



住宅金融支援機構

Japan Housing Finance Agency

(Former GHLC)

Disclosure Booklet
2011

2011
Disclosure

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(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.



First of all, I would like to express my deepest condolence and sympathies to everyone affected by the Great East Japan Earthquake on March 11, 2011.

With the passing of the government's first FY 2011 supplementary budget, JHF has expanded its direct loan origination program for disaster mitigation to reconstruction and repair houses and our loan modification programs for affected borrowers. JHF endeavors to be of assistance to disaster victims so they may recover their lives as quickly as possible, and we will continue to work closely with the Japanese government and through the cooperation with local government units and accredited financial institutions to this end.

JHF was established in April 2007 and is currently in its fifth fiscal year of operation. This year is also the final year for achieving the objectives set by the relevant ministers in JHF's 1st (FY 2007–FY 2011) medium-term plan.

JHF has dual mandates as an Incorporated Administrative Agency. The first is to originate housing loans and other financing support deemed important under government policy, such as the aforementioned loans for disaster mitigation, in sectors that private financial institutions would find it hard to address. The second is to provide liquidity to mortgage market with variety of product types for borrowers. We raise our funding from investors in capital market by issuing mortgage backed securities (MBS) to purchase "Flat 35" (Fixed-rate mortgage with maturity up to 35 years) from private financial institutions.

The outstanding balance of Flat 35 amounts 6.5 trillion yen and JHF had issued more than 13 trillion yen in MBS in total as of March 31, 2011.

In FY2009, JHF recorded positive net income excluding the outstanding loan management account (legacy assets inherited from GHLC, except for those from defunct Housing Loan Guarantee Association), which was one of the important goals in the medium-term plan, although we were unable to meet the goal in FY 2010 due to the effects of the Great East Japan Earthquake. The situation is improving, and we are committed to continuing our efforts to improve annual balances in view of the abolishment of government subsidies.

The housing market in Japan faced difficulties after the collapse of Lehman Brothers. However, economic stimulus packages by the Government of Japan such as expanding the range of interest-rate reductions for "Flat 35S" loans (the support scheme to facilitate for acquiring high-quality housing) proved effective, with new housing starts in FY 2010 accounted 819,020 units, a 5.6% increase from the previous fiscal year. Although the influence of the Great East Japan Earthquake is unavoidable, we reaffirmed our mandates in supporting the latent growth potential in Japanese housing market from a financial perspective, and will steadily implement our business.

We would also like to contribute to improving the quality of housing in Japan and improve citizens' lives by encouraging the acquisition of earthquake-resistant, energy efficient or other types of high-quality housing through programs such as "Flat 35S". Additionally, as part of our response to Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc., we are also providing an additional level of attention in our consultations to borrowers regarding terms of payments.

The Board of Directors and our employees will continue to work closely to meet the expectations of customers, accredited financial institutions and housing-related companies with enhanced compliance with laws and regulations.

We look forward to your guidance and encouragement.

July 2011

Shinya Shishido

President

Incorporated Administrative Agency
Japan Housing Finance Agency

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: 656.663 billion yen (estimation for the end of FY 2011*, fully paid in by the government)

* Includes 51.9 billion yen of capital returned to the national treasury as part of the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the Cabinet on December 7, 2010) and reflects the original budget for FY 2011.

Number of directors and employees: 933 (as of April 1, 2011)

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

31.9262 trillion yen (as of March 31, 2011)

of which 6.4372 trillion yen represents mortgages purchased through secondary market operation and 25.3473 trillion yen represents loans originated by GHLC and JHF



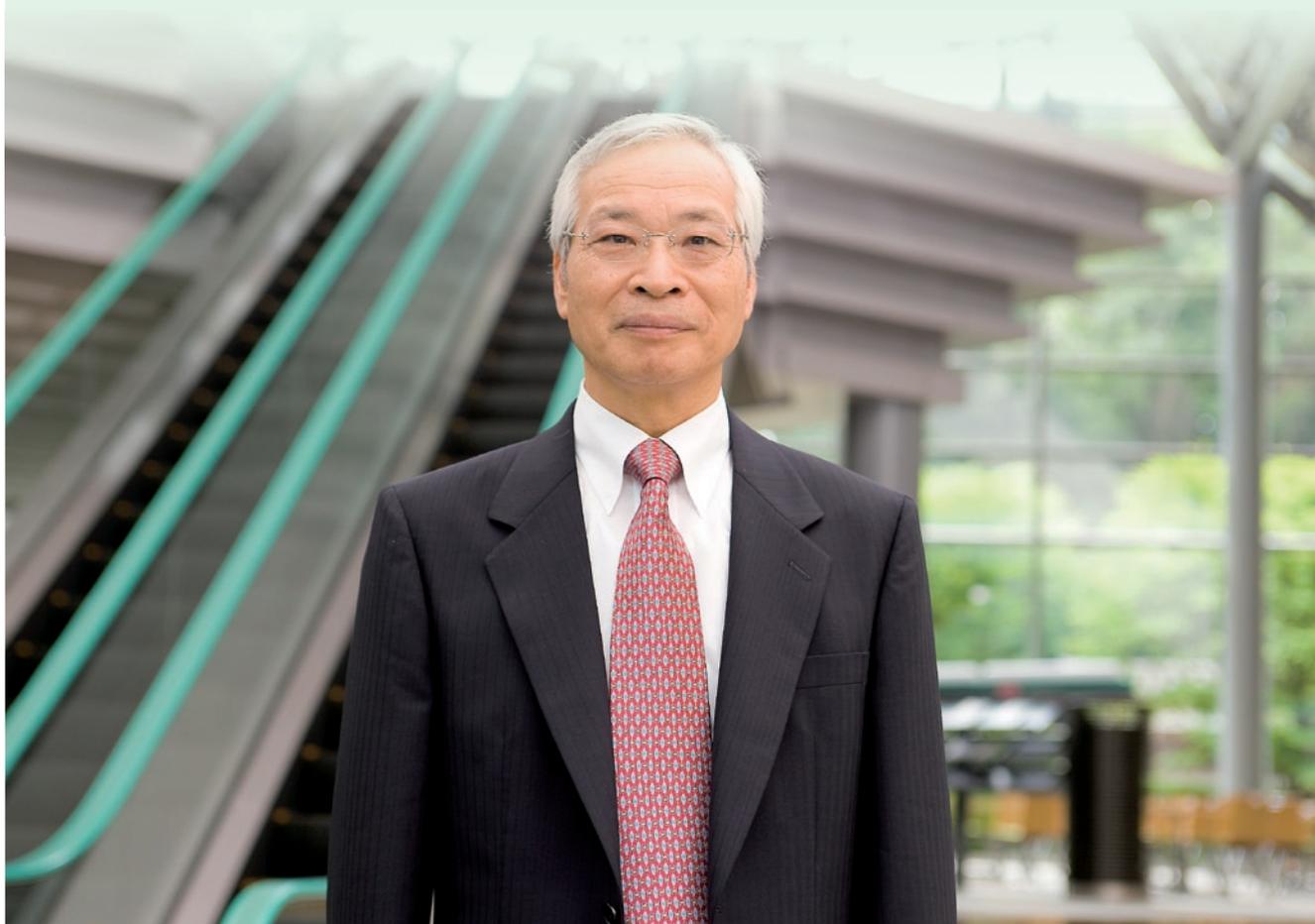
Logo concept

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.



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



Management Policy

I . Goal of JHF

● Mission of Japan Housing Finance Agency

- The most significant mission of the Japan Housing Finance agency ("JHF") is to support private financial institutions including mortgage banks with securitization (Flat 35) and other line of business so that housing loans suitable for each customer's lifelong plan can be supplied stably and efficiently throughout Japan.

● Establishment of independent operations

- In order to accomplish the aforementioned mission, JHF will focus its managerial resources on Flat 35 at first to achieve the targeted business goal for the purpose of establishing its presence in the housing finance market as soon as possible, which will lead to the establishment of independent and stable operations of JHF.

● Compliance and execution of social responsibility

- JHF will fulfill its social responsibilities through the organizational commitment and self-motivated actions of each employee while broadening its scope from compliance to sound business judgment and contribution to society.

II . Management Policy for JHF

1. Basic concept of reform

● Improvement of productivity

- JHF will fundamentally review its business by BPR (Business Process Reengineering) to achieve efficient business operation through increased productivity.
- JHF will stably implement the business improvement project, and will make a commitment to cost reduction by reforming information systems, etc.

● Creation of customer value

- JHF will pursue customers' satisfaction, considering their needs at all times. Thus, while putting priority on ultimate borrowers, it will promptly provide the most appropriate services to satisfy middle users (those involved in housing businesses) and private financial institutions including mortgage banks.

● Change of corporate culture

- Each employee will take the initiative in accomplishing the management concept, considering what he/she can do for customers at all times. JHF will change its traditional passive corporate culture to positive and active one.

2. Strategic implementation of business

● Securitization business

- JHF will focus its managerial resources on Flat 35, and will accomplish its business goals through rapid improvement of products and procedures, strengthening the sales staff, etc., to stabilize its business. JHF will not only make efforts to develop the MBS market in cooperation with market players but also makes a commitment to explore new areas such as new methods of issuing MBS.

● Loan appraisal/credit risk management

- JHF will not only strengthen its capacity for credit appraisal and credit risk management of outstanding loans to reduce delinquent loans, but also implement effective and efficient management/collection for nonperforming loans.

● Ancillary businesses for policy measures

- JHF will promote information-providing services, making use of the know-how it has long fostered, for the purpose of giving confidence in housing through the proactive provision of a wide range of useful information on housing for customers.
- For housing loan insurance services and other loan businesses including loans for disaster mitigation, rental housing and workers' property accumulation savings scheme-tied housing, JHF will strengthen the productivity of each business, build and implement a system for effective operation in order to make use of the features of each product in the businesses and meet the needs of customers.

3. Capability building on management resources

● Development of a business management system

- In order to establish independent operation, JHF will enhance its functions for planning business strategy, controlling the distribution of managerial resources and other activities, and will also realize a business management system for organization management, including PLAN · DO · CHECK · ACTION.

● Strategic distribution of managerial resources

- JHF will realize strategic distribution of managerial resources to reflect the actual situation of the market, productivity, etc., by developing a scheme for goal setting and performance assessment of each business segment.

● Appropriate risk management

- In order to secure the soundness and transparency of business operations, JHF will implement not only the management of credit risk, interest volatility risk, etc., appropriately but also the positive disclosure of business information.

4. Reform of human resources development

● Development of human resources

- JHF will realize the basic concept of reform (improvement of productivity, creation of customer value, and change of corporate culture), and foster human resources that are professionals in housing finance including securitization and credit risk management. Furthermore, each staff member will make a commitment to enhance his/her own knowledge and skills.

● Emphasis on ability and performance

- JHF will improve the performance of the organization by increasing the productivity of each person. In order to accomplish this, the evaluation for promotion and salary shall place greater emphasis on ability and performance. JHF will develop a workplace where staff can make full use of their capabilities so they may feel their lives are rewarding and gain a sense of accomplishment.

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

Medium-term Target

The Minister of Finance and the Minister of Land, Infrastructure, Transport and Tourism prescribe objectives for JHF business operations according to the provisions in Article 29, Paragraph 1 of the Act on the General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

FY 2011 marks the final year of the first Mid-term target (April 1, 2007 to March 31, 2012).

Medium-term Plan

JHF creates a medium-term plan as required under Article 30, Paragraph 1 of the Act on the General Rules for Incorporated Administrative Agencies in order to realize the objectives prescribed by the Minister of Finance and the Minister of Land, Infrastructure, Transport and Tourism. Ministerial approval of the plan is required.

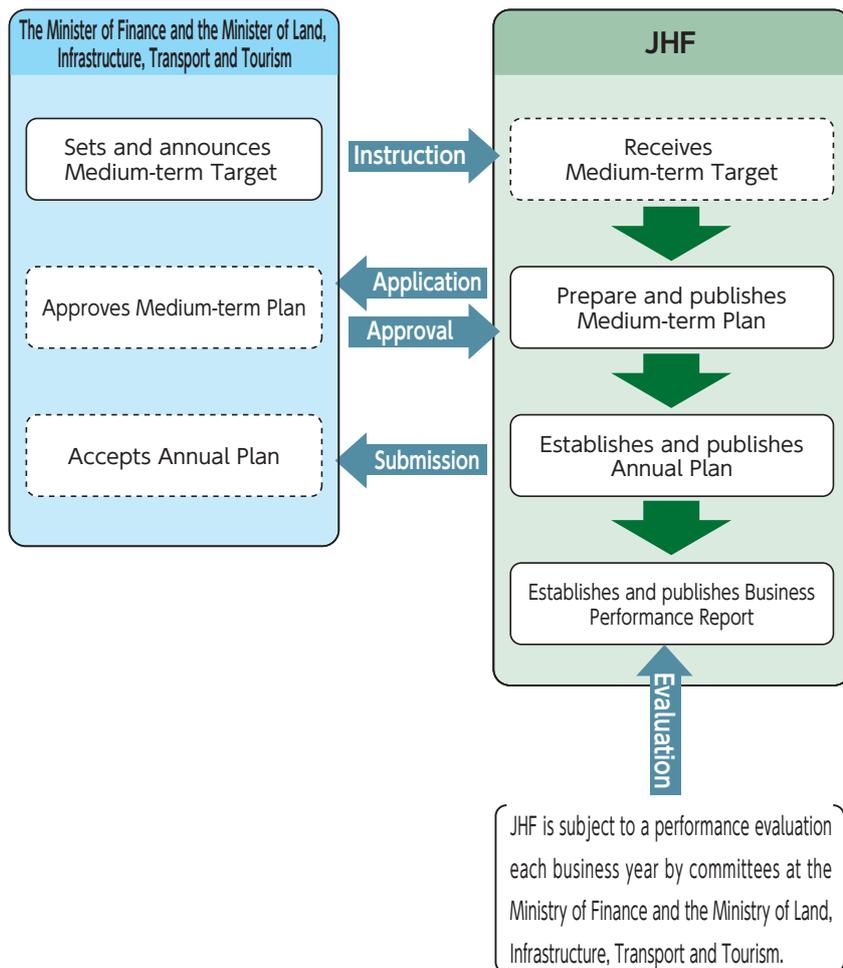
FY 2011 marks the final year of the first Medium-term Plan (April 1, 2007 to March 31, 2012).

Annual Plan

JHF establishes an Annual Plan based on the Medium-term Plan under Article 31, Paragraph 1 of the Act on the General Rules for Incorporated Administrative Agencies.

The Annual Plan for FY 2011 sets out measures to achieve objectives for streamlining organizational operation and for improving service to the public as well as the quality of other operations.

In addition, JHF terminated its business activities for providing housing information while adding loan programs for energy efficient housing and houses for seniors with services in light of the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Institutions (approved by the Cabinet on December 7, 2010).



JHF posts the Business Performance Report submitted to the IAA Evaluation Committee on its website. (Website) <http://www.jhf.go.jp/about/kikou/plan.html>

Efforts to Support Recovery from the Great East Japan Earthquake

JHF is undertaking the following efforts to support the recovery from the Great East Japan Earthquake.

- Established a Headquarters for Disaster Victims headed by the president and established a structure throughout the organization to address issues relating to this matter.
- Expand the loans for disaster mitigation to reconstruction and repair houses and expand the special loan modification programs for borrowers financed by JHF (and former GHLC), including “Flat 35” (Purchase Program) loans, in accordance with the enactment of government’s FY 2011 supplementary Budget.
- Provide consultation on loan application for disaster mitigation and repayment of existing loans, hold consultation meetings in disaster-affected areas, etc.



Widening the Interest-Rate Reductions for “Flat 35S” to Support the Housing Market

JHF works with private financial institutions to provide long-term fixed-rate mortgages known as “Flat 35”. Persons applying for “Flat 35” loans who will acquire high-quality housing that is earthquake-resistance, energy-saving performance, barrier-free performance, or with enhanced durability and flexibility, may be eligible for “Flat 35S,” which offers a reduced borrowing rate for a certain period.

In addition, those who apply by December 30, 2011 will be able to take advantage of a larger reduction in the borrowing rate due to government economic stimulus packages.

The reduction of interest rates for “Flat 35S” and other measures as part of government economic stimulus packages have proven successful, with new housing starts in FY 2010 accounted 819,020 units, a 5.6% increase from the previous fiscal year.

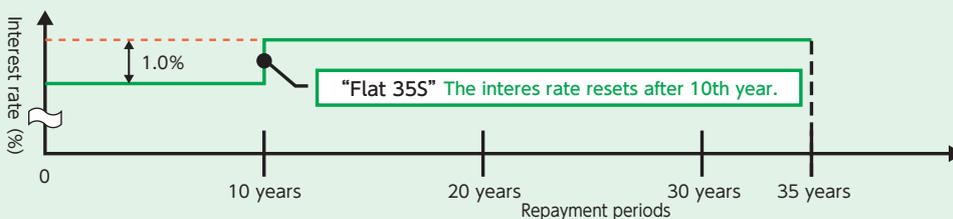
The expanded “Flat 35” attracted borrowers; Outstanding balance for Flat 35 amounted to 6.5 trillion yen and JHF had issued approximately 13 trillion yen in MBS (mortgage backed securities) in total as of the end of March 2011.



Information current as of July 2011.

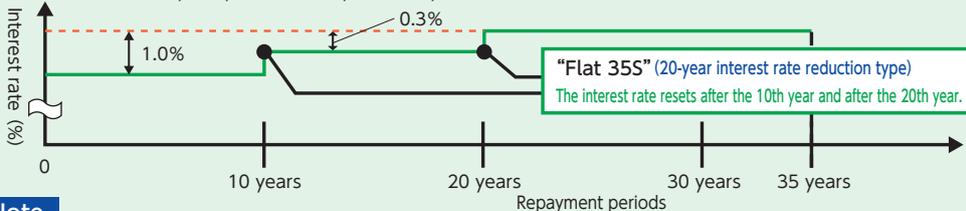
① What is “Flat 35S”?

The interest rate for borrowed money is reduced by 1.0 percent for a “Flat 35” loan over the initial 10 years.



② What is “Flat 35S” (20-year interest rate reduction type)?

The interest rate is reduced by 1.0 percent for a “Flat 35” loan for the initial 10 years, and then reduced by 0.3 percent from year 11th year to 20th



Note

- * The interest-rate reduction will apply to persons applying for “Flat 35S” (support scheme to facilitate for acquiring high-quality housing) by December 30, 2011.
- * There is a ceiling on the amount of funds available for “Flat 35S” (support scheme to facilitate for acquiring high-quality housing), and applications will be closed when the applications approached the ceiling. Any earlier closing date for applications will be announced on the “Flat 35” website (www.flat35.com) three weeks ahead of the actual closing date.
- * “Flat 35” (Guarantee Program) is eligible for the support scheme to facilitate for acquiring high-quality housing.
- * “Flat 35S” (support scheme to facilitate for acquiring high-quality housing) cannot be used for refinancing of existing mortgages.

Efforts to Improve Housing Quality and Address Environmental Problems, etc.

JHF believes that part of its contribution to society is to implement its business line properly in accordance with its mandates.

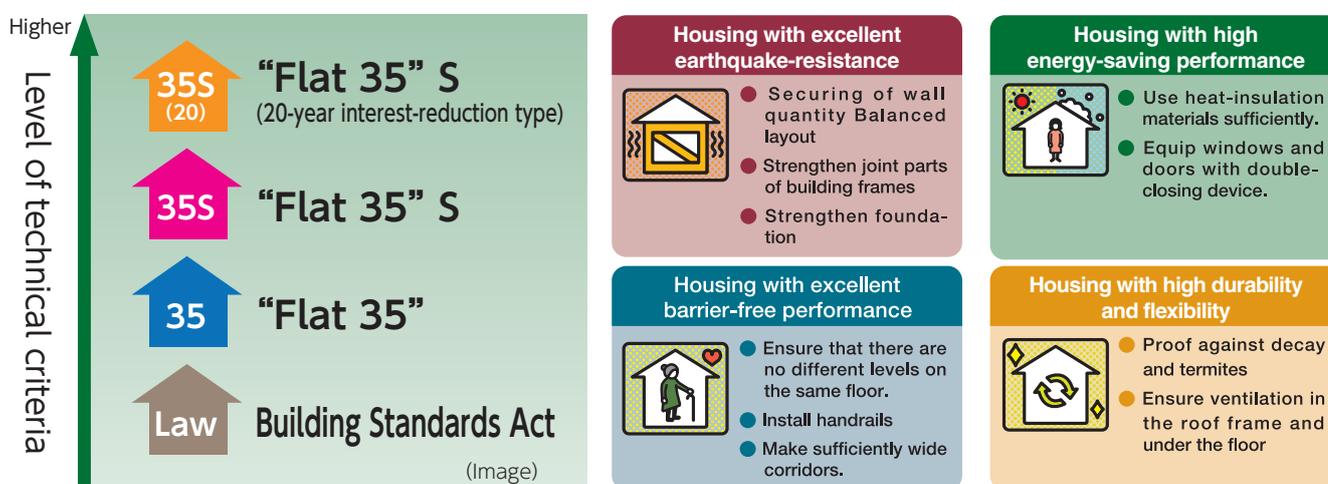
As part of those initiatives, JHF is committed to assisting borrowers through long-term fixed-rate mortgages “Flat 35” , which is good for the borrowers to establish a life plan. JHF also provides “Flat 35S” the support scheme to facilitate for acquiring high-quality housing that is earthquake-resistance, energy-saving performance, barrier-free performance, or with enhanced durability and flexibility. Such business activities contribute to enriching the quality of houses and citizens’ lives, support the growth of the Japanese economy, and contribute to improvements in the global environment.

Our efforts also address global warming, reductions of CO2 emission and landscape issues.

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The technical criteria required for “Flat 35” are

Four types of “High-Quality Houses” for “Flat 35S”



Efforts on Finance Facilitation

With the implementation of the Act Concerning Temporary Measure to Facilitate Financing for Small and Medium Enterprises (FY 2009 Law No. 96), JHF is implementing measures such as the followings in order to provide an even better response to inquiries about housing loans.

- Establish guidelines for consultation on payments or modifications in recognition of our role as a safety net for borrowers who are having difficulty meeting their repayment obligations for existing mortgages, etc.
- Create an organization-wide structure headed by executive officer in charge for dealing with troubled borrowers.

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Basic Policy on 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.

To realize its management concept, the Japan Housing Finance Agency ("JHF") establishes the following internal governance systems to secure proper implementation of our business.

1. Systems to ensure all executives and employees implement their business in compliance with laws, rules and regulations.

(1) Establishment of a compliance charter

The President shall establish a compliance charter based on observance of laws, rules, and regulations in order to set codes of conduct to realize the JHF's management philosophy and to enforce business conducts with its basic mission and social responsibility in mind.

(2) Compliance enforcement system

i. The President shall establish and head a Compliance Committee to discuss and decide important compliance matters.

ii. The President shall develop rules for compliance and establish a department to oversee compliance as well as appoint an executive officer responsible for developing an agency-wide compliance enforcement system.

iii. The President shall create a Compliance Program each fiscal year and make it acknowledged by all employees. The President shall also create a compliance manual that sets out specific guidelines for realizing compliance and distribute it to all employees as well as conduct compliance training.

iv. The President shall assign a compliance activities enforcement officer in each department to promote compliance activities.

v. Executives and employees shall take an uncompromising stance against all forces that threaten social order and safety.

(3) System for dealing with compliance violations

i. The President shall establish a system that enable prompt reporting to the department in charge of compliance when an executive or employee identifies cases violating compliance.

ii. The President shall set up a compliance helpline so that employees can directly consult with or report to the department in charge of compliance.

iii. When the department in charge of compliance is consulted upon or informed about a case violating compliance, it shall investigate the consultation and the information, discuss the case with the relevant department and take countermeasures.

(4) Sanction for violations

If an executive or employee has violated laws or regulations, disciplinary action shall be taken against that person in accordance with the regulations concerning disciplinary action.

(5) Internal audit

i. The President shall establish Internal Auditing Department that is independent of other departments which reports directly to the President.

ii. The Internal Audit Department shall carry out internal audits based on internal audit regulations and report the results to the President.

2. Systems to manage matters related to customer protection and the storage and management of information on executing duties by executives and employees.

(1) Ensure a system for managing customer protection-related matters

i. The President shall establish regulations for explanations to customers and ensure a system for providing customers with proper and adequate explanations and information on JHF products and services.

ii. The President shall establish regulations for customer support management and ensure a system for proper and adequate responses to consultations, requests and complaints.

iii. The President shall establish regulations for customer information management and ensure a system for proper management of customer information such as preventing leaks of customer information.

(2) Privacy policy

The President shall establish a privacy policy for proper handling of customer information as well as establish information security regulations so that information including customer information are used and managed properly.

(3) Establishment of document management regulations

i. The President shall establish regulations for document management for the storage and management of information by executives and employees in the course of executing their duties.

ii. Auditor inspections

Auditor shall have access to all documents as necessary.

3. Regulations and other systems for risk management of losses

(1) Establishment of risk management regulations

The President shall establish risk management regulations to manage risks properly.

(2) Development of risk management systems

i. The President shall comprehensively manage risks by identifying the risks inherent to JHF business activities and their specific types and natures.

ii. The President shall manage risks categorized as "credit risks", "guarantee risks", "insurance risks", "market risks", "counterparty risks", "liquidity risks" and "operational risks" and, as necessary, identify important new categories of risk that should be managed according to their importance.

iii. The President shall establish the necessary risk management committees to properly deal with each category of risk.

iv. The President shall assign a department in charge of integrated risk management and assign an executive to supervise that work and acts to maintain an organizational and cross-sectional risk management system and identify problems.

v. Board of Directors shall evaluate integrated risk management and the inherent risks in new businesses and products.

(3) Preparation of emergency measures

The President shall take the proper precautionary measures for emergencies such as major impediments and defects, major information leaks, serious losses of trust and disasters. Additionally, the President shall undertake appropriate emergency measures when a disaster or other crisis occurs in order to resume business activities as early as possible.

4. Systems to ensure that executives and employees carry out their work duties effectively

(1) Mandate administrative authority and decision making rules

The President shall establish regulations for organization and document approvals to clarify administrative authority and decision-making rules.

(2) Establishment of Board of Directors

The President shall set up Board of Directors with which to discuss important management matters and contribute to the President's decision making.

(3) Setting of performance targets and budgets for each area of business based on the Annual Plan

i. The President shall set specific targets, concrete actions, and budgets for each area of business in order to achieve the Annual Plan.

ii. In principle, the President shall assign priorities for new product development, system investments and new businesses based on contribution to the achievement of Annual Plan.

iii. The President shall undertake efficient allocation of human resources to each department.

iv. The executive officers responsible for each department shall determine concrete measures and effective systems for conducting business for their responsible departments within their responsibilities.

(4) Quarterly management review of the Annual Plan

i. The executive officer in charge of the Corporate Strategy Department shall carry out a quarterly internal review of the Annual Plan and report the results to the Board of Directors.

ii. The executive officers responsible for each department shall reexamine or set the concrete measures taken in their departments or improve the work systems in their department based on the results in i) above.

(5) Appointment of a Chief Information Officer

The President shall appoint a Chief Information Officer responsible for general operations in order to optimize JHF business processes and system structures.

5. System for the employees assigned to assist Auditor Generals and their independence from the President

(1) Assistant Auditor Generals

Assistant Auditor Generals will be assigned to support auditory work exclusively.

(2) Independence of employees assisting Auditor Generals

i. Auditor Generals shall be consulted in advance regarding personnel transfers of their assistants.

ii. Auditor Generals shall be consulted in advance regarding the consideration of disciplinary action against their assistants.

6. Systems for executives and employees to report to Auditor Generals

(1) Establishing guidelines for auditing inspections

i. In order to ensure a smooth audit, executives and employees shall promptly cooperate with Auditor Generals or their assistant when asked to provide the necessary explanations or materials based on auditing inspection guidelines.

ii. Auditor Generals shall be able to attend Board Meetings or other important committees.

iii. Executives and employees shall circulate to Auditor Generals any important documents or materials stipulated in the auditing guidelines.

(2) Reports to Auditor Generals

Auditor Generals shall be immediately informed when an employee has violated the law or caused an incident that significantly affects business operations or is the subject of whistle blowing from either internal or external sources.

7. Other systems to ensure effective audits

(1) Opinion exchanges between the President and Auditor Generals

Auditor Generals can exchange opinions with the President at any time.

(2) Coordination with other auditing organizations

i. Auditor Generals will coordinate closely with the internal audit department in order to make use of those department's internal audits as well as request explanations and reports from the internal department.

ii. Auditor Generals will coordinate closely with accounting auditors and actively exchange information as well as request explanations and reports on auditing plans, systems, methods and results from accounting auditors.

Compliance

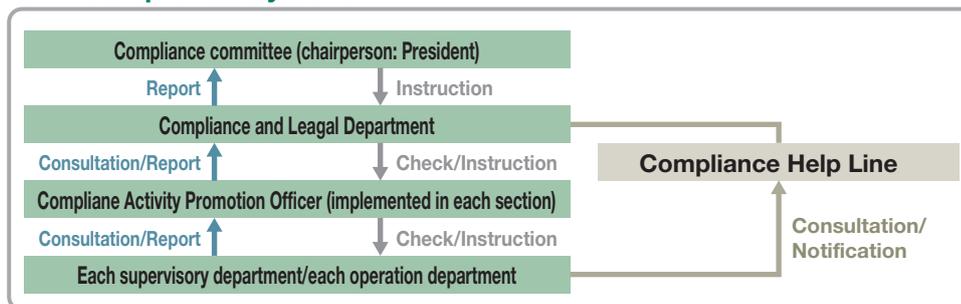
Arrangements for compliance

In order to reliably implement compliance, 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 JHF in advance, a compliance help line has been set up in and outside the Compliance and Legal Department.

〈JHF Compliance System〉



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.

It is our regret that a former JHF employee was indicted with bribery charge in June 2011. JHF takes this matter very seriously, and we established a review committee for preventing recurrences of employee misconduct. This committee, which includes outside experts, investigated

the causes of the misconduct and developed preventative measures against future recurrences. By working together to prevent future recurrences, JHF executives and employees are striving to regain the trusts of the public.

Fostering awareness of compliance

JHF has established the Compliance Charter as a basic principle of compliance. 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 executives and employees.

We are also carrying out an annual compliance program implementing agency-wide e-learning, holding

compliance meetings (where discussions are held based on compliance topics), and providing employees with compliance-related information each month through the in-house LAN, as well as holding a variety of training and education to improve employee awareness.

In addition, JHF monitors the implementation of compliance programs on a quarterly basis to steadily promote compliance activities.

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

Responses to Anti-social Forces

JHF has established a basic policy to eliminate any relationships with anti-social forces such as organized crime syndicates, developed a manual for dealing with such anti-social forces, and coordinates with police and related organizations on such matters.

The JHF basic policy for dealing with anti-social forces is posted on our website.

(URL) http://www.jhf.go.jp/about/kikou/governance_compliance.html

Customer Protection

Customer Support and Explanations

● Customer Support

JHF has undertaken the followings in order to appropriately respond to consultations and complaints from customers:

- Created a customer support manual
- Assignment of a chief customer support manager and customer support operators
- Monitors and periodically evaluates customer support activities
- Training of customer support personnel
- Established a system for reporting complaints at the

financial institutions handling JHF products

● Explanations to Customers

JHF has undertaken the followings in order to provide adequate explanation of our products to customers:

- Created explanatory materials and a manual on how to provide explanations to customers
- Assigned a chief customer explanation manager and a customer explanation administrator
- Monitoring and periodic evaluations of customer explanation activities

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

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

● Purpose of using personal information

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

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 JHF without permission, nor use such information for unreasonable purposes.

(1) Directors and employees of JHF or those who have engaged in such work.

