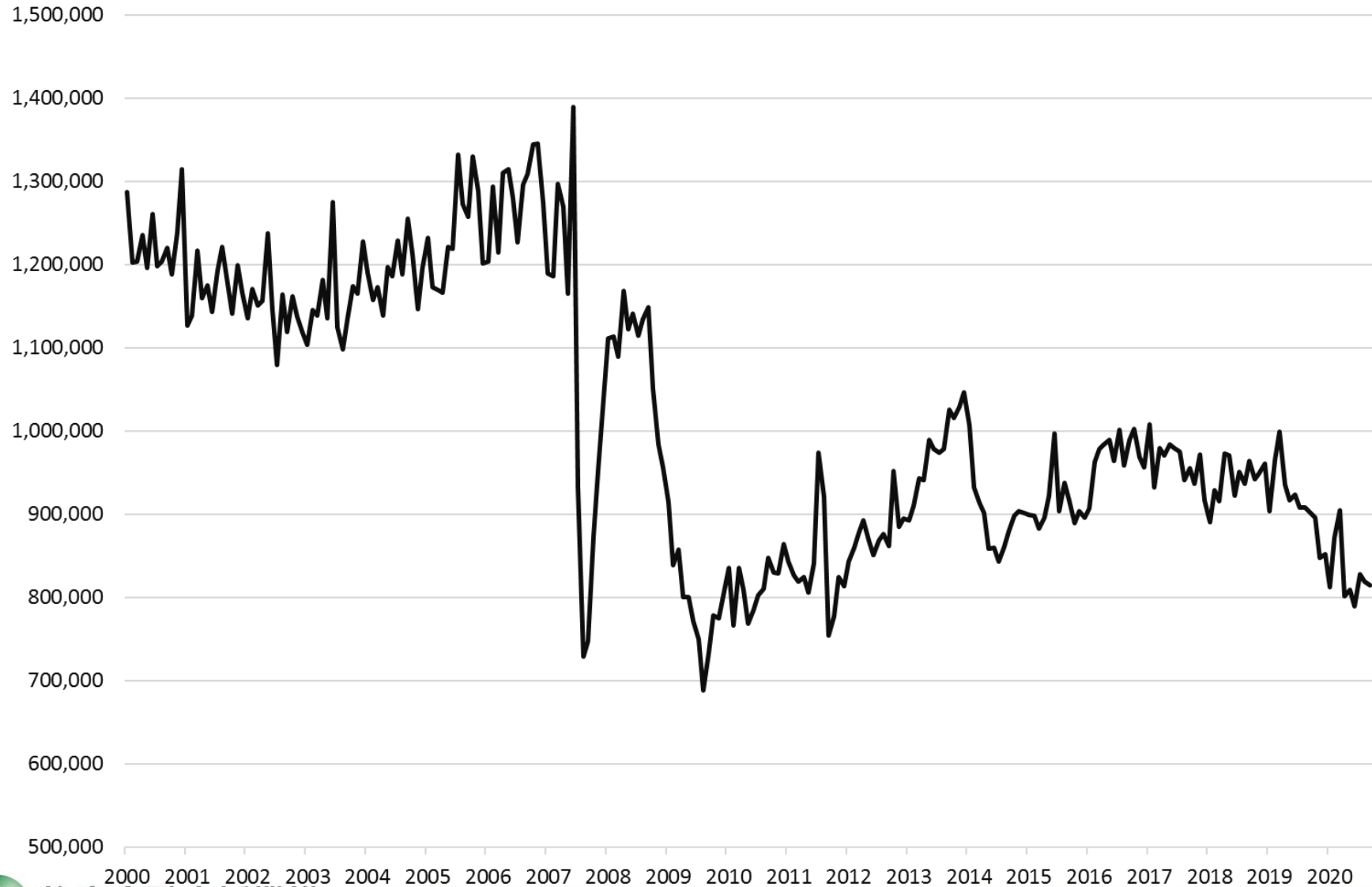
Property Price Index (Residential Property, Tokyo)

(average of 2010=100)



Number of housing starts (seasonally adjusted annual rate)

(units)



Yield on 10 year Japanese Government Bond (JGB)

