



住宅金融支援機構

Japan Housing Finance Agency

(Former GHLC)

Disclosure Booklet
2010

Disclosure

Contents



住宅金融支援機構 Japan Housing Finance Agency (Former GHLC)

1. This Booklet is a disclosure material (explanatory material related to the operational and financial situations) prepared based on the "Law related to public disclosure of information held by incorporated administrative agencies" (Law No. 140, 2001).

2 Explanatory notes

(1) Rounding of figures

Amounts are rounded to the nearest unit. Percentages (%) are rounded off at the second decimal point in principle. Components do not sum to the totals because of rounding.

(2) Indication method

Items with values less than a unit are indicated as "0" while items with no statistical figures are indicated as "-."

3. Information on JHF, including those in this booklet, is available on its 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.

Message from the President	
Management concept	2
Management Policy	3
Outline of the Plan for FY 2010	4
Performance Evaluation	5
Corporate Governance	6
● Internal governance	6
● Compliance	7
● Risk Management	8
● Business Continuity Plan	11
● Privacy Policy	12
● CS promotion	13
● Disclosure	14
Details and Features of Line of Business ...	15
● Business Summary	15
● Business Structure and Funding	16
● Securitization Business	19
● Housing Loan Insurance Business	26
● Housing information providing business ...	27
● Loan Origination Business	28
● Operation of group credit life insurance (mutual relief) ...	30
● Technical Assessment	31
● Management of Outstanding Loans	33
● Research and survey on housing finance ...	35
● Measures related to Economic Stimulus Packages of GOJ	36
Efforts to Address Environmental Problems, etc. ...	37
Business Status	39
● Major Management Index	39
● Situation of Risk-Monitored Loans	40
Financial data	
Status of Business Execution	42
● Business Plan and Actual Performance ...	42
● Result of Funding Activities	44
● Outstanding Balance of Purchased Loans, etc. ...	45
Financial Statements	46
● Overall Agency	46
● Securitization Support Account	51
● Housing Loan Insurance Account	55
● Account for Loans for Property Accumulation Saving Scheme-tied Houses ...	59
● Housing Loan Account	63
● Outstanding Loan Management Account ...	67
● Details	71
Risk-monitored Loans	76
Policy cost analysis	78
Efforts for Management Restructuring ...	80
Outline of the Review of Procurement	81
Executive Compensation and Salaries of Employees ...	82
Corporate Data	87
● History of GHLC and JHF	87
● Roles former GHLC has played	87
● Executives and Organization Chart	88
● Location of Head Office and Regional Offices	89

Message from the President



Three years have passed since the Japan Housing Finance Agency (JHF), an incorporated administrative agency, was established in April 2007.

In April 2006, when the JHF was still called the Government Housing Loan Corporation (GHLC), it set the following 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.”

In line with this concept, various measures have been promoted under a transparent management system, including the improvement of product features of the “Flat 35,” fixed rate mortgages. We also implemented cost reductions and productivity improvements through drastic reconstruction of the IT system and the streamlining of the organizational structure, as well as improvements in the risk management system and compliance.

Last year, as part of the “Emergency Economic Countermeasures for Future Growth and Security” program by the national government, the interest-rate reduction for “Flat 35S” was expanded, prompting acquisition of high quality houses. We are committed to improve the nation’s living environment through housing finance.

As this year marks the fourth year of the first medium-term plan, which runs from FY 2007 to 2011, we consider it a very important time for ensuring the achievement of our targets. In FY 2009, a single-year balance of payments surplus of 1.2 billion yen was posted in accounts other than the outstanding loan management account (legacy assets inherited from GHLC, except for accounts related to the succession of the defunct Housing Loan Guarantee Association), which was one of the important goals in the medium-term plan. We will continuously work hard to improve the single-year balance of the outstanding loan management account not to depend on government subsidies soon.

The global economy is facing significant change. We will strive to meet the persistent need of the Japanese people for long-term fixed-rate mortgages, and contribute to the promotion of durable housing, the reduction of carbon dioxide emissions and the expansion of Japan’s RMBS (residential mortgage-backed securities) market. We also intend to provide workout plans for customers who seek consultation on existing mortgage terms. All our executives and staff are committed to make steady efforts toward new growth for the Japanese economy and meet the expectations of customers, accredited financial institutions, the housing industry and related organizations.

We appreciate your continuing support.

July 2010
Seiichi Shimada
President
Japan Housing Finance Agency

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.

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 information to public to enhance financial literacy and knowledge on good quality houses that meet the changing environment regarding living standard of Japanese people. 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: 697.655 billion yen

(estimation for the end of FY 2010*, fully paid in by the government)

*A value reflecting a redemption to the national coffin of 230 billion yen after reviewing the implementation of the first supplementary budget for FY 2009 and the budget for FY 2010

Number of directors and employees: 955 (as of April 1, 2010)

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

34.2318 trillion yen (as of March 31, 2010)

(of which 4.54 trillion yen represents mortgages purchased through secondary market operation and 30.137 trillion yen represents loans originated by GHLC and JHF)



Logo concept

Pillars supporting a roof are represented by the letters J, H and F. The line representing the ground is intended to create an uplifting feeling, and the sphere symbolizes security and expanse. The green color represents growth and vitality. The logo symbolizes the fusion between the JHF and the world of housing.

※ JHF is an abbreviation of Japan Housing Finance Agency.

Management Policy

I. Goal of the JHF

- Mission of the Japan Housing Finance Agency
 - The most significant mission of the Japan Housing Finance agency (the “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, the 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 the JHF.
- Compliance and execution of social responsibility
 - The 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 the JHF

1. Basic concept of reform

- Improvement of productivity
 - The JHF will fundamentally review its business by BPR (Business Process Reengineering) to achieve efficient business operation through increased productivity.
 - The 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
 - The 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. The JHF will change its traditional passive corporate culture to positive and active one.

2. Strategic implementation of business

- Securitization business
 - The 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. The 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

- The 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 non-performing loans.
- Ancillary businesses for policy measures
 - The 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, the 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, the 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
 - The 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, the 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
 - The 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
 - The 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. The 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.

Outline of the Plan for FY 2010

Under the provisions in Article 31, paragraph (1) of the Law for General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999), upon the approval of the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Finance, JHF produced an "Action Plan," which covers yearly business operations from April 1, 2007, to March 31, 2012, based on their mid-term targets (Mid-Term Plan). The following specifies the details of what needs to be worked on in fiscal 2010.

I. Measures to achieve objectives related to the efficiency of business operations

1. Efficiency in organizational operation
2. Reduction in general and administrative expenses, etc.
3. Optimization of operations and systems
4. Propriety of bidding and contracts
5. Inspection of operations
6. Proactive information disclosure

II. Measures to achieve objectives for quality enhancement in services or other operations provided to the public

1. Securitization
2. Housing loan insurance services
3. Housing related information and consultation
4. Loan origination
5. Group credit life insurance, etc.

III. Budget (including estimated personnel expenses), plan for balance of payments and funding

1. Improvement in balance of payments
2. Reduction in losses forwarded
3. Thorough risk management

IV. Maximum short-term borrowing

V. Plan of transferring of, or offering as collateral of important assets, if any

VI. Investment of surplus

VII. Other particulars with regard to business operation regulated by the competent ministerial ordinance

1. Plan for facilities and equipment
2. Plan for human resources
3. Allocation of reserves

Performance Evaluation

The JHF's performance results for each fiscal year are evaluated by the Evaluation Committee for Independent Administrative Agencies (established within both the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Finance) under the provisions of Article 32, paragraph (1) of the Law for General Rules for Incorporated Administrative Agencies (Law 103 of 1999).

In each Evaluation Committee for Independent Administrative Agencies, JHF Sub-committees are established where items related to the evaluation of the JHF are handled.

1. Matters to be decided by the Evaluation Committee for Independent Administrative Agencies (not assigned to the Sub-committees)

(1) Evaluation of performance results

- Evaluation of performance results related to the mid-term targets
- Recommendation to improve the performance, etc. to the relevant independent administrative agencies according to the evaluation results of the mid-term targets (if applicable)

(2) Opinions to competent ministers

- Offer of opinions when considering agencies' operation and organizational status at the time of ending the mid-term target period by the competent minister

2. Matters delegated to JHF Sub-committee

(1) Evaluation of performance results

- Evaluation of performance results at every fiscal year
- Recommendation to improve the performance, etc. to the relevant independent administrative agencies according to the evaluation results of performance results at every fiscal year (if applicable)
- Decision of rate considering performance results related to the retirement allowance of directors

(2) Opinions to competent ministers

- Offer of opinions when planning or changing the mid-term target
- Offer of opinions when permitting and changing permission of the mid-term target
- Offer of opinions when permitting operational guidelines
- Offer of opinions when approving the financial statements
- Providing opinions when approving other financial and accounting matters, etc.

※Reports on JHF activities, etc., which were submitted to the Evaluation Committee for Independent Administrative Agencies, are posted on the JHF website: <http://www.jhf.go.jp/about/kikou/plan.html>

Corporate Governance

Internal governance

JHF declares a fundamental policy of internal governance for the development of the internal governance system as a way to ensure proper proceedings of its business. It will continue examining the development of internal governance system and will revise the policy if necessary.

JHF internal governance policy (essence)

1. Establish a system that ensures all executive and staff members undertake their jobs in compliance with the laws, rules and regulations.
2. Establish a system that protects our customers and matters on recording and management of information related to execution of business by executive and staff members.
3. Establish internal regulations and other systems concerning the management of risk of incurring loss.
4. Establish a system that ensures all executive and staff members undertake their jobs efficiently.
5. Establish a system regarding assistants, if any, for auditors and their independence from the governor.
6. Establish a system for executive and staff members to report to the auditors and a system for other reports to the auditors.
7. Establish a system that ensures auditors undertake their jobs effectively.

As an independent administrative agency, the JHF undertakes operations with an awareness of its basic mission and social responsibility, and with knowledge of high ethical views. For this reason, reinforcement of corporate governance matters is positioned as an important management issue.

More specifically, positioning of the Board Meeting and other committees, as well as their roles, basic regulations and others are made clear and operations conducted accordingly. In addition, a compliance charter is prescribed for more thorough compliance subsumed in corporate ethics.

Systems have also been built that enable management of the various risks that arise in the course of business.

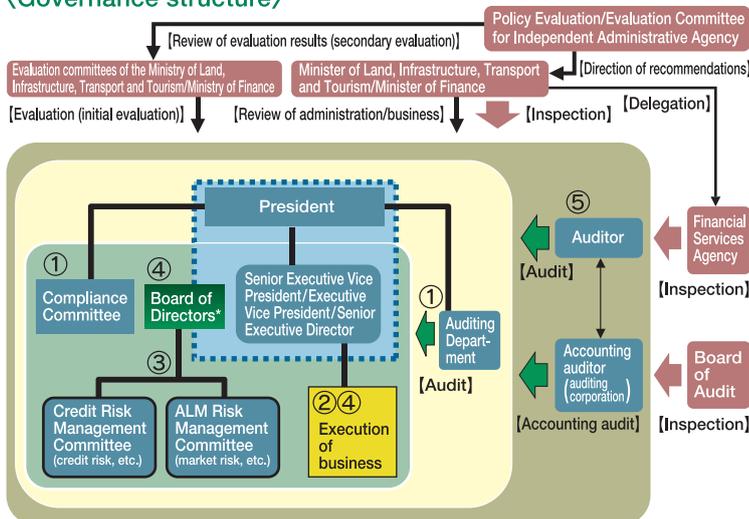
In the Audit Department independent from other sections, on-the-spot audits of the head office and

branches are conducted periodically, to ensure fair and appropriate work operation in accordance with laws, regulations and the like.

Further, given the increasing importance of corporate governance, Auditors investigate the followings: situations of deepening and diffusion of the management concept, management policy and compliance; the JHF's business risk control arrangements and overall risk management; screening and decision making processes in the Board Meeting and other committees; and preparation and operation of the corporate governance system.

The business results of the JHF are to be evaluated by the Evaluation Committee for Independent Administrative Agency.

<Governance structure>



- ① System to ensure compliance with laws, etc. by undertaking all jobs properly
Establishment of a compliance charter, improvement of the compliance promotion system, implementation of internal audit, etc.
- ② Management system for customer protection and storage/management system for information related to the undertaking of jobs
Improvement of the management system for customer protection, establishment of rules on information security, document management, etc.
- ③ System to manage the risk of loss
Improvement of the risk management system, including identification of risks and establishment of risk management committees, improvement of emergency measures, etc.
- ④ System to ensure the efficiency of job execution
Development of rules on administrative authority and decision making, establishment of the Board of Directors, quarterly inspection of annual plans, establishment of a CIO, etc.
- ⑤ System to ensure the independence of employees working under auditors, cooperation with auditors, coordination with the Internal Auditing Department and accounting auditor, etc.

* The Board of Directors consists of the President, Senior Executive Vice President, Acting President, Directors and Auditors.

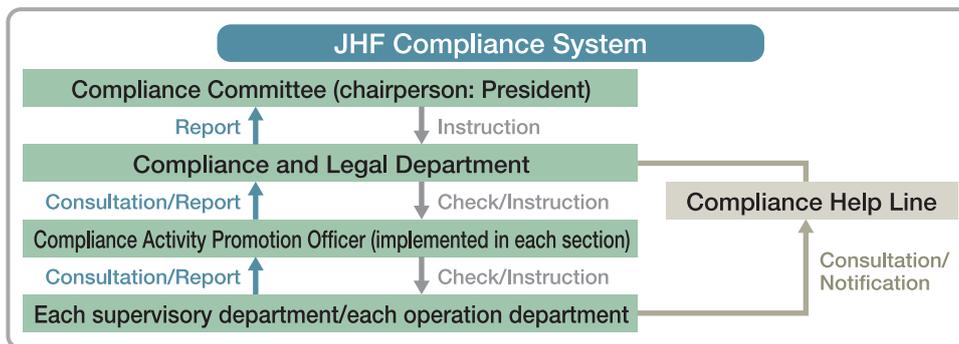
Compliance

Arrangements for compliance

In order to reliably implement compliance, the JHF has set up the Compliance Committee (chairperson is President) comprising of 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 managing compliance, along with

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

Furthermore, in order to prevent violating compliance in the JHF in advance, a compliance help line has been set up in and outside the Compliance and Legal Department.



JHF provides all executive 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.

Fostering awareness of compliance

The JHF has laid down the Compliance Charter as a basic principle of compliance.

The JHF is also making every effort to enhance awareness of compliance among staff; we have developed a compliance manual organizing the laws, regulations, rules and social requirements pertaining to

compliance for distribution to all directors and employees, and we also carry out a compliance program for implementing a plan for compliance every fiscal year to provide education and training for all directors and employees on a regular basis, and offer information on compliance through the Intranet.

The Compliance Charter

1. We will comply with laws, rules and regulations as well as social norms, and attempt to undertake all jobs properly in a bid to ensure public confidence.
 - (1) Compliance with applicable laws, rules and regulations as well as socially established good standards of behavior
 - (2) Disclosure of information with willingness and impartiality
 - (3) Protection of information in a manner that prevents any leakage
 - (4) Confrontation against any anti-social parties
2. We will do our utmost to pursue customer confidence and satisfaction.
 - (1) Extending comprehensive housing loan services
 - (2) Providing information required to improve the housing environment
 - (3) Explaining matters to customers until they are satisfied
 - (4) Responding to customers in good faith
3. We will respect the personality of each and every executive and staff member and endeavor to secure workplace where he or she can comfortably work.
 - (1) Respect for the personality and character of each individual
 - (2) Set up of a workplace that can facilitate day-to-day jobs

Risk Management

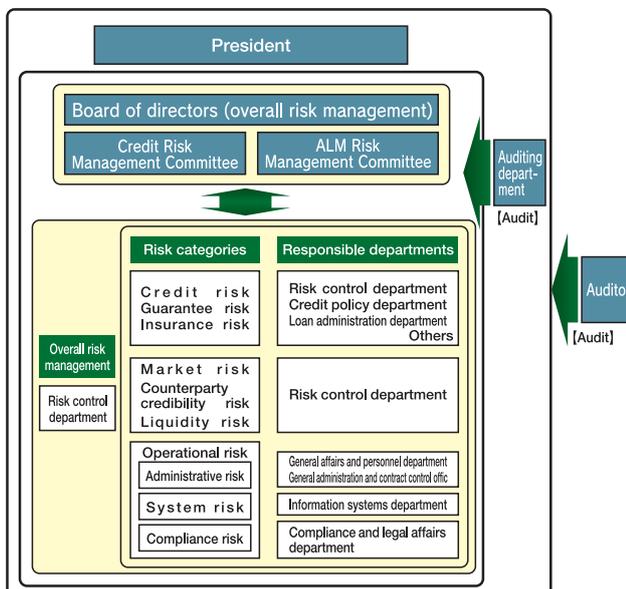
In order to properly manage business and gain the understanding and trust of the general public, JHF is maintaining its system that manages various risks that arise in day-to-day business.

Toward this end, JHF has set up and implemented the Risk Management Manual and the Risk Management Implementing Procedures. The manual stipulates the purpose of risk management, identified and defines individual risks, specifies the risk management framework and methods, and mandates risk management auditing. The implementing procedures spell out specific methods applicable to the management of individual risks. The manual and the procedures require JHF to manage those risks based on an in-depth understanding of their properties. JHF is also required to manage all risks comprehensively and keep them under evaluation of possible effects on its business and social status.

Risk management system

JHF classifies risks into seven categories: credit risks, guarantee risks, insurance risks, market risks, counterparty credibility risks, liquidity risks, and operational risks. In the event of a notable change in the economy, JHF may define new categories of risks that should be managed in addition to those in the conventional categories. To manage these risks both in quantity and in quality, JHF has appointed an executive and a department to deal with each category of risks, and runs a committee to support them. For example, the credit risk management committee examines credit risks, guarantee risks and insurance risks. In parallel, the ALM risk management committee deals with market risks, counterparty credibility risks and liquidity risks. Each committee monitors risks in its territory and discusses plans and proposals concerning the management of those risks. JHF holds a specific executive and department responsible for the total management of all categories of risks. The executive and department follow and evaluate the assessment and management of individual risks and report to the board of executives regularly.

〈Risk management flow〉



Credit risk

This is a risk that can cause losses to JHF with JHF-held asset values depreciating or vanishing due to a decline in the credibility of debtors. Long-term housing loans account for a large part of the JHF assets. JHF recognizes that buying debts or extending credit can affect its business negatively in the long term. To avoid such risks, JHF checks, analyzes and manages credit risks when it buys debts or extend credit, and when it manage debts owed to it.

● Examination of actual and potential debtors

JHF examines debtors when it considers buying their debts and scrutinizes potential debtors when it plans to extend credit, in accordance with the internal checking criteria and procedures.

● Internal asset auditing

JHF manages credit risks resulting from credit it has extended and discloses balance sheets according to the government accounting criteria. Against this backdrop, JHF audits its assets based on its self-audit procedures that comply with the Finance Inspection Manual of the Financial Services Agency. JHF classifies its assets in accordance with the possibility of loans ending up unpaid and of property values falling. It subsequently calculates necessary reserves for non-performing loans by using an expected loss ratio based on past records.

● Credit extension portfolio management

JHF evaluates the overall risk resulting from all debts owed to it and locates individual risks accurately. To this end, it monitors the debts by what it calls the credit extension portfolio management system. Starting with its findings, JHF analyzes housing loan statistics, estimates probable losses in the future, and rethinks required credit risk premiums. To strengthen its management of credit risk, JHF explores ways to quantify the overall risk in the credit extension portfolio management system.

Guarantee risk

Guarantee risk is a risk that can cause unexpected losses to JHF since the occurrence of guarantee accidents goes beyond expectations that constitutes the basis of the calculation of guarantee fees. JHF extends guarantees for debts as part of its assistance with the securitization of debts. When doing so, however, JHF examines applications meticulously in an attempt to grasp, analyze and manage the overall guarantee risk.

Insurance risk

Insurance risk is a risk that can cause unexpected losses to JHF since the occurrence of insurance accidents goes beyond expectations that constitutes the basis of the calculation of guarantee fees. JHF extends insurance against non-performing housing loans. When doing so, however, JHF examines applications meticulously and monitors the debts in the credit extension portfolio management system so as to grasp, analyze and manage the overall guarantee risk systematically.

Market risk

Market risk is a risk that can cause losses to JHF due to financial ups and downs attributable to fluctuations in interest rates and other volatile factors. Since housing loans are its major assets, JHF is faced with prepayment risk and refunding risk.

● Prepayment risk

Prepayment risk is a risk that can reduce revenues from loan repayment interest rates due to an increase in repayments prior to deadlines. This can happen when interest rates are cut. JHF estimates an increase in repayments based on established prepayment models, securitizes the debts, and issues bonds spanning varying periods.

● Refunding risk

Refunding risk is a risk that can reduce revenues from loan repayment interest rates due to an increase in rates on borrowings. JHF focuses its attention on cash flow gaps between assets and liabilities and monitors duration and other risk indicators so as to properly manage risk.

● Pipeline risk

Pipeline risk is a risk that can change profits and losses due to a shift in interest rates between the buying of housing loans and the issuing of bonds. JHF exercises interest rate swaps that are limited to the purpose of hedging risks in its assistance with debt securitization.

Reference

The following is the duration of securitization assistance accounts and outstanding credit management accounts as of the end of FY 2009.

- Securitization assistance accounts: (assets) 7.29 years and (liabilities) 7.16 years
- Outstanding credit management accounts: (assets) 5.99 years and (liabilities) 4.83 years

Counterparty credibility risk

Counterparty credibility risk is a risk that can cause losses to JHF when asset values of a counterparty, in which JHF invests excess money, drop or are lost. This can happen when the party runs into financial difficulties. When investing excess cash, however, JHF customarily attempts to select government bonds, municipal bonds, and government-guaranteed bonds for the sake of safety. As to currency interest-rate swap transactions, JHF checks price ranges of the relevant currencies in an effort to keep such transactions under control.

Liquidity risk

Liquidity risk is a risk that can cause losses to the JHF due to uncertain liquidity of funds. This happens when the JHF cannot secure funds because of financial difficulties, or when it is compelled to pay interest at far higher rates than usual simply to secure funds. It also happens when the JHF cannot stay on the market that is in turmoil, or when it has no choice but to continue business that imposes far unfavorable prices than normal. The JHF has set up short-term liquidity standards and other cash management indicators and is monitoring it regularly. In addition, the JHF has established an adequate management system against liquidity crisis by securing financing measures such as emergency borrowing facilities, as well as a contingency funding plan to deal with situations that may adversely affect our liquidity positioning.

Operational risk

Operational risk is a risk that can cause losses to the JHF due to improper business processes, misconduct of any executive or staff member, a faulty information system and/or exogenous events, and includes administrative risk, system risk and compliance risk. The JHF collects realized risk events to understand the circumstances causing such risk events, analyzes the causes to formulate countermeasures and implements Risk & Control Self-Assessment (RCSA: self-assessment of risk inherent in operation and control against the risk for better operation), thereby strengthening the management system against operational risk. In addition, the JHF tries to measure the degree of

operational risk in numeric terms in accordance with a fundamental method specified in the Basel II criteria of the self-owned equity ratio.

● **Administrative risk**

Administrative risk is a risk that can cause losses to JHF when any executive or staff member fails to do his job as expected, causes an accident, or commits wrongdoing. To reduce the risk, JHF is revising its office work manual, improving office work, enhancing crosschecking between staff members, and educating them about better office work. Other efforts include organizing training sessions for staff members, encouraging voluntary inspections of office work, collecting and analyzing information on mistaken office work, and setting up countermeasures. Further, by discussing such efforts in the JHF's office work monitoring committee, it attempts to secure proper office work handling.

● **System risk**

System risk is a risk that can cause losses to JHF due to a failure, malfunction, defect or misuse of the information system. JHF classifies system risk according to the degree of significance and evaluates

each category to set up preventative measures. It also analyzes the efficacy of the developed countermeasures, explores a more secure system based on the information security regulations, checks and analyzes system failures and gets countermeasures into action. In preparation for serious failures, JHF enforces the crisis control manual, runs a backup center and organizes accident response drills.

● **Compliance risk**

Compliance risk is a risk that can cause losses to JHF due to unlawful acts, inappropriate contracts, and uncertainty of legal matters related to business deals. JHF strengthens internal regulations, scrutinizes draft contracts, and gets the legal affairs department to check the contents of all advertisements it plans to post. All these efforts aim to decrease compliance risk. The same department provides the executives with information on the enforcement and abolishment of the law and regulations, and court decisions that can affect JHF business. This course of action aims to prevent anyone in JHF from violating any law, rules and regulations.

Business Continuity Plan

The Business Continuity Plan (BCP) aims to sustain the continuation of priority operations even if we suffer from damages caused by a major disaster. At worst, even if such priority operations are suspended, we can contain the damage to the minimum by investing management resources based on previously analyzed business-influence rates and restoration priorities and by building a system for the early resumption of business.

From a public standpoint and to prevent a decline in service quality to the people, the JHF formulated its Business Continuity Plan in 2008 under the assumption of an inland earthquake hitting the Tokyo Metropolitan Region, aiming at the early resumption of important operations despite disaster-caused damages.

《Outline of the JHF Business Continuity Plan》

[Basic policies]

The JHF continues the operations from 1) to 3) outlined below while ensuring the safety of the lives of visitors, employees, etc. and preventing a secondary disaster, such as fires.

- 1) Operations whose suspension causes delay in legal procedures/contract fulfillment, resulting in a significant negative impact on business
- 2) Operations whose suspension has a significant negative impact on our customers and counterparties (housing-loan users, housing businesses, financial institutions, investors)
- 3) Operations whose suspension has a significant negative impact on our financials.

[Priority operations that should be continued]

The JHF's operations that should be continued preferentially are selected based on the estimated magnitude of the impact due to operational suspension (ranges from "minor" to "remarkably large") at regular intervals in accordance with time sequence of a possible disaster.

[Execution framework for business continuity]

In the event of a large scale disaster or emergency, a Disaster Headquarters shall be established immediately.

The disaster headquarters shall immediately determine policies for the deployment of human and physical resources and operational management to continue or restore priority operations.

[Education, training and review of the plan]

Briefing sessions for disaster headquarters personnel and desktop training regarding the establishment of the headquarters, operational training and priority operations are implemented to enhance the awareness among the employees to share the importance of business continuity even in ordinary business activities.

In addition, the JHF enhances its business continuity capacity by making a lasting improvement using the PDCA cycle to clarify problems through training, examine the problems, improve them and then renew the plan.

Privacy Policy

Recognizing the importance of protecting and adequately managing individuals' information in a highly-networked information society, JHF is aggressively and honestly making a commitment to comply with the Law on Protection of Personal Information Held by Incorporated Administrative Agencies (Law No. 59 of 2003) and other regulations as well as protect individuals' rights and welfare according to the privacy policy as follows:

Appropriate acquisition of personal information

The JHF appropriately acquires information related to customers without using unfair means or by fraud.

Purpose of using personal information

The JHF does not use any personal information in its possession beyond its stated purpose and limited to applications necessary for business operations.

Measures for security control

The JHF takes necessary and appropriate measures for security control of personal information in its possession, including the prevention of leakage, loss or damage, and the appropriate management of other personal information.

Duties of directors and employees

Those who are mentioned in (1) and (2) below shall not tell others about any matters regarding personal information gained through the operation of the JHF without permission, nor use such information for unreasonable purposes.

- (1) Directors and employees of the JHF or those who have engaged in such work.
- (2) Those who are or have been engaged in handling personal information under contract with the JHF.

Selecting and supervising consignees

When the JHF contracts out all or part of the operations handling of personal information, it develops criteria for judging whether consignees take adequate measures and the system was organized to ensure the security of personal information, and contracts out the consignees who meet the criteria. JHF also supervises the consignees if they are abiding by the consignment contract.

Restriction of provision of personal information to the third parties

The JHF does not provide private information to third parties except in specific cases.

Developing and disclosing the private information file registry

For the private information the JHF has on file, a private information file registry is developed according to the provisions of the Law on Protection of Personal Information Held by Incorporated

Disclosure, revision and stopping the use of private information

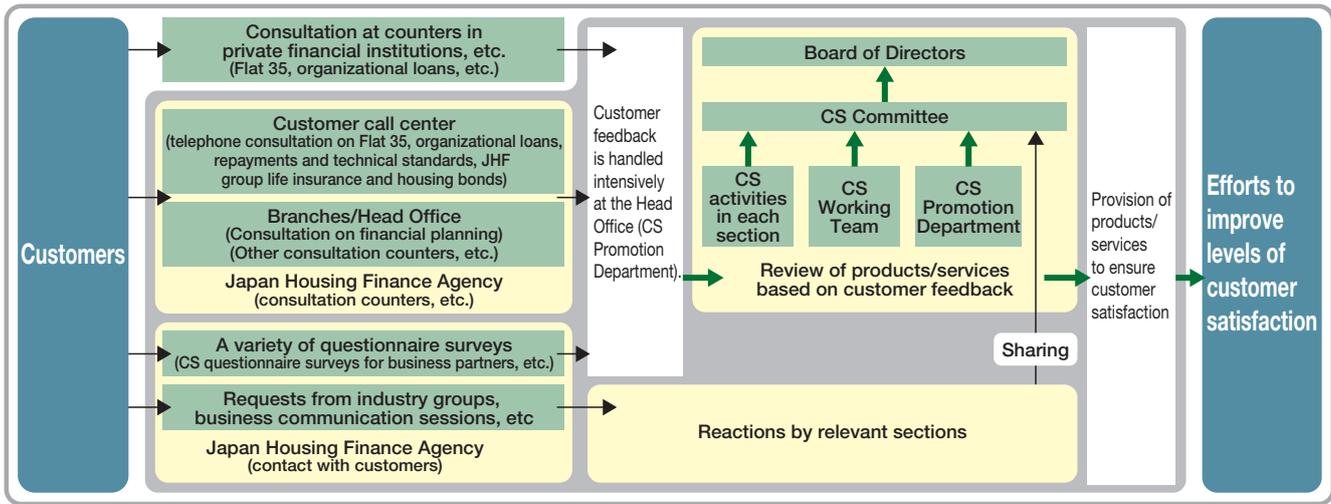
When a request is made to disclose, revise or stop the use of private information the JHF possesses, the JHF responds promptly unless there are particular reasons to do otherwise, after confirming that the person who made the requests is identical to our customer.

CS promotion

CS promotion system

In an effort to promote customer satisfaction (CS), the JHF runs a CS committee, made up of executives and relevant managers, as well as a CS working group, represented by young members engaged in CS activities across sectional boundaries. Further, it appoints a person in charge of CS activities in each section.

Feedback from customers collected through telephone counseling is analyzed intensively at the CS Promotion Department before being answered by the relevant section or reflected in service improvements and product development. CS promotion is implemented to provide products and services that ensure customer satisfaction.



CS action guidelines

JHF establishes and implements CS action guidelines for CS advancement as a code of conduct for each individual.

We aim to make JHF an organization that is appreciated by all its customers, and act in an attempt to win their confidence and satisfaction.

We offer financial products and services that best suit each individual customer need.

We provide comprehensive explanations to our customers so that they are completely satisfied.

We respond to our customer promptly in good faith, taking all their voices gratefully.

We always ask ourselves what we can do for our customers and act on it.

Efforts toward CS improvements

(1) Implementation of CS questionnaire surveys

In addition to customer feedback collected through telephone consultation, the JHF conducts CS questionnaire surveys of private financial/inspection institutions to which the JHF contracts out operations to collect comments and requests on the JHF's services, employees' manners, etc.

The results of the surveys are co-owned across the JHF through CS training for all employees and feedback to related sections, and agency-wide efforts are made to resolve problems causing significant customer dissatisfactions. For example, we received a complaint about differences among employees regarding manners, the JHF established unified rules on business manners

such as the first response (telling name) on the telephone conversations and how to handle customers at counters, and checks employees' achievement status on a regular basis to improve their manners.

(2) Efforts to raise employees' awareness of CS

The management continuously sends messages on CS improvements to all employees to enhance their awareness, and information on CS activities in respective sections is co-owned with all staff on the intranet.

These efforts help to enhance the CS awareness of employees at branch offices who have direct contact with customers as well as employees at the head office.

Disclosure

Information disclosure

The JHF accepts requests for information disclosure under the Law on Protection of Personal Information Held by Incorporated Administrative Agencies (Law No. 140 of 2001) at the window of the information disclosure and private information protection set at the Headquarters and branches across Japan. In compliance with the purpose of that law, the JHF is making a further commitment to the promotion of disclosure. In order to obtain the understanding of the people, the JHF discloses the details of its business, financial status, etc., as follows:

Materials	Place and manner of disclosure	Time of disclosure (scheduled)
Financial statements (statements of assets and liabilities, statements of profits and losses, documents on the dealing of profits and losses, documents on the calculation of cash flow, documents on the calculation of administrative service costs and relevant appendixes) 【Documents concerning the Housing Loan Agency】 Financial statements (income statement, balance sheet, inventory) Accompanying detailed statements Financial statements of administrative cost account (administrative cost account, balance sheet on GAAP base, income statement on GAAP base, cash flow statement, statement of appropriation of retained earning on GAAP base, accompanying detailed statements)	<ul style="list-style-type: none"> Published in the Official Gazette. Always prepared at each branch (*) 	July August
Report of settlements of accounts	<ul style="list-style-type: none"> Always prepared at each branch (*) 	August
Comments of the auditor and accounting auditor on the financial statements and final accounts reports 【Documents concerning the Housing Loan Agency】 Comments of the auditor on the financial statements and final accounts reports	<ul style="list-style-type: none"> Always prepared at each branch (*) 	August
Report on activities 【Documents concerning the Housing Loan Agency】 Report on activities	<ul style="list-style-type: none"> Always prepared at each branch (*) 	August
Business report	<ul style="list-style-type: none"> Always prepared at each branch 	August
Disclosure booklet (this document)	<ul style="list-style-type: none"> Always prepared at each branch 	August
Criteria for the payment of salaries and retirement benefits for directors and employees	<ul style="list-style-type: none"> Always prepared at each branch 	At every revision (modification)
Rules concerning the style of contracts	<ul style="list-style-type: none"> Always prepared at each branch 	At every revision (modification)
Method of calculating usage fees, commissions and other charges collected when applicable by law	<ul style="list-style-type: none"> Always prepared at each branch 	At every revision (modification)
Report on the evaluation of business	<ul style="list-style-type: none"> Always prepared at each branch 	September
Report on the evaluation of policies	<ul style="list-style-type: none"> Always prepared at each branch 	–
Report on the latest audit by the Board of Audit	<ul style="list-style-type: none"> Always prepared at each branch 	December
Issues related to associated organizations (what is stipulated in item 3, paragraph 1, article 22 of the law (Law Concerning Disclosure of Information Owned by Independent Organizations, Law No. 140 of 2001), the names of organizations, activities and relation with JHF, and significant business transactions with JHF, and the names and titles of the person who serve both JHF and any such agency as executives)	<ul style="list-style-type: none"> Always prepared at each branch 	August
Details of business, performance, outline of organization, state of finance, etc.	<ul style="list-style-type: none"> Website (http://www.jhf.go.jp) 	At every revision (modification)

Documents marked with (*) are compiled into single-volume booklets that go on sale at bookstores (with the exclusion of documents concerning the calculation of HLC administrative cost, the HLC final accounts reports, and the statements of auditors on such reports).

Details and Features of Line of Business

Business Summary

The JHF conducts the following business, including securitization.

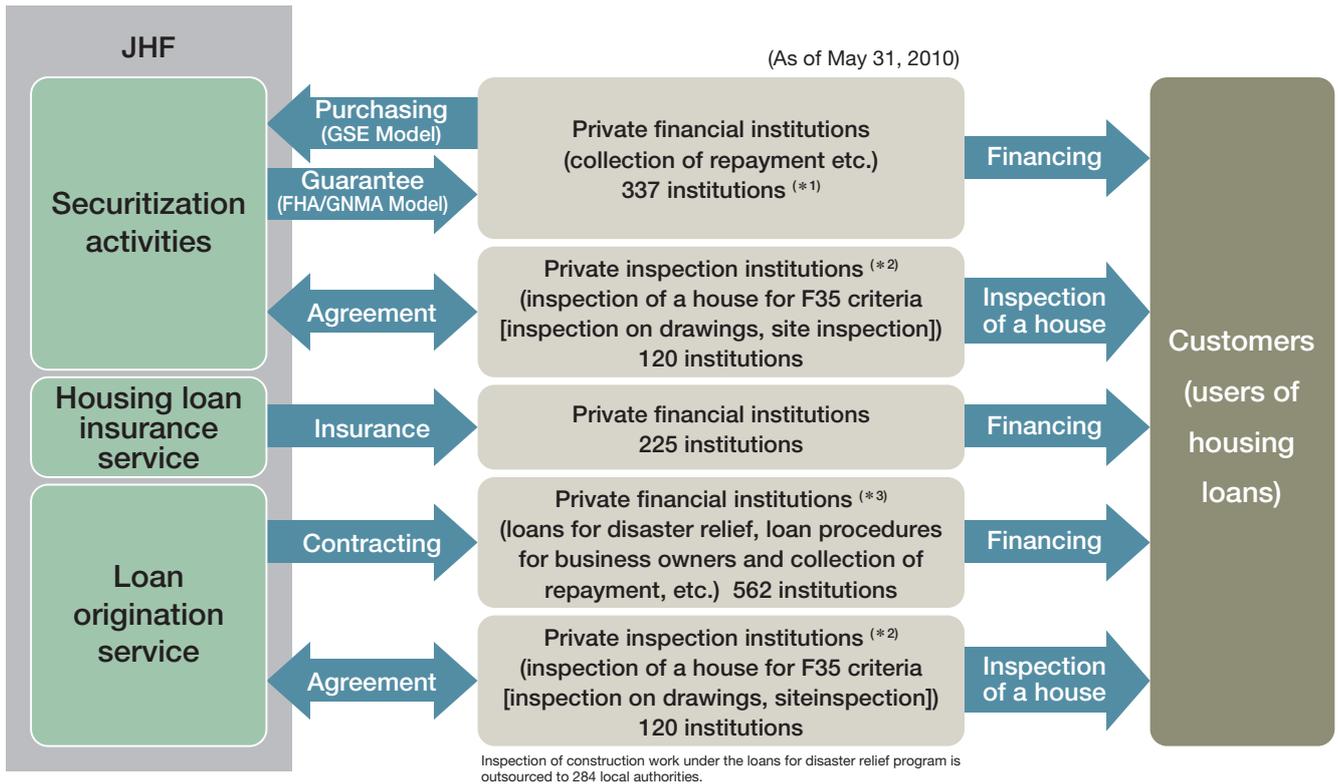
JHF not only supports private lenders by providing long-term fixed rate mortgages as our main service, but also provides loan origination services, insurance services and housing-related information to promote the smooth provision of private housing loans, loans for which societal demand is expected to grow and loans for areas that are difficult for private institutions to handle.