(2) Those who are or have been engaged in handling personal information under contract with JHF

● Selecting and supervising consignees

When 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

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 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

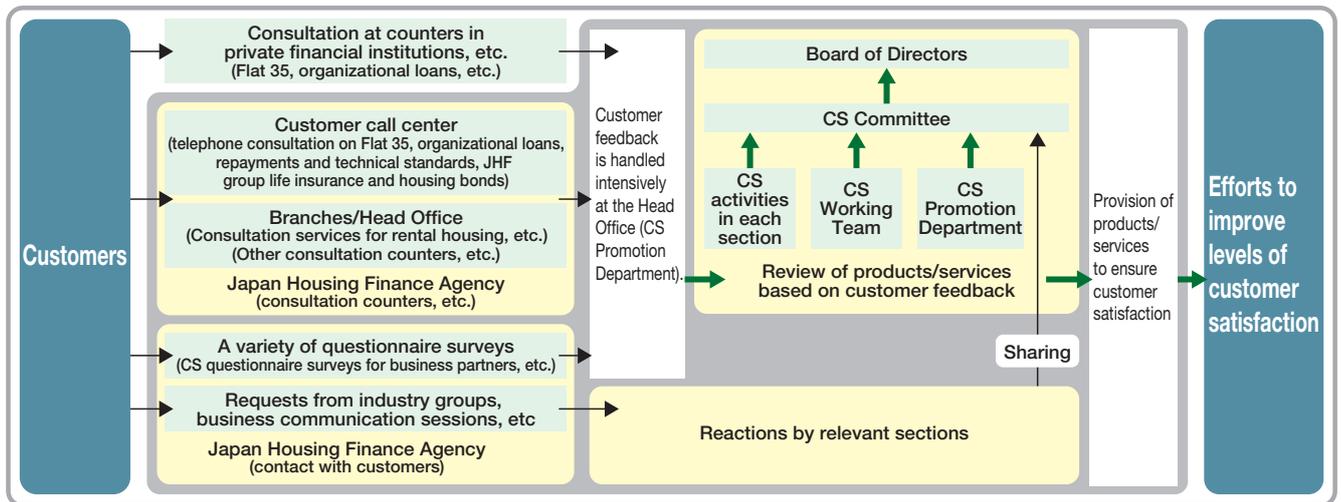
When a request is made to disclose, revise or stop the use of private information JHF possesses, JHF responds promptly unless there are particular reasons to do otherwise, after confirming that the person who made the requests is identical to our customer.

CS Promotion

CS promotion system

In an effort to promote customer satisfaction (CS), 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

● 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.

For example, when we receive feedback that a work manual or document is difficult to understand, we set up a review committee with accredited private financial institutions to consider revisions and hold a "Plain language strengthening month" throughout JHF so that we can increase satisfaction among our business partners.

● 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.

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.

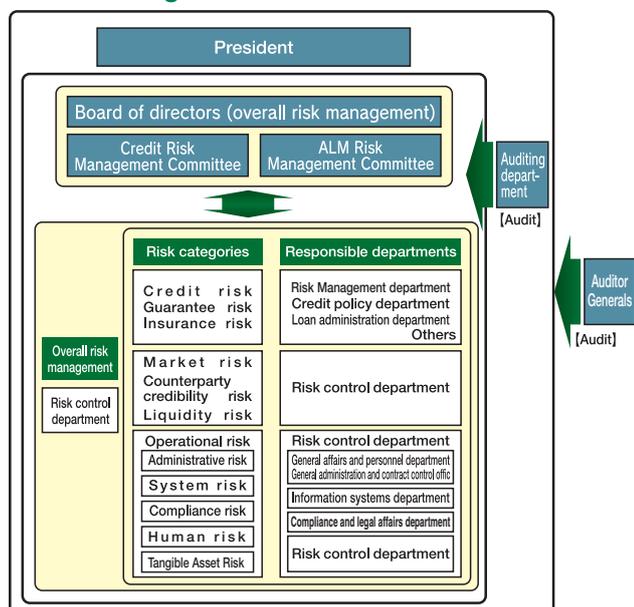
Toward this end, JHF has set up and implemented the Risk Management Manual and the Risk Management Implementing Procedures. The manual stipulates the purpose of risk management, identified and defines individual risks, specifies the risk management framework and methods, and mandates risk management auditing. The implementing procedures spell out specific methods applicable to the management of individual risks.

To achieve these efforts 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 by keeping them under total evaluation in relation to its business and nature.

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 when the occurrence of insurance accidents goes beyond expectations that constitutes the basis of the calculation of insurance premium. JHF extends mortgage insurance against non-performing housing loans to private financial institutions.

When underwriting, JHF conducts proper screening. JHF also utilizes credit portfolio management system for monitoring the performance of underwritten mortgages and books adequate reserves through future income/cost analysis.

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 manages ALM risks by using of interest rate models to estimate the cash flow of assets and liabilities in consideration of future interest rate changes, measuring the periodic profits and losses generated by the aforementioned cash flows and periodic monitoring of duration and other risk indexes

● 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 executes interest rate swaps that are limited to the purpose of hedging pipeline risks in its Securitization Business and loan origination businesses.

Reference

The following is the duration of securitization assistance accounts and outstanding credit management accounts as of the end of FY 2010.

- Securitization assistance accounts: (assets) 7.40 years and (liabilities) 7.24 years
- Outstanding credit management accounts: (assets) 5.80 years and (liabilities) 4.62 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.

With regard to the investing of excess money into government bonds, municipal bonds and government-guaranteed bonds, JHF establishes a guideline regarding the credit risk management of each issuer. JHF also establishes a counterparty risk management method for uses of interest rate swap transactions with financial institutions and monitors those transactions.

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.

For managing liquidity risk, JHF has established a floor for liquid asset holdings, and the standards are applied on a daily basis to ensure stable cash management. In addition, in accordance with the degree of liquidity squeeze, we have set three classifications (Normal, Watch, and Crisis) and developed a response measure for the Watch and Crisis situations.

Furthermore, to establish borrowing facilities and other emergency measures to ensure our ability to finance, JHF has stipulated a contingency funding plan to respond to situations that would expose us to liquidity risk.

Operational risk

Operational risk is a risk that can cause losses to the JHF due to improper business processes, misconduct of any executive or employee, a faulty information system and/or exogenous events, and includes administrative risk, system risk, legal risk, human risk and tangible asset risk. The JHF is working to collect realized risk events to understand the circumstances causing such risk events, analyzes the causes to formulate countermeasures, self-evaluate potential risk and control method to deter its emergence, and implements Risk & Control Self-

Assessment (self-assessment of risk inherent in operation and control against the risk for better operation), thereby strengthening the management system against operational risk.

[Definitions and Management Methods for Core Operational Risks]

● 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.

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.

● 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

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, 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】

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 caused by an earthquake.

- Business whose suspension will cause a detrimental effect throughout the organization (system maintenance and operations activities)
- Business whose suspension results in delays of legal or contractual obligations (treasury management, disbursement and settlement systems, etc.)
- Business whose suspension will cause adverse impact on the financial position of JHF or its counterparties (Issuance of MBS and Straight Bond)
- Business whose suspension will have a material effect on customers or persons related to the work of JHF (call center, origination, outstanding mortgage management business, etc.)

【Priority operations that should be continued】

The JHF headquarters is located in Metropolitan Tokyo. Should a major-scale disaster occur in this region, disaster headquarters headed by the President will be quickly established.

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

In addition, when a major-scale disaster occurs outside Metropolitan Tokyo, a disaster victim headquarters will be established that focuses on providing loans for disaster mitigation in support of those in the disaster-affected area.

【Execution framework for business continuity】

In order for all member of JHF to share the importance of business continuity and make such recognition embedded in daily operation, JHF conducts training for employees and executives, briefing sessions for disaster headquarter establishment and management, and desktop training for operations that should be sustained after a major disaster.

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

【Measures against Infectious Diseases such as New Types of Influenza】

JHF strived to provide employees with additional information during the pandemic of New Types of Influenza in 2009 to prevent their infection and contagion. When an employee was found to have contracted New Types of Influenza, they were instructed to refrain from coming to work to prevent contagion.

Should another infectious disease outbreak threaten to affect business continuity, to prevent deterioration of our service to customers, JHF will establish an Infection Measures Prevention Headquarters and introduce policies on providing human and physical resources, and strive to their implementations.

Disclosure

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, JHF is making a further commitment to the promotion of disclosure. In order to obtain the understanding of the people, 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)

- The above materials are also available on the JHF website. (Only in Japanese)
- Documents marked with (*) are compiled into single-volume booklets that go on sale at bookstores (with the exclusion of documents concerning the calculation of GHLC administrative cost, the GHLC final accounts reports, and the statements of auditors on such reports).



Website



Customer relations of the information disclosure and privacy policy at the head office

Details and Features of Line of Business

Business Summary

JHF conducts the following business, including securitization.

JHF not only supports private lenders by providing long-term fixed-rate housing loans 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.

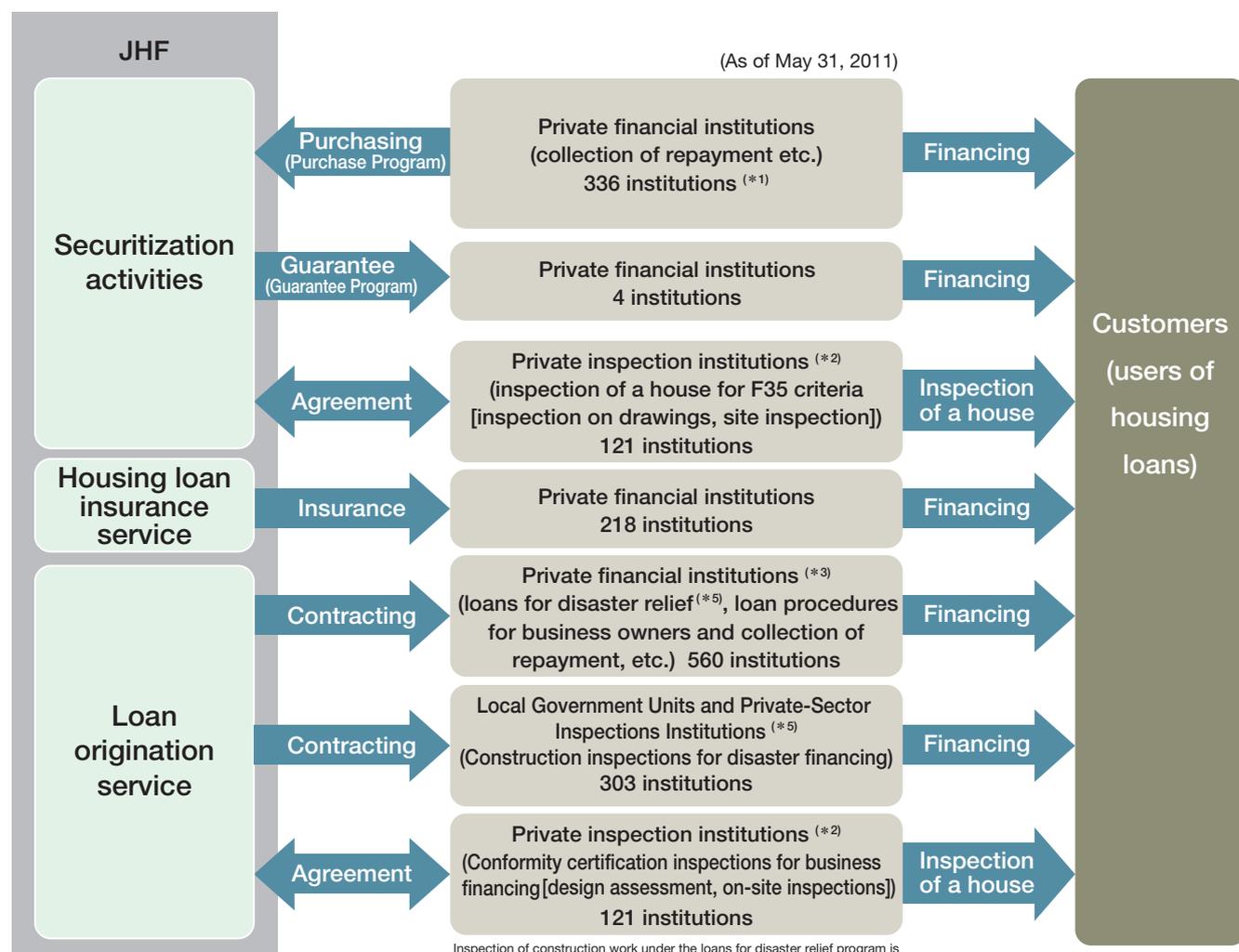
Securiti- zation	Support private financial institutions to provide long-term fixed-rate housing loans		Technical assess- ment Page 32	Operation of group credit life insurance (mutual relief) Page 31	Page 21				
	<p>Purchase Program (JHF-Pooling Model) JHF purchases long-term fixed-rate housing loans from private financial institutions and issues MBS (mortgage backed securities).</p> <p>Guarantee Program (Originator-Pooling Model) JHF insures long-term fixed-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 2010</th> <th>FY 2011 Original plan</th> </tr> </thead> <tbody> <tr> <td>○Purchase Program 2,808.2 billion yen (114,271 houses)</td> <td>○Purchase Program 2,304 billion yen (108,000 houses)</td> </tr> <tr> <td>○Guarantee Program 12.2 billion yen (527 houses)</td> <td>○Guarantee Program 22.5 billion yen (1,000 houses)</td> </tr> </tbody> </table>				Result for FY 2010	FY 2011 Original plan	○Purchase Program 2,808.2 billion yen (114,271 houses)	○Purchase Program 2,304 billion yen (108,000 houses)
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○Guarantee Program 12.2 billion yen (527 houses)	○Guarantee Program 22.5 billion yen (1,000 houses)								
Housing loan insurance service	When housing loans made by private financial institutions become defaulted because of unexpected situations, 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.		Management of outstand- ing Loans Page 34	Page 28					
	<table border="1"> <thead> <tr> <th>Result for FY 2010</th> <th>FY 2011 Original plan</th> </tr> </thead> <tbody> <tr> <td>○Insurance contract 236 institutions, 1,670.4 billion yen</td> <td>○Limit of insurance 700 billion yen</td> </tr> <tr> <td>○Insurance paid 38,601 cases, 637.4 billion yen</td> <td></td> </tr> <tr> <td>○Insurance continuing (as of the end of FY 2010) 126,088 cases, 2,373.7 billion yen</td> <td></td> </tr> </tbody> </table>	Result for FY 2010			FY 2011 Original plan	○Insurance contract 236 institutions, 1,670.4 billion yen	○Limit of insurance 700 billion yen	○Insurance paid 38,601 cases, 637.4 billion yen	
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Loan origination service	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, JHF shall provide support for people to acquire housing by providing long-term fixed rate housing loans.		Research and survey on housing finance Page 35	Page 29					
	<table border="1"> <thead> <tr> <th>Result for FY 2010</th> <th>FY 2011 Original plan</th> <th>FY 2011 Supplementary Budget</th> </tr> </thead> <tbody> <tr> <td>303 billion yen (32,381 houses)</td> <td>516.4 billion yen (35,500 houses)</td> <td>696.4 billion yen (45,500 houses)</td> </tr> </tbody> </table>	Result for FY 2010			FY 2011 Original plan	FY 2011 Supplementary Budget	303 billion yen (32,381 houses)	516.4 billion yen (35,500 houses)	696.4 billion yen (45,500 houses)
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303 billion yen (32,381 houses)	516.4 billion yen (35,500 houses)	696.4 billion yen (45,500 houses)							

Business Implementation Structure and Funding

Business Implementation Structure

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., JHF efficiently carries out business operations.



Inspection of construction work under the loans for disaster relief program is outsourced to 284 local authorities.

- * 1 Excludes one institution to which JHF outsources only the collection of loan payments related to Securitization Business and from which JHF does not purchase housing loan.
- * 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.
- * 4 Applications for loans for disaster mitigation and loans for disaster mitigation concerning the Great East Japan Earthquake have been entrusted to 128 institutions as of July 1, 2011.
- * 5 Refers to designated construction inspection institutions that have agreements with JHF and registered housing performance evaluation institutions.

Funding

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

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 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
JHF bonds <Mortgage backed securities> <General collateral bonds> <Condominium repair program>	2,217.8 billion yen <1,774.1 billion yen> <402 billion yen> <417 billion yen>	2,919.9 billion yen <2,364.5 billion yen> <459.2 billion yen> <96.2 billion yen>	2,919.9 billion yen <2,364.5 billion yen> <459.2 billion yen> <96.2 billion yen>
JHF property accumulation savings scheme-tied housing bonds	124 billion yen	74.3 billion yen	74.3 billion yen
JHF saving bonds for acquiring houses and house sites	441 billion yen	39.7 billion yen	39.7 billion yen
Borrowings from private institutions	143.6 billion yen	140.3 billion yen	140.3 billion yen

Fiscal Investment and Loan Program			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Borrowing from Fiscal Investment and Loan Program	-	30 billion yen	210 billion yen

General Account			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Subsidies and payment for various loans	353 billion yen	100.7 billion yen	156.7 billion yen

(Note 1) For FY 2010, 230 billion yen in capital was returned to the national treasury.
(Note 2) For FY 2011, 51.9 billion yen in capital (including that from FILP Special Account) will be returned to the national treasury.

Repayment of Borrowings, etc.			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Collection of repayments for loans and purchased loans	5,273.6 billion yen △ 5,248.6 billion yen	4,893 billion yen △ 4,597.4 billion yen	4,896.1 billion yen △ 4,656.5 billion yen

Budget for the JHF			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Purchase of loans Lending	2,567.6 billion yen 339.9 billion yen	3,074 billion yen 526.5 billion yen	3,074 billion yen 706.5 billion yen

Securitization Business

Support private financial institutions to provide Long-term Fixed-rate Housing Loans.

JHF has implemented securitization business for private financial institutions to provide long-term fixed-rate housing loans for which there is a persistent demand from people. Purchase Program and Guarantee Program were launched in October 2003 and October 2004, respectively.

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

There are two types of loans for JHF's debt securitization business: Purchase Program and Guarantee Program.

There are two types of Securitization Business by JHF: Purchase Program and Guarantee Program.

Under the Purchase Program, JHF purchases long-term fixed-rate housing loans originated by private financial institutions and entrusts those housing loans to trust banks or similar organizations. JHF then issues MBS (mortgage backed securities) backed by those collateralized assets to raise funds from the investors in the capital market. JHF began its Purchase Program in October 2003. We have also introduced a "Flat 50" product, which allows for a maximum 50-year repayment period for a houses certified as long-life high-quality (durable), as well as refinancing* of outstanding housing loans under Purchase Program. Under the Guarantee Program, JHF will underwrite housing loans insurance on long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on MBS backed by those housing loans which are pooled by originators. JHF began its Guarantee Program in October 2004.

Both Purchase Program and Guarantee Program are eligible for "Flat 35S" a special product which can enjoy reduction of interest rate for a certain period. "Flat 35S" is available to persons applying for "Flat 35" who purchase houses with high energy-efficiency or other criteria. "Flat 35" is a brand name of JHF product that supports borrowers to acquire high-quality houses.

* Refinancing applies to Guarantee Program as well.

"Flat 35" Product Information Website

Information about "Flat 35" products, including interest rate, financial institutions that provide "Flat 35" products, application procedures, etc. is available on the "Flat 35" website, www.flat35.com. (Annual access figure for FY 2010: 72.42 million)

The screenshot shows the homepage of the Flat 35 website. At the top, there is a navigation bar with links for '検索', '文字サイズ', '拡大', '標準', and 'サイトマップ'. Below this, a large banner features the text: '【フラット35】金利引下げ幅拡大! 当初10年間 年1.0%金利引下げ'. A central section contains a notice about the Great East Japan Earthquake: '東日本大震災により被災された皆さまに、心よりお見舞い申し上げます。'. Below the notice, there are several product cards for '【フラット35】', '【フラット35】S', and '【フラット35】増換融資'. The bottom of the page includes a footer with 'おすすめ情報' and 'トビックス'.



Visit here
www.flat35.com

Feature of Flat 35 (Purchase Program)

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

Securitization Business (Purchase Program) 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 fixed-rate housing loans. Such housing loans must meet certain underwriting criteria set by JHF, and are transferred to JHF from private institutions when they are disbursed.

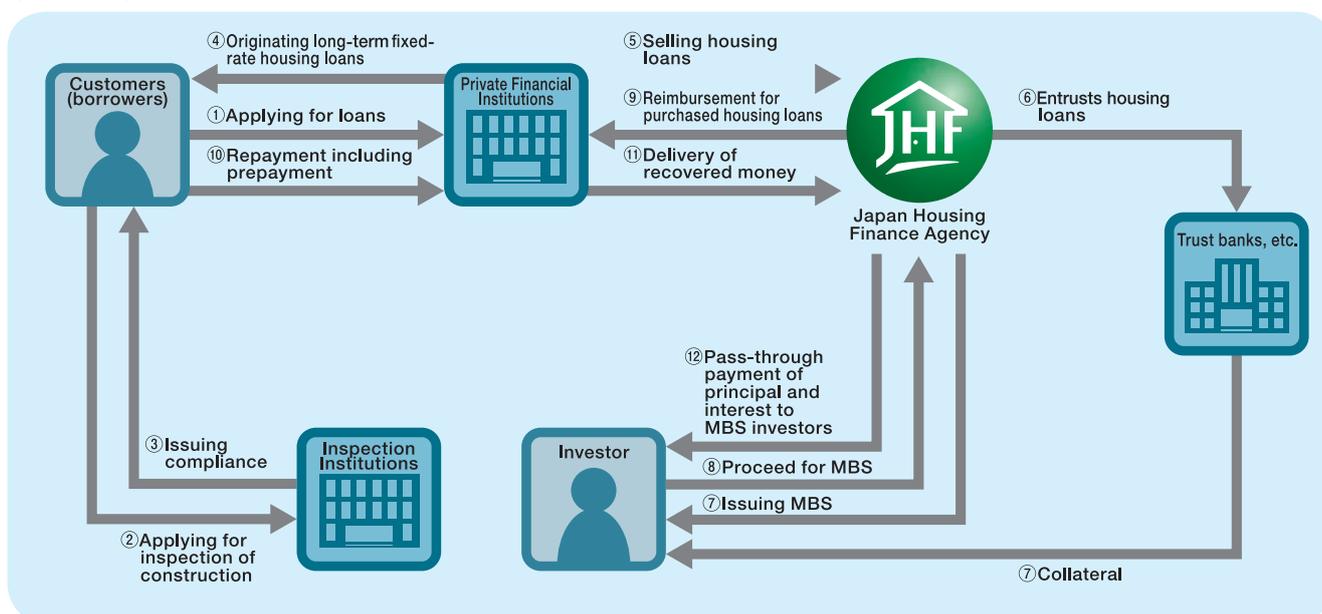
The interest rate on these loans is decided by individual private institutions based on the coupon on MBS, etc.

For details, visit the Flat 35 website

(<http://www.flat35.com/>).

Please refer to the financial data section for the product outline.

<Scheme>



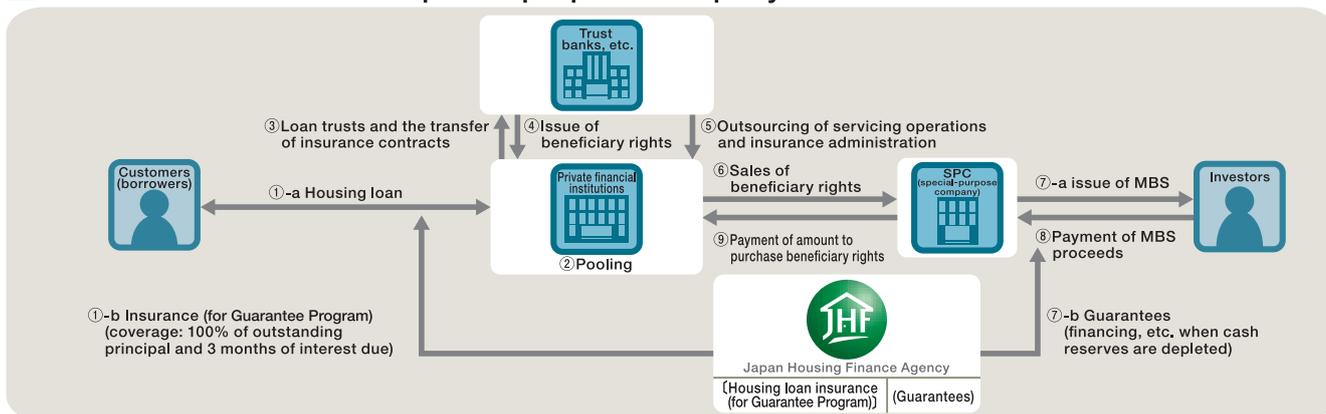
Securitization Business (Guarantee Program) Flat 35

● Scheme

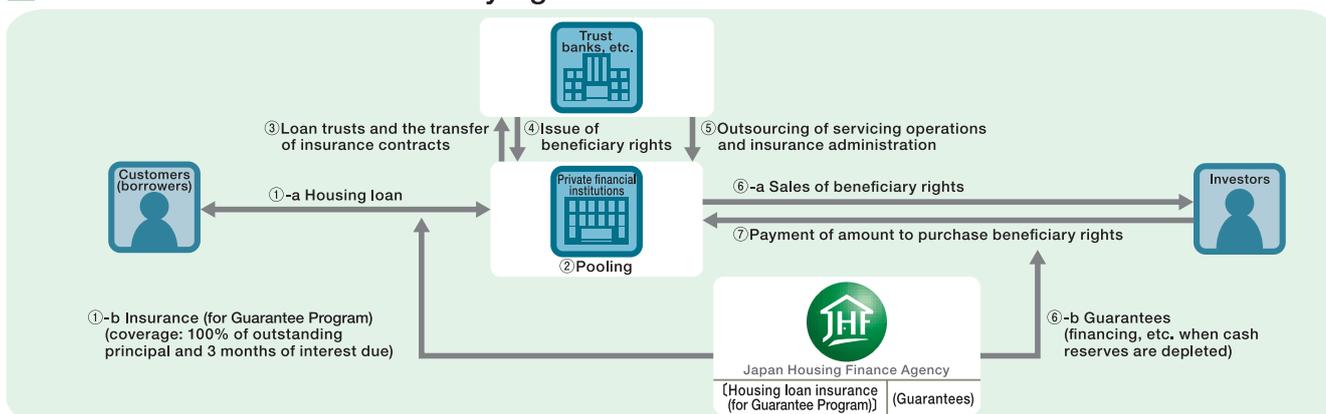
JHF will underwrite housing loan insurance (for Guarantee Program) for housing loans with long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by collateral for the housing loans (see figure 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 (Guarantee Program) (Flat 35 (Guarantee Program)), 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 (Guarantee Program)》

- 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 JHF. (The buyer of such a house is eligible 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 (Guarantee Program)

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

* Some financial institutions have suspended the acceptance of new applications (as of May 31, 2011)

Support scheme for acquiring high-quality housing (【Flat 35】S)

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



● Three types of Flat 35S

As of July 2011

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

* 1.0% interest rate reduction for the initial 10 years under “Flat 35S” and “Flat 35” S (existing house) will be eligible for application by December 30, 2011. Beyond this point, JHF plans to offer a 0.3% interest rate reduction for the initial 10 years.

Furthermore, the interest rate reduction period is the “initial 10 years” for applications by March 31, 2012, but it will be shortened to “initial five years” for applications received on April 1, 2012 or after.

* 1.0% interest rate reduction for the initial 10 years under “Flat 35S” (20-year interest reduction type) will be eligible for application by December 30, 2011.

After that, borrower will receive a 0.3% reduction instead of 1.0%. Additionally, the interest rate reduction period is the “initial 20 years” for applications received by March 31, 2012, but it will be shortened to the “initial 10 years” for applications received on April 1, 2012 or after.

* There is a ceiling for total amount for the support scheme to facilitate 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.

● Images of eligible houses for Flat 35S

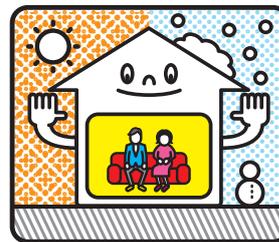
Housing with excellent earthquake resistance

Houses with resistance to stronger earthquakes, preventing collapse, destruction, etc.



Housing with high energy-saving performance

Houses achieving high air-tightness, etc.



