

Developing and Financing Green Housing in ASIA

September 21,2022

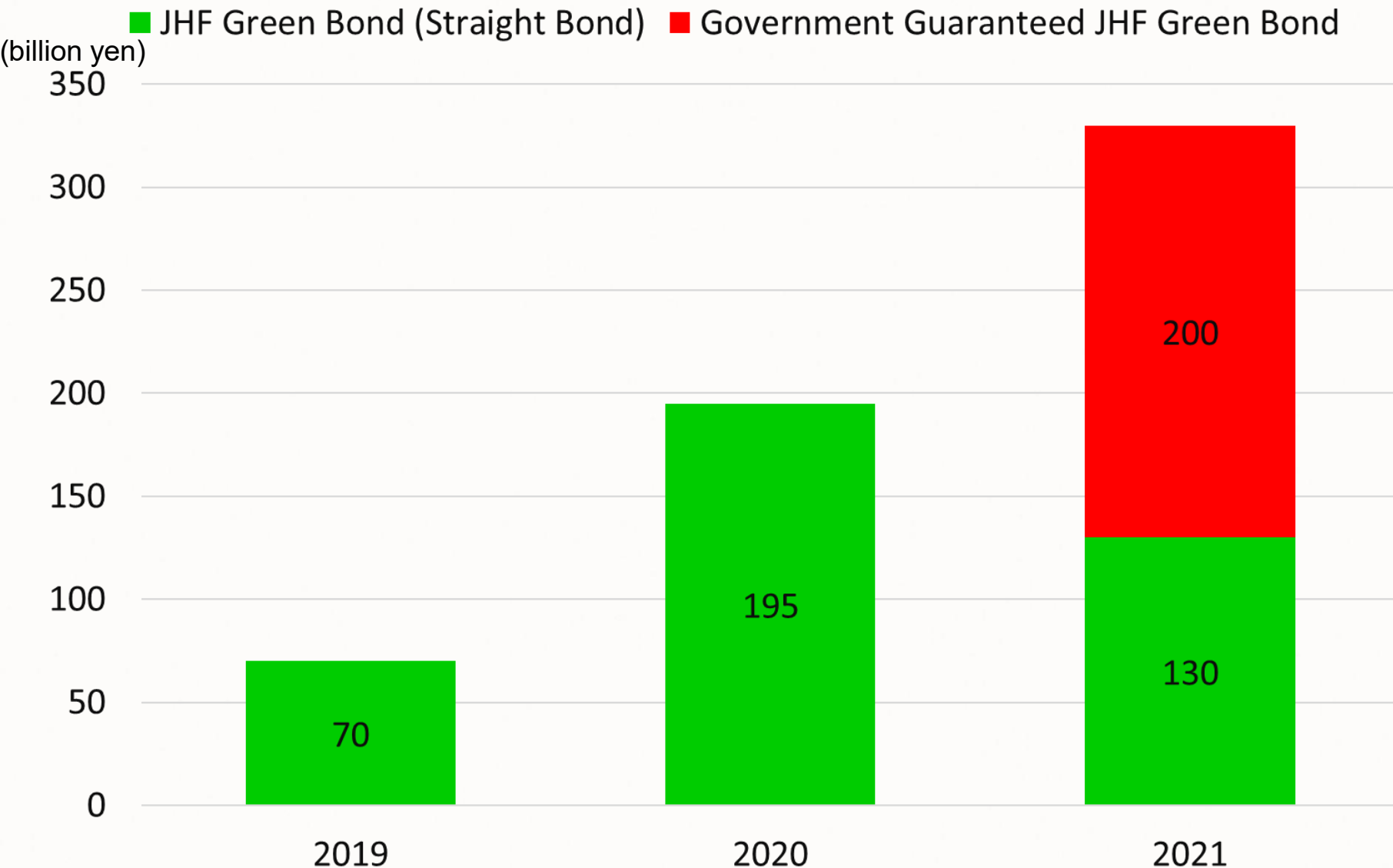
Session 2: Financing & Capital Market
Case Study:
Green Issuance