<p>Securiti- zation</p>	<p>Support private financial institutions to provide long-term and fixed interest rate housing loans</p> <p>GMS Model The JHF purchases long-term and fixed interest rate housing loans from private financial institutions and issues MBS (mortgage backed securities).</p> <p>FHA/GNMA Model The JHF insures long-term and fixed interest rate housing loans made by private financial institutions, and guarantees the timely payment of MBS backed by those loans.</p> <table border="1"> <thead> <tr> <th>Result for FY 2009</th> <th>Plan for FY 2010</th> </tr> </thead> <tbody> <tr> <td>○GMS Model 112.7 billion yen (51,461 houses)</td> <td>○GMS Model 1,280 billion yen (64,000 houses)</td> </tr> <tr> <td>○FHA/GNMA Model 17.7 billion yen (619 houses)</td> <td>○FHA/GNMA Model 20 billion yen (1,000 houses)</td> </tr> </tbody> </table>	Result for FY 2009	Plan for FY 2010	○GMS Model 112.7 billion yen (51,461 houses)	○GMS Model 1,280 billion yen (64,000 houses)	○FHA/GNMA Model 17.7 billion yen (619 houses)	○FHA/GNMA Model 20 billion yen (1,000 houses)	<p>Technical assess- ment Page 31</p>	<p>Housing information providing business Page 27</p>	<p>Page 19</p>		
Result for FY 2009	Plan for FY 2010											
○GMS Model 112.7 billion yen (51,461 houses)	○GMS Model 1,280 billion yen (64,000 houses)											
○FHA/GNMA Model 17.7 billion yen (619 houses)	○FHA/GNMA Model 20 billion yen (1,000 houses)											
<p>Housing loan insurance service</p>	<p>When housing loans made by private financial institutions become defaulted because of unexpected situations, the JHF pays the insurance to the private financial institutions under the insurance policy concluded in advance to support the stable supply of housing loans provided by private financial institutions.</p> <table border="1"> <thead> <tr> <th>Result for FY 2009</th> <th>Plan for FY 2010</th> </tr> </thead> <tbody> <tr> <td>○Insurance contract 236 institutions, 1,047.7 billion yen</td> <td>○Limit of insurance 600 billion yen</td> </tr> <tr> <td>○Insurance paid 21,659 cases, 446.8 billion yen</td> <td></td> </tr> <tr> <td>○Insurance continuing (as of the end of FY 2009) 103,733 cases, 1,943.1 billion yen</td> <td></td> </tr> </tbody> </table>	Result for FY 2009	Plan for FY 2010	○Insurance contract 236 institutions, 1,047.7 billion yen	○Limit of insurance 600 billion yen	○Insurance paid 21,659 cases, 446.8 billion yen		○Insurance continuing (as of the end of FY 2009) 103,733 cases, 1,943.1 billion yen			<p>Operation of group credit life insurance (mutual relief) Page 30</p>	<p>Page 26</p>
Result for FY 2009	Plan for FY 2010											
○Insurance contract 236 institutions, 1,047.7 billion yen	○Limit of insurance 600 billion yen											
○Insurance paid 21,659 cases, 446.8 billion yen												
○Insurance continuing (as of the end of FY 2009) 103,733 cases, 1,943.1 billion yen												
<p>Loan origination service</p>	<p>In an area such as loans for disaster relief, for which societal demand is expected to grow, and which are difficult for private financial institutions to handle, the JHF shall provide support for people to acquire housing by providing long-term fixed interest loans.</p> <table border="1"> <thead> <tr> <th>Result for FY 2009</th> <th>Plan for FY 2010</th> </tr> </thead> <tbody> <tr> <td>357.5 billion yen (38,905 houses)</td> <td>607.4 billion yen (45,500 houses)</td> </tr> </tbody> </table>	Result for FY 2009	Plan for FY 2010	357.5 billion yen (38,905 houses)	607.4 billion yen (45,500 houses)		<p>Management of outstanding Loans Page 33</p>	<p>Page 28</p>				
Result for FY 2009	Plan for FY 2010											
357.5 billion yen (38,905 houses)	607.4 billion yen (45,500 houses)											
		<p>Research and survey on housing finance Page 35</p>										

Business Structure and Funding

Business operation is efficiently performed through a network of related organizations.

By contracting out some operations to private financial institutions, private inspection institutions, local government units, etc., the JHF efficiently carries out business operations.



- * 1 The GSE Model and FHA/GNMA Model combined are outsourced to four institutions and the GSE Model alone is outsourced to 333 institutions.
- * 2 Private inspection institutions mean specified inspection institutions and registered housing performance evaluation institutions that conclude an agreement of conformance certificate services with the JHF. Architects who are registered in the Japan Association of Architectural Firms or the Japan Federation of Architects & Building Engineers Associations also perform conformance certificate inspections for existing houses or renovations.
- * 3 We contract out the recovery of credits having forfeited the benefit of time to 3 companies besides private financial institutions.

MBS (mortgage backed securities) are the major funding sources.

The JHF raises funds from the market mainly through the issuance of MBS (mortgage backed securities). The use of loans from the government is limited to the funds for loans for disaster mitigation, for which emergency measures should be taken.

Self-raised		
	Result for FY 2009	Initial plan for FY 2010
JHF bonds	2,045.9 billion yen	3,534.1 billion yen
(Government-backed bonds [3 years])	95 billion yen	-
(Mortgage backed securities)	1,696 billion yen	2,704 billion yen
(General collateral bonds)	225.9 billion yen	751 billion yen
(Condominium repair program)	29 billion yen	79.1 billion yen
JHF property accumulation savings scheme-tied housing bonds	81.1 billion yen	134.5 billion yen
JHF saving bonds for acquiring houses and house sites	61.8 billion yen	42.3 billion yen
Borrowings from private institutions	165.6 billion yen	160.5 billion yen

Fiscal Investment and Loan Program		
	Result for FY 2009	plan for FY 2010
Borrowing from Fiscal Investment and Loan Program	100 million yen	30 billion yen

General account		
	Result for FY 2009	plan for FY 2010
Subsidies and payment for various loans	1,027 billion yen	131.3 billion yen

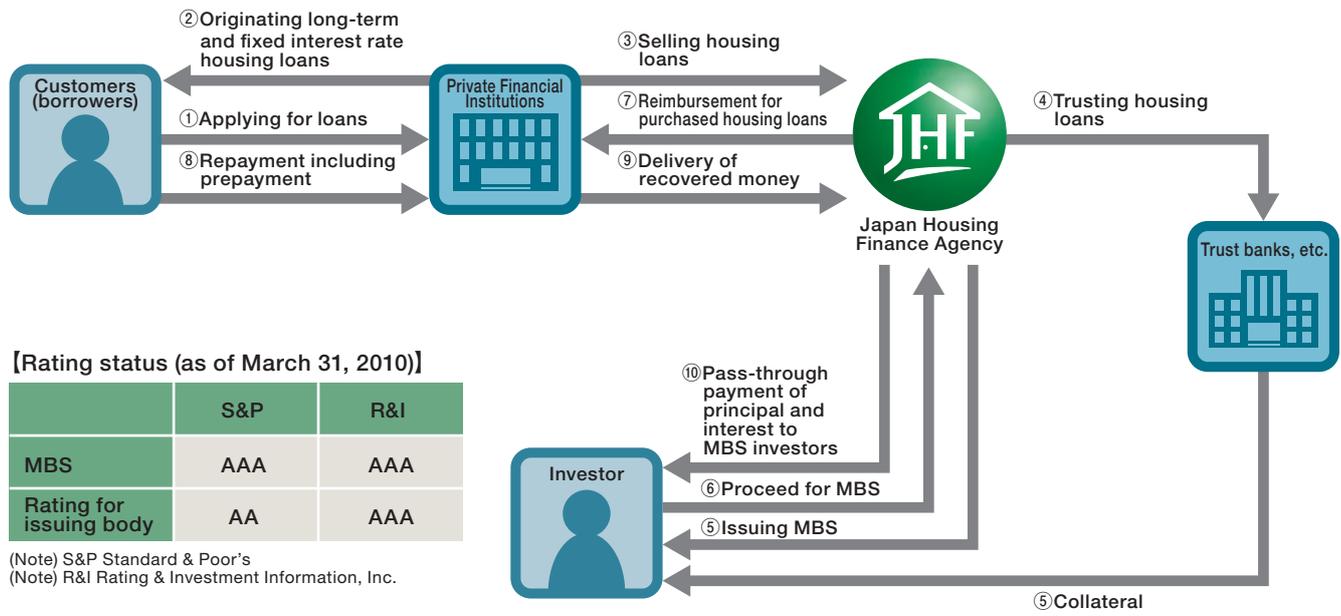
(Note) Of subsidies appropriated in FY2009, 230 billion yen shall be redeemed to the national treasury in FY 2010.

Repayment of borrowings, etc.		
	Result for FY 2009	plan for FY 2010
Collection of repayments for loans and purchased loans	5,345.9 billion yen △7,401.1 billion yen	4,565.6 billion yen △5,494.8 billion yen

Budget for the JHF		
	Result for FY 2009	Initial plan for FY 2010
Purchase of loans Lending	943.4 billion yen 382.9 billion yen	2,500 billion yen 603.3 billion yen

Commitment to MBS (mortgage backed securities)

With the objective of diversifying funding sources, the JHF carried out securitization of loans (issuance of MBS: mortgage backed securities) since March, 2001 prior to the reform of Fiscal and Investment Loans Program that began in FY 2001. The JHF started securitization activities (GSE model) in October, 2003, establishing a scheme for private financial institutions to stably provide long-term and fixed interest rate housing loans.



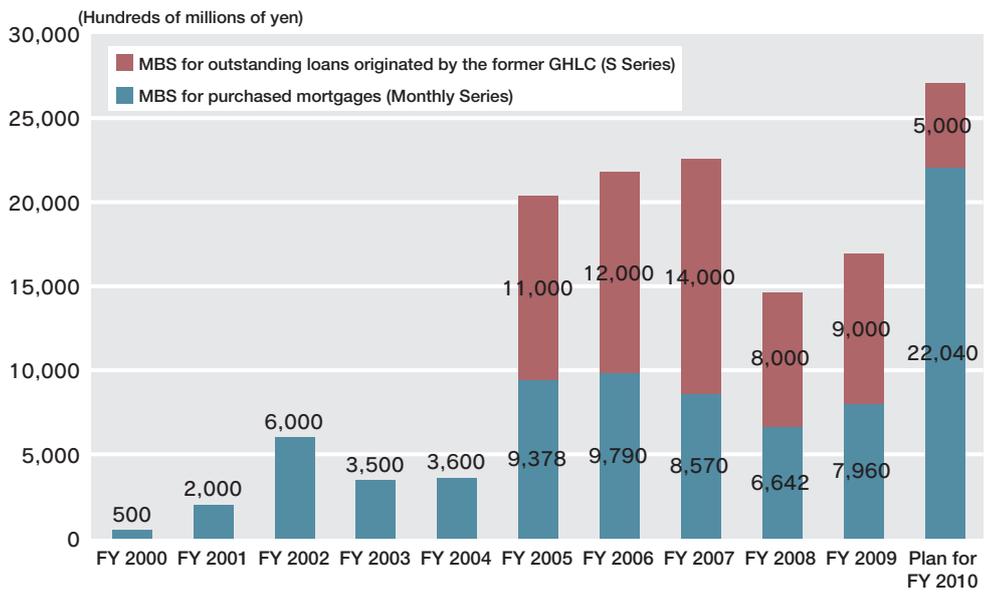
[Rating status (as of March 31, 2010)]

	S&P	R&I
MBS	AAA	AAA
Rating for issuing body	AA	AAA

(Note) S&P Standard & Poor's
(Note) R&I Rating & Investment Information, Inc.

MBS (mortgage backed securities) issuance results

The JHF securitizes purchased mortgages under the Flat 35 program (the GSE Model) and outstanding loans originated by the former GHLC. The MBS (mortgage backed securities) issuance amounts are as shown below.



Securitization Business

Support private financial institutions to provide Long-term and Fixed Interest Rate Housing Loans.

The JHF has implemented securitization business for private financial institutions to provide long-term fixed interest rate housing loans for which there is a persistent demand from people. The GSE Model and FHA/GNMA Model were launched in October 2003 and October 2004, respectively.

Housing loans provided through securitization business are collectively referred to as Flat 35.



- No need to worry about interest rate fluctuations
- No upfront guarantee fee or prepayment penalties
- JHF's technical criteria to support housing
- Counseling to prevent foreclosure

Long-term and fixed interest rate housing loans in cooperation with private financial institutions

【フラット35】

● Securitization Business (GSE Model) Flat 35

Scheme

The JHF purchases housing loans from private financial institutions and entrusts them to trust banks, etc. JHF issues MBS backed by this collateral and raises funds for housing loans from the bond market (i.e., from investors). (See the figure below).

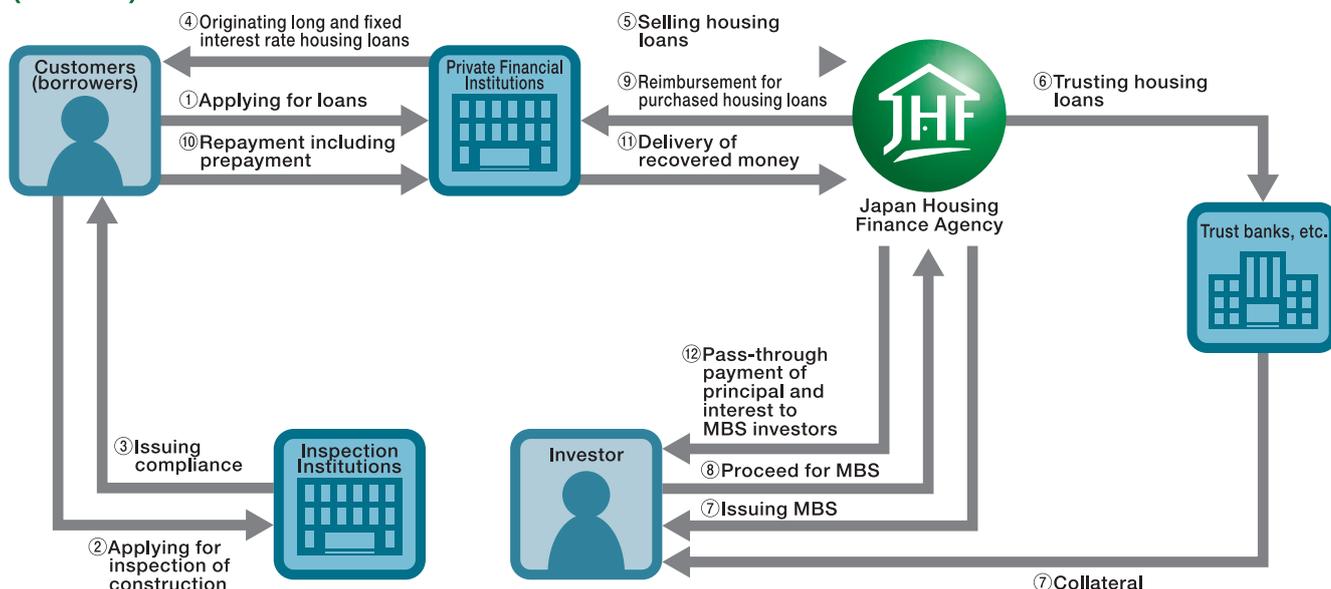
Using this system, private financial institutions can provide long-term and fixed interest rate housing loans.

Such housing loans must meet certain underwriting criteria set by the JHF, and are transferred to the JHF from private institutions when they are disbursed.

The interest rate on these loans is decided by individual private institutions based on the coupon on MBS, etc.

For details, visit the Flat 35 website (<http://www.flat35.com/>).

<Scheme>



Product outline of Flat 35 (GSE Model)

As of April 1, 2010

Qualifications for borrower	<ul style="list-style-type: none"> ● Be less than 70 years of age (if the two-generation loan repayment scheme is applied, this loan applies also to people aged 70 years and over). ● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status. ● Those whose repayments on all loans*, including Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined). <table border="1"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> * Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including income of the co-borrowers, if any). ● In the case that the house and its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership of the property <p>(Note 1) Income for the year before the year of application (between January and December 2009 in the case of FY 2010) shall be examined in principle. (Note 2) The number of applicants is limited to two people including a co-borrower.</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
	Annual income	Less than 4 million yen	4 million yen or more				
DTI	30% or less	35% or less					
Purpose of the loan	<ul style="list-style-type: none"> ● Construction/purchase of a new house or purchase of an existing house for owner-occupation by the applicant (including a second house) or relatives <p>(Note) This loan cannot be offered for reform of a house.</p>						
House covered by loan	<ul style="list-style-type: none"> ● Have a floor area*1 of 70 m² or more for a detached house, a terrace house style including semi-detached house and a flat style*2, or 30 m² or more for a condominium style, etc. * 1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.). * 2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house. ● Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax). ● Houses that satisfy the technical criteria etc. set by the JHF. ● No conditions on the size of land for the house 						
Amount of the loan	<ul style="list-style-type: none"> ● One to 80 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 100% or less (excluding construction costs for the non-residential space). 						
Duration of the loan	<ul style="list-style-type: none"> ● 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over*1,2 at the time the application is filed) or over, and whichever is shorter between 1) and 2) below (increment: 1 year) ① 80 years minus the age of the applicant at the time the application is filed*1,2 with the part of the period less than one year counted as one year. * 1 If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower. * 2 If the two-generation loan repayment scheme is applied, the loan term shall be based on the age of the successor regardless of any co-borrower. ② 35 years <p>(Note 1) The loan is not available if whichever shorter between 1) and 2) is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over). (Note 2) Customers who have selected a loan of 20 years or less cannot change the period to 21 years or more during the repayment period.</p>						
Borrowing rate	<ul style="list-style-type: none"> ● Fixed rate*1 ● The borrowing rate*2,3 applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years and over.*4 * 1 Under the support scheme for acquiring high-quality housing Flat 35S, the interest rate is reduced for a certain period. * 2 Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website(www.flat35.com). * 3 The interest rate applied is that on the date of disbursement, not of application. The disbursement date shall be determined by the financial institution. * 4 Some financial institutions offer the same borrowing rate regardless of the duration of the loan. 						
Amortization	<ul style="list-style-type: none"> ● Monthly principal and interest equal repayment or monthly principal equal repayment. ● Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen. 						
Collateral	<ul style="list-style-type: none"> ● The JHF holds a first-lien mortgage on the house and land to which the loan is extended. <p>(Note) Fees for closing the mortgage (registration license tax, compensation for an escrow agents, etc.) shall be paid by the borrower.</p>						
Surety	<ul style="list-style-type: none"> ● Not required. 						
Group credit life insurance	<ul style="list-style-type: none"> ● JHF credit life insurance can be taken out. It is not mandatory, but is strongly recommended to prepare for unexpected adverse events. <p>(Note) A special contract premium shall be paid by the customer.</p>						
Fire insurance	<ul style="list-style-type: none"> ● The property subject to the loan is insured against fire until the completion of repayment. The fire insurance must satisfy requirements prescribed by the JHF (including mutual fire insurance: same hereinafter). ● The insurance period and premium payment method vary by the financial institution offering the loan. ● The maturity date of the insurance policy shall be the day after the final repayment, the payment method shall be long-term lump-sum payment, and the JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits if the lien on the lot is not registered for agency. <p>(Note) A fire insurance premium shall be paid by the customer. The JHF's special fire insurance is not applicable.</p>						
Fees for the Origination of the loan Fees for the inspection of the property	<ul style="list-style-type: none"> ● Origination fees*1,2 may differ between financial institutions offering loans. ● Different institutions/experts that certify suitability impose different fees for inspecting properties*2. * 1 Information on origination fees is available at financial institutions and the Flat 35 website(www.flat35.com). * 2 Origination fees and property inspection fees shall be paid by the borrower. 						
Guarantee Fee and Prepayment penalty	<ul style="list-style-type: none"> ● Not required. <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or the JHF which purchases the loan.

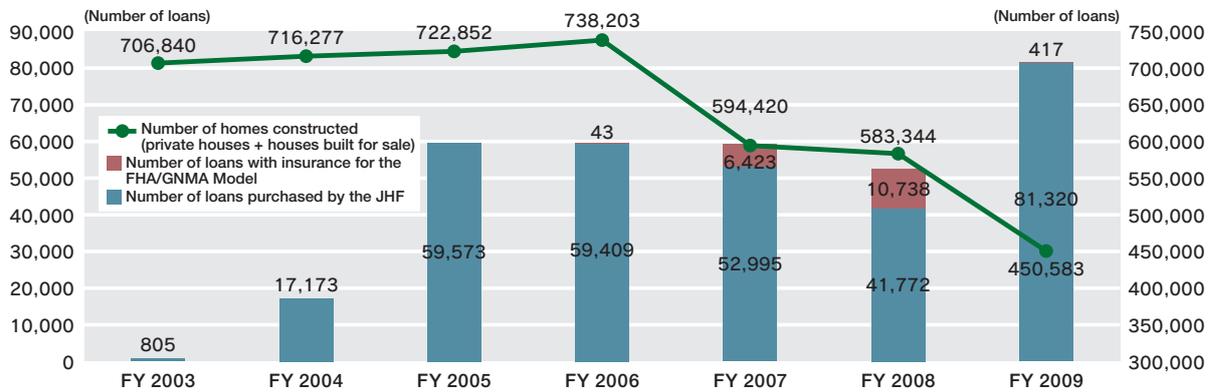
Product outline of Flat 35 (loan refinance)

As of April 1, 2010

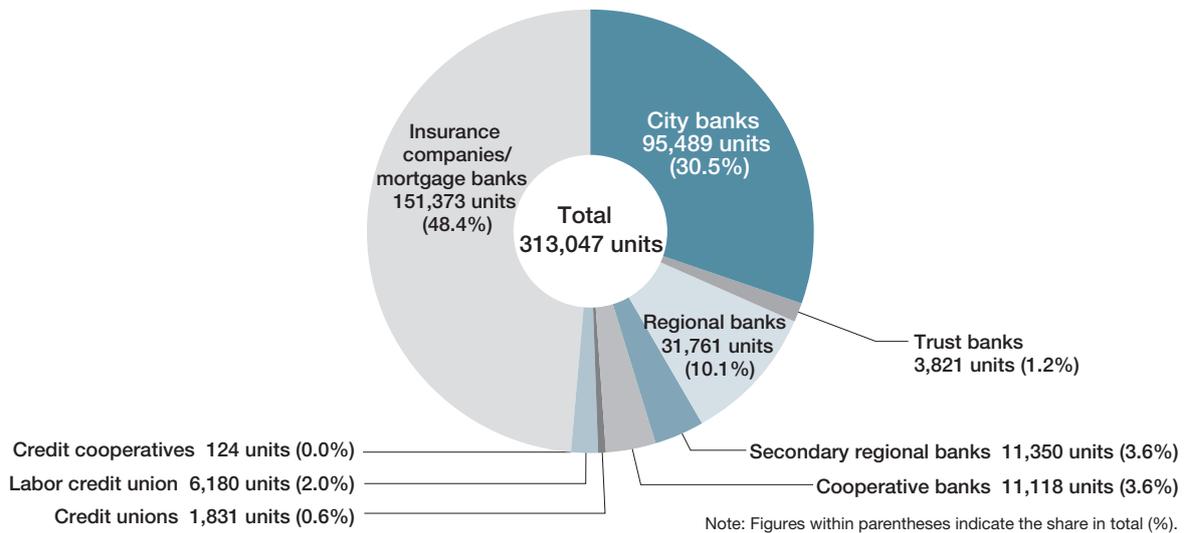
Qualifications for borrowers	<ul style="list-style-type: none"> ● In principle, the applicant for loan refinance is the same person as the borrower of the outstanding loan. However, a co-borrower can be added at the time of refinancing (the number of borrowers is limited to two people). <ul style="list-style-type: none"> * If a borrower is added or if the proportion of the ownership to the house is changed at the time of refinancing, please consult with the local tax office or a tax accountant on housing loan tax credit and tax. ● In the case that the house or its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership. ● Be less than 70 years of age (if the two-generation loan repayment scheme is applied, this loan applies also to people aged 70 years and over). ● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status. ● Those whose repayments on all loans*, including Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined). <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="text-align: center;">Annual income</th> <th style="text-align: center;">Less than 4 million yen</th> <th style="text-align: center;">4 million yen or more</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">DTI</td> <td style="text-align: center;">30% or less</td> <td style="text-align: center;">35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> * Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including the income of the co-borrower, if any). ● Those who have not missed a repayments on an outstanding loan for at least one year preceding the refinance application. * If the borrower is changed due to inheritance, etc. (excluding the addition of a borrower), at least one year has to be passed since such change of the borrower before refinance application. <p>(Note 1) The property subject to the loan must be owned by the applicant and must be occupied by the applicant or relatives. (Note 2) Income for the year before the year of application (between January and December 2009 in the case of FY 2010) shall be examined in principle.</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
Annual income	Less than 4 million yen	4 million yen or more					
DTI	30% or less	35% or less					
Purpose of the loan	<ul style="list-style-type: none"> ● Refinancing for the housing loan of either ① or ② outlined below <ul style="list-style-type: none"> ① Construction/purchase of a house that is owned and occupied by the applicant <ul style="list-style-type: none"> * including a second house (e.g., a house for someone who works away from home to occupy or a weekend house that is not rent out) ② Construction/purchase of a house that is owned by the applicant and occupied by relatives <p>(Note) This loan cannot be offered for reform of a house.</p>						
Requirements for the housing loan and house that are subject to refinancing	<ul style="list-style-type: none"> ● Original loan balance of the outstanding mortgage is 80 million yen or less, and the total LTV (loan to value) ratio is 100% or less (including the cost for acquiring the lot and excluding the cost incurred at the acquisition of the house). ● The cost for the construction or purchase of a house (including the lot purchased for the house) is 100 million yen or less (including consumption tax). ● Have either of the following floor area*1: <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <tbody> <tr> <td style="padding: 2px;">A detached house, a terraced house (including a semi-detached house) and a flat*2</td> <td style="text-align: center; padding: 2px;">70 m² or more</td> </tr> <tr> <td style="padding: 2px;">A condominium, etc.</td> <td style="text-align: center; padding: 2px;">30 m² or more</td> </tr> </tbody> </table> <ul style="list-style-type: none"> *1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.). *2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house. ● No conditions on the size of land for the house ● Houses that satisfy the technical criteria etc. set by JHF. 	A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m ² or more	A condominium, etc.	30 m ² or more		
A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m ² or more						
A condominium, etc.	30 m ² or more						
Amount of the loan	<ul style="list-style-type: none"> ● One to 80 million yen. The lower of the outstanding amount of the current housing loan* or 200% of the assessment rate of collateral by the JHF (in increment of 10 thousand yen) * The following costs can be included: ① costs for stamp duty affixed on the loan contract; ② origination fees for the refinance; ③ costs for registration and inundation of mortgage (registration license tax); ④ compensation for escrow agent who files the mortgage; ⑤ special premium for the JHF's group credit life insurance (for the first year); and ⑥ fees for the inspection of the property for Flat 35 						
Duration of the loan	<ul style="list-style-type: none"> ● 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over*1,2 at the time the application is filed) or over, and whichever is shorter between ① and ② below for the upper limit (unit: 1year) ① 80 years minus the age of the applicant at the time the application is filed*1,2, with the part of the period less than one year counted as one year. *1 If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower. *2 If the two-generation loan repayment scheme is applied, the loan conditions shall be based on the age of the successor regardless of any co-borrower. ② 35 years less the month elapsed on the outstanding mortgage rounded at one year increment *1 Starting date of the calculation is the date of closing on the outstanding mortgage *2 This treatment may not be applicable at some financial institutions. Please ask the financial institution originating the loan. <p>(Note 1) Loan refinancing is not applicable if whichever shorter between 1) and 2) is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over). (Note 2) Borrowers who have selected a loan term of 20 years or less cannot change the term to 21 years or more during the repayment period.</p>						
Borrowing rate	<ul style="list-style-type: none"> ● Fixed rate ● The borrowing rate*1,2 applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years and over.*3 *1 Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website (www.flat35.com). *2 The interest rate applied is that on the date of disbursement, not of application. The disbursement date when the recipient takes out the loan shall be determined by the financial institution. *3 Some financial institutions offer the same borrowing rate regardless of the duration of the loan. 						
Amortization	<ul style="list-style-type: none"> ● Monthly principal and interest equal repayment or monthly principal equal repayment. Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen. 						
Collateral	<ul style="list-style-type: none"> ● The JHF holds a first-lien mortgage on the house and land to which the loan is extended. <p>(Note) Fees for filing the mortgage at the title recording office (registration license tax, compensation for an escrow agent, etc.) shall be paid by the borrower.</p>						
Surety	<ul style="list-style-type: none"> ● Not required. 						
Group credit life insurance	<ul style="list-style-type: none"> ● JHF credit life insurance can be taken out. It is not mandatory, but is strongly recommended to prepare for unexpected adverse events. ● If the group credit life insurance is applied to the loan to be refinanced, the insurance will be terminated at the time of refinancing. Those who wish to have the JHF credit life insurance must take out a new policy. However, some customers may not be able to take out a new policy depending on the results of inspections by insurance companies. <p>(Note 1) A special contract premium shall be paid by the customer. (Note 2) If customers who have the JHF credit life insurance have paid off the housing loan at refinancing, etc., premiums paid are not refunded.</p>						
Fire insurance	<ul style="list-style-type: none"> ● The property subject to the loan is insured against fire until the completion of repayment. The fire insurance should meet requirements prescribed by the JHF (including mutual fire insurance: same hereinafter). ● The maturity date of the insurance policy shall be the day after the final repayment of the refinanced loan, the payment method shall be long-term lump-sum payment, and JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits if the lien on the lot is not registered for agency. ● If the fire insurance that was already taken out before refinancing meets requirements prescribed by the JHF, the customer can keep the policy. However, if a mortgage is not registered on the lot, and if the maturity date of the insurance taken out before refinancing is the day before the final repayment of the refinanced loan, the fire insurance shall be cancelled and a new policy with a long-term lump-sum payment shall be taken out so that the maturity date shall be the day after the final repayment. In addition, the JHF takes out a first-priority pledge on the recipient's right to obtain fire insurance benefits. <p>(Note) A fire insurance premium shall be paid by the customer. The JHF's special fire insurance is not applicable.</p>						
Fees for the Origination of the loan, etc.	<ul style="list-style-type: none"> ● Origination fees*1,2 may differ between financial institutions offering loans. ● Fees for the inspection of the property*2 are necessary to certify the conformity with technical standards prescribed by the JHF in a document. Different institutions/experts that certify suitability impose different fees for inspecting properties*2. *1 Information on origination fees is available at financial institutions and the Flat 35 website(www.flat35.com). *2 Origination fees and property inspection fess shall be paid by the borrower. 						
Guarantee Fee and Prepayment penalty	<ul style="list-style-type: none"> ● Not required. <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						
Special matters in the case of refinance	<ul style="list-style-type: none"> ● Flat 35S, Flat 35S (existing-house type) and Flat 35S (20-year interest rate-cut type) are not applicable. ● If the lot is located within the land adjustment project lot which is not completed and where lien upon the property can not be registered until the completion of the project, refinancing is not available. 						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or the JHF which purchases the loan.

Number of loans purchased (insured) through the securitization program

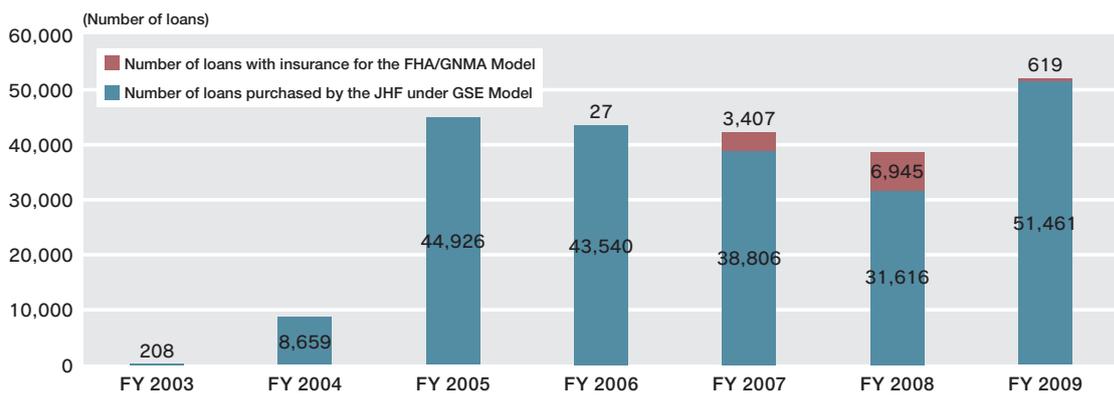


The number of loans purchased, by type of institutions, in the securitization business (GSE Model) (as of March 31, 2010)



City banks (5), trust banks (1), regional banks (63), secondary regional banks (39), cooperative banks (161), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (11) and insurance companies/mortgage banks (26), for a total of 337 financial institutions, have entered into the securitization business (GSE Model). The number of institutions is shown in the brackets (). (As of May 31, 2010)

Number of loans purchased (insured) through the securitization program



Support scheme for acquiring high-quality housing ([Flat 35] S)

The support scheme for acquiring high-quality housing Flat 35S is a system in which lower interest rates are adopted for a certain period when customers applying for Flat 35 acquire high-quality housing in terms of energy efficiency and so on. (Flat 35S is a brand name of the support scheme for acquiring high-quality housing).

(Note) There is a ceiling for total amount for the support scheme for acquiring high-quality housing Flat 35S, and applications will be accepted until they reach that ceiling. The end date will be notified on the Flat 35 website(www.flat35.com) approximately three weeks prior to ending.

The support scheme for acquiring high-quality housing Flat 35S consists of the three types **[Flat 35] S** of Flat 35S, Flat 35S (existing-house type) and Flat 35S (20-year interest rate-reduction type).

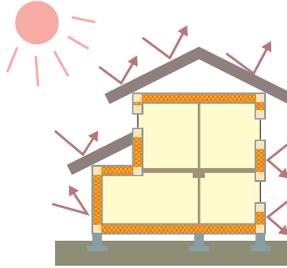
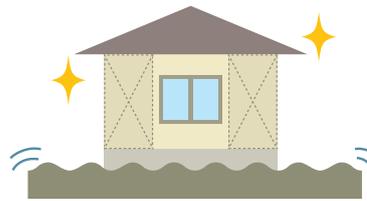
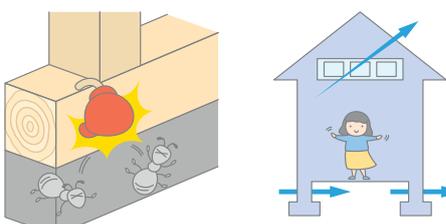
● Three types of Flat 35S

Type	Interest rate reduction period	Range of interest-rate reduction	Eligible housing
Flat 35S	First 10 years	1.0%/year	New/existing house
Flat 35S (existing-house type)			Existing house
Flat 35S (20-year interest rate-reduction type)	First 20 years	First 10 years: 1.0%/year 11th year - 20th year: 0.3%/year	New/existing house

- *1 The interest-rate reduction for Flat 35S and Flat 35S (existing-house type) will be 1.0% per year for the first 10 years for applications made by December 30, 2010 and 0.3% per year for the first 10 years for applications on and after January 4, 2011.
- *2 The interest reduction period for Flat 35S and Flat 35S (existing-house type) will be the first 10 years for applications made by March 31, 2012 and the first 5 years for applications made on and after April 1, 2012.
- *3 The interest-rate reduction for Flat 35S (20-year interest rate-reduction type) will be 1.0% per year for the first 10 years for applications made by December 31, 2010 and 0.3% per year for the first 10 years for applications on and after January 4, 2011.
- *4 The interest reduction period for Flat 35S (20-year interest rate-reduction type) will be the first 20 years for applications made by March 31, 2012 and the first 10 years for applications made on and after April 1, 2012

● Images of eligible houses for Flat 35S

Houses excellent in quality in any of the following:

<div style="background-color: #008000; color: white; padding: 5px; text-align: center; font-weight: bold;">Houses with high energy-saving performance</div> <p>Houses achieving high air-tightness, etc.</p> 	<div style="background-color: #800000; color: white; padding: 5px; text-align: center; font-weight: bold;">Houses resistant to earthquakes</div> <p>Houses with resistance to stronger earthquakes, preventing collapse, destruction, etc.</p> 
<div style="background-color: #008080; color: white; padding: 5px; text-align: center; font-weight: bold;">Houses with high barrier-free performance</div> <p>Houses with equipment necessary for the elderly, etc. to perform basic life activities, such as movement and taking a bath</p> 	<div style="background-color: #FFA500; color: white; padding: 5px; text-align: center; font-weight: bold;">Housing with high durability and flexibility</div> <p>Housing with durability, measures to maintain long-term good condition</p> 

※Technical criteria vary for Flat 35S, Flat 35S (used-house type) and Flat 35 S (20-year interest rate-cut type). For details, visit the Flat 35 website (<http://www.flat35.com>).

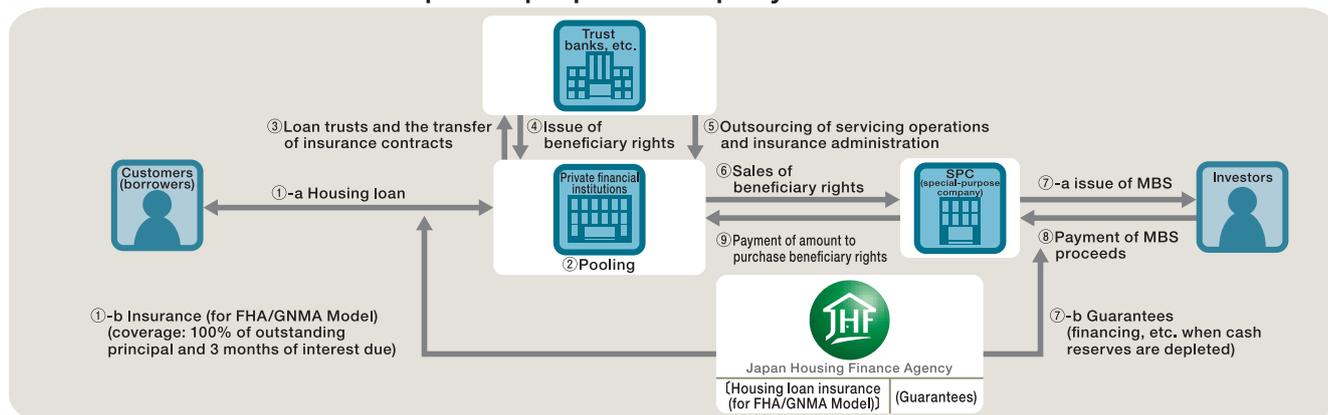
● Securitization Business (FHA/GNMA Model) Flat 35

Scheme

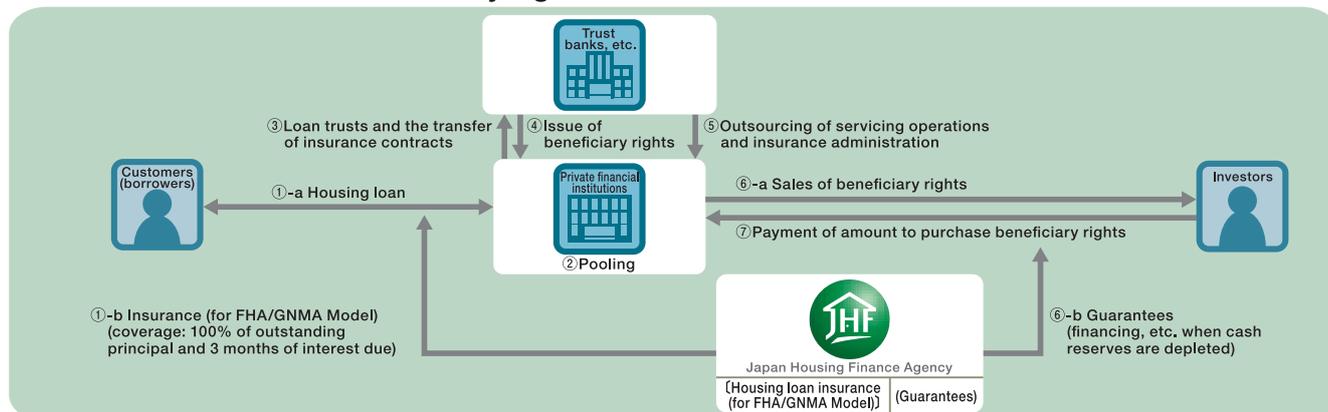
JHF will underwrite housing loan insurance (for the FHA/GNMA Model) for housing loans with long-term fixed interest rates originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by collateral for the housing loans (see figure below).

<Scheme>

■ Cases in which a trust or special-purpose company are involved



■ Cases in which trust beneficiary rights are sold to an investor



Criteria for housing loans provided by accredited institutions

With regard to housing loans provided through the use of securitization (FHA/GNMA Model) (Flat 35 (FHA/GNMA Model)), since financial institutions themselves structure MBS, various products are available through the originality and ingenuity of these institutions.

《Criteria for approving applications for Flat 35 (FHA/GNMA Model)》

- The loan is necessary for the construction/purchase of a house for the applicant and/or relatives, or for refinancing serving the same purpose
- The house in question satisfies the technical requirements concerning durability, as specified by FHA. (The buyer of such a house is eligible for the FHA plan to assist the purchase of high-quality housing.)
- The cost of housing construction, including the cost of purchasing the land, or the cost of purchasing the house and land is 100 million yen or less (including consumption tax).
- The amount of money to be taken out is more than 1 million yen and less than 80 million yen, inclusive, and is equal to or less than 10 percent of the cost of the housing construction or the cost to purchase the house and land.
- The duration of the loan is between 15 years and 35 years, inclusive.
- The interest rate remains fixed throughout the duration of the loan.

Accredited institutions in the securitization business (FHA/GNMA Model)

In the securitization business (FHA/GNMA Model), we concluded agreements with four institutions: city bank (1), regional bank (1) and insurance company/mortgage bank (2). The number of institutions is shown in the parenthesis.

*Some financial institutions have suspended the acceptance of new applications (as of May 31, 2010)

Flat 50 with a redemption period of up to 50 years

Outline

On June 4, 2009, the JHF launched the Flat 50 scheme, which sets a redemption period of up to 50 years for properties certified as long-life housing*.