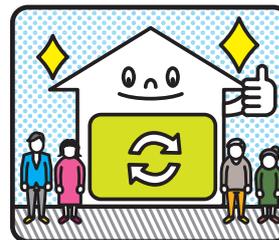
Housing with excellent barrier-free performance

Housing aimed at making daily life easier for seniors



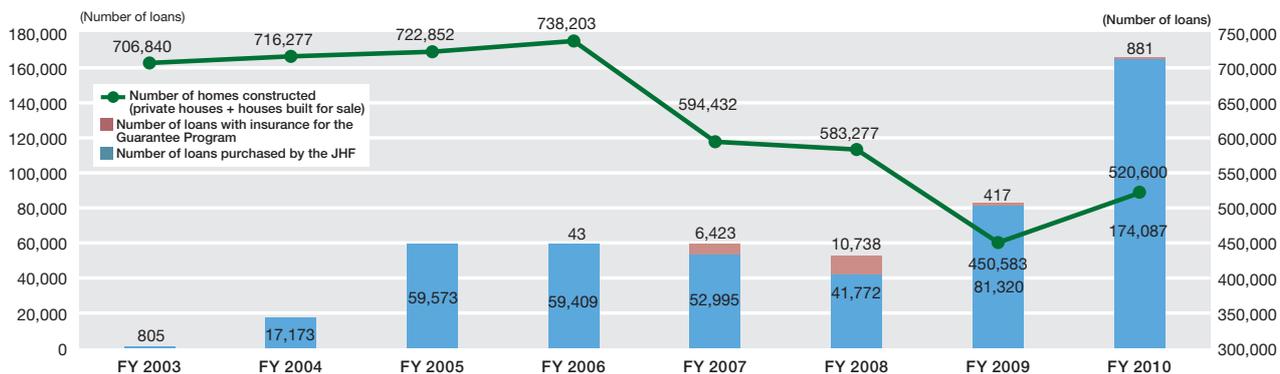
Housing with high durability and flexibility

Housing with durability, measures to maintain long-term good condition

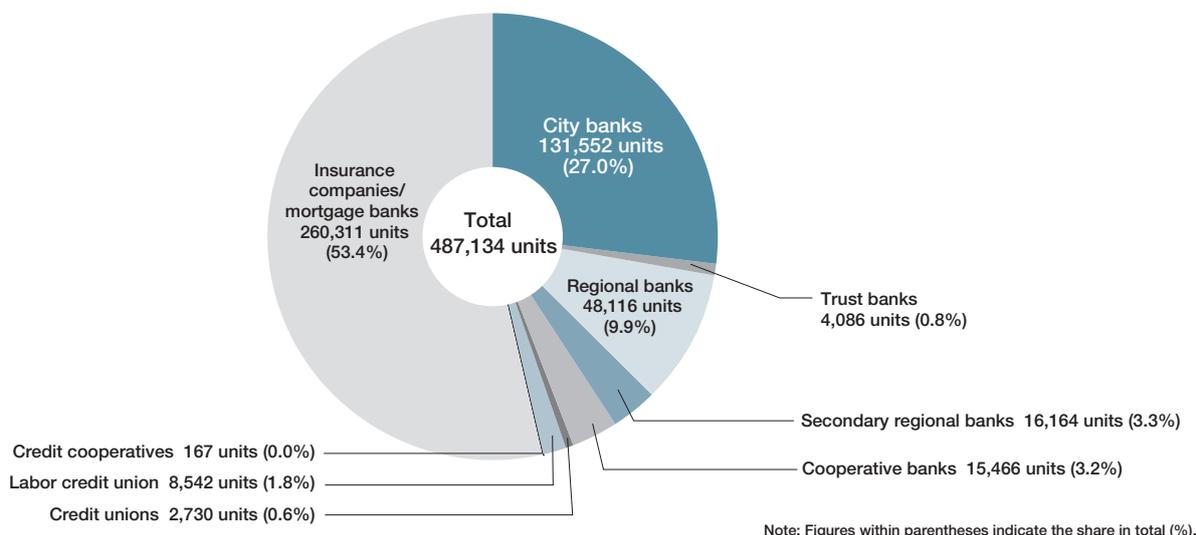


※ Technical criteria vary for Flat 35S, Flat 35S (used-house type) and Flat 35 S (20-year interest rate-cut type). For details, visit the Flat 35 website (<http://www.flat35.com>)

Number of loans purchased (insured) through the securitization program

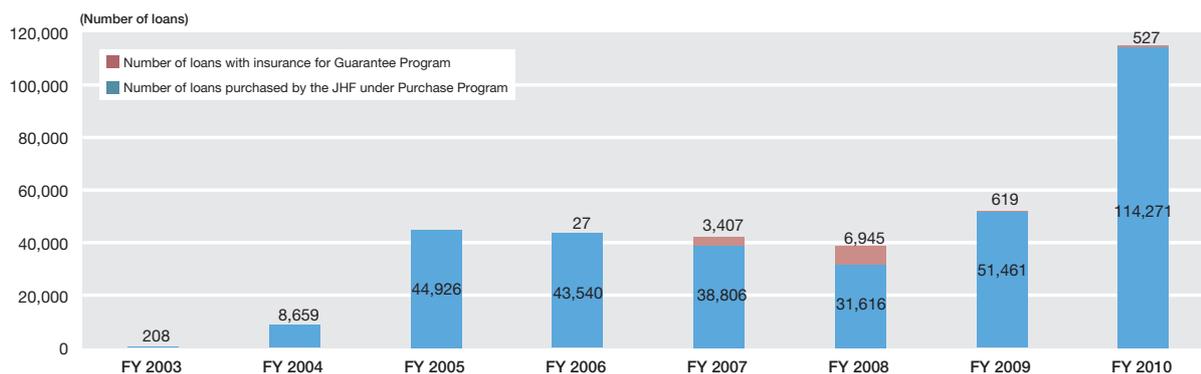


The number of loans purchased, by type of institutions, in the securitization business (Purchase Program) (as of March 31, 2010)



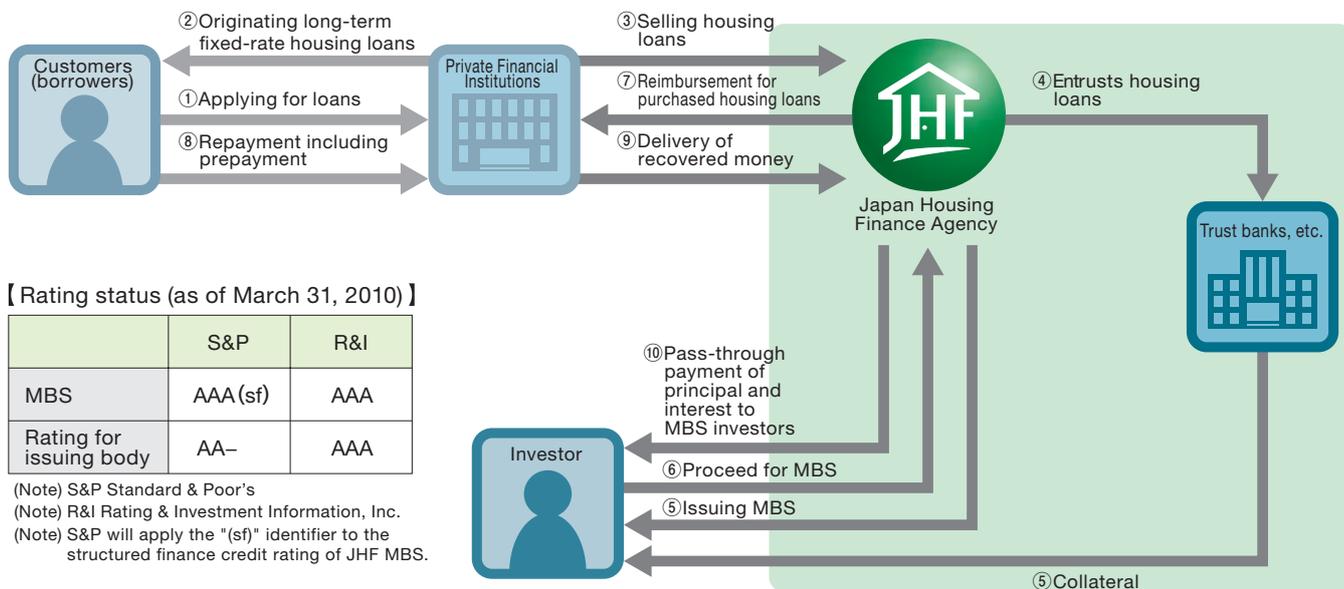
City banks (5), trust banks (1), regional banks (63), other regional banks (39), cooperative banks (161), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (11) and insurance companies/mortgage banks (26), for a total of 337 financial institutions,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

Number of loans purchased (insured) through the securitization program



Commitment to MBS (mortgage backed securities)

With the objective of diversifying funding sources, 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. JHF started securitization activities (Purchase Program) in October, 2003, establishing a scheme for private financial institutions to stably provide long-term fixed-rate housing loans.



【Rating status (as of March 31, 2010)】

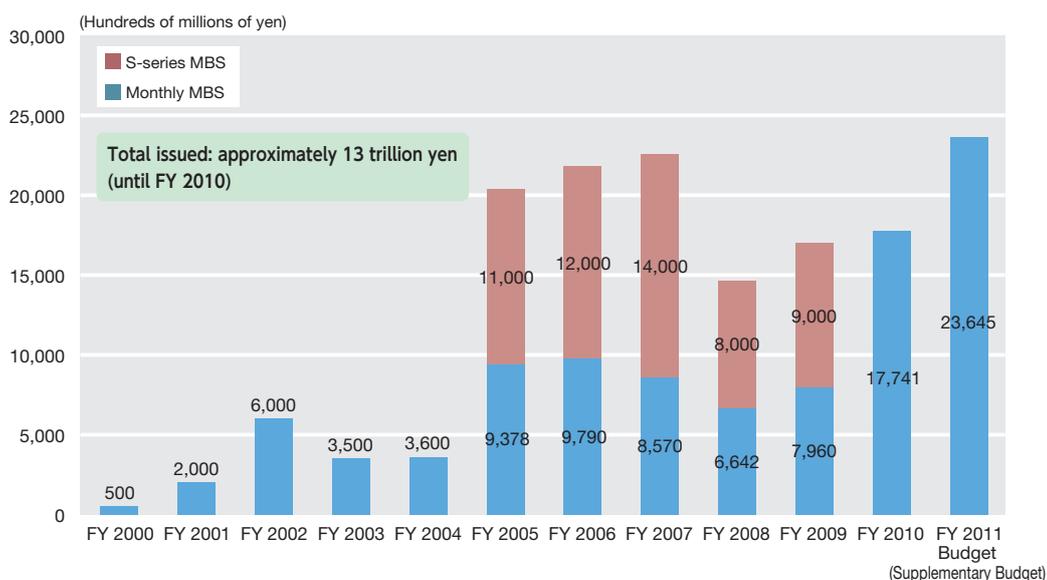
	S&P	R&I
MBS	AAA (sf)	AAA
Rating for issuing body	AA-	AAA

(Note) S&P Standard & Poor's
 (Note) R&I Rating & Investment Information, Inc.
 (Note) S&P will apply the "(sf)" identifier to the structured finance credit rating of JHF MBS.

MBS (mortgage backed securities) issuance results

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

The outstanding balance as of March 31, 2011 was 9,030.1 billion yen.



(Note) Monthly MBS are issued with the purpose of raising fund related to Securitization Business (Purchase Program) and direct origination business.

(For issues from FY 2003 onward, "Flat 35" is included in underlying assets with the start of Securitization Business (Purchase Program).)

(Note) S-series MBS have been issued since FY 2005 for the purpose of refinancing the outstanding loans directly originated by the former Government Housing Loan Corporation.

Key features of JHF MBS (Monthly MBS)

Point 1 Asset-backed Zaito Agency bonds

- JHF MBS is asset-backed Zaito Agency bond
- Before Beneficiary Certificate Trigger Event, JHF is primarily responsible for all interest and principal payments. Therefore, JHF MBS is supported by JHF's credit. After Beneficiary Certificate Trigger Events, JHF MBS will no more be a Zaito Agency bond, however, converted to a beneficiary certificate
- The risk weight of Zaito Agency bonds under Basel II standardized approach is 10%

(Notes) Beneficiary Certificate Trigger Events are as follows

1. The successor of JHF MBS obligation is not determined by the act, and the dissolution of JHF is enforced by the act and JHF is dissolved by this act:
2. An act is enacted to designate as the successor of JHF MBS obligation a joint stock corporation (kabusiki kaisha) or a legal entity to which application of the Corporate Reorganization Act (Act #154 of year 2002 including subsequent amendments) or other similar bankruptcy proceedings is legally permitted, and JHF is dissolved by such act:
3. An act is enacted to designate as JHF MBS obligor a joint stock corporation or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF MBS obligor becomes such legal entity, and
4. JHF fails to fulfill its payment obligation under JHF MBS or other bond issued or assumed by JHF on the day such obligation is due and such condition is not cured within 7 days.

Point 2 Backed by regionally diversified and homogeneous housing loan pools

- As JHF purchases Flat 35 nationwide, the underlying housing loan pools of JHF MBSs are regionally diversified.
- JHF applies standardized uniform criteria for all housing loans when purchasing housing loans from the private financial institutions. Therefore, housing loan pools are homogeneous

Point 3 JHF bears credit risks of defaulted loans

- Principal and interest of delinquent loans up to three months will be paid by JHF
- For Monthly MBS, JHF prepays the defaulted loans, such as loans delinquent for four months. JHF removes such defaulted loans from the trust asset and repay an amount equivalent to the outstanding principal amount of defaulted loan multiplied by the outstanding amount of JHF MBS divided by the outstanding amount of entrusted housing loans (so called "Prepayment Method" (*))
- For S-series MBS, JHF replaces the defaulted loans, such as loans delinquent for four months, with performing loans and maintains the soundness of the entrusted housing loan pool (so called "Replacement Method" (**))

(*) For Monthly MBS issued during GHLC years, JHF applies Replacement Method also to S-series MBS.

(**) "Prepayment Method" and "Replacement Method" are applicable only before Beneficiary Certificate Trigger Events.

(Notes) The outstanding amount of entrusted housing loans is calculated assuming no delinquency of housing loans occurred.

Point 4 Achieves AAA ratings by over-collateralization

- A sufficient level of over-collateralization is set to achieve AAA ratings (the highest possible rating) (All of JHF MBS and GHLC MBS receive AAA ratings from R&I and S&P)
- By utmost limiting the associated credit risk of JHF MBS, investors can focus on interest rate risk and prepayment risk when deciding JHF MBS investments

(Notes) Over-collateralization is an excess amount of the total entrusted housing loan amount over the issuance amount of JHF MBS, therefore, over-collateralization functions as credit enhancement after Beneficiary Certificate Trigger Events.

Point 5 Principal and interest of JHF MBS are paid reflecting repayment of entrusted housing loan pool (so called a Monthly Pass-through Payment Method)

- JHF MBS is an asset-backed security backed by a large number of housing loans
- Principal and interest of JHF MBS are paid to the investors reflecting repayment amount of housing loan pool
- In general, principal and interest of housing loans is paid every month, therefore, principal and interest of JHF MBS are also paid every month
- Housing loans are paid both periodically and can also be prepaid, therefore, principal and interest payment of JHF MBS may change reflecting the condition of prepayment of underlying housing loans
- This method of principal and interest payment of JHF MBS is so called a Monthly Pass-through Payment Method

Housing Loan Insurance Business

JHF underwrites insurance for private-sector housing loans.

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

(Note) Business under housing loan insurance is subject to reviewing based on the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agency (approved by the Cabinet on December 7, 2010) (See page 91).

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 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 80 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 JHF.

[Product outline]

Type	Eligible loans	Insurance coverage
Specific personal loan insurance (private financial institute loan type)	Retail housing loans that are in accordance with the underwriting criteria of a private financial institution and have been approved by the JHF in advance (loans can include miscellaneous expenses in addition to funds required for construction or purchase). Also applicable to refinancing (except for in-house refinancing by banks)	100%
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35. Also applicable to refinancing.	
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	90%
Personal loan insurance	Retail housing loan in accordance with the underwriting criteria of a private financial institution. Also applicable to refinancing (except for in-house refinancing by banks)	
Personal bridge loan insurance	Bridge loan in accordance with the underwriting criteria of a private financial institution. Loans with maturity of no more than one year.	

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

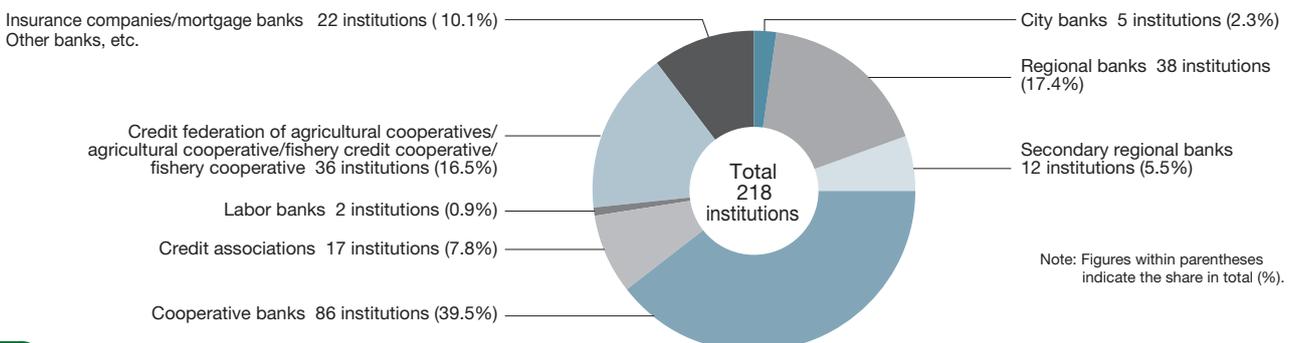
Treatment of housing loan insurance under Basel II Accord

Basel II is the final draft published by the Basel Committee on Banking Supervision in June 2004 and sets out new regulation on capital ratios for financial institutions.

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, 2011)

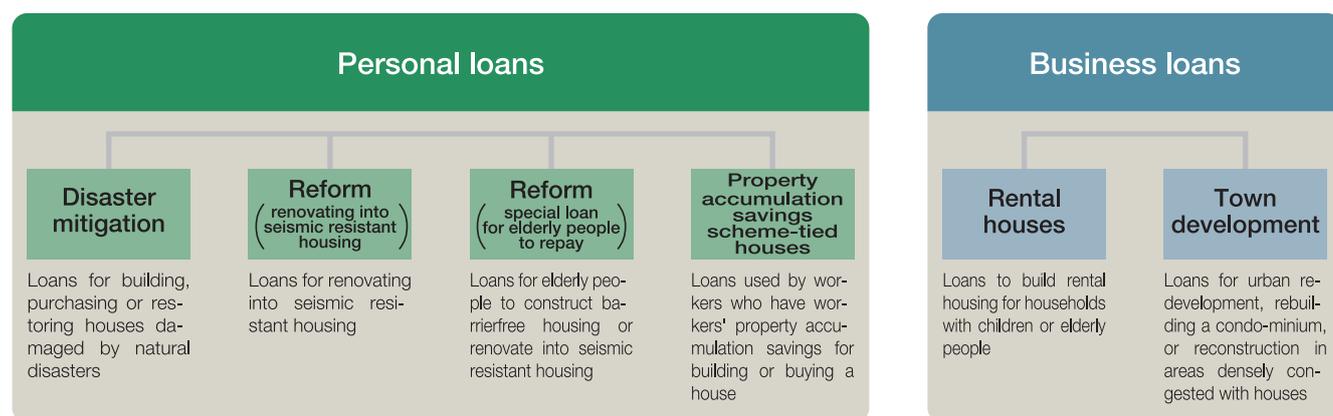


Loan Origination Business

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.

(Note) Business under rental housing loans and urban development financing is subject to reviewing based on the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agency (approved by the Cabinet on December 7, 2010) (See page 91).



Loans for disaster mitigation

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

Refer to pages 36-37 for the response to the Great East Japan Earthquake

[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
FY 2010	8	0.3

[Loans for mitigation of major disasters] (Unit: houses, 100 million yen)

	Accepted applications	
	Number of houses	Amount disbursed
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	4.1
2011 Great East Japan Earthquake	2	0.1

(As of March 31, 2011)

Rental Housing Financing

JHF supports the supply of quality rental housing by providing financing for the construction of rental housing with a large unit floor space aimed at child-rearing families or elderly accessible rental houses,.

【Examples of Rental Housing Financing】

Senior Rental Housing Business (Waraku Bokui Retirement Housing) (Inba-gun, Chiba Prefecture)



This retirement facility features an in-house daycare facility that renters can use for nursing care, meals and other services upon request. The facility allows residents to maintain their private lives while taking advantage of necessary services. The Ministry of Land, Infrastructure, Transport and Tourism certified the facility as a model for the stable provision of housing for the elderly. It was completed in February 2011.

Town development

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 that was sold by the Tokyo Metropolitan Housing Supply Corporation where many senior citizens occupied. After a resolution for reconstruction was adopted in 2006, 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. Completed in March 2010.

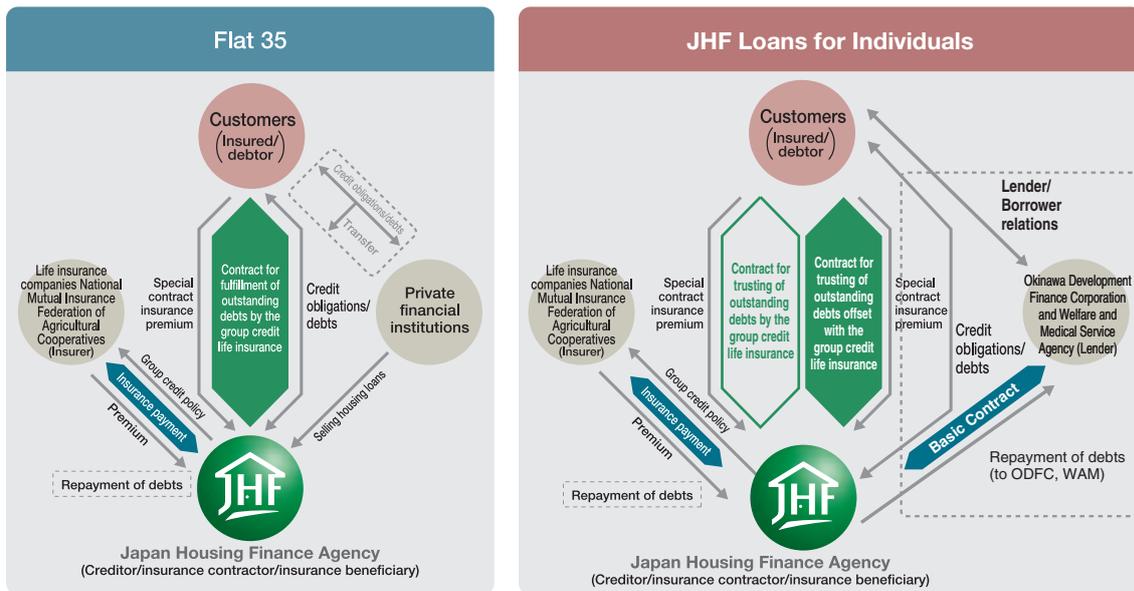
Operation of Group Credit Life Insurance (Mutual Relief)

Providing security for unforeseeable circumstances during the loan repayment period

JHF's group credit life insurance (mutual relief) program is a system, in which if borrowers of "Flat 35" or JHF loans, etc. who have joined in this system should die or incur a serious disability, etc., the outstanding loan balance is offset by the insurance (mutual aid money) that is paid by life insurance companies, etc.

* Retail loans through JHF, etc. refers to housing loans from JHF, the Welfare and Medical Service Agency (the former Social and Welfare Medical Service Corporation) and Okinawa Development Finance Corporation.

Scheme



Details of the insurance

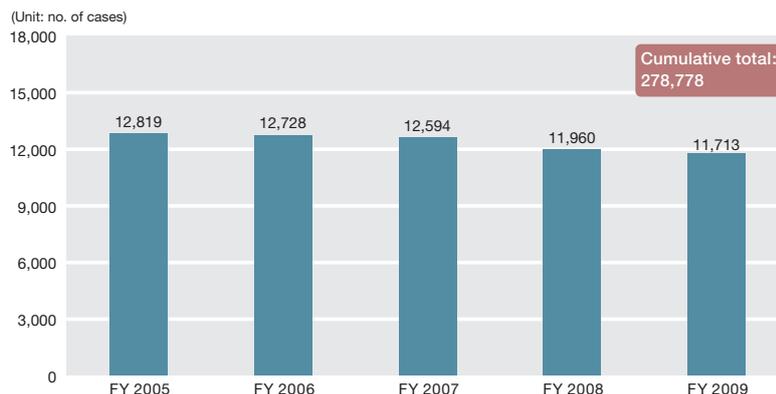
If people who join this system should die or incur a serious disability, the outstanding loan balance is fully repaid by this insurance.

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

Additionally, 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

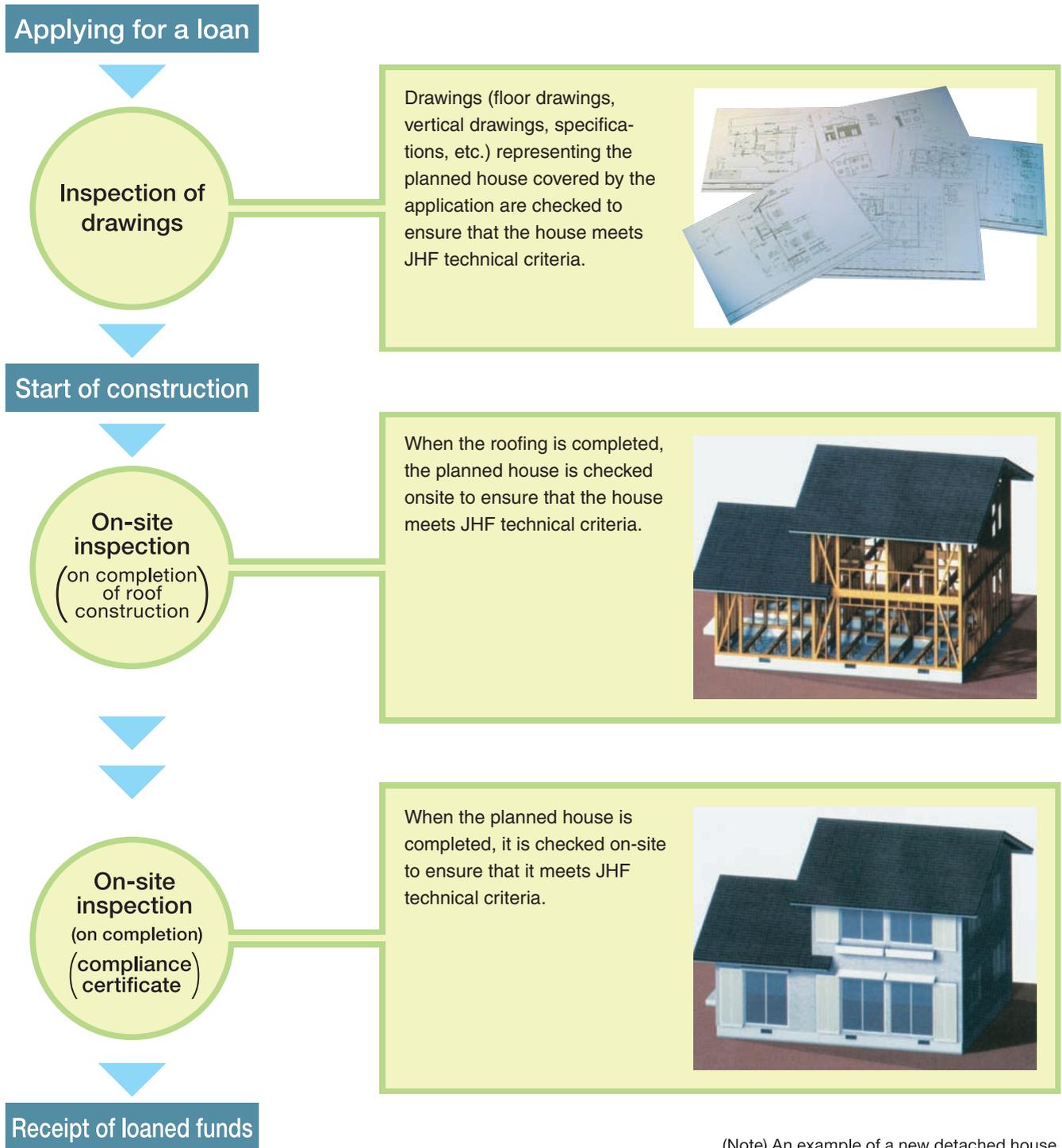
Since the establishment of the system in 1980, 280,000 cases were paid under this scheme.



Technical Assessment

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

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, 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 JHF.



(Note) An example of a new detached house.

Promotion of Flat 35-registered condominiums

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.

Simplifies the procedures for conformity certification for customers and developers.

Long-term fixed-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 to facilitate for acquiring high-quality housing Flat 35S, JHF attempts to attract consumers to the high quality housing by giving preferred interest rates.

Housing with excellent earthquake-resistance



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

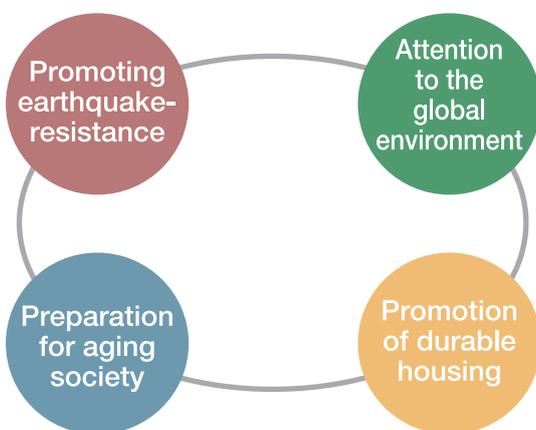
It is very important to prepare for large earthquakes, enhance housing seismic resistance and ensure safety.

Housing with excellent barrier-free performance



- 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 houses are comfortable for elderly people, including preparation for nursing care.



Housing with high energy-saving 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 high durability and flexibility



- 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.

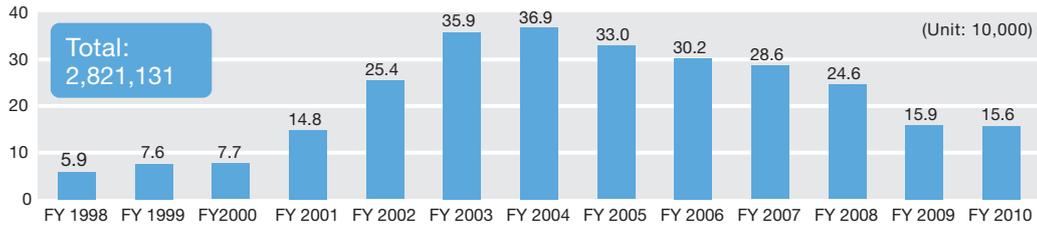
Management of Outstanding Loans

JHF provides security during the repayment period.

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. JHF provides security during the repayment period.

Consultation system for housing loan repayment

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.



* April 1998 to the end of March 2011

Modification of repayment terms and conditions

Depending on the result of the abovementioned consultation, 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*.

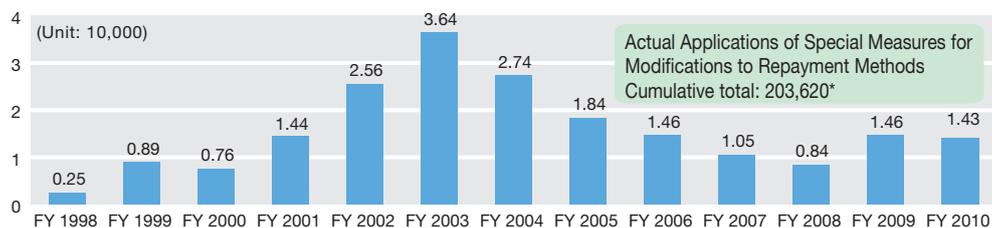
* The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

【Loans under GHLC】

- Current interest rate of 6% or less: 1% reduction
- Current interest rate of more than 6%: reduced to 5%

【Flat 35】

- 1% reduction regardless of the current interest rate



(December 1998~)

* Total for Former GHLC loans and "Flat 35".

Research and Survey on Housing Finance

Research and study on housing finance to promote securitization

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. Based on these background, the Survey and Research Department believes it is important to deepen awareness of product features and interest rate risks by mortgage product type to assist consumers and market players select an appropriate loan by considering not initial interest rate levels but also future changes in interest rates as well as speed of amortization on outstanding balance.

It is increasingly important to provide accurate and fair information to consumers and market players. The department carries out the following surveys and research activities in this context.

The ability to provide accurate and fair information to consumers and market players is increasingly important for promoting debt securitization, and JHF carries out the following surveys and research activities in this context.

Surveys of the values and behavior of housing loan users

The department researches and studies the awareness 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, and the volume of origination and trends of private housing loan.

Survey results were published on the JHF website, with more than 800,000 accesses (FY 2010 results), and is widely viewed for the latest information on market trends.

Surveys on overseas housing finance markets

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, 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, JHF assists projects to support young researchers by subsidizing their research and offering rewards to outstanding research.

Fiscal 2011 surveys (draft)

Title	Target	Propose
Survey on new origination volume and outstanding loan balances by types of lenders	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.

Efforts to Support Recovery from the Great East Japan Earthquake

We would like to express our deepest condolence and sympathies to all those affected by the Great East Japan Earthquake.

JHF is providing loans to rebuild or repair disaster-affected houses. JHF also provides consultations regarding possible modification to borrowers of JHF/former GHFC, including borrowers of "Flat 35" (Purchase Program). We are striving to serve all those who have been affected by the disaster and wish for the earliest possible recovery.

Options to Support Disaster Victims

* Program details and up-to-date interest rate information is available on the JHF website.

[Loans for disaster mitigation]

With the passing of the government's FY 2011 Supplementary Budget, JHF is expanding programs such as the interest-rate reduction on the base loan amount under the loans for disaster mitigation.

Examples of Interest-Rate Reductions on Base Loans for the Building and Purchase of Housing by Individuals

		Standard loans for disaster mitigation	Changes for Great East Japan Earthquake disaster victims	
Initial 5 years	➔	1.77% per annum	0.00% per annum	Regardless of the regular interest rate, a reduction to <u>0.00% interest</u>
From 6th year to 10th year			1.24 % per annum	A reduction of <u>0.53%</u> on the regular <u>interest rate</u>
In and after 11th year			1.77% per annum	

* The interest rate is as of July 21, 2011. The interest rate is revised each month, and the interest rate on the date of application applies.

The latest interest rate information is available on the JHF website.

[Loans for Disaster-affected Lot]

With the passing of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake on May 2, 2011, JHF has established a new type of financing to support repair work in cases where the residential lot suffered damage but the housing was intact.

[Modification of Loan Terms]

With the passing of the government's FY 2011 Supplementary Budget, in relation to the Great East Japan Earthquake, JHF expanded its programs for the modification of loan terms as follows.

1. Borrowers of JHF (former GHLC), including borrowers of "Flat 35" (Purchase Program), who are affected by the Great East Japan Earthquake are eligible for a grace period and/or extension of maximum maturity up to five years (it was three years before the expansion).
2. During the grace period, the interest rate reduction was expanded from a "maximum reduction of 1.5%" to the lower of "the level after maximum reduction of 1.5%" or "the level of 0.5%"

[Group Credit Life Insurance]

The following special measures are available to Great East Japan Earthquake disaster victims.

1. About the special contract premium for group credit life insurance:
 - For customers who find it temporarily difficult to pay in the premium, the payment period can be extended to a maximum of March 31, 2012.
 - Customers who paid the special contract premium after February 28, 2011 can have this premium temporarily refunded upon request.
2. Group credit life insurance coverage shall be paid with the cooperation of life insurance co-underwriters for simplified and quick implementation.