KOBAYASHI Masahiro

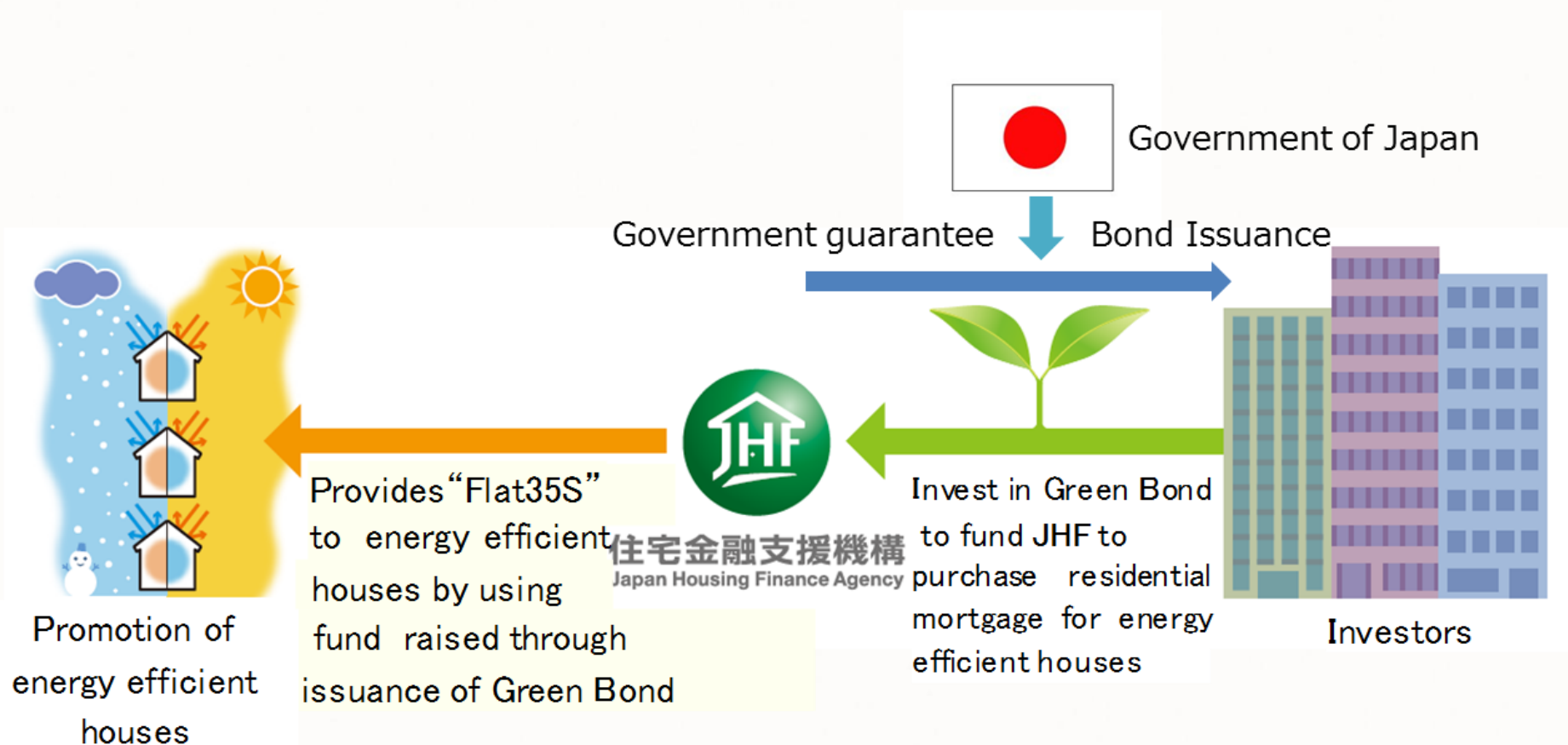
Executive Director, Member of the Board,
Japan Housing Finance Agency (JHF)

Amount of green bond issued by JHF



JHF's government guaranteed Green Bond

Proceed of the bond is allocated to JHF's "Flat 35S" housing loans



Conformity of JHF Green Bond to Green Bond Guidelines (1)

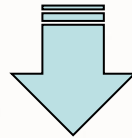
1. Use of proceeds

Contents

Use of proceed should be informed to investors in advance by using **legal documents**, such as prospectus and other documents.

Category

SHOULD

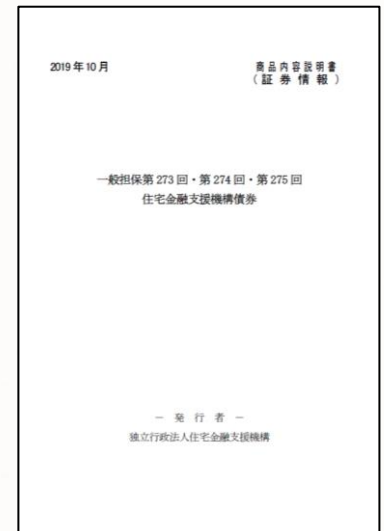


Our response

JHF discloses the use of proceed by describing it in the Offering Circular.