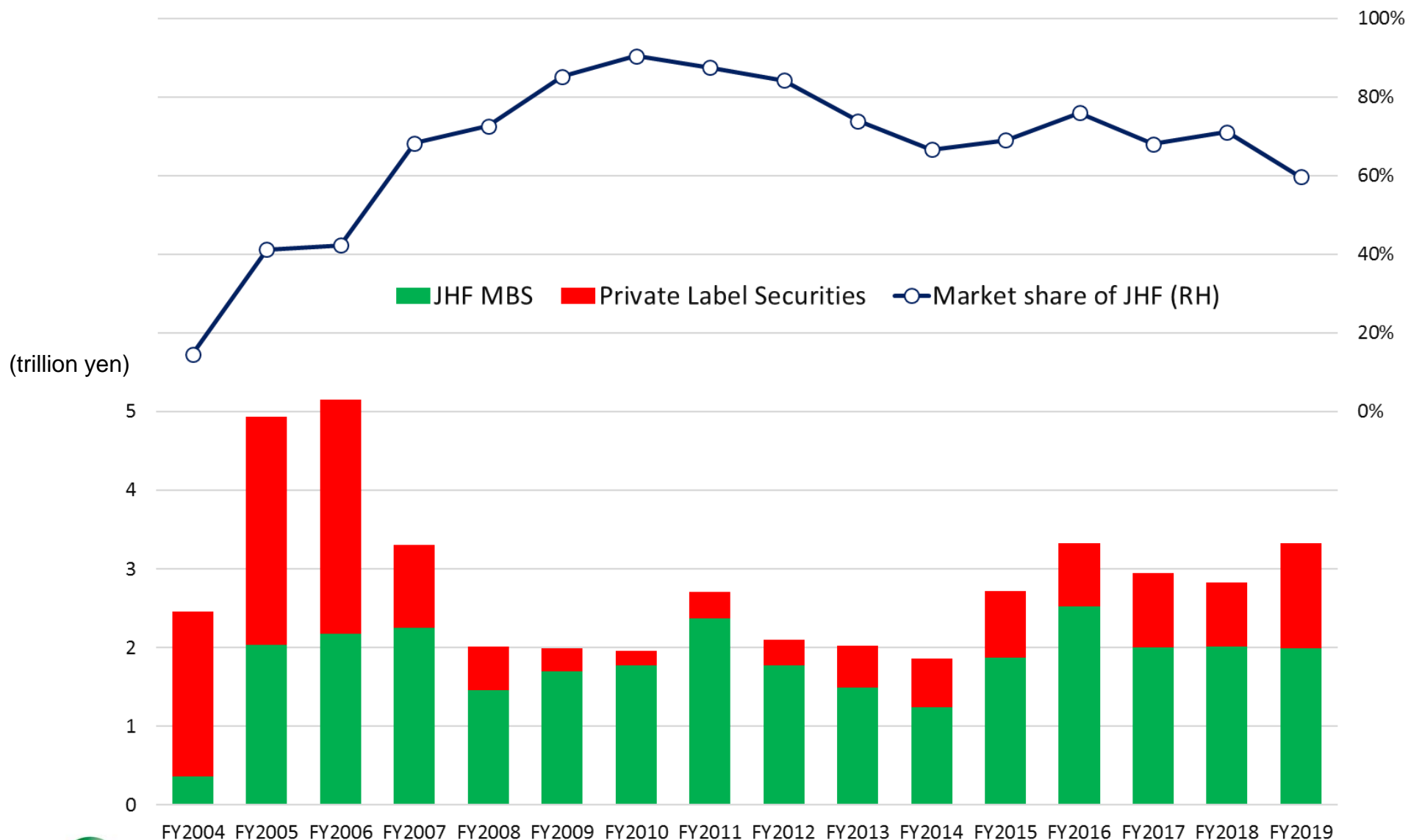


JHF's business and response to COVID- 19

JHF' s business and response to COVID-19

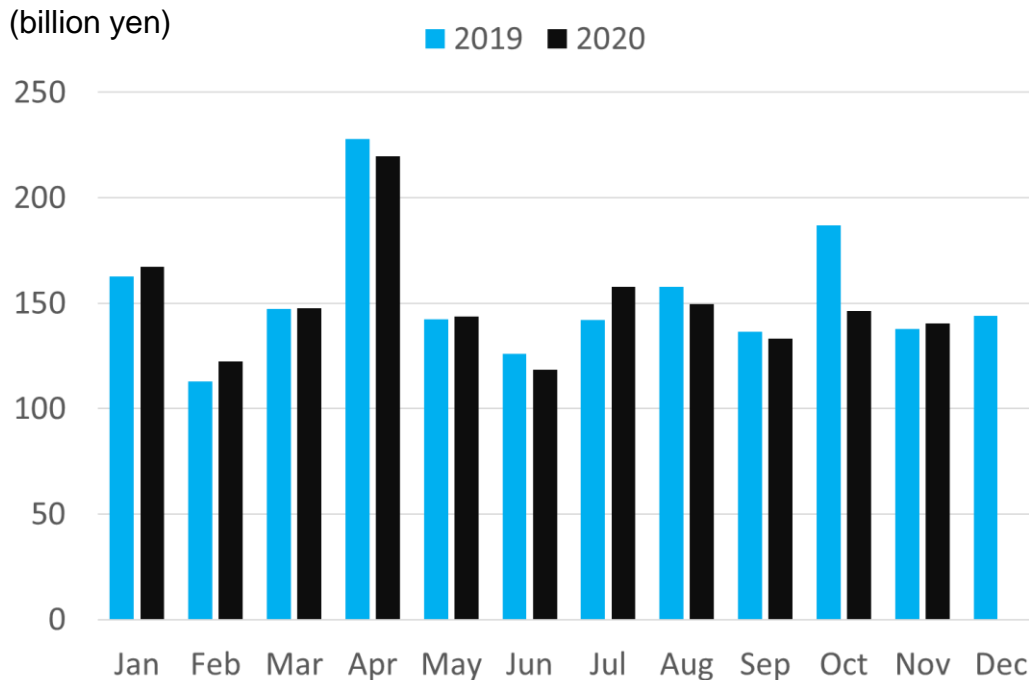
- JHF issued MBS amounting approximately 2 trillion yen in FY2019 (April 2019 – March 2020). JHF' s share in terms of new issuance in Japanese MBS market was around 60%. The total amount of issuance of JHF MBS has surpassed 30 trillion yen equivalent of 286 billion USD as of FY2019 end.
- JHF has been issuing MBS constantly. Spread over 10 year JGB remains around 30 bp plus. Funding environment is not adversely affected by COVID-19.
- JHF reported net income of 151 billion yen for FY2019. Compared with FY2018, net income decreased by 53 billion yen mainly due to increase in allowance for loan losses.
- JHF provides economic relief to borrowers impacted by COVID-19 through its forbearance program. JHF extends loan modifications for borrowers of our “Flat 35” and other programs including extension of loan maturities, among others.
- In order to protect our employees, JHF is diversifying its working style, including introduction of remote-working environment as well as sifting of reporting hours to avoid congestion in commuting trains.
- Due to traveling restrictions, JHF has sent no delegations to overseas or accommodated no delegations from overseas in FY2020. We are looking forward to resuming face to face meetings after the situation is under control.