* Property certified in accordance with the Long-Life Housing Promotion Law (Law no. 87 of 2008)

Product outline of Flat 50

As of April 1, 2010

Qualifications for borrower	<ul style="list-style-type: none"> ● Be less than 44 years of age (if the two-generation loan repayment scheme is applied, this loan applies also to people aged 44 years and over). ● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status. ● Those whose repayments on all loans*, including Flat 50, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined). <table border="1"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> * Besides loans under the Flat 50 program, all loans include those for other housing, cars, education and credit cards (including cash advances and purchases of goods by payment in installments) (including income of the co-borrower, if any). 	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
	Annual income	Less than 4 million yen	4 million yen or more				
DTI	30% or less	35% or less					
<ul style="list-style-type: none"> ● In the case that the house or its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership. <p>(Note 1) Income for the year before the year of application (between January and December 2009 in the case of FY 2010) shall be examined in principle. (Note 2) The number of applicants is limited to two people including a co-borrower.</p>							
Purpose of the loan	<ul style="list-style-type: none"> ● Funds for the construction/purchase of a new house for the applicant or relatives to occupy, funds for the construction/purchase of a second house and funds for the construction of an existing house <p>(Note) This loan cannot be offered for reform of a house.</p>						
House covered by loan	<ul style="list-style-type: none"> ● Have either of the following floor area*1: <table border="1"> <thead> <tr> <th>A detached house, a terraced house (including a semi-detached house) and a flat*2</th> <th>70 m² or more</th> </tr> </thead> <tbody> <tr> <th>A condominium, etc.</th> <th>30 m² or more</th> </tr> </tbody> </table> <ul style="list-style-type: none"> *1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.). *2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house. <ul style="list-style-type: none"> ● Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax). ● Long-life housing <ul style="list-style-type: none"> * Submission of long-life housing certification and other documents is required. ● Houses that satisfy the technical criteria etc. set by the JHF for durability ● No conditions on the size of lot for the house 	A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m ² or more	A condominium, etc.	30 m ² or more		
A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m ² or more						
A condominium, etc.	30 m ² or more						
Amount of the loan	<ul style="list-style-type: none"> ● One to 60 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 60% or less (excluding construction costs for the non-residential space). 						
Duration of the loan	<ul style="list-style-type: none"> ● 36 years or more, and whichever is shorter between 1) and 2) below (unit: 1 year) ① 80 years minus the age of the applicant at the time the application is filed*1,2, with the part of the period less than one year counted as one year. *1 If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan conditions shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower. *2 If the two-generation loan repayment scheme is applied, the loan conditions shall be based on the age of the successor regardless of any co-borrower. ② 50 years 						
Borrowing rate	<ul style="list-style-type: none"> ● Fixed rate* * Under the support scheme for acquiring high-quality housing Flat 35S, the interest rate is reduced for a certain period. * Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website(www.flat35.com). * The interest rate applied is that on the date of disbursement, not of application. The disbursement shall be determined by the financial institution. 						
Amortization	<ul style="list-style-type: none"> ● Monthly principal and interest equal repayment or monthly principal equal repayment. ● Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen. 						
Collateral	<ul style="list-style-type: none"> ● The JHF holds a first-lien mortgage on the house and lot to which the loan is extended. <p>(Note) Fees for placing the mortgage (registration license tax, compensation for an escrow agent, etc.) shall be paid by the borrower.</p>						
Surety	<ul style="list-style-type: none"> ● Not required. 						
Group credit life insurance	<ul style="list-style-type: none"> ● JHF credit life insurance is available. It is not mandatory, but is strongly recommended to prepare for unexpected adverse events. <p>(Note) A special contract premium shall be paid by the customer.</p>						
Fire insurance	<ul style="list-style-type: none"> ● The property subject to the loan is insured against fire until the completion of repayment. The fire insurance should meet requirements prescribed by the JHF (including mutual fire insurance: same hereinafter). ● The insurance period and premium payment method vary by the financial institution offering the loan. ● The longest-term fire insurance is selected from among policies satisfying the requirements prescribed by the JHF, and the JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits if the agency does not hold a mortgage on the lot. ● If this fire insurance becomes due before the repayment deadline of Flat 50, the customer is required to take out a new policy that meets requirements prescribed by the JHF, and the JHF takes out a first-priority pledge on the recipient's right to obtain fire insurance benefits. <p>(Note) A fire insurance premium shall be paid by the borrower. The JHF's special fire insurance is not applicable.</p>						
Origination Fees for the inspection of the property	<ul style="list-style-type: none"> ● Origination fees*1,2 may differ between financial institutions offering loans. ● Different institutions/experts that certify suitability impose different fees for inspecting properties*2. *1 Information on origination fees is available at financial institutions and the Flat 35 website(www.flat35.com). Regarding fees for the initiation of the loan when using both Flat 50 and Flat 35, please check with the financial institution originating the loan. *2 Origination fees and property inspection fees shall be paid by the borrower. 						
Guarantee Fee and Prepayment penalty	<ul style="list-style-type: none"> ● Not required. <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						
Special matters in the case of refinancing	<ul style="list-style-type: none"> ● Some financial institutions may not handle refinancing. ● If a recipient of a Flat 50 loan sells the house on which it is secured, the loan may be assigned to purchaser (only one assumption is permitted). The JHF may decline the assumability of the loan, depending on the case 						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or the JHF which purchases the loan.

Housing Loan Insurance Business

The JHF underwrites insurance for private-sector housing loans.

By underwriting insurance for housing loans originated by private financial institutions, the JHF supports the supply of housing loans by private financial institutions.

Scheme

When housing loans made by private financial institutions default, the JHF covers part of the incurred losses based on the insurance policy concluded between the JHF and the private finance institution in advance.

[Outline of housing loan insurance business]



Loan types eligible for housing loan insurance

- Loans related to housing (construction, purchase, extension / renovation, etc.)
 - * Bridge loans and renovation of shared parts of condominiums are also covered.
- The loan amount shall be 300 million yen or less.
- Repayment of the loan is expected without default.
- The collateral/surety and debt-to-income ratio shall meet the criteria determined by the JHF.

[Product outline]

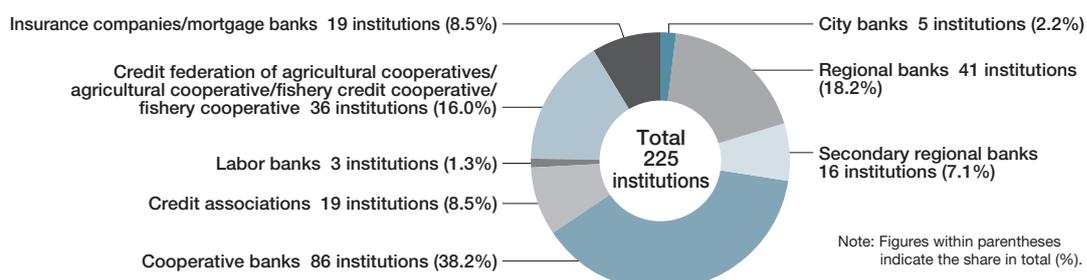
Type	Eligible loans	Insurance coverage
Specific personal loan insurance (private financial institute loan type)	Personal housing loans that are in accordance with the credit screening criteria of a financial institution and have been screened for insurance approval by the JHF in advance (loans that include miscellaneous expenses in addition to funds required for construction or purchase may be eligible). Also applicable to refinance (except for in-house refinance by banks).	100%
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35. Also applicable to refinance.	
Specific personal loan insurance (lump-sum-repayment improvement loans for older people)	Loans for remodeling of property with elderly residents (60 years or older) that has been screened for insurance approval by the JHF (the principal, etc. is repayable as a lump sum upon the death of the borrower.)	
Specific short-term loan insurance (bridge-loan type)	Bridge loans for entrance payments at the commencement of construction, interim payments and payments on completion that have been screened for insurance approval by the JHF. Those with a loan period of 1 year or less	
Personal loan insurance	Personal housing loan insurance in accordance with the credit screening criteria of a financial institution. Also applicable to refinance (except for in-house refinance by banks).	90%
Personal bridge loan insurance	Bridge loan insurance in accordance with the credit screening criteria of a financial institution. Also applicable to refinance (except for in-house refinance by banks).	

* The ratio of insuring uncollected principals (excluding interest, late charges, etc.)

Treatment of housing loan insurance under Basel II Accord

- 10% of the risk weight for the insured portion is applied to housing loans with housing loan insurance in the standard calculation of the capital adequacy ratio.
 - * For more details, see the Announcement of the Financial Services Agency No. 19 (on March 27, 2006).

Number of financial institutions entering into housing loan insurance contracts by type of operation (as of May 31, 2010)



Housing information providing business

A wide range of residence-related housing information is provided.

The JHF provides housing loan information for customers so that they can select a housing loan wisely, and residential information so that they can live in high quality housing.

- Telephone consultation
- Internet website
- Various seminars and courses
- Books, brochures

Telephone consultation about housing

A customer call center is established for telephone consultations with customers.

☎ 0570-0860-35 (Navidial) 048-615-0420 (where Navidial is unavailable)
 (From 9:00 AM to 5:00 PM (closed on national holidays and over the New Year))

In order to answer broad questions about Flat 35, JHF loans or repayment, etc. appropriately, the training of operators has been aggressively conducted.

Total counseling cases: 250,000 per year (total for FY 2009)

Information service on the Internet website

The JHF website (<http://www.jhf.go.jp/jumap/index.html>) provides a large amount of information relating to housing: simulations on funding and repayment plans, the schematics and features of housing loans, and technical information on housing related matters.

The JHF also distributes email newsletters and provides information on a timely basis.



Per annum site visits: 7.36 million (total for FY 2009)

Hosting of all kinds of seminars

We provide basic information on house building and mortgages including features of Flat 35 at various occasions such as the "SUMAIRU seminar."

Further, in an effort to distribute technical information, the JHF hosts seminars regarding housing design, construction, and remodeling for those to housing industries, etc., and supports the securing and upgrading of quality housing.



Number of seminars per year: 50 (total for FY 2009)

Sales of books and distribution of brochures

A broad range of brochures and publications with information on housing related matters are being created and distributed.



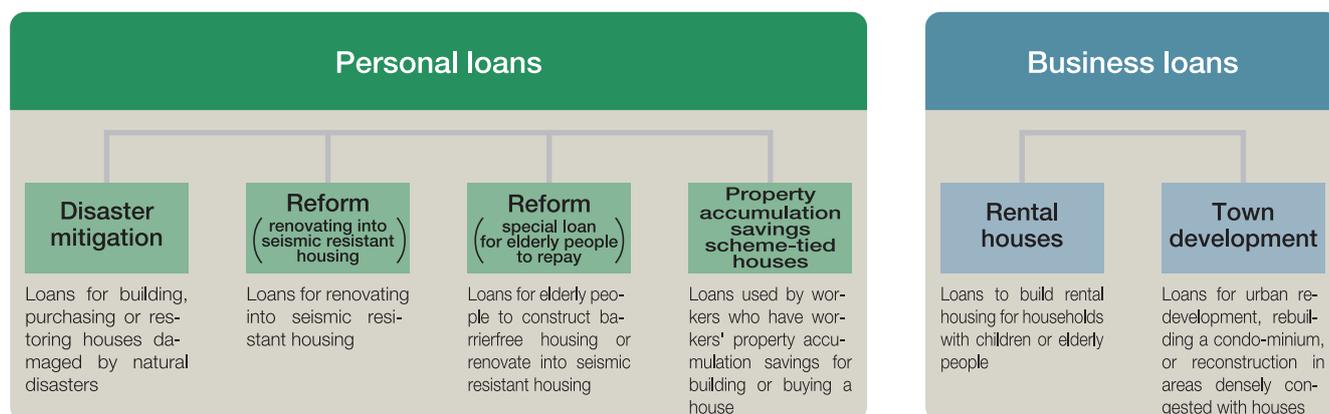
Loan Origination Business

We provide loans for which societal demand is expected to grow, and which are difficult for private financial institutions to originate.

At present, JHF provides loans which are important in terms of policy and also difficult for the private sector to address, such as loans for disaster relief, loans for renovation (refurbishing for earthquake resistance and a special repayment system catered to the elderly), property accumulation residence fund loan, urban rehabilitation, rebuilding houses or apartments in high

density cities, loans for rebuilding apartments, and rental housing for the elderly and households with small children.

General personal loans (loans for building a new house, etc.) were discontinued except for loans to people who accumulated housing bonds, etc. as a transitory treatment.



Loans for disaster mitigation

In order to support the quick restoration of houses damaged by natural disaster, the JHF immediately supplies long-term and fixed rate loans for those affected by the natural disaster.

[Year-on-year results in and after FY 2007]

(Unit: houses, 100 million yen)

	Accepted applications	
	Number of houses	Amount disbursed
FY 2007	84	8.8
FY 2008	25	3.2
FY 2009	10	0.7

[Loans for mitigation of major disasters]

(Unit: houses, 100 million yen)

	Accepted applications	
	Number of houses	Amount of money
Great Hanshin-Awaji Earthquake of 1995	91,631	19,293.2
Earthquake on July 26, 2003, originating in northern Miyagi Prefecture	812	84.0
Typhoon no. 18 of 2004	154	9.3
Mid-Niigata Earthquake of 2004	366	43.2
Earthquake in 2005 originating off the west coast of Fukuoka	191	13.7
Noto Peninsula Earthquake of 2007	52	5.1
Earthquake off Niigata in 2007	36	4.0

(As of March 31, 2010)

Town development

The JHF supports the development of good housing environment by financing urban rehabilitation, reconstruction of condominiums, cooperative reconstruction in areas densely congested with houses, construction of buildings that reserve an open space on their sites, etc.

Requirements for town development loans (short-term business funds)

Regional requirements

1. The site must be within an area used for a certain purpose (e.g., housing, commercial, quasi-industrial).
2. The site must be within an area that requires improvement (e.g., a fire-prevention or quasi-fire-prevention area, or an area with high housing demand).



Building requirements

1. The residential units must represent 1/4 or more of the building.
2. The building must have a fire-proof or quasi-fire-proof structure, or a quasi-fire-proof structure in accordance with a town development ordinance.
3. One-third or more of the legal lot-to-floor-area ratio must be utilized.
4. The per-housing floor area must be between 30 and 280 m² in principle.
5. Certain technical requirements must be met.



Project requirements

- The project must be one of the following:
1. Joint redevelopment project
 2. Project to secure useful open spaces
 3. Condominium reconstruction project
 4. Comprehensive design cooperation project
 5. Project conforming to area plans, etc.

* The underlined items are limited measures until March 31, 2012.

[Cases of town development loans (previously known as loans for rehabilitating residences in cities)]

◆ Reconstruction of a condominium (Daikyo-cho condominium) (Shinjuku-ku, Tokyo)



Reconstruction of a condominium (Daikyo-cho condominium) (Shinjuku-ku, Tokyo)

Reconstruction of a condominium that was sold by the Tokyo Metropolitan Housing Supply Corporation where many senior citizens occupied. After a resolution for reconstruction was adopted in 2006, the JHF (then GHLC) supported project planning and the selection of project partners, and then a reconstruction union was established to lead the project. The union utilized town development loans (short-term funds), and also used Flat 35 to help right holders increase their floor area. The project was completed in March 2010.

◆ Urban redevelopment project (Kakyoin) (Sendai, Miyazaki)

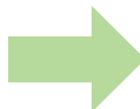


Photo courtesy of SS Tokyo Co., Ltd. Tohoku Branch

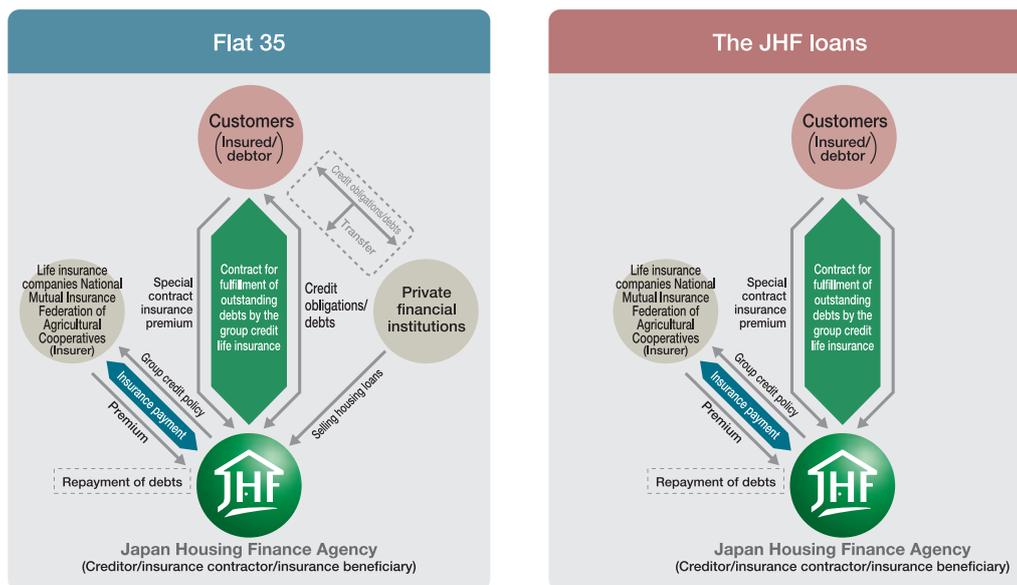
A redevelopment project for the district around the west gate of Sendai Station that was identified by war-damage land readjustment projects but had not been implemented for long. A preparation union was established in 1986 and it managed to create a good urban environment in a zone that functions as a gateway to Sendai. Hotels and high-rise residential buildings with shops were constructed, thereby improving the urban environment. The union for redevelopment utilized town development loans (short-term funds), and also used Flat 35 for houses built for sale. The project was completed in March 2010.

Operation of group credit life insurance (mutual relief)

Providing security for unforeseeable circumstances during the loan repayment period

JHF's group credit life insurance (mutual relief) program is a security system, in which if people who use Flat 35 or the JHF loan and join this system should die or incur a serious disability, etc., the outstanding loan balance is repaid by the insurance (mutual aid money) that is paid for by life insurance companies (or the National Mutual Insurance Federation of Agricultural Cooperatives).

Scheme



Details of the insurance

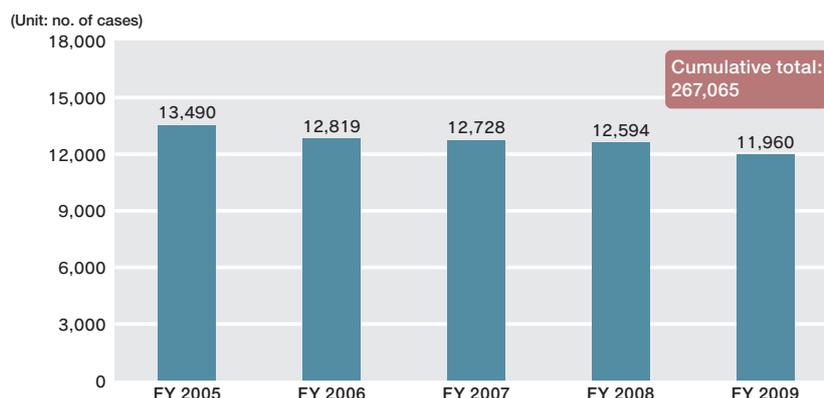
If people who join this system should die or incur a serious disability, the outstanding loan balance is fully repaid by this insurance.

Also, if the loan is co-borrowed with the spouse, both can join for this scheme (called "Duet") (only the JHF group credit life insurance).

Additionally, the JHF group credit life insurance, with security insurance for three major diseases (cancer, acute myocardial infarction and stroke) in addition to the cases of death and serious disability as an option.

Repayment track record of the group credit life insurance

Since the establishment of the system in 1980, 270,000 cases were paid under this scheme.



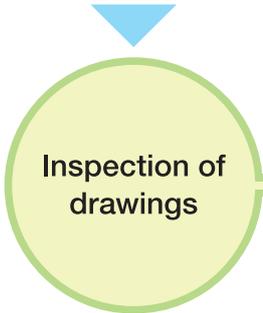
Technical Assessment

The JHF provides support for improving housing standards in accordance with its own technical criteria.

The JHF has established technical standards for thermal insulation, durability, etc., and conducts technical inspections based on the standards while ensuring conformity with the housing performance labeling system and other regulations. Further, the JHF checks for the issuance of compliance certificates based on the

Construction Standard Law for new houses. Technical inspections (both at the stage of drawings and on site of construction) for Flat 35 are performed by private inspection institutions, etc. that have agreements with the JHF.

Applying for a loan



Drawings (floor drawings, vertical drawings, specifications, etc.) representing the planned house covered by the application are assessed to ensure that the house meets JHF technical standards.

A photograph showing several sheets of architectural blueprints and drawings spread out on a surface.

Start of construction



When the roofing is completed, the planned house is assessed onsite to ensure that the house meets JHF technical standards.

A photograph of a house's wooden frame with a dark roof, showing the internal structure and roof trusses.



When the planned house is completed, leaving no work to be done, it is assessed on-site to ensure that it meets JHF technical standards.

A photograph of a finished, two-story detached house with a dark roof and light-colored exterior walls.

Receipt of loaned funds

(Note) An example of a new detached house.

Promotion of Flat 35-registered condominiums

The JHF is promoting the Flat 35-registered condominium scheme. Under this scheme, housing distributors can advertise and sell their condominiums as condominiums permitted to use Flat 35 by having a technical inspection of the entire condominium complex for Flat 35 carried out in advance. In addition, paperwork is simplified by the technical inspection being performed en bloc.

Long-term and fixed interest-rate housing loans in cooperation with the private sector

【フラット35】

Registered condominium

Encouraging Quality Housing

Flat 35 secures housing quality and supports the improvement of housing standards through the original technology standards specified by JHF. Specifically, for housing that is highly energy efficient, seismic resistant, barrier-free, durable and with variable performance,

through the support scheme for acquiring high-quality housing Flat 35S, JHF attempts to attract consumers to the high quality housing by giving preferred interest rates.

Housing with good energysaving performance



- Use heat-insulation materials sufficiently.
- Equip windows and doors with double-closing device.

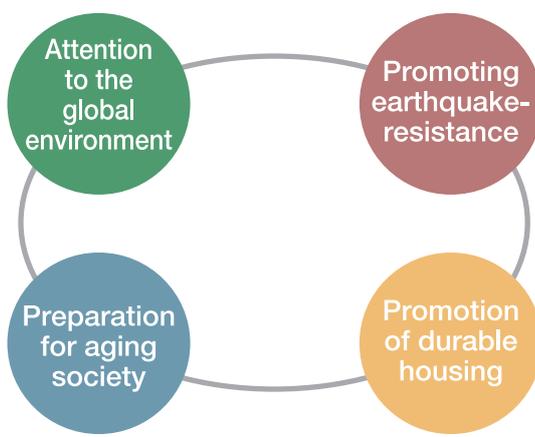
It is required that houses be more heatproof so that they consume less electricity and fossil fuels such as kerosene for heating and cooling in view of conserving the global environment.

Housing with excellent barrier-free facilities



- Ensure that there are no different levels on the same floor.
- Install handrails
- Make sufficiently wide corridors.

It should be a principle requirement in building houses that when new houses are built, they are built to be comfortable for elderly people as well as in case the house's occupant(s) require nursing care.



Housing with excellent seismic resistance



- Securing of wall quantity Balanced layout
- Strengthen joint parts of building frames
- Strengthen foundation

It is very important to prepare for large earthquakes, enhance housing seismic resistance and ensure safety.

Housing with good durability and variable performance



- Proof against decay and termites
- Ensure ventilation in the roof frame and under the floor

As Japan has become a mature society, there is now an urgent need for a good-quality housing stock to be built. Building as durable houses as possible and using them carefully for a long time will help us to protect our lives and the global environment.

The establishment of the Quality Housing Guidelines

One of the main jobs of the JHF is to provide information on the design and construction of quality housing to consumers who plan to construct, purchase, or remodel their houses, as well as those in the housing industry. In connection with this, the JHF has estab-

lished the Quality Housing Guidelines that define recommendable housing.

For more information, refer to the JHF website: <http://www.jhf.go.jp/jumap>

Management of Outstanding Loans

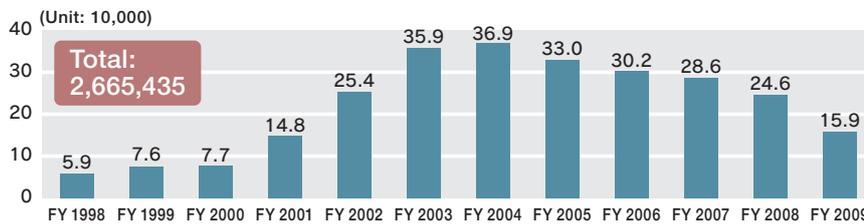
The JHF provides security during the repayment period.

The JHF gives more frequent advice on repayment than ever to customers experiencing difficulty in repaying their loans in the adverse economic climate. Also we have prepared options for modifying repayment terms and conditions depending on family income, etc. to alleviate repayment burdens. We support customers so they may live with a sense of security until their repayments have been completed.

Consultation system for housing loan repayment

The JHF holds a repayment counsel meeting by its employees frequently to consolidate its consultation system for housing loans. Also, at the respective entrusted financial institutions, JHF tellers provide advice on housing loan repayment.

Result of consultation cases: 2,665,435 (April 1998 to the end of March 2010)



Modification of repayment terms and conditions

Depending on the result of the abovementioned consultation, the JHF may take exceptional action to modify repayment terms and conditions in accordance with the Cabinet decision in October 1998. This helps a customer in significant difficulty repaying their loan by alleviating his/her repayment burden depending on his/her family income conditions, etc., to let him/her continue repayments. Other options for modification of repayment terms and conditions include adjustments to the proportion of monthly and bonus repayments and cancellation of bonus repayments.

〈Requirements of application for special preferential measures of repayment condition changes〉

1. If a customer has difficulty with repayment due to bankruptcy or changes in circumstances concerning the customer's employment; and
2. If the customer falls under any of the following items:
 - DTI (front ratio) is 25% or less;
 - The monthly income is equal to the number of family members multiplied by 64,000 yen or less;
 - DTI (back ratio) exceeds a certain percentage, and the income reduction rate reaches 20 percent or higher
3. If a customer is able to continue the repayment under a modified repayment term.



Extension of the repayment period up to 15 years will alleviate monthly amortization of the customer.

Of which, for people unemployed or suffered reduction of income more than 20%

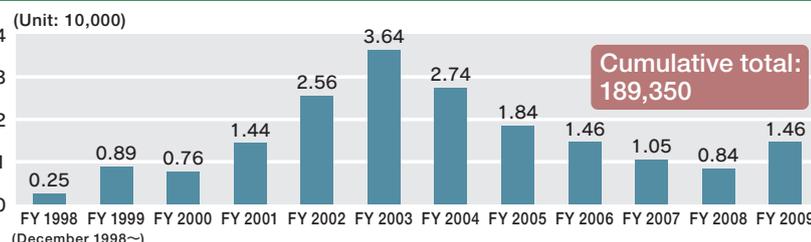


Each repayment burden for the customer will be greatly alleviated by setting a grace period of up to three years and reducing the interest rate during that period*.

*The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

- | | |
|--------------------------------------------------------|--------------------------------------------------------|
| [Loans under GHLC] | [Flat 35] |
| · Current interest rate of 6% or less: 1% reduction | · 1% reduction regardless of the current interest rate |
| · Current interest rate of more than 6%: reduced to 5% | |

Results of workout measures of modifications: 189,350 (cumulative total of GHLC loans and Flat 35 since 1998)



Strengthening of the business system in light of the enactment of the Small and Medium Sized Enterprises Finance Facilitation Law

In light of the enactment of the Act on Temporary Measures concerning the Facilitation of Financing for Small and Medium-Sized Enterprises (Act No. 96 of 2009, hereinafter referred to as the “Small and Medium Sized Enterprises Finance Facilitation Law”), the JHF reveals its business policies and strengthens the system based on the policies to provide more appropriate consultations on housing loans for customers.

Business policies

1. The JHF fully recognizes its role as a safety net for customers who have difficulty in repaying their housing loans, provides consultations on repayment and presents better repayment alternatives.
2. The JHF pays due attention on the sustainability of the borrower after the modification.
3. The JHF provides detailed explanations to customers regarding repayment condition changes such as the increase of aggregate payment as a result of repayment changes.

Strengthening of the implementation framework

Establishment of new positions and a new section to support customers who have difficulty making repayments

1. Newly-established positions and section at the head office
 - Executive Vice President in charge of workout plans shall supervise overall customer relations.
 - Director General in charge of workout plans shall support Executive Vice President as deputy
 - Secretariat in the department responsible for customer support to facilitate the supply of services
2. Newly-established positions at branch offices
 - Deputy Branch Manager in charge of workout plans shall supervise overall customer relations regarding mitigation measures in the branch offices.
 - Leader and sub-leader are assigned as directors in charge of workout plans.
3. Newly-established position responsible for customer support management at the Head Office
 - Director General in charge of customer relations is assigned as the supervisor for customer support with regard to workout plans, and the call center responds to queries from borrowers in this regard.

Implementation status

Implementation status of measures in line with Article 4 of the Small and Medium Sized Enterprises Finance Facilitation Law (Dec. 4, 2009 - Mar. 31, 2010)

(Table 1) Number of applications for loan modifications and their amount (in case borrowers are small and medium sized enterprises)

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	102	20,870
Of which, the number of accepted applications and their amount	45	7,895
Of which, the number of rejected applications and their amount	2	814
Of which, the number of applications under underwriting and their amount	52	11,945
Of which, the number of withdrawn applications and their amount	3	216

Implementation status of measures in line with Article 5 of the Small Business Finance Facilitation Law (Dec. 4, 2009 - Mar. 3, 2010)

(Table 2) Number of applications for loan condition changes and their amount (in case borrowers are individuals with mortgage obligation)

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	18,154	245,613
Of which, the number of accepted applications and their amount	7,876	104,121
Of which, the number of rejected applications and their amount	579	8,149
Of which, the number of applications under underwriting and their amount	7,063	98,809
Of which, the number of withdrawn applications and their amount	2,636	34,533

Research and survey on housing finance

Research and study on housing finance to promote securitization

Change in the environment surrounding housing finance

With the rapid progress of globalization, every aspect of the Japanese economy has been affected by global financial affairs and business trends, and the environment surrounding housing loans has become complicated. In addition, a structural shift in the Japanese housing loan market is taking place due to a decrease in the population of young people and a reduced number of families, which results from an aging population with a dwindling birthrate; an uncertain future outlook due to pension and nursing problems; and a shift in household/consumer lifestyles and the environment surrounding housing.

Under such circumstances, consumers who rarely have more than one opportunity to acquire a home in their lifetime have insufficient knowledge of housing loans, as they find only limited access to information disclosed on the market and face an imbalance of information.

It is therefore becoming increasingly important to provide information to make consumers to select appropriate housing loans.

Surveys of the values and behavior of housing loan users

JHF researches and studies the values and behavior of housing loan users concerning the selection of housing loans, including interest rates in the housing loan market, the attributes of users of Flat 35 and other housing loans, sources of information on housing loans and reasons for their choices. The findings are made public on the JHF website, which counts hundreds of thousands of accesses a year, highlighting the great deal of attention that the site attracts as a source of information on the latest market trends.

Provision of information for the promotion of long-term fixed-interest products

JHF provides information to consumers and market-related individuals to help customers select loan products that best suit them, with an appropriate understanding of product properties and interest rate risks, so that they can consider not only initial interest rate standards but also interest rate fluctuations during the repayment period and changes in the outstanding loan.

Surveys in the United States, Europe, etc.

Surveys on overseas housing finance markets
The JHF collects data related to overseas housing finance markets and presents them on its website. It also collects the latest information on overseas housing finance markets through literature research and field investigation, and reports their effects on Japan through finance and economy magazines and its own Housing Finance Quarterly. In addition, the JHF interacts with international organizations and public/private institutions overseas to provide information on Japan, thereby deepening mutual understanding and making international contributions.

Exchange with academic fields through forums, etc.

JHF holds symposiums and forums nationwide concerning housing and finance, inviting high-profile figures as speakers. Such events are jointly planned with the Ministry of Land, Infrastructure and Transport and Tourism (MLIT) and the Housing Loan Promotion Association. In these events, information is exchanged among representatives from wide-ranging fields, and participants can hear results of findings. In parallel, the JHF assists projects to support young researchers by subsidizing their research and offering rewards to outstanding research.

■ Fiscal 2009 surveys (draft)

Title	Target	Propose
Survey of housing loans taken out anew and outstanding loan balances	Relevant parties and organizations	Amounts of loans extended by individual parties and organizations, outstanding loan balances, and statistics tallied on a quarterly and annual base
Survey of trends of private-sector housing loans being extended	Private-sector financial institutions	Questionnaires concerning housing loan policies of private-sector financial institutions, defining features of individual housing loans, inspections of applicants by financial institutions, and trends of securitizing housing loans
Survey of recipients of housing loans	Recipients of housing loans (incl. Flat 35 users)	Internet survey of the breakdown of extended housing loans (incl. Flat 35) by interest rates, awareness among recipients about interest risk, responses to an increase in repayments caused by a rise in interest rates, and profiles of recipients
Survey of potential housing loan recipients	Potential housing loan users	Web survey on property acquisition plans, desired interest type of housing loans, etc.
Survey of Flat 35 recipients	Flat 35 users	Survey of recipient profiles, repayment plans and mortgaged properties
Survey of housing finance abroad	Overseas housing finance markets	Collecting data and information on housing finance markets abroad, including the United States and Europe, in addition to organizing fact-finding surveys
Housing and finance forum	Symposiums and forums concerning housing and finances with high-profile figures invited from wide-ranging fields as speakers. Intended for the exchange of information and opinions between participants and planned with the Ministry of Land, Infrastructure, Transport and Tourism and the Housing Loan Progress Association. Rewarding reports with viable ideas, assistance with subsidized research and encouraging the publication of reports.	

Results of research that JHF conducted are available at our website (<http://www.jhf.go.jp/research/index.html>) including past research results.

Measures related to Economic Stimulus Packages of GOJ

JHF has expanded its programs in accordance with governmental economic Stimulus Packages

JHF has expanded its programs in accordance with a series of economic Stimulus Packages starting with the Comprehensive Immediate Policy Package to Ease Public Anxiety (announced on August 29, 2008), to provide liquidity to mortgage market and real estate industries.

Major efforts related to the Comprehensive Immediate Policy Package to Ease Public Anxiety (announced on August 29, 2008)

《Efforts related to securitization business ([Flat 35])》

- (1) Review of requirements for the support scheme for acquiring high-quality housing([Flat 35]S)(reduction from two requirements to just one)
- (2) Expansion of the loan limit for remodeling within a certain period after the purchase of a used house

Major efforts related to the Economic Policy Package: Measures to Support People's Daily Lives (announced on October 30, 2008), the Immediate Policy Package to Safeguard People's Daily Lives (announced on December 19, 2008) and the Immediate Policy Package for Revitalization of the Housing and Real Estate Markets (announced on December 15, 2008)

《Efforts related to securitization business ([Flat 35])》

- (1) Extension of the interest cut period in the support scheme for acquiring high-quality housing([Flat 35]S)(from the first 5 years to the first 10 years)
- (2) Inclusion of existing houses to the support scheme for acquiring high-quality housing([Flat 35]S)

《Efforts related to town development loans (short-term business funds)》

- (1) Relaxation of the requirements for open spaces in the Useful Open-space Promotion Project (reduction from the legal open-space ratio + 20% to legal open-space ratio + 10%)
- (2) Comprehensive design cooperation and area-planning conformity projects(Limited to reconstruction → also applicable to new construction)
- (3) Addition of areas with high housing demand to the list of areas that require improvement by regional requirements

* The underlined items are temporary measures until March 31, 2012.

Major efforts related to the Policy Package to Address the Economic Crisis (announced on April 10, 2009)

《Efforts related to securitization business ([Flat 35])》

- (1) The loan-to-value ratio was increased from 90 to 100% (GSE Model)
- (2) Expansion of the range of expenses subject to loans (GSE Model and FHA/GNMA Model)
- (3) Extension of initial interest rate reduction (0.3%) period from 10 to 20 years for long-life housing by introduction of Flat 35 S (20-year interest rate-cut type) (GSE Model and FHA/GNMA Model)
- (4) Inclusion of refinance loans (GSE Model)

《Efforts related to housing loan insurance》

- (1) Establishment of the 100% coverage ratio type in addition to the 90% type
- (2) Abolition of the assessment rate of collateral for the 100% coverage ratio type (special personal loan insurance [private financial institution loan type]) and inclusion of miscellaneous expenses as a subject of insurance
- (3) Reduction of the insurance premium
- (4) Inclusion of refinance loans

《Efforts related to town development loans (short-term business funds)》

- (1) Relaxation of the site-area requirement in the Useful Open-space Promotion Project (from 500 m² or more to 300 m² or more)
- (2) Relaxation of the required ratio of the housing part in relation the entire building (from over 1/3 to 1/4 or more)
- (3) Relaxation of the required ratio of the used floor-area ratio in the legal floor-area ratio (from 1/2 or more to 1/3 or more)

* The underlined items are temporary measures until March 31, 2012.

Major efforts related to the Emergency Economic Countermeasures for Future Growth and Security (endorsed by the Cabinet on December 8, 2009)

《Efforts related to securitization business ([Flat 35])》

Expansion of the interest rate reduction from 0.3% to 1.0% for the first 10 years in the support scheme for acquiring high-quality housing Flat 35S (GSE Model and FHA/GNMA Model)

* Temporary measures for customers applying by December 30, 2010

《Efforts related to housing loan insurance》 Premium reduction

* Temporary measures for loans approved by December 30, 2010

Efforts to Address Environmental Problems, etc.

● Efforts to address global warming

The JHF formulated the “Plan to address Global Warming” in October 2008 and strives to prevent global warming (CO₂ reduction).

《“Plan to address Global Warming” (excerpt)》

■ Purpose of the plan

In light of its public status, the JHF formulated a plan to address global warming, and aims to contribute to the achievement of Japan’s greenhouse gas emission target and the conservation of the Earth’s environment.

■ Principle of the plan

The JHF has already made behavioral and operational efforts to reduce CO₂ emissions, including the implementation of Cool Biz, lights-out during lunch break, turning off lights after using rest rooms, and reducing the quantities of paper for copying. In the future, efforts related to facility operation are expected to produce a significant reduction in CO₂ emissions. Accordingly, the JHF plans to strengthen such efforts as the introduction and replacement of cost-effective, energy-saving facilities in the head office building, which generates 70% of the agency’s total CO₂ emissions, while continuously making behavioral and operational efforts, including turning off lights appropriately, maintaining proper room temperatures and controlling facility run-time.

■ Period of the plan

This plan is implemented for the period of FY 2008 to FY2012, to be reviewed are made as necessary based on the implementation status and technological advancement.

■ Scope of the plan

This plan is implemented in all office work and projects carried out by the agency except for commissioned work.

■ Goal

10% reduction of average greenhouse gas (CO₂) emissions between FY 2010 and FY 2012 from FY2006 levels

■ Efforts to reduce greenhouse gas emissions (items)

- Thoroughly effective operation and control of facilities in the head office/branch office buildings
- Introduction and replacement of energy-saving facilities in the head office building
- Eco-friendly approach to the purchase and use of commodities
- Other efforts to reduce greenhouse gas emissions
- Employee education

CO₂ emissions (results)

CO ₂ emissions in FY 2006 (t-CO ₂ /year)	CO ₂ emissions in FY2007 (t-CO ₂ /year)	CO ₂ emissions in FY2008 (t-CO ₂ /year)
2,360.4	2,198	2,155.4

● Koraku Ryokudo (greenway): Landscape Creation Prize of the 9th Fumi no Miyako Urban Landscape Award

Koraku Ryokudo, which is maintained and managed by the JHF and four other organizations (Toyota Motor Corporation, Mori Building, Tokyo Metropolitan Government Bureau of Sewerage and Court Resident Tower Management Association), received the Landscape Creation Prize of the 9th Fumi no Miyako Urban Landscape Award from Tokyo's Bunkyo Ward in February 2010.

Koraku Ryokudo is maintained and managed by a management council comprised of the five organizations adjacent to Koishikawa Korakuen Garden, which used to be the garden of the Mito Tokugawa family's city residence and has been designated as a special place of scenic beauty and a special historic site by the national government. The prize was given to Koraku Ryokudo, which was appreciated as a pleasant, convenient building area surrounded by the green landscapes of Koishikawa Korakuen Garden.

The JHF cooperates with the four other organizations to install roofed mud-walls and information boards in consideration of the cultural asset.



* Fumi no Miyako Urban Landscape Award

In order to promote the development of beautiful landscapes in the 21st century and raise the awareness of local residents and businesses regarding landscape formation, Bunkyo Ward has given awards to buildings and local activities contributing to landscape formation since 2001. These include the Landscape Creation Prize, Furusato Landscape Prize, Landscape Development Prize and Landscape Advertisement Prize. The Landscape Creation Prize is given to buildings, roads and parks that create landscapes suitable for the local townscape.