<Description>

- Adaptation to the Green Bond Guidelines
- Clarification of proceed allocation destination
- Expected environmental effects
- Appropriate management of allocated funds etc...

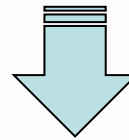


(Japanese text only)

Conformity of JHF Green Bond to Green Bond Guidelines (2)

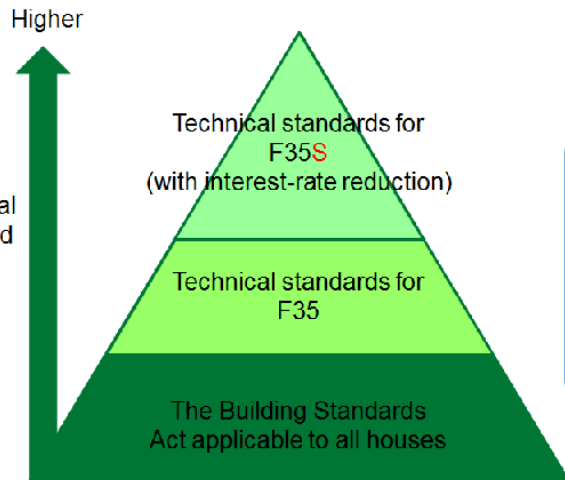
1. Use of proceeds

Contents	Category
Explanation to investors about the use of proceed should be conducted indicating specific business segments related to Green Projects.	SHOULD

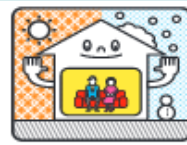


Our response

- The target mortgages are categorized by energy efficiency, durability and flexibility.
- JHF discloses this information to investors on the website and in the Offering



■ Related to the country's housing policies



Energy efficient housing



Earthquake resilient housing



Barrier-free housing



Durable and flexible housing

Conformity of JHF Green Bond to Green Bond Guidelines (3)

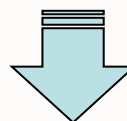
1. Use of proceeds

Contents

Category

In case Green Projects may have **some negative impacts** on the environment other than their environmental benefits, explanation to investors is recommended at the timing of explanation of the use of proceeds, including evaluation of such negative impacts and concept behind the response.

SHOULD



Our response

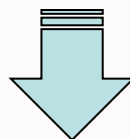
- As a negative effect on the environment, Noise / Vibration and waste material associated with construction work are generated.
- However, all the houses are constructed in accordance with various laws and regulations, and appropriate environmental considerations are made.



Conformity of JHF Green Bond to Green Bond Guidelines (4)

2. Process for project evaluation and selection

Contents	Category
“ Environmental objective ” or the to-be-achieved environmental benefit by issuing a Green Bond should be explained in advance to investors.	SHOULD
“ Criteria ” or the criteria of selecting and evaluating a specific project reflecting the “environmental goal” should be explained in advance to investors.	SHOULD
“ Process ”, for example “the base of determining whether a certain project funded by the proceed will properly achieve the environmental benefit meeting the above objective and criteria” and/or “by whom and how above criteria will be exactly applied to determine whether Green Project matches the environmental purpose”, should be explained in advance to investors.	SHOULD



Our response

“**Environmental objective**” : Reduction of CO₂ emissions and energy consumption
 ⇒ The Act of Incorporated Administrative Agency Japan Housing Finance Agency stipulates that JHF promotes the spread of energy-saving houses.
 ⇒ JHF medium-term plan shows a quantitative target for the ratio of long-term high quality housing to 25% or more of the total by the end of FY 2020.

“**Criteria**” : Meet Technical standards for energy-saving

“**Process**” : Make a decision at the board meeting attended by all officers including the chairman and vice chairman.

Conformity of JHF Green Bond to Green Bond Guidelines (5)

3. Management of proceeds

Contents	Category
Total amount of proceed should be managed by appropriate method and by tracking . This tracking should be controlled by issuer's internal process .	SHOULD



Our response

- Unapplied proceed won't be generated because the proceeds from the issuance of JHF Green Bond will be allocated to the purchase of receivables at the same time as the deposit on the next business day.
- This deposits and withdrawals of the proceeds are explicitly recorded in financial accounting subjects.
- Financial statements are subject to audits by auditors and accounting auditors based on the law (general law).

