



## Disclosure Booklet 2012

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# Main Management Indices

(Unit: 100 million yen)

Category	JHF				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Ordinary income</b>	15,585	13,576	12,893	12,545	12,031
Include purchased loans and interest on loans	13,339	12,316	11,361	10,365	9,481
Include income from government subsidies (reference to government payment) (*2)	(*1) 822 (473)	(*1) – (865)	(*1) – (200)	(*1) 512 (200)	(*1) 790 (83)
<b>Ordinary expenses</b>	17,367	14,030	14,140	12,985	10,823
Interest expense on borrowings and bonds	13,628	11,658	10,350	9,151	8,910
<b>Net income (△ loss)</b>	△ 1,569	△ 146	△ 1,468	△ 366	1,323
<b>Balance of loans and purchased loans</b>	27,817	32,863	40,540	64,372	86,099
<b>Outstanding balance of loans, etc.</b>	393,785	348,775	300,137	253,473	213,555
<b>Outstanding balance of borrowings and bonds</b>	422,842	388,667	362,714	334,195	307,899
<b>Capital</b>	3,197	4,057	9,013	6,977	6,567

\* 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, ¥82 billion in FY 2010 and ¥79 billion in FY 2011 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

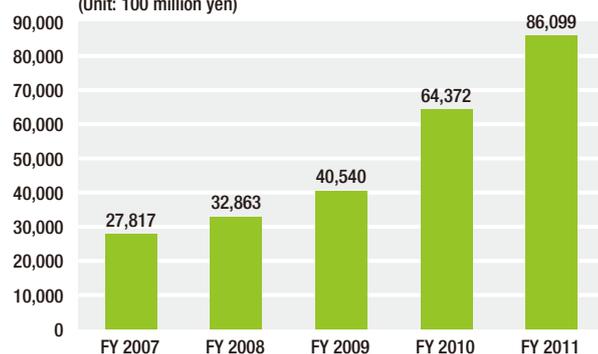
(Unit: 100 million yen)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011		
<b>Stocked subsidies from the previous year, etc. ...①</b>	–	667	66	26	0		
<b>Expected amount of undisbursed grants and subsidies from the previous year ...②</b>	3,789	3,001	1,487	333	0		
<b>Subsidies received ...③</b>	2,277	912	1,114	820	790		
<b>Required amount of subsidies</b>	<b>Balance of payments ...④ (disparity between expenditure and revenues excluding the amounts transferred to irrecoverable debt reserves and from guarantee fee repayment reserves)</b>	822	△ 70	△ 366	△ 620	△ 836	If the balance of payments is positive ④ is included in the income from government subsidies (revenues), and ⑤ is subtracted from the uncollected revenue reserves (assets). If the balance of payment is negative ④ is not included in the income from government subsidies, ⑤ is subtracted from the uncollected revenue reserves (assets).
	<b>Write-off of nonperforming loans, repayments of guarantee fees, and reversal of reserve for mortgage transfer registration ...⑤</b>	788	1,584	1,520	1,636	2,152	
	<b>Total ...⑥ (= ④ + ⑤)</b>	1,610	1,514	1,154	1,016	1,316	
<b>Balance (stocked subsidies for the current year, etc.) ...① + ③ – ⑥</b>	667	66	26	0	0	*0"if subsidies received, etc., in the fiscal year are negative.	
<b>Balance (uncollected revenue reserve of the fiscal year) ...② – ⑥</b>	3,001	1,487	333	0	0	*0"if uncollected revenue reserve of the current fiscal year are negative, [① + ③ – ②] are accounted for as income from government grants (¥79 billion in FY 2011).	

\* 2 Government grants are not listed in the statement of profits and losses because special losses (asset) were cut.

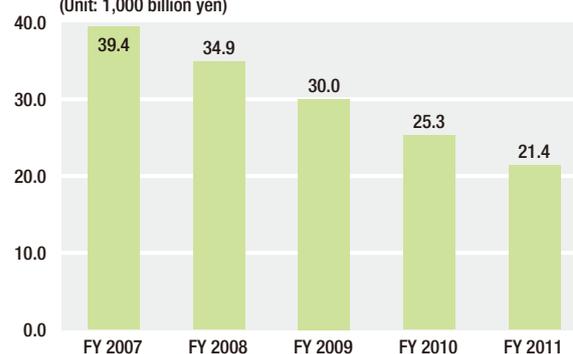
<Outstanding balance of purchased loans>

(Unit: 100 million yen)



<Outstanding balance of loans>

(Unit: 1,000 billion yen)



# Status of Business Execution

## Business Plan and Actual Performance

### ● Securitization support business

Under the FY 2011 business plan for securitization support business (after revision), the number of loans purchased for the Purchase Program was 118,000 units amounting to ¥2,960.9 billion and the insurance value for the Guarantee Program was ¥25.1 billion (for 1,000 units) representing coverage for specific mortgage insurance.