● Participation in the Challenge 25 Campaign

The JHF is a participant in the Challenge 25 Campaign (secretariat: Global Environment Bureau, Ministry of the Environment), which is a national movement for the reduction of CO2 emissions through the proposal of concrete measures and their implementation.

独立行政法人 住宅金融支援機構は
チャレンジ25キャンペーンに参加しています。



● Procurement of eco-friendly goods

In accordance with the provisions of Article 7 of the Act on Promoting Green Purchasing (Act concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities, Act No. 100 of 2000), the JHF formulates and releases a procurement policy each year to promote the procurement of goods/services contributing to the reduction of environmental burdens (eco-friendly goods, etc.). The procurement policy and the results are outlined on the JHF website(<http://www.jhf.go.jp/teikyo/index.html>).

This booklet is also made of paper that satisfies requirements by the Act on Promoting Green Purchasing.

Business Status

Major Management Index

The main management indices are as follows:

(Unit: 100 million yen)

Category	Housing Loan Corporation (based on assumed income statements of private companies in government cost accounts) GHLC			JHF	
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Ordinary income	19,647	17,585	15,585	13,576	12,893
Include purchased loans and interest on loans	16,245	14,563	13,339	12,316	11,361
Include income from government subsidies (reference to government payment) (*2)	3,219 (553)	2,880 (430)	(*1) 822 (473)	(*1) – (865)	(*1) – (200)
Ordinary expenses	20,406	18,019	17,367	14,030	14,140
Interest expense on borrowings and bonds	18,612	15,910	13,628	11,658	10,350
Net income (△loss)	△777	△425	△1,569	△146	△1,468
Balance of loans and purchased loans	11,914	20,474	27,817	32,863	40,540
Outstanding balance of loans, etc.	485,906	436,327	393,785	348,775	300,137
Outstanding balance of borrowings and bonds	516,173	469,852	422,842	388,667	362,714
Capital	2,237	2,537	3,197	4,057	9,013

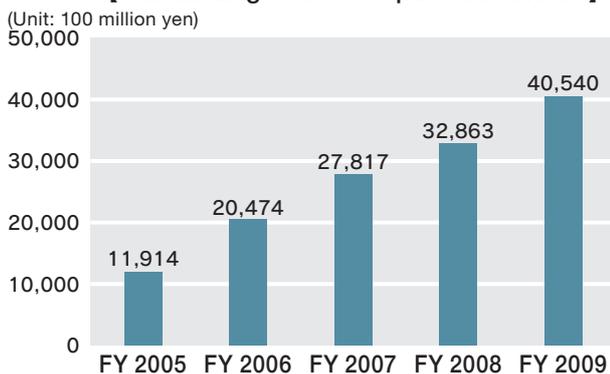
*1 While the JHF received government subsidies of 227.7 billion yen in FY 2007, 91.2 billion yen in FY 2008 and 111.4 billion yen in FY 2009 in the outstanding loan management account, the figure in the above table is reported in the profit and loss statement because of special accounting treatment with regard to the government subsidies as shown in the table below.

(Unit: 100 million yen)

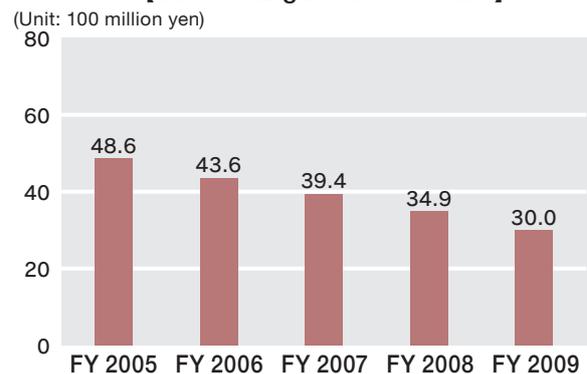
	FY 2007	FY 2008	FY 2009	Notes
Stocked subsidies from the previous year, etc.=①	–	667	66	
Subsidies received=②	2,277	912	1,114	
Required amount of subsidies				
Balance of payments=③ (disparity between expenditure and revenues excluding the amounts transferred to irrecoverable debt reserves and from guarantee fee repayment reserves)	822	△ 70	△ 366	If the balance of payments is positive ③ is included in the income from government subsidies (revenues), and ④ is subtracted from the uncollected revenue reserves (assets). If the balance of payment is negative ③ is not included in the income from government subsidies, ⑤ is subtracted from the uncollected revenue reserves (assets).
Amortized loans and repayment guarantee fees=④	788	1,584	1,520	
Total=⑤	1,610	1,514	1,154	
Balance (stocked subsidies for the current year, etc.)=①+②-⑤	667	66	26	Transferred to subsidies payable (liabilities)

*1 Government grants are not listed in the statement of profits and losses because special losses (asset) were cut.

[Outstanding balance of purchased loans]



[Outstanding balance of loans]



Situation of Risk-Monitored Loans

The JHF has, in spite of not being an organization subject to the Bank Law (Law no. 59 of 1981), disclosed risk-monitored loans since FY 1997, according to the standards of disclosure used by private financial institutions. As for risk-monitored loans of FY 2000 and later, the JHF has disclosed in accordance with standards formulated based on the results of internal rating.

Not all of the risk monitored loans result in the losses because these loans are covered by the first lien upon the property or equivalent collateral.

(Unit: 100 million yen, %)

Category	FY 2005			FY 2006			FY 2007			
	Outstanding loans* ¹	Purchased loans, etc.* ²	Total	Outstanding loans* ¹	Purchased loans, etc.* ²	Total	Outstanding loans* ¹	Purchased loans, etc.* ²	Claims.* ³	Total
Loans to borrowers in default (A)	2,536	5	2,541	2,639	8	2,647	2,562	20	432	3,014
Seriously delinquent loans (B)	7,663	14	7,677	7,871	28	7,899	9,105	66	2,165	11,335
Loans past due 3 months or more (C)	1,078	6	1,084	974	11	985	865	29	0	894
Sub-total (D) = (A) + (B) + (C)	11,277	26	11,303	11,484	47	11,531	12,531	115	2,597	15,243
Ratio (D) / (G) x 100	2.39	0.10	2.27	2.72	0.13	2.52	3.31	0.26	100	3.58
Loans under mitigation (E)	23,776	56	23,833	22,281	63	22,344	20,235	208	0	20,443
Total (F) = (A) + (B) + (C) + (E)	35,053	82	35,135	33,765	110	33,875	32,767	323	2,597	35,686
Ratio: (F) / (G) x 100	7.43	0.32	7.06	8.00	0.32	7.42	8.65	0.72	100	8.37
Outstanding principal balance of loans (G)	471,857	25,963	497,820	421,945	34,856	456,801	378,949	44,772	2,597	426,318

(Unit: 100 million yen, %)

Category	FY 2008				FY 2009			
	Outstanding loans* ¹	Purchased loans, etc.* ²	Claims.* ³	Total	Outstanding loans* ¹	Purchased loans, etc.* ²	Claims.* ³	Total
Loans to borrowers in default (A)	2,163	38	252	2,453	1,980	65	210	2,256
Seriously delinquent loans (B)	8,362	138	1,444	9,944	8,054	251	999	9,304
Loans past due 3 months or more (C)	1,091	59	0	1,149	1,436	169	0	1,605
Sub-total (D) = (A) + (B) + (C)	11,616	235	1,696	13,547	11,471	485	1,209	13,165
Ratio (D) / (G) x 100	3.49	0.47	100	3.52	4.05	0.82	100	3.83
Loans under mitigation (E)	17,456	216	0	17,672	15,677	332	0	16,009
Total (F) = (A) + (B) + (C) + (E)	29,072	451	1,696	31,218	27,148	817	1,209	29,174
Ratio: (F) / (G) x 100	8.73	0.89	100	8.10	9.59	1.38	100	8.49
Outstanding principal balance of loans (G)	332,983	50,543	1,696	385,221	283,175	59,143	1,209	343,527

*1 "Outstanding loans" refers to loans approved during and before fiscal 2004, excluding loans extended in the property accumulation residence fund loan system.

*2 "Purchased loans, etc." refers to purchased loans and those loans that do not fall in the category of "outstanding loans."

*3 "Claims" refers to loans acquired by JHF on April 1, 2007, when it took over the rights and obligations from the defunct Housing Loan Guarantee Association.

[Loans under mitigation]

In the case where various reasons including changes in living environment and large-scale natural disasters such as the Great Hanshin Awaji Earthquake prevent persons who have acquired their house with our loan program from repaying their loans permanently or temporarily, the JHF encourages their repayment by providing consultation services for loan repayment and restructuring loans based on the circumstances of each case so that such persons can continue to live in their homes, a basic necessity of human life, for as long as possible.

For persons experiencing difficulty with repayment of loans due to their company's bankruptcy or other reasons, JHF has also prepared preferential measures according to the Cabinet decision of October 1998 and offers restructuring of loan terms corresponding to the government measures.

The modified loans account for approximately 55% of loans on the watch-list. This is, however, the result from an effort to achieve the above policy goal through modifications. In addition, as the default ratio on the modified loans is lower than that of other loans on the watch-list, it is unlikely that they cause a rapid increase of non-performing loans.

The JHF allows modification to repayment terms so that borrowers can continue to occupy their homes for as long as possible, and hence strives to maintain and improve our financial soundness.



住宅金融支援機構

Japan Housing Finance Agency

(Former GHLC)

Financial data

Status of Business Execution	42
• Business Plan and Actual Performance	42
• Result of Funding Activities	44
• Outstanding Balance of Purchased Loans, etc.	45
Financial Statements	46
• Overall Agency	46
• Securitization Support Account	51
• Housing Loan Insurance Account	55
• Account for Loans for Property Accumulation	59
Saving Scheme-tied Houses	
• Housing Loan Account	63
• Outstanding Loan Management Account	67
• Details	71
Risk-monitored Loans	76
Policy cost analysis	78
Efforts for Management Restructuring	80
Outline of the Review of Procurement	81
Executive Compensation and	82
Salaries of Employees	
Corporate Data	87
• History of GHLC and JHF	87
• Roles former GHLC has played	87
• Executives and Organization Chart	88
• Location of Head Office and Regional Offices	89

Status of Business Execution

Business Plan and Actual Performance

● Securitization business

The FY 2009 business plan (after revision) was formulated after considering the first supplementary budget for FY 2009, the implementation review of the first supplementary budget for FY 2009 and the second supplementary budget for FY 2009, and includes the increased amount of business due to program expansion until December 2010 in line with the Emergency Economic Countermeasures for Future Growth and Security (endorsed by the Cabinet on December 8, 2009).

(Unit: houses, million yen)

Item	FY 2008				FY 2009					
	Original budget		Actual record		Budget				Actual record	
					Initial		After revision*			
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount
GSE model	110,000	2,200,000	31,616	684,753	110,000	2,200,000	126,500	3,130,000	51,461	1,012,745
FHA/GNMA model	10,000	200,000	6,945	192,315	10,000	200,000	1,000	20,000	619	17,668

*The FY 2009 business plan (after revision) was formulated after considering the first supplementary budget for FY 2009, the implementation review of the first supplementary budget for FY 2009 and the second supplementary budget for FY 2009, and includes the increased amount of business due to system expansion until December 2010 in line with the Immediate Economic Policy Package for Future Safety and Growth (endorsed by the Cabinet on December 8, 2009).

● Housing loan insurance business

Under the FY 2009 business plan (after revision), ¥2.299 trillion was authorized for housing loan insurance; however, ¥446.8 billion was actually committed for insurance for 21,659 policies.

(Unit: houses, million yen)

Item	FY 2008	FY 2009	
		Initial	After revision*
For total insurance value	300,000	300,000	2,299,000
Insurance contracts concluded	No. of contracts	7,747	21,659
	Amount	148,383	446,810

*The FY2009 budget for housing loan insurance (after revision) was formulated after considering the first supplementary budget for FY 2009, the implementation review of the first supplementary budget for FY 2009 and the second supplementary budget for FY 2009, and includes the increased amount of business due to insurance rate reduction until December 2010 in line with the Emergency Economic Countermeasures for Future Growth and Security (endorsed by the Cabinet on December 8, 2009).

● Housing loan origination business

Under the FY 2009 business plan, ¥557.4 billion was budgeted for housing loans for 43,500 units.

Ultimately, the business committed to provide ¥357.5 billion in loans for 38,905 units, and ¥382.9 billion in loans was disbursed.

(Unit: houses, million yen)

Item		FY 2008				
		Original budget		Committed loans*		Distributed loans
		No. of houses	Amount	No. of houses	Amount	Amount
Natural disaster, etc.	Post-disaster reconstruction	2,000	30,000	26	292	867
	Disaster prevention	300	2,400	5	△619	1,879
	Subtotal	2,300	32,400	31	△326	2,747
Urban rehabilitation		1,000	24,000	5,422	68,851	48,562
Rental houses		30,000	261,000	24,569	232,974	192,432
Property accumulation saving scheme-tied houses		3,000	56,000	17	△337	6,807
Owner occupied houses (provisional measures)		700	21,400	△1,891	△52,902	11,014
Total		37,000	394,800	28,148	248,260	261,562
Item		FY 2009				
		Original budget		Committed loans*		Distributed loans
		No. of houses	Amount	No. of houses	Amount	Amount
Natural disaster, etc.	Post-disaster reconstruction	2,000	30,000	7	26	108
	Disaster prevention	300	2,400	105	842	951
	Subtotal	2,300	32,400	112	869	1,059
Urban rehabilitation		8,000	204,000	17,846	170,064	161,231
Rental houses		30,000	261,000	21,095	193,846	217,096
Property accumulation saving scheme-tied houses		3,000	56,000	89	1,237	2,169
Owner occupied houses (provisional measures)		200	4,000	△237	△8,541	1,297
Total		43,500	557,400	38,905	357,475	382,852

* "Committed loans" is the amount of financing the agency approved.

For "committed loans," negative figures represent situations where the actual total of loans such as those that were not accepted (including approved financing for loans such as those that were accepted in previous fiscal years but were not accepted in subsequent years) surpassed the approved financing for the given fiscal year.

● Group credit life insurance (mutual aid) business

In FY 2009, the group credit life insurance (mutual aid) business held around 2.36 million policies for around ¥26,102.6 billion. The business provided 42,717 new policies for around ¥870.7 billion and paid off on 11,960 policies for around ¥108.6 billion.

(Unit: houses, million yen)

Category		FY 2008	FY 2009
Policies held	No. of contracts	2,633,804	2,361,697
	Amount	29,959,774	26,102,616
New policies	No. of contracts	28,433	42,717
	Amount	627,411	870,658
Policies paid off on	No. of contracts	12,594	11,960
	Amount	116,207	108,571

Result of Funding Activities

In FY 2009, the amount for loan origination and the purchase of loans totaled ¥1.3263 trillion, which was 34.5% more than for the previous fiscal year.

Funding of loan origination and the purchase of loans were raised through the issuance of bonds (¥2.1888 trillion, up 12.7% from the previous fiscal year), borrowings from the Fiscal Investment and Loan Program (¥100 million, down 83.3%), borrowings from private institutions (¥165.6 billion, down 11.7%), and the repayment from the borrowers (¥5.3459 trillion, up 11.6%), less redemption of ¥3.8247 trillion (down 16.6% from the previous fiscal year) on borrowings and ¥1.1283 trillion (up 16.9%) on bonds.

The JHF received ¥495.6 billion as government investment, ¥111.4 billion as government subsidies, ¥20 billion as government grants and ¥400 billion as treasury subsidies (¥400 billion as subsidies for emergency measures to facilitate housing finance, ¥5 million as subsidies for the promotion of activities such as the creation of a housing market) from the government's general account.

Out of the abovementioned government investment, ¥230 billion shall be redeemed to the national treasury in FY 2010 based on the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16, 2009).

The following table provides actual funding figures.

(Unit: million yen)

Item		FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Expenditure	Purchased loans, etc.	1,740,499	1,258,202	1,116,124	986,286	1,326,280
	Repayments of borrowings	6,746,849	6,674,189	6,959,707	4,587,085	3,824,665
		(1,600,000)	(2,000,000)	(2,700,000)	(700,000)	(300,000)
	Redemption of bonds	550,945	703,077	754,294	965,321	1,128,271
	Other	4,310,493	3,557,934	2,712,547	2,669,706	4,942,507
	Total	13,348,786	12,193,402	11,542,672	9,208,398	11,221,722
Income	Capital from the General Account	10,000	30,000	66,000	86,000	495,600
	Capital from Industry Investment	45,000	—	—	—	—
	Collection of loans	7,315,364	5,304,188	4,519,376	4,791,147	5,345,900
	Borrowings	250,901	233,485	318,572	188,187	165,700
	Bonds	2,431,970	2,515,508	2,721,811	1,942,986	2,188,804
	Treasury subsidies, etc.	377,200	331,000	275,050	177,797	531,405
	Other	2,918,351	3,779,221	3,641,863	2,022,281	2,494,314
	Total	13,348,786	12,193,402	11,542,672	9,208,398	11,221,722

(note) The figure in parenthesis included in the "repayment of borrowing" item of the expenditure section is the portion of outstanding loan management special account's liabilities related to funds lent to the treasury by the government through March 31, 2005, based on paragraph 13, article 7 of the Supplementary Regulation of the JHF Law, whose maturity was set based on discussions by the competent minister and the Minister of Finance and will be repaid. JHF was exempted from paying penalties, which amounted to ¥425,688 million in FY 2005, ¥330,866 million in FY 2006, 412,719 million in FY 2007, ¥96,063 million in FY 2008 and 45,555 million in FY 2009.

Of the above figures, borrowings and government subsidies, etc. (receipts from the General Account) are as follows:

[Borrowings]

(Unit: million yen)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Borrowings from Fiscal Investment and Loan Program	2,600	2,100	900	600	100
Borrowing from Private-sector Lenders	248,301	231,385	317,672	187,587	165,600
Total	250,901	233,485	318,572	188,187	165,700

[Government subsidies, etc.]

(Unit: million yen)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Government subsidies	321,900	288,000	227,700	91,200	111,400
Government grants	55,300	43,000	47,300	86,500	20,000
Treasury subsidies	—	—	50	97	400,005
Total	377,200	331,000	275,050	177,797	531,405

(Note) The JHF received government subsidies from the general account to smoothly manage operations, grants from the general account to cover extraordinary losses incurred as a result of Article 17 of the Supplemental Regulations of the GHLC Law before the GHLC was dissolved and the losses inherited by the JHF based on Article 10 of the Supplemental Regulations of the JHF Law and treasury subsidies, etc., as subsidies for emergency measures to facilitate housing finance and subsidies for the promotion of activities such as the creation of a housing market based on the provisions of the Law Concerning the Reasonable Execution of Budget Relating to Subsidies.

Outstanding Balance of Purchased Loans, etc.

At the end of FY 2009, the outstanding balance of purchased loans, etc., stood at ¥34,231.8 billion (including ¥4,054 billion in loans purchased from private lenders under secondary market operation).

(Unit: houses, million yen)

Category	FY 2005		FY 2006		FY 2007	
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount
Purchased loans	53,596	1,191,408	96,558	2,047,436	133,912	2,781,729
GHLC originated loans	3,711,012	48,590,601	3,398,891	43,632,658	3,116,089	39,378,480
Owner-occupied houses	3,269,944	39,579,462	2,978,657	35,099,161	2,723,748	31,350,222
Rental houses	26,531	4,226,397	26,495	4,102,670	26,507	3,957,839
Urban rehabilitation	80,839	2,023,629	79,464	1,906,364	76,819	1,789,110
Restoration and improvement	211,447	1,260,956	195,918	1,133,147	175,886	1,016,642
Related public facilities, etc.	1	478	1	437	–	–
Subdivision lot development	75	128,788	53	104,830	38	82,297
Property accumulation saving scheme-tied houses	122,175	1,370,891	118,303	1,286,049	113,091	1,182,370
Claim on pension transfer	–	–	–	–	47,801	211,878
Total	3,764,608	49,782,009	3,495,449	45,680,095	3,297,802	42,372,086
Category	FY 2008		FY 2009			
	No. of houses	Amount	No. of houses	Amount		
Purchased loans	162,324	3,286,301	207,389	4,054,039		
GHLC originated loans	2,816,898	34,877,480	2,492,852	30,013,750		
Owner-occupied houses	2,460,843	27,378,170	2,174,362	23,122,595		
Rental houses	26,911	3,826,592	26,992	3,592,668		
Urban rehabilitation	72,040	1,651,226	65,826	1,503,607		
Restoration and improvement	151,015	906,818	127,406	801,500		
Related public facilities, etc.	–	–	–	–		
Subdivision lot development	24	52,364	21	48,777		
Property accumulation saving scheme-tied houses	106,065	1,062,311	98,245	944,603		
Claim on pension transfer	43,964	188,763	39,739	164,037		
Total	3,023,186	38,352,545	2,739,980	34,231,825		

At the end of FY 2009, the outstanding number of guarantees for the securitization business (FHA/GNMA model, insurance value of loans for which insurance is valid) was 10,604 for ¥288.4 billion, and the outstanding number of guarantees for the housing loan insurance business (insurance value of loans for which insurance is valid) was 103,733 for ¥1,943.1 billion.

Financial Statements

The FY 2009 financial statements for the Japan Housing Finance Agency were created based on Article 38 of the Law on General Rules on Independent Administrative Institutions and were approved by the Minister in charge.

Overall Agency

The Japan Housing Finance Agency recorded ordinary losses of ¥124.7 billion, up ¥79.3 billion from the previous year, due to an increase of ¥136.1 billion in reserves for possible loan losses as a result of the increase of delinquent loans caused by the deteriorating economy although the agency wrote off ¥201.3 billion of GHLC originated nonperforming loans, etc.

The JHF also recorded the reimbursement of reserve for refund of guarantee fees (¥6.8 billion) as extraordinary profits and the provision for the reserve for mortgage transfer registration (¥35.3 billion) as extraordinary losses. In the housing loan account, the JHF transferred ¥6.5 billion from the special purpose reserve, which is used for operations such as the group credit life insurance business. As a result, the JHF recorded a gross loss of ¥146.8 billion.

Balance Sheet

(Unit: million yen)

Item	FY 2008	FY 2009	Item	FY 2008	FY 2009
(Assets)			(Liabilities)		
Cash and due from banks	350,293	2,712,133	Borrowings	28,380,675	24,721,710
Cash	1	1	FILP borrowings	28,151,370	24,544,645
Due from banks	60,494	2,385,471	Borrowings from the former Kanpo Life Insurance	41,718	11,465
Agency deposits entrusted	289,797	326,661	Borrowings from private institutions	187,587	165,600
Money in trust	—	400,000	Bonds	10,485,983	11,549,735
Receivables under resale agreement	729,062	—	Government guaranteed bonds	711,600	806,600
Securities	519,001	974,201	Mortgage-backed securities	7,611,361	8,419,383
Government bonds	179,303	381,743	General mortgage bonds	496,900	722,900
Local government bonds	22,112	156,438	Property accumulation saving scheme-tied housing bonds	843,200	740,400
Government guaranteed bonds	38,234	28,148	Housing land bonds	843,822	875,430
Corporate bonds	279,336	347,855	Bond issue premiums (△)	△ 20,901	△ 14,977
Stock	16	16	Insurance policy reserves	22,538	35,516
Certificates of deposit	—	60,000	Reserve for outstanding claims	2,850	1,148
Purchased loans	3,286,301	4,054,039	Policy reserve	19,687	34,368
GHLC originated loans	34,877,480	30,013,750	Subsidies received, etc.	6,562	396,583
Loans on bills	117,056	148,444	Subsidies payable for measures to facilitate outstanding loan management	6,562	2,553
Loans on deeds	34,760,424	29,865,306	Subsidies payable for emergency measures to facilitate housing finance	—	394,030
Other assets	650,012	590,838	Other liabilities	560,216	608,896
Claims for indemnity	169,584	120,904	Accrued expenses	228,141	191,055
Transferred claims (pension)	188,763	164,037	Advance earnings	50,775	53,438
Accrued revenue	97,590	91,243	Financial derivative products	165,238	180,614
Financial derivative products	152,317	168,846	Financial derivative product gain carry forward	13,314	13,033
Financial derivative product loss carry forward	22,487	21,722	Accounts payable	88,940	158,257
Accrued insurance premiums	1,482	1,638	Other liabilities	13,808	12,499
Other assets	17,789	22,449	Bonus payment reserve	724	643
Tangible fixed assets	39,815	37,376	Allowance for retirement benefits	24,515	25,450
Buildings	16,323	15,482	Allowance for refund of guarantee fees	64,240	49,730
Accumulated depreciation (△)	△ 1,738	△ 2,239	Reserve for mortgage transfer registration	—	34,546
Accumulated impairment loss (△)	△ 514	△ 42	Guarantee obligation	1,022,860	990,336
Land	22,747	22,168	Total liabilities	40,568,312	38,413,147
Accumulated impairment loss (△)	△ 352	△ 441	(Net assets)		
Other tangible fixed assets	4,361	4,556	Capital	405,700	901,300
Accumulated depreciation (△)	△ 1,005	△ 2,107	Government investment	405,700	901,300
Accumulated impairment loss (△)	△ 7	△ 0	Capital surplus	△ 873	△ 484
Expected amount of undisbursed grants	148,729	33,320	Accumulated impaired loss not included in profit and loss (△)	△ 873	△ 484
Extraordinary losses	48,325	28,325	Loss carry forward	△ 177,682	△ 330,974
Guarantee obligation reversal	1,022,860	990,336	Total net assets	227,145	569,842
Reserve for possible loan losses (△)	△ 876,421	△ 851,328	Total liabilities and net assets	40,795,457	38,982,989
Total assets	40,795,457	38,982,989			

Income Statement

(Unit: million yen)

Item	FY 2008	FY 2009
Ordinary income	1,357,585	1,289,262
Income from asset management	1,248,958	1,158,011
Interest on purchased loans	82,737	98,028
Interest on GHLC originated loans	1,148,883	1,038,030
Charges on claims for indemnity	269	493
Interest on transferred claims (pension)	6,987	6,100
Interest and dividends on securities	9,163	13,927
Interest on receivables under repurchase agreement	750	863
Interest on deposits	168	569
Interest on deposits	106,493	123,465
Income from underwriting insurance	5,436	11,828
Net insurance premium revenue	—	1,702
Reimbursement of unused reserve for outstanding claims	95,125	97,379
Fee from group credit life insurance riders	4,270	4,497
Revenue from group credit life insurance	1,663	8,060
Dividends on group credit life insurance	1,790	1,549
Income from service transactions	581	524
Guarantee fee Other income	1,209	1,024
Other subsidies	97	5,975
Subsidies for emergency measures to facilitate housing finance	—	5,970
Subsidies for the promotion of activities such as the development of a housing market	97	5
Other ordinary income	247	263
Other ordinary income	247	263
Ordinary expenses	1,403,030	1,414,006
Fund raising expenses	1,166,168	1,035,263
Interest on borrowings	982,349	832,561
Interest on bonds	183,434	202,454
Other interest paid	385	247
Insurance underwriting expenses	131,045	138,575
Net insurance paid	3,339	6,758
Provision for outstanding claims	831	—
Provision for policy reserve	2,973	14,681
Group credit insurance premium paid	119,331	112,434
Payment of group credit life insurance claims	4,571	4,702
Service transaction expenses	24,278	24,590
Service expenses	24,278	24,590
Other operating expenses	8,501	7,673
Amortization of bond issuing expenses	5,889	6,674
Financial derivatives expenses	2,613	999
Business expenses	32,901	31,712
Other ordinary expenses	40,136	176,194
Provision for reserve for possible loan losses	40,130	176,185
Other ordinary expenses	7	10
Ordinary losses	△ 45,445	△ 124,745
Extraordinary profit	11,253	6,790
Gain on bad debt recovered	382	622
Other extraordinary profit	10,871	6,168
Reimbursement of allowance for refund of guarantee fees	10,871	6,168
Extraordinary losses	2,067	35,337
Loss on disposal of tangible fixed assets	—	791
Other extraordinary losses	2,067	34,546
Losses associated with the insolvency of counter parties of financial derivatives	2,067	—
Provision for the reserve for mortgage transfer registration	—	34,546
Net loss	△ 36,259	△ 153,292
Transfer from reserve for special purpose	21,620	6,538
Gross loss	△ 14,638	△ 146,753

Cash flows statement

(Unit: million yen)

Item	FY 2008	FY 2009
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 724,724	△ 943,428
Loan disbursement	△ 261,562	△ 382,852
Outlays on personnel expenses	△ 10,841	△ 10,381
Outlays on insurance	△ 3,339	△ 6,758
Outlays on group credit life insurance premium	△ 120,274	△ 113,075
Outlays on payment on group credit life insurance claims	△ 4,600	△ 4,715
Other operating outlays	△ 67,983	△ 71,495
Income from collection of purchased loans	179,903	243,557
Income from collection of purchased loans	4,611,244	5,102,342
Income from collection of GHLC originated loans	81,927	96,955
Income from interest on purchased loans	1,158,353	1,046,664
Income from interest on GHLC originated loans	487	353
Loan origination fees and other revenue	4,809	11,668
Income from insurance premiums	91,754	100,650
Income from riders on group credit life insurance	4,106	4,380
Income from group credit life insurance	10,295	1,663
Dividends received from group credit life insurance	41,979	47,278
Income from other operations	91,200	111,400
Income from government subsidies	86,500	20,000
Income from government payment	97	400,005
Income from treasury subsidies	5,169,329	5,654,211
Subtotal Interest and dividends received	30,914	49,591
Interest paid	△ 1,227,548	△ 1,105,498
Cash flow from operating activities	3,972,695	4,598,304
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 161,220	△ 450,634
Income from redemption of securities (bonds)	36,988	55,120
Net change in securities (certificates of deposit) (negative _ decline)	270,400	△ 60,000
Outlays on acquisition of tangible fixed assets	△ 43	△ 84
Income from disposal of tangible fixed assets	—	636
Outlays on purchase of time deposit	20,000	—
Income from time deposit maturing	△ 717,671	729,062
Net change in receivables under repurchase agreement (negative _ decline)	—	△ 400,000
Other expenditure	△ 5	—
Other income	—	4
Cash flow from investing activities	△ 551,550	△ 125,896
III Cash flow from financing activities		
Net change in short-term borrowings from private institutions (negative _ decline)	△ 106,500	—
Income from long-term borrowings from private institutions	187,587	165,600
Outlays on repayment of long-term borrowings from private institutions	△ 211,172	△ 187,587
Income from issuance of bonds (after deducting issuance expense)	1,937,098	2,182,130
Outlays on repayment of bonds	△ 965,321	△ 1,128,271
Income from FILP borrowings	600	100
Outlays on repayment of FILP borrowings	△ 4,221,990	△ 3,606,825
Outlay for repayment of borrowings from the former Kanpo Life Insurance	△ 47,423	△ 30,253
Income from government investments	86,000	495,600
Outlays on the payment of lease obligation	—	△ 1,062
Cash flows from financing activities	△ 3,341,122	△ 2,110,567
IV Increase (or decline) in cash	80,023	2,361,841
V Opening balance of cash	270,269	350,293
VI Closing balance of cash	350,293	2,712,133

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2008	FY 2009
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	1,166,168	1,035,263
Insurance underwriting expenses	131,045	138,575
Service transaction expenses	24,278	24,590
Other operation expenses	8,501	7,673
Business expenses	32,901	31,712
Other ordinary expenses	40,136	176,194
Loss on disposal of tangible fixed assets	—	791
Losses associated with the insolvency of counter parties of financial derivatives	2,067	—
Provision for the reserve for mortgage transfer registration	—	34,546
Subtotal	1,405,097	1,449,343
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 1,248,958	△ 1,158,011
Income from insurance underwriting	△ 106,493	△ 123,465
Income from service transactions	△ 1,790	△ 1,549
Other ordinary income	△ 247	△ 263
Gain on bad debt recovered	△ 382	△ 622
Reimbursement of allowance for refund of guarantee fees	△ 10,871	△ 6,168
Subtotal	△ 1,368,741	△ 1,290,077
Total operating expenses	36,356	159,266
II Accumulated impaired loss not included in profit and loss	873	370
III Expected increase in retirement benefits not included in allowances	7	7
IV Opportunity costs		
Opportunity costs related to items such as central and local government investments	5,198	11,055
V Administrative cost	42,433	170,698

Significant Accounting Policies (overall agency)

- Application of revised incorporated administrative agency accounting standards
Revised incorporated administrative agency accounting standards are applied in the financial statements from this fiscal year.
- Depreciation
A straight line method is applied. The useful lives of major assets are given below:
Building - 2 - 48 years
Other tangible fixed assets - 2 - 43 years
- Criteria for Recording Reserves
(1) Reserves for possible loans losses
Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on purchased loans and GHLC originated loans on the following bases.
a. For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
b. For "borrowers with high probability of default," an amount is recorded for each loan that is based on the historic expected loss rate during a particular period and the difference between the balance of the loan and expected recoverable amount from the collateral.
c. For "normal borrowers," borrowers requiring caution" and "the other borrowers requiring caution," an amount is recorded based on the historic expected loss rate during a particular period.
(2) Allowance for Bonuses
In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.
(3) Allowance for Retirement Benefits
In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year. Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.
Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.
(4) Allowance for Refund of Guarantee Fees
Parties who receive loans that are part of the account for loans for building accumulation saving scheme-tied houses and the outstanding loan management special account and loans related to transferred claims (from pension) described in Notes 1 (2) and that are part of the housing loan account paid a guarantee fee when placing the corresponding loan guarantee fee into trust with the Housing Loan Guarantee Corporation as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as the JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.
(5) Reserve for Mortgage Transfer Registration
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to the JHF regarding GHLC originated loans and purchased loans inherited from the Government Housing Loan Corporation as stipulated by Paragraph 1, Article 3, of the Supplementary Provisions of the JHF Law and transferred claims (from pension) described in Notes 1 (2).
(Additional information)
Registration fees for mortgage transfers to the JHF regarding GHLC originated loans and purchased loans inherited from the GHLC as well as transferred claims (from pension) were previously recorded at the time of disbursement. However, in order to reflect financial conditions more appropriately, the estimated amount of future outlay is recorded from the end of this fiscal year.
- As a result, the amount of extraordinary losses increased by ¥34,546,490,475 from the figure in the previous calculation, and the current net loss and the current gross loss also increased by the same value.
- Criteria for Recording Mandatory Policy Reserves
The competent minister designates a method as stipulated in Article 13 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure and Transportation Ministerial Ordinance No. 1 of 2007, referred to below as the ministerial ordinance). This method is given in Calculation Method Designated by the Competent Minister Based on Article 13 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Finance No. 174 and National Housing Material No. 123: April 1, 2007) and an amount calculated based on this method is recorded to pay for future liabilities related to insurance stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955).
- Method and Criteria for Valuing Marketable Securities
(1) Securities held to maturity
The amortized cost method (straight-line method) is applied.
(2) Other securities
The purchase price is recorded.
- Method for Valuing Financial Derivative Products
The market value method is applied.
- Grounds and Criteria for Recording Financial Derivative Product Profit and Loss Carry Forward
An amount calculated based on the method designated by the competent minister, which is given in Calculation Method Designated by the Competent Minister Based on Article 12 of the Ministerial Ordinance Related to the Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Finance No. 174 and National Housing Material No. 122: April 1, 2007), is recorded in order to carry forward the profit or loss on interest rate swaps stipulated in Article 12 of the ministerial ordinance.
- Depreciation of Bond Issue Premiums
Bond issue premiums are amortized using a straight line method over the maturity of the bond
- Criteria for Recording Scheduled Amount of Undisbursed Grants
The guarantee fee refund and write-off of GHLC originated loans for FY 2007, 2008 and 2009 related to the outstanding loan management special account are deducted from the amount set by the competent ministry (Calculation Method Designated by the Competent Minister Based on Article 4 of the Supplementary Provisions of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency [Finance No. 174 and National Housing Material No. 124: April 1, 2007]), and this amount is recorded.
- Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations
Taking into account the interest on 10-year government bonds at the end of March 2010, 1.395% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for Leases
Finance leases with a total lease fee of ¥3 million or greater are accounted for as regular purchases. Finance leases with a total lease fee less than ¥3 million are accounted for as normal leases.
- Accounting for consumption tax
The tax inclusive method is applied.

Notes (overall agency)

1. Matters Relating to the Balance Sheet

(1) Collateral

Purchased loans and GHLC originated loans are put into trust as collateral for mortgage backed securities.

(Unit: yen)

	Assets provided as collateral		Collateral related liabilities	
	Item	Amount	Item	Collateral related liabilities
Securitization Support Account	Purchased loans	3,787,214,724,833	MBS	3,617,406,296,584
Housing Loan Account	GHLC originated loans	63,879,529,957	MBS	70,497,984,073
Outstanding Loan Management Special Account	GHLC originated loans	5,107,836,136,931	MBS	4,731,478,398,343
Total		8,958,930,391,721		8,419,382,679,000

(2) Transferred Claims (From pension)

Based on Item 3, Paragraph 1, Article 7 of the Supplementary Provisions of Japan Housing Finance Agency Law (Law No. 82 of 2005; referred to below as the Agency Law), the balance of claims transferred from the Welfare and Medical Service Agency are recorded.

(3) Financial Derivative Product Profit and Loss Carry Forward

Losses and profit on interest rate swaps stipulated by Article 12 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure and Transportation Ministerial Ordinance No. 1 of 2007) are carried forward.

(4) Extraordinary Losses

These are assets inherited from the Government Housing Loan Corporation based on Paragraph 1, Article 9 of the Agency Law.

Based on Paragraph 3, Article 9 of the same law, these assets are written down through the receipt of grants.

2. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank	¥2,712,133,461,322
Closing balance of cash	¥2,712,133,461,322

(2) Material Non-cash Transactions

During FY 2009, the value of newly-recorded assets and liabilities related to finance leases were both ¥231,626,380.

(3) Income from government payment

The ¥20,000,000,000 in income from government payment (general account) was to cover extraordinary losses based on Paragraph 2, Article 9 of the Supplementary Provisions of the Agency Law and was used to reduce the extraordinary loss based on Paragraph 3 of the same supplementary provisions.

3. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

4. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2010
Retirement benefit obligation (A)	△ 38,628,214,708
Pension assets (B)	10,365,492,321
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 28,262,722,387
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	2,812,934,551
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 25,449,787,836
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 25,449,787,836

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2009 to March 31, 2010
Service cost	986,701,427
Interest cost	761,351,597
Expected return on plan assets	△ 185,996,740
Amortization of prior service obligations	0
Amortization of actuarial differences	443,414,333
Other (such as extra retirement benefit)	0
Net pension expenses	2,005,470,617

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2010
a. Discount rate	2.0%
b. Expected rate of return on plan assets	2.0%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

5. Impairment losses on fixed assets

Assets with acknowledged impairment

Impairment is acknowledged and impairment losses are recorded in this fiscal year for the Kouko General Sports Ground (owned jointly with the Welfare and Medical Service Agency and Japan Finance Corporation) as it was already closed and is planned to be sold.

Since this is handled as impairment losses not included in profit and loss, it is not recorded in financial statements.

(Unit: yen)

(a) Agency office	(b) Name	(c) Location	(d) Book value (land)	(e) Impairment loss
Head office	Kouko General Sports Ground	Mitaka-shi	1,990,000,000	370,000,000
Total			1,990,000,000	370,000,000

(Note 1) The book values are the term-end book values of FY 2009.

(Note 2) The impairment losses are calculated according to the real estate appraisal values based on the net sales prices.

6. Financial Products

(1) Matters Relating to the Situation of Financial Products

a. Policy on Financial Products

The JHF provides liquidity to the housing market by secondary market operation, purchasing mortgages originated by private lenders and securitizing those loans into MBS. It also provides liquidity to the housing market by direct loan origination for such areas which are difficult for private financial institutions to handle as disaster mitigation. In order to conduct these businesses, the agency raises funds by issuing FILP (Fiscal Investment and Loan Program) agency bonds and borrowing from financial institutions as well as the Fiscal Investment and Loan Program.

b. Description and Financial Products and their Risk

The financial assets held by the JHF are mainly mortgages to individuals in Japan, which are exposed to credit risk that is caused by contractual default by borrowers. In addition, most of the mortgages are long-term fixed rate loans, which are exposed to market risk including prepayment risk, refunding risk and pipeline risk. The securities held by the agency are mainly bonds, which are held to maturities and are exposed to credit risk of the counterparties and market risk.

The agency's sources of fundings are FILP agency bonds and borrowings, which are exposed to liquidity risk that can cause failures in fund raising under certain adverse market conditions.