Efforts to Support Disaster Victims

[Establishment of a Disaster Response Headquarters]

JHF has set up a disaster response headquarters led by the President, and the General Manager of the Tohoku Branch Office has set up a local disaster response headquarters in order to quickly and smoothly provide consultations and other support activities to disaster victims with respect to special loans and modification programs

(Main Packages)

- Increase the number of call center staff so that customers do not have to wait for service.
- Dispatched employees to Sendai City Hall and other locations to expand consultation services.
- Began accepting applications of loans for disaster mitigation at accredited financial institutions in addition to application by post mails to JHF.

[Coordination with National and Local Government Units]

JHF is working with local financial institutions and local government units to create a user-friendly environment for applications for loans for disaster mitigation and repayment term modifications.

Moreover, we are carrying out public relations activities via press releases and Public Relations Office, Government of Japan, to inform the disaster victims about our programs and contact points for consultation services.

Examples of Press Releases

March 14, 2011	Notice regarding the acceptance of applications of Loans for disaster mitigation and modifying repayment terms for JHF loans (including "Flat 35")
May 2, 2011	Notice regarding the expansion of the loans for disaster mitigation program and modification on loan repayment terms
May 31, 2011	Applications for loans for disaster mitigation for houses and lots are accepted at accredited financial institutions

(as of July 1, 2011)

Contact points for consultations

We have set up the following contact points for consultation services for disaster victims.

● Telephone Consultation Service

■ JHF Customer Call Center

Dedicated Support Line for Disaster Victims

 **0120-086-353**

- * Please note that the above telephone line is strictly for the use of disaster victims.
- * If you cannot access the above line from an IP phone, etc. please use the following number. (TEL: 048-615-0420)
- * Telephone consultations are available from 9:00-17:00 daily, including Saturdays and Sundays.

■ Borrowers with outstanding balance

JHF has a variety of options for modifying repayment terms in accordance with the level of damages. Please ask the financial institutions at which you are serviced.

● Website

■ JHF website referring to the Great East Japan Earthquake

<http://www.jhf.go.jp/shinsai>

■ Mobile website

<http://www.jhf.go.jp/i>



QR code



Special website referring to the Great East Japan Earthquake

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.

JHF is contributing to the support of the housing market through an expansion of its programs made possible by the following economic stimulus packages.

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 for Revitalization of the Housing and Real Estate Markets (announced on December 15, 2008) and the Immediate Policy Package to Safeguard People's Daily Lives (announced on December 19, 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% (Purchase Program)
- (2) Expansion of the range of expenses subject to loans (Purchase Program and Guarantee Program)
- (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) (Purchase Program and Guarantee Program)
- (4) Inclusion of refinance loans (Purchase Program)

《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 (approved 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 to facilitate for acquiring high-quality housing Flat 35S (Purchase Program and Guarantee Program)

- * Temporary measures for customers applying by December 30, 2010

《Efforts related to housing loan insurance》 Premium reduction

- * Temporary measures for customers applying by December 30, 2010

Efforts in Light of the “Three-Stage Economic Measures toward a New Growth Strategy” (approved by the Cabinet on September 10, 2010)**《Programs under secondary market operations ([Flat 35] Related)》**

The interest rate reduction from 0.3% to 1.0% for the first 10 years of the support scheme to facilitate acquiring high-quality housing (“Flat 35S”) has been extended by one year (under Purchase Program and Guarantee Program).

- * Temporary measures for customers applying by December 30, 2011
- * There is a ceiling on the funds available for “Flat 35S”, and the program will be terminated when applications are expected to reach that ceiling. The deadline for applications will be announced on the “Flat 35” website (www.flat35.com) three weeks in advance.

Efforts to Improve Housing Quality and Address Environmental Problems, etc.

● Contribute to Quality Housing through “Flat 35S”

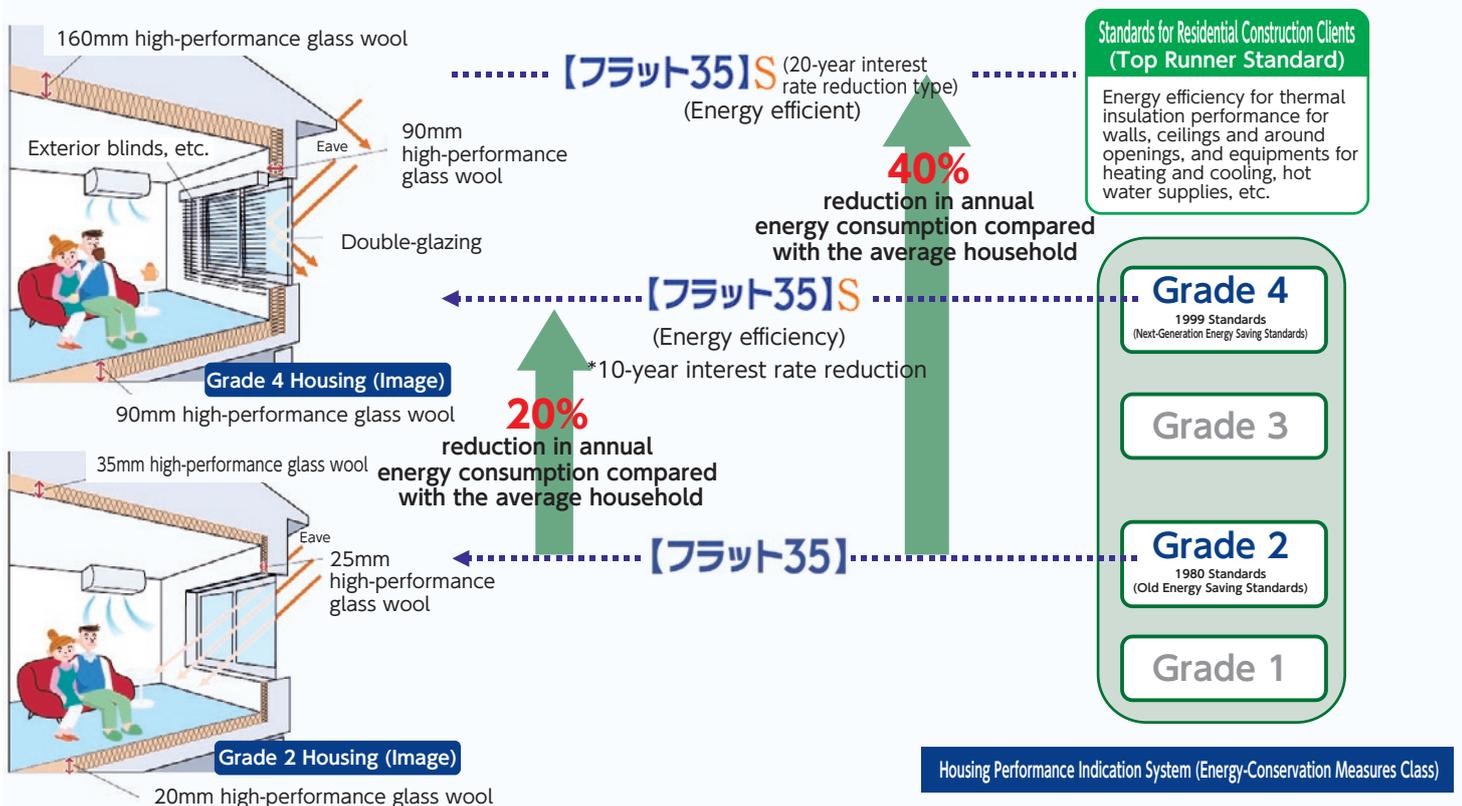
When a person applying for a “Flat 35” purchases a house that is energy efficient, with enhanced durability or with other high quality, JHF provides a special product, “Flat 35S” at a lower interest rate for a certain period.

To promote “Flat 35S”, JHF holds seminars and offers printed materials to explain matters related to technical criteria on energy efficiency and durability of houses in order to increase awareness of housing industry and consumers.

Since energy efficient houses reduce the amount of energy consumption for heating and cooling, the volume of household CO2 emissions decrease accordingly. Houses with enhanced durability extend the period at the end of which the houses is to be demolished and hence reduce the volume of construction waste.

By promoting the improvement of quality of houses through “Flat 35S”, JHF is contributing to addressing environmental problems and global warming issues.

【フラット35】S Energy-Saving Effect (Support Scheme to Facilitate for Acquiring High-quality Housing)



* The energy-saving rate is our provisional calculation based on the annual energy consumption of a standard household in the Tokyo Metropolitan Region, which is the total energy used for heating/cooling, ventilation, lighting, electrical appliances and cooking (source: Design Guidelines for Low-Energy Housing with Validated Effectiveness) while applying the “Web Program for Calculating Main Criteria for Residential Construction Projects”.

* The thicknesses for thermal insulation (high-performance glass wool) are the values for Zone IV (Tokyo’s 23 Wards).

● Efforts to address global warming

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, 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]

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, 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

〈CO ₂ emissions (results)〉		
CO ₂ emissions in FY 2007 (t-CO ₂ /year)	CO ₂ emissions in FY2008 (t-CO ₂ /year)	CO ₂ emissions in FY2009 (t-CO ₂ /year)
2,198.0	2,155.4	2,115.6

● 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.

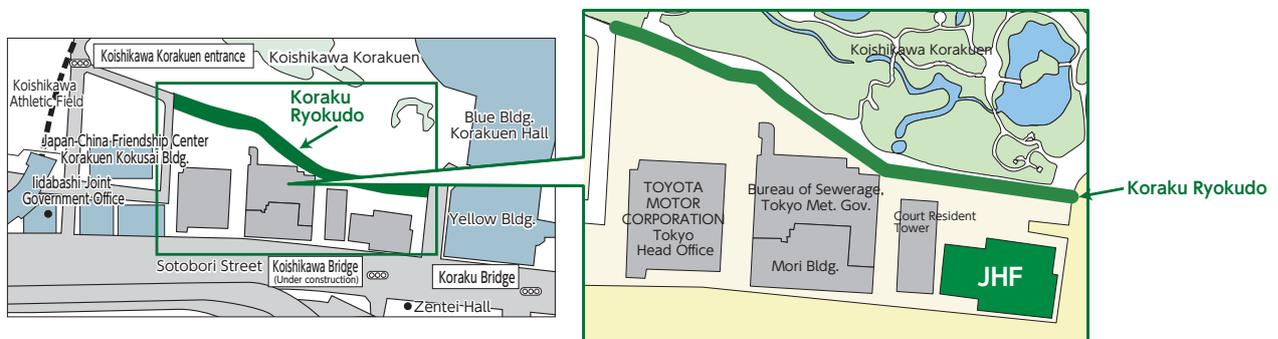
Koraku Ryokudo is maintained and managed by a management council comprised of the five organizations adjacent to Koishikawa Korakuen Garden, which used to be the garden of the Mito Tokugawa family's city residence and has been designated as a special place of scenic beauty and a special historic site 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.

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

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.



● 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.

Efforts on Finance Facilitation

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”), 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. 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. JHF pays due attention on the sustainability of the borrower after the modification.
3. 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 (From December 2009)】

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】

1. Implementation status of measures in line with Article 4 of the Small and Medium Sized Enterprises Finance Facilitation Law (Dec. 4, 2009 - Mar. 31, 2011)

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	314	60,489
Of which, the number of accepted applications and their amount	243	47,489
Of which, the number of rejected applications and their amount	32	6,445
Of which, the number of applications under underwriting and their amount	22	4,105
Of which, the number of withdrawn applications and their amount	17	2,450

2. Implementation status of measures in line with Article 5 of the Small Business Finance Facilitation Law (Dec. 4, 2009 - Mar. 3, 2011)

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	45,695	591,613
Of which, the number of accepted applications and their amount	31,303	406,622
Of which, the number of rejected applications and their amount	1,664	22,550
Of which, the number of applications under underwriting and their amount	3,123	40,503
Of which, the number of withdrawn applications and their amount	9,605	121,938

Financial data



住宅金融支援機構

Japan Housing Finance Agency

(Former GHLC)

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Main Management Indices

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	FY 2010
	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	10,365
Include income from government subsidies (reference to government payment) (* 2)	3,219 (553)	2,880 (430)	(* 1)822 (473)	(* 1) — (865)	(* 1) — (200)	(* 1)512 (200)
Ordinary expenses	20,406	18,019	17,367	14,030	14,140	12,985
Interest expense on borrowings and bonds	18,612	15,910	13,628	11,658	10,350	9,151
Net income (△/loss)	△777	△425	△1,569	△146	△1,468	△366
Balance of loans and purchased loans	11,914	20,474	27,817	32,863	40,540	64,372
Outstanding balance of loans, etc.	485,906	436,327	393,785	348,775	300,137	253,473
Outstanding balance of borrowings and bonds	516,173	469,852	422,842	388,667	362,174	334,195
Capital	2,237	2,537	3,197	4,057	9,013	6,977

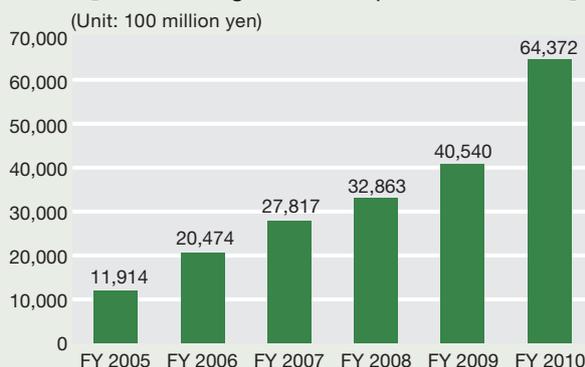
* 1 While JHF received government subsidies of ¥227.7 billion in FY 2007, ¥91.2 billion in FY 2008, ¥111.4 billion in FY 2009 and ¥82 billion in FY 2010 in the outstanding loan management account, the figure in the above table is reported in the profit and loss statement because of special accounting treatment with regard to the government subsidies as shown in the table below

(Unit: 100 million yen)

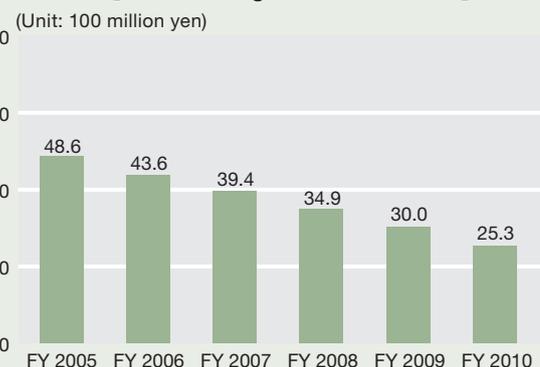
	FY 2007	FY 2008	FY 2009	FY 2010	Notes	
Stocked subsidies from the previous year, etc.⋯①	—	667	66	26		
Expected amount of undisbursed grants and subsidies from the previous year⋯②	3,789	3,001	1,487	333		
Subsidies received⋯③	2,277	912	1,114	820		
Required amount of subsidies	Balance of payments⋯④ (disparity between expenditure and revenues excluding the amounts transferred to irrecoverable debt reserves and from guarantee fee repayment reserves)	822	△70	△366	△620	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).
	Write-off of nonperforming loans, repayments of guarantee fees, and reversal of reserve for mortgage transfer registration ⋯⑤	788	1,584	1,520	1,636	
	Total⋯⑥ (=④ + ⑤)	1,610	1,514	1,154	1,016	
Balance (stocked subsidies for the current year, etc.)⋯① + ③ - ⑥	667	66	26	0	"0" if subsidies received, etc., in the fiscal year are negative.	
Balance (uncollected revenue reserve of the fiscal year) ⋯② - ⑥	3,001	1,487	333	0	"0" if uncollected revenue reserve of the current fiscal year are negative, [① + ③ - ②] are accounted for as income from government grants (¥51.2 billion in FY 2010).	

* 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 】



Status of Business Execution

Business Plan and Actual Performance

● Securitization business

Business plan for fiscal year 2010 was 64,000 units amounting to ¥1,280 billion for securitization business (Purchase Program) and 1,000 units amounting to ¥20 billion for securitization business (Guarantee Program, amount of which represents coverage for specific mortgage insurance).

Respective actual figures were 114,271 units amounting to ¥2,808.2 billion and 527 units amounting to ¥12.2 billion.

(Unit: houses, million yen)

Item	FY 2009						FY 2010			
	Post-disaster reconstruction				Original budget		Committed loans*		Distributed loans	
	Initial		After revision*							
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount
Purchase Program	110,000	2,200,000	126,500	3,130,000	51,461	1,012,745	64,000	1,280,000	114,271	2,808,174
Guarantee Program	10,000	200,000	1,000	20,000	619	17,668	1,000	20,000	527	12,221

* 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 2010 business plan (after revision), ¥600 billion was authorized for housing loan insurance; however, ¥637.4 billion was actually committed for insurance for 38,601 policies.

(Unit: houses, million yen)

Item		FY 2009		FY 2010
		Initial	After revision*	
For total insurance value		300,000	2,299,000	600,000
Insurance contracts concluded	No. of contracts	21,659		38,601
	Amount	446,810		637,417

* 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 2010 business plan, ¥607.4 billion was budgeted for housing loans for 45,500 units. Ultimately, the business committed to provide ¥303.0 billion in loans for 32,381 units, and ¥339.9 billion in loans was disbursed.

(Unit: houses, million yen)

Category		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

Category		FY 2010				
		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	△ 94	△ 1,468	28
	Disaster prevention	300	2,400	80	585	498
	Subtotal	2,300	32,400	△ 14	△ 883	526
Urban rehabilitation		10,000	254,000	15,372	145,491	136,371
Rental houses		30,000	261,000	17,008	157,895	201,982
Property accumulation saving scheme-tied houses		3,000	56,000	41	621	1,063
Owner occupied houses (provisional measures)		200	4,000	△ 26	△ 161	△ 4
Total		45,500	607,400	32,381	302,964	339,937

* "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.

* For disbursed loan, negative figures represent that the actual amount of loan cancelled, etc after the disbursements surpassed the actual amount of disbursed loan. (The "cancellations, etc" include those of loan disbursed in previous years.)

● Group credit life insurance (mutual aid) business

In FY 2010, the group credit life insurance (mutual aid) business held around 2.16 million policies for around ¥23,995.1 billion. The business provided 90,965 new policies for around ¥2,234.2 billion and paid off on 11,713 policies for around ¥103.1 billion.

(Unit: houses, million yen)

Category		FY 2009	FY 2010
Policies held	No. of contracts	2,361,697	2,164,726
	Amount	26,102,616	23,995,122
New Policies	No. of contracts	42,717	90,965
	Amount	870,658	2,234,247
policies paid off on	No. of contracts	11,960	11,713
	Amount	108,571	103,078

Result of Funding Activities

In FY 2010, the amount for loan origination and the purchase of loans totaled ¥2.9076 trillion, which was 119.2% more than for the previous fiscal year. Funding of loan origination and the purchase of loans were raised through the issuance of bonds (¥2.3859 trillion, up 9.0% from the previous fiscal year), borrowings from private institutions (143.6 billion, down 13.3%), and the repayment from the borrowers (¥5.2736 trillion, down 1.4%), less redemption of ¥3.3013 trillion (down 13.7% from the previous fiscal year) on borrowings and ¥2.0806 trillion (up 84.4%) on bonds.

JHF received ¥26.4 billion as capital from government, ¥82.0 billion as government subsidies, ¥20.0 billion as government grants and ¥224.7 billion as treasury subsidies (¥223.5 billion as subsidies for Emergency measures to facilitate housing finance, ¥1.2 billion as subsidies for securitization business) from the government's general account.

For the information, among capitals from government under the first Supplementary Budget for FY 2009, the amount of ¥230 billion was found no longer necessary for the reliable implementation of operations and was therefore paid to the national treasury in March 2011.

(Unit: million yen)

Category		FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Expenditure	Purchased loans, etc.	1,740,499	1,258,202	1,116,124	986,286	1,326,280	2,907,562
	Repayments of borrowings	6,746,849	6,674,189	6,959,707	4,587,085	3,824,665	3,301,298
		(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	2,080,555
	Other	4,310,493	3,557,934	2,712,547	2,669,706	4,942,507	4,128,884
	Total	13,348,786	12,193,402	11,542,672	9,208,398	11,221,722	12,418,298
Income	Capital from the General Account	10,000	30,000	66,000	86,000	495,600	26,355
	Capital from Industry Investment	45,000	—	—	—	—	—
	Collection of loans	7,315,364	5,304,188	4,519,376	4,791,147	5,345,900	5,273,621
	Borrowings	250,901	233,485	318,572	188,187	165,700	143,600
	Bonds	2,431,970	2,515,508	2,721,811	1,942,986	2,188,804	2,385,932
	Treasury subsidies, etc.	377,200	331,000	275,050	177,797	531,405	326,666
	Other	2,918,351	3,779,221	3,641,863	2,022,281	2,494,314	4,262,124
		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	FY 2010
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	143,600
Total	250,901	233,485	318,572	188,187	165,700	143,600

【 Government subsidies, etc. 】

(Unit: million yen)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Government subsidies	321,900	288,000	227,700	91,200	111,400	82,000
Government grants	55,300	43,000	47,300	86,500	20,000	20,000
Treasury subsidies	—	—	50	97	400,005	224,666
Total	377,200	331,000	275,050	177,797	531,405	326,666

(Note) JHF received from the general account government subsidies to smoothly manage operations, grants to cover extraordinary losses incurred according to the paragraph 17 of the supplementary provisions of the GHLC Law before the Law was abolished according to the article 10 of the supplementary provisions of the JHF Law, and treasury subsidies as subsidies for emergency measures to facilitate housing finance, subsidies for the promotion of activities such as the creation of a housing market, and subsidies for securitization business based on the provisions of the Law Concerning the Reasonable Execution of Budget Relating to Subsidies etc..

Outstanding Balance of Purchased Loans, etc.

At the end of FY 2010, the outstanding balance of purchased loans, etc., stood at ¥31,926.2 billion (including ¥6,437.2 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	49,680,095	3,297,802	42,372,086

Category	FY 2008		FY 2009		FY 2010	
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount
Purchased loans	162,324	3,286,301	207,389	4,054,039	308,686	6,437,220
GHLC originated loans	2,816,898	34,877,480	2,492,852	30,013,750	2,200,130	25,347,339
Owner-occupied houses	2,460,843	27,378,170	2,174,362	23,122,595	1,915,274	19,368,794
Rental houses	26,911	3,826,592	26,992	3,592,668	25,145	3,127,197
Urban rehabilitation	72,040	1,651,226	65,826	1,503,607	58,037	1,276,622
Restoration and improvement	151,015	906,818	127,406	801,500	112,092	705,634
Related public facilities, etc.	—	—	—	—	—	—
Subdivision lot development	24	52,364	21	48,777	18	44,654
Property accumulation saving scheme-tied houses	106,065	1,062,311	98,245	944,603	89,564	824,438
Claim on pension transfer	43,964	188,763	39,739	164,037	35,855	141,612
Total	3,023,186	38,352,545	2,739,980	34,231,825	2,544,671	31,926,171

At the end of FY 2010, the outstanding number of guarantees for the securitization business (Guarantee Program, insurance value of loans for which insurance is valid) was 10,432 for ¥281.0 billion, and the outstanding number of guarantees for the housing loan insurance business (insurance value of loans for which insurance is valid) was 126,088 for ¥2,373.7 billion.

Overall Agency

Although loan loss provisions were increased by ¥79.1 billion at the agency-level in consideration of the effects of the Great East Japan Earthquake, due to the progress made in the processing of non-performing loans on the outstanding loan management special account, the ¥44.0 billion ordinary loss recognized was ¥80.7 billion less than that in FY 2009. Moreover, as a result of the recognition of extraordinary income of ¥18.8 billion from gains on sales of securities and extraordinary loss of ¥15.9 billion from provisioning for policy reserves as well as a ¥4.5 billion reversal of special purpose reserves for allocation to group credit life insurance operations of the housing loan account, at the agency-level a gross loss of ¥36.6 billion was recognized.

● Balance Sheet

(unit: million yen)

Item	FY 2009	FY 2010	Item	FY 2009	FY 2010
(Assets)			(Liabilities)		
Cash and due from banks	2,712,133	1,315,200	Borrowings	24,721,710	21,564,012
Cash	1	1	FILP borrowings	24,544,645	21,420,412
Due from banks	2,385,471	1,038,234	Borrowings from the former Kanpo Life Insurance	11,465	—
Agency deposits entrusted	326,661	276,965	Borrowings from private institutions	165,600	143,600
Money in trust	—	249,936	Bonds	11,549,735	11,855,458
Receivables under resale agreement	400,000	593,983	Government guaranteed bonds	806,600	205,000
Securities	974,201	1,647,908	Mortgage-backed securities	8,419,383	9,030,094
Government bonds	381,743	282,335	General mortgage bonds	722,900	1,125,100
Local government bonds	156,438	169,167	Property accumulation saving scheme-tied housing bonds	740,400	637,400
Government guaranteed bonds	28,148	36,826	Housing land bonds	875,430	867,891
Corporate bonds	347,855	359,563	Bond issue premiums (△)	△ 14,977	△ 10,026
Stock	16	16	Insurance policy reserves	35,516	73,568
Certificates of deposit	60,000	800,000	Reserve for outstanding claims	1,148	504
Purchased loans	4,054,039	6,437,220	Policy reserve	34,368	73,064
GHLC originated loans	30,013,750	25,347,339	Subsidies received, etc.	396,583	589,258
Loans on bills	148,444	134,713	Subsidies payable for measures to facilitate outstanding loan management	2,553	—
Loans on deeds	29,865,306	25,212,625	Subsidies payable for emergency measures to facilitate housing finance	394,030	588,182
Other assets	590,838	547,495	Subsidies received for securitization business	—	1,076
Claims for indemnity	120,904	69,702	Other liabilities	608,896	860,109
Transferred claims (pension)	164,037	141,612	Accrued expenses	191,055	160,837
Accrued revenue	91,243	81,744	Advance earnings	53,438	50,052
Financial derivative products	168,846	209,602	Financial derivative products	180,614	221,111
Financial derivative product loss carry forward	21,722	27,841	Financial derivative product gain carry forward	13,033	17,891
Accrued insurance premiums	1,638	1,189	Accounts payable	158,257	398,807
Other assets	22,449	15,806	Other liabilities	12,499	11,412
Tangible fixed assets	37,376	35,844	Bonus payment reserve	643	609
Buildings	15,482	15,622	Allowance for retirement benefits	25,450	26,142
Accumulated depreciation (△)	△ 2,239	△ 2,794	Allowance for refund of guarantee fees	49,730	40,050
Accumulated impairment loss (△)	△ 42	△ 42	Reserve for mortgage transfer registration	34,546	25,954
Land	22,168	22,168	Guarantee obligation	990,336	866,850
Accumulated impairment loss (△)	△ 441	△ 441			
Other tangible fixed assets	4,556	4,557	Total liabilities	38,413,147	35,902,011
Accumulated depreciation (△)	△ 2,107	△ 3,225			
Accumulated impairment loss (△)	△ 0	△ 0	(Net assets)		
Expected amount of undisbursed grants	33,320	—	Capital	901,300	697,655
Extraordinary losses	28,325	8,325	Government investment	901,300	697,655
Guarantee obligation reversal	990,336	866,850	Capital surplus	△ 484	△ 484
Reserve for possible loan losses (△)	△ 851,328	△ 822,858	Accumulated impaired loss not included in profit and loss (△)	△ 484	△ 484
			Loss carry forward	△ 330,974	△ 372,035
			Valuation and conversion adjustments	—	94
			Deferred gains or losses on hedges	—	94
			Total net assets	569,842	325,231
Total assets	38,982,989	36,227,242	Total liabilities and net assets	38,982,989	36,227,242

Income Statement

(unit: million yen)

Item	FY 2009	FY 2010
Ordinary income	1,289,262	1,254,550
Income from asset management	1,158,011	1,059,524
Interest on purchased loans	98,028	120,076
Interest on GHLC originated loans	1,038,030	916,469
Charges on claims for indemnity	493	378
Interest on transferred claims	6,100	5,321
Interest and dividends on securities	13,927	14,486
Interest on receivables under repurchase agreement	863	287
Interest on deposits	569	2,507
Income from underwriting insurance	123,465	112,092
Net insurance premium revenue	11,828	7,956
Reimbursement of unused reserve for outstanding claims	1,702	644
Fee from group credit life insurance riders	97,379	96,031
Revenue from group credit life insurance	4,497	4,169
Dividends on group credit life insurance	8,060	3,291
Income from service transactions	1,549	1,381
Guarantee fee Other income	524	483
Other subsidies	1,024	898
Income from government subsidies	—	51,233
Other subsidies	5,975	30,029
Subsidies for emergency measures to facilitate housing finance	5,970	29,940
Proceeds from securitization business subsidies	—	89
Subsidies for the promotion of activities such as the development of a housing market	5	—
Other ordinary income	263	291
Other ordinary income	263	291
Ordinary expenses	1,414,006	1,298,548
Fund raising expenses	1,035,263	915,580
Interest on borrowings	832,561	705,254
Interest on bonds	202,454	209,825
Other interest paid	247	500
Insurance underwriting expenses	138,575	142,210
Net insurance paid	6,758	7,037
Provision for policy reserve	14,681	22,831
Group credit insurance premium paid	112,434	107,983
Payment of group credit life insurance claims	4,702	4,358
Service transaction expenses	24,590	24,698
Service expenses	24,590	24,698
Other operating expenses	7,673	9,763
Amortization of bond issuing expenses	6,674	6,968
Financial derivatives expenses	999	2,795
Business expenses	31,712	25,677
Other ordinary expenses	176,194	180,619
Provision for reserve for possible loan losses	176,185	180,604
Other ordinary expenses	10	15
Ordinary losses	△ 124,745	△ 43,998
Extraordinary profit	6,790	18,802
Gain on bad debt recovered	622	965
Gain on sale of securities	—	5,499
Other extraordinary profit	6,168	12,338
Reimbursement of allowance for refund of guarantee fees	6,168	2,448
Reversal of reserve for mortgage transfer registration	—	5,482
Reimbursement from insolvent customers based on restructuring plan	—	451
Gain on allotment of stock from demutualization of group credit life insurance customers	—	3,958
Extraordinary losses	35,337	15,865
Loss on disposal of tangible fixed assets	791	—
Other extraordinary losses	34,546	15,865
Provision for the reserve for mortgage transfer registration	34,546	—
Provision of policy reserves for special housing loan insurance	—	15,865
Net loss	△ 153,292	△ 41,061
Transfer from reserve for special purpose	6,538	4,471
Gross loss	△ 146,753	△ 36,590

Cash Flows Statement

(unit: million yen)

Item	FY 2009	FY 2010
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 943,428	△ 2,567,624
Loan disbursement	△ 382,852	△ 339,937
Outlays on personnel expenses	△ 10,381	△ 10,154
Outlays on insurance	△ 6,758	△ 7,037
Outlays on group credit life insurance premium	△ 113,075	△ 108,110
Outlays on payment on group credit life insurance claims	△ 4,715	△ 4,350
Other operating outlays	△ 71,495	△ 59,881
Income from collection of purchased loans	243,557	421,480
Income from collection of GHLC originated loans	5,102,342	4,852,141
Income from interest on purchased loans	96,955	118,612
Income from interest on GHLC originated loans	1,046,664	926,995
Income from interest on GHLC originated loans	353	272
Loan origination fees and other revenue	11,668	8,414
Income from insurance premiums	100,650	93,226
Income from riders on group credit life insurance	4,380	4,487
Income from group credit life insurance	1,663	8,060
Dividends received from group credit life insurance	47,278	47,776
Income from other operations	111,400	82,000
Income from government subsidies	20,000	20,000
Income from government payment	400,005	224,666
Income from treasury subsidies	5,654,211	3,711,034
Subtotal Interest and dividends received	49,591	73,669
Interest paid	△ 1,105,498	△ 1,004,868
Cash flow from operating activities	4,598,304	2,779,835
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 450,634	△ 153,037
Income from redemption of securities (bonds)	55,120	45,710
Income from sale of securities (bonds)	—	178,636
Net change in securities (certificates of deposit) (negative _ decline)	△ 60,000	△ 740,000
Outlays on acquisition of tangible fixed assets	△ 84	△ 140
Income from disposal of tangible fixed assets	636	—
Income from time deposit maturing	729,062	△ 249,936
Net change in receivables under repurchase agreement (negative _ decline)	△ 400,000	△ 238,115
Other expenditure	—	44,132
Other income	4	2
Cash flow from investing activities	△ 125,896	△ 1,112,749
III Cash flow from financing activities		
Net change in short-term borrowings from private institutions (negative _ decline)	165,600	143,600
Income from long-term borrowings from private institutions	△ 187,587	△ 165,600
Income from issuance of bonds (after deducting issuance expense)	2,182,130	2,378,964
Outlays on repayment of bonds	△ 1,128,271	△ 2,080,555
Income from FILP borrowings	100	—
Outlays on repayment of FILP borrowings	△ 3,606,825	△ 3,124,233
Outlay for repayment of borrowings from the former Kanpo Life Insurance	△ 30,253	△ 11,465
Outlays on the payment of lease obligation	△ 1,062	△ 1,086
Income from government investments	495,600	26,355
Outlays for payment to national treasury concerning unnecessary estates	—	△ 230,000
Cash flows from financing activities	△ 2,110,567	△ 3,064,020
IV Increase (or decrease) in cash	2,361,841	△ 1,396,934
V Opening balance of cash	350,293	2,712,133
VI Closing balance of cash	2,712,133	1,315,200

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2009	FY 2010
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	1,035,263	915,580
Insurance underwriting expenses	138,575	142,210
Service transaction expenses	24,590	24,698
Other operation expenses	7,673	9,763
Business expenses	31,712	25,677
Other ordinary expenses	176,194	180,619
Loss on disposal of tangible fixed assets	791	—
Losses associated with the insolvency of counter parties of financial derivatives	34,546	—
Provision of allowance for designated housing loan insurance	—	15,865
Subtotal	1,449,343	1,314,412
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 1,158,011	△ 1,059,524
Income from insurance underwriting	△ 123,465	△ 112,092
Income from service transactions	△ 1,549	△ 1,381
Other ordinary income	△ 263	△ 291
Gain on bad debt recovered	△ 622	△ 965
Gain on sale of securities	—	△ 5,499
Reimbursement of allowance for refund of guarantee fees	△ 6,168	△ 2,448
Reversal of reserve for mortgage transfer registration	—	△ 5,482
Reimbursement from insolvent customers based on restructuring plan	—	△ 451
Gain on allotment of stock from demutualization of group credit life insurance underwriters	—	△ 3,958
Subtotal	△ 1,290,077	△ 1,192,089
Total operating expenses	159,266	122,323
II Accumulated impaired loss not included in profit and loss	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	11,055	11,476
V Administrative cost	170,698	133,807

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.
With regard to the effects of the Great East Japan Earthquake of March 11, 2011, the damage status of borrowers and the status of collaterals have as far as possible been reflected in self-assessment, and reasonable estimates have been recognized on accounts.
(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 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 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
In order to pay for future liabilities related to insurance relations stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955), an amount is recorded based on the method 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 Japan Housing Finance Agency (Finance No. 203 and National Housing Material No. 29: May 30, 2011, in the following, Calculation Method Designated by the Competent Minister). The above ministerial ordinance is Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism Ministerial Ordinance No. 1 of 2007, referred to below as the ministerial ordinance).
- 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.
- Treatment of interest rate swap transactions
(1) Interest rate swap transactions on the securitization support account
Gains and losses from interest rate swaps contracted to hedge the pipeline risk of bonds the Agency issues for the procurement of funds needed to purchase mortgages from lenders are recognized as gains from deferred derivative instruments and losses from deferred derivative instruments pursuant to the stipulations of Article 12 of the Ministerial Ordinance in accordance with the methods designated by the competent minister (Concerning Methods Designated by the Competent Minister of State based on the Stipulations of Article 12 of the Ministerial Ordinance concerning the Operations, Finance, and Accounting of Japan Housing Finance Agency (April 1, 2007, Finance No. 174 and National Housing Material No.122)).
(2) Interest rate swap transactions on the housing loan account
Deferred hedge accounting is used to account for interest rate swap transactions contracted in order to hedge the pipeline risk of bonds of JHF issued to procure funds for lending as construction funds for rental housing.
Hedge effectiveness is assessed based on the variation in the amount of hedged objects and hedging instruments.
- 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 2011, 1.25% 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.
- Change in significant accounting policies
Beginning with the end of the fiscal year under review, policy reserves are recognized in amounts computed in accordance with the methods designated by the competent minister of state stipulated in Article 13 of the Ministerial Ordinance after Revision pursuant to the Ministerial Ordinance for the Partial Revision of the Ministerial Ordinance concerning the Operations, Finance, and Accounting of the Japan Housing Finance Agency (Ministerial Ordinance No. 1, Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism, 2011).
As a result, compared with the previous method, net loss and gross loss for the period both increased by ¥15,864,710,969.