Contents	Category
Method of tracking the proceed should be explained in advance to investors.	SHOULD
Investment policy of unapplied proceed should be informed in advance to investors.	SHOULD



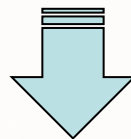
Our response

No tracking management is required since unapplied proceed is not generated.

Conformity of JHF Green Bond to Green Bond Guidelines (6)

3. Management of proceeds

Contents	Category
Until the Green Bond is fully redeemed, the issuer should periodically adjust so that amount applied/unapplied to Green Project matches the total amount of proceed of the Green Bond.	SHOULD



Our response

JHF decides the Green Bond issue amount so that the outstanding balance of purchase receivables at the maturity of Green Bond won't be lower than the applied proceed even if the ratio of housing loans prepayment become high.

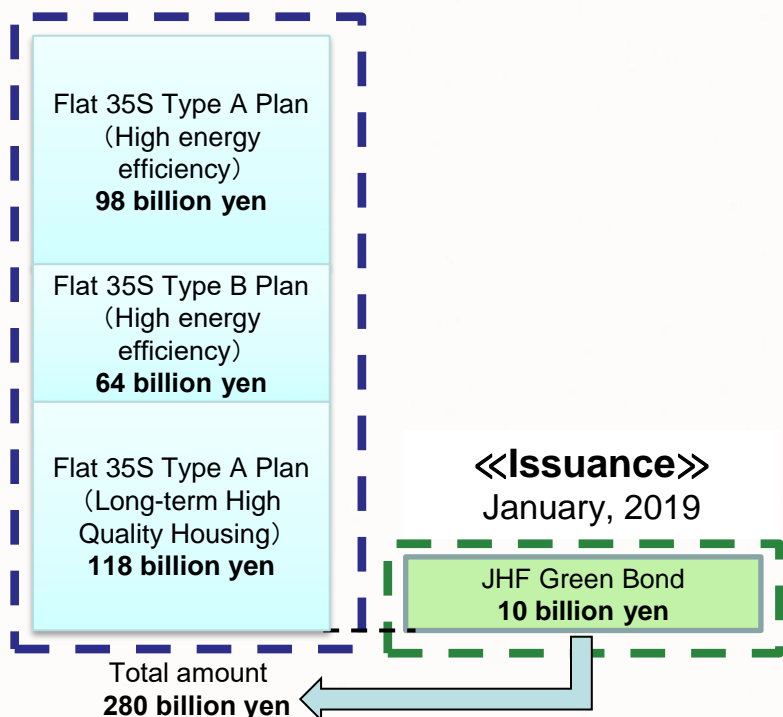
Conformity of JHF Green Bond to Green Bond Guidelines (7)

Assumption

Purchasing Period : From September to November, 2018
Green bond issuance : January, 2019

«Purchasing Period»

From September to November, 2018

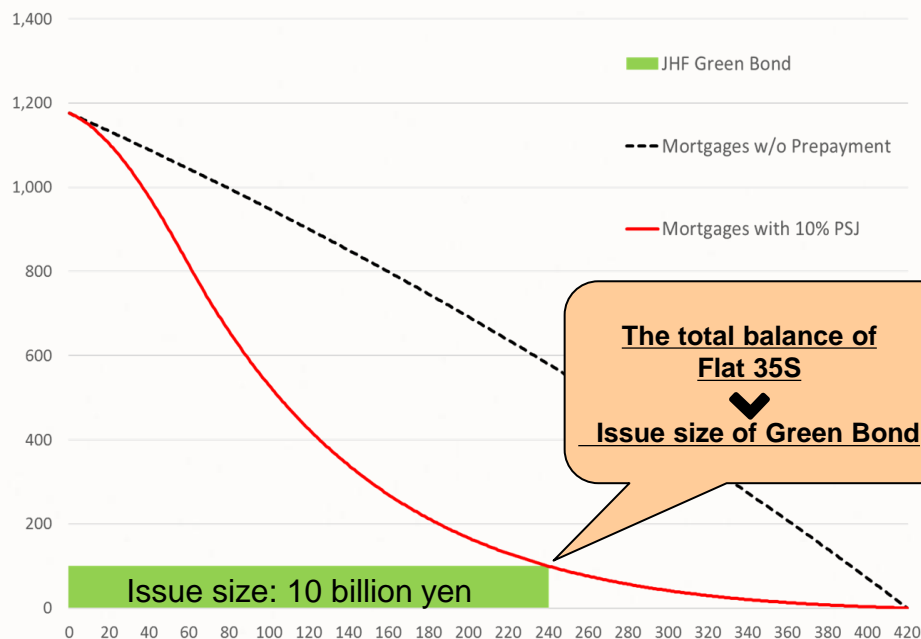


«Issuance»
January, 2019

JHF Green Bond
10 billion yen

Total amount
280 billion yen

<All the proceeds will be allocated>

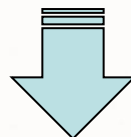


The total balance of
Flat 35S
Issue size of Green Bond

Issue size: 10 billion yen

Conformity of JHF Green Bond to Green Bond Guidelines (8)