In order to hedge pipeline risk in the securitization business, the agency exercises interest rate swaps.

c. Risk Management System relating to Financial Products

a) Efforts for Risk Management

In order to build a systematic, cross-sector risk management system, the JHF has designated a specific executive and a department to control overall risk management. It has also designated executives and departments that deal with individual risks both in quantity and in quality and committees to support them. Specifically, the credit risk management committee has been established to manage credit risk, and the ALM risk management committee has been established to deal with market risk, liquidity risk and counterparty risk. Each committee monitors risks in its jurisdiction and discusses plans and proposals concerning the management of those risks.

The JHF holds a specific executive and department responsible for the integrated management of all categories of risks. The executive and department follow and evaluate the assessment and management of individual risks and report to the board of directors on a regular base.

The JHF has set up and implemented the Risk Management Manual and the Risk Management Implementing Procedures. The manual stipulates the definition of individual risks, the purpose of risk management, the risk management framework and methods. The implementing procedures spell out specific methods applicable to the management of individual risks. Based on these rules, the JHF manages individual risks depending on their profiles, and promotes an integrated risk management through a comprehensive understanding and evaluation of individual risks.

b) Credit risk management

Since long-term housing loans account for a large part of the JHF's assets, the agency recognizes that purchasing loans or originating loans has significant impact on our financials in the long term. Accordingly, when the JHF purchases or originates loans or administer those loan portfolios, the agency strictly complies with regulations on each operation, and checks, analyzes and manages credit risks.

The section responsible for credit risk management secures independence from the sales promotion department and has established a system to appropriately underwrite actual and potential borrowers, to manage and collect outstanding portfolio and to categorize its assets in accordance with risk profiles. In order to check and manage credit risk correctly, the agency categorizes holding credits based on their risk profiles, analyses the attributes of borrowers in our portfolio by category, and estimates the amount of possible future losses and costs of dealing with credit risk.

c) Market risk management

The JHF has established a market risk management department that is a spin-off of its market department to appropriately manage prepayment risk, refunding risk and pipeline risk. The agency estimates an increase in repayments based on established prepayment models, securitizes the debts, and issues bonds spanning varying periods for prepayment risk, and focuses its attention on cash flow gaps between assets and liabilities and monitors duration and other risk indicators so as to properly manage refunding risk. Regarding pipeline risk, it exercises interest rate swaps that are limited to the purpose of hedging risks in its assistance with debt securitization.

d) Liquidity risk management

In the JHF, a liquidity risk management department that has spun off from the financing management department has set liquidity standards and other financing indicators to be monitored. In addition, it secures financing methods such as emergency borrowing facilities, and prepares a contingency funding plan to deal with situations that may affect funding position.

e) Counterparty risk

In the JHF, a counterparty risk management department that has spun off from the

investment department has set counterparty risk management standards and monitors them. When investing excess cash, the JHF customarily attempts to select government bonds, municipal bonds, and government-guaranteed bonds for the sake of safety. As to currency interest-rate swap transactions, the JHF checks price ranges of the relevant currencies in an effort to keep such transactions under control.

d. Supplementary Explanation on the Matters Relating to the Mark to Markets of Financial Products

The fair values of financial products include values based on market prices, and if market prices are not available, they include rationally calculated values. As the market prices are calculated based on certain preconditions, etc., the values may vary when using different preconditions.

(2) Matters Relating to the Mark to Markets of Financial Products

The values of major financial products on the balance sheet at the end of the term, their market prices and differences between them and book value are outlined below. The values of products whose market prices are difficult to obtain are not included in the table (refer to Note 2).

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	2,712,133,461,322	2,712,133,461,322	0
(2) Money in trust	400,000,000,000	400,000,000,000	0
(3) Securities			
Securities held to maturity	914,184,758,599	932,733,406,200	18,548,647,601
Other securities	60,000,000,000	60,000,000,000	0
(4) Purchased loans	4,054,039,037,642		
Reserve for possible loan losses (*1)	△ 21,145,417,374		
	4,032,893,620,268	4,180,465,874,214	147,572,253,946
(5) GHLC originated loans	30,013,749,663,473		
Reserve for possible loan losses (*1)	△ 705,722,251,066		
	29,308,027,412,407	29,953,514,299,267	645,486,886,860
(6) Claims for indemnity (*1)	18,956,057,529	18,956,057,529	0
(7) Transferred claims (from pension)	160,410,352,014	162,028,188,028	1,617,836,014
Total assets	37,606,605,662,139	38,419,831,286,560	813,225,624,421
(1) Borrowings	24,721,710,388,000	26,626,130,665,810	1,904,420,277,810
(2) Bonds (*2)	11,549,735,019,011	11,741,660,370,558	191,925,351,547
(3) Accounts payable	158,257,240,000	158,257,240,000	0
Total liabilities	36,429,702,647,011	38,526,048,276,368	2,096,345,629,357
Financial derivative products (*3)	(11,768,061,687)	(11,768,061,687)	0
Total financial derivative products	(11,768,061,687)	(11,768,061,687)	0

(*1) Amounts of general and individual reserves for possible loan losses for purchased loans and GHLC originated loans are deducted. Since reserves for possible loan losses for claims for indemnity and transferred claims (from pension) are less important, their values are subtracted from the amounts on the balance sheet.

(*2) Since bond issue premiums are less important, the values are subtracted from the amount on the balance sheet.

(*3) The values of financial derivative products listed as assets or liabilities are indicated on bloc. The changes in values of assets/liabilities caused by transactions are indicated on a net basis, and if the sum of them results in negative, the item is indicated in parentheses.

(Note 1) Method of Calculating the Market Price of Financial Products

Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The market price of bonds was based on market prices, including quotation by market makers, released by industry groups. The market price of certificates of deposit is indicated by the book value, since they had a short contract period and their market price was close to the book value.

(4) Purchased loans

The future cash flow of purchased loans was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar newly purchased mortgage

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference among them was applied as the market price.

(5) GHLC originated loans

The future cash flow of GHLC originated loans was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar newly originated loan.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference among them was applied as the market price.

As for the short term lending for construction loans, the maturities are so short that book value is applied as market value.

(6) Claims on foreclosed properties

As the sum of bad loans was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

(7) Transferred claims (from pension)

The future cash flow of transferred claims (from pension) was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would

be applied to a similar newly transferred loan.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference among them was applied as the market price.

Liabilities

(1) Borrowings

The total amount of principal and interest was discounted at a rate that would be applied to a possible similar borrowing to calculate the market price.

The contracted term for borrowings at private financial institutions was short, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Bonds

The market prices of government guaranteed bonds, mortgage-backed securities and general mortgage bonds were based on market prices, including quotation by market makers, released by industry groups.

Regarding property accumulation saving scheme-tied housing bonds, the total amount of principal and interest is discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

For housing lot bonds, estimated future cash flows were discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

(3) Accounts payable

The term when the outstanding payment was unpaid was short, and the market price was very close to the book value. Accordingly, the book value was applied as the market price.

Financial derivative products

Financial derivative products JHF executes are an interest-rate swap agreement. The market price was calculated based on discount cash flows.

(Note 2) Unlisted stocks (value on the balance sheet: ¥16,150,000) have no market price, which makes it difficult to estimate their market price. Accordingly, the market price is not required to be disclosed.

(Additional information)

Notes for financial instruments were added based on Revised Incorporated Administrative Agency Accounting Standards No. 80.

7. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	203,285,393,383	211,199,086,000	7,913,692,617
	Local government bonds	82,098,247,573	84,213,754,200	2,115,506,627
	Government guaranteed bonds	28,044,184,381	28,545,815,000	501,630,619
	Corporate bonds	311,946,426,596	321,763,494,000	9,817,067,404
	Subtotal	625,374,251,933	645,722,149,200	20,347,897,267
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	178,457,953,594	177,160,977,000	△ 1,296,976,594
	Local government bonds	74,340,145,677	73,995,900,000	△ 344,245,677
	Government guaranteed bonds	103,780,364	103,320,000	△ 460,364
	Corporate bonds	35,908,627,031	35,751,060,000	△ 157,567,031
	Subtotal	288,810,506,666	287,011,257,000	△ 1,799,249,666
Total		914,184,758,599	932,733,406,200	18,548,647,601

(2) Other securities

(Unit: yen)

Category	Type	Book value on the balance sheet	Acquisition cost	Balance
Book Value on the balance sheet does not exceed acquisition cost	Other	60,000,000,000	60,000,000,000	0

None of the book values on the balance sheet exceed its acquisition cost.

(3) Securities held to maturity that were sold in FY 2009

None

8. Material Liability Incurring Activities

There is nothing to report.

9. Material Subsequent Events

There is nothing to report.

10. Miscellaneous

Redemption of government investment

The JHF received a government investment with the first supplementary budget for FY 2009, of which ¥230 billion shall be redeemed to the national treasury based on the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16 2009). The payment shall be made in accordance with the provisions of Paragraph 3, Article 8 and Item 1, Paragraph 2, Article 46 of the revised Law for General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999, hereinafter referred to as the IAA General Rules Law) after the enactment of the Law for Revising Part of the Law for General Rules for Incorporated Administrative Agencies (Law No. 37 of 2010).

In line with the redemption, the capital shall be reduced by the amount decided by the competent ministers based on the provisions of Item 4, Paragraph 2, Article 46 of the IAA General Rules Law.

Securitization Support Account

The securitization support account consists of the loan purchasing account (GSE Model) and the MBS guarantee account (FHA/GNMA Model).

In the loan purchasing account, the amount of ordinary income including interest on purchased loans increased in line with the increased balance of purchased loans. Under severe economic conditions, however, the amount transferred to the reserve for possible loan losses rose by ¥8.5 billion with the increasing amount of nonperforming loans, resulting in an ordinary loss of ¥500 million. In addition, an extraordinary loss of ¥2.3 billion was posted, including ¥1.2 billion for the reserve for mortgage transfer registration and ¥ 800 million for loss on disposal of tangible fixed assets relating to the sale of corporate dormitories. As a result, a gross loss of ¥2.9 billion was recorded.

In the MBS guarantee account, an ordinary loss of ¥3.1 billion yen and a gross loss of ¥2.9 billion were recorded due to a decrease in the number of new insurance contracts and a large increase in the number of events insured as a result of increased nonperforming loans, as is the case in the loan purchasing account.

Accordingly, in the integrated account, the JHF posted an ordinary loss of ¥3.6 billion and a gross loss of ¥5.8 billion in FY2009.

The JHF will increase the volume of purchased loans and reduce the volume of nonperforming loans by continuing to promote the business, will promote measures to curb nonperforming loans and is aiming to eliminate the overall loss carry forward for all accounts, excluding the outstanding loan management special account and GHLC originated account, during the period covered by the second medium-term business plan.

● Balance sheet

(Unit: million yen)

Item	FY 2008	FY 2009	Item	FY 2008	FY 2009
(Assets)			(Liabilities)		
Cash and due from banks	18,260	48,438	Bonds	3,202,424	3,853,134
Cash	0	0	Mortgage-backed securities	3,071,071	3,617,406
Due from banks	761	27,680	General mortgage bonds	131,399	235,825
Agency deposits entrusted	17,499	20,758	Bond issue premiums (△)	△ 46	△ 98
Money in trust	—	260,000	Reserve for insurance	105	548
Receivables under resale agreement	17,494	—	Reserve for payment	105	548
Securities	293,982	587,097	Subsidies payable, etc.	—	259,931
Government bonds	120,782	277,616	Subsidies payable for emergency measures to facilitate housing finance	—	259,931
Local government bonds	6,429	95,769	Other liabilities	277,053	361,468
Government guaranteed bonds	16,624	10,993	Accrued expenses	4,593	5,466
Corporate bonds	150,147	202,719	Financial derivative products	165,238	180,614
Purchased loans	3,286,301	4,054,039	Financial derivative product gain carry forward	13,314	13,033
Other assets	181,404	199,275	Accounts payable	88,940	158,257
Accrued revenue	5,319	7,372	Other liabilities	3,474	2,707
Financial derivative products	152,317	168,846	Accounts payable for other accounts	1,494	1,390
Financial derivative product loss carry forward	22,487	21,722	Allowance for bonuses	300	272
Accrued insurance premiums	43	45	Allowance for retirement benefits	10,169	10,753
Other assets	193	298	Reserve for mortgage transfer registration	—	1,180
Accounts receivable for other accounts	1,045	992	Guarantee obligation	197,097	276,583
Tangible fixed assets	39,815	37,376	Total liabilities	3,687,149	4,763,868
Buildings	16,323	15,482	(Net assets)		
Accumulated depreciation (△)	△ 1,738	△ 2,239	Capital	357,300	703,300
Accumulated impairment losses (△)	△ 514	△ 42	Government investment	357,300	703,300
Land	22,747	22,168	Capital surplus	△ 873	△ 484
Accumulated impairment losses (△)	△ 352	△ 441	Accumulated impaired loss not included in profit and loss (△)	△ 873	△ 484
Other tangible fixed assets	4,361	4,556	Loss carry forward	△ 19,292	△ 25,077
Accumulated depreciation (△)	△ 1,005	△ 2,107	Unappropriated loss	△ 19,292	△ 25,077
Accumulated impairment losses (△)	△ 7	△ 0	(of which, gross loss for the current fiscal year)	(△ 2,787)	(△ 5,785)
Guarantee obligation reversal	197,097	276,583	Total net assets	337,136	677,740
Reserve for possible loan losses (△)	△ 10,069	△ 21,201	Total liabilities and net assets	4,024,284	5,441,608
Total assets	4,024,284	5,441,608			

Income statement

(Unit: million yen)

Item	FY 2008	FY 2009
Ordinary income	88,416	107,974
Income from asset management	86,931	106,254
Interest on purchased loans	82,744	98,037
Interest and dividends on securities	4,155	8,136
Interest on receivables under repurchase agreement.	32	25
Interest on deposits	358	548
Income from underwriting insurance	358	548
Net insurance premium revenue	11	24
Income from service transactions	11	24
Guarantee fee	11	24
Other subsidies	—	69
Subsidies for emergency measures to facilitate housing finance	—	69
Other ordinary income	1,116	1,078
Other ordinary income	1,116	1,078
Ordinary expenses	88,562	111,597
Fund raising expenses	60,904	71,989
Interest on borrowings	0	—
Interest on bonds	60,139	71,506
Other interest paid	385	247
Interest on loans of other accounts	380	236
Insurance underwriting expenses	560	3,882
Net insurance paid	455	3,438
Provision for outstanding claims	105	443
Service transaction expenses	5,777	6,491
Service expenses	5,777	6,491
Other operating expenses	6,570	5,465
Amortization of bond issuing expenses	2,463	3,078
Financial derivatives expenses	2,613	999
Other operational expenses	1,494	1,389
Business expenses	10,644	11,188
Other ordinary expenses	4,107	12,581
Provision for reserve for possible loan losses	4,105	12,581
Other ordinary expenses	2	0
Ordinary losses	△ 146	△ 3,623
Extraordinary losses	2,641	2,162
Loss on disposal of tangible fixed assets	—	791
Other extraordinary losses	2,641	1,371
Provision for allowance for retirement benefits accompanying transfer between accounts	574	192
Losses associated with the insolvency of counter parties of financial derivatives	2,067	—
Provision for the reserve for mortgage transfer registration	—	1,180
Net loss	△ 2,787	△ 5,785
Gross loss	△ 2,787	△ 5,785

Cash flows statement

(Unit: million yen)

Item	FY 2008	FY 2009
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 724,724	△ 943,428
Outlays on personnel expenses	△ 4,446	△ 4,382
Outlays on insurance	△ 455	△ 3,438
Other operating outlays	△ 12,212	△ 12,707
Income from collection of purchased loans	179,903	243,557
Income from interest on purchased loans	81,934	96,963
Income from insurance premiums	328	546
Income from other operations	729	1,236
Income from treasury subsidies	—	260,000
Subtotal	△ 478,944	△ 361,653
Interest and dividends received	25,142	42,717
Interest paid	△ 81,532	△ 108,118
Cash flow from operating activities	△ 535,334	△ 427,054
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 97,508	△ 308,050
Income from redemption of securities (bonds)	12,540	14,670
Net change in securities (certificates of deposit)(negative _ decline)	10,300	—
Outlays on acquisition of tangible fixed assets	△ 43	△ 84
Income from disposal of tangible fixed assets	—	636
Net change in receivables under repurchase agreement (negative _ decline)	△ 17,494	17,494
Outlays on the increase of money in trust	—	△ 260,000
Other expenditure	△ 5	—
Other income	—	4
Cash flow from investing activities	△ 92,209	△ 535,330
III Cash flow from financing activities		
Income from issuance of bonds (negative _ decline)	718,101	896,770
Outlays on repayment of bonds	△ 171,417	△ 249,147
Income from government investments	86,000	346,000
Outlays on the payment of lease obligation	—	△ 1,062
Income from borrowings from other accounts	726,000	974,900
Outlays on repayment of borrowings of other accounts	△ 726,000	△ 974,900
Cash flows from financing activities	632,684	992,562
IV Increase (or decline) in cash	5,141	30,178
V Opening balance of cash	13,119	18,260
IV Closing balance of cash	18,260	48,438

Statement of Appropriation of Loss

(Unit: million yen)

I Unappropriated loss		△ 25,077
Gross loss		△ 5,785
Loss carry forward (from previous year)	△ 19,292	
II Loss carry forward (to next year)		<u>△ 25,077</u>

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2008	FY 2009
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	60,904	71,989
Insurance underwriting expenses	560	3,882
Service transaction expenses	5,777	6,491
Other operation expenses	6,570	5,465
Business expenses	10,644	11,188
Other ordinary expenses	4,107	12,581
Loss on disposal of tangible fixed assets	—	791
Provision for allowance for retirement benefits accompanying transfer between accounts	574	192
Losses associated with the insolvency of counter parties of financial derivatives	2,067	—
Provision for the reserve for mortgage transfer registration	—	1,180
Subtotal	91,203	113,759
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 86,931	△ 106,254
Income from insurance underwriting	△ 358	△ 548
Income from service transactions	△ 11	△ 24
Other ordinary income	△ 1,116	△ 1,078
Subtotal	△ 88,416	△ 107,905
Total operating expenses	2,787	5,854
II Accumulated impaired loss not included in profit and loss	873	370
III Expected increase in retirement benefits not included in allowances	3	3
IV Opportunity costs		
Opportunity costs related to items such as central and local government investments	4,549	8,808
V Administrative cost	8,211	15,035

Significant Accounting Policies (Securitization Support Account)

- Application of revised incorporated administrative agency accounting standards
Revised incorporated administrative agency accounting standards are applied in the financial statements from this fiscal year.
- Depreciation
A straight line method is applied. The useful lives of major assets are given below:
Building - 2 - 48 years
Other tangible fixed assets - 2 - 43 years
- Criteria for Recording Reserves
(1) Reserves for possible loans losses
Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on purchased loans and GHLC originated loans on the following bases.
a. For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
b. For "borrowers with high probability of default," an amount is recorded for each loan that is based on the historic expected loss rate during a particular period and the difference between the balance of the loan and expected recoverable amount from the collateral.
c. For "normal borrowers," borrowers requiring caution" and "the "other borrowers requiring caution," an amount is recorded based on the historic expected loss rate during a particular period.
(2) Allowance for Bonuses
In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.
(3) Allowance for Retirement Benefits
In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.
Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.
Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.
(4) Reserve for Mortgage Transfer Registration
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to the JHF regarding purchased loans inherited from the Government Housing Loan Corporation as stipulated by Paragraph 1, Article 3 of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005).
(Additional information)
Registration fees for mortgage transfers to the JHF regarding purchased loans inherited from the GHLC were previously recorded at the time of disbursement. However, in order to reflect financial conditions more appropriately, the estimated amount of future payment is recorded from the end of this fiscal year.
As a result, the amount of extraordinary losses increased by ¥1,179,775,800 from the figure in the conventional method, and the current net loss and the current gross loss also increased by the same value.
- Method and Criteria for Valuing Marketable Securities
Securities held to maturity
The amortized cost method (straight-line method) is applied.
- Method for Valuing Financial Derivative Products
The market value method is applied.
- Grounds and Criteria for Recording Financial Derivative Product Profit and Loss Carry Forward
An amount calculated based on the method designated by the competent minister, which is given in Calculation Method Designated by the Competent Minister Based on Article 12 of the Ministerial Ordinance Related to the Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Finance No. 174 and National Housing Material No. 122: April 1, 2007), is recorded in order to carry forward the profit or loss on interest rate swaps stipulated in Article 12 of the Ministerial Ordinance Related to the Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Ministry of Finance/MLIT No.1, 2007).
- Depreciation of Bond Issue Premiums
Bond issue premiums are amortized using a straight line method over the maturity of the bond
- Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations
Taking into account the interest on 10-year government bonds at the end of March 2010, 1.395% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for Leases
Finance leases with a total lease fee of ¥3 million or greater are accounted for as regular purchases.
Finance leases with a total lease fee less than ¥3 million are accounted for as normal leases.
- Accounting for consumption tax
The tax inclusive method is applied.

Notes (Securitization Support Account)

1. Matters Relating to the Balance Sheet

(1) Collateral

Purchased loans are put into trust as collateral for mortgage backed securities.

The amount of assets registered for collateral and the amount of liabilities relating to collateral are described in Notes (overall agency).

(2) Financial Derivative Product Profit and Loss Carry Forward

Losses and profit on interest rate swaps stipulated by Article 12 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure and Transportation Ministerial Ordinance No. 1 of 2007) are carried forward.

2. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank ¥48,438,272,231

Closing balance of cash ¥48,438,272,231

(2) Material Non-cash Transactions

During FY 2009, the value of newly-recorded assets and liabilities related to finance leases were both ¥231,626,380.

3. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

4. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2010
Retirement benefit obligation (A)	△ 16,320,420,716
Pension assets (B)	4,379,420,506
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 11,941,000,210
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	1,188,464,848
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 10,752,535,362
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 10,752,535,362

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2009 to March 31, 2010
Service cost	416,881,352
Interest cost	321,671,050
Expected return on plan assets	△ 78,583,623
Amortization of prior service obligations	0
Amortization of actuarial differences	180,271,234
Other (such as extra retirement benefit)	0
Net pension expenses	840,240,013

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2010
a. Discount rate	2.0%
b. Expected rate of return on plan assets	2.0%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

5. Impairment losses on fixed assets

Assets with acknowledged impairment

Impairment is acknowledged and impairment losses are recorded in this fiscal year for the Kouko General Sports Ground (owned jointly with the Welfare and Medical Service Agency and Japan Finance Corporation) as it was already closed and is planned to be sold.

Since this is handled as impairment losses not included in profit and loss, it is not recorded in financial statements.

(a) Agency office	(b) Name	(c) Location	(d) Book value (land)	(e) Impairment loss
Head office	Kouko General Sports Ground	Mitaka-shi	1,990,000,000	370,000,000
Total			1,990,000,000	370,000,000

(Note 1) The book values are the term-end book values of FY 2009.

(Note 2) The impairment losses are calculated according to the real estate appraisal values based on the net sales prices.

6. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) Matters Relating to the Current Prices of Financial Products

The values of major financial products on the balance sheet at the end of the term, their current prices and differences between them are outlined below.

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	48,438,272,231	48,438,272,231	0
(2) Money in trust	260,000,000,000	260,000,000,000	0
(3) Securities			
Securities held to maturity	587,096,696,356	598,467,376,200	11,370,679,844
(4) Purchased loans	4,054,039,037,642		
Reserve for possible loan losses (*1)	△ 21,145,417,374		
	4,032,893,620,268	4,180,465,874,214	147,572,253,946
Total assets	4,928,428,588,855	5,087,371,522,645	158,942,933,790
(1) Bonds (*2)	3,853,134,014,986	3,921,820,139,070	68,686,124,084
(2) Accounts payable	158,257,240,000	158,257,240,000	0
Total liabilities	4,011,391,254,986	4,080,077,379,070	68,686,124,084
Financial derivative products (*3)	(11,768,061,687)	(11,768,061,687)	0
Total financial derivative products	(11,768,061,687)	(11,768,061,687)	0

(*1) Amounts of general and individual reserves for possible loan losses for purchased loans are deducted.

(*2) Since bond issue premiums are less important, the differences between the market value and book value are directly reflected in the amount on book value of the balance sheet.

(*3) The values of financial derivative products listed as assets or liabilities are indicated en bloc. The values of assets/liabilities caused by transactions are indicated on a net basis, and if the sum of them results in negative, the item is indicated in parentheses.

(Note) Method of Calculating the Mark to market Price of Financial Products

Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The market price of bonds was based on market prices, including quotation by market makers, released by industry groups.

(4) Purchased loans

The future cash flow of purchased loans was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar new purchase to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

Liabilities

(1) Bonds

The market price of bonds was based on market prices, including transaction prices, released by industry groups.

(2) Accounts payable

The duration of the purchase of the loans and their replenishments to originator is short, and the market price was very close to the book value. Accordingly, the book value was applied as the market price.

Financial derivative products

Financial derivative products JHF executes are an interest-rate swap agreement. The market price was calculated based on discount cash flows.

(Additional information)

Notes for financial products were added based on Revised Incorporated Administrative Agency Accounting Standards No. 80.

7. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	164,123,583,345	169,207,615,000	5,084,031,655
	Local government bonds	50,565,852,743	51,845,993,200	1,280,140,457
	Government guaranteed bonds	10,992,530,078	11,273,569,000	281,038,922
Securities whose market price does not exceed the book value on the balance sheet	Corporate bonds	181,531,126,820	187,394,268,000	5,863,141,180
	Subtotal	407,213,092,986	419,721,445,200	12,508,352,214
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	113,492,197,095	112,658,217,000	△ 833,980,095
	Local government bonds	45,203,396,843	44,986,180,000	△ 217,216,843
	Government guaranteed bonds	-	-	-
	Corporate bonds	21,188,009,432	21,101,534,000	△ 86,475,432
Subtotal	179,883,603,370	178,745,931,000	△ 1,137,672,370	
Total		587,096,696,356	598,467,376,200	11,370,679,844

(2) Securities held to maturity that were sold in FY 2009.

None

8. Material Liability Incurring Activities

There is nothing to report.

9. Material Subsequent Events

There is nothing to report.

10. Miscellaneous

Repayment of government investment

The JHF received a government investment with the first supplementary budget for FY 2009, of which ¥200 billion shall be redeemed to the national treasury based on the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16 2009). The redemption shall be made in accordance with the provisions of Paragraph 3, Article 8 and Item 1, Paragraph 2, Article 46 of the revised Law for General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999, hereinafter referred to as the IAA General Rules Law) after the enactment of the Law for Revising Part of the Law on General Rules for Incorporated Administrative Agencies (Law No. 37 of 2010).

In line with the redemption the capital shall be reduced by the amount decided by the competent ministers based on the provisions of Item 4, Paragraph 2, Article 46 of the General Rules Law.

Housing Loan Insurance Account

In the housing loan insurance account, the JHF recorded a gross profit of ¥2 billion in FY 2009; the amount of income including insurance premium revenue and subsidies exceeded expenses such as insurance paid as a result of a decrease in the number of defaults in the rental houses whose outstanding balance tends to be large.

The JHF is aiming to eliminate the overall loss carry forward for all accounts, excluding the outstanding loan management account and account for operations taken over from the Housing Loan Guarantee Association, during the period covered by the second medium-term business plan through various measures such as increasing the value of policies and further consolidation of partnerships with financial institutions.

● Balance sheet

(Unit: million yen)

Item	FY 2008	FY 2009	Item	FY 2008	FY 2009
(Assets)			(Liabilities)		
Cash and deposits	1,704	7,780	Insurance policy reserves	22,433	34,968
Cash	0	0	Reserve for outstanding claims	2,745	600
Deposits	1,704	7,780	Policy reserve	19,687	34,368
Money in trust	—	140,000	Subsidies payable, etc.	—	134,099
Receivables under resale agreement	1,305	—	Subsidies payable for emergency measures to facilitate housing finance	—	134,099
Negotiable securities	30,226	131,747	Other liabilities	101	101
Government bonds	13,153	56,454	Accrued expenses	19	15
Local government bonds	1,186	35,076	Other liabilities	11	9
Corporate bonds	—	1,547	Accounts payable for other accounts	71	77
Certificates of deposit	15,886	38,670	Allowance for bonuses	16	17
Other assets	1,539	1,953	Allowance for retirement benefits	544	654
Accrued revenue	98	350			
Accrued insurance premiums	1,439	1,593	Total liabilities	23,094	169,838
Other assets	1	10			
			(Net assets)		
			Capital	18,000	116,000
			Government investment	18,000	116,000
			Loss carried forward	△ 6,321	△ 4,359
			Unappropriated loss	△ 6,321	△ 4,359
			(of which, gross profit (or gross loss))	(△ 1,630)	(1,962)
			Total net assets	11,679	111,641
Total assets	34,773	281,480	Total liabilities and net assets	34,773	281,480

Income statement

(Unit: million yen)

Item	FY 2008	FY 2009
Ordinary income	5,574	20,820
Income from asset management	492	1,489
Interest and dividends on securities	489	1,473
Interest on receivables under repurchase agreement	2	5
Interest on deposits	1	11
Income from underwriting insurance	5,078	13,425
Net insurance premium revenue	5,078	11,280
Reimbursement of unused reserve for outstanding claims	—	2,145
Other subsidies	—	5,901
Subsidies for emergency measures to facilitate housing finance	—	5,901
Other ordinary income	4	5
Other ordinary income	4	5
Ordinary expenses	7,150	18,761
Insurance underwriting expenses	6,584	18,000
Net insurance paid	2,884	3,320
Provision for outstanding claims	726	—
Provision for policy reserve	2,973	14,681
Service transaction expenses	1	1
Service expenses	1	1
Other operating expenses	566	760
Ordinary profit (or loss)	△ 1,576	2,059
Extraordinary losses	53	97
Other extraordinary losses	53	97
Provision for allowance for retirement benefits accompanying transfer between accounts	53	97
Net profit (or loss)	△ 1,630	1,962
Gross profit (or loss)	△ 1,630	1,962

Cash flows statement

(Unit: million yen)

Item	FY 2008	FY 2009
I Cash flow from operating activities		
Outlays on personnel expenses	△ 255	△ 277
Outlays on insurance	△ 2,884	△ 3,320
Other operating outlays	△ 281	△ 476
Income from insurance premiums	4,481	11,122
Income from other operations	4	6
Income from treasury subsidies	—	140,000
Subtotal	1,065	147,055
Interest and dividends received	478	1,289
Cash flow from operating activities	1,543	148,344
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 3,545	△ 104,023
Income from redemption of securities (bonds)	2,551	2,450
Net change in securities (certificates of deposit)(negative _ decline)	1,400	—
Net change in receivables under repurchase agreement (negative _ decline)	△ 406	1,305
Outlays on the increase of money in trust	—	△ 140,000
Cash flow from investing activities	1	△ 240,268
III Cash flow pertaining to financial transaction		
Income from government investment	—	98,000
Cash flow pertaining to financial transaction	—	98,000
IV Increase in cash	1,544	6,076
V Opening balance of cash	160	1,704
VI Closing balance of cash	1,704	7,780

Statement of Appropriation of Loss

(Unit: million yen)

I Unappropriated loss		△ 4,359
Gross loss	△ 1,962	
Loss carry forward (from previous year)	△ 6,321	
II Loss carry forward (to next year)		<u>△ 4,359</u>

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2008	FY 2009
I Operating expenses		
(1) Expenses recorded in income statement		
Insurance underwriting expenses	6,584	18,000
Service transaction expenses	1	1
Business expenses	566	760
Provision for allowance for retirement benefits accompanying transfer between accounts	53	97
Subtotal	7,204	18,858
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 492	△ 1,489
Income from insurance underwriting	△ 5,078	△ 13,425
Other ordinary income	△ 4	△ 5
Subtotal	△ 5,574	△ 14,919
Total operating expenses	1,630	3,938
II Expected increase in retirement benefits not included in allowances	0	0
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	241	1,280
IV Administrative cost	1,871	5,219

Significant Accounting Policies (Housing Loan Insurance Account)

1. Application of revised incorporated administrative agency accounting standards
Revised incorporated administrative agency accounting standards are applied in the financial statements from this fiscal year.

2. Criteria for Recording Reserves

(1) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(2) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.

3. Criteria for Recording Mandatory Policy Reserves

The competent minister designates a method as stipulated in Article 13 of the

Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure and Transportation Ministerial Ordinance No. 1 of 2007). This method is given in Calculation Method Designated by the Competent Minister Based on Article 13 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Finance No. 174 and National Housing Material No. 123: April 1, 2007) and an amount calculated based on this method is recorded to pay for future liabilities related to insurance stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955).

4. Method and Criteria for Valuing Marketable Securities

Securities held to maturity

The amortized cost method (straight-line method) is applied.

5. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

Taking into account the interest on 10-year government bonds at the end of March 2010, 1.395% was applied for calculating the opportunity costs for central government investments and local government investments.

6. Accounting for consumption tax

The tax inclusive method is applied.

Notes (Housing Loan Insurance Account)

1. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank ¥7,780,081,529

Closing balance of cash ¥7,780,081,529

2. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

3. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2010
Retirement benefit obligation (A)	△ 992,745,118
Pension assets (B)	266,393,153
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 726,351,965
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	72,292,418
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 654,059,547
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 654,059,547

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2009 to March 31, 2010
Service cost	25,358,227
Interest cost	19,566,736
Expected return on plan assets	△ 4,780,116
Amortization of prior service obligations	0
Amortization of actuarial differences	9,568,373
Other (such as extra retirement benefit)	0
Net pension expenses	49,713,220

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2010
a. Discount rate	2.0%
b. Expected rate of return on plan assets	2.0%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

4. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) Matters Relating to the Mark to market Prices of Financial Products

The values of major financial products on the balance sheet at the end

of the term, their market prices and differences between them are outlined below.

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	7,780,081,529	7,780,081,529	0
(2) Money in trust	140,000,000,000	140,000,000,000	0
(3) Securities			
Securities held to maturity	131,746,501,062	132,789,776,000	1,043,274,938
Total assets	279,526,582,591	280,569,857,529	1,043,274,938

(Note) Method of Calculating the Market Price of Financial Products

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The market price of bonds was based on market prices, including quotation by market makers, released by industry groups.

(Additional information)

Notes for financial products were added based on Revised Incorporated Administrative Agency Accounting Standards No. 80.

5. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	14,689,711,368	15,551,847,000	862,135,632
	Local government bonds	13,235,749,570	13,443,577,000	207,827,430
	Government guaranteed bonds	1,443,132,832	1,455,886,000	12,753,168
	Corporate bonds	28,226,335,692	28,632,946,000	406,610,308
	Subtotal	57,594,929,462	59,084,256,000	1,489,326,538
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	41,764,591,208	41,467,760,000	△ 296,831,208
	Local government bonds	21,840,030,833	21,746,960,000	△ 93,070,833
	Government guaranteed bonds	103,780,364	103,320,000	△ 460,364
	Corporate bonds	10,443,169,195	10,387,480,000	△ 55,689,195
	Subtotal	74,151,571,600	73,705,520,000	△ 446,051,600
Total		131,746,501,062	132,789,776,000	1,043,274,938

(2) Securities held to maturity that were sold in FY 2009

None

6. Material Liability Incurring Activities

There is nothing to report.

7. Material Subsequent Events

There is nothing to report.

Account for Loans for Property Accumulation Saving Scheme-tied Houses

Account for Loans for Property Accumulation Saving Scheme-tied Houses

In the account for loans for property accumulation saving scheme-tied houses, the JHF recorded an ordinary income of ¥5.7 billion as the income, which includes interest on GHLC originated loans, and was greater than ordinary expenses including interest on bonds.

In addition, an amount of ¥1.3 billion for the reserve for mortgage transfer registration was recorded as an extraordinary loss. As a result, the JHF posted a gross income of ¥4.5 billion in FY 2009.

● Balance sheet

(Unit: million yen)

Item	FY 2008	FY 2009	Item	FY 2008	FY 2009
(Assets)			(Liabilities)		
Cash and deposits	8,867	7,796	Borrowings	187,587	165,600
Cash	0	0	Borrowings from private institutions	187,587	165,600
Deposits	4,588	3,654	Bonds	842,264	739,739
Agency deposits entrusted	4,279	4,141	Asset formation housing bonds	843,200	740,400
GHLC originated loans	1,062,311	944,603	Bond issue premiums (△)	△ 936	△ 661
Loans on bills	37	66	Other liabilities	272	247
Loans on deeds	1,062,274	944,537	Accrued expenses	138	115
Other assets	1,696	1,469	Other liabilities	57	63
Accrued revenue	1,681	1,461	Accounts payable for other accounts	78	70
Other assets	14	8	Allowance for bonuses	31	27
Accounts receivable for other accounts	0	0	Allowance for retirement benefits	1,035	1,069
Reserve for possible loan losses (△)	△ 2,594	△ 2,692	Allowance for refund of guarantee fees	1,726	1,387
			Reserve for mortgage transfer registration	—	1,278
			Total liabilities	1,032,915	909,347
			(Net assets)		
			Profit surplus	37,365	41,829
			Voluntary reserve fund	31,564	37,365
			Unappropriated profit	5,800	4,464
			(of which, gross profit of the current year)	(5,800)	(4,464)
			Total net assets	37,365	41,829
Total assets	1,070,280	951,176	Total liabilities and net assets	1,070,280	951,176

Income Statement

(Unit: million yen)

Item	FY 2008	FY 2009
Ordinary income	19,947	18,647
Income from asset management	19,911	18,617
Interest on GHLC originated loans	19,827	18,596
Interest and dividends on securities	55	10
Interest on receivables under repurchase agreement	28	5
Interest on deposits	—	6
Income from service transactions	29	21
Other operating income	29	21
Other ordinary income	8	9
Other ordinary income	8	9
Ordinary expenses	14,177	12,968
Fund raising expenses	12,674	11,309
Interest on borrowings	3,954	3,025
Interest on bonds	8,709	8,282
Interest on other account borrowings	10	2
Service transaction expenses	384	346
Service expenses	384	346
Other operating expenses	10	8
Amortization of bond issuing expenses	10	8
Business expenses	975	956
Other ordinary expenses	135	348
Provision for reserve for possible loan losses	97	348
Increase in allowance for refund of guaranteed fees	37	—
Ordinary profit	5,771	5,679
Extraordinary profit	30	63
Recoveries from written off balance	—	0
Other extraordinary profit	30	63
Reimbursement of the reserve for the refund of guarantee fees	—	57
Reimbursement of allowance for retirement benefits accompanying transfer between accounts	30	6
Extraordinary losses	—	1,278
Other extraordinary losses	—	1,278
Provision for allowance for retirement benefits accompanying transfer between accounts	—	1,278
Net profit	5,800	4,464
Gross profit	5,800	4,464

Cash flows statement

(Unit: million yen)

Item	FY 2008	FY 2009
I Cash flow from operating activities		
Loan disbursement	△ 6,807	△ 2,169
Outlays on personnel expenses	△ 456	△ 435
Other operating outlays	△ 1,176	△ 1,123
Income from collection of GHLC originated loans	126,627	119,627
Income from interest on GHLC originated loans	19,882	18,816
Loan origination fees and other revenue	28	21
Income from other operations	13	22
Subtotal	138,112	134,759
Interest and dividends received	84	21
Interest paid	△ 12,260	△ 10,965
Cash flow from operating activities	125,936	123,815
II Cash flow from investing activities		
Net change in receivables under repurchase agreement (negative _ decline)	10,100	—
Other income	0	—
Cash flow from investing activities	10,100	—
III Cash flow from financing activities		
Income from long-term borrowings from private institutions	187,587	165,600
Outlays on repayment of long-term borrowings from private institutions	△ 211,172	△ 187,587
Income from issuance of bonds (after deducting issuance expense)	138,993	81,100
Outlays on repayment of bonds	△ 247,600	△ 184,000
Income from other account borrowings	129,200	77,200
Outlay on repayment of other account borrowings	△ 129,200	△ 77,200
Cash flows from financial activities	△ 132,192	△ 124,887
IV Increase (or decline) in cash	3,844	△ 1,072
V Opening balance of cash	5,024	8,867
VI Closing balance of cash	8,867	7,796

Statement of Appropriation of Profit

(Unit: million yen)

I Unappropriated profit for the current fiscal year		4,464
Gross profit	4,464	
II Appropriate profit		
Voluntary reserve fund	4,464	4,464

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2008	FY 2009
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	12,674	11,309
Service transaction expenses	384	346
Other operating expenses	10	8
Business expenses	975	956
Other ordinary expenses	135	348
Provision for the reserve for mortgage transfer registration	—	1,278
Subtotal	14,177	14,246
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 19,911	△ 18,617
Income from service transactions	△ 29	△ 21
Other ordinary income	△ 8	△ 9
Gain on bad debt recovered	—	0
Reimbursement of the reserve for the refund of guarantee fees	—	△ 57
Reimbursement of allowance for retirement benefits accompanying transfer between accounts	△ 30	△ 6
Subtotal	△ 19,977	△ 18,710
Total operating expenses	△ 5,800	△ 4,464
II Expected increase in retirement benefits not included in allowances	0	0
III Administrative cost	△ 5,800	△ 4,464

Significant Accounting Policies (Account for Loans for Property Accumulation Saving Scheme-tied Houses)

1. Application of revised incorporated administrative agency accounting standards
Revised incorporated administrative agency accounting standards are applied in the preparation of financial statements from this fiscal year.