The actual number of loans was 110,140 units amounting to ¥2,786.8 billion and the actual insurance value was ¥11.7 billion for 510 units.

(Unit: houses, million yen)

Item	FY 2010				FY 2011					
	Business plan		Actual record		Business plan				Actual record	
	No. of houses	Amount	No. of houses	Amount	Initial		After revision		No. of houses	Amount
					No. of houses	Amount	No. of houses	Amount		
Purchase Program	64,000	1,280,000	114,271	2,808,174	108,000	2,304,000	118,000	2,960,900	110,140	2,786,767
Guarantee Program	1,000	20,000	527	12,221	1,000	22,500	1,000	25,100	510	11,712

\*The FY 2011 business plan (after revision) was formulated based on the third supplementary budget for FY 2011.

### ● Housing loan insurance business

Under the FY 2011 business plan (after revision), ¥700 billion was authorized for housing loan insurance; however, ¥479.9 billion was actually committed for insurance for 31,422 policies.

(Unit: houses, million yen)

Item		FY 2010	FY 2011
For total insurance value		600,000	700,000
Insurance contracts concluded	No. of contracts	38,601	31,422
	Amount	637,417	479,940

## ● Housing loan origination business

Under the FY 2011 business plan (after revision), ¥696.4 billion was planned for 45,500 units. Ultimately, the business committed to provide ¥264.7 billion in loans for 29,333 units, and ¥282.6 billion in loans was disbursed.

(Unit: houses, million yen)

Category		FY 2010				
		Business plan		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
<b>Total</b>		<b>45,500</b>	<b>607,400</b>	<b>32,381</b>	<b>302,964</b>	<b>339,937</b>

Category		FY 2011				
		Business plan		Committed loans		Distributed loans
		No. of houses	Amount	No. of houses	Amount	Amount
Natural disaster, etc.	Post-disaster reconstruction	12,000	210,000	4,340	62,788	16,520
	Disaster prevention	300	2,400	43	69	559
	Subtotal	12,300	212,400	4,383	62,858	17,079
Urban rehabilitation		10,000	254,000	14,841	104,455	108,492
Rental houses		20,000	170,000	10,108	97,254	156,593
Property accumulation saving scheme-tied houses		3,000	56,000	15	246	467
Owner occupied houses (provisional measures)		200	4,000	△ 14	△ 90	9
<b>Total</b>		<b>45,500</b>	<b>696,400</b>	<b>29,333</b>	<b>264,723</b>	<b>282,639</b>

\* The FY 2011 business plan for post-disaster reconstruction was revised based on the first supplementary budget for FY 2011.

In the initial FY 2011 business plan for post-disaster reconstruction, ¥30 billion was budgeted for 2,000 units.

\* "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 2011, the group credit life insurance (mutual aid) business held around 1.99 million policies for around ¥22,252 billion. The business provided 83,162 new policies for around ¥2,086 billion and paid off on 11,621 policies for around ¥98.7 billion.

(Unit: houses, million yen)

Category		FY 2010		FY 2011	
Policies held as of March, 31st	No. of contracts	2,164,726		1,990,053	
	Amount	23,995,122		22,251,981	
New Policies	No. of contracts	90,965		83,162	
	Amount	2,234,247		2,085,991	
Capital Policies paid off on	No. of contracts	11,713		11,621	
	Amount	103,078		98,652	

## Result of Funding Activities

In FY 2011, the amount for loan origination and the purchase of loans totaled ¥3.1646 trillion, which was 8.8% more than for the previous fiscal year.

Funding of loan origination and the purchase of loans were raised through the issuance of bonds ( ¥2.9175 trillion, up 22.3% from the previous fiscal year), borrowings from the Fiscal Investment and Loan Program ( ¥16.8 billion, up the same way ), borrowings from private institutions ( ¥122.2 billion, down 14.9%), and repayments from borrowers ( ¥4.6729 trillion, down 11.4%), less redemption of ¥4.0583 trillion (down 22.9% from the previous fiscal year) on borrowings and ¥1.6275 trillion (down 21.8%) on bonds.