4. Reporting	
Contents	Category
After issuing the Green Bond, updated information on use of Green Bond proceed should be disclosed to the public.	SHOULD
Issuer should disclose the usage of proceeds at least once a year until all of the proceeds are applied. Even after all the proceeds are applied, issuer should disclose information for any material changes.	SHOULD
Information disclosure should include the following. <ul style="list-style-type: none"> List of Green Projects funded by the proceeds Summary including progress of each Green Projects Amount of proceed allocated to each Green Projects Expected environmental benefit of each Green Projects Amount and ratio, expected investment timing, and investment policy of unapplied proceeds 	SHOULD



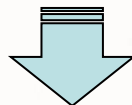
Our response

- Since all the proceeds will be allocated immediately, it is not necessary to report on the allocation status.
- JHF stated that all the proceeds through Green Bond will be allocated on the same day in “JHF Issuer Information” published once a year on the website.

Conformity of JHF Green Bond to Green Bond Guidelines (9)

4. Reporting

Contents	Category
Consideration of nature and other features of the Green Project and application of proper index should be considered when disclosing environmental benefit.	SHOULD



Our response

For each category of Flat 35S, the number and amount are described in “JHF Issuer Information”.

<JHF Issuer Information” in 2021>

Bond Name	Applied amount to Green Bond	Purchasing Period	Mortgage Types	Number	Amount
JHF SB #331	15 billion Yen	From March 2021 to August 2021	Flat 35S Type A Plan (High energy efficiency)	5,785	192 billion Yen
JHF SB #334	15 billion Yen				
JHF SB #338	15 billion Yen		Flat 35S Type B Plan (High energy efficiency)	3,010	108 billion Yen
JHF Government Guaranteed Bond #3	40 billion Yen				
JHF Government Guaranteed Bond #4	30 billion Yen		Flat 35S Type A Plan (Long-term High Quality)	4,880	188 billion Yen
JHF Government Guaranteed Bond #5	20 billion Yen				
Total	150 billion Yen		Total	13,675	488 billion yen

Other bonds issued and applied amount to Green Bond are similarly indicated in the Issuer Information.

Pilot Project for Green Bond Issuance - Ministry of the Environment



To support further expansion of the Green Bond market through the issuance of Green Bonds, the Ministry of the Environment is undertaking Pilot Project for Green Bond Issuance and Financial Support Programme for Green Bond Issuance.

Green Bond Issuance Support Projects



Pilot Project for Green Bond Issuance

Implemented since FY2017 to promote the spread of Green Bonds by widely disseminating information on the Pilot Projects that are in compliance with the Green Bond Guidelines.

Applicants are encouraged to submit plans of issuing Green Bonds. From among the applications submitted, the Pilot Projects will be selected, and compliance with Green Bond Guidelines will be checked, after which a "pre-issuance report" will be prepared and the information will be disseminated.

Pilot Projects

Thus far, the following Green Bond frameworks have been selected as Pilot Projects.



Japan Railway Construction, Transport and Technology Agency

[Press release \(Japanese Text Only\)](#)



Hokuriku Green Bond Co., Ltd.

[Press release \(Japanese Text Only\)](#)



Nippon Yusen Kabushiki Kaisha

[Press release \(Japanese Text Only\)](#)



MITSUBISHI ESTATE CO., LTD.

[Press release \(Japanese Text Only\)](#)



Japan Housing Finance Agency

[Press release \(Japanese Text Only\)](#)



Fuyo General Lease Co.,Ltd.