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	Amount
Securitization Support Account	Purchased loans	5,606,868,358,613	MBS	4,994,142,912,552
Housing Loan Account	GHLC originated loans	53,699,635,383	MBS	62,384,527,015
Outstanding Loan Management Special Account	GHLC originated loans	4,260,768,671,582	MBS	3,973,566,349,433
Total		9,921,336,665,578		9,030,093,789,000

(2) Transferred Claims (From pension)

Based on Item 3, Paragraph 1, Article 7 of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005; referred to below as the JHF 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 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

Ca sh and due from bank	¥1,315,199,897,492
Closing balance of cash	¥1,315,199,897,492

(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 JHF 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, 2011
Retirement benefit obligation (A)	△ 39,170,921,198
Pension assets (B)	10,129,317,202
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 29,041,603,996
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	2,899,915,070
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 26,141,688,926
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 26,141,688,926

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2010 to March 31, 2011
Service cost	997,438,905
Interest cost	771,940,524
Expected return on plan assets	△ 207,309,846
Amortization of prior service obligations	0
Amortization of actuarial differences	340,936,276
Other (such as extra retirement benefit)	0
Net pension expenses	1,903,005,859

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

Category	As of March 31, 2011
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 displaying impairment signs

The employee dormitories listed below (buildings, etc., and land) have been found to be displaying signs of impairment due to material deterioration in usability. Since these assets are subject to constant maintenance and equipped with the functions consistent with their purpose of use, no impairment is recognized.

(Unit: yen)

	Agency branch designation	Dormitory designation	Location	Book value		
				Buildings, etc.	Land	Total
1	Tokai	Minamigaoka No. 1 Dormitory	Nagoya city, Chikusa-ku	18,375,077	54,700,000	73,075,077
2	Tokai	Minamigaoka No. 2 Dormitory	Nagoya city, Chikusa-ku	33,781,837	94,300,000	128,081,837
3	Shikoku	Kita Dormitory	Takamatsu city	20,479,423	32,400,000	52,879,423
Total				72,636,337	181,400,000	254,036,337

Note: Book values are carrying values as of the end of the period under review.

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 Fiscal Investment and Loan Program.

b. Description and Financial Products and their Risk

The financial assets held by 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.

JHF'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, 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.

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.

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, 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 JHF's assets, the agency recognizes that purchasing loans or originating loans has significant impact on our financials in the long term. Accordingly, when 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

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. JHF 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 securitization business.

(d) Liquidity risk management

In JHF, a risk management department, which is independent of the financing, management department has set short-term liquidity standards and other financing management indicators to implement monitoring.

Moreover, administrative categories have been established according to cash management tightness and actions have been predetermined depending on the administrative category.

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

With regard to the credit status of investment counterparties, JHF has established risk management division, which is apart from funding management division, to set up the counterparty credit risk management indicators and implement monitoring.

As to monitoring activities, with regard to the management of surplus funds invested in Government bonds, municipal bonds, and government-guaranteed bonds, etc., credit

risk management methods have been established for issuers of bonds held by JHF. With regard to interest rate swap transactions, credit risk management methods have been established for the financial institutions that are counterparties to interest rate swap transactions.

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	1,315,199,897,492	1,315,199,897,492	0
(2) Receivables under resale agreements	249,935,856,800	249,935,856,800	0
(3) Money in trust	593,983,238,664	593,831,486,040	△ 151,752,624
(4) Securities			
Securities held to maturity	847,891,780,474	863,960,445,800	16,068,665,326
Other securities	800,000,000,000	800,000,000,000	0
(4) Purchased loans	6,437,220,407,381		
Reserve for possible loan losses (*1)	△ 50,692,148,500		
	6,386,528,258,881	6,526,574,743,732	140,046,484,851
(5) GHLC originated loans	25,347,338,665,709		
Reserve for possible loan losses (*1)	△ 693,428,336,231		
	24,653,910,329,478	25,520,645,460,162	866,735,130,684
(7) Claims for indemnity (*1)	12,209,390,304	12,209,390,304	0
(8) Transferred claims (from pension) (*1)	137,923,252,832	141,198,054,173	3,274,801,341
Total assets	34,997,582,004,925	36,023,555,334,503	1,025,973,329,578
(1) Borrowings	21,564,012,434,000	23,107,373,258,094	1,543,360,824,094
(2) Bonds (*2)	11,855,458,094,572	12,091,457,089,957	235,998,995,385
(3) Accounts payable	398,806,870,000	398,806,870,000	0
Total liabilities	33,818,277,398,572	35,597,637,218,051	1,779,359,819,479
Financial derivative products (*3)	(11,508,778,583)	(11,508,778,583)	0
Total financial derivative products	(11,508,778,583)	(11,508,778,583)	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 a net basis. 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) Receivables under resale agreements

Since contracts are for short-term and fair value approximates book value, book values are used as fair value.

(3) Money in trust

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

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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	271,514,168,644	282,465,726,000	10,951,557,356
	Municipal bonds	101,180,725,902	104,158,496,600	2,977,770,698
	Government guaranteed bonds	19,510,059,978	19,876,079,200	366,019,222
	Corporate bonds	216,922,617,335	225,305,967,000	8,383,349,665
	Subtotal	609,127,571,859	631,806,268,800	22,678,696,941
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	10,820,819,741	10,740,415,000	△ 80,404,741
	Municipal bonds	67,986,753,343	66,844,548,000	△ 1,142,205,343
	Government guaranteed bonds	17,315,893,844	17,162,340,000	△ 153,553,844
	Corporate bonds	142,640,741,687	137,406,874,000	△ 5,233,867,687
Subtotal	238,764,208,615	232,154,177,000	△ 6,610,031,615	
Total		847,891,780,474	863,960,445,800	16,068,665,326

(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	800,000,000,000	800,000,000,000	0

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

(3) Securities held to maturity that were sold in FY 2010

(Unit: yen)

Type	Cost	Proceeds	Profit or loss
Government Bonds	93,822,322,026	96,999,094,000	3,176,771,974
Municipal bonds	49,213,265,412	50,812,800,500	1,599,535,088
Government-guaranteed bonds	830,709,754	856,736,000	26,026,246
Corporate bonds	29,270,185,827	29,966,910,500	696,724,673
Total	173,136,483,019	178,635,541,000	5,499,057,981

Reason for the sale: The securities were sold for payments to national treasury in connection with unnecessary assets and for additional re-entrustment of subsidies received.

8. Material Liability Incurring Activities

There is nothing to report.

9. Important subsequent events

None.

10. Payments to the national treasury in connection with unnecessary assets

(1) Outline of unnecessary assets in relation to which payments were made to the national treasury

- Type
Cash
- Book value
230 billion yen

(2) Cause of redundancy of funds

As the result of a review of the execution of capital payments instituted under the first Supplementary Budget for FY 2009, based on the future expected business volume, it was found that for the full implementation of operations the above assets are no longer necessary.

(3) Method of payment into the national treasury

Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraph 1 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

(4) Amount paid into the national treasury

230 billion yen

(5) Date of payment into the national treasury

March 14, 2011

(6) Amount of reduction in capital

230 billion yen

Securitization Support Account

The securitization support account consists of the loan purchasing account (Purchase Model) and the MBS guarantee account (Guarantee Program).

As to the results of the loan purchasing account, although ordinary income from interest, etc. on purchased mortgages rose along with the increase in the balance of purchased mortgages, ¥20.5 billion increase in loan loss provisions were recognized due to the effect of the Great East Japan Earthquake as well as increase in delinquent mortgages, resulting in an ordinary loss of ¥12.7 billion. After extraordinary gain of ¥5.2 billion from gains on sales of securities and extraordinary loss of ¥0.4 billion from provisioning for retirement benefits associated with transfers between accounts, a gross loss of ¥7.8 billion resulted for the period.

MBS guarantee account posted an ordinary loss of ¥2.2 billion, improved by ¥0.9 billion compared with FY 2009, thanks to an increase in collected amounts after payment of insurance claims. However, due to extraordinary loss of ¥15.9 billion from provisioning of policy reserves in order to upgrade insurance underwriting risk management, a gross loss of ¥18.0 billion for the period resulted.

Accordingly, in the integrated account, JHF posted an ordinary loss of ¥14.8 billion and a gross loss of ¥25.8 billion in FY 2010.

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 2009	FY 2010	Item	FY 2009	FY 2010
(Assets)			(Liabilities)		
Cash and due from banks	48,438	33,943	Loans from other account	—	451,400
Cash	0	0	Short-term loan from other account	—	241,700
Due from banks	27,680	1,228	Long-term loan from other account	—	209,700
Agency deposits entrusted	20,758	32,714	Bonds	3,853,134	5,566,139
Money in trust	260,000	546,620	Mortgage-backed securities	3,617,406	4,994,143
Securities	587,097	452,706	General mortgage bonds	235,825	572,224
Government bonds	277,616	184,597	Bond issue premiums (△)	△ 98	△ 228
Local government bonds	95,769	75,231	Reserve for insurance	548	15,865
Government guaranteed bonds	10,993	11,360	Reserve for payment	548	—
Corporate bonds	202,719	181,518	Policy reserve	—	15,865
Purchased loans	4,054,039	6,437,220	Subsidies payable, etc.	259,931	544,864
Other assets	199,275	247,780	Subsidies payable for emergency measures to facilitate housing finance	259,931	543,788
Accrued revenue	7,372	8,423	Subsides received for securitization business	—	1,076
Financial derivative products	168,846	209,343	Other liabilities	361,468	648,216
Financial derivative product loss carry forward	21,722	27,841	Accrued expenses	5,466	7,520
Accrued insurance premiums	45	37	Financial derivative products	180,614	220,949
Other assets	298	1,173	Financial derivative product gain carry forward	13,033	17,891
Accounts receivable for other accounts	992	964	Accounts payable	158,257	398,807
Tangible fixed assets	37,376	35,844	Other liabilities	2,707	1,784
Buildings	15,482	15,622	Accounts payable for other accounts	1,390	1,265
Accumulated depreciation (△)	△ 2,239	△ 2,794	Allowance for bonuses	272	266
Accumulated impairment losses (△)	△ 42	△ 42	Allowance for retirement benefits	10,753	11,416
Land	22,168	22,168	Reserve for mortgage transfer registration	1,180	929
Accumulated impairment losses (△)	△ 441	△ 441	Guarantee obligation	276,583	261,018
Other tangible fixed assets	4,556	4,557	Total liabilities	4,763,868	7,500,114
Accumulated depreciation (△)	△ 2,107	△ 3,225	(Net assets)		
Accumulated impairment losses (△)	△ 0	△ 0	Capital	703,300	515,655
Guarantee obligation reversal	276,583	261,018	Government investment	703,300	515,655
Reserve for possible loan losses (△)	△ 21,201	△ 50,767	Capital surplus	△ 484	△ 484
			Accumulated impaired loss not included in profit and loss (△)	△ 484	△ 484
			Loss carry forward	△ 25,077	△ 50,920
			Unappropriated loss	△ 25,077	△ 50,920
			(of which, gross loss for the current fiscal year)	(△ 5,785)	(△ 25,843)
			Total net assets	677,740	464,251
Total assets	5,441,608	7,964,365	Total liabilities and net assets	5,441,608	7,964,365

Income Statement

(unit: million yen)

Item	FY 2009	FY 2010
Ordinary income	107,974	140,499
Income from asset management	106,254	128,162
Interest on purchased loans	98,037	120,091
Interest and dividends on securities	8,136	8,017
Interest on receivables under repurchase agreement.	25	—
	56	54
Interest on deposits	548	1,048
Income from underwriting insurance	548	500
Net insurance premium revenue	—	548
Net insurance premium revenue Income from service transactions	24	27
Guarantee fee	24	27
Other subsidies	69	10,220
Subsidies for emergency measures to facilitate housing finance	69	10,131
Proceeds from securitization business subsidies	—	89
Other ordinary income	1,078	1,042
Other ordinary income	1,078	1,042
Ordinary expenses	111,597	155,343
Fund raising expenses	71,989	89,988
Interest on bonds	71,506	88,999
Other interest paid	247	500
Interest on loans of other accounts	236	489
Insurance underwriting expenses	3,882	3,498
Net insurance paid	3,438	3,498
Provision for outstanding claims	443	—
Service transaction expenses	6,491	8,167
Service expenses	6,491	8,167
Other operating expenses	5,465	10,485
Amortization of bond issuing expenses	3,078	6,422
Financial derivatives expenses	999	2,798
Other operational expenses	1,389	1,265
Business expenses	11,188	10,126
Other ordinary expenses	12,581	33,079
Provision for reserve for possible loan losses	12,581	33,079
Other ordinary expenses	0	0
Ordinary losses	△ 3,623	△ 14,844
Extraordinary gain	—	5,233
Gain on written-off claims recovered	—	0
Gain on sale of securities	—	4,629
Other extraordinary gain	—	603
Reversal of reserve for mortgage transfer registration	—	153
Other extraordinary gain	—	451
Extraordinary losses	2,162	16,232
Loss on disposal of tangible fixed assets	791	—
Other extraordinary losses	1,371	16,232
Provision for allowance for retirement benefits accompanying transfer between accounts	192	367
Provision for the reserve for mortgage transfer registration	1,180	—
Provision of policy reserves for special housing loan insurance	—	15,865
Net loss	△ 5,785	△ 25,843
Gross loss	△ 5,785	△ 25,843

Cash Flows Statement

(unit: million yen)

Item	FY 2009	FY 2010
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 943,428	△ 2,567,624
Outlays on personnel expenses	△ 4,382	△ 4,408
Outlays on insurance	△ 3,438	△ 3,498
Other operating outlays	△ 12,707	△ 13,705
Income from collection of purchased loans	243,557	421,480
Income from interest on purchased loans	96,963	118,627
Income from insurance premiums	546	508
Income from other operations	1,236	1,669
Income from treasury subsidies	260,000	294,666
Subtotal	△ 361,653	△ 1,752,285
Interest and dividends received	42,717	64,318
Interest paid	△ 108,118	△ 147,732
Cash flow from operating activities	△ 427,054	△ 1,835,699
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 308,050	△ 30,528
Income from redemption of securities (bonds)	14,670	17,370
Income from sale of securities (bonds)	—	151,889
Outlays on acquisition of tangible fixed assets	△ 84	△ 140
Income from disposal of tangible fixed assets	636	—
Net change in receivables under repurchase agreement (negative _ decline)	17,494	—
Outlays on the increase of money in trust	△ 260,000	△ 293,500
Income from the decrease of money in trust	—	6,880
Other income	4	2
Cash flow from investing activities	△ 535,330	△ 148,028
III Cash flow from financing activities		
Income from issuance of bonds (negative _ decline)	896,770	2,103,926
Outlays on repayment of bonds	△ 249,147	△ 397,363
Outlays on the payment of lease obligation	△ 1,062	△ 1,086
Income from government investments	346,000	12,355
Outlays for payments to national treasury concerning unnecessary assets	—	△ 200,000
Net change in short-term loan from other accounts (negative decline)	—	241,700
Income from borrowings of long-term loan from other account	—	209,700
Cash flows from financing activities	992,562	1,969,232
IV Increase (or decline) in cash	30,178	△ 14,495
V Opening balance of cash	18,260	48,438
IV Closing balance of cash	48,438	33,943

Statement of Appropriation of Loss

(unit: million yen)

I Unappropriated loss		△ 50,920
Gross loss	△ 25,843	
Loss carry forward (from previous year)	△ 25,077	
II Loss carry forward (to next year)		△ 50,920

● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2009	FY 2010
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	71,989	89,988
Insurance underwriting expenses	3,882	3,498
Service transaction expenses	6,491	8,167
Other operation expenses	5,465	10,485
Business expenses	11,188	10,126
Other ordinary expenses	12,581	33,079
Loss on disposal of tangible fixed assets	791	—
Provision for allowance for retirement benefits accompanying transfer between accounts	192	367
Provision for the reserve for mortgage transfer registration	1,180	—
Provision of policy reserves for special housing loan insurance	—	15,865
Subtotal	113,759	171,575
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 106,254	△ 128,162
Income from insurance underwriting	△ 548	△ 1,048
Income from service transactions	△ 24	△ 27
Other ordinary income	△ 1,078	△ 1,042
Gain from bad debt recovered	—	△ 0
Gain on sale of securities	—	△ 4,629
Reversal of reserve for mortgage transfer registration	—	△ 153
Reimbursement from insolvent customers by restructuring plans	—	△ 451
Subtotal	△ 107,905	△ 135,512
Total operating expenses	5,854	36,063
II Accumulated impaired loss not included in profit and loss	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	8,808	8,847
V Administrative cost	15,035	44,913

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
 - 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.
 - 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.
 With regard to the effects of the Great East Japan Earthquake of March 11, 2011, the damage status of borrowers and the status of collaterals have as far as possible been reflected in self-assessment and reasonable estimates have been recognized on accounts.
 - 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.
 - 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.
 - Reserve for Mortgage Transfer Registration
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to 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 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.
- Recognition criteria for policy reserves
In order to pay for future liabilities related to insurance relations stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955), an amount is recorded based on the method 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 Japan Housing Finance Agency (Finance No. 203 and National Housing Material No. 29: May 30, 2011, in the following, Calculation Method Designated by the Competent Minister). The above ministerial ordinance is Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism Ministerial Ordinance No. 1 of 2007, referred to below as the ministerial ordinance)
- 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.
- Treatment of interest rate swaps
Gains and losses from interest rate swaps contracted to hedge the pipeline risk of bonds the Agency issues for the procurement of funds needed to purchase mortgages from lenders are recognized as gains from deferred derivative instruments and losses from deferred derivative instruments pursuant to the stipulations of Article 12 of the Ministerial Ordinance in accordance with the method designated by the competent minister (Concerning the Methods Designated by the Competent Minister based on the Stipulations of Article 12 of the Ministerial Ordinance concerning the Operations, Finance, and Accounting of the Japan Housing Finance Agency, April 1, 2007; Finance Circular No. 174 and National Housing Material No. 122.)
- 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 2011, 1.255% 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.
- Change in significant accounting policies
Beginning with the end of the fiscal year under review, policy reserves are recognized in amounts computed in accordance with the methods prescribed by the competent minister of state stipulated in Article 13 of the Ministerial Ordinance after revision pursuant to the Ministerial Ordinance for the Partial Revision of the Ministerial Ordinance concerning the Operations, Finance, and Accounting of the Japan Housing Finance Agency (Ministerial Ordinance No. 1, Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism, 2011.).
As a result, compared with the previous method, both net loss and gross loss for the period increased by ¥15,864,710,969.
- Change in presentation of accounts
Statements of cash flows
Until the previous fiscal year, income from loans on other accounts and expenditure for repayment of loans on other accounts were stated separately. Beginning with the fiscal year under review, the net amount is stated as net change in short-term loans on other accounts. In the period under review, income from loans on other accounts and expenditure for repayment of loans on other accounts, respectively, were ¥1,683,500,000,000 and ¥1,441,800,000,000.

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 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	: 33,943,223,594 円
Closing balance of cash	: 33,943,223,594 円

(2) Material Non-cash Transactions

During FY 2010, the value of newly-recorded assets and liabilities related to finance leases were both ¥7,856,100

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, 2011
Retirement benefit obligation (A)	△ 17,105,941,287
Pension assets (B)	4,423,472,822
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 12,682,468,465
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	1,266,392,910
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 11,416,075,555
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 11,416,075,555

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2010 to March 31, 2011
Service cost	435,581,570
Interest cost	337,106,427
Expected return on plan assets	△ 90,532,210
Amortization of prior service obligations	0
Amortization of actuarial differences	136,974,254
Other (such as extra retirement benefit)	0
Net pension expenses	819,130,041

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

Category	As of March 31, 2011
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 loss on fixed assets

Assets displaying impairment signs

The employee dormitories listed below (buildings, etc., and land) have been found to be displaying signs of impairment due to a material deterioration in usability. Since these assets are subject to constant maintenance and equipped with the functions consistent with their purpose of use, no impairment is recognized.

(Unit: yen)

	JHF	Dormitory designation	Location	Book value		
				Buildings, etc.	Land	Total
1	Tokai	Minamigaoka No. 1 Dormitory	Nagoya city, Chikusa-ku	18,375,077	54,700,000	73,075,077
2	Tokai	Minamigaoka No. 2 Dormitory	Nagoya city, Chikusa-ku	33,781,837	94,300,000	128,081,837
3	Shikoku	Kita Dormitory	Takamatsu city	20,479,423	32,400,000	52,879,423
			Total	72,636,337	181,400,000	254,036,337

Note: The stated value is the book value at the end of the period under review.

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	33,943,223,594	33,943,223,594	0
(2) Money in trust	546,620,405,669	546,365,959,150	△ 254,446,519
(3) Securities			
Securities held to maturity	452,706,200,580	464,327,374,800	11,621,174,220
(4) Purchased loans	6,437,220,407,381		
Reserve for possible loan losses (*1)	△ 50,692,148,500		
	6,386,528,258,881	6,526,574,743,732	140,046,484,851
Total assets	7,419,798,088,724	7,571,211,301,276	151,413,212,552
(1) Loans from other accounts	451,400,000,000	450,672,180,312	△ 727,819,688
(2) Bonds (*2)	5,566,139,414,059	5,636,988,735,911	70,849,321,852
(3) Accounts payable	398,806,870,000	398,806,870,000	0
Total liabilities	6,416,346,284,059	6,486,467,786,223	70,121,502,164
Financial derivative products (*3)	(11,606,238,108)	(11,606,238,108)	0
Total financial derivative products	(11,606,238,108)	(11,606,238,108)	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 on net basis. 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.

Debt

(1) Loans from other accounts

Fair value is calculated by discounting at the interest rate expected to apply if a new loan were taken out on the similar conditions.

With regard to short-term loans from other accounts, since contract periods are short and fair value approximates book value, book value is treated as fair value.

(2) Bonds

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

(3) 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 an interest-rate swap agreement. The market price was calculated based on discount cash flows.

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	183,541,906,519	190,813,622,000	7,271,715,481
	Municipal bonds	53,433,687,149	55,260,156,600	1,826,469,451
	Government guaranteed bonds	8,365,528,909	8,638,228,200	272,699,291
	Corporate bonds	125,475,087,003	130,942,604,000	5,467,516,997
	Subtotal	370,816,209,580	385,654,610,800	14,838,401,220
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	1,054,727,007	1,050,175,000	△ 4,552,007
	Municipal bonds	21,797,144,981	21,470,109,000	△ 327,035,981
	Government guaranteed bonds	2,994,899,565	2,987,560,000	△ 7,339,565
	Corporate bonds	56,043,219,447	53,164,920,000	△ 2,878,299,447
	Subtotal	81,889,991,000	78,672,764,000	△ 3,217,227,000
Total		452,706,200,580	464,327,374,800	11,621,174,220

(2) Held-to-maturity securities sold during the period under review

(Unit: yen)

Type	Cost	Proceeds	Profit or loss
Government bonds	82,136,641,621	84,892,753,000	2,756,111,379
Municipal bonds	41,622,440,764	42,949,613,000	1,327,172,236
Government-guaranteed bonds	830,709,754	856,736,000	26,026,246
Corporate bonds	22,669,905,574	23,189,775,000	519,869,426
Total	147,259,697,713	151,888,877,000	4,629,179,287

Reason for the sale: The securities were sold for payments to the national treasury in connection with unnecessary assets

8. Material Liability Incurring Activities

There is nothing to report.

9. Material Subsequent Events

There is nothing to report.

10. Payment to the national treasury in connection with unnecessary assets

(1) Outline of unnecessary assets in relation to which payments were made to the national treasury

a) Type

Cash

200 billion yen

(2) Cause of redundancy of funds

As the result of a review of the execution of capital payments instituted under the first Supplementary Budget for FY 2009, based on the future expected business volume, it was found that for the full implementation of operations the above assets are no longer necessary.

(3) Method of payment into the national treasury

Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraph 1 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

(4) Amount paid into the national treasury

200 billion yen

(5) Date of payment into the national treasury

March 14, 2011

(6) Amount of reduction in capital

200 billion yen

Housing Loan Insurance Account

On the Housing Loan Insurance Account, ¥2.7 billion in ordinary profit was recognized owing to an increase in business volume due to economic stimulus measures.

Moreover, an extraordinary gain of ¥0.3 billion and an extraordinary loss of ¥0.1 billion were recognized, resulting in gross profit for the period of ¥2.8 billion.

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 2009	FY 2010	Item	FY 2009	FY 2010
(Assets)			(Liabilities)		
Cash and deposits	7,780	4,540	Insurance policy reserves	34,968	57,704
Cash	0	0	Reserve for outstanding claims	600	504
Deposits	7,780	4,540	Policy reserve	34,368	57,199
Money in trust	140,000	47,363	Subsidies payable, etc.	134,099	44,394
Negotiable securities	131,747	151,459	Subsidies payable for emergency measures to facilitate housing finance	134,099	44,394
Government bonds	56,454	57,173	Other liabilities	101	130
Local government bonds	35,076	48,164	Accrued expenses	15	27
Corporate bonds	1,547	6,053	Other liabilities	9	16
Certificates of deposit	38,670	40,069	Accounts payable for other accounts	77	87
Loans to other account	—	26,475	Allowance for bonuses	17	18
Long-term loans to other account	—	26,475	Allowance for retirement benefits	654	766
Other assets	1,953	1,648			
Accrued revenue	350	379	Total liabilities	169,838	103,011
Accrued insurance premiums	1,593	1,152			
Other assets	10	117	(Net assets)		
			Capital	116,000	130,000
			Government investment	116,000	130,000
			Loss carried forward	△ 4,359	△ 1,526
			Unappropriated loss	△ 4,359	△ 1,526
			(of which, gross profit (or gross loss))	(1,962)	(2,833)
			Total net assets	111,641	128,474
Total assets	281,480	231,485	Total liabilities and net assets	281,480	231,485

Income Statement

(unit: million yen)

Item	FY 2009	FY 2010
Ordinary income	20,820	29,714
Income from asset management	1,489	2,348
Interest and dividends on securities	1,473	2,239
Interest on receivables under repurchase agreement	5	—
Interest on deposits	11	23
Interest from loans to other account	—	85
Income from underwriting insurance	13,425	7,552
Net insurance premium revenue	11,280	7,456
Reimbursement of unused reserve for outstanding claims	2,145	96
Other subsidies	5,901	19,809
Subsidies for emergency measures to facilitate housing finance	5,901	19,809
Other ordinary income	5	5
Other ordinary income	5	5
Ordinary expenses	18,761	27,054
Insurance underwriting expenses	18,000	26,371
Net insurance paid	3,320	3,539
Provision for policy reserve	14,681	22,831
Service transaction expenses	1	2
Service expenses	1	2
Other operating expenses	760	682
Ordinary profit (or loss)	2,059	2,660
Extraordinary gain	—	279
Gain on sale of securities	—	279
Extraordinary losses	97	106
Other extraordinary losses	97	106
Provision for allowance for retirement benefits accompanying transfer between accounts	97	106
Net profit (or loss)	1,962	2,833
Gross profit (or loss)	1,962	2,833

Cash Flows Statement

(unit: million yen)

Item	FY 2009	FY 2010
I Cash flow from operating activities		
Outlays on personnel expenses	△ 277	△ 319
Outlays on insurance	△ 3,320	△ 3,539
Other operating outlays	△ 476	△ 340
Income from insurance premiums	11,122	7,906
Income from other operations	6	5
Income from treasury subsidies	140,000	—
Outlay from transfer of treasury subsidies to other accounts	—	△ 70,000
Subtotal	147,055	△ 66,287
Interest and dividends received	1,289	2,459
Cash flow from operating activities	148,344	△ 63,828
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 104,023	△ 33,188
Income from redemption of securities (bonds)	2,450	4,340
Income on sale of securities (bonds)	—	9,273
Net change in receivables under repurchase agreement (negative _ decline)	1,305	—
Outlays on the increase of money in trust	△ 140,000	△ 14,615
Income from the decrease of money in trust	—	107,252
Outlays for long-term loans to other account	—	△ 26,475
Cash flow from investing activities	△ 240,268	46,588
III Cash flow pertaining to financial transaction		
Income from government investment	98,000	14,000
Cash flow pertaining to financial transaction	98,000	14,000
IV Increase (decrease) in cash	6,076	△ 3,240
V Opening balance of cash	1,704	7,780
VI Closing balance of cash	7,780	4,540

Statement of Appropriation of Loss

(unit: million yen)

I Unappropriated loss		△ 1,526
Gross loss	2,833	
Loss carry forward (from previous year)	△ 4,359	
II Loss carry forward (to next year)		<u>△ 1,526</u>

● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2009	FY 2010
I Operating expenses		
(1) Expenses recorded in income statement		
Insurance underwriting expenses	18,000	26,371
Service transaction expenses	1	2
Business expenses	760	682
Provision for allowance for retirement benefits accompanying transfer between accounts	97	106
Subtotal	18,858	27,160
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 1,489	△ 2,348
Income from insurance underwriting	△ 13,425	△ 7,552
Other ordinary income	△ 5	△ 5
Gain on sale of securities	—	△ 279
Subtotal	△ 14,919	△ 10,184
Total operating expenses	3,938	16,976
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	1,280	1,619
IV Administrative cost	5,219	18,595

Significant Accounting Policies (Housing Loan Insurance 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.
- Criteria for Recording Reserves
 - 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.
 - 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.
- Criteria for Recording Mandatory Policy Reserves
In order to pay for future liabilities related to insurance relations stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955), an amount is recorded based on the method 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 Japan Housing Finance Agency (Finance No. 203 and National Housing Material No. 29 : May 30, 2011, in the following, Calculation Method Designated by the Competent Minister). The above ministerial ordinance is Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism Ministerial Ordinance No. 1 of 2007, referred to below as the ministerial
- Method and Criteria for Valuing Marketable Securities
Securities held to maturity
The amortized cost method (straight-line method) is applied.
- 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 2011, 1.255% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for consumption tax
The tax inclusive method is applied.
- Change in significant accounting policies
Beginning with the end of the fiscal year under review, policy reserves are recognized in amounts computed in accordance with the methods prescribed by the competent minister of state stipulated in Article 13 of the Ministerial Ordinance after revision pursuant to the Ministerial Ordinance for the Partial Revision of the Ministerial Ordinance concerning the Operations, Finance, and Accounting of Japan Housing Finance Agency (Ministerial Ordinance No. 1, Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism, 2011).
This accounting change has no effect on income.