2. Criteria for Recording Reserves

(1) Reserves for possible loans losses

Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on GHLC originated loans on the following bases.

- For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
- For "borrowers with high probability of default," an amount is recorded for each loan that is based on the historic expected loss rate during a particular period and the difference between the balance of the loan and expected recoverable amount from the collateral.
- For "normal borrowers," borrowers requiring caution" and "the "other borrowers requiring caution," an amount is recorded based on the historic expected loss rate during a particular period.

(2) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(3) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the

director or employee starting from the business year after the business year that the difference was generated.

(4) Allowance for Refund of Guarantee Fees

Parties who receive loans related to GHLC originated loans paid a guarantee fee when placing the corresponding loan guarantee fee into trust with the Housing Loan Guarantee Corporation as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as the JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.

(5) Reserve for Mortgage Transfer Registration

The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to the JHF regarding purchased loans inherited from the Government Housing Loan Corporation as stipulated by Paragraph 1, Article 3 of the Supplementary Provisions of the JHF Law (Law No. 82 of 2005).

(Additional information)

Registration fees for mortgage transfers to the JHF regarding purchased loans inherited from the GHLC were previously recorded at the time of disbursement. However, in order to reflect financial conditions more appropriately, the estimated amount of future payment is recorded from the end of this fiscal year. As a result, the amount of extraordinary losses increased by ¥1,278,275,600 from the figure in the conventional method, and the current net profit and the current gross profit decreased by the same value.

3. Depreciation of Bond Issue Premiums

Bond issue premiums are amortized using a straight line method over the maturity of the bond

4. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

Taking into account the interest on 10-year government bonds at the end of March 2010, 1.395% was applied for calculating the opportunity costs for central government investments and local government investments.

5. Accounting for consumption tax

The tax inclusive method is applied.

Notes (Account for Loans for Property Accumulation Saving Scheme-tied Houses)

1. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank ¥7,795,661,067

Closing balance of cash ¥7,795,661,067

2. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

3. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2010
Retirement benefit obligation (A)	△ 1,622,385,017
Pension assets (B)	435,350,677
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 1,187,034,340
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	118,143,251
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 1,068,891,089
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 1,068,891,089

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2009 to March 31, 2010
Service cost	41,441,460
Interest cost	31,976,767
Expected return on plan assets	△ 7,811,863
Amortization of prior service obligations	0
Amortization of actuarial differences	18,895,701
Other (such as extra retirement benefit)	0
Net pension expenses	84,502,065

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2010
a. Discount rate 2.0%	2.0%
b. Expected rate of return on plan assets	2.0%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

4. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) Matters Relating to the Mark to market Prices of Financial Products

The book values of major financial products on the balance sheet at the end of the term, their market prices and differences between them are outlined below.

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	7,795,661,067	7,795,661,067	0
(2) GHLC originated loans	944,602,672,076		
Reserve for possible loan losses (*1)	△ 2,687,756,695		
	941,914,915,381	950,494,524,979	8,579,609,598
Total assets	949,710,576,448	958,290,186,046	8,579,609,598
(1) Borrowings	165,600,000,000	165,600,000,000	0
(2) Bonds (*2)	739,738,880,163	748,940,153,592	9,201,273,429
Total liabilities	905,338,880,163	914,540,153,592	9,201,273,429

(*1) Amounts of general and individual reserves for possible loan losses for GHLC originated loans are deducted.

(*2) Since bond issue premiums are less important, the differences between the market value and book value are directly reflected in the amount on book value of the balance sheet.

(Note) Method of Calculating the Mark to market Price of Financial Products Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) GHLC originated loans

The future cash flow of GHLC originated loans was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar new loan to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

Short term funding to cover the construction period on GHLC originated loans had a short contract period and their market price was close to the book value. Accordingly, the book value was applied as the market price.

Liabilities

(1) Borrowings

The market price of borrowings is indicated by the book value, since they had a short contract period and their market price was close to the book value.

(2) Bonds

The total amount of principal and interest is discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

(Additional information)

Notes for financial products were added based on Revised Incorporated Administrative Agency Accounting Standards No. 80.

5. Material Liability Incurring Activities

There is nothing to report.

6. Material Subsequent Events

There is nothing to report.

Housing Loan Account

The housing loan account consists of the housing loan operation account (loans for which applications were received in and after FY 2005) and account for operations taken over from the Housing Loan Guarantee Association.

In the housing loan operation account, the JHF recorded an ordinary profit of ¥1 billion, as ordinary income including interest on GHLC originated loans exceeded ordinary expenses such as interest on bonds, with the increasing loan balance. An amount of ¥400 million for the provision for allowance for retirement benefits accompanying transfer between accounts and ¥60 million for the reserve for mortgage transfer registration were recorded as extraordinary losses. As a result, the agency recorded a gross profit of ¥600 million in FY 2009.

In the account for operations taken over from the Housing Loan Guarantee Association, the ordinary loss decreased to ¥10 billion, as the balance in the group credit life insurance business improved with the rise of the premium. An amount of ¥600 million for the recoveries from written-off assets was recorded as an extraordinary profit, and ¥500 million for the provision for the reserve for mortgage transfer registration was posted as an extraordinary loss. An amount of ¥6.5 billion was transferred from the special purpose reserve to be used for operations of group credit life insurance. As a result, the agency recorded a gross loss of ¥3.4 billion for this account.

For the overall housing loan account, the agency recorded an ordinary loss of ¥9 billion and a gross loss of ¥2.9 billion in FY 2009. The JHF is aiming to eliminate the overall loss carry forward for all accounts, excluding the outstanding loan management account and account for operations taken over from the Housing Loan Guarantee Association, during the period covered by the second medium-term business plan by increasing loan balance and reducing nonperforming loans.

Balance sheet

(Unit: million yen)

Item	FY 2008	FY 2009	Item	FY 2008	FY 2009
(Assets)			(Liabilities)		
Cash and due from banks	18,365	405,641	Borrowings	5,580	5,391
Cash	0	0	FILP borrowings	5,580	5,391
Due from banks	13,978	376,119	Bonds	743,949	1,027,551
Agency deposits entrusted	4,387	29,522	Government guaranteed bonds	—	95,000
Receivables under resale agreement	274,257	—	Mortgage-backed securities	76,088	70,498
Securities	194,777	195,342	General mortgage loans	365,501	487,075
Government bonds	45,367	47,673	Housing land bonds	302,503	375,206
Local government bonds	14,497	25,593	Bond issue premiums (△)	△ 142	△ 227
Government guaranteed bonds	21,610	15,609	Other liabilities	73,963	76,937
Corporate bonds	113,303	106,466	Accrued expenses	14,513	15,050
Purchased loans	516,901	751,670	Advanced earnings	50,775	53,438
Loan on bills	64,527	99,485	Other liabilities	8,281	8,057
Loans on deeds	452,374	652,185	Accounts payable for other accounts	394	393
Other assets	368,740	301,905	Allowance for bonuses	149	139
Claims for indemnity	169,584	120,904	Allowance for retirement benefits	5,045	5,510
Transferred claims (pension)	188,763	164,037	Allowance for refund of guarantee fees	353	279
Accrued revenue	2,143	2,719	Reserve for mortgage transfer registration	—	583
Other assets	8,249	14,245	Guarantee obligation	825,763	713,753
Accounts receivable for other accounts	—	1	Total liabilities	1,654,801	1,830,143
Guarantee obligation reversal	825,763	713,753	(Net assets)		
Reserve for possible loan losses (△)	△ 174,584	△ 126,561	Capital	20,800	72,400
			Government investment	20,800	72,400
			Profit surplus	348,617	339,205
			Group credit life insurance rider	327,890	321,352
			long-term stabilization reserve		
			Reserve	27,065	20,727
			Unappropriated loss	△ 6,338	△ 2,874
			(of which, gross loss for the	(△ 6,338)	(△ 2,874)
			current fiscal year)		
			Total net assets	369,417	411,605
Total assets	2,024,219	2,241,748	Total liabilities and net assets	2,024,219	2,241,748

Income Statement

(Unit: million yen)

Item	FY 2008	FY 2009
Ordinary income	235,860	242,474
Income from asset management	23,711	29,294
Interest on GHLC originated loans	11,817	18,631
Charges on claims for indemnity	269	493
Interest on transferred claims (pension)	6,987	6,100
Interest and dividends on securities	4,015	3,662
Interest on receivables under repurchase agreement	222	93
Interest on deposits	10	76
Interest on other account GHLC originated loans	390	238
Income from underwriting insurance	210,603	211,943
Fee from group credit life insurance riders	95,125	97,379
Revenue from group credit life insurance	113,816	106,505
Dividends on group credit life insurance	1,663	8,060
Income from service transactions	1,355	1,172
Guarantee fee	570	500
Other service income	784	672
Income from subsidies	97	5
Subsidies for the promotion of activities such as the development of a housing market	97	5
Other ordinary income	93	61
Other ordinary income	93	61
Ordinary expenses	264,050	251,439
Fund raising expenses	9,652	13,230
Interest on borrowings	95	98
Interest on bonds	9,557	13,132
Insurance underwriting expenses	234,433	220,136
Group credit life insurance premium paid	119,331	112,434
Payment of group credit life insurance claims	115,102	107,702
Service transaction expenses	2,306	2,282
Service expenses	2,306	2,282
Other operating expenses	762	664
Amortization of bond issuing expenses	728	632
Other operating expenses	35	32
Business expenses	8,522	7,532
Other ordinary expenses	8,374	7,595
Provision for reserve for possible loan losses	8,374	7,595
Ordinary losses	△ 28,191	△ 8,965
Extraordinary profit	398	399
Gain on bad debt recovered	328	353
Other extraordinary profits	71	46
Reimbursement of allowance for refund of guaranteed fees	71	46
Extraordinary losses	165	847
Other extraordinary losses	165	847
Provision for allowance for retirement benefits accompanying transfer between accounts	165	264
Provision for the reserve for mortgage transfer registration	-	583
Net loss	△ 27,958	△ 9,412
Transfer from reserve for special purpose	21,620	6,538
Gross profit (or loss)	△ 6,338	△ 2,874

Cash flows statement

(Unit: million yen)

Item	FY 2008	FY 2009
I Cash flow from operating activities		
Loan disbursement	△ 250,576	△ 379,169
Outlays on personnel expenses	△ 2,219	△ 2,205
Outlays on group credit life insurance premium	△ 120,274	△ 113,075
Outlays on payment of group credit life insurance claims	△ 115,843	△ 107,990
Other operating outlays	△ 21,344	△ 27,206
Income from collection of GHLC originated loans	34,860	144,363
Income from interest on GHLC originated loans	76	12
Loan origination fees and other revenue from fees from group credit life insurance riders	91,756	100,649
Income from group credit life insurance	114,356	106,661
Dividends received from group credit life insurance	10,295	1,663
Income from other operations	41,760	45,507
Income from treasury subsidies	97	5
Subtotal	△ 205,610	△ 212,752
Interest and dividends received	4,543	4,014
Interest paid	△ 7,529	△ 12,048
Cash flow from operating activities	△ 208,595	△ 220,786
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 60,167	△ 38,561
Income from redemption of securities (bonds)	21,896	38,000
Net change in securities (certificates of deposit) (negative: _)	248,600	-
Income from time deposits maturing	20,000	-
Net change in receivables under repurchase agreement (negative: _)	△ 263,765	274,257
Outlays on other account GHLC originated loans	△ 855,200	△ 1,052,100
Income from other account GHLC originated loans	855,200	1,052,100
Other income	0	-
Cash flow from investing activities	△ 33,436	273,695
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	257,543	298,173
Outlays on repayment of bonds	△ 12,186	△ 15,219
Income from FILP borrowings	600	100
Outlay on repayment of FILP borrowings	△ 273	△ 289
Income from government investments	-	51,600
Cash flows from financial activities	245,684	334,366
IV Increase (or decline) in cash	3,653	387,275
V Opening balance of cash	14,712	18,365
VI Closing balance of cash	18,365	405,641

Statement of Appropriation of Loss

(Unit: million yen)

I Unappropriated loss for the current fiscal year		△ 2,874
Gross loss	△ 2,874	
II Appropriate loss		
Reversal of the voluntary reserve fund	△ 2,874	△ 2,874

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2008	FY 2009
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	9,652	13,230
Insurance underwriting expenses	234,433	220,136
Service transaction expenses	2,306	2,282
Other operating expenses	762	664
Business expenses	8,522	7,532
Other ordinary expenses	8,374	7,595
Provision for allowance for retirement benefits accompanying transfer between accounts	165	264
Provision for the reserve for mortgage transfer registration	—	583
Subtotal	264,216	252,286
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 23,711	△ 29,294
Income from insurance underwriting	△ 210,603	△ 211,943
Income from service transactions	△ 1,355	△ 1,172
Other ordinary income	△ 93	△ 61
Gain on bad debt recovered	△ 328	△ 353
Provision for allowance for refund of guaranteed fees	△ 71	△ 46
Subtotal	△ 236,161	△ 242,869
Total operating expenses	28,055	9,417
II Expected increase in retirement benefits not included in allowances	1	2
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	279	833
IV Administrative cost	28,335	10,251

Significant Accounting Policies (Housing Loan Account)

1. Application of revised incorporated administrative agency accounting standards
Revised incorporated administrative agency accounting standards are applied in the financial statements from this fiscal year.

2. Criteria for Recording Reserves

(1) Reserves for possible loans losses

Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on GHLC originated loans, etc. on the following bases.

- For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
- For "borrowers with high probability of default," an amount is recorded for each loan that is based on the historic expected loss rate during a particular period and the difference between the balance of the loan and expected recoverable amount from the collateral.
- For "normal borrowers," borrowers requiring caution" and "the "other borrowers requiring caution," an amount is recorded based on the historic expected loss rate during a particular period.

(2) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(3) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.

(4) Allowance for Refund of Guarantee Fees

Parties who receive loans related to transferred claims (from pension) described in Notes 1 (2) paid a guarantee fee when placing the corresponding loan guarantee fee into trust with the Housing Loan Guarantee Corporation as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as the JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.

(5) Reserve for Mortgage Transfer Registration

The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to the JHF regarding GHLC originated loans inherited from the Government Housing Loan Corporation as stipulated by Paragraph 1, Article 3, of the Supplementary Provisions of the JHF Law and transferred claims (pension).

(Additional information)

Registration fees for mortgage transfers to the JHF regarding GHLC originated loans inherited from the GHLC and transferred claims (from pension) were previously recorded at the time of disbursement. However, in order to reflect financial conditions more appropriately, the estimated amount of future payment is recorded from the end of this fiscal year.

As a result, the amount of extraordinary losses increased by ¥583,037,350 from the figure in the conventional method, and the current net loss and the current gross loss also increased by the same value.

3. Method and Criteria for Valuing Marketable Securities

Securities held to maturity

The amortized cost method (straight-line method) is applied.

4. Depreciation of Bond Issue Premiums

Bond issue premiums are amortized using a straight line method over the maturity of the bond

5. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

Taking into account the interest on 10-year government bonds at the end of March 2010, 1.395% was applied for calculating the opportunity costs for central government investments and local government investments.

6. Accounting for consumption tax

The tax inclusive method is applied.

Notes (Housing Loan Account)

1. Matters Relating to the Balance Sheet

(1) Collateral

GHLIC originated loans are put into trust as collateral for mortgage backed securities.

The amount of assets registered for collateral and the amount of liabilities relating to collateral are described in Notes (overall agency).

(2) Transferred Claims (Pension)

Based on Item 3, Paragraph 1, Article 7 of the Supplementary Provisions of Japan Housing Finance Agency Law (Law No. 82 of 2005), the balance of claims transferred from the Welfare and Medical Service Agency are recorded.

2. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank ¥405,640,570,204
Closing balance of cash ¥405,640,570,204

3. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

4. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2010
Retirement benefit obligation (A)	△ 8,363,008,484
Pension assets (B)	2,244,129,087
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 6,118,879,397
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	609,000,330
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 5,509,879,067
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 5,509,879,067

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2009 to March 31, 2010
Service cost	213,620,859
Interest cost	164,832,621
Expected return on plan assets	△ 40,268,294
Amortization of prior service obligations	0
Amortization of actuarial differences	90,198,874
Other (such as extra retirement benefit)	0
Net pension expenses	428,384,060

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2010
a. Discount rate 2.0%	2.0%
b. Expected rate of return on plan assets	2.0%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

5. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial instruments are described in Notes (overall agency).

(2) Matters Relating to the Mark to market Prices of Financial Products

The values of major financial products on the balance sheet at the end of the term, their market prices and differences between them are outlined below.

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	405,640,570,204	405,640,570,204	0
(2) Securities			
Securities held to maturity	195,341,561,181	201,476,254,000	6,134,692,819
(3) GHLIC originated loans	751,669,830,368		
Reserve for possible loan losses (*1)	△ 4,063,128,411		
	747,606,701,957	757,471,847,949	9,865,145,992
(4) Claims for indemnity (*1)	18,956,057,529	18,956,057,529	0
(5) Transferred claims (pension) (*1)	160,410,352,014	162,028,188,028	1,617,836,014
Total assets	1,527,955,242,885	1,545,572,917,710	17,617,674,825
(1) Borrowings	5,391,388,000	5,477,248,475	85,860,475
(2) Bonds (*2)	1,027,551,213,772	1,055,459,738,348	27,908,524,576
Total liabilities	1,032,942,601,772	1,060,936,986,823	27,994,385,051

(*1) Amounts of general and individual reserves for possible loan losses for GHLIC originated loans are deducted. Since reserves for possible loan losses for claims for indemnity and transferred claims (pension) are less important, their values are subtracted from the amounts on the balance sheet.

(*2) Since bond issue premiums are less important, differences between the market value and book value are directly reflected in the amount on book value of the balance sheet.

(Note) Method of Calculating the Market Price of Financial Products

Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the

book value. Accordingly, the book value was applied as the market price.

(2) Securities

The market price of bonds was based on market prices, including quotation by market makers, released by industry groups.

(3) GHLIC originated loans

The future cash flow of GHLIC originated loans was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar new loan to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

Short term funding to cover the construction period on GHLIC originated loans had a short contract period and their market price was close to the book value. Accordingly, the book value was applied as the market price.

(4) Claims on foreclosed properties

As the sum of bad loans was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

(5) Transferred claims (from pension)

The future cash flow of transferred claims (pension) was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar new loan to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

Liabilities

(1) Borrowings

The total amount of principal and interest was discounted at a rate that would be applied to a possible similar borrowing to calculate the market price.

(2) Bonds

The market prices of government guaranteed bonds, mortgage-backed securities and general mortgage bonds were based on market prices, including quotation by market makers, released by industry groups.

For housing land bonds, estimated future cash flows were discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

(Additional information)

Notes for financial products were added based on Revised Incorporated Administrative Agency Accounting Standards No. 80.

6. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	24,472,098,670	26,439,624,000	1,967,525,330
	Local government bonds	18,296,645,260	18,924,184,000	627,538,740
	Government guaranteed bonds	15,608,521,471	15,816,360,000	207,838,529
	Corporate bonds	102,188,964,084	105,736,280,000	3,547,315,916
	Subtotal	160,566,229,485	166,916,448,000	6,350,218,515
Securities whose market price does not exceed the value on the book balance sheet	Government bonds	23,201,165,291	23,035,000,000	△ 166,165,291
	Local government bonds	7,296,718,001	7,262,760,000	△ 33,958,001
	Government guaranteed bonds	-	-	-
	Corporate bonds	4,277,448,404	4,262,046,000	△ 15,402,404
Subtotal	34,775,331,696	34,559,806,000	△ 215,525,696	
Total		195,341,561,181	201,476,254,000	6,134,692,819

(2) Securities held to maturity that were sold in FY 2009

None

7. Material Liability Incurring Activities

There is nothing to report.

8. Material Subsequent Events

There is nothing to report.

9. Miscellaneous

Repayment of government investment

The JHF received a government investment with the first supplementary budget for FY 2009, of which ¥30 billion shall be redeemed to the national treasury based on the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16, 2009). The redemption shall be made in accordance with the provisions of Paragraph 3, Article 8 and Item 1, Paragraph 2, Article 46 of the revised Law for General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999, hereinafter referred to as the IAA General Rules Law) after the enactment of the Law for Revising Part of the Law on General Rules for Incorporated Administrative Agencies (Law No. 37 of 2010).

In line with the redemption, the capital shall be reduced by an amount decided by the competent ministers based on the provisions of Item 4, Paragraph 2, Article 46 of the General Rules Law.

Outstanding Loan Management Account

In the outstanding loan management account, the ordinary loss was ¥119.9 billion; the provision for the reserve for possible loan losses increased by ¥128.1 billion with the increase of nonperforming loans under deteriorating economic conditions, despite intensive effort to reduce bad-loans such as the write-off of GHLC originated loans (¥144 billion).

In addition, ¥6.9 billion for allowance for refund of guarantee fees was recorded as an extraordinary profit, and ¥31.5 billion for the provision for the reserve for mortgage transfer registration was posted as an extraordinary loss. As a result, the JHF recorded a gross loss of ¥144.5 billion in FY 2009 for this account.

Revenues and expenditures will be improved in order to be able to eliminate government subsidies by the final year of medium-term business plans, through steadily dealing with non-performing loans, assuming all major amounts are set.

Balance sheet

(Unit: million yen)

Item	FY 2008	FY 2009	Item	FY 2008	FY 2009
(Assets)			(Liabilities)		
Cash and due from banks	303,096	2,242,479	Borrowings	28,187,508	24,550,719
Cash	0	0	FILP borrowings	28,145,790	24,539,254
Due from banks	39,463	1,970,239	Borrowings from the former Kanpo Life Insurance	41,718	11,465
Agency deposits entrusted	263,633	272,240	Bonds	5,697,345	5,929,311
Receivables under resale agreement	436,006	—	Government guaranteed bonds	711,600	711,600
Securities	16	60,016	Mortgage-backed securities	4,464,203	4,731,478
Stock	16	16	Bond issue premiums	541,319	500,224
Certificates of deposit	—	60,000	Deposit subsidies, etc. (△)	△ 19,777	△ 13,992
GHLC originated loans	33,298,269	28,317,477	Subsidies payable, etc.	6,562	2,553
Loan on bills	52,492	48,893	Subsidies payable for measures to facilitate outstanding loan management	6,562	2,553
Loans on deeds	33,245,776	28,268,584	Other liabilities	211,410	172,560
Other assets	99,216	88,652	Accrued expenses	208,879	170,410
Accrued revenue	88,348	79,341	Other liabilities	1,986	1,664
Other assets	9,332	7,889	Accounts payable for other accounts	545	487
Accounts receivable for other accounts	1,536	1,423	Allowance for bonuses	228	189
Expected amount of undisbursed grants	148,729	33,320	Allowance for retirement benefits	7,722	7,464
Extraordinary losses	48,325	28,325	Allowance for refund of guarantee fees	62,160	48,064
Reserve for possible loan losses (△)	△ 689,173	△ 700,876	Allowance for refund of guarantee fees	—	31,505
			Reserve for mortgage transfer registration		
			Total liabilities	34,172,936	30,742,366
			(Net assets)		
			Capital	9,600	9,600
			Government investment	9,600	9,600
			Loss carry forward	△ 538,052	△ 682,572
			Unappropriated loss	△ 538,052	△ 682,572
			(of which gross loss for the current fiscal year)	(△ 9,684)	(△ 144,521)
			Total net assets	△ 528,452	△ 672,972
Total assets	33,644,484	30,069,393	Total liabilities and net assets	33,644,484	30,069,393

Income Statement

(Unit: million yen)

Item	FY 2008	FY 2009
Ordinary income	1,121,279	1,005,408
Income from asset management	1,119,283	1,003,554
Interest on GHLC originated loans	1,118,213	1,001,753
Interest and dividends on securities	449	646
Interest on receivables under repurchase agreement	465	736
Interest on deposits	156	419
Income from service transactions	396	331
Other service income	396	331
Income from government subsidies	1,601	1,523
Other ordinary income	1,601	1,523
Ordinary expenses	1,142,619	1,125,327
Fund raising expenses	1,083,328	938,973
Interest on borrowings	978,300	829,438
Interest on bonds	105,028	109,535
Service transaction expenses	15,811	15,469
Service expenses	15,811	15,469
Other operating expenses	2,688	2,956
Amortization of bond issuing expenses	2,688	2,956
Business expenses	13,239	12,268
Other ordinary expenses	27,553	155,661
Provision for reserve for possible loan losses	27,553	155,661
Ordinary losses	△ 21,340	△ 119,919
Extraordinary profit	11,655	6,904
Gain on bad debt recovered	54	292
Other extraordinary profits	11,601	6,612
Provision for allowance for refund of guaranteed fees	10,838	6,065
Provision for allowance for retirement benefits accompanying transfer between accounts	763	547
Extraordinary losses	—	31,505
Other extraordinary losses	—	31,505
Provision of the reserve for mortgage transfer registration	—	31,505
Net loss	△ 9,684	△ 144,521
Gross profit	△ 9,684	△ 144,521

Cash flows statement

(Unit: million yen)

Item	FY 2008	FY 2009
I Cash flow from operating activities		
Loan disbursement	△ 4,180	△ 1,514
Outlays on personnel expenses	△ 3,464	△ 3,082
Other operating outlays	△ 35,291	△ 32,827
Income from collection of GHLC originated loans	4,449,757	4,838,353
Income from interest on GHLC originated loans	1,128,005	1,010,766
Loan origination fees and other revenue	382	320
Income from other operations	1,796	3,384
Income from government subsidies	91,200	111,400
Income from government payment	86,500	20,000
Subtotal	5,714,706	5,946,801
Interest and dividends received	1,058	1,788
Interest paid	△ 1,126,618	△ 974,605
Cash flow from operating activities	4,589,145	4,973,984
II Cash flow from investing activities		
Net change in securities (certificates of deposit) (negative_decline)	—	△ 60,000
Net change in receivables under repurchase agreement (negative_decline)	△ 436,006	436,006
Other income	0	—
Cash flow from investing activities	△ 436,006	376,006
III Cash flow from financing activities		
Net change in short-term borrowings from private institutions (negative_decline)	△ 106,500	—
Income from issuance of bonds (after deducting issuance expense)	822,460	906,086
Outlays on repayment of bonds	△ 534,118	△ 679,904
Outlays on repayment of FILP borrowings	△ 4,221,717	△ 3,606,536
Outlays on repayment of borrowings from the former Kanpo Life Insurance	△ 47,423	△ 30,253
Cash flows from financial activities	△ 4,087,298	△ 3,410,608
IV Increase (or decline) in cash	65,841	1,939,383
V Opening balance of cash	237,255	303,096
VI Closing balance of cash	303,096	2,242,479

Statement of Appropriation of Loss

(Unit: million yen)

I Unappropriated loss for the current fiscal year		△ 682,572
Gross loss		△ 144,521
Loss carry forward (from previous year)	△ 538,052	
II Loss carry forward (to next year)		<u>△ 682,572</u>

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2008	FY 2009
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	1,083,328	938,973
Service transaction expenses	15,811	15,469
Other operating expenses	2,688	2,956
Business expenses	13,239	12,268
Other ordinary expenses	27,553	155,661
Provision of the reserve for mortgage transfer registration	—	31,505
Subtotal	1,142,619	1,156,832
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 1,119,283	△ 1,003,554
Income from service transactions	△ 396	△ 331
Other ordinary income	△ 1,601	△ 1,523
Gain on bad debt recovered	△ 54	△ 292
Reversal of allowance for refund of guarantee fees	△ 10,838	△ 6,065
Reversal of allowance for retirement benefits accompanying transfer between accounts	△ 763	△ 547
Subtotal	△ 1,132,935	△ 1,012,312
Total operating expenses	9,684	144,521
II Expected increase in retirement benefits not included in allowances	2	2
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	129	134
IV Administrative cost	9,815	144,657

Significant Accounting Policies (Outstanding Loan Management Account)

1. Application of revised incorporated administrative agency accounting standards
Revised incorporated administrative agency accounting standards are applied in the financial statements from this fiscal year.

2. Criteria for Recording Reserves

(1) Reserves for possible loans losses

Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on GHLC originated loans on the following bases.

- For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
- For "borrowers with high probability of default," an amount is recorded for each loan that is based on the historic expected loss rate during a particular period and the difference between the balance of the loan and expected recoverable amount from the collateral.
- For "normal borrowers," borrowers requiring caution" and "the "other borrowers requiring caution," an amount is recorded based on the historic expected loss rate during a particular period.

(2) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(3) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.

(4) Allowance for Refund of Guarantee Fees

Parties who receive loans related to GHLC originated loans paid a guarantee fee when placing the corresponding loan guarantee fee into trust with the Housing Loan Guarantee Corporation as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as the JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of

refunds is recorded.

(5) Reserve for Mortgage Transfer Registration

The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to the JHF regarding GHLC originated loans inherited from the Government Housing Loan Corporation as stipulated by Paragraph 1, Article 3, of the Supplementary Provisions of the JHF Law.

(Additional information)

Registration fees for mortgage transfers to the JHF regarding GHLC originated loans inherited from the GHLC were previously recorded at the time of disbursement. However, in order to reflect financial conditions more appropriately, the estimated amount of future payment is recorded from the end of this fiscal year. As a result, the amount of extraordinary losses increased by ¥31,505,401,725 from the figure in the previous method, and the market net loss and the market gross loss also increased by the same value.

3. Method and Criteria for Valuing Marketable Securities

Other securities

The purchase price is recorded

4. Depreciation of Bond Issue Premiums

Bond issue premiums are amortized using a straight line method over the maturity of the bond

5. Criteria for Recording Scheduled Amount of Undisbursed Grants

Based on Article 4 of the Supplementary Provisions of the Ministerial Ordinance Related to the Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency (Ministry of Finance/MLIT No.1, 2007), the guarantee fee refund and write-off of GHLC originated loans for FY 2007, 2008 and 2009 related to the outstanding loan management special account are deducted from the amount set by the competent ministry (Calculation Method Designated by the Competent Minister Based on Article 4 of the Supplementary Provisions of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency [Finance No. 174 and National Housing Material No. 124: April 1, 2007]), and this amount is recorded.

6. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

Taking into account the interest on 10-year government bonds at the end of March 2010, 1.395% was applied for calculating the opportunity costs for central government investments and local government investments.

7. Accounting for consumption tax

The tax inclusive method is applied.

Notes (Outstanding Loan Management Account)

1. Matters Relating to the Balance Sheet

(1) Collateral

GHLC originated loans are put into trust as collateral for mortgage backed securities.

The amount of assets registered for collateral and the amount of liabilities relating to collateral are described in Notes (overall agency).

(2) Extraordinary Losses

These are assets inherited from the Government Housing Loan Corporation based on Paragraph 1, Article 9 of the Supplementary Provisions of Japan Housing Finance Agency Law (Law No. 82 of 2005; referred to below as the Agency Law).

Based on Paragraph 3, Article 9 of the same law, these assets are written down through the receipt of grants.

2. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank ¥2,242,478,876,291

Closing balance of cash ¥2,242,478,876,291

(2) Income from government payment

The ¥20,000,000,000 in income from government payment (general account) was to cover extraordinary losses based on Paragraph 2, Article 9 of the Supplementary Provisions of the Agency Law and was used to reduce the extraordinary loss based on Paragraph 3 of the same supplementary provisions.

3. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

4. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2010
Retirement benefit obligation (A)	△ 11,329,655,373
Pension assets (B)	3,040,198,898
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 8,289,456,475
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	825,033,704
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 7,464,422,771
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 7,464,422,771

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2009 to March 31, 2010
Service cost	289,399,529
Interest cost	223,304,423
Expected return on plan assets	△ 54,552,844
Amortization of prior service obligations	0
Amortization of actuarial differences	144,480,151
Other (such as extra retirement benefit)	0
Net pension expenses	602,631,259

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2010
a. Discount rate 2.0%	2.0%
b. Expected rate of return on plan assets	2.0%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

5. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) Matters Relating to the Mark to market Prices of Financial Products

The values of major financial products on the balance sheet at the end of the term, their market prices and differences between them are outlined below. The values of products whose market prices are difficult to obtain are not included in the table (refer to Note 2).

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	2,242,478,876,291	2,242,478,876,291	0
(2) Securities			
Other securities	60,000,000,000	60,000,000,000	0
(3) GHLC originated loans	28,317,477,161,029		
Reserve for possible loan losses (*1)	△ 698,971,365,960		
	27,618,505,795,069	28,245,547,926,339	627,042,131,270
Total assets	29,920,984,671,360	30,548,026,802,630	627,042,131,270
(1) Borrowings	24,550,719,000,000	26,455,053,417,335	1,904,334,417,335
(2) Bonds (*2)	5,929,310,910,090	6,015,440,339,548	86,129,429,458
Total liabilities	30,480,029,910,090	32,470,493,756,883	1,990,463,846,793

(*1) Amounts of general and individual reserves for possible loan losses for GHLC originated loans are deducted.

(*2) Since bond issue premiums are less important, the differences between the market value and book value are directly reflected in the amount on book value of the balance sheet.

(Note 1) Method of Calculating the Mark to market Price of Financial Products Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Securities

The market price is indicated by the book value, since they had a short contract period and their market price was close to the book value.

(3) GHLC originated loans

The future cash flow of GHLC originated loans was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar new loan to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

Loans on bills of GHLC originated loans had a short contract period and their market price was close to the book value. Accordingly, the book value was applied as the market price.

Liabilities

(1) Borrowings

The total amount of principal and interest was discounted at a rate that would be applied to a possible similar borrowing to calculate the market price.

(2) Bonds

The market prices of government guaranteed bonds and mortgage-backed securities were based on market prices, including quotation by market makers, released by industry groups.

For housing land bonds, estimated future cash flows were discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

(Note 2) Unlisted stocks (value on the balance sheet: ¥16,150,000) have no market price, which makes it difficult to estimate their market price. Accordingly, the market price is not required to be disclosed.

(Additional information)

Notes for financial products were added based on Revised Incorporated Administrative Agency Accounting Standards No. 80.

6. Securities

Other securities

Category	Type	Book value on the balance sheet	Acquisition cost	Difference
Book value on the balance sheet does not exceed acquisition cost	Other	60,000,000,000	60,000,000,000	0

None of the book values on the balance sheet exceed acquisition cost.

7. Material Liability Incurring Activities

There is nothing to report.

8. Material Subsequent Events

There is nothing to report.

Details

● Investment in JHF capital and its funding sources (FY 2009)

In FY 2009, the JHF received a government investment of ¥495.6 billion from the general account.

Therefore, the balance of investments at the end of FY 2009 was ¥901.3 billion - ¥801.8 billion in investments from the general account, ¥54.5 billion in investments from special account for industrial investment, and ¥45.0 billion in reserve fund for interest rate change.

Of the investments from the general account, ¥230 billion shall be redeemed to the national treasury in FY 2010 based on the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16, 2009).

(Unit: million yen)

Category under government account and name of fund	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
General account	306,200	495,600	—	801,800
Special account for the Fiscal Investment and Loan Program	99,500	—	—	99,500
Capital from the special account for the Fiscal Investment and Loan Program	54,500	—	—	54,500
Reserve fund for interest rate change	45,000	—	—	45,000
Total	405,700	495,600	—	901,300

● Major assets and liabilities (FY 2009)

[Long-term borrowings]

In FY 2009, the JHF borrowed ¥100 million from the FILP and ¥165.6 billion from private institutions. Since ¥3,606.8 billion was repaid to the FILP, ¥30.3 billion to the Postal Life Insurance Reserve Fund and ¥187.6 billion to private institutions, the balance or outstanding long-term borrowings at the end of FY 2009 was ¥24,721.7 billion - ¥24,544.6 billion from the FILP, ¥11.5 billion from the former Kanpo Life Insurance Reserve Fund and ¥165.6 billion from private institutions.

(Unit: million yen)

Category	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
Borrowings from Fiscal Investment and Loan Program	28,151,370	100	3,606,825	24,544,645
Borrowings from former Kanpo Life Insurance Reserve Fund	41,718	—	30,253	11,465
Borrowings from private institutions	187,587	165,600	187,587	165,600
Total	28,380,675	165,700	3,824,665	24,721,710

[Details of bonds issued by the agency]

In FY 2009, ¥2,046 billion (par value, same as below) in Japan Housing Finance Agency bonds, ¥81.2 billion in (Japan Housing Finance Agency) property accumulation saving scheme-tied houses bonds, and ¥62.2 billion in (Japan Housing Finance Agency) housing land bonds were issued. In addition, ¥888.2 billion in Japan Housing Finance Agency bonds, ¥184 billion in (Japan Housing Finance Agency) property accumulation saving scheme-tied houses bonds, and ¥59.4 billion in (Japan Housing Finance Agency) housing land bonds were redeemed. Therefore the total outstanding balance of bonds at the end of FY2009 was ¥11,564.7 billion - ¥10,011.1 billion in Japan Housing Finance Agency bonds, ¥740.4 billion in (Japan Housing Finance Agency) property accumulation saving scheme-tied houses bonds, and ¥813.2 billion in (Japan Housing Finance Agency) housing land bonds.

(Unit: million yen)

Category	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
Japan Housing Finance Agency bonds	8,853,258	2,046,034	888,217	10,011,075
Japan Housing Finance Agency - Property accumulation saving scheme-tied houses bonds	843,200	81,200	184,000	740,400
Japan Housing Finance Agency - housing land bonds	810,426	62,207	59,395	813,238
Total	10,506,883	2,189,440	1,131,611	11,564,712

[Reserves]

(Unit: million yen)

Category	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
Reserve for possible loan losses	876,421	176,185	201,277	851,328
Allowance for bonuses	724	643	724	643
Allowance for retirement benefits	24,515	2,005	1,071	25,450
Allowance for refund of guarantee fees	64,240	—	14,510	49,730
Reserve for mortgage transfer registration	—	34,546	—	34,546

● Acquisition and disposal of fixed assets and depreciation costs (FY 2009)

(Unit: million yen)

Type of asset		Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year	Accumulated depreciation		Accumulated impairment loss	Balance after deduction at the end of current fiscal year
							Depreciation expenses for the current fiscal year		
Tangible fixed assets including gains, losses and depreciation	Buildings	16,323	58	898	15,482	2,239	579	42	13,201
	Other tangible fixed assets	4,357	234	40	4,551	2,107	1,115	0	2,444
	Total	20,679	292	937	20,034	4,347	1,693	43	15,644
Non-depreciable assets	Land	22,747	—	579	22,168	—	—	441	21,727
	Other tangible fixed assets	5	—	—	5	—	—	—	5
	Total	22,751	—	579	22,172	—	—	441	21,731
Total tangible fixed assets		43,431	292	1,516	42,206	4,347	1,693	484	37,376

● Affiliated corporations

JHF does not invest in any corporations, but the following corporations are considered specific affiliated companies or specific public interest companies, etc. under incorporated administrative agency accounting standards.

All specific affiliated companies are small and do not have a material impact on the total gross assets or sales found on the financial statements. Therefore, the companies are excluded from the scope of consolidation.

Company name	Summary of operations	Relationship with agency	Date founded	Capital or core assets
Housing Support Information System Co., Ltd. (specific affiliated company)	Development, operation and maintenance of software; Internet related operations; system related services, etc.	System development, etc.	April 1997	¥24.9 million
Jutaku Loan Service, Ltd. (specific affiliated company)	Management and recovery of the specific monetary claims, etc.	Loan servicing	August 2004	¥500 million
Housing Loan Progress Association (specific public interest company, etc.)	Research regarding and provision of information about topics, such as home financing; inspection of homes	Construction inspection, etc.	May 1951	¥500 million
Funen Kosha (specific public interest company, etc.)	Construction and transfer of rental homes; financing guarantees, etc.	Financing guarantees, etc.	January 1961	¥1.35 million

● Transition in capital

(Unit: million yen)

Fiscal year	Capital	Fiscal year	Capital
June 1950	136	1964	955
1951	230	1965	970
1952	310	1966	971
1953	368	1967 _ 1997	972
1954	418	1998	1,522
1955 _ 1956	425	1999 _ 2000	1,662
1957	455	2001 _ 2004	1,687
1958	480	2005	2,237
1959	525	2006	2,537
1960	575	2007	3,197
1961	665	2008	4,057
1962	760	2009	9,013
1963	855		

● Details of business expenses

(Unit: million yen)

Category	FY 2008	FY 2009
Overhead expenses	11,216	11,234
Management travel expenses	105	96
Various management expenses	3,945	3,570
Entertainment expenses	0	1
Tax	294	297
Fixed asset depreciation expenses	985	627
Leased asset depreciation expenses	778	1,066
Operational travel expenses	100	89
Various operating costs	6,053	5,352
Expenses for special servicing of loans	3,746	4,263
Reparations and repayments	0	—
Other expenses including bond issuance costs and trust fees	107	119
System operation outsourcing costs	5,569	4,997
Total	32,901	31,712

(Note) Of ¥901.3 billion in FY 2009, ¥230 billion shall be redeemed to the national treasury in FY 2010 based on the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16, 2009).