[Press release \(Japanese Text Only\)](#)

Pilot Project for Green Bond Issuance - Timeline

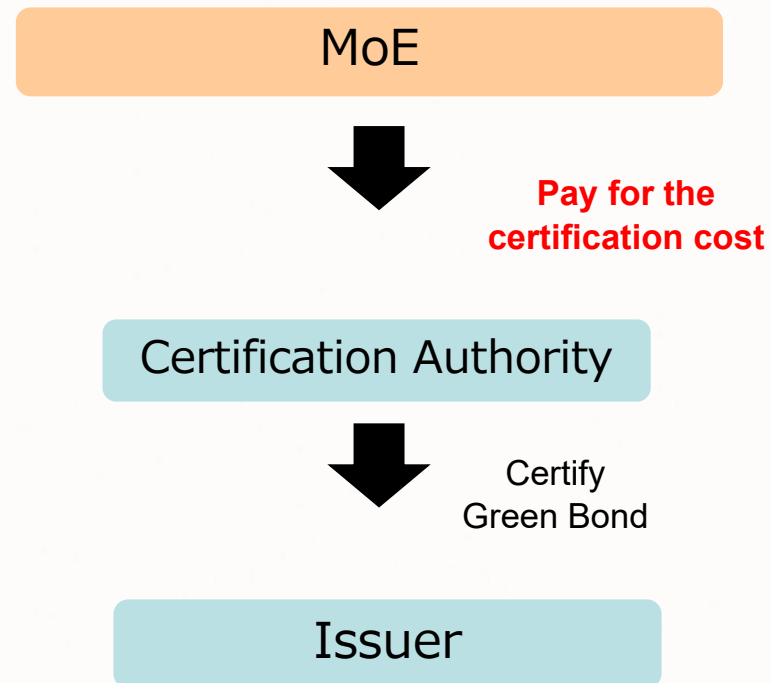
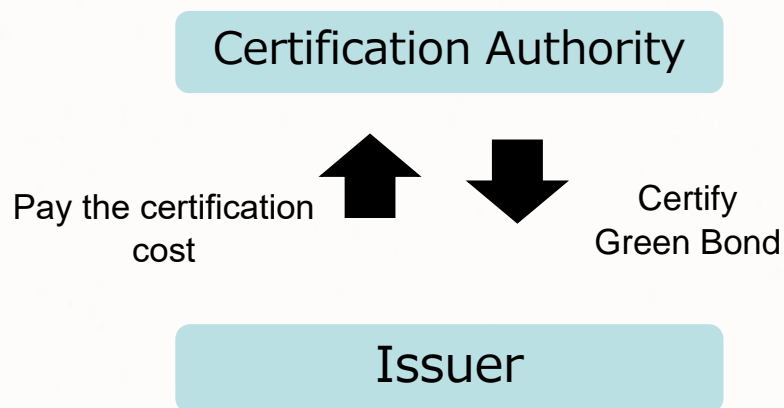
Procedure	2018																								2019	
	May			June			July			August			September			October			November			December			January	
	First	Mid	Last	First	Mid	Last	First	Mid	Last	First	Mid	Last	First	Mid	Last	First	Mid	Last	First	Mid	Last	First	Mid	Last	First	
Pilot Project	Meeting with Ministry of Environment										Submit Application								Approval		Public Announcement				Launched JHF Green Bond	
Supervisory Ministry										Explanation																
Internal matter										Meeting with relevant departments			Board Meeting													
Preparation for issuance																								<ul style="list-style-type: none"> Revising Documents Meeting with Securities company 		
Publicity Relations																								<ul style="list-style-type: none"> Press Release Taking Interview 		
Investor Relations																								Visiting Investors		