Notes (Housing Loan Insurance Account)

1. Matters Relating to Statement of Cash Flows

Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank	: ¥4,539,951,175
Closing balance of cash	: ¥4,539,951,175

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, 2011
Retirement benefit obligation (A)	△ 1,147,707,991
Pension assets (B)	296,788,994
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 850,918,997
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	84,967,512
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 765,951,485
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 765,951,485

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2010 to March 31, 2011
Service cost	29,224,960
Interest cost	22,617,857
Expected return on plan assets	△ 6,074,178
Amortization of prior service obligations	0
Amortization of actuarial differences	6,934,687
Other (such as extra retirement benefit)	0
Net pension expenses	52,703,326

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

Category	As of March 31, 2011
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	4,539,951,175	4,539,951,175	0
(2) Money in trust	47,362,832,995	47,465,526,890	102,693,895
(3) Securities			
Securities held to maturity	151,459,414,405	152,855,729,000	1,396,314,595
(4) Loans to other accounts	26,474,764,420	26,261,091,868	△ 213,672,552
Total assets	229,836,962,995	231,122,298,933	1,285,335,938

(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) 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) Loans to other accounts

Fair value is calculated by discounting at the interest rate expected to apply if a new loan were taken out on the similar conditions.

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	56,516,085,357	58,236,698,000	1,720,612,643
	Municipal bonds	31,819,733,993	32,398,346,000	578,612,007
	Government guaranteed bonds	1,539,520,907	1,577,741,000	38,220,093
	Corporate bonds	18,936,191,977	19,304,661,000	368,469,023
	Subtotal	108,811,532,234	111,517,446,000	2,705,913,766
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	656,941,168	656,690,000	△ 251,168
	Municipal bonds	16,344,292,451	16,110,939,000	△ 233,353,451
	Government guaranteed bonds	4,513,361,645	4,482,690,000	△ 30,671,645
	Corporate bonds	21,133,286,907	20,087,964,000	△ 1,045,322,907
	Subtotal	42,647,882,171	41,338,283,000	△ 1,309,599,171
	Total	151,459,414,405	152,855,729,000	1,396,314,595

(2) Held-to-maturity securities sold during the period under review

(Unit: yen)

Type	Cost	Proceeds	Profit or loss
Government Bonds	-	-	-
Municipal bonds	2,593,776,920	2,701,662,500	107,885,580
Government-guaranteed bonds	-	-	-
Corporate bonds	6,400,280,253	6,571,351,500	171,071,247
Total	8,994,057,173	9,273,014,000	278,956,827

Reason for the sale: The securities were sold for additional re-entrustment of subsidies held.

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

Mainly due to increased loan loss provisioning in light of the effects of the Great East Japan Earthquake, the Account for Loans for Property Accumulation Saving Scheme-tied Houses posted ordinary profit of ¥2.4 billion, which was ¥3.3 billion reduced compared with FY 2009.

In addition, an amount of ¥200 million for the reserve for mortgage transfer registration was recorded as an extraordinary loss. As a result, JHF posted a gross income of ¥2.6 billion in FY 2010.

● Balance Sheet

(unit: million yen)

Item	FY 2009	FY 2010	Item	FY 2009	FY 2010
(Assets)			(Liabilities)		
Cash and deposits	7,796	7,533	Borrowings	165,600	143,600
Cash	0	0	Borrowings from private institutions	165,600	143,600
Deposits	3,654	2,969	Bonds	739,739	636,765
Agency deposits entrusted	4,141	4,563	Asset formation housing bonds	740,400	637,400
GHLC originated loans	944,603	824,438	Bond issue premiums (△)	△ 661	△ 635
Loans on bills	66	9	Other liabilities	247	213
Loans on deeds	944,537	824,430	Accrued expenses	115	101
Other assets	1,469	1,239	Other liabilities	63	44
Accrued revenue	1,461	1,231	Accounts payable for other accounts	70	67
Other assets	8	8	Allowance for bonuses	27	25
Accounts receivable for other accounts	0	0	Allowance for retirement benefits	1,069	1,072
Reserve for possible loan losses (△)	△ 2,692	△ 4,930	Allowance for refund of guarantee fees	1,387	1,151
			Reserve for mortgage transfer registration	1,278	994
			Total liabilities	909,347	783,819
			(Net assets)		
			Profit surplus	41,829	44,460
			Voluntary reserve fund	37,365	41,829
			Unappropriated profit	4,464	2,631
			(of which, gross profit of the current year)	(4,464)	(2,631)
			Total net assets	41,829	44,460
Total assets	951,176	828,280	Total liabilities and net assets	951,176	828,280

Income Statement

(unit: million yen)

Item	FY 2009	FY 2010
Ordinary income	18,647	16,001
Income from asset management	18,617	15,976
Interest on GHLC originated loans	18,596	15,953
Interest and dividends on securities	10	—
Interest on receivables under repurchase agreement	5	—
Interest on deposits	6	23
Income from service transactions	21	17
Other operating income	21	17
Other ordinary income	9	8
Other ordinary income	9	8
Ordinary expenses	12,968	13,595
Fund raising expenses	11,309	9,920
Interest on borrowings	3,025	2,475
Interest on bonds	8,282	7,443
Interest on other account borrowings	2	2
Service transaction expenses	346	316
Service expenses	346	316
Other operating expenses	8	16
Amortization of bond issuing expenses	8	16
Business expenses	956	804
Other ordinary expenses	348	2,539
Provision for reserve for possible loan losses	348	2,498
Increase in allowance for refund of guaranteed fees	—	41
Ordinary profit	5,679	2,406
Extraordinary profit	63	226
Recoveries from written off balance	0	0
Other extraordinary profit	63	225
Reimbursement of the reserve for the refund of guarantee fees	57	—
Reimbursement of allowance for retirement benefits accompanying transfer between accounts	6	27
Reversal of reserve for mortgage transfer registration	—	198
Extraordinary losses	1,278	—
Other extraordinary losses	1,278	—
Provision for allowance for retirement benefits accompanying transfer between accounts	1,278	—
Net profit	4,464	2,631
Gross profit	4,464	2,631

Cash Flows Statement

(unit: million yen)

Item	FY 2009	FY 2010
I Cash flow from operating activities		
Loan disbursement	△ 2,169	△ 1,063
Outlays on personnel expenses	△ 435	△ 415
Other operating outlays	△ 1,123	△ 1,065
Income from collection of GHLC originated loans	119,627	120,968
Income from interest on GHLC originated loans	18,816	16,183
Loan origination fees and other revenue	21	16
Income from other operations	22	9
Subtotal	134,759	134,634
Interest and dividends received	21	23
Interest paid	△ 10,965	△ 9,619
Cash flow from operating activities	123,815	125,038
II Cash flow from financing activities		
Income from long-term borrowings from private institutions	165,600	143,600
Outlays on repayment of long-term borrowings from private institutions	△ 187,587	△ 165,600
Income from issuance of bonds (after deducting issuance expense)	81,100	123,999
Outlays on repayment of bonds	△ 184,000	△ 227,300
Cash flows from financial activities	△ 124,887	△ 125,301
III Increase (or decrease) in cash	△ 1,072	△ 263
IV Opening balance of cash	8,867	7,796
V Closing balance of cash	7,796	7,533

Statement of Appropriation of Profit

(unit: million yen)

I Unappropriated profit for the current fiscal year		2,631
Gross profit	2,631	
II Appropriate profit		
voluntary reserve fund	2,631	2,631

● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2009	FY 2010
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	11,309	9,920
Service transaction expenses	346	316
Other operating expenses	8	16
Business expenses	956	804
Other ordinary expenses	348	2,539
Provision for the reserve for mortgage transfer registration	1,278	—
Subtotal	14,246	13,595
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 18,617	△ 15,976
Income from service transactions	△ 21	△ 17
Other ordinary income	△ 9	△ 8
Gain on bad debt recovered	0	0
Reimbursement of the reserve for the refund of guarantee fees	△ 57	—
Reimbursement of allowance for retirement benefits accompanying transfer between accounts	△ 6	△ 27
Reversal of reserve for mortgage transfer registration	—	△ 198
Subtotal	△ 18,710	△ 16,227
Total operating expenses	△ 4,464	△ 2,631
II Expected increase in retirement benefits not included in allowances	0	0
III Administrative cost	△ 4,464	△ 2,631

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

- 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.
- Criteria for Recording Reserves
 - 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.

With regard to the effects of the Great East Japan Earthquake of March 11, 2011, the damage status of borrowers and the status of collaterals have as far as possible been reflected in self-assessment and reasonable estimates have been recognized on accounts
 - 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.
 - 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.
- 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.
- Reserve for Mortgage Transfer Registration
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to 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).
- 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, 1.255% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for consumption tax
The tax inclusive method is applied.
- Change in presentation of accounts
Statements of cash flows
Until the previous period, income from loans from other accounts and expenditure for repayment of loans from other accounts were stated separately. Beginning with the period under review, the net amount is stated as net change in short-term loans from other accounts. In the period under review, income from loans from other accounts and expenditure for repayment of loans from other accounts, respectively, were ¥113,300,000,000 and ¥113,300,000,000.

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, 2011
Retirement benefit obligation (A)	△ 1,606,007,769
Pension assets (B)	415,302,005
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 1,190,705,764
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	118,896,518
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 1,071,809,246
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 1,071,809,246

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2010 to March 31, 2011
Service cost	40,894,995
Interest cost	31,649,562
Expected return on plan assets	△ 8,499,704
Amortization of prior service obligations	0
Amortization of actuarial differences	14,591,623
Other (such as extra retirement benefit)	0
Net pension expenses	78,636,476

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

Category	As of March 31, 2011
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	7,532,690,903	7,532,690,903	0
(2) GHLC originated loans	824,438,323,962		
Reserve for possible loan losses (*1)	△ 4,923,209,494		
	819,515,114,468	825,461,526,631	5,946,412,163
Total assets	827,047,805,371	832,994,217,534	5,946,412,163
(1) Borrowings	143,600,000,000	143,600,000,000	0
(2) Bonds (*2)	636,765,233,996	640,493,401,283	3,728,167,287
Total liabilities	780,365,233,996	784,093,401,283	3,728,167,287

(*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.

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.

As to results from housing loan operation account, along with an increased balance of outstanding loans, ordinary income including interest on loans exceeded ordinary expenses including interest on bonds, resulting in ordinary profit of ¥2.9 billion. After an extraordinary gain of ¥0.6 billion from gain on sales of securities and an extraordinary loss of ¥0.2 billion from provisioning for retirement benefits associated with transfers between accounts, a gross profit of ¥3.3 billion resulted.

Results from account for operations taken over from the Housing Loan Guarantee Association posted an ordinary loss of ¥11.7 billion owing mainly to an increase in the average age of group credit life insurance policy holders. After an extraordinary gain of ¥4.6 billion from recoveries of written-off claims, and ¥4.5 billion in reversals of special purpose reserves for allocation to the operations of group credit life insurance, etc., operations posted a gross loss for the period of ¥2.6 billion.

For the overall housing loan account, the agency recorded an ordinary loss of ¥8.8 billion and a gross loss of ¥700 million in FY 2010. 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 2009	FY 2010	Item	FY 2009	FY 2010
(Assets)			(Liabilities)		
Cash and due from banks	405,641	322,730	Borrowings	5,391	5,079
Cash	0	0	FILP borrowings	5,391	5,079
Due from banks	376,119	310,041	Bonds	1,027,551	1,159,119
Agency deposits entrusted	29,522	12,688	Government guaranteed bonds	95,000	95,000
Securities	195,342	243,726	Mortgage-backed securities	70,498	62,385
Government bonds	47,673	40,565	General mortgage loans	487,075	552,876
Municipal bonds	25,593	45,773	Housing land bonds	375,206	449,066
Government guaranteed bonds	15,609	19,413	Bond issue premiums (△)	△ 227	△ 208
Corporate bonds	106,466	137,976	Other liabilities	76,937	75,037
Purchased loans	751,670	877,272	Accrued expenses	15,050	16,255
Loan on bills	99,485	90,048	Advanced earnings	53,438	50,052
Loans on deeds	652,185	787,224	Financial derivative products	—	161
Loans to other account	—	38,804	Other liabilities	8,057	8,178
Long-term loan to other account	—	38,804	Accounts payable for other accounts	393	391
Other assets	301,905	223,558	Allowance for bonuses	139	134
Claims for indemnity	120,904	69,702	Allowance for retirement benefits	5,510	5,738
Transferred claims (pension)	164,037	141,612	Allowance for refund of guarantee fees	279	232
Accrued revenue	2,719	2,791	Reserve for mortgage transfer registration	583	448
Financial derivative products	—	259	Guarantee obligation	713,753	605,832
Other assets	14,245	9,194			
Accounts receivable for other accounts	1	—	Total liabilities	1,830,143	1,851,619
Guarantee obligation reversal	713,753	605,832	(Net assets)		
Reserve for possible loan losses (△)	△ 126,561	△ 82,417	Capital	72,400	42,400
			Government investment	72,400	42,400
			Profit surplus	339,205	335,392
			Group credit life insurance rider long-term stabilization reserve	321,352	316,881
			Reserve	20,727	17,853
			Unappropriated gain (or loss)	△ 2,874	657
			(of which, gross gain or loss for the current fiscal year)	(△ 2,874)	(657)
			Valuation and translation adjustments	—	94
			Deferred gains or losses on hedges	—	94
			Total net assets	411,605	377,886
Total assets	2,241,748	2,229,505	Total liabilities and net assets	2,241,748	2,229,505

Income Statement

(unit: million yen)

Item	FY 2009	FY 2010
Ordinary income	242,474	234,091
Income from asset management	29,294	32,457
Interest on GHLC originated loans	18,631	22,893
Charges on claims for indemnity	493	378
Interest on transferred claims (pension)	6,100	5,321
Interest and dividends on securities	3,662	3,297
Interest on receivables under repurchase agreement	93	74
Interest on deposits	76	343
Interest on other account GHLC originated loans	238	151
Income from underwriting insurance	211,943	200,465
Fee from group credit life insurance riders	97,379	96,031
Revenue from group credit life insurance	106,505	101,143
Dividends on group credit life insurance	8,060	3,291
Income from service transactions	1,172	1,077
Guarantee fee	500	457
Other service income	672	620
Income from subsidies	5	—
Subsidies for the promotion of activities such as the development of a housing market	5	—
Income from other operating activities	—	3
Proceeds from financial derivative products	—	3
Other ordinary income	61	90
Other ordinary income	61	90
Ordinary expenses	251,439	242,890
Fund raising expenses	13,230	15,523
Interest on borrowings	98	95
Interest on bonds	13,132	15,428
Insurance underwriting expenses	220,136	210,235
Group credit life insurance premium paid	112,434	107,983
Payment of group credit life insurance claims	107,702	102,252
Service transaction expenses	2,282	2,134
Service expenses	2,282	2,134
Other operating expenses	664	559
Amortization of bond issuing expenses	632	530
Other operating expenses	32	29
Business expenses	7,532	7,071
Other ordinary expenses	7,595	7,367
Provision for reserve for possible loan losses	7,595	7,367
Other ordinary expenses	—	0
Ordinary losses	△ 8,965	△ 8,799
Extraordinary profit	399	5,068
Gain on bad debt recovered	353	418
Gain on sale of securities	—	591
Other extraordinary profits	46	4,058
Reimbursement of allowance for refund of guaranteed fees	46	26
Reversal of reserve for mortgage transfer registration	—	74
Gain on allotment of stock from demutualization of group credit life insurance underwriters	—	3,958
Extraordinary losses	847	82
Other extraordinary losses	847	82
Provision for allowance for retirement benefits accompanying transfer between accounts	264	82
Provision for the reserve for mortgage transfer registration	583	—
Net loss	△ 9,412	△ 3,813
Transfer from reserve for special purpose	6,538	4,471
Gross profit (or loss)	△ 2,874	657

Cash Flows Statement

(unit: million yen)

Item	FY 2009	FY 2010
I Cash flow from operating activities		
Loan disbursement	△ 379,169	△ 338,385
Outlays on personnel expenses	△ 2,205	△ 2,237
Outlays on group credit life insurance premium	△ 113,075	△ 108,110
Outlays on payment of group credit life insurance claims	△ 107,990	△ 102,067
Other operating outlays	△ 27,206	△ 18,177
Income from collection of GHLC originated loans	144,363	212,626
Income from interest on GHLC originated loans	18,034	22,694
Income from interest on GHLC originated loans	12	4
Loan origination fees and other revenue Income from fees from group credit life insurance riders	100,649	93,226
Income from group credit life insurance	106,661	101,285
Dividends received from group credit life insurance	1,663	8,060
Income from other operations	45,507	44,306
Income from treasury subsidies	5	—
Subtotal	△ 212,752	△ 86,775
Interest and dividends received	4,014	3,967
Interest paid	△ 12,048	△ 14,151
Cash flow from operating activities	△ 220,786	△ 96,958
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 38,561	△ 89,321
Income from redemption of securities (bonds)	38,000	24,000
Income from sales of securities (bonds)	—	17,474
Net change in receivables under repurchase agreement (negative: △)	274,257	—
Outlays for long-term loans to other account	—	△ 38,804
Cash flow from investing activities	273,695	△ 86,651
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	298,173	151,039
Outlays on repayment of bonds	△ 15,219	△ 20,028
Income from FILP borrowings	100	—
Outlay on repayment of FILP borrowings	△ 289	△ 312
Income from government investments	51,600	—
Outlays for payments to national treasury concerning unnecessary assets	—	△ 30,000
Cash flows from financial activities	334,366	100,699
IV Increase (or decline) in cash	387,275	△ 82,911
V Opening balance of cash	18,365	405,641
VI Closing balance of cash	405,641	322,730

Statement of Appropriation of Profit

(unit: million yen)

I Unappropriated profit for the current fiscal year		657
Gross profit	657	
II Appropriated profit		
Voluntary reserve fund	657	657

● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2009	FY 2010
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	13,230	15,523
Insurance underwriting expenses	220,136	210,235
Service transaction expenses	2,282	2,134
Other operating expenses	664	559
Business expenses	7,532	7,071
Other ordinary expenses	7,595	7,367
Provision for allowance for retirement benefits accompanying transfer between accounts	264	82
Provision for the reserve for mortgage transfer registration	583	—
Subtotal	252,286	242,972
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 29,294	△ 32,457
Income from insurance underwriting	△ 211,943	△ 200,465
Income from service transactions	△ 1,172	△ 1,077
Income from other operating activities	—	△ 3
Other ordinary income	△ 61	△ 90
Gain on bad debt recovered	△ 353	△ 418
Gain on sale of securities	—	△ 591
Provision for allowance for refund of guaranteed fees	△ 46	△ 26
Reversal of reserve for mortgage transfer registration	—	△ 74
Gain on allotment of stock from demutualization of group credit life insurance underwriters	—	△ 3,958
Subtotal	△ 242,869	△ 239,159
Total operating expenses	9,417	3,813
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	833	890
IV Administrative cost	10,251	4,705

Significant Accounting Policies (Housing Loan 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.
- Criteria for Recording Reserves
 - 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 GI-HLC 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.
 With regard to the effects of the Great East Japan Earthquake of March 11, 2011, the damage status of borrowers and the status of collateral have as far as possible been reflected in self-assessment and reasonable estimates have been recognized on accounts.
 - 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.
 - 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.
 - 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.
- Reserve for Mortgage Transfer Registration
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to 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).
- Method and Criteria for Valuing Marketable Securities Securities held to maturity
The amortized cost method (straight-line method) is applied.
- Valuation method for financial derivative products
Derivatives are stated at fair value.
- Treatment of interest rate swaps
Deferred hedge accounting is used to account for interest rate swap transactions contracted in order to hedge the pipeline risk of bonds the Agency issues to procure funds for lending for rental house construction.
Hedge effectiveness is assessed based on the variation in the amount of hedged objects and hedging instruments.
- 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 2011, 1.255% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for consumption tax
The tax inclusive method is applied.
- Change in presentation of accounts
Statements of cash flows
Until the previous fiscal year, expenditures for loans to other accounts and income from collection of loans to other accounts were stated separately. Beginning with the fiscal year under review, the net amount is stated as net change in short-term loans to other accounts. In the period under review, expenditures for loans to other accounts and income from collection of loans to other accounts, respectively, were ¥467,600,000,000 and ¥467,600,000,000.

Notes (Housing Loan 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) 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

Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank	¥322,729,679,035
Closing balance of cash	¥322,729,679,035

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, 2011
Retirement benefit obligation (A)	△ 8,598,017,203
Pension assets (B)	2,223,385,126
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 6,374,632,077
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	636,531,358
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 5,738,100,719
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 5,738,100,719

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2010 to March 31, 2011
Service cost	218,937,839
Interest cost	169,440,945
Expected return on plan assets	△ 45,504,511
Amortization of prior service obligations	0
Amortization of actuarial differences	68,012,375
Other (such as extra retirement benefit)	0
Net pension expenses	410,886,648

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

Category	As of March 31, 2011
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. Financial Products

(1) Matters Relating to the Situation of Financial Products

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

(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	322,729,679,035	322,729,679,035	0
(2) Securities			
Securities held to maturity	243,726,165,489	246,777,342,000	3,051,176,511
(3) GHLC originated loans	877,272,095,854		
Reserve for possible loan losses (*1)	△ 5,800,257,929		
	871,471,837,925	879,137,799,891	7,665,961,966
(4) Loans for other account	38,803,725,182	38,521,032,673	△ 282,692,509
(5) Claims for indemnity (*1)	12,209,390,304	12,209,390,304	0
(6) Transferred claims (pension) (*1)	137,923,252,832	141,198,054,173	3,274,801,341
Total assets	1,626,864,050,767	1,640,573,298,076	13,709,247,309
(1) Borrowings	5,079,434,000	5,209,561,758	130,127,758
(2) Bonds (*2)	1,159,118,592,268	1,202,396,157,792	43,277,565,524
Total liabilities	1,164,198,026,268	1,207,605,719,550	43,407,693,282
Financial derivative products (*3)	97,459,525	97,459,525	0
Total Financial derivative products	97,459,525	97,459,525	0

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

(*3) Derivatives other than for trading stated in other assets and liabilities are respectively stated in aggregate amounts. Net claims and liabilities from transactions are stated in net amounts with sums representing net obligations stated in parentheses.

(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) 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.

(4) Loans on other accounts

Fair value is calculated by discounting at the interest rate expected to apply if a new loan were taken out over the same amount of principal and interest.

(5) 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.

(6) 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.

Derivatives other than for trading

Derivatives consist of interest rate swaps. Amounts are stated discounted to present value.

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	31,456,176,768	33,415,406,000	1,959,229,232
	Municipal bonds	15,927,304,760	16,499,994,000	572,689,240
	Government guaranteed bonds	9,605,010,162	9,660,110,000	55,099,838
	Corporate bonds	72,511,338,355	75,058,702,000	2,547,363,645
	Subtotal	129,499,830,045	134,634,212,000	5,134,381,955
Securities whose market price does not exceed the value on the book balance sheet	Government bonds	9,109,151,566	9,033,550,000	△ 75,601,566
	Municipal bonds	29,845,315,911	29,263,500,000	△ 581,815,911
	Government guaranteed bonds	9,807,632,634	9,692,090,000	△ 115,542,634
	Corporate bonds	65,464,235,333	64,153,990,000	△ 1,310,245,333
	Subtotal	114,226,335,444	112,143,130,000	△ 2,083,205,444
Total		243,726,165,489	246,777,342,000	3,051,176,511

(2) Held-to-maturity securities sold during the period under review

(Unit: yen)

Type	Cost	Proceeds	Profit or loss
Government Bonds	11,685,680,405	12,106,341,000	420,660,595
Municipal bonds	4,997,047,728	5,161,525,000	164,477,272
Government-guaranteed bonds	-	-	-
Corporate bonds	200,000,000	205,784,000	5,784,000
Total	16,882,728,133	17,473,650,000	590,921,867

Reason for the sale: The securities were sold to pay redundant assets to the national treasury

7. Material Liability Incurring Activities

There is nothing to report.

8. Material Subsequent Events

There is nothing to report.

9. Payments of redundant funds to the national treasury

(1) Description of assets paid to the national treasury as redundant assets

a) Type

Cash

30 billion yen

(2) Cause of redundancy of funds

As the result of a review of the execution of capital payments instituted under the first supplementary budget for FY 2009, based on the future expected business volume, it was found that for the full implementation of operations the above assets are no longer necessary.

(3) Method of payment into the national treasury

Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraph 1 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

(4) Amount paid into the national treasury

30 billion yen

(5) Date of payment into the national treasury

March 14, 2011

(6) Amount of reduction

30 billion yen

Outstanding Loan Management Account

The outstanding loan management account saw increased loan loss provisioning in light of the effects from the Great East Japan Earthquake, while at the same time progress was made in the disposal of non-performing assets. As a result, the gap between interest income and interest expenses continued to improve, with the cumulative government subsidies instituted since the inception of the independent administrative institution surpassing the expected amount of undistributed grants. The excess amount was recognized as income from government grants. As a result, the reported ordinary loss of ¥25.5 billion reduced by ¥94.4 billion compared with FY 2009.

After an extraordinary gain of ¥8.6 billion from reversal of provisions mainly for mortgage transfers registrations, operations reported a gross loss of ¥16.9 billion.

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 2009	FY 2010	Item	FY 2009	FY 2010
(Assets)			(Liabilities)		
Cash and due from banks	2,242,479	946,454	Borrowings	24,550,719	21,415,333
Cash	0	0	FILP borrowings	24,539,254	21,415,333
Due from banks	1,970,239	719,455	Borrowings from the former Kanpo Life Insurance	11,465	—
Agency deposits entrusted	272,240	226,999	Bonds	5,929,311	4,493,435
Receivables under resale agreement	—	249,936	Government guaranteed bonds	711,600	110,000
Securities	60,016	800,016	Mortgage-backed securities	4,731,478	3,973,566
Stock	16	16	Bond issue premiums	500,224	418,825
Certificates of deposit	60,000	800,000	Deposit subsidies, etc. (△)	△ 13,992	△ 8,956
GHLC originated loans	28,317,477	23,645,628	Subsidies payable, etc.	2,553	—
Loan on bills	48,893	44,657	Subsidies payable for measures to facilitate outstanding loan management	2,553	—
Loans on deeds	28,268,584	23,600,972	Other liabilities	172,560	138,772
Loans for other account	—	386,122	Accrued expenses	170,410	136,933
Short-term loan for other account	—	241,700	Other liabilities	1,664	1,390
Long-term loan for other account	—	144,422	Accounts payable for other accounts	487	449
Other assets	88,652	75,529	Allowance for bonuses	189	167
Accrued revenue	79,341	68,919	Allowance for retirement benefits	7,464	7,150
Other assets	7,889	5,314	Allowance for refund of guarantee fees	48,064	38,667
Accounts receivable for other accounts	1,423	1,295	Allowance for refund of guarantee fees Reserve for mortgage transfer registration	31,505	23,583
Expected amount of undisbursed grants	33,320	—	Total liabilities	30,742,366	26,117,107
Extraordinary losses	28,325	8,325	(Net assets)		
Reserve for possible loan losses (△)	△ 700,876	△ 684,744	Capital	9,600	9,600
			Government investment	9,600	9,600
			Loss carry forward	△ 682,572	△ 699,441
			Unappropriated loss	△ 682,572	△ 699,441
			(of which gross loss for the current fiscal year)	(△ 144,521)	(△ 16,869)
			Total net assets	△ 672,972	△ 689,841
Total assets	30,069,393	25,427,266	Total liabilities and net assets	30,069,393	25,427,266

Income Statement

(unit: million yen)

Item	FY 2009	FY 2010
Ordinary income	1,005,408	934,863
Income from asset management	1,003,554	881,966
Interest on GHLC originated loans	1,001,753	878,503
Interest and dividends on securities	646	933
Interest on receivables under repurchase agreement	736	213
Interest on deposits	419	2,063
Interest on loans for other account	—	254
Income from service transactions	331	260
Other service income	331	260
Income from government subsidies	—	51,233
Income from government subsidies	1,523	1,404
Other ordinary income	1,523	1,404
Ordinary expenses	1,125,327	960,341
Fund raising expenses	938,973	800,640
Interest on borrowings	829,438	702,685
Interest on bonds	109,535	97,955
Service transaction expenses	15,469	14,079
Service expenses	15,469	14,079
Other operating expenses	2,956	0
Amortization of bond issuing expenses	2,956	0
Business expenses	12,268	7,957
Other ordinary expenses	155,661	137,665
Provision for reserve for possible loan losses	155,661	137,660
Other ordinary expenses	—	4
Ordinary losses	△ 119,919	△ 25,478
Extraordinary profit	6,904	8,609
Gain on bad debt recovered	292	560
Other extraordinary profits	6,612	8,049
Provision for allowance for refund of guaranteed fees	6,065	2,463
Provision for allowance for retirement benefits accompanying transfer between accounts	547	529
Reversal of reserve for mortgage transfer registration	—	5,057
Extraordinary losses	31,505	—
Other extraordinary losses	31,505	—
Provision of the reserve for mortgage transfer registration	31,505	—
Net loss	△ 144,521	△ 16,869
Gross profit	△ 144,521	△ 16,869

Cash Flows Statement

(unit: million yen)

Item	FY 2009	FY 2010
I Cash flow from operating activities		
Loan disbursement	△ 1,514	△ 489
Outlays on personnel expenses	△ 3,082	△ 2,775
Other operating outlays	△ 32,827	△ 29,456
Income from collection of GHLC originated loans	4,838,353	4,518,547
Income from interest on GHLC originated loans	1,010,766	888,995
Loan origination fees and other revenue	320	252
Income from other operations	3,384	4,674
Income from government subsidies	111,400	82,000
Income from government payment	20,000	20,000
Subtotal	5,946,801	5,481,748
Interest and dividends received	1,788	3,392
Interest paid	△ 974,605	△ 833,858
Cash flow from operating activities	4,973,984	4,651,282
II Cash flow from investing activities		
Net change in securities (certificates of deposit) (negative_decline)	△ 60,000	△ 740,000
Net change in receivables under repurchase agreement (negative_decline)	436,006	△ 249,936
Net change in short-term loans on other accounts (negative_decline)	—	△ 241,700
Outlays for long-term loans for other account	—	△ 144,422
Cash flow from investing activities	376,006	△ 1,376,057
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	906,086	△ 0
Outlays on repayment of bonds	△ 679,904	△ 1,435,863
Outlays on repayment of FILP borrowings	△ 3,606,536	△ 3,123,921
Outlays on repayment of borrowings from the former Kanpo Life Insurance	△ 30,253	△ 11,465
Cash flows from financial activities	△ 3,410,608	△ 4,571,249
IV Increase (or decline) in cash	1,939,383	△ 1,296,025
V Opening balance of cash	303,096	2,242,479
VI Closing balance of cash	2,242,479	946,454

Statement of Appropriation of Loss

(unit: million yen)

I Unappropriated loss for the current fiscal year		△ 699,441
Gross loss	△ 16,869	
Loss carry forward (from previous year)	△ 682,572	
II Loss carry forward (to next year)		<u>△ 699,441</u>

● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2009	FY 2010
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	938,973	800,640
Service transaction expenses	15,469	14,079
Other operating expenses	2,956	0
Business expenses	12,268	7,957
Other ordinary expenses	155,661	137,665
Provision of the reserve for mortgage transfer registration	31,505	—
Subtotal	1,156,832	960,341
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 1,003,554	△ 881,966
Income from service transactions	△ 331	△ 260
Other ordinary income	△ 1,523	△ 1,404
Gain on bad debt recovered	△ 292	△ 560
Reversal of allowance for refund of guarantee fees	△ 6,065	△ 2,463
Reversal of allowance for retirement benefits accompanying transfer between accounts	△ 547	△ 529
Reversal of reserve for mortgage transfer registration	—	△ 5,057
Subtotal	△ 1,012,312	△ 892,238
Total operating expenses	144,521	68,102
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	134	120
IV Administrative cost	144,657	68,225

Significant Accounting Policies (Outstanding Loan Management 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.
- Criteria for Recording Reserves
 - 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.