● Capital adequacy ratio

(Unit: 100 million yen)

Category	FY 2008	FY 2009
Net capital	2,180	5,612
Reserve for possible loan losses	910	856
Owned capital (A)	3,090	6,468
Assets (on balance sheet)	134,227	125,520
Off balance sheet transactions	10,480	10,186
Amount equivalent to operational risk	934	1,295
Risk weighted assets total (B)	145,642	137,000
Capital adequacy ratio ((A) / (B)) x 100	2.12%	4.72%

Notes: The capital adequacy ratio is calculated in accordance with the Basel II criteria, but since it is difficult to determine attributes for some loans, the calculations were simplified.

The following are examples of simplifications:

- Loans were categorized by type of loan since it is difficult to differentiate between individuals and corporations and the size of corporations for borrowers taking out home loans.
- It was assumed that all loans are mortgage loans since it is difficult to determine whether there is an attached store or not or if there is mortgage for properties that loans were taken out for.

● Overhead ratio

(Unit: 100 million yen)

Category	FY 2008	FY 2009
Expenses* (A)	624	623
Average balance of loans (B)	404,828	363,507
Overhead ratio (A) / (B)	0.1541%	0.1715%

*Expenses = services expenses + (business expenses + commission fees) + amortization of bond issuing expenses + miscellaneous losses

● Status of revenue and expenditure in a single fiscal year for the accounts other than the outstanding loan management account and the account related to operations taken over from the Housing Loan Guarantee Association

“Operations taken over from the Housing Loan Guarantee Association” refer to group credit life insurance and other operations taken over from the Housing Loan Guarantee Association at the time of the establishment of JHF, in accordance with Paragraph 3, Article 6 of the Supplementary Provisions of the JHF Law.

These operations are recorded as part of the housing loan account, and are managed as the “account for operations taken over from the Housing Loan Guarantee Association” in accordance with Item 2, Article 10 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by the Japan Housing Finance Agency. The JHF aims to achieve a surplus in single-year revenues and expenditures by the final year for the first medium-term business plan, and to eliminate loss carried forward by the final year for the second medium-term business plan for the overall account excluding “operations taken over from the Housing Loan Guarantee Association” and the outstanding loan management account. The current status is as shown in the table below.

(Unit: million yen)

	FY 2008		FY 2009	
	Gross profit/loss (△)	Surplus/loss carried forward (△)	Gross profit/loss (△)	Surplus/loss carried forward (△)
Securitization support account	△ 2,787	△ 19,292	△ 5,785	△ 25,077
Account for transfer of claims	△ 2,464	△ 17,681	△ 2,853	△ 20,534
Account for loan guarantees	△ 323	△ 1,611	△ 2,932	△ 4,543
Housing loan insurance account	△ 1,630	△ 6,321	1,962	△ 4,359
Account for loans for property accumulation saving scheme-tied houses	5,800	37,365	4,464	41,829
Housing loan account	△ 6,338	348,617	△ 2,874	339,205
Account for housing loans	△ 2,879	△ 24,392	570	△ 23,822
Account for operations taken over from the Housing Loan Guarantee Association	△ 3,459	373,010	△ 3,444	363,027
Overall agency (excluding the outstanding loan management account and account for operations taken over from the Housing Loan Guarantee Association)	△ 1,495	△ 12,640	1,212	△ 11,429

● Reference – List of investments in JHF (by type of business)

Unit: 100 million yen

Type	Purpose	Total at the end of FY 2009	Total at the end of FY 2010 (estimate) *
Securitization support	Credit risk management, support scheme for acquiring high-quality housing, ALM risk management, interest rate fluctuation risk management, management of interest to be paid to originators before replenishment	7,033	5,156.55
Housing loan insurance	Insurance risk management	1,160	1,300
Housing loans	Credit risk management concerning town development loans (short-term business funds), ALM risk management related to disaster mitigation loans	724	424
Outstanding loan management	Implementation of special preferential measures of repayment condition changes (interest rate cut)	96	96
Total		9,013	6,976.55

*The total figures at the end of FY 2010 are estimated values reflecting the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16, 2009), which stipulates the redemption of ¥230 billion to the national treasury in FY 2010. The amount of ¥230 billion is part of a government investment of ¥403 billion provided under the first supplementary budget for FY 2009, of which ¥200 billion is related to securitization support, and ¥30 billion is related to the housing loan business (town development loans (short-term business funds)).

● Reference - Status of long-term bonds being held

FY 2008

Unit: 100 million yen

Type	Classification (purpose)	At the end of FY 2008				
		Government bonds	Local government bonds	Government guaranteed bonds	FILP agency bonds, etc.	
Securitization support	Investments by the government (bonds held as a capital investment for credit risk management and the implementation of the support scheme for acquiring high-quality housing)	2,940	1,208	64	166	1,501
Housing loan insurance	Investments by the government (bonds held as a capital investment for insurance risk management)	137	132	3	0	2
	Mandatory policy reserves (bonds held as a reserve investment for future insurance payments)	166	0	9	0	157
Housing loans	Investments by the government (bonds held as a capital investment for the credit risk management concerning town development loans (short-term business funds))	205	0	0	0	205
	Reserve for the long-term stabilization of premiums for group credit life insurance (bonds held as a reserve investment for the future operation of group credit life insurance)	1,743	454	145	216	928
Total		5,190	1,793	221	382	2,793

FY 2009

Unit: 100 million yen

Type	Classification (purpose)	At the end of FY 2009				
		Government bonds	Local government bonds	Government guaranteed bonds	FILP agency bonds, etc.	
Securitization support	Investments by the government (bonds held as a capital investment for credit risk management and the implementation of the support scheme for acquiring high-quality housing)	5,871	2,776	958	110	2,027
Housing loan insurance	Investments by the government (bonds held as a capital investment for insurance risk management)	1,122	540	318	14	250
	Mandatory policy reserves (bonds held as a reserve investment for future insurance payments)	195	25	32	1	137
Housing loans	Investments by the government (bonds held as a capital investment for the credit risk management concerning town development loans (short-term business funds))	591	238	171	0	182
	Reserve for the long-term stabilization of premiums for group credit life insurance (bonds held as a reserve investment for the future operation of group credit life insurance)	1,363	238	85	156	883
Total		9,142	3,817	1,564	281	3,479

*The securities that can be held by the JHF are government bonds, local government bonds and government guaranteed bonds as well as bonds issued by a corporation under a special law (securities designated by the competent ministers) as prescribed in Article 47 of the Law for General Rules for Incorporated Administrative Agencies. The JHF holds these securities for the safe and efficient implementation of operations. In FY 2009, the agency purchased long-term bonds worth ¥337.7 billion to deal with program expansion and the increase of business volumes due to economic stimulus packages.

● Reference - List of subsidies

Unit: 100 million yen

Type	Purpose	Amount received in FY 2009*2	Amount received in FY 2010*3
Subsidies for emergency measures to facilitate housing finance*1	Securitization support (Expansion of interest rate reduction in the support scheme for acquiring high-quality housing) Housing loan insurance (Insurance premium rate reduction)	4,000	—
Subsidies for securitization support	Interest rate reduction in the support scheme for acquiring high-quality housing, etc.	—	29.14

*1 Subsidies for emergency measures to facilitate housing finance are grants received in a lump sum to reduce interest rates on housing loans as prescribed in the Emergency Economic Countermeasures for Future Growth and Security (endorsed by the Cabinet on December 8, 2009). Every time the cost for interest rate reduction is accrued, it is posted as an expense.

*2 In FY 2009, the JHF received subsidies for emergency measures to facilitate housing finance and subsidies for the promotion of activities such as the development of a housing market (¥5 million).

*3 The amount received for FY 2010 is an estimate.

● Reference - Use of subsidies for emergency measures to facilitate housing finance

[Results of loans, etc.]

Results of the application and purchase of loans concerning subsidies for emergency measures to facilitate housing finance (as of March 31, 2010)

Unit: case;100 million yen

Type	Application *		Purchase/insurance	
	Number of cases	Amount	Number of cases	Amount
Securitization support (Expansion of interest rate reduction in the support scheme for acquiring high-quality housing)	25,075	6,684	7,733	1,878
Housing loan insurance (Premium rate reduction)	7,613	1,918	4,147	1,054

*In the case of housing loan insurance, the number of policies accepted and their amount are indicated.

[Use of subsidies]

Use of subsidies for emergency measures to facilitate housing finance (as of March 31, 2010)r

● Securitization support (Expansion of interest rate reduction in the support scheme for acquiring high-quality housing)

Unit: 100 million yen

Amount	As of	March 31, 2009
Subsidies received		2,600.0
Amount carried forward		0.0
Accrued interest income		0.0
(Accumulated gains)		(0.0)
Subtotal	①	2,600.0
Expenses for interest rate reduction ②		0.7
(Accumulated expenses for interest rate reduction)		(0.7)
Balance of subsidies	①-②	2,599.3

● Housing loan insurance (Premium rate reduction)

Unit: 100 million yen

Amount	As of	March 31, 2009
Subsidies received		1,400.0
Amount carried forward		0.0
Accrued interest income		0.0
(Accumulated gains)		(0.0)
Subtotal	①	1,400.0
Expenses for premium rate reduction ②		59.0
(Accumulated premium rate reduction)		(59.0)
Balance of subsidies	①-②	1,341.0

Risk-monitored Loans

● Table of risk-monitored loans for FY 2009

(Unit: 100 million yen, %)

Category	Amount			
	Outstanding loans* ¹	Purchased loans, etc.* ²	Claims* ³	Total
Loans to borrowers in default (A)	1,980	65	210	2,256
Seriously delinquent loans (B)	8,054	251	999	9,304
Loans past due 3 months or more (C)	1,436	169	0	1,605
Subtotal (D) = (A) + (B) + (C)	11,471	485	1,209	13,165
Ratio: (D) / (G) x 100	4.05	0.82	100	3.83
Loans under mitigation (E)	15,677	332	0	16,009
Total (F) = (A) + (B) + (C) + (E)	27,148	817	1,209	29,174
Ratio: (F) / (G) x 100	9.59	1.38	100	8.49
Balance of principle (G)	283,175	59,143	1,209	343,527

Disclosure of risk-monitored loans is based on the results of JHF self-assessment.

* 1 "Existing loans" are ones related to loans the application for which was received before 2004 (excluding loans for property accumulation saving scheme-tied houses).

* 2 "Purchased loans, etc." are GHLC originated loans that are not existing loans and purchased loans.

* 3 "Claims" are rights and liabilities inherited from the former Government Housing Loan Corporation when it was transformed into an incorporated administrative agency on April 1, 2007.

(Notes)

1. Loans to borrowers in default (A)

These are the outstanding principal balance of loans to borrowers categorized as borrowers in default as a result of self-assessment.

2. Seriously delinquent loans (B)

These are the outstanding principal balance of loans to borrowers categorized as borrowers in default or with high probability of default as a result of self-assessment.

3. Loans past due 3 months or more (C)

These are the outstanding principal balance of loans where the repayment or interest payment is contractually past due 3 months or more and are not classified as loans to borrowers in default (A) or seriously delinquent loans (B).

4. Loans under mitigation (E)

These are the outstanding principal balance of loans for which such arrangements favoring borrowers as reduction of interest, or moratorium on repayment of interest or principal (hereinafter called modification of repayment terms) are given to support borrowers' restriction, and are not classified as loans to borrowers in default (A) or seriously delinquent loans (B).

When loans, in principle, in the 4 years after the modification of repayment terms (1 year in the case of loans to businesses) are repaid as scheduled, they are excluded from restructured loans because their credit risk is deemed to be equal to that of normal claims. Outstanding principal balance of loans which corresponds to the above description and were not classified as restructured loans totaled 200.5 billion yen.

Disclosed restructured loans include those whose terms are revised by requirements, such as government economic stimulus package.

5. Remarks

For JHF portfolio, not all of the disclosed bad loans outstanding are to be uncollectable because these loans are secured with the first lien upon the properties and other collateral.

[Loans under mitigation]

In the case where various reasons including changes in living environment and large-scale natural disasters, such as the Great Hanshin Awaji Earthquake prevent persons who have acquired their house with our loan program from repaying their loans permanently or temporarily, the JHF encourages their repayment by providing consultation services for loan repayment and restructuring loans based on the circumstances of each case so that such person can continue to live in their homes, a basic necessity of human life, for as long as possible.

For persons experiencing difficulty with repayment of loans due to their company's bankruptcy or other reasons, JHF has also prepared preferential measures according to the Cabinet decision of October 1998 and offer restructuring of loan terms corresponding to the government measures.

The corporation risk managed loans account for about 55%, but for the aforementioned policy objectives, however, it is unlikely that this will directly lead to a surge in bad loans because of low credit loss rate compared to other risk-monitored loans.

JHF allows modification to repayment terms so that borrowers can continue to live in their homes for as long as possible, and hence strives to maintain and improve our financial soundness.

Self-assessment and risk-monitored loans in FY 2009

(Unit: 100 million yen)

	Categories of borrowers under self-assessment	Category of assets under self-assessment				Reserves (reserve ratio)	Risk management
		Non-categorized	Category II	Category III	Category IV		
Existing loans *1	Substantially defaulted borrowers 1,999	Portions secured by collateral and guarantees 835		Provision for portions excluding those secured by collateral and guarantees 1,164		Specific reserve for possible loan losses 1,164 (100%)	Loans to borrowers in default 1,980
	Borrowers in default 4,858	Portions secured by collateral and guarantees 1,987		Provision for portions excluding those secured by collateral and guarantees 2,871			
	Borrowers with high probability of default 3,256	Portions secured by collateral and guarantees 1,912		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 1,344		General reserve for possible loan losses 777 (57.8%)	Seriously delinquent loans 8,054
	Watch-list borrowers	Borrowers requiring caution 17,304	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 17,304				
		Other borrowers requiring caution 4,567	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 4,567				
Normal borrowers 251,948	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 251,948				369 (0.1%)	Loans past due 3 months or more 1,436 Restructured loans 15,677	
Purchased loans, etc. *2	Substantially defaulted borrowers 65	Portions secured by collateral and guarantees 30		Provision for portions excluding those secured by collateral and guarantees 35		Specific reserve for possible loan losses 35 (100%)	Loans to borrowers in default 65
	Borrowers in default 175	Portions secured by collateral and guarantees 82		Provision for portions excluding those secured by collateral and guarantees 94			
	Borrowers with high probability of default 77	Portions secured by collateral and guarantees 38		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 39		General reserve for possible loan losses 22 (56.4%)	Seriously delinquent loans 251
	Watch-list borrowers	Borrowers requiring caution 532	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 532				
		Other borrowers requiring caution 528	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 528				
Normal borrowers 57,859	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 57,859				84 (0.1%)	Loans past due 3 months or more 169 Restructured loans 332	
Claims *3	Substantially defaulted borrowers 211	Portions secured by collateral and guarantees 26		Provision for portions excluding those secured by collateral and guarantees 185		Specific reserve for possible loan losses 185 (100%)	Loans to borrowers in default 210
	Borrowers in default 1,002	Portions secured by collateral and guarantees 167		Provision for portions excluding those secured by collateral and guarantees 835			

* 1 "Existing loans" are ones related to loans the application for which was received before 2004 (excluding loans for property accumulation saving scheme-tied houses).

* 2 "Purchased loans, etc." are GHLC originated loans that are not existing loans and purchased loans.

* 3 "Claims" are rights and liabilities inherited from the former Government Housing Loan Corporation when it was transformed into an incorporated administrative agency on April 1, 2007.

* 4 The reserve ratios for the "borrowers in default and substantially defaulted borrowers" and "borrowers with high probability of default" categories are applied to the amount deducting portions secured by collateral and guarantees while the reserve ratios for the "watch list borrowers" and "normal borrowers" are applied to entire outstanding loan balance.

《Major differences between self-assessment and risk-monitored loans》

- Self-assessment loans cover purchased loans, GHLC originated loans, interest on purchased loans receivable, interest on GHLC loans receivable, suspense payable, and advance payments while risk-monitored loans cover purchased loans and GHLC originated loans.

- Borrowers are categorized by the repayment and financial conditions of borrowers in self-assessment and by the repayment of loans excluding loans to borrowers in default and seriously delinquent loans in risk-monitored loans.

Policy cost analysis

Policy cost analysis is an approach in which related organizations set certain premises for businesses using the Fiscal Investment and Loan Program, and estimate ① the amount of subsidies to be provided from the national government in the future and ② the amount of the interest-payment-reduction effect of investments so far (opportunity cost for the government). The results for 2009 were announced by the Ministry of Finance on November 18, 2009 after the Fund Operation Council's Sub-committee on Fiscal Investment and Loans Program examined the policy costs of 24 government-affiliated corporations and incorporated administrative agencies that were subject to the Fiscal Investment and Loan Program.

The results of policy cost analysis on the JHF showed that a policy cost of $\triangle ¥1.1$ billion at the present value will accrue in the future. In the analysis, the opportunity cost of government investments, etc. were calculated under the premises of ① conducting business based on the fiscal investment and loan plan for FY 2009 with no such business being conducted in FY 2010 and ② repaying all investments to the national government in FY 2040, the end of the analysis period, when all GHLC originated loans will be collected.

1. Business using the Fiscal Investment and Loan Program

Loans for disaster-affected people to reconstruct their damaged housing

(Reference) The businesses that are not covered by the Fiscal Investment and Loan Program include securitization support, housing loan insurance and housing loan origination (excluding disaster mitigation loans).

2. Planned amount for the Fiscal Investment and Loan Program (Unit: 100 million yen)

Planned amount for the Fiscal Investment and Loan Program in FY 2009	Estimated balance in the FILP account at the end of FY 2008	(The estimated balance in the FILP account at the end of FY 2008 also includes balances other than that of disaster mitigation loans)
300	290,336	

3. Results of the business and its social/economic benefits

- ① Results of loan origination
 - Number of houses: 202,626 units
 - Amount: ¥1.6843 trillion
 - (As of the end of FY 2008, contract base)
- ② Long-term, fixed and low-interest loans for disaster-affected people
 - Provide long-term, fixed and low-interest loans for affected people soon after a disaster to smoothly restore damaged houses
- ③ Disasters eligible for disaster mitigation loans
 - Disasters that have caused damage above a certain level as prescribed in the Disaster Relief Act

(Disasters eligible for disaster mitigation loans (after FY 2004))

FY	Name of disaster	Period of disaster	Period when applications are accepted
2004	Disaster due to heavy rain on July 12, 2004	Jul. 12 - 22, 2004	Jul. 16, 2004 - Jul. 21, 2006
	Disaster due to heavy rain during Typhoon No. 15 and a rain front in 2004	Aug. 17 - 20, 2004	Aug. 20, 2004 - Aug. 18, 2006
	Disaster due to Typhoon No. 16 of 2004	Aug. 28 - 31, 2004	Sep. 1, 2004 - Aug. 31, 2006
	Disaster due to Typhoon No. 18 of 2004	Sep. 5 - 8, 2004	Sep. 10, 2004 - Sep. 8, 2006
	Disaster due to heavy rain during Typhoon No. 21 and an autumn rain front in 2004	Sep. 28 - 30, 2004	Oct. 1, 2004 - Sep. 29, 2006
	Disaster due to Typhoon No. 22 of 2004	Oct. 8 - 10, 2004	Oct. 13, 2004 - Oct. 10, 2006
	Disaster due to Typhoon No. 23 of 2004	Oct. 19 - 21, 2004	Oct. 22, 2004 - Oct. 10, 2006
2005	Disaster due to the Mid-Niigata Earthquake of 2004	Oct. 23, 2004 - Apr. 1, 2007	Oct. 25, 2004 - Apr. 1, 2009
	Disaster due to an earthquake in 2005 originating off the west coast of Fukuoka	Mar. 20, 2005 - Oct. 13, 2007	Mar. 24, 2005 - Oct. 13, 2009
2006	Disaster due to Typhoon No. 14 and heavy rain in 2005	Sep. 4 - 8, 2005	Sep. 7, 2005 - Sep. 7, 2007
	Disaster due to heavy rain caused by a rain front from July 4, 2006	Jul.4 -30, 2006	Jul.21, 2006 - July30, 2008
	Disaster due to Typhoon No. 13 and heavy rain in 2006	Sep. 16 - 20, 2006	Sep. 19, 2006 - Sep. 19, 2008
2007	Disaster due to a tornado in Hokkaido's Saroma Town on November 7, 2006	Nov. 7, 2006	Nov. 10, 2006 - Nov. 7, 2008
	Disaster due to the Noto Peninsula Earthquake of 2007	Mar. 25 - Sep. 30, 2007	Mar. 26, 2006 - Sep. 30, 2009
	Disaster due to an earthquake off Niigata in 2007	Jul. 16, 2007 -	Jul. 17, 2007 -
	Disaster due to heavy rain between June 11 and July 17, 2007 and Typhoon No. 4 of 2007	Jun.11 - Jul. 17, 2007	Aug. 16, 2007 - Jul. 17, 2009
2008	Disaster due to heavy rain during Typhoon No. 11 and a rain front in 2007	Sep. 13 - 18, 2007	Sep. 20, 2007 - Sep. 18, 2009
	Disaster due to the low pressure system from February 23 to 24, 2008	Feb. 23 - 24, 2008	Mar. 13, 2008 - Feb. 24, 2010
	Disaster due to the Iwate-Miyagi Nairiku Earthquake in 2008	Jun. 14, 2008 -	Jun. 24, 2008 -
2009	Disaster due to heavy rain, etc. from July 28, 2008	Jul. 28, 2008 -	Aug. 1, 2008 -
	Disaster due to an earthquake originating on the northern coast of Iwate in 2008	Jul. 24 - Aug. 31, 2008	Aug. 1, 2008 - Aug. 31, 2010
	Disaster due to heavy rain from August 28, 2008	Aug. 28 - Dec. 5, 2008	Sep. 2, 2008 - Dec. 3, 2010

* As of the end of March 2009

- ④ Measures for the Great Hanshin Awaji Earthquake
 - Results of loan origination for disaster mitigation concerning the Great Hanshin Awaji Earthquake
 - Number of houses: 70,714 units
 - Amount: ¥1,5047 trillion
 - (As of the end of FY 2008, contract base)

4. Values estimated in policy cost analysis for the business

[Policy cost] (Unit: 100 million yen)

Category	FY 2008	FY 2009	Change
1. Subsidies from the national government	—	—	—
2. Fund transfer to the national government	—	—	—
Subtotal of 1 and 2	—	—	—
3. Opportunity cost for investment from the national government	$\triangle 5$	$\triangle 11$	$\triangle 6$
Subtotal of 1 to 3	$\triangle 5$	$\triangle 11$	$\triangle 6$
4. Reduction in loss	$\triangle 2$	—	+2
Total of 1 to 4 = policy cost (A)	$\triangle 7$	$\triangle 11$	$\triangle 4$
Analysis period (year)	32	32	+0

[Breakdown of policy cost in terms of the time of investment] (Unit: 100 million yen)

Category	FY 2008	FY 2009	Change
(A) Policy cost (relisting)	$\triangle 7$	$\triangle 11$	$\triangle 4$
① Opportunity cost for investment provided by the start of analysis	102	88	$\triangle 14$
② Newly estimated policy cost during the period of analysis	$\triangle 109$	$\triangle 99$	+10
Subsidies from the national government	—	—	—
Fund transfer to the national treasury	—	—	—
Policy cost accrued depending on changes in surplus	$\triangle 109$	$\triangle 99$	+10
Opportunity cost for investment	—	—	—

[Comparative analysis in temporal change] (Unit: 100 million yen)

Category	FY 2008	FY 2009	Change
(A) Policy cost (relisting)	$\triangle 7$	$\triangle 11$	$\triangle 4$
(A') Policy cost obtained by recalculating (A) at the same interest rate applied in the analysis for FY 2008	$\triangle 7$	$\triangle 7$	$\triangle 0$
(B) Of (A'), policy cost to accrue after FY 2009	$\triangle 7$	$\triangle 7$	+0

The policy cost for 2009 was $\triangle ¥1.1$ billion. Comparing the figure after eliminating the influence from premise interest changes in FY 2008 and FY 2009 with the policy cost that will accrue in and after FY 2009, the actual policy cost is considered to be the same level as FY 2008.

[Breakdown of policy cost in terms of accrual factor] (Unit: 100 million yen)

Category	Policy cost (change)
(A) Policy cost in FY 2009 (relisting)	$\triangle 11$
① Prepayment	7
② Credit loss	13
③ Other (interest margin, etc.)	$\triangle 31$

[In the case that the premises are changed] (Unit: 100 million yen)

Premises changed and their variation range	Policy cost (change)	
	(No change in discount rate)	(Change in discount rate)
Loan carry rate/borrowing cost + 1%	$\triangle 11$ ($\triangle 0$)	$\triangle 5$ (+6)
Of the changes, a change in opportunity cost	$\triangle 0$	+6

(Reference)

FY 2009 budget for subsidies/investment

Subsidies: ¥100 million

Investment: ¥100 million

5. Outline of estimation in analysis and future business prospect

- ① Estimation was made for disaster mitigation loans based on the business plan for FY 2009.
- ② The analysis period was set as 32 years during which all disaster mitigation loans under the business plan for FY 2009 will be redeemed.
- ③ Prepayment was estimated using a computation model to calculate the prepayment ratio by age of loans and the difference in interest rate between JHF loans and private housing loans that will be used to refinance JHF loans.

(Unit: %, 100 million yen)

FY	(Results)			(Estimate)	(Plan)	(Premises for estimation)						
	17	18	19	20	21	22	23	24	25	26	27	28
Prepayment ratio	—	3.80	1.32	5.10	2.69	3.16	4.74	5.67	6.23	6.51	6.70	6.77
Write-off of non-performing loans	—	—	—	0	0	16 (Sum of in and after 2010)						

FY	29	30	31	32	33	34	35	36	37	38	39	40
Prepayment ratio	6.70	6.68	6.67	6.62	6.54	6.44	6.32	6.29	6.35	6.28	6.19	6.12

FY	41	42	43	44	45	46	47	48	49	50	51	52
Prepayment ratio	5.97	5.79	5.59	5.46	5.37	5.29	5.05	4.85	4.66	4.40	4.12	3.50

6. Rationale for receiving subsidies, the system and regulations regarding redemption to the national treasury

(Rationale)

- The JHF is required to ensure the supply of long-term, fixed and low-interest loans for disaster-affected people soon after the disaster to support the speedy restoration of damaged housing.

Accordingly, the agency receives subsidies from the general account to use their accrued interest income, thereby facilitating disaster mitigation loans.

(Regulations regarding subsidies and its redemption)

- The Japan Housing Finance Agency Law stipulates government investments as follows (Article 6):
 - Article 6 ② The national government may make an additional investment to the JHF within the limits of the budget if necessary. In this case, if the whole or any part of the said investment should be allocated to the interest-rate fluctuation reserve prescribed in Paragraph 1, Article 25, the government shall indicate the amount.
 - Article 6 ③ When the agency receives investment from the government as prescribed in the preceding paragraph, it shall increase its capital by the same amount of the investment.
- The Japan Housing Finance Agency Law stipulates the redemption to the national treasury as follows (Article 18):
 - Article 18 ④ If there is a residual after deducting an approved amount prescribed in Paragraph 1 and Paragraph 2 from an amount equivalent to the reserve prescribed in Paragraph 1, the residual shall be redeemed to the national treasury.

7. Special notes

- ① This analysis was made for disaster mitigation loans (those accepted in and after 2005) that are subject to the Fiscal Investment and Loan Program.
- ② In accordance with the Japan Housing Finance Agency Law (Law No. 82 of 2005), the Government Housing Loan Corporation was dissolved, and the Japan Housing Finance Agency was established on April 1, 2007.
- ③ Regarding the review of the organization, the Incorporated Administrative Agency Rationalization Plan (endorsed by the Cabinet on December 24, 2007) stipulates as follows: Although the JHF has withdrawn from providing direct financing to individuals and has sifted to support and complement private financial institutions, further examination is necessary about the status and role of the organization, with attention to new housing policies such as the promotion of eco-friendly housing and earthquake-resistant housing and sociopolitical consideration for households with the elderly or children. This examination, including possibility of converting organizational status such as Special Corporation, shall draw a conclusion two years hence.
- ④ The changes in policy cost are as follows (the figures until FY 2006 indicate the policy cost of the GHLC):

(Unit: %, 100 million yen)

FY	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Policy cost	12,383	7,822	△ 1,549	△ 4,349	△ 5,434	△ 810	△ 69	17	10	△ 7	△ 11

Note 1) The figures in FY 1999 and 2000 indicate the policy cost in the housing loan origination business.

Note 2) The figures in FY 2001 to 2004 indicate the policy cost in the housing loan origination business excluding loans for property accumulation saving scheme-tied houses.

Note 3) The figure in 2005 indicates the policy cost in disaster mitigation loans (those accepted in and after 2005) and the securitization support business (GSE Model).

Note 4) The figures in and after 2006 indicate the policy cost in disaster mitigation loans (those accepted in and after 2005).

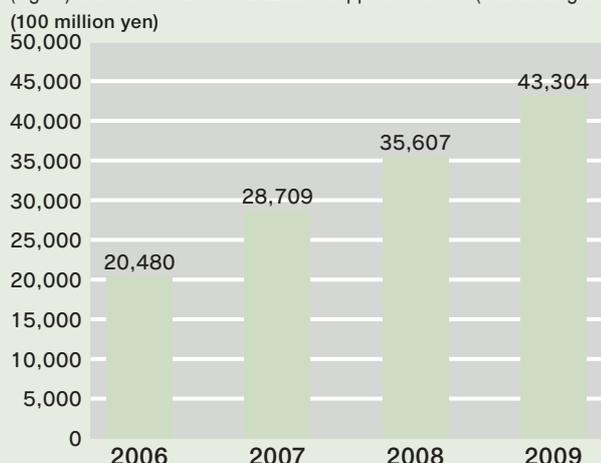
Note 5) Personal loans that received funding from the former Fiscal Investment and Loan Program are posted in the outstanding loan management account based on Paragraph 5, Article 7 of the Supplementary Provisions of the Japan Housing Finance Agency Law. For reference, the policy cost in the account is △ ¥269.8 billion.

In accordance with the law, prepayment to the Fiscal Investment and Loan Program was planned. This is estimated to have reduced the policy cost in the account by ¥24 billion.

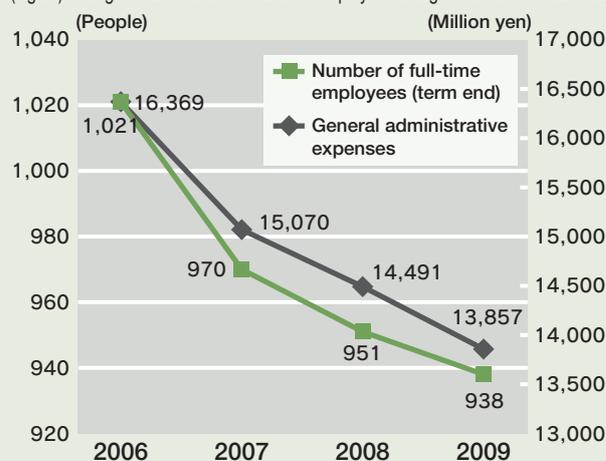
Efforts for Management Restructuring

The JHF has been steadily enhancing business performance and improving management by streamlining operations and cutting costs to support and complement private financial institutions as an independent organization in the housing market.

(Figure) Transition of the securitization support business (outstanding balance)



(Figure) Changes in the number of full-time employees and general administrative expenses



* The figure 1,021 in FY 2006 is the number at the beginning of FY 2009.

Streamlining of business management

Drastic review of business through business process reengineering (BPR)

Using BPR, the agency has improved customer service, centralized its telephone consultation service and automated paperwork through the use of IT to enhance work efficiency.

Examples of efforts

Centralization of the telephone consultation service	A customer call center was established for the centralization of the telephone consultation service that used to be conducted at individual branch offices (FY 2007).
Centralization of underwriting works	Underwriting works and the telephone service for inquiries about underwriting from financial institutions, which used to be conducted at individual branch offices, were centralized to the head office (FY 2007).
Construction of a customer consultation database	For the integrated management of comments and requests from customers, a comprehensive consultation system was introduced to facilitate analysis using a database of consultations and complaints from customers (FY 2008).
Preliminary underwriting system	With the aim of improving underwriting speed and customer satisfaction, a system was introduced to enable customers to know anticipated underwriting results before making an application by using electronic procedures for major underwriting criteria (FY 2008).

Upgraded information system

A lower-cost, more flexible and accessible information system was put in place by considering advanced information technology, reviewing performance necessary for business and adopting a low-cost open-type server for part of the main system (FY 2008).

Cost reduction

The agency has been striving to reduce general administrative expenses and information system expenses by streamlining business management and upgrading the information system.

Reduction in general administrative expenses (personnel/non-personnel expenses)

	2006	2007	2008	2009
General administrative expenses	¥16,369 million	¥15,070 million	¥14,491 million	¥13,857 million
Reduction rate (comparison with the end of FY 2006)	—	▲ 7.9%	▲ 11.5%	▲ 15.3%
Personnel expenses	¥11,397 million	¥10,411 million	¥10,118 million	¥9,867 million
Reduction rate (comparison with the end of FY 2006)	—	▲ 8.6%	▲ 11.2%	▲ 13.4%
Non-personnel expenses	¥4,972 million	¥4,659 million	¥4,373 million	¥3,990 million
Reduction rate (comparison with the end of FY 2006)	—	▲ 6.3%	▲ 12.0%	▲ 19.8%

Reduction in information system expenses

Unit: million yen

	2006	2007	2008	2009
Main system expenses	127.6	94.2	94.9	77.7
(Difference from FY 2006)	—	▲ 33.4	▲ 32.7	▲ 49.9
(% Change from FY 2006)	—	▲ 26.2%	▲ 25.6%	▲ 39.1%

Outline of the Review of Procurement

With regard to procurement of good and services, the Japan Housing Finance Agency has terminated direct appointment and moved to a system such as general competitive bidding except those that truly must be a negotiated directly, in accordance with the Review Plan for Negotiated Contracts (set in December 2007) and the Incorporated Administrative Agency Rationalization Plan, which was adopted by the Cabinet on December 24, 2007.

In addition, based on the Inspection and Review of Contracts by Incorporated Administrative Agencies (endorsed by the Cabinet on November 17, 2009), the agency newly formulated the Review Plan for Negotiated Contracts (June 2010) considering the results of the inspection and review of contracts by the Contract Surveillance Committee, which includes outside experts. Regarding the general competitive bidding, the agency ensures competitiveness and promotes fairness and transparency.

1. Review Plan for Direct Appointment

(1) Review of non-competitive direct appointment

Regarding non-competitive direct appointments, the agency has moved to a system such as to one based on general competitive bidding for all contractors except those that truly must be a direct appointment based on the Review Plan for Direct Appointments (set in 2007).

The following are the results of the inspection and review of non-competitive direct appointments made in 2008:

	Results of FY 2009		After review	
	Number of contracts	Amount (1,000 yen)	Number of contracts	Amount (1,000 yen)
Competitive contracts	(83%) 1,045	(94%) 49,054,414	(86%) 1,088	(95%) 49,655,482
Competitive bidding	(24%) 304	(21%) 11,177,351	(28%) 356	(38%) 19,875,910
Planned competition, open recruitment, etc.	(59%) 741	(72%) 37,877,063	(58%) 732	(57%) 29,779,572
Non-competitive direct appointments	(17%) 213	(6%) 3,253,661	(14%) 170	(5%) 2,652,593
Total	(100%) 1,258	(100%) 52,308,075	(100%) 1,258	(100%) 52,308,075

(Note 1) Post review direct appointments are those that are truly necessary.

(Note 2) The total may differ due to rounding.

(Note 3) The figures in the above table do not include contracts that are continuously made with financial institutions, such as those for the purchase of housing loans, group credit life insurance and interest-rate swaps, as well as consignment contracts for loans for property accumulation saving scheme-tied houses.

(2) Review of single-bidder bidding

Of competitive contracts made in FY 2008, those for which only one bidder participated in the bidding were inspected and reviewed.

Based on the results, the conditions and procedures of the contracts were amended as outlined below to ensure competitiveness.

(Results of FY 2008)

Results	Number of contracts	Amount (1,000 yen)
Competitive contracts	1,045	49,054,414
Of which, those with single-bidder bidding	(10%) 102	(34%) 16,782,729

(Note) The figures (%) in the upper line indicate the percentage of the total competitive contracts.

(Review of contracts with single-bidder bidding)

Reviewing method	Number of contracts	Amount (1,000 yen)
No changes were made for the contract method, but conditions, etc. were amended ^(Note 1)	(46%) 47	(48%) 8,130,719
Changes in specification	5	18,899
Changes in requirements for participation	20	735,690
Amendment of the notification period	33	8,049,247
Other	36	7,908,545
Review of the contract method	(12%) 12	(49%) 8,290,988
Other reviews	(40%) 41	(2%) 310,105
Contracts that did not need to be reviewed	(2%) 2	(0%) 50,916

(Note 1) The number and amount of contracts may not be the same as the totals of those in the breakdown, as there is a possibility that some of them were reviewed in multiple items.

(Note 2) The total may differ due to rounding.

(Note 3) The figures (%) in the upper line indicate the percentage of contracts with single-bidder bidding in FY 2008.

2. Implementation program to achieve the Review Plan for Direct Appointments

(1) Periodic inspections of contracts by the Contract Surveillance Committee, etc.

Implementation of periodic inspections by the Contract Surveillance Committee, concerning non-competitive direct appointments and contracts that ended up with single-bidder bidding

(2) Review of non-competitive direct appointments, etc.

Avoidance of non-competitive direct appointments except those that truly must be a direct appointment

(3) Review of single-bidder bidding

Securement of competitiveness through the efforts outlined below to create an accessible environment in general competitive bidding

- ① Streamlining of bidding procedures
Implementation of electronic bidding to reduce bidding-related clerical burdens
- ② Review of specification
 - a. Setup of truly necessary bidding requirements according to the business content
 - b. Enabling bid participants to see specification necessary for the maintenance, etc. of existing systems
- ③ Mitigation of requirements for participation in bidding
 - a. Expansion of bidding qualification grades to all grades for contracts that ended up single-bidder bidding in the past
 - b. Expansion of eligibility to include bidders qualified by government ministers and agencies, in addition to those qualified by the JHF
- ④ Securement of a sufficient notification period, etc.
Securement of sufficient notification/preparation periods according to the term of the contract
- ⑤ Use of multiple-year contracts
Making use of multiple-year contracts for integrated operation when it is more efficient to make multiple contracts with a single business, such as the lease contract and maintenance contract of copiers, and when the first bidding winner has an advantage in the subsequent bids
- ⑥ Interview survey from non-participating bidder
Holding of interviews with businesses that did not participate in bidding despite their receipt of bidding documents, etc. to understand the reasons for their nonattendance. The results are reflected in the improvement of procedures for similar bidding as needed.

(4) Appropriate planned price setting

Setting of appropriate planned prices by collecting a broad range of information on market prices, etc.

(Reference) The outlines of the contracts indicated in Note 3 of the table in section 1 (1) are shown as below.

Item	Description	Contract form	Contract amount
Housing loans purchase contract	Contract of purchasing long-term, fixed housing loans originated by private financial institutions for securitization	Competitive bidding	¥724.7 billion
Group credit life insurance contract	Insurance contract concluded with insurance companies for the system to repay an outstanding GHLC-originated loan or Flat 35 loan with insurance money when the borrower dies or has severe disability (mutual relief contract with Zenkyoren for JA-related loans)	Competitive bidding and non-competitive direct appointment (mutual relief contract)	¥120.3 billion (of which, mutual relief: 4.4 ¥billion)
Interest-rate swap contract	Transaction to hedge interest-rate risk from the time of purchasing a housing loan to the time of deciding conditions for securities with the housing loan as collateral (pipeline risk)	Competitive bidding	The concept of "contract money" does not exist as no fees accrue in swap transactions.
Consignment contract for loans for property accumulation saving scheme-tied houses	For the consignment of operations for housing funding contracts to financial institutions, operations include everything from the acceptance of loan applications to loan collection, and are related to housing funding contracts for workers or insured people provided by the Employment and Human Resources Development Organizations and the Welfare and Medical Service Agency.	Non-competitive direct appointments	¥355 million

Executive Compensation and Salaries of Employees

I Executive Compensation

1. Fundamental policy on executive compensation

① Linking operation results and FY 2008 executive compensation

Paragraph 3, Article 5 of the Japan Housing Finance Agency Executive Compensation Regulations stipulates that "taking into consideration the evaluation of operation results made by the Performance Assessment Committee, the President can increase or decrease the end-of-term allowance for an executive by up to 10% based on the executive's work performance."