JHF received ¥10.9 billion as capital from government, ¥79 billion as government subsidies, ¥83 billion as government grants and ¥223.6 billion as treasury subsidies ( ¥15.9 billion as subsidies for emergency measures to facilitate housing finance, ¥1 billion as subsidies for securitization business, ¥206.7 billion as subsidies for emergency measures including loans for disaster mitigation) from the government's general account.

The ¥51.9 billion capital from government's general account was re-examined and approved unnecessary for JHF to conduct the business without uncertainty to the extent of its foreseeable business volume, therefore, was returned to the national treasury in March 2012.

The actual figures are shown in the following table.

(Unit: million yen)

Category		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Expenditure	Purchased loans, etc.	1,116,124	986,286	1,326,280	2,907,562	3,164,639
	Repayments of borrowings	6,959,707	4,587,085	3,824,665	3,301,298	4,058,312
		(2,700,000)	(700,000)	(300,000)	(-)	(-)
	Redemption of bonds	754,294	965,321	1,128,271	2,080,555	1,627,465
	Other	2,712,547	2,669,706	4,942,507	4,128,884	2,188,075
	<b>Total</b>	<b>11,542,672</b>	<b>9,208,398</b>	<b>11,221,722</b>	<b>12,418,298</b>	<b>11,038,491</b>
Income	Capital from the General Account	66,000	86,000	495,600	26,355	10,908
	Capital from the Special Account	-	-	-	-	-
	Collection of loans	4,519,376	4,791,147	5,345,900	5,273,621	4,672,855
	Borrowings	318,572	188,187	165,700	143,600	139,000
	Bonds	2,721,811	1,942,986	2,188,804	2,385,932	2,917,547
	Treasury subsidies, etc.	275,050	177,797	531,405	326,666	310,925
	Other	3,641,863	2,022,281	2,494,314	4,262,124	2,987,255
		<b>Total</b>	<b>11,542,672</b>	<b>9,208,398</b>	<b>11,221,722</b>	<b>12,418,298</b>

(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 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 2007	FY 2008	FY 2009	FY 2010	FY 2011
Borrowings from Fiscal Investment and Loan Program	900	600	100	-	16,800
Borrowing from Private-sector Lenders	317,672	187,587	165,600	143,600	122,200
<b>Total</b>	<b>318,572</b>	<b>188,187</b>	<b>165,700</b>	<b>143,600</b>	<b>139,000</b>

### Government subsidies, etc.

(Unit: million yen)

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Government subsidies	227,700	91,200	111,400	82,000	79,000
Government grants	47,300	86,500	20,000	20,000	8,325
Treasury subsidies	50	97	400,005	224,666	223,600
<b>Total</b>	<b>275,050</b>	<b>177,797</b>	<b>531,405</b>	<b>326,666</b>	<b>310,925</b>

(note) JHF received, from the government's general account, government subsidies to smoothly manage operations, grants to cover extraordinary losses incurred according to Paragraph 17 of the Supplementary Provisions of the GHLC Law before the Law was abolished based on Article 10 of the Supplementary Provisions of 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, subsidies for securitization business, and subsidies for emergency measures including loans for disaster mitigation 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 2011, the outstanding balance of purchased loans, etc., stood at ¥30,087.1 billion (including ¥8,609.9 billion in loans purchased from private lenders under secondary market operation).

(Unit: houses, million yen)

Category	FY 2007		FY 2008		FY 2009	
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount
<b>Purchased loans</b>	133,912	2,781,729	162,324	3,286,301	207,389	4,054,039
<b>GHLC originated loans</b>	3,116,089	39,378,480	2,816,898	34,877,480	2,492,852	30,013,750
<b>Owner-occupied houses</b>	2,723,748	31,350,222	2,460,843	27,378,170	2,174,362	23,122,595
<b>Rental houses</b>	26,507	3,957,839	26,911	3,826,592	26,992	3,592,668
<b>Urban rehabilitation</b>	76,819	1,789,110	72,040	1,651,226	65,826	1,503,607
<b>Restoration and improvement</b>	175,886	1,016,642	151,015	906,818	127,406	801,500
<b>Related public facilities, etc.</b>	–	–	–	–	–	–
<b>Subdivision lot development</b>	38	82,297	24	52,364	21	48,777
<b>Property accumulation saving scheme-tied houses</b>	113,091	1,182,370	106,065	1,062,311	98,245	944,603
<b>Claim on pension transfer</b>	47,801	211,878	43,964	188,763	39,739	164,037
<b>Total</b>	3,297,802	42,372,086	3,023,186	38,352,545	2,739,980	34,231,825