With regard to the effects of the Great East Japan Earthquake of March 11, 2011, the damage status of borrowers and the status of collateral have as far as possible been reflected in self-assessment and reasonable estimates have been recognized on accounts.
 - 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.
 - 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.
- 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.
- Reserve for Mortgage Transfer Registration
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to 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.
- Method and Criteria for Valuing Marketable Securities
Other securities
The purchase price is recorded
- 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 2011, 1.255% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for consumption tax
The tax inclusive method is applied.
- Change in presentation of accounts
Statements of cash flows
Until the previous fiscal year, expenditure for loans to other accounts and income for collection of loans to other accounts were stated separately. Beginning with the fiscal year under review, the net amount is stated as net change in short-term loans to other accounts. In the period under review, expenditure for loans to other accounts and income for collection of loans to other accounts, respectively, were ¥1,329,200,000,000 and ¥1,087,500,000,000.

Notes (Outstanding Loan Management Account)

(Unit: yen)

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	: ¥946,454,352,785
Closing balance of cash	: ¥946,454,352,785

(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, 2011
Retirement benefit obligation (A)	△ 10,713,246,948
Pension assets (B)	2,770,368,255
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 7,942,878,693
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	793,126,772
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 7,149,751,921
Prepaid pension costs (G)	0
Reserve for retirement benefit (F) - (G)	△ 7,149,751,921

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2009 to March 31, 2011
Service cost	272,799,541
Interest cost	211,125,733
Expected return on plan assets	△ 56,699,243
Amortization of prior service obligations	0
Amortization of actuarial differences	114,423,337
Other (such as extra retirement benefit)	0
Net pension expenses	541,649,368

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

Category	As of March 31, 2011
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. 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	946,454,352,785	946,454,352,785	0
(2) Receivables under resale agreements	249,935,856,800	249,935,856,800	0
(3) Securities			
Other securities	800,000,000,000	800,000,000,000	0
(4) GHLC originated loans	23,645,628,245,893		
Reserve for possible loan losses (*1)	△ 682,704,868,808		
	22,962,923,377,085	23,816,046,133,640	853,122,756,555
(5) Loans to other accounts	386,121,510,398	385,890,055,771	△ 231,454,627
Total assets	25,345,435,097,068	26,198,326,398,996	852,891,301,928
(1) Borrowings	21,415,333,000,000	22,958,563,696,336	1,543,230,696,336
(2) Bonds (*2)	4,493,434,854,249	4,611,578,794,971	118,143,940,722
Total liabilities	25,908,767,854,249	27,570,142,491,307	1,661,374,637,058

(*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) Receivables under resale agreements

Since contracts are for short-term and fair value approximate book value, book values are used as fair value.

(3) 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.

(4) 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.

(5) Loans on other accounts

Fair value is calculated by discounting at the interest rate expected to apply if a new loan were taken out over the same amount of principal and interest.

With regard to short-term loans on other accounts, since contract periods are short and fair value approximates book value, book value is treated as fair value.

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.

6. Securities

Other securities

(Unit: yen)

Category	Type	Book value on the balance sheet	Acquisition cost	Difference
Book value on the balance sheet does not exceed acquisition cost	Other	800,000,000,000	800,000,000,000	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 2010)

In FY 2010, JHF received ¥26.4 billion in government capital out of the general account. With regard to ¥230.0 billion out of capital payments implemented under the first Supplementary Budget for FY 2009, since the said amount has been found no longer needed for the reliable implementation of operations, it was in March 2011 paid into the national treasury.

Therefore, the balance of capital at the end of FY 2010 was ¥697.7 billion – ¥598.2 billion from the general account, ¥54.5 billion from Fiscal Investment and Loan Program special account, and ¥45.0 billion as reserve fund for interest rate change.

Of the capital, ¥51.9 billion shall be redeemed to the national treasury in FY 2011 based on the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the Cabinet on December 7, 2010).

(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	801,800	26,355	230,000	598,155
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	901,300	26,355	230,000	697,655

● Major assets and liabilities (FY 2010)

[Long-term borrowings]

In FY 2010, JHF borrowed ¥143.6 billion from private institutions. Since ¥3,124.2 billion was repaid to FILP, ¥11.5 billion to the Postal Life Insurance Reserve Fund and ¥165.6 billion to private institutions, the balance or outstanding long-term borrowings at the end of FY 2010 was ¥21,564.0 billion – ¥21,420.4 billion from the FILP, ¥143.6 billion from private institutions.

(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
Borrowings from Fiscal Investment and Loan Program	24,544,645	—	3,124,233	21,420,412
Borrowings from former Kanpo Life Insurance Reserve Fund	11,465	—	11,465	0
Borrowings from private institutions	165,600	143,600	165,600	143,600
Total	24,721,710	143,600	3,301,298	21,564,012

[Details of bonds issued by JHF]

In FY 2010, ¥2,218 billion (par value, same as below) in Japan Housing Finance Agency bonds, ¥124.3 billion in property accumulation saving scheme-tied houses bonds, and ¥44.1 billion in housing land bonds were issued. In addition, ¥1,765.7 billion in Japan Housing Finance Agency bonds, ¥227.3 billion in Japan Housing Finance Agency - property accumulation saving scheme-tied houses bonds, and ¥92.6 billion in Japan Housing Finance Agency - housing land bonds were redeemed. Therefore the total outstanding balance of bonds at the end of FY2010 was ¥11,865.5 billion – ¥10,463.3 billion in Japan Housing Finance Agency bonds, ¥637.4 billion in Japan Housing Finance Agency - property accumulation saving scheme-tied houses bonds, and ¥764.7 billion in Japan Housing Finance Agency - housing land bonds.

(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
Japan Housing Finance Agency bonds	10,011,075	2,217,991	1,765,730	10,463,335
Japan Housing Finance Agency - Property accumulation saving scheme-tied houses bonds	740,400	124,300	227,300	637,400
Japan Housing Finance Agency - housing land bonds	813,238	44,085	92,574	764,749
Total	11,564,712	2,386,376	2,085,604	11,865,484

[Reserves]

(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
Reserve for possible loan losses	851,328	180,604	209,074	822,858
Allowance for bonuses	643	609	643	609
Allowance for retirement benefits	25,450	1,355	664	26,142
Allowance for refund of guarantee fees	49,730	—	9,680	40,050
Reserve for mortgage transfer registration	34,546	—	8,592	25,954

● Acquisition and disposal of fixed assets and depreciation costs (FY 2010)

(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	15,482	139	0	15,622	2,794	555	42	12,785
	Other tangible fixed assets	4,551	9	8	4,552	3,225	1,126	0	1,327
	Total	20,034	148	8	20,174	6,019	1,680	43	14,112
Non-depreciable assets	Land	22,168	—	—	22,168	—	—	441	21,727
	Other tangible fixed assets	5	—	—	5	—	—	—	5
	Total	22,172	—	—	22,172	—	—	441	21,731
Total tangible fixed assets		42,206	148	8	42,346	6,019	1,680	484	35,844

● 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
Funen Kosha (specific public interest company, etc.)	Construction and transfer of rental homes; financing guarantees, etc. Jutaku Loan Service, Ltd.	Financing guarantees, etc.	January 1961	¥1.35 million

● Transition in capital (Unit: 100 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	2010	6,977

Note: With regard to ¥230.0 billion out of capital payments implemented under the first supplementary budget for FY 2009, since the said amount has been found no longer needed for the reliable implementation of operations, it was in March 2011 paid into the national treasury.

● Details of business expenses (Unit: million yen)

Category	FY 2009	FY 2010
Overhead expenses	11,234	10,889
Management travel expenses	96	84
Various management expenses	3,570	2,943
Entertainment expenses	1	0
Tax	297	276
Fixed asset depreciation expenses	627	594
Leased asset depreciation expenses	1,066	1,087
Operational travel expenses	89	80
Various operating costs	5,352	3,927
Expenses for special servicing of loans	4,263	782
Reparations and repayments	—	—
Other expenses including bond issuance costs and trust fees	119	150
System operation outsourcing costs	4,997	4,866
Total	31,712	25,677

● Capital adequacy ratio (Unit: 100 million yen)

Category	FY 2009	FY 2010
Net capital	5,612	3,153
Reserve for possible loan losses	856	798
Owned capital (A)	6,468	3,951
Assets (on balance sheet)	125,520	116,503
Off balance sheet transactions	10,186	8,974
Amount equivalent to operational risk	1,295	2,161
Risk weighted assets total (B)	137,000	127,638
Capital adequacy ratio ((A) / (B)) x 100	4.72%	3.10%

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 2009	FY 2010
Expenses* (A)	623	567
Average balance of loans (B)	363,507	329,242
Overhead ratio (A) / (B)	0.1715%	0.1723%

* 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 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 2009		FY 2010	
	Gross profit/loss (△)	Surplus/loss carried forward (△)	Gross profit/loss (△)	Surplus/loss carried forward (△)
Securitization support account	△ 5,785	△ 25,077	△ 25,843	△ 50,920
Account for transfer of claims	△ 2,853	△ 20,534	△ 7,808	△ 28,342
Account for loan guarantees	△ 2,932	△ 4,543	△ 18,035	△ 22,578
Housing loan insurance account	1,962	△ 4,359	2,833	△ 1,526
Account for loans for property accumulation saving scheme-tied houses	4,464	41,829	2,631	44,460
Housing loan account	△ 2,874	339,205	657	335,392
Account for housing loans	570	△ 23,822	3,293	△ 20,529
Account for operations taken over from the Housing Loan Guarantee Association	△ 3,444	363,027	△ 2,635	355,921
Overall agency (excluding the outstanding loan management account and account for operations taken over from the Housing Loan Guarantee Association)	1,212	△ 11,429	△ 17,086	△ 28,515

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

(Unit: 100 million yen)

Type	Purpose	Total at the end of FY 2010	Total at the end of FY 2011 (estimate) * 1
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	5,156.55	4,740.63
Housing loan insurance	Insurance risk management	1,300	1,300
Housing loans	Credit risk management concerning town development loans (short-term business funds), ALM risk management related to disaster mitigation loans Credit risk management measures related to loans for serviced residences for the aged * 2	424	430
Outstanding loan management	Implementation of special preferential measures of repayment condition changes (interest rate cut)	96	96
Total		6,976.55	6,566.63

* 1 The estimated amount with anticipated ¥51.9 billion payment to the national treasury reflected in the securitization support account pursuant to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010)

* 2 Capital to provide for credit risk related to loans provided for serviced residences for the aged was scheduled to be financed in FY 2011.

● Reference - Status of long-term bonds being held

FY 2009

(Unit: 100 million yen)

Type	Classification (purpose)	At the end of FY 2009				
		Government bonds	Municipal 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

FY 2010

(Unit: 100 million yen)

Type	Classification (purpose)	At the end of FY 2010				
		Government bonds	Municipal 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)	4,527	1,846	752	114	1,815
Housing loan insurance	Investments by the government (bonds held as a capital investment for insurance risk management)	1,262	547	426	19	270
	Mandatory policy reserves (bonds held as a reserve investment for future insurance payments)	252	25	55	41	131
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))	423	121	121	1	180
	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)	2,014	284	336	193	1,200
Total		8,479	2,823	1,692	368	3,596

* The securities that can be held by JHF are government bonds, Municipal bonds and government guaranteed bonds as well as bonds issued by corporations under special laws (securities designated by the competent ministers) as prescribed in Article 47 of the Law for General Rules for Incorporated Administrative Agencies. JHF holds these securities for the safe and efficient implementation of operations. In FY 2010, the agency sold long-term bonds worth ¥173.1 billion to deal with the redemption of part of its capital to the national treasury and for other reasons.

● Reference - List of subsidies

(Unit: 100 million yen)

Type	Purpose	Amount received in FY 2010 * 2	Amount received in FY 2011 * 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)	2,235	—
Subsidies for securitization support	Interest rate reduction in the support scheme for acquiring high-quality housing, etc.	29.14	25.01 * 2
Subsidies for emergency measures including loans for disaster mitigation	Expansion, etc. of the systems of loans for disaster mitigation and the changes of repayment methods for victims of the Great East Japan Earthquake.	—	560 * 3

* 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 (approved by the Cabinet on December 8, 2009) and in the 3-Fold Economic Measures for the Implementation of New Growth Strategy (Cabinet Decision of September 10, 2010). Every time the cost for interest rate reduction is accrued, it is posted as an expense.

* 2 In FY 2010, 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, 2011)

(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)	155,688	41,475	104,647	26,861

Housing loan insurance (Premium rate reduction) (as of March 31, 2011)

(Unit: case;100 million yen)

Type	insurance	
	Number of cases	Amount
Housing loan insurance (Premium rate reduction)	18,844	4,344

* Carried out as a time-limited measure with respect to the loans approved until December 30, 2010.

[Use of subsidies]

Use of subsidies for emergency measures to facilitate housing finance (as of March 31, 2011)

● **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	March 31, 2010
Subsidies received	2,600.0	2,235.0
Transfer from housing loan insurance business	—	700.0
Amount carried forward	0.0	2,599.3
Accrued interest income	0.0	4.9
(Accumulated gains)	(0.0)	(4.9)
Subtotal ①	2,600.0	5,539.2
Expenses for interest rate reduction ②	0.7	101.3
(Accumulated expenses for interest rate reduction)	(0.7)	(102.0)
Balance of subsidies ①-②	2,599.3	5,437.9

● **Housing loan insurance (Premium rate reduction)**

(Unit: 100 million yen)

Amount / As of	March 31, 2009	March 31, 2010
Subsidies received	1,400.0	—
Amount carried forward	0.0	1,341.0
Accrued interest income	0.0	1.0
(Accumulated gains)	(0.0)	(1.0)
Subtotal ①	1,400.0	1,342.0
Expenses for premium rate reduction ②	59.0	198.1
(Accumulated premium rate reduction)	(59.0)	(257.1)
Transfer to the securitization business ③	0.0	700.0
Balance of subsidies ①-②-③	1,341.0	443.9

Product outline of Flat 35 (Purchase Program)

As of April 1, 2011

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" style="margin-left: 20px;"> <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) The income, in principle, must be based on income of the year before the fiscal year in which the application is made (in the case of FY 2011, the income must be based on income between January and December 2010 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"> ● Loans for construction/purchase of a new home or purchase of an existing home for occupation by the applicant or relatives (available for a second home). <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. <p>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.</p>						
Collateral	<ul style="list-style-type: none"> ● 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. Some customers may not be able to be accepted depending on their health conditions</p>						
Fire insurance	<ul style="list-style-type: none"> ● Customers of the scheme must until the end of repayment of the loans take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the customer or a mutual aid fire insurance stipulated by laws; the same hereinafter.) for the dwelling that is the purpose of borrowing the loan. ● The insurance amount must at least equal the loan amount (Note) and the subject of indemnification must be fire damage to the building. (Note) The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the loan amount. ● 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 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. JHF's special fire insurance is not applicable.</p>						
Fees for the Origination of the loan	<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. 						
Fees for the inspection of the property							
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 JHF which purchases the loan.

Product outline of Flat 35 (loan refinance)

As of April 1, 2011

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). * 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-top: 5px;"> <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. ● Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant. (Note 2) Income for the year before the year of application (between January and December 2010 in the case of FY 2011) 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 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) Loans other than housing loans, e.g., multi-purpose loans and investment loans, are not eligible for refinancing, nor are housing loans for housing improvements.</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-top: 5px;"> <tbody> <tr> <td style="padding: 2px;">A detached house, a terraced house (including a semi-detached house) and a flat[*]</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 [*]	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 [*]	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 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: 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 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 <ul style="list-style-type: none"> * 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"> ● 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"> ● Customers of the scheme must until the end of repayment of the funds take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the borrower or a mutual aid fire insurance stipulated by laws; the same hereinafter) for the dwelling that is the purpose of borrowing loan. ● The insurance amount must at least equal the outstanding loan amount (Note) and fire damage to the building must be the subject of indemnification. (Note) The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the outstanding loan amount. ● Insurance periods and insurance premium payment methods differ depending on the handling financial institution. If no mortgage has been established on the lot, the fire insurance must have a payment mode whereby insurance premiums are paid in a single long-term payment to ensure that the date of insurance maturity falls on or after the end of the final repayment of the refinancing loan. Moreover, with respect to the right to claims to the fire insurance money, a first-ranking right of pledge must be established for the Japan Housing Finance Agency as pledge. ● If the fire insurance that was already taken out before refinancing meets requirements prescribed by 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, JHF takes out a first-priority pledge on the recipient's right to obtain fire insurance benefits. ● If the fire insurance that was already taken out before refinancing meets requirements prescribed as above, 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 refinancing loan or if the maturity date comes after the final repayment of the refinancing loan with yearly payment of insurance premium, 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, JHF takes 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. 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 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 refi nance	<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 JHF which purchases the loan.

Product outline of Flat 50

As of April 1, 2011

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>	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"> * 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 or revolving installments) (income of the co-borrower must be included in the above borrowings, if any). ● 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 2010 in the case of FY 2011) 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"> <tbody> <tr> <td>A detached house, a terraced house (including a semi-detached house) and a flat^{*2}</td> <td>70 m² or more</td> </tr> <tr> <td>A condominium, etc.</td> <td>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. ● 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 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) <ol style="list-style-type: none"> 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. <ul style="list-style-type: none"> * 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. 50 years 						
Borrowing rate	<ul style="list-style-type: none"> ● Fixed rate[*] <ul style="list-style-type: none"> * 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"> ● 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 financed with the loan must be insured against fire damage until the completion of repayment. The fire insurance should meet requirements prescribed by JHF (meaning either a fire insurance provided by an insurance company selected at the discretion of the borrower or a mutual aid fire insurance stipulated by law, 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 JHF, and 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 JHF, and 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. 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}. <ul style="list-style-type: none"> * 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 JHF which purchases the loan.

Risk-monitored Loans

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, 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.

● Table of risk-monitored loans for FY 2006 to FY 2010

(Unit: 100 million yen, %)

Category	FY 2006			FY 2007				FY 2008			
	Outstanding loans *1	Purchased loans, etc.*2	Total	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)	2,639	8	2,647	2,562	20	432	3,014	2,163	38	252	2,453
Seriously delinquent loans (B)	7,871	28	7,899	9,105	66	2,165	11,335	8,362	138	1,444	9,944
Loans past due 3 months or more (C)	974	11	985	865	29	0	894	1,091	59	0	1,149
Subtotal (D) = (A) + (B) + (C)	11,484	47	11,531	12,531	115	2,597	15,243	11,616	235	1,696	13,547
Ratio: (D) / (G) x 100	2.72	0.13	2.52	3.31	0.26	100	3.58	3.49	0.47	100	3.52
Loans under mitigation (E)	22,281	63	22,344	20,235	208	0	20,443	17,456	216	0	17,672
Total (F) = (A) + (B) + (C) + (E)	33,765	110	33,875	32,767	323	2,597	35,686	29,072	451	1,696	31,218
Ratio: (F) / (G) x 100	8.00	0.32	7.42	8.65	0.72	100	8.37	8.73	0.89	100	8.10
Balance of principle (G)	421,945	34,856	456,801	378,949	44,772	2,597	426,318	332,983	50,543	1,696	385,221

Category	FY 2009				FY 2010			
	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)	1,980	65	210	2,256	1,769	65	128	1,961
Seriously delinquent loans (B)	8,054	251	999	9,304	7,022	517	569	8,108
Loans past due 3 months or more (C)	1,436	169	0	1,605	1,466	168	0	1,634
Subtotal (D) = (A) + (B) + (C)	11,471	485	1,209	13,165	10,257	750	697	11,704
Ratio: (D) / (G) x 100	4.05	0.82	100	3.83	4.34	0.91	100	3.66
Loans under mitigation (E)	15,677	332	0	16,009	14,946	482	0	15,428
Total (F) = (A) + (B) + (C) + (E)	27,148	817	1,209	29,174	25,203	1,232	697	27,132
Ratio: (F) / (G) x 100	9.59	1.38	100	8.49	10.66	1.49	100	8.48
Balance of principle (G)	283,175	59,143	1,209	343,527	236,456	82,805	697	319,959

* 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 168.7 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, 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 57%, 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 2010

(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 1,781		Portions secured by collateral and guarantees 696		Provision for portions excluding those secured by collateral and guarantees 1,085		Specific reserve for possible loan losses 1,085 (100%)	Loans to borrowers in default 1,769
	Borrowers in default 3,945		Portions secured by collateral and guarantees 1,578		Provision for portions excluding those secured by collateral and guarantees 2,366			2,366 (100%)
	Borrowers with high probability of default 3,119		Portions secured by collateral and guarantees 1,747		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 1,372		727 (53.0%)	
	Watch-list borrowers	Borrowers requiring caution 16,594	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 16,594					1,545 (9.3%)
		Other borrowers requiring caution 13,562	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 13,562				Restructured loans 14,946	
Normal borrowers 198,083		Provisions for estimated loss rate for the next one year based on a rate determined by historical data 198,083				336 (0.2%)		
Purchased loans, etc. *2	Substantially defaulted borrowers 66		Portions secured by collateral and guarantees 29		Provision for portions excluding those secured by collateral and guarantees 37		Specific reserve for possible loan losses 37 (100%)	Loans to borrowers in default 65
	Borrowers in default 419		Portions secured by collateral and guarantees 184		Provision for portions excluding those secured by collateral and guarantees 235			235 (100%)
	Borrowers with high probability of default 102		Portions secured by collateral and guarantees 54		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 48		20 (41.7%)	
	Watch-list borrowers	Borrowers requiring caution 682	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 682					72 (10.6%)
		Other borrowers requiring caution 2,734	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 2,734				Restructured loans 482	
Normal borrowers 78,913		Provisions for estimated loss rate for the next one year based on a rate determined by historical data 78,913				127 (0.2%)		
Claims *3	Substantially defaulted borrowers 128		Portions secured by collateral and guarantees 18		Provision for portions excluding those secured by collateral and guarantees 110		Specific reserve for possible loan losses 110 (100%)	Loans to borrowers in default 128
	Borrowers in default 572		Portions secured by collateral and guarantees 107		Provision for portions excluding those secured by collateral and guarantees 465			465 (100%)

* 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 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 2010 were announced by the Ministry of Finance on July 28, 2010 after the Fund Operation Council's Sub-committee on Fiscal Investment and Loans Program examined the policy costs of government-affiliated corporations and incorporated administrative agencies that were subject to Fiscal Investment and Loan Program. The results of policy cost analysis on JHF showed that a policy cost of \triangle ¥100 million 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 2010 with no such business being conducted in FY 2011 and ② repaying all investments to the national government in FY 2036, the end of the analysis period, when all GHLC originated loans will be collected.

1. Business using Fiscal Investment and Loan Program

Loans for disaster-affected people to reconstruct their damaged housing (Reference) The businesses that are not covered by Fiscal Investment and Loan Program include securitization support, housing loan insurance and housing loan origination (excluding disaster mitigation loans).

2. Planned amount for Fiscal Investment and Loan Program

(Unit: 100 million yen)

Planned amount for the Fiscal Investment and Loan Program in FY 2010	Estimated balance in the FILP account at the end of FY 2009
300	253,971

(The estimated balance in FILP account at the end of FY 2009 also includes balances other than that of disaster mitigation loans)

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

- ① Results of loan origination
 - Number of houses: 202,633 units
 - Amount: ¥1.6843 trillion
 - (As of the end of FY 2009, 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
 - Until 2008, Disasters that have caused damage above a certain level as prescribed in the Disaster Relief Act
 - Since FY 2009, based on the recent changes in disaster incidences and in society, irrespective of the magnitude of the disaster damage, loans for disaster mitigation are provided expeditiously after a natural disaster has occurred.

Variation in contracts by fiscal year (for the last 10 years)

(Unit: dwelling unit, million yen)

Fiscal year	Number of dwellings	Amount
FY2000	866	15,352
FY2001	1,128	11,416
FY2002	329	4,564
FY2003	855	9,365
FY2004	395	3,562
FY2005	411	4,060
FY2006	84	979
FY2007	71	726
FY2008	26	292
FY2009	7	26

- 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 2009, contract base)

4. Values estimated in policy cost analysis for the business

[Policy cost] (Unit: 100 million yen)

Category	FY 2009	FY 2010	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 11	1	+12
Subtotal of 1 to 3	\triangle 11	1	+12
4. Reduction in loss	-	-	-
Total of 1 to 4 = policy cost (A)	\triangle 11	1	+12
Analysis period (year)	32	27	\triangle 5

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

Category	FY 2009	FY 2010	Change
(A) Policy cost (relisting)	\triangle 11	1	+12
(A') Policy cost obtained by recalculating (A) at the same interest rate applied in the analysis for FY 2009	\triangle 11	2	+13
(B) Of (A'), policy cost to accrue after FY 2010	\triangle 11	2	+13

The policy cost for 2010 was \triangle ¥100 million. Comparing the figure after eliminating the influence from premise interest changes in FY 2009 and FY 2010 with the policy cost that will accrue in and after FY 2010, the actual policy cost is considered to be increased by ¥1.3 million from FY 2009.

These material cost increases are thought to be due to the following factors.

- Cost increase from higher expenditure for clerical operations due to new loans made in FY 2010 (+¥0.3 billion)
- Cost increases due to lower investment income (+¥1.0 billion)

[Breakdown of policy cost in terms of the time of investment]

(Unit: 100 million yen)

Category	FY 2009	FY 2010	Change
(A) Policy cost (relisting)	\triangle 11	1	+12
① Opportunity cost for investment provided by the start of analysis	88	42	\triangle 46
② Newly estimated policy cost during the period of analysis	\triangle 99	\triangle 41	+58
Subsidies from the national government	-	-	-
Fund transfer to the national treasury	-	-	-
Policy cost accrued depending on changes in surplus	\triangle 99	\triangle 41	+58
Opportunity cost for investment	-	-	-

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

(A) Policy cost in FY 2010 (relisting)	1
① Prepayment	\triangle 4
② Credit loss	18
③ Other (interest margin, etc.)	\triangle 13

[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 0(\triangle 1)	2(+1)
Of the changes, a change in opportunity cost	\triangle 1	+1

(Reference) FY 2010 budget for subsidies/investment
 Subsidies: ---
 Investment: ---

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 2010.
- ② The analysis period was set as 27 years during which all disaster mitigation loans under the business plan for FY 2010 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)					
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Prepayment ratio	3.80	1.32	1.88	1.37	2.76	3.57	3.57	3.57	3.57	3.57	3.57
Write-off of nonperforming loans	-	-	-	0.0	0.1	19.7 (Sum of in and after 2011)					

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prepayment ratio	3.57	3.57	3.57	3.57	3.57	3.57	3.57	3.57	3.57	3.57	3.57

FY	2028	2029	2030	2031	2032	2033	2034	2035	2036
Prepayment ratio	3.57	3.57	3.57	3.57	3.57	3.57	3.57	3.57	3.35

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

(Rationale)

- 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 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 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 Japan Housing Finance Agency was established on April 1, 2007.
- ③ With respect to the Fundamental Review of Incorporated Administrative Agencies (Cabinet Decision of December 25, 2009) a temporary freeze has been imposed on the affairs (excluding instances already implemented) stipulated in the Incorporated Administrative Agencies Rationalization Plan (Cabinet Decision of December 24, 2007), with further deliberations to be held as part of the Fundamental Review of Incorporated Administrative Agencies.
- 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	2010
Policy cost	12,383	7,822	△ 1,549	△ 4,349	△ 5,434	△ 810	△ 69	17	10	△ 7	△ 11	1

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.

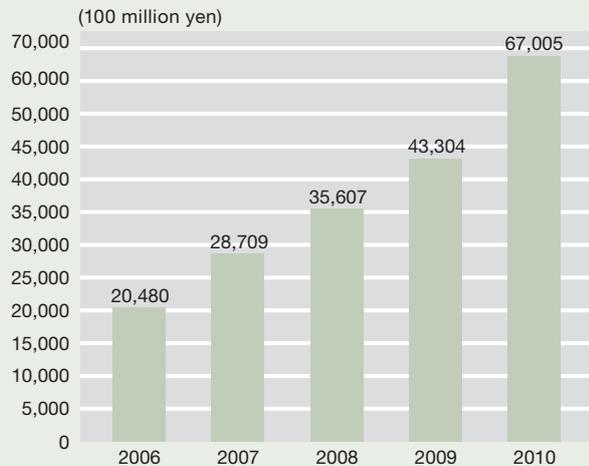
Note 3) The figure in 2005 indicates the policy cost in disaster mitigation loans (those accepted in and after 2005) and the securitization support business.