② Revision of standards for executive compensation

President
Senior Executive Vice President
Executive Vice President
Senior Executive Director
Auditor

(Reduction in monthly salary and the end-of-term bonus)
In line with the revision for the remuneration of national civil servants in designated positions, a reduction in the monthly salary (revision rate: ▲0.32%) and the end-of-term bonus (3.35 months ▲ 3.10 months) was implemented.

(Revision of the rate of the special allowance)

The rate of the special regional allowance will be increased gradually until FY 2010 similarly to that for civil servants, and was changed from 16 to 17% in FY 2009 (Tokyo special area)

*The special regional allowance is paid to executives working in areas with high private-sector wages.

2. Compensation for Directors

Position	Total amount of annual remunerations, etc., for FY 2009				Inauguration and retirement		Previous position
	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Inauguration	Retirement	
President	21,808	13,676	5,807	2,325 (Regional adjustment)			
Senior Executive Vice President A	6,721	3,738	2,348	635 (Regional adjustment)		July 27	*
Senior Executive Vice President B	11,102	7,998	1,587	1,360 (Regional adjustment) 157 (Commuting allowance)	July 28		*
Executive Vice President	18,051	11,208	4,760	1,905 (Regional adjustment) 178 (Commuting allowance)			※
Senior Executive Director A	16,462	10,152	4,311	1,726 (Regional adjustment) 273 (Commuting allowance)			
Senior Executive Director B	16,319	10,152	4,311	1,726 (Regional adjustment) 130 (Commuting allowance)			*
Senior Executive Director C	16,361	10,152	4,311	1,726 (Regional adjustment) 172 (Commuting allowance)			◇
Senior Executive Director D	16,413	10,152	4,311	1,726 (Regional adjustment) 224 (Commuting allowance)			※
Senior Executive Director E	16,256	10,152	4,311	1,726 (Regional adjustment) 67 (Commuting allowance)			*
Auditor A	5,471	3,064	1,837	521 (Regional adjustment) 49 (Commuting allowance)		July 31	*
Auditor B	14,758	9,184	3,901	1,561 (Regional adjustment) 112 (Commuting allowance)			※
Auditor C	13,492	9,184	2,618	1,561 (Regional adjustment) 129 (Commuting allowance)	April 1		
Auditor D	8,565	6,120	1,242	1,040 (Regional adjustment) 163 (Commuting allowance)	August 1		*

Note: The following symbols are used in the above table to designate the previous position. Blank column when not applicable.

* → Retired civil servant

◇ → Seconded executive (presently an executive at an organization such as an incorporated administrative agency after having retired in order to become an executive at an organization such as an incorporated administrative agency as stipulated under Paragraph 1, Article 8 of the National Civil Servant Retirement Allowance Law (Law No. 182 of 1953)).

※ → Retired employee of an organization such as an incorporated administrative agency (retired from an agency covered by the law Concerning Access to Information Held by Incorporated Administrative Agencies (Law No. 140 of 2001)).

*※ → In the case a retired civil servant became an executive after having worked as an employee or executive of an organization such as an incorporated administrative agency.

3. Retirement allowances paid to executives (directors who resigned during FY 2009 and were paid a retirement allowance)

Category	Total payment	Length of service at agency		Date resigned	Performance rate	Notes	Previous position
		Thousand yen	Year				
President						None	
Executive Vice President	3,084	2	4	July 27, 2009	0.9	The performance rate is tentatively set at 0.9, and the Performance Assessment Committee will finalize the rate after making the FY 2009 performance assessment.	*
Senior Executive Vice President						None	
Senior Executive Director						None	
Auditor	2,681	2	4	July 31, 2009	1.0	The performance rate is tentatively set at 1.0, and the Performance Assessment Committee will finalize the rate after making the FY 2009 performance assessment.	*

- (Notes)1. The “Notes” section provides the reasons for the decisions regarding the amount of retirement allowances, including the performance rating by the Performance Assessment Committee.
 2. The following symbols are used in the above table to designate the previous position.
 Retired civil servant“*”,Seconded executive“◇”,Retired employee of an organization such as an incorporated administrative agency“※”,Retired civil servant who retired later from an organization such as an incorporated administrative agency“*※”,Blank column when not applicable.

II Salaries of Employees

1. Fundamental policy on salaries of employees

① Fundamental policy regarding labor costs

As stipulated in Paragraph 1, Article 30 of the Law on General Rules on Independent Administrative Institutions (Law No. 103 of 1999 and referred to below as the General Rules Law), the agency creates a plan to achieve the relevant medium-term goals set by the minister of Infrastructure, Land, Transport and Tourism for the period extending from April 1, 2007, through March 31, 2012, and this plan receives the approval of the Minister of Infrastructure, Land, Transport and Tourism. The following is the basic policy on labor costs set in the medium-term plan:

- Compared to FY 2006 general management costs of the Government Housing Loan Corporation, which was the predecessor of the JHF, and the housing Loan Guarantee Corporation, the rights and liabilities of which JHF inherited, general and administrative expenses including labor costs but excluding retirement benefits will be reduced by at least 15% by the final year of the medium-term plan.
- Based on the Law to Promote the Administrative Reforms in Order to Realize a Simple and Effective Government (Law No. 47 of 2006), labor costs excluding retirement benefits will be reduced by at least 4% between 2007 and the 2010 compared to the FY 2006 labor costs of the Government Housing Loan Corporation, which was the predecessor of the JHF, and the Housing Loan Guarantee Corporation, the rights and liabilities of which JHF inherited.

b. Rationale behind the method for reflecting employee skills and work performance in salaries

Paragraph 1, Article 63 of the General Rules Law stipulates that the salary of an employee must take into consideration the employee’s work performance; therefore based on the agency’s personnel evaluation system, the work performance evaluations are reflected in bonuses and periodic pay raises. As for the overall performance of the agency, an intra-department evaluation system that evaluates each department’s contribution to the agency’s performance has been introduced, and the results of these evaluations are reflected in bonuses.

(Details of salaries that reflect efficiency and work performance)

Salary items	Details of the system
Base salary	<ul style="list-style-type: none"> Periodic pay raises are determined based on annual work performance evaluations. Promotions (pay raise accompanying a promotion) are determined based on skill evaluations for a set period of time.
Diligence allowance	<ul style="list-style-type: none"> The pay rate for the diligence allowance is determined based on the work performance evaluations for a six month period.

② Basic policy on determining the salary of employees

a. Items taken into consideration when setting salary levels and the rationale for taking those items into consideration

Salary levels are set taking into consideration numerous factors including the following. Paragraph 3, Article 63 of the General Rules Law stipulates that employee salary standards must take into consideration the performance of the agency and conform with general social trends, and there was a request from the government (approved by the cabinet on November 14, 2008) that appropriate salary levels be set that fully take into consideration the salary level of national civil servants and that will win the understanding of citizens.

c. Main revisions to the salary system in FY 2009

- Operational staff*(employees who transferred from generalist work to operational work in FY 2009) Reduction in salary by 5% on average was implemented.
- Reduction in monthly salary and the end-of-term bonus In accordance with the revision of the remuneration for national civil servants, a reduction in monthly salary, etc. (average revision rate: ▲0.24%) and the number of months applied to calculate bonuses (▲0.35 months (4.50 months → 4.15 months) was implemented.

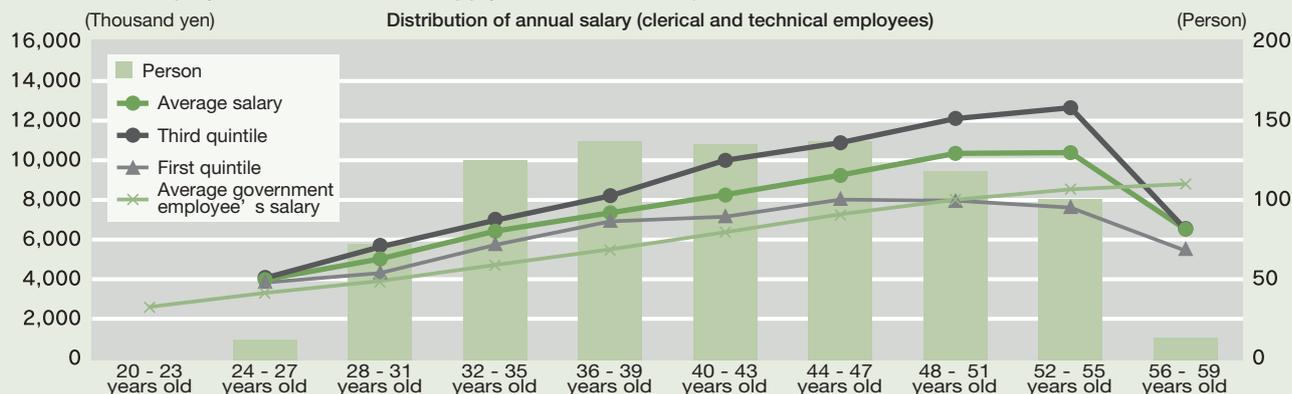
2. Employee salaries

① Salary by type of work

Type	Employees	Average age	FY 2009 annual salary (average)			
			Total amount	Contract earnings		Bonus
					Commuting allowance	
Full-time employees	854 Persons	42.4 Age	8,338 Thousand yen	6,160 Thousand yen	146 Thousand yen	2,178 Thousand yen
Clerical/technical	853 Persons	42.4 Age	8,340 Thousand yen	6,162 Thousand yen	146 Thousand yen	2,178 Thousand yen
Others	1 Persons	— Age	— Thousand yen	— Thousand yen	— Thousand yen	— Thousand yen

(Notes) 1. "Other" under full-time employees refers to one employees, a telephone operator. Since there are concerns that it would be possible to identify personal information about them, only the number of such employees has been included.
 2. This section has been omitted since overseas employees, fixed-term employees, rehired employees, temporary employees and full-time employees are only involved in the types of work listed above, not research, medicine (hospital doctors and nurses) and education (instructors at technical colleges).

② Distribution of annual salary (clerical and technical employees) – excluding overseas employees, fixed-term employees and rehired employees. The same shall apply hereinafter until 5).



Note: From the annual salary amount in ①, commutation allowances are deducted. The same applies through ⑤ below.

(Clerical & technical employees)

Groups used in distribution	Employees	Average age	Quartile	Average	Quartile
			First quartile		Third quartile
Representative position	Persons	Age	Thousand yen	Thousand yen	Thousand yen
• Director at head office	123	46.5	10,388	10,828	11,478
• Clerk at head office	32	33.3	4,241	4,728	5,041

Note: The standard position equivalent to the director at head office is "Director" (main office).

③ Employee by grade (as of April 1, 2008) (Clerical and technical employees)

Rank	Total	First grade	Second grade	Third grade	Fourth grade	Fifth grade	Sixth grade
Standard position		Clerk	Clerk	Deputy Manager	Manager	Director in charge	Managing Director
Employees (percentage)	853	3 Persons (0.4%)	69 Persons (8.1%)	116 Persons (13.6%)	384 Persons (45.0%)	229 Persons (26.8%)	52 Persons (6.1%)
Age (youngest - oldest)		49~24 Age	55~24 Age	57~28 Age	59~30 Age	59~38 Age	56~47 Age
Scheduled annual salary (low - high)		3,916~2,515 Thousand yen	4,927~2,687 Thousand yen	5,331~3,418 Thousand yen	8,134~3,642 Thousand yen	9,610~5,962 Thousand yen	10,589~8,353 Thousand yen
Annual salary (low - high)		5,162~3,381 Thousand yen	6,506~3,604 Thousand yen	7,120~4,624 Thousand yen	11,171~4,949 Thousand yen	12,830~6,707 Thousand yen	14,277~11,438 Thousand yen

Note: Since there are no grade 1 employees, the percentage is not given.

④ Bonuses (FY 2009) assessed portion (clerical and technical employees)

Rank	Summer bonus (paid in June)	Winter bonus (paid in December)	Total	Rank	Summer bonus (paid in June)	Winter bonus (paid in December)	Total
Managing grade employees	62.0 %	65.1 %	63.7 %	General employees	63.4 %	67.2 %	65.4 %
	38.0 %	34.9 %	36.3 %		36.6 %	32.8 %	34.6 %
	100.0~28.8 %	104.1~28.9 %	101.9~29.9 %		100.0~26.2 %	103.2~25.0 %	101.6~25.5 %

⑤ Salary level (annual) comparative index between national civil servants and other agencies (clerical and technical employees)

National civil servant comparative index: 127.6 Other agencies comparative index (clerical and technical employees): 119.9

Note: The National Personnel Agency calculates the index based on the salaries the JHF is presently paying and setting to 100 the salary level if the JHF's salaries were replaced by the national government's salary level (for the other agencies comparative index, the price level if other administrative agencies were a single agency) and weighing for the age distribution of the JHF employees.

Reference items for the salary level comparative index

○ Clerical and technical employees

Item	Details																						
Index	Comparison with national civil servants 127.6																						
	Reference	Regional differences	117.7																				
		Academic history	123.7																				
Regional differences and academic history		114.9																					
Quantitative reasons why the salary level is high compared to national civil servants	<p>· This agency, whose predecessor was the Government Housing Loan Corporation, was founded on April 1, 2007, as a financial institution whose core operations are securitization in order to create a new market-based housing financial system and to provide a stable supply of long-term, fixed rate home loans to the private sector.</p> <p>· In order to smoothly and properly conduct the agency's operations, which are centered on securitization, it is necessary to recruit and keep talented personnel with extremely specialized and advanced knowledge of financial techniques and skills in financial operations, and the personnel must be appropriately compensated for their abilities.</p> <p>· On account of this, decisions regarding the agency's salary level, which are covered in II-1-②-a Items taken into consideration when setting salary levels and the rationale for taking those items into consideration, were made also taking into consideration private financial institutions.</p> <p>· The following table, which provides a comparison between the JHF and financial institutions with a similar number of employees and offices, shows that the salary levels are in general the same.</p> <p>Comparison of average salary (FY 2008)</p> <table border="1"> <thead> <tr> <th></th> <th>Employees</th> <th>Offices</th> <th>Average salary (thousand yen)</th> </tr> </thead> <tbody> <tr> <td>JHF</td> <td>984</td> <td>11</td> <td>8,534</td> </tr> <tr> <td>Bank A</td> <td>1,752</td> <td>30</td> <td>9,451</td> </tr> <tr> <td>Bank B</td> <td>1,440</td> <td>18</td> <td>9,119</td> </tr> <tr> <td>Chukin Bank C</td> <td>1,015</td> <td>12</td> <td>7,740</td> </tr> </tbody> </table> <p>Notes: Data such as average salaries for private institutions were taken from the particular institution's FY 2008 securities reports. Since the average salary for private financial institutions in the securities report include overtime allowances and commuting allowances, the average salary for the agency given in the above table also includes overtime allowances and commuting allowances.</p> <p>· The agency's salary is affected by the fact that the majority of the agency's employees work in major metropolitan areas, and the organization and personnel were centralized in Tokyo to rationalize and improve the efficiency of operations (eliminating the effect of regional differences reduces the national civil servant comparative index to 117.7 from 120.1), the high percentage of employees with at least a college degree (eliminating the effect of higher education reduces the national civil servant comparative index to 123.7 from 124.7; and eliminating the effect of regional differences and higher education reduces the national civil servant comparative index to 114.9 from 117.3), and benefits in order to keep talented employees.</p>				Employees	Offices	Average salary (thousand yen)	JHF	984	11	8,534	Bank A	1,752	30	9,451	Bank B	1,440	18	9,119	Chukin Bank C	1,015	12	7,740
		Employees	Offices	Average salary (thousand yen)																			
JHF	984	11	8,534																				
Bank A	1,752	30	9,451																				
Bank B	1,440	18	9,119																				
Chukin Bank C	1,015	12	7,740																				
Verification of the appropriateness of wage levels	<p>[National government financial support] National government financial support as percentage of total projected expenditures: 11.4% (national government financial support - ¥1,027 billion; total projected expenditures - ¥9,028.2 billion [FY 2009 budget, after the second supplementation])</p> <p>[Results of the verification] Of the ¥1,027 billion financial support by the national government, ¥803 billion was provided for the implementation of the "Policy Package to Address Economic Crisis" (April 10, 2009) and the "Emergency Economic Countermeasures for Future Growth and Security" (December 8, 2009) under a supplementary budget. Of this, ¥230 billion shall be redeemed to the national treasury in FY 2010 based on the implementation review of the first supplementary budget for FY 2009 (endorsed by the Cabinet on October 16, 2009). The amount of ¥224 billion provided under the initial budget for FY 2009 includes items such as subsidies related to the operation of the Government Housing Loan Corporation, the predecessor of the JHF, to compensate for imbalances between income and revenue as a result of actions such as the optional early repayment of loans by borrowers. Based on Greater Efficiency and the Improved Operations of the Government Housing Loan Corporation with the Goal of Transforming into an Incorporated Administrative Agency (Management Improvement Plan) (set on July 6, 2005) and the JHF's medium-term plan, efforts are being made to improve annual income and revenues in order to make it possible to eliminate government subsidies by the final year of the medium-term plan (FY 2011).</p> <p>[Accumulated losses] Accumulated loss: ¥177.7 billion (FY 2008) * Outstanding loan management account: ¥538.1 billion, other accounts: N/A (earned surplus: ¥360.4 billion)</p>																						

Measures	<p>[Results of the verification] Concerning the outstanding loan management account, improvement in single-year revenues and expenditures is being promoted to eliminate government subsidies for medium-term targets by the final year (FY 2011), by implementing advanced redemption of borrowing from the fiscal investment and loan program using the fund raised by securitization of existing housing loans in accordance with the Management Improvement Plan and JHF's mid-term plan. For other accounts, JHF aims to eliminate the overall loss carried forward by the final year of the second-term mid-term plan (FY 2016) in accordance with the Management Improvement Plan and JHF's mid-term plan.</p>
	<p>[Details of measures] The following efforts have been made to normalize wage levels since the time of the Government Housing Loan Corporation, the predecessor of the JHF: (1) Efforts by the Government Housing Loan Corporation (FY 2006) · Reduce the base salary by 6% on average (this was done for management positions starting in October 2005) · Hold down average pay raises to 1/2 that of national civil servants (2) Efforts by the JHF (2007 -) (FY 2007) · Lower base salary 5.03% on average · Reduce the number of months applied to calculate bonuses by 0.3 months (4.75 months → 4.45 months*) * Months applied to calculate annual bonus as of April 1, 2007 (FY 2008) · Lower base salary for operations (employees who transferred from comprehensive work to operations work in FY 2007 and 2008) 5% on average (FY 2009) · Lower base salary for operational staff (employees who transferred from generalist work to operational work in FY 2009) 5% on average · Lower monthly base salary and reduced number of months applied to calculate bonuses Lower monthly base salary, etc. in accordance with the revision of the remuneration for national civil servants (average revision rate: ▲0.24%) and a reduction in the number of months applied to calculate bonuses (▲0.35 months (4.50 months → 4.15 months)) (FY 2010) · Lower base salary for operational staff (employees who transferred from generalist work to operational work in FY 2010) 5% on average · Terminate guarantee for the current salary for operations (employees who were in a job type which does not require transfers to different areas at the time of the Government Housing Loan Corporation) (5% reduction from March 2007) · Review payment category for the allowance for above the director level officials (approx. 3% reduction of the total compensation)</p>
Other reference items	<p>[Present effect and projected national civil servant comparative index] For FY 2009, the index declined 11.1 percentage points after eliminating the effects of regional differences and higher education (7.4 percentage points if only age is taken into consideration) compared to FY 2005 as a result of efforts to normalize wage levels. Furthermore, it is projected the index for FY 2010 will be below 114.9 percentage points (125 percentage points if only age is taken into consideration).</p> <p>[Total compensation, including salary, as percentage of total expenditures] 0.1% (total compensation, including salary - ¥8.4 billion; total expenditures - ¥8,509.6 billion (FY 2009)) * The absolute level of total compensation, including salary, as percentage of total expenditures, is small.</p> <p>[Percentage of managerial positions] 32.9% (clerical and technical service; as of April 1, 2010) * The percentage of managerial position for the national government: 14.3% (the percentage of Grade 6 or higher national civil servants in the FY 2009 National Civil Servant Survey [National Personnel Agency]) * The total number of employees is declining each year, resulting in an increase in the relative percentage of management positions. However, the figure will improve by restricting the number of employees promoted to managerial positions.</p> <p>[Percentage of employees with at least a college degree] 81.2% (clerical and technical service; as of April 1, 2010) * For the national government: 50.0% (the percentage of national civil servants in the FY 2009 National Civil Servant Survey [National Personnel Agency] with a college degree whose salary is based on the administrative service salary schedule) * In order to smoothly and properly conduct the agency's operations, which are centered on securitization and include the operations of the Government Housing Loan Corporation, the predecessor of the JHF, it is necessary to recruit talented personnel with extremely specialized and advanced knowledge of financial techniques and skills in financial operations, and most recruits have at least a college degree; therefore, a high percentage of the employees have a high level of education.</p>

III Total personnel expenses

Rank	Current fiscal year (FY 2009)	Current fiscal year (FY 2008)	Comparative increase △ decrease	Change compared to figure at the start of the medium-term plan (FY2008)
Total payments of salary and bonus, etc. (A)	Thousand yen 8,384,312	Thousand yen 8,580,740	Thousand yen (%) △ 196,428 (△ 2.3)	Thousand yen (%) △ 498,631 (△ 5.6)
Payment of retirement benefits (B)	Thousand yen 513,960	Thousand yen 724,229	Thousand yen (%) △ 210,269 (△ 29.0)	Thousand yen (%) △ 587,284 (△ 53.3)
Salary of non-permanent directors and employees, etc. (C)	Thousand yen 960,471	Thousand yen 1,085,650	Thousand yen (%) △ 125,179 (△ 11.5)	Thousand yen (%) △ 441,774 (△ 31.5)
Welfare expenses (D)	Thousand yen 1,224,923	Thousand yen 1,447,572	Thousand yen (%) △ 222,649 (△ 15.4)	Thousand yen (%) △ 217,818 (△ 15.1)
Personnel expenses at the broad- est base (A + B + C + D)	Thousand yen 11,083,666	Thousand yen 11,838,191	Thousand yen (%) △ 754,525 (△ 6.4)	Thousand yen (%) △ 1,745,507 (△ 13.6)

Reference items for the overall labor costs

○ Reason for year-on-year changes in total compensation, including salary, and broadly-defined labor costs

• The main reasons for the changes were efforts to normalize salary levels, such as lowering the number of months used to calculate bonuses, and the reduction in the number of employees. "Total compensation, including salary" shrank 2.3% or around ¥200 million, year on year, and broadly defined labor costs declined 6.4%, or around ¥750 million, year on year.

○ Efforts to reduce labor costs based on the Law to Promote the Administrative Reforms in Order to Realize a Simple and Effective Government (La No. 47 of 2006) and Important Guidelines on Administrative Reform, adopted by the cabinet on December 24, 2005

① Matters related to mid-term labor cost reduction goals

• Based on the Law, efforts are being made to reduce labor costs (excluding items such as retirement benefits) to the level of national civil servants during the four years from 2007 to 2010 compared to FY 2006 labor costs for the Government Housing Loan Corporation (including labor costs related to the Housing Loan Guarantee Corporation, the rights and liabilities of which were inherited by the agency). The salaries for executives and employees are also undergoing a necessary review based on reforms to the salary structure of national civil servants. In addition, reform of labor costs will continue through FY2011 base on both FY 2006 Basic Policies for Economic and Fiscal Policy, Management and Structural Reform, which was adopted by the cabinet on July 7, 2006, and the reform of the salary structure of national civil servants.

② Guidelines regarding reduction targets in the medium-term plan and revisions based on reform of the salary structure of national civil servants

• Based on the Law to Promote the Administrative Reforms in Order to Realize a Simple and Effective Government (La No. 47 of 2006), labor costs, excluding items such as retirement benefits,

will be reduced by at least 4% during the four years from FY 2007 through FY 2010 compared to FY 2006 labor costs for the Government Housing Loan Corporation, which include labor costs related to the Housing Loan Guarantee Corporation, the rights and liabilities of which were inherited by the agency.

③ Progress in reducing labor costs

• Mainly as a result of efforts to normalize wage levels, such as lowering the number of months used to calculate bonuses, and reducing the number of employees, the percent reduction in labor costs was greater than the target set in the medium-term plan.

Reform of total labor costs

Fiscal year	Reference year (FY 2006)	FY 2007	FY 2008	FY 2009
Total compensation, including salary (thousand)	9,755,681	8,882,943	8,580,740	8,384,312
Percent reduction in labor costs (%)		△ 8.9	△ 12.0	△ 14.1
(Adjusted) percent reduction in labor costs (%)		△ 9.6	△ 12.7	△ 12.4

Notes: 1. Since the JHF was established on April 1, 2007, FY 2006 is the reference year for labor cost reductions in the overall labor cost reforms.

2. FY 2006 "total compensation, including salaries" is the reference figure for labor cost reductions for the agency's medium-term plan and the figure is that for the Government Housing Loan Corporation, which is the predecessor of the JHF, and Housing Loan Guarantee Corporation, the rights and liabilities of which the JHF inherited.

3. "(Adjusted) percent labor cost reduction" is the reduction excluding the effect of salary revisions due to the salary gap between private and government. The revisions were made based on a National personnel Agency Notification as a result of the Important Guidelines on Administrative Reform, adopted by the cabinet on December 24, 2005.

IV Material items recognized by the agency

There is nothing to report.

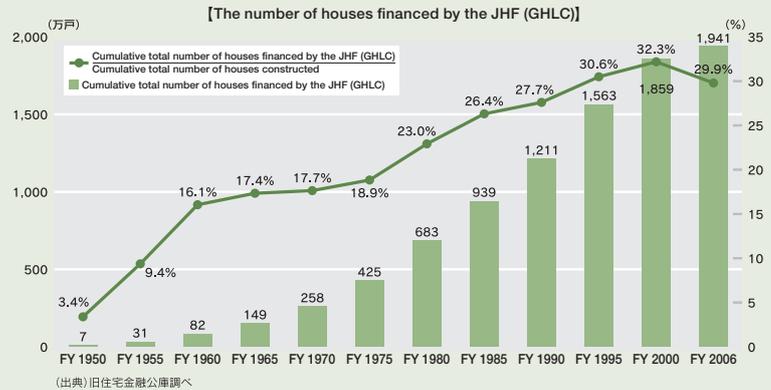
History of GHLC and JHF

June 1950	Establishment of the GHLC, and launch of loan scheme for owner-occupied and rental houses	March 2001	Launch of MBS (Mortgage Backed Securities) issuance
July 1955	Establishment of housing loan insurance business	October 2003	Launch of securitization business (GSE Model)
April 1957	Establishment of loan scheme for restoration of disaster-hit houses	October 2004	Launch of securitization business (FHA/GNMA Model)
April 1965	Establishment of loan scheme for house improvement	June 2005	Launch of support scheme for acquiring good quality housing through the securitization business (GSE Model)
April 1977	Establishment of housing loans for property accumulation saving scheme	July 2005	Promulgation of the JHF Law
April 2000	Establishment of loan scheme for urban rehabilitation	April 2007	Abolition of GHLC Establishment of JHF

Roles former GHLC has played

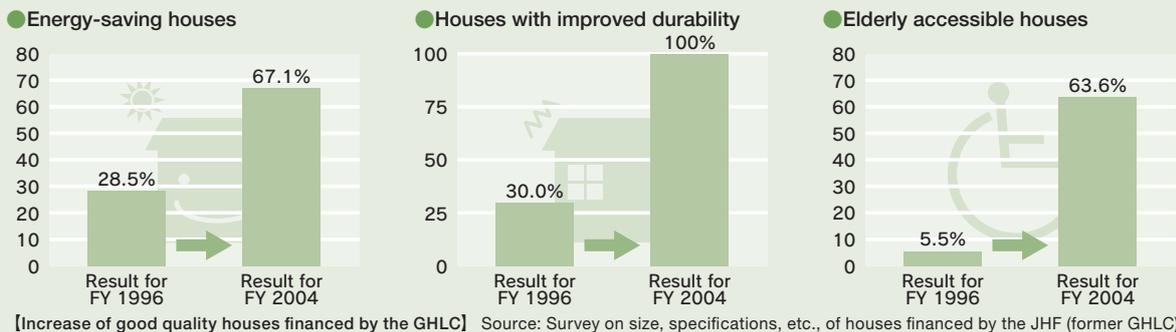
Approximately 30% of all houses built after World War II were financed by the JHF (GHLC).

The achievements of the Government Housing Loan Corporation loans reached 19.41 million houses for 57 years from its establishment in 1950 to its closure by the end of FY 2006. This accounts for approximately 30% of houses built after World War II.



The JHF promotes measures to secure and improve the quality of houses.

The GHLC contributed to the securing and improvement of the quality of houses by establishing original technical criteria and standard specifications for constructions, etc. In particular, the GHLC promoted the improvement of quality in energy-saving houses, etc. The JHF also promotes the securing and enhancing of this housing quality.



Proven strength: The GHLC financed houses survived the Great Hanshin-Awaji Earthquake.

Although many houses were heavily damaged by the severely disastrous Great Hanshin-Awaji Earthquake, surveys show that houses built with loans from the GHLC were relatively safe.

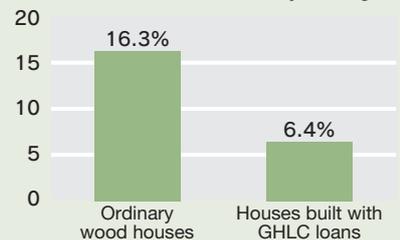
Ordinary wood houses

Based on an analysis of 3,953 houses in Chuo-ku, Kobe City

Houses built with GHLC loans

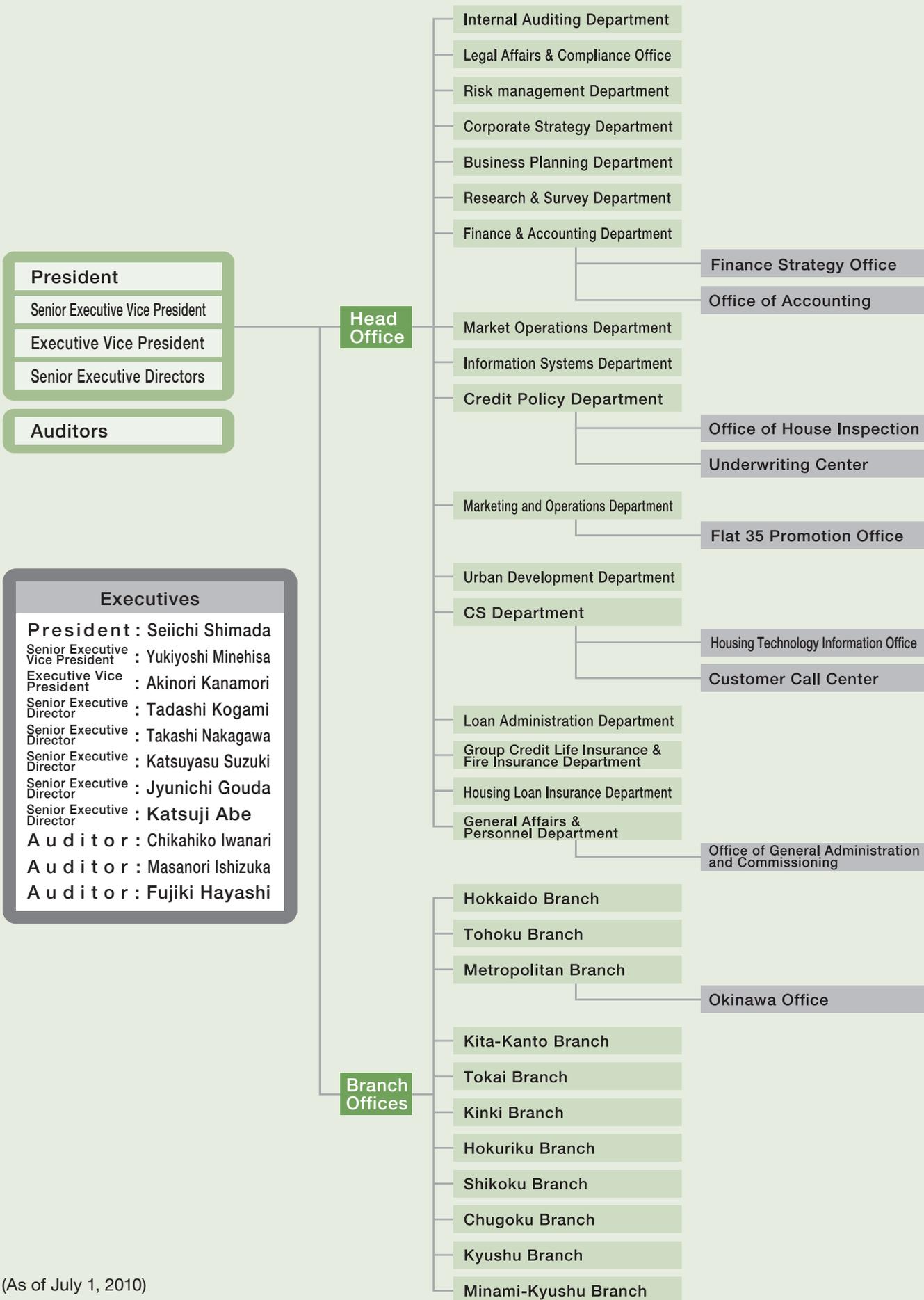
Based on an analysis of 1,068 houses in the area which vibrated to the extent of the 7th degree on the Japanese earthquake scale in Takarazuka City, Nshinomiya City, Kobe City, etc.

Houses destructed or badly damaged



Source: ● Survey on the damage of the Southern Hyogo Prefecture Earthquake on houses built with loans from the Government Housing Loan Corporation in 1995
● Report by the Committee for the survey of the damage of the Hanshin-Awaji Earthquake, which occurred in 1995

Executives and Organization Chart

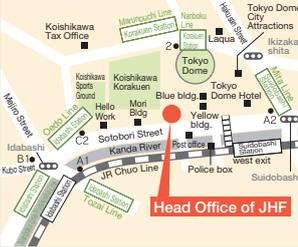
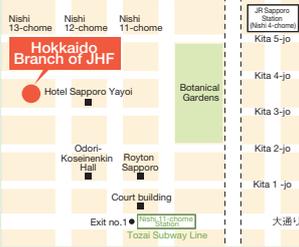
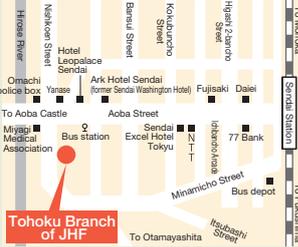
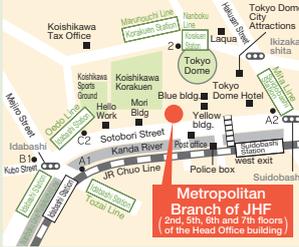
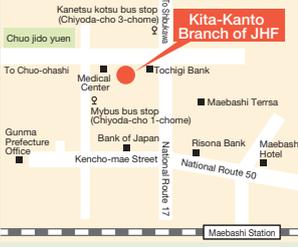
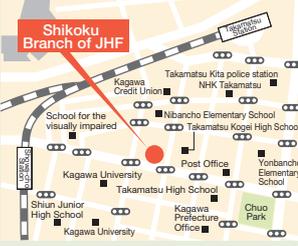
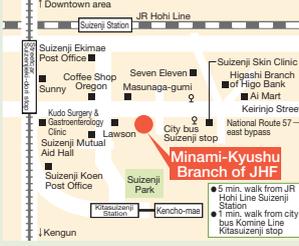


Executives	
President	: Seiichi Shimada
Senior Executive Vice President	: Yukiyoishi Minehisa
Executive Vice President	: Akinori Kanamori
Senior Executive Director	: Tadashi Kogami
Senior Executive Director	: Takashi Nakagawa
Senior Executive Director	: Katsuyasu Suzuki
Senior Executive Director	: Jyunichi Gouda
Senior Executive Director	: Katsuji Abe
Auditor	: Chikahiko Iwanari
Auditor	: Masanori Ishizuka
Auditor	: Fujiki Hayashi

(As of July 1, 2010)

Location of Head Office and Regional Offices

(As of July 1, 2010)

<h2>Head Office</h2>  <p>1-4-10 Koraku, Bunkyo-ku, Tokyo 112-8570 Tel: 03-3812-1111 (operator)</p>	<h2>Hokkaido Branch</h2> <p>{Hokkaido Pref.}</p>  <p>3-13, Kita 3-jo Nishi 13-chome, Chuo-ku, Sapporo-shi 060-0003 Tel: 011-261-8301 (operator)</p>	<h2>Tohoku Branch</h2> <p>{Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima Pref.}</p>  <p>1-3-18 Katahira, Aoba-ku, Sendai-shi 980-0812 Tel: 022-227-5012 (operator)</p>	<h2>Metropolitan Branch</h2> <p>{Ibaraki, Saitama, Chiba, Tokyo, Kanagawa, Yamanashi and Shizuoka Pref.}</p>  <p>1-4-10 Koraku, Bunkyo-ku, Tokyo 112-8671 Tel: 03-5800-9300 (operator)</p>
<h2>Kita-Kanto Branch</h2> <p>{Tochigi, Gunma, Niigata and Nagano Pref.}</p>  <p>1-8-8, Chiyoda-cho, Maebashi-shi 371-8588 Tel: 027-232-6653 (operator)</p>	<h2>Tokai Branch</h2> <p>{Gifu, Aichi and Mie Pref.}</p>  <p>3-20-16, Shinsakae, Chikusa-ku, Nagoya-shi 464-8621 Tel: 052-263-2907 (operator)</p>	<h2>Kinki Branch</h2> <p>{Shiga, Kyoto, Osaka, Hyogo, Wakayama and Nara Pref.}</p>  <p>Sumitomo Seimei Bldg., 4-5-20 Minami-Honmachi, Chuo-ku, Osaka-shi 541-8546 Tel: 06-6281-9260 (operator)</p>	<h2>Hokuriku Branch</h2> <p>{Toyama, Ishikawa and Fukui Pref.}</p>  <p>Kanazawa Chuo Bldg., 4-12 Marunouchi, Kanazawa-shi 920-8637 Tel: 076-233-4251 (operator)</p>
<h2>Shikoku Branch</h2> <p>{Tokushima, Kagawa, Ehime and Kochi Pref.}</p>  <p>2-10-8, Banc-cho, Takamatsu-shi 760-0017 Tel: 087-825-0621 (operator)</p>	<h2>Chugoku Branch</h2> <p>{Shimane, Tottori, Okayama, Hiroshima and Yamaguchi Pref.}</p>  <p>8-3, Moto-machi, Naka-ku, Hiroshima-shi 730-0011 Tel: 082-221-8694 (operator)</p>	<h2>Kyushu Branch</h2> <p>{Fukuoka, Saga and Nagasaki Pref.}</p>  <p>4-1-37 Tenjin, Chuo-ku, Fukuoka-shi 810-8657 Tel: 092-722-5018 (operator)</p>	<h2>Minami-Kyushu Branch</h2> <p>{Kumamoto, Oita, Miyazaki and Kagoshima Pref.}</p>  <p>2-16-11, Suizenji, Kumamoto-shi 862-0950 Tel: 096-387-3701 (operator)</p>

For consultation about Flat 35, JHF loans and repayments, contact the Customer Call Center.



hallo flat35
0570-0860-35

- General inquiries can be made from anywhere in Japan for the cost of a local call.
- If you are using an IP phone, PHS, etc., please call the following number (regular fees apply).
- If there is any material difference between Japanese original version and this English translation, the Japanese original version shall prevail.

☎ 048-615-0420 Hours: 9:00 - 17:00 (closed on national holidays and around the New Year period)



住宅金融支援機構
Japan Housing Finance Agency
(Former GHLC)

Issued by:
Japan Housing Finance Agency
PR Group, Corporate Strategy Department
1-4-10 Koraku, Bunkyo-ku, Tokyo 112-8570
TEL 03-5800-8019
<http://www.jhf.go.jp/>



This booklet is printed on 100% post-consumer recycled paper with soy-based ink.

August 2010