Category	FY 2010		FY 2011	
	No. of houses	Amount	No. of houses	Amount
<b>Purchased loans</b>	308,686	6,437,220	401,159	8,609,873
<b>GHLC originated loans</b>	2,200,130	25,347,339	1,932,765	21,355,489
<b>Owner-occupied houses</b>	1,915,274	19,368,794	1,679,063	16,222,344
<b>Rental houses</b>	25,145	3,127,197	22,677	2,692,545
<b>Urban rehabilitation</b>	58,037	1,276,622	50,374	1,067,247
<b>Restoration and improvement</b>	112,092	705,634	99,928	631,830
<b>Related public facilities, etc.</b>	–	–	–	–
<b>Subdivision lot development</b>	18	44,654	17	33,879
<b>Property accumulation saving scheme-tied houses</b>	89,564	824,438	80,706	707,644
<b>Claim on pension transfer</b>	35,855	141,612	32,047	121,690
<b>Total</b>	2,544,671	31,926,171	2,365,971	30,087,052

At the end of FY 2011, the outstanding number of guarantees for the securitization business (Guarantee Program, insurance value of loans for which insurance is valid) was 10,111 units for ¥269.3 billion, and the outstanding number of guarantees for the housing loan insurance business (insurance value of loans for which insurance is valid) was 126,706 for ¥2,470.5 billion.

# Financial Statements

The FY 2011 financial statements for Japan Housing Finance Agency were created based on Article 38 of the Law on General Rules on Independent Administrative Institutions and were approved by the Minister in charge.

## Overall Agency

In FY 2011, the gross profit for the overall agency was ¥132.3 billion, an increase of ¥168.9 billion from FY 2010. This was a result of a decrease of ¥168.6 billion in the reserve for possible loan losses as compared to FY2010, which was made possible by reviewing the reserve for possible loan losses relating to the Great East Japan Earthquake through close examination of damage situation, as well as the acceleration of bad loan disposals. Another reason was an increase in the income from interest on purchased loans which was caused by the increased outstanding balance of the loans resulting from the booming Flat 35 business.

JHF will further increase the outstanding balance of purchased loans and strengthen efforts to reduce non-performing loans, thereby eliminating losses carried forward in all accounts excluding the outstanding loan management account and the account for operations taken over from the Housing Loan Guarantee Association during the second mid-term target period.

## Balance Sheet

(unit: million yen)