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

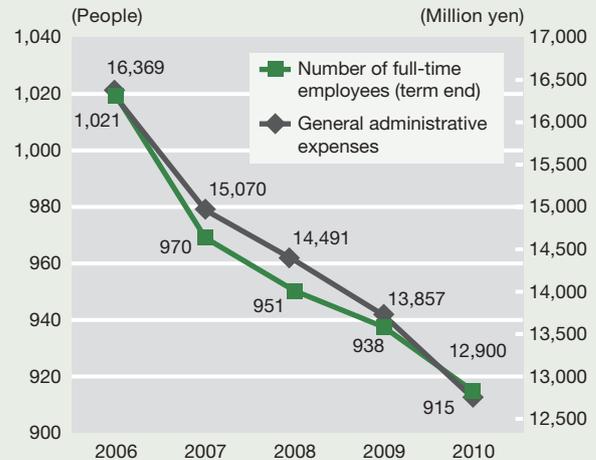
Efforts for Management Restructuring

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	2010
General administrative expenses	¥16,369 million	¥15,070 million	¥14,491 million	¥13,857 million	¥12,900 million
Reduction rate (comparison with the end of FY 2006)	—	▲ 7.9%	▲ 11.5%	▲ 15.3%	▲ 21.2%
Personnel expenses	¥11,397 million	¥10,411 million	¥10,118 million	¥9,867 million	¥9,584 million
Reduction rate (comparison with the end of FY 2006)	—	▲ 8.6%	▲ 11.2%	▲ 13.4%	▲ 15.9%
Non-personnel expenses	¥4,972 million	¥4,659 million	¥4,373 million	¥3,990 million	¥3,316 million
Reduction rate (comparison with the end of FY 2006)	—	▲ 6.3%	▲ 12.0%	▲ 19.8%	▲ 33.3%

● Reduction in information system expenses

Unit: million yen

	2006	2007	2008	2009	2010
Main system expenses	127.6	94.2	94.9	77.7	73.9
(Difference from FY 2006)	—	▲ 33.4	▲ 32.7	▲ 49.9	▲ 53.7
(% Change from FY 2006)	—	▲ 26.2%	▲ 25.6%	▲ 39.1%	▲ 42.1%

Response Measures Related to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies

Japan Housing Finance Agency engages in response measures in accordance with the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010). Content related to Japan Housing Finance Agency (individual items related to JHF) are as follows.

[Review of clerical processes and business operations]

Clerical processes / business operations	Steps to be taken	Time of implementation	Specific content
Securitization business	Repayment to the national treasury of capital provided for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans), the necessary minimum amount will be retained and the rest will be repaid to the national treasury.
	Repayment of reserve funds for interest rate change to the national treasury	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.
Housing loan insurance business	To be discontinued	Implementation beginning in FY 2012	As part of the Policy Package to address Economic Crisis in April 2009, insurance premium rates have been lowered until FY 2011 (as part of the Emergency Economic Countermeasures of December 2009, rates were lowered further until December 2010). After the end of the economic countermeasures, the existing operations will be discontinued and government funds no longer needed will be paid to the national treasury. Exceptions to the above are, however, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to "Flat 35" loans), and such operations will be implemented until they can be substituted by the private sector.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with Support Services for Seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with other ministries and government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan insurance will be implemented.
Loan origination business	Discontinuation of mortgage loan operations for rental housing	Implementation beginning in FY 2011	Existing mortgage loan operations for rental housing will be discontinued in FY 2011. However, with regard to loan operation related to the supply of highly energy efficient housing, acquisition of which is particularly promoted at securitization business, operations will be implemented until they can be substituted by the private sector.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with support services for seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with ministries and other government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan will be implemented.
	Discontinuation of town development loan	Implementation beginning in FY 2012	After the end of the measure for the relaxation of lending conditions until the end of FY 2011 implemented under the Policy Package to Address Economic Crisis of April 2009, existing operations will be discontinued, and unnecessary government capital will be paid to the national treasury. However, with regard to condominium rebuilding operations where the reorganization of property rights causes problems and operations last for a long term, operations only implemented by small and medium-sized enterprise will be continued until they can be substituted by the private sector.
Management of outstanding loans	-	-	-
Operation of group credit life insurance	-	-	-
Housing information providing business	To be discontinued	Implementation beginning in FY 2011	Operations will be discontinued, and the field will be left to the private sector (relevant operations do not include the provision of information related to the implementation of the respective operations of securitization business, etc.).

[Review of assets and operations, etc.]

	Steps to be taken	Time of implementation	Specific content
Return of unnecessary assets to the national treasury	Capital for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans) the necessary minimum amount will be retained and the rest will be repaid to the national treasury.
	Reserve funds for interest rate change	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.
	¥200.0 billion in government capital funds related to Securitization business	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥200.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.
Return of unnecessary assets to the national treasury	¥30.0 billion in capital funds from the government related to town development loan operations	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥30.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.
Review of offices, etc.	A review plan will be prepared at an early time	Implementation beginning in FY 2010	Over the course of FY 2010, an examination will be conducted on the appropriateness of the holding and/or renting of all assets including the headquarters, branch offices, lodging facilities, and rented offices. Based on this examination, a review plan will be formulated at an early time and deliberations will be implemented on consolidating offices and lodging facilities, etc.
Review of employee dormitories	Disposal of employee dormitories and the Kouko General Sport Ground.	Implementation beginning in FY 2010	Employee dormitories facilities and Kouko General Sport Ground will be sold.
Review of personnel expenditures	Lowering of the Laspeyres index	Implementation beginning in FY 2010	Steps will be taken with certainty to reduce the Laspeyres index through such as reviews of employees' base salaries and the allowances for officials above director level, among other steps, with further checks on overall personnel expenses.

Outline of the Review of Procurement

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

In addition, based on the Inspection and Review of Contracts by Incorporated Administrative Agencies (approved by the Cabinet on November 17, 2009), JHF 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, JHF 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, JHF 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 noncompetitive 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 singlebidder 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 participated 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.	Noncompetitive direct appointments	¥355 million

I Executive Compensation

1. Fundamental policy on executive compensation

① Linking operation results and FY 2009 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 General

(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 base salary (revision rate: ▲0.24%) and the end-of-term allowance (▲0.15months, 3.10 months to 2.95 months) was implemented.
The rate of the special regional allowance will be increased gradually until FY 2010 similarly to that for civil servants, and was changed from 17 to 18% in FY 2010 (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 2010				Inauguration and retirement		Previous position
	Remuneration (salary)	Bonus	Other (details)	Inauguration	Retirement		
President	Thousand yen 21,360	Thousand yen 13,405	Thousand yen 5,543	Thousand yen 2,413 (Regional adjustment)		March 31	
Senior Executive Vice President	Thousand yen 18,497	Thousand yen 11,509	Thousand yen 4,759	Thousand yen 2,072 (Regional adjustment) 157 (Commuting allowance)		March 31	*
Executive Vice President	Thousand yen 17,910	Thousand yen 11,176	Thousand yen 4,545	Thousand yen 2,012 (Regional adjustment) 178 (Commuting allowance)		March 31	※
Senior Executive Director A	Thousand yen 16,187	Thousand yen 10,120	Thousand yen 4,115	Thousand yen 1,822 (Regional adjustment) 130 (Commuting allowance)		March 31	*
Senior Executive Director B	Thousand yen 16,143	Thousand yen 9,951	Thousand yen 4,115	Thousand yen 1,791 (Regional adjustment) 286 (Commuting allowance)			
Senior Executive Director C	Thousand yen 16,123	Thousand yen 10,120	Thousand yen 4,115	Thousand yen 1,822 (Regional adjustment) 67 (Commuting allowance)		March 31	*
Senior Executive Director D	Thousand yen 16,229	Thousand yen 10,120	Thousand yen 4,115	Thousand yen 1,822 (Regional adjustment) 172 (Commuting allowance)			◇
Senior Executive Director E	Thousand yen 16,280	Thousand yen 10,120	Thousand yen 4,115	Thousand yen 1,822 (Regional adjustment) 224 (Commuting allowance)			※
Auditor General A	Thousand yen 14,645	Thousand yen 9,160	Thousand yen 3,724	Thousand yen 1,649 (Regional adjustment) 112 (Commuting allowance)		March 31	※
Auditor General B	Thousand yen 14,662	Thousand yen 9,160	Thousand yen 3,724	Thousand yen 1,649 (Regional adjustment) 129 (Commuting allowance)			
Auditor General C	Thousand yen 14,696	Thousand yen 9,160	Thousand yen 3,724	Thousand yen 1,649 (Regional adjustment) 163 (Commuting allowance)			*

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 2010 and were paid a retirement allowance)

Category	Total payment	Length of service at agency		Date resigned	Performance rate	Notes	Previous position
President	Thousand yen	Year	Month			None	
Executive Vice President	Thousand yen	Year	Month			None	
Senior Executive Vice President	1,578	1	3	June 25, 2008	0.9	A provisional performance rate (1.0) has been applied at the time of retirement with payment of ¥1,753 thousand. Since the Performance Assessment Committee for incorporated administrative agencies which assessed performance in FY 2008 established a performance rate (0.9), the payment amount is restated. The difference has been returned.	*
Senior Executive Director	Thousand yen	Year	Month			None	
Auditor General	2,298	2	0	March 31, 2009	1.0	A provisional performance rate of (1.0) has been applied at the time of retirement with payment of ¥2,298 thousand. Since the Performance Assessment Committee for incorporated administrative agencies which assessed performance in FY 2008 has established the performance rate (1.0), the payment amount is restated.	

(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), JHF 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.

② Basic policy on determining the salary of employees

- 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.

- 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 JHF's personnel evaluation system, the work performance evaluations are reflected in bonuses and periodic pay raises.

As for the overall performance of JHF, 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.

- Main revisions to the salary system in FY 2010

- Operational staff* (employees who transferred from generalist work to operational work in FY 2010) Reduction in salary by 5% on average was implemented.
- Termination of the guarantee for the current basic salaries of operational staff (staff who were non-transferable during the time of the Government Housing Loan Corporation) (cut by 5% in March 2007)
- Review of payment categories for the allowances for officials above director level (about 3% reduction of aggregate payments)
- 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: ▲0.19%) and the number of months applied to calculate bonuses (▲0.20 months (4.15 months → 3.95 months) was implemented.

2. Employee salaries

① Salary by type of work

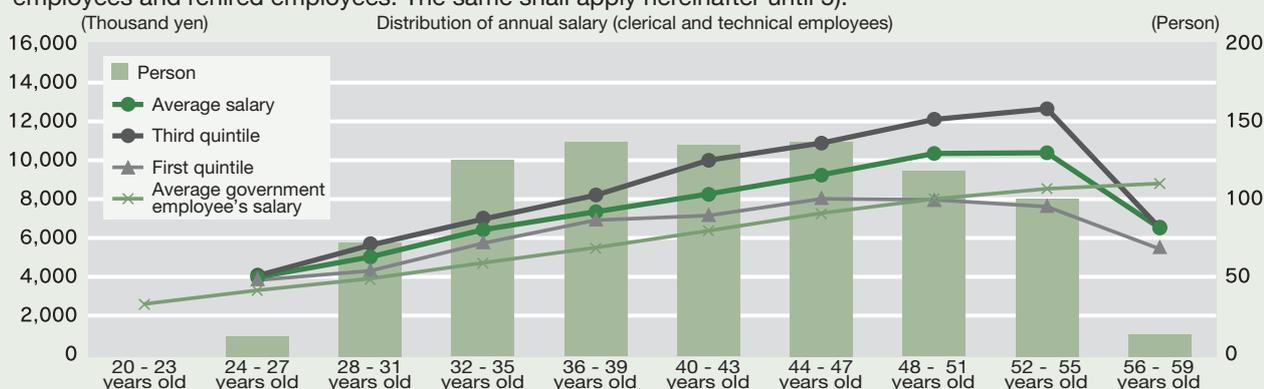
Type	Employees	Average age	FY 2010 annual salary (average)			
			Total amount	Contract earnings	Commuting allowance	Bonus
Full-time employees	837 Persons	42.8 Age	8,183 Thousand yen	6,138 Thousand yen	144 Thousand yen	2,045 Thousand yen
Clerical/technical	836 Persons	42.8 Age	8,186 Thousand yen	6,139 Thousand yen	144 Thousand yen	2,047 Thousand yen
Others	1 Persons	— Age	— Thousand yen	— Thousand yen	— Thousand yen	— Thousand yen

(Notes) 1. "Other" under full-time employees refers to one employee, 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	133	47.3	10,202	10,578	11,177
· Clerk at head office	35	34.4	4,288	4,699	5,066

Note: The standard position equivalent to the director at head office is "Director" (main office).

③ Employee by grade (as of April 1, 2011) (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)	836 Persons	1 Persons (0.1%)	82 Persons (9.8%)	100 Persons (12.0%)	376 Persons (45.0%)	232 Persons (27.8%)	45 Persons (5.4%)
Age (youngest - oldest)		—	53 ~ 24	58 ~ 27	59 ~ 30	58 ~ 38	57 ~ 47
Scheduled annual salary (low - high)		—	4,340 ~ 2,462	5,342 ~ 3,466	7,174 ~ 3,966	9,284 ~ 5,924	10,311 ~ 8,002
Annual salary (low - high)		—	5,641 ~ 3,336	6,965 ~ 4,567	9,626 ~ 5,335	12,416 ~ 6,619	14,011 ~ 10,765

Note: Given that there is only one staff member corresponding to category-1 staff, since information concerning the subject person can be individually identified, only the number of persons is stated.

④ Bonuses (FY 2010) 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	Constant payment (year-end bonus)	61.9 %	64.5 %	63.2 %	General employees	Constant payment (year-end bonus)	63.6 %	67.1 %	65.4 %
	Evaluation-based payment (diligence allowance) (average)	38.1 %	35.5 %	36.8 %		Evaluation-based payment (diligence allowance) (average)	36.4 %	32.9 %	34.6 %
	Upper - lower	100.0 ~ 24.6 %	104.5 ~ 29.1 %	101.9 ~ 29.1 %		Upper - lower	100.0 ~ 29.6 %	104.8 ~ 27.3 %	102.1 ~ 29.5 %

⑤ Salary level (annual) comparative index between national civil servants and other agencies (clerical and technical employees)

National civil servant comparative index: 125.5 Other agencies comparative index (clerical and technical employees): 118.9

Note: The National Personnel Agency calculates the index based on the salaries 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 125.5																															
	Reference	Regional differences 116.7																														
		Academic history 121.8																														
	Regional differences and academic history 114.2																															
Quantitative reasons why the salary level is high compared to national civil servants	<p>• JHF, 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 2009)</p> <table border="1"> <thead> <tr> <th></th> <th>Employees</th> <th>Offices</th> <th>Average Age</th> <th>Average salary (thousand yen)</th> </tr> </thead> <tbody> <tr> <td>JHF</td> <td>963</td> <td>11</td> <td>42.4</td> <td>8,518</td> </tr> <tr> <td>Financial institution A</td> <td>1,575</td> <td>30</td> <td>38.7</td> <td>8,491</td> </tr> <tr> <td>Financial institution B</td> <td>1,486</td> <td>18</td> <td>39.5</td> <td>8,012</td> </tr> <tr> <td>Financial institution C</td> <td>1,048</td> <td>12</td> <td>37.7</td> <td>7,360</td> </tr> <tr> <td>Financial institution D</td> <td>1,079</td> <td>10</td> <td>38.3</td> <td>10,757</td> </tr> </tbody> </table> <p>Notes: Data such as average salaries for private institutions were taken from the particular institution's FY 2009 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 JHF'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 116.7 from 117.7), 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 121.8 from 123.7; and eliminating the effect of regional differences and higher education reduces the national civil servant comparative index to 114.2 from 114.9), and benefits in order to keep talented employees.</p>			Employees	Offices	Average Age	Average salary (thousand yen)	JHF	963	11	42.4	8,518	Financial institution A	1,575	30	38.7	8,491	Financial institution B	1,486	18	39.5	8,012	Financial institution C	1,048	12	37.7	7,360	Financial institution D	1,079	10	38.3	10,757
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	<p>[Result of the inspection by the competent minister of state] Since the pay level is significantly higher than that for national civil servants, in addition to implementation of the measures stated below, JHF must implement a rigorous examination of the principles of officer remuneration including allowances, and on the basis of the examination fundamental efforts toward further improvements must be made that find the understanding and approval of the public.</p>																															
Verification of the appropriateness of wage levels	<p>[National government financial support] National government financial support as percentage of total projected expenditures: 3.2% (national government financial support - ¥353 billion; total projected expenditures - ¥11,103.1 billion [FY 2010 budget, after the second supplementation])</p> <p>[Examination result] Out of ¥353.0 billion in fiscal spending from the state, ¥223.5 billion were allocated for the execution of the 3-Fold Economic Measures for the Implementation of New Growth Strategy (Cabinet Decision of September 10, 2010) from the reserve fund for economic crisis countermeasure and local revitalization. Moreover, among fiscal expenses from the state, an amount of ¥129.5 billion instituted in the original budget for FY 2010 is for subsidy implemented due to income and expenditure mismatches caused by factors such as the discretionary early redemption by loan borrowers in relation to the operations of the Government Housing Loan Corporation (the predecessor of JHF). With regard to subsidies from the state, based on Greater Efficiency and the Improved Operations of the Government Housing Loan Corporation with the Goal of Transforming into an Incorporated Administrative Agency (in the following, Management Improvement Plan) and the medium-term plan of the Agency, steps are being taken toward improvements on a respective fiscal-year basis to enable the discontinuation until the final year of the medium-term target period (FY 2011).</p>																															

Verification of the appropriateness of wage levels	<p>[Accumulated losses] Accumulated loss: ¥372.0 billion (FY 2010) * Outstanding loan management account: ¥699.4 billion, other accounts: N/A (earned surplus: ¥327.4 billion)</p> <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 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 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) • Lower monthly base salary and reduced number of months applied to calculate bonuses Lower monthly base salary in accordance with the revision of the remuneration for national civil servants (average revision rate: ▲0.19%) and a reduction in the number of months applied to calculate bonuses (▲0.20 months (4.15 months → 3.95 months)) <FY 2011> • Lower maximum allowance for officials above the director level</p> <p>[Present effect and projected national civil servant comparative index] For FY 2010, the index declined 11.8 percentage points after eliminating the effects of regional differences and higher education (9.5 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 2011 will be below 114.2 percentage points (125 percentage points if only age is taken into consideration).</p>
Other reference items	<p>[Total compensation, including salary, as percentage of total expenditures] 0.1% (total compensation, including salary - ¥8.1 billion; total expenditures - ¥11,103.1 billion (FY 2010)) * The absolute level of total compensation, including salary, as percentage of total expenditures, is small.</p> <p>[Percentage of managerial positions] 33.1% (clerical and technical service; as of April 1, 2011) * The percentage of managerial position for the national government: 15.3% (the percentage of Grade 6 or higher national civil servants in the FY 2010 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] 81.5% (clerical and technical service; as of April 1, 2011) * For the national government: 51.6% (the percentage of national civil servants in the FY 2010 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 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 2010)	Current fiscal year (FY 2009)	Comparative increase △ decrease		Change compared to figure at the start of the medium △ term plan (FY2008)	
			Thousand yen	(%)	Thousand yen	(%)
Total payments of salary and bonus, etc. (A)	8,096,813	8,384,312	△ 287,499	(△ 3.4)	△ 786,130	(△ 8.8)
Payment of retirement benefits (B)	570,141	513,960	56,181	(10.9)	△ 531,103	(△ 48.2)
Salary of non-permanent directors and employees, etc. (C)	963,510	960,471	3,039	(0.3)	△ 438,735	(△ 31.3)
Welfare expenses (D)	1,234,694	1,224,923	9,771	(0.8)	△ 208,047	(△ 14.4)
Personnel expenses at the broadest base (A + B + C + D)	10,865,158	11,083,666	△ 218,508	(△ 2.0)	△ 1,964,015	(△ 15.3)

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 3.4% or around ¥300 million, year on year, and broadly defined labor costs declined 2.0%, or around ¥200 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 (Law 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 JHF). 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 based 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 (Law 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 JHF.

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	FY 2010
Total compensation, including salary (thousand)	9,755,681	8,882,943	8,580,740	8,384,312	8,096,813
Percent reduction in labor costs (%)		△ 8.9	△ 12.0	△ 14.1	△ 17.0
(Adjusted) percent reduction in labor costs (%)		△ 9.6	△ 12.7	△ 12.4	△ 13.8

Notes: 1. Since 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 JHF medium-term plan and the figure is that for the Government Housing Loan Corporation, which is the predecessor of 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, approved by the cabinet on December 24, 2005.

[Result of the inspection by the competent minister of state]

The law to promote administrative reforms in order to realize simple and efficient government (Law No. 47 of 2006) provides for personnel expense reduction by at least 5.0% in the five years from FY 2006. This objective has been already reached by JHF (in FY 2006 special public corporation, and since FY 2007 incorporated administrative agency) reflecting appropriate efforts.

IV Material Items Recognized by JHF

There is nothing to report.

Corporate Data

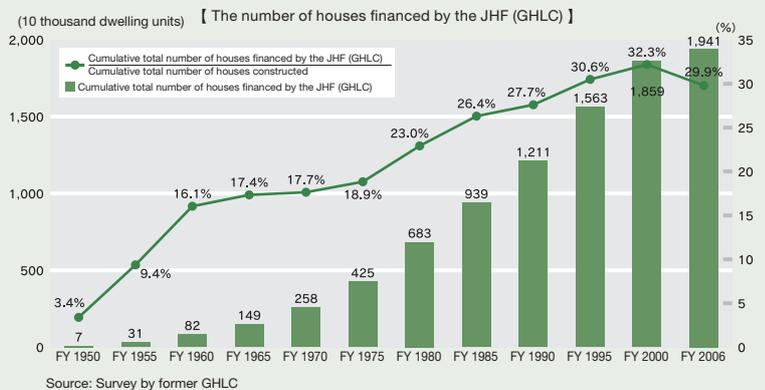
History of GHLC and JHF

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 (Purchase Program)
April 1957	Establishment of loan scheme for restoration of disaster-hit houses	October 2004	Launch of securitization business (Guarantee Program)
April 1965	Establishment of loan scheme for house improvement	June 2005	Launch of support scheme to facilitate for acquiring high-quality housing through the securitization business (Purchase Program)
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

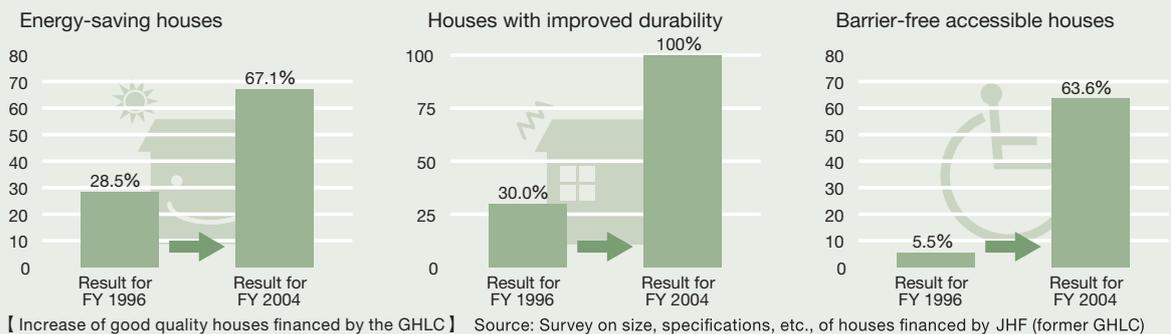
● Approximately 30% of all houses built after World War II were financed by JHF (GHLC).

The achievements of the Government Housing Loan Corporation loans reached 19.41 million dwellings for 57 years from its establishment in 1950 to its closure by the end of FY 2006. This accounts for approximately 30% of dwellings built after World War II.



● 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. JHF also promotes the securing and enhancing of this housing quality.

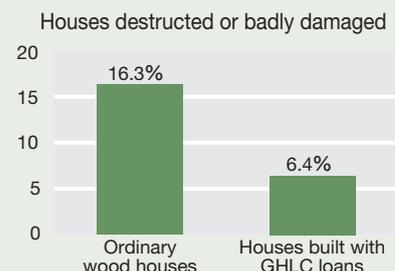


Proven strength: The GHLC financed houses survived the Great Hanshin-Awaji Earthquake.

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.

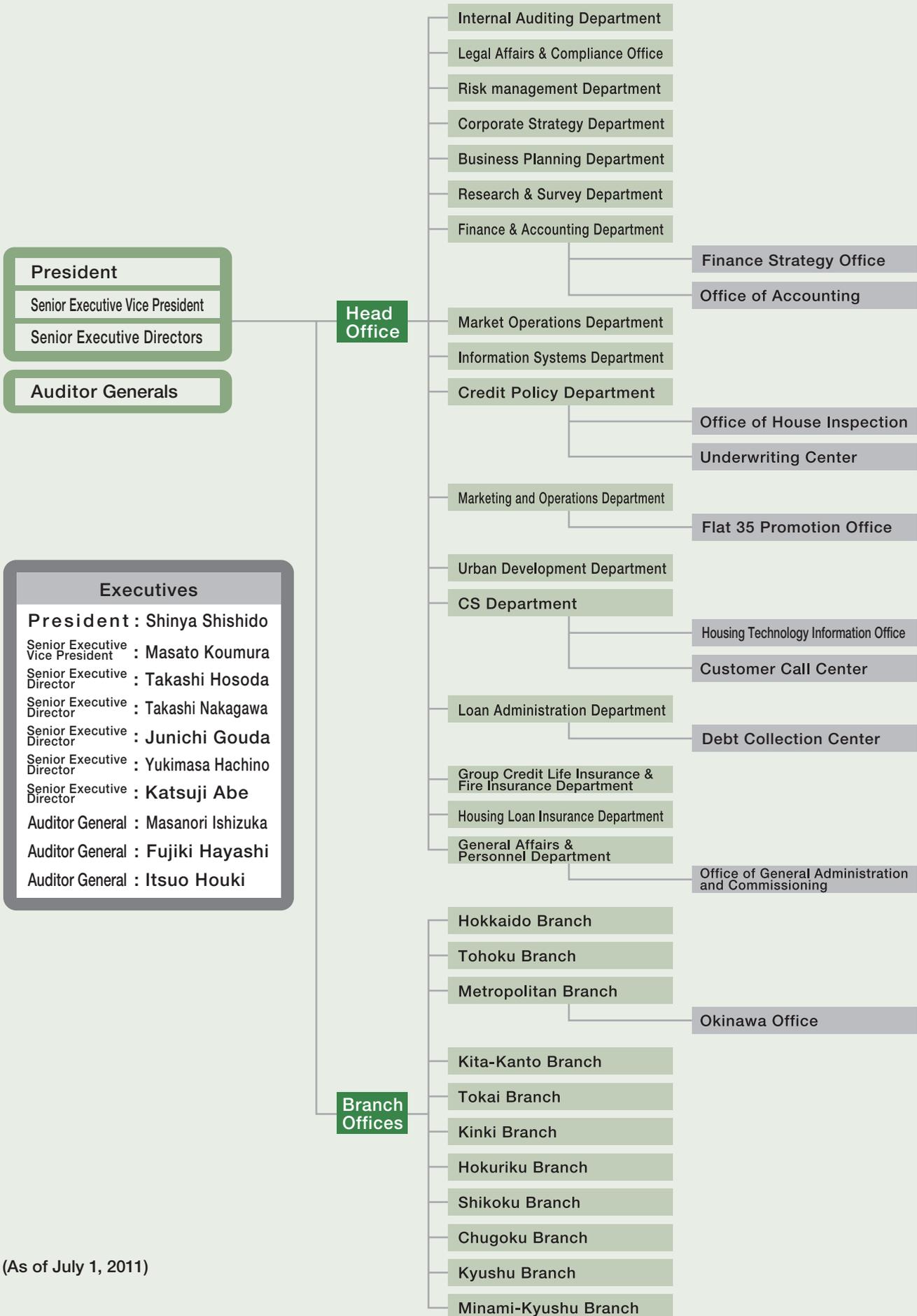
Ordinary wood houses
Based on an analysis of 3,953 houses in Chuo-ku, Kobe City

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, Nishinomiya City, Kobe City, etc.



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

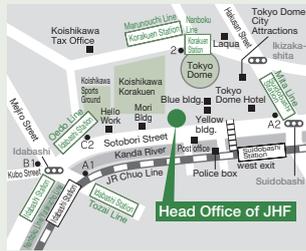


(As of July 1, 2011)

Location of Head Office and Regional Offices

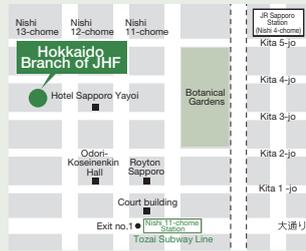
(As of July 1, 2010)

Head Office



1-4-10 Koraku, Bunkyo-ku,
Tokyo 112-8570
Tel: 03-3812-1111 (operator)

Hokkaido Branch (Hokkaido Pref.)



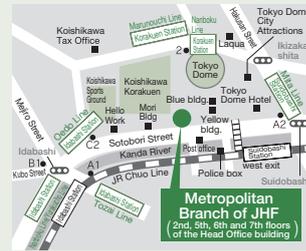
3-13, Kita 3-jo Nishi 13-chome,
Chuo-ku, Sapporo-shi 060-0003
Tel: 011-261-8301 (operator)

Tohoku Branch (Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima Pref.)



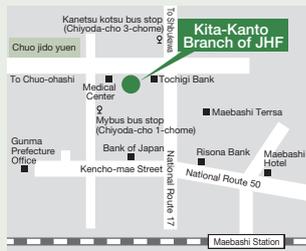
1-3-18 Katahira, Aoba-ku,
Sendai-shi 980-0812
Tel: 022-227-5012 (operator)

Metropolitan Branch (Ibaraki, Saitama, Chiba, Tokyo, Kanagawa, Yamagashi and Shizuoka Pref.)



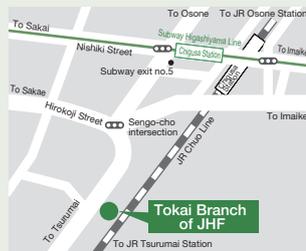
1-4-10 Koraku, Bunkyo-ku,
Tokyo 112-8671
Tel: 03-5800-9300 (operator)

Kita-Kanto Branch (Tochigi, Gunma, Niigata and Nagano Pref.)



1-8-8, Chiyoda-cho,
Maebashi-shi 371-8588
Tel: 027-232-6170
Tel: 027-232-6665

Tokai Branch (Gifu, Aichi and Mie Pref.)



3-20-16, Shinsakae, Chikusa-ku,
Nagoya-shi 464-8621
Tel: 052-263-2934 (operator)

Kinki Branch (Shiga, Kyoto, Osaka, Hyogo, Wakayama and Nara Pref.)



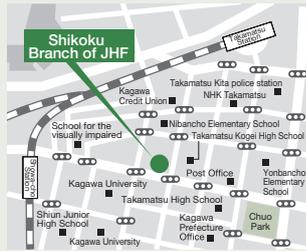
Sumitomo Seimei Bldg.,
4-5-20 Minami-Honmachi,
Chuo-ku, Osaka-shi 541-8546
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Hokuriku Branch (Toyama, Ishikawa and Fukui Pref.)



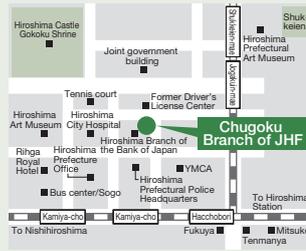
Kanazawa Chuo Bldg.,
4-12 Marunouchi,
Kanazawa-shi 920-8637
Tel: 076-233-4251 (operator)

Shikoku Branch (Tokushima, Kagawa, Ehime and Kochi Pref.)



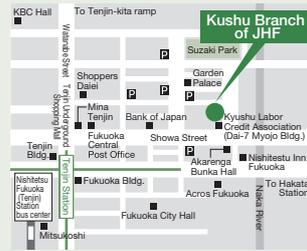
2-10-8, Banc-cho,
Takamatsu-shi 760-0017
Tel: 087-825-0621 (operator)

Chugoku Branch (Shimane, Tottori, Okayama, Hiroshima and Yamaguchi Pref.)



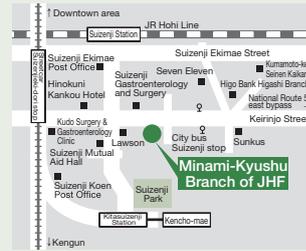
8-3, Moto-machi, Naka-ku,
Hiroshima-shi 730-0011
Tel: 082-221-8694 (operator)

Kyushu Branch (Fukuoka, Saga and Nagasaki Pref.)



4-1-37 Tenjin, Chuo-ku,
Fukuoka-shi 810-8657
Tel: 092-722-5018 (operator)

Minami-Kyushu Branch (Kumamoto, Oita, Miyazaki and Kagoshima Pref.)



2-16-11, Suizenji,
Kumamoto-shi 862-0950
Tel: 096-387-3701 (operator)

For consultation about Flat 35, JHF loans and repayments, contact the Customer Call Center.



hallo flat 35
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)

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