Benefit of Pilot Project for Green Bond

◆Regular Green Bond

vs

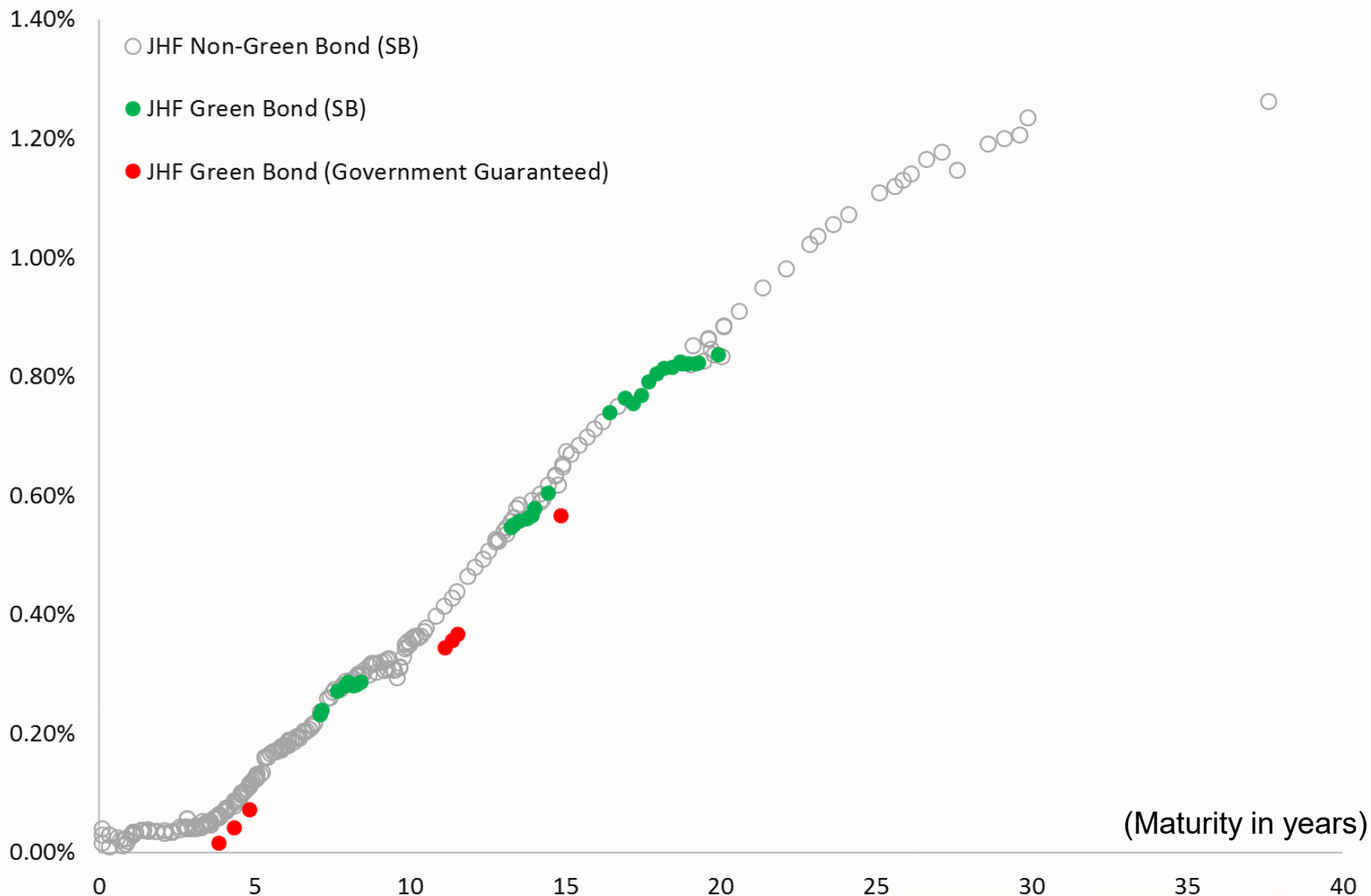
◆Pilot Project for Green Bond



Acquire certification at no cost by utilizing Pilot Project of MoE

Yield Curve of JHF Straight Bond (as of August 22, 2022)

Reference Statistical Prices [Yields] for OTC Bond Transactions



Communication from the public - Post issuance of JHF Green Bond

- Various investors have announced externally that they invested in JHF Green Bond.

◆ Representative investors

【Life Insurance Companies】

Dai-ichi Life Insurance Co., Ltd.

【Major Commercial Banks】

- MUFG Bank, Ltd.
- Mizuho Bank, Ltd.
- ORIX Bank Corporation

【Central Public Institutions】

- Japan Post Insurance Co., Ltd.
- Environmental Restoration and Conservation Agency (ERCA)

【Other Sector】

Regional Banks, Credit Unions,
Regional Public Institutions, etc

<Investment statement by MUFG Bank, Ltd>

MUFG Bank, Ltd.
A member of MUFG, a global financial group

MUFG Bank to Invest in Japan Housing Finance Agency's Green Bond

Tokyo, September 10, 2019 --- MUFG Bank today announced its decision to invest in Japan Housing Finance Agency's (JHF) Bond No.271 (the Bond), a green bond.

JHF provides "Flat35^[1] S", a reduced interest rate applied for a certain period, to customers purchasing high-quality housing that includes energy saving, earthquake resistance, or other features. Funds raised by the Bond will be used to acquire receivables of mortgages for superior energy-efficient houses.

A JHF green bond issued in January 2019 was adopted as a pilot project in compliance with the Ministry of the Environment's FY2018 Green Bond Guidelines, and has also been verified to be in alignment with the Ministry's 2017 Green Bond Guidelines. The Bond will be issued under the same framework as the January 2019 green bond.