MBS issuance amount in Japan

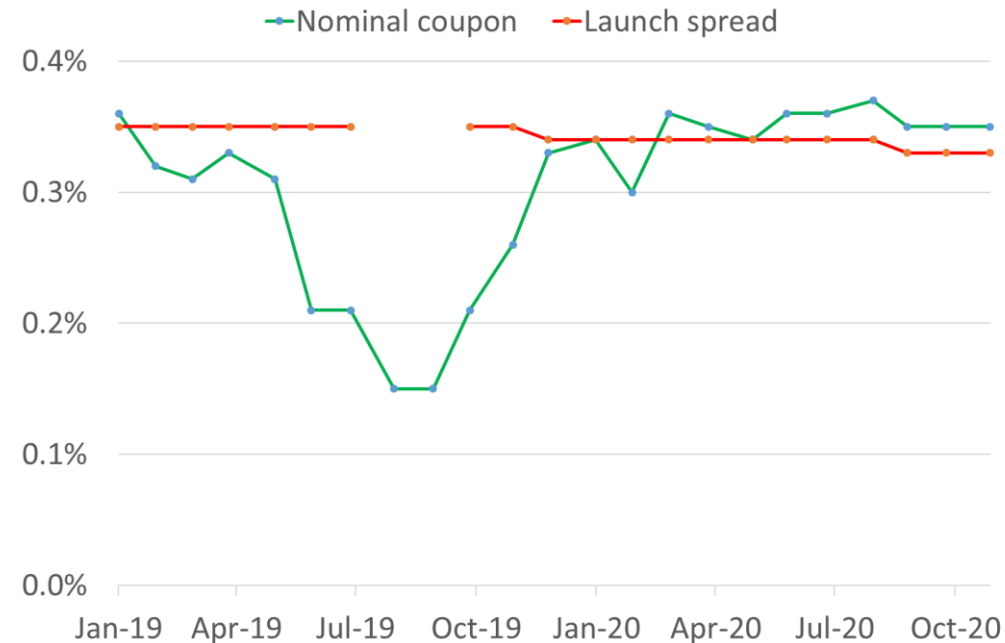


No disruption on JHF funding activities

JHF monthly MBS issuance amount

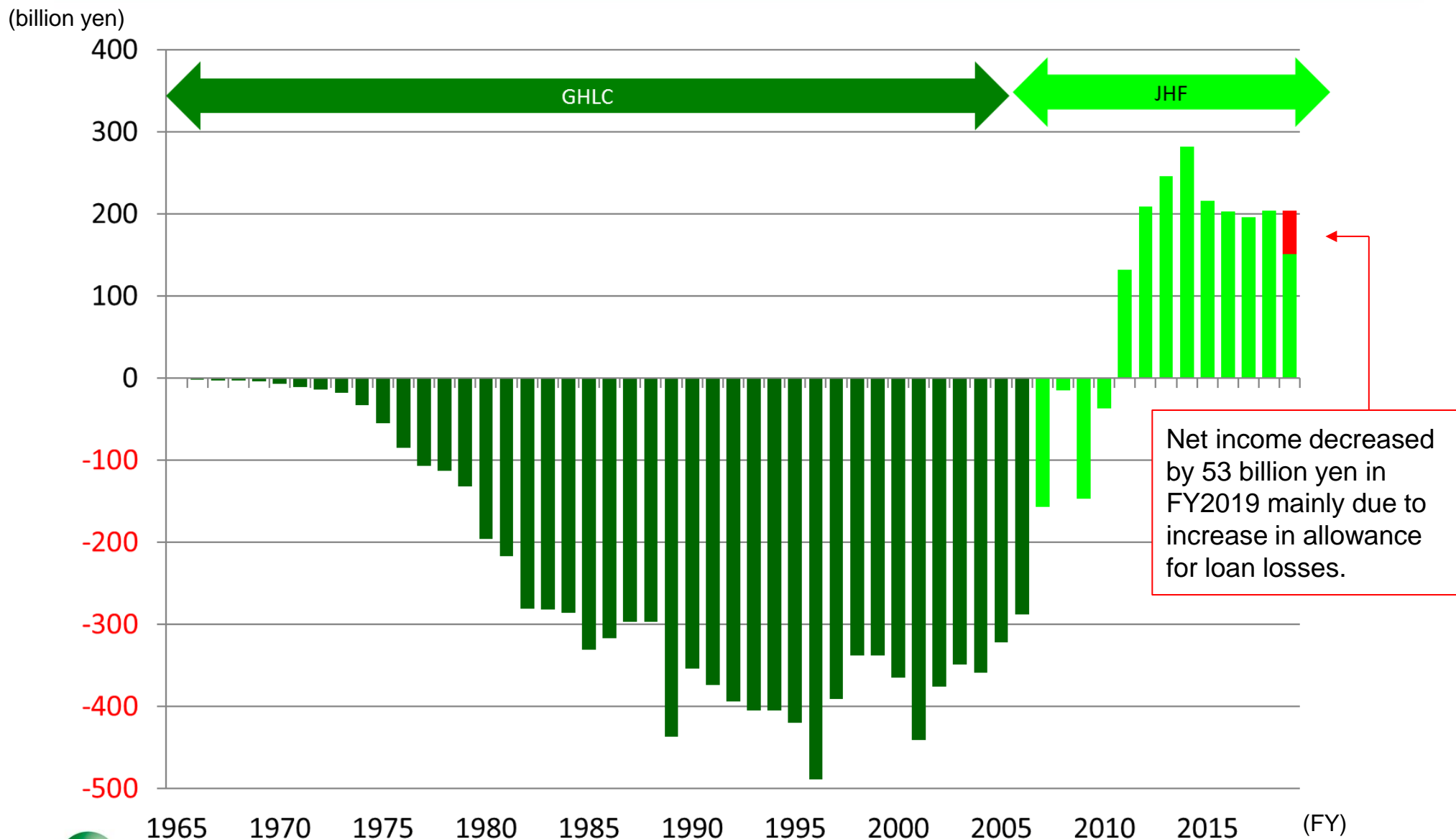


JHF MBS coupon and launch spread



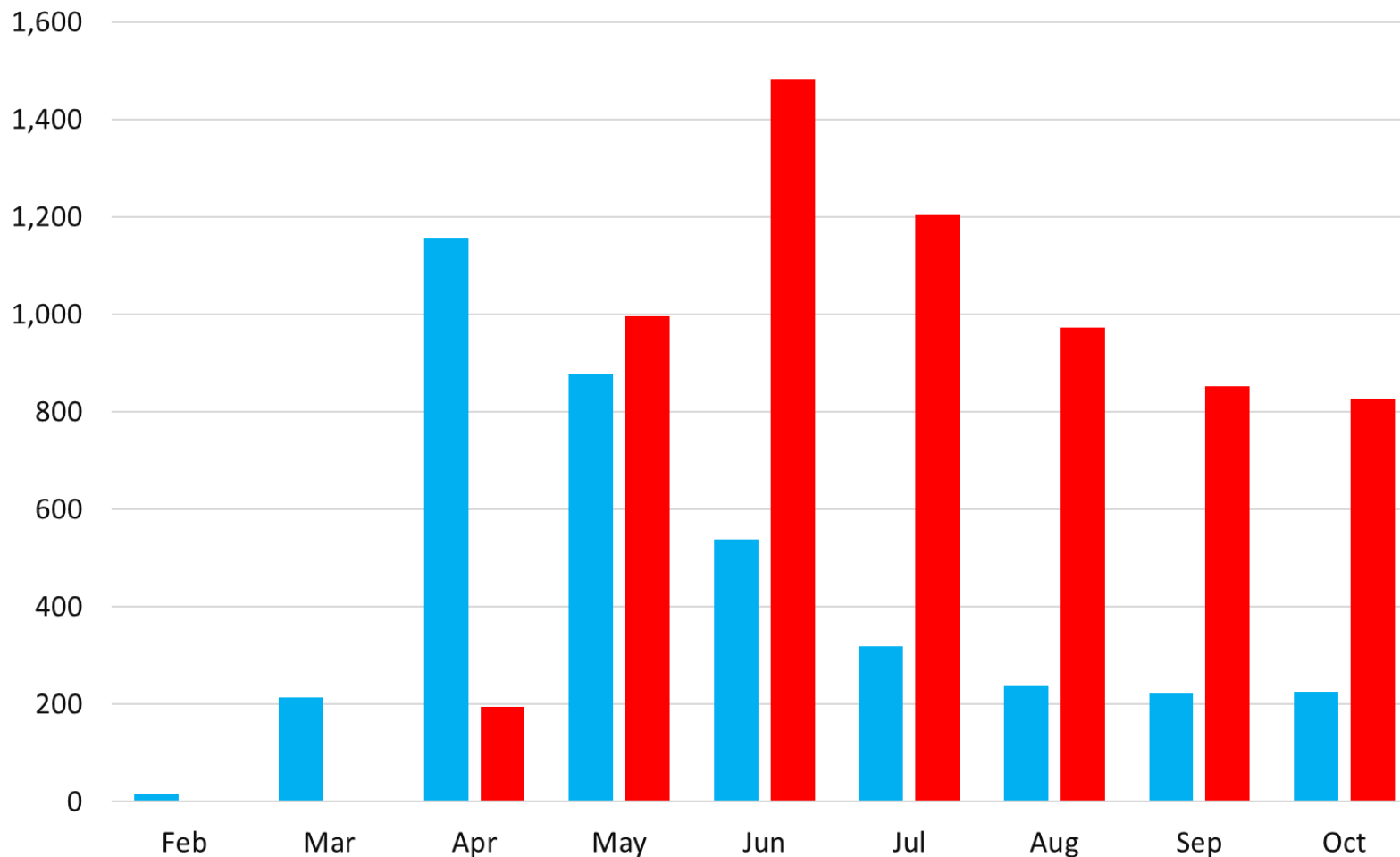
(Note) In August and September 2019, interest rate on JGB declined too deep into negative and the coupon on JHF MBS was decided at absolute level without reference to JGB.

Net income (deficit) of GHLC/JHF



Number of borrowers asking relief from JHF and approved cases

Number of telephone calls to JHF related to COVID-19 increased in April 2020 and started to decline since May 2020. Number of loan modifications approved increased following the telephone call. The number of loan modifications declined in July 2020 compared to June 2020, but remains elevated.



■ Number of phone calls related to COVID-19

■ Number of loan modifications approved

Loss mitigation measures taken by JHF

JHF extends loss mitigation measures for borrowers affected by COVID-19 facing difficulty to pay their mortgage obligations. The measures include various modification of payment methods for borrowers to keep mortgage payment with feeling of safety. These modifications may be simultaneously applied.

Income has decreased due to COVID-19

Modification of payment method including extension of repayment period

- Amount of monthly payment is reduced.
- Total amount of payment throughout the maturity will increase.

Need to reduce the amount of monthly payment for a time being

Mid-term Moratorium to reduce monthly payment for time being

- Amount of monthly payment is reduced for the grace period upon consultation with the borrower.
- After the grace period is expired, monthly payment will increase, and the total amount of payment throughout the maturity will also increase.

Difficult to pay biannual bonus payment

Modification of payment method at biannual bonus months

- Change the month for biannual bonus payment
- Change the breakdown of monthly payment and biannual bonus payment
- Terminate the biannual bonus payment