Through this investment, MUFG Bank will promote the spread of high-quality housing, contributing to the realization of a sustainable society as a responsible institutional investor.

About JHF's Green Bond

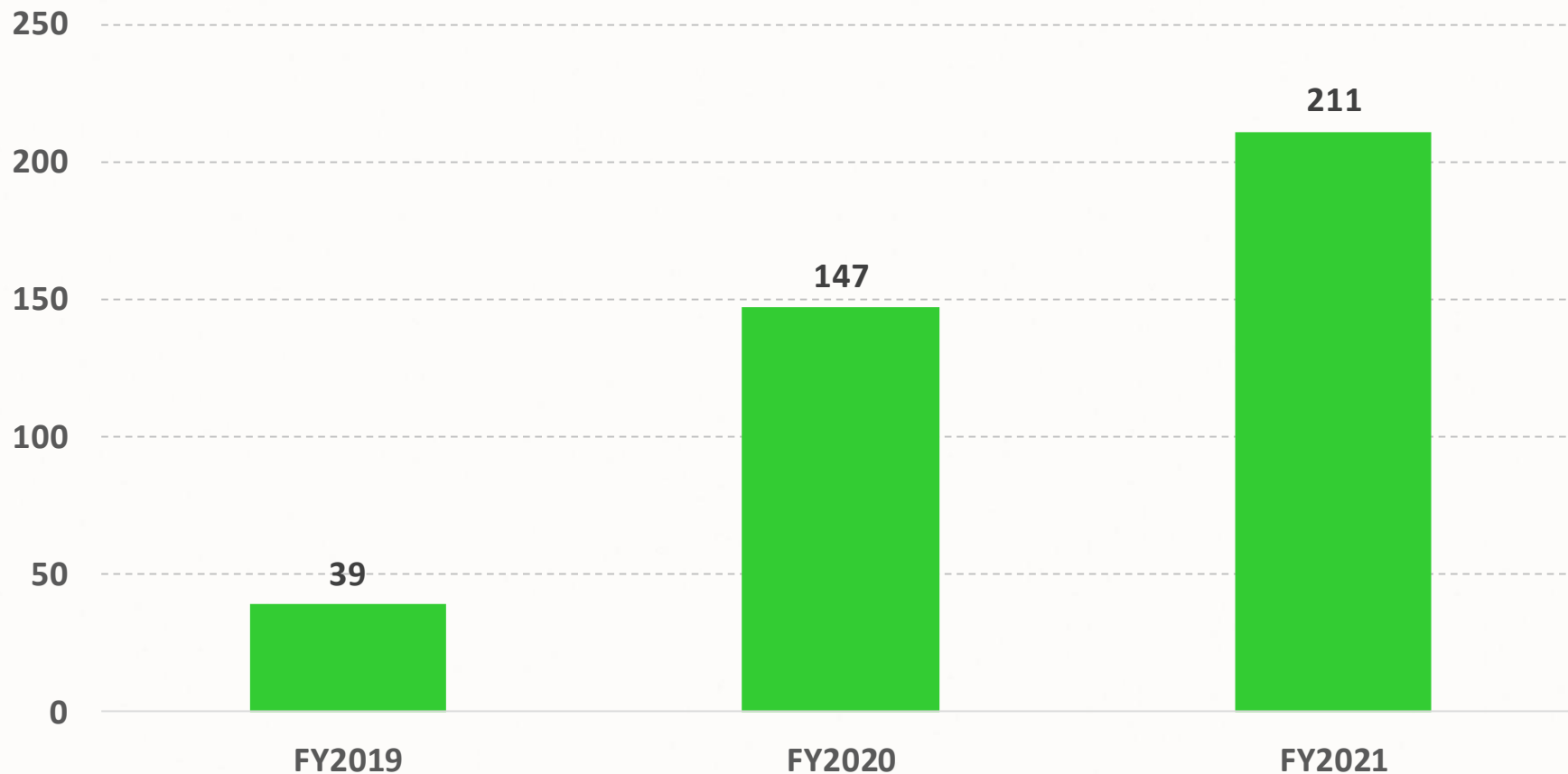
Issue	Japan Housing Finance Agency's Bond No.271
Maturity period	10 years
Issue amount	20 billion yen
Issue date	September 18, 2019

[1] "Flat 35" is a fixed interest rate mortgage that JHF offers in collaboration with private financial institutions.

- End -

The number of investors declared investment in green bond issued by JHF

- The number of investors declared investment in JHF Green Bond and Government Guaranteed JHF Green Bond has been steadily increasing.





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住宅金融支援機構