Item	FY 2010	FY 2011	Item	FY 2010	FY 2011
<b>(Assets)</b>			<b>(Liabilities)</b>		
Cash and due from banks	1,315,200	666,401	<b>Borrowings</b>	21,564,012	17,644,700
Cash	1	1	<b>FILP borrowings</b>	21,420,412	17,522,500
Due from banks	1,038,234	396,470	Borrowings from private institutions	143,600	122,200
Agency deposits entrusted	276,965	269,931	<b>Bonds</b>	11,855,458	13,145,194
Money in trust	249,936	56,991	Government guaranteed bonds	205,000	95,000
Receivables under resale agreement	593,983	773,939	Mortgage-backed securities	9,030,094	10,123,661
Securities	1,647,908	1,414,469	General mortgage bonds	1,125,100	1,527,100
Government bonds	282,335	231,954	Property accumulation saving scheme-tied housing bonds	637,400	540,200
Local government bonds	169,167	159,270	Housing land bonds	867,891	865,213
Government guaranteed bonds	36,826	26,615	Bond issue premiums( △ )	△ 10,026	△ 5,980
Corporate bonds	359,563	321,613	Insurance policy reserves	73,568	73,372
Stock	16	16	Reserve for outstanding claims	504	52
Certificates of deposit	800,000	675,000	Policy reserve	73,064	73,320
Purchased loans	6,437,220	8,609,873	Subsidies received, etc.	589,258	768,150
GHLC originated loans	25,347,339	21,355,489	Subsidies payable for emergency measures to facilitate housing finance	588,182	561,855
Loans on bills	134,713	104,351	Subsidies received for securitization business	1,076	489
Loans on deeds	25,212,625	21,251,139	Subsidies payable for emergency measures including loans for disaster mitigation	—	205,807
Other assets	547,495	513,628	<b>Other liabilities</b>	860,109	743,474
Claims for indemnity	69,702	20,038	Accrued expenses	160,837	117,642
Transferred claims (pension)	141,612	121,690	Advance earnings	50,052	46,552
Accrued revenue	81,744	73,050	Financial derivative products	221,111	251,061
Financial derivative products	209,602	238,562	Financial derivative product gain carry forward	17,891	14,905
Financial derivative product loss carry forward	27,841	42,599	Accounts payable	398,807	303,574
Accrued insurance premiums	1,189	1,033	Other liabilities	11,412	9,739
Other assets	15,806	16,656	Bonus payment reserve	609	611
Tangible fixed assets	35,844	34,407	Allowance for retirement benefits	26,142	27,077
Buildings	15,622	15,604	Allowance for refund of guarantee fees	40,050	31,800
Accumulated depreciation( △ )	△ 2,794	△ 3,312	Reserve for mortgage transfer registration	25,954	17,234
Accumulated impairment loss( △ )	△ 42	△ 26	Guarantee obligation	866,850	751,009
Land	22,168	22,048			
Accumulated impairment loss( △ )	△ 441	△ 436	<b>Total liabilities</b>	35,902,011	33,202,621
Other tangible fixed assets	4,557	1,016			
Accumulated depreciation( △ )	△ 3,225	△ 488	<b>(Net assets)</b>		
Accumulated impairment loss( △ )	△ 0	△ 1	<b>Capital</b>	697,655	656,663
Extraordinary losses	8,325	—	Government investment	697,655	656,663
Guarantee obligation reversal	866,850	751,009	<b>Capital surplus</b>	△ 484	△ 405
Reserve for possible loan losses( △ )	△ 822,858	△ 569,665	Capital surplus	—	30
			Accumulated impaired loss not included in profit and loss( △ )	△ 484	△ 436
			<b>Loss carry forward</b>	△ 372,035	△ 249,566
			Valuation and conversion adjustments	94	△ 2,771
			Deferred gains or losses on hedges	94	△ 2,771
			<b>Total net assets</b>	325,231	403,920
<b>Total assets</b>	36,227,242	33,606,541	<b>Total liabilities and net assets</b>	36,227,242	33,606,541

## Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>Ordinary income</b>	1,254,550	1,203,121
Income from asset management	1,059,524	967,274
Interest on purchased loans	120,076	153,419
Interest on GHLC originated loans	916,469	794,717
Charges on claims for indemnity	378	211
Interest on transferred claims	5,321	4,620
Interest and dividends on securities	14,486	13,732
Interest on receivables under repurchase agreement	287	189
Interest on deposits	2,507	385
Income from underwriting insurance	112,092	104,752
Net insurance premium revenue	7,956	6,652
Reimbursement of unused reserve for outstanding claims	644	453
Fee from group credit life insurance riders	96,031	89,581
Revenue from group credit life insurance	4,169	3,832
Dividends on group credit life insurance	3,291	4,234
Income from service transactions	1,381	1,149
Guarantee fee Other income	483	402
Other subsidies	898	747
Income from government subsidies	51,233	79,000
Other subsidies	30,029	44,384
Subsidies for emergency measures to facilitate housing finance	29,940	42,883
Proceeds from securitization business subsidies	89	512
Subsidies for emergency measures including loans for disaster mitigation	—	988
Other ordinary income	291	6,562
Reversal of reserve for refund of guarantee fees	—	2,843
Reversal of reserve for mortgage transfer registration	—	3,126
Other ordinary income	291	592
<b>Ordinary expenses</b>	1,298,548	1,082,275
Fund raising expenses	915,580	891,565
Interest on borrowings	705,254	671,348
Interest on bonds	209,825	219,685
Other interest paid	500	531
Insurance underwriting expenses	142,210	115,195
Net insurance paid	7,037	6,579
Provision for policy reserve	22,831	256
Group credit insurance premium paid	107,983	104,384
Payment of group credit life insurance claims	4,358	3,976
Service transaction expenses	24,698	25,344
Service expenses	24,698	25,344
Other operating expenses	9,763	12,904
Amortization of bond issuing expenses	6,968	8,772
Financial derivatives expenses	2,795	4,133
Business expenses	25,677	25,268
Other ordinary expenses	180,619	12,000
Provision for reserve for possible loan losses	180,604	11,986
Other ordinary expenses	15	14
Ordinary income (or loss)	△ 43,998	120,846
<b>Extraordinary profit</b>	18,802	1,718
Gain on bad debt recovered	965	1,667
Gain on sale of securities	5,499	—
Other extraordinary income	12,338	50
Reimbursement of allowance for refund of guarantee fees	2,448	—
Reversal of reserve for mortgage transfer registration	5,482	—
Reimbursement from insolvent customers based on restructuring plan	451	50
Gain on allotment of stock from demutualization of group credit life insurance customers	3,958	—
<b>Extraordinary losses</b>	15,865	95
Loss on disposal of tangible fixed assets	—	69
Impairment loss	—	26
Other extraordinary losses	15,865	—
Provision of policy reserves for special housing loan insurance	15,865	—
Net income (or loss)	△ 41,061	122,469
Transfer from reserve for special purpose	4,471	9,856
<b>Gross income (or loss)</b>	△ 36,590	132,324

## Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Cash flow from operating activities</b>		
Outlays on the purchase of loans	△ 2,567,624	△ 2,881,999
Loan disbursement	△ 339,937	△ 282,639
Outlays on personnel expenses	△ 10,154	△ 9,688
Outlays on insurance	△ 7,037	△ 6,579
Outlays on group credit life insurance premium	△ 108,110	△ 104,670
Outlays on payment on group credit life insurance claims	△ 4,350	△ 4,001
Other operating outlays	△ 59,881	△ 55,930
Income from collection of purchased loans	421,480	603,548
Income from collection of GHLC originated loans	4,852,141	4,069,307
Income from interest on purchased loans	118,612	151,697
Income from interest on GHLC originated loans	926,995	804,709
Loan origination fees and other revenue	272	197
Income from insurance premiums	8,414	6,808
Income from riders on group credit life insurance	93,226	86,610
Income from group credit life insurance	4,487	3,175
Dividends received from group credit life insurance	8,060	3,291
Income from other operations	47,776	35,949
Income from government grants	82,000	79,000
Income from government subsidies	20,000	8,325
Income from government payment	224,666	223,600
Outlays on the repayment of treasury subsidies	—	△ 1,077
Income from treasury subsidies	3,711,034	2,729,634
Subtotal Interest and dividends received	73,669	68,992
Interest paid	△ 1,004,868	△ 1,013,208
<b>Cash flow from operating activities</b>	2,779,835	1,785,418
<b>II Cash flow from investing activities</b>		
Outlays on acquisition of securities (bonds)	△ 153,037	△ 1,506
Income from redemption of securities (bonds)	45,710	61,360
Income from sale of securities (bonds)	178,636	50,575
Net change in securities (certificates of deposit) (negative _ decline)	△ 740,000	125,000
Outlays on acquisition of tangible fixed assets	△ 140	△ 70
Income from disposal of tangible fixed assets	—	32
Income from time deposit maturing	△ 249,936	192,945
Net change in receivables under repurchase agreement (negative _ decline)	△ 238,115	△ 260,700
Other expenditure	44,132	80,707
Other income	2	7
<b>Cash flow from investing activities</b>	△ 1,112,749	248,351
<b>III Cash flow from financing activities</b>		
Net change in short-term borrowings from private institutions (negative _ decline)	143,600	122,200
Income from long-term borrowings from private institutions	△ 165,600	△ 143,600
Income from issuance of bonds (after deducting issuance expense)	2,378,964	2,908,774
Outlays on repayment of bonds	△ 2,080,555	△ 1,627,465
Income from FILP borrowings	—	16,800
Outlays on repayment of FILP borrowings	△ 3,124,233	△ 3,914,712
Outlay for repayment of borrowings from the former Kanpo Life Insurance	△ 11,465	—
Outlays on the payment of lease obligation	△ 1,086	△ 1,126
Income from government investments	26,355	10,908
Outlays for payment to national treasury concerning unnecessary estates	△ 230,000	△ 54,346
<b>Cash flows from financing activities</b>	△ 3,064,020	△ 2,682,567
<b>IV Decrease in cash</b>	△ 1,396,934	△ 648,798
<b>V Opening balance of cash</b>	2,712,133	1,315,200
<b>VI Closing balance of cash</b>	1,315,200	666,401

# Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
Fund raising expenses	915,580	891,565
Insurance underwriting expenses	142,210	115,195
Service transaction expenses	24,698	25,344
Other operation expenses	9,763	12,904
Business expenses	25,677	25,268
Other ordinary expenses	180,619	12,000
Loss on disposal of tangible fixed assets	—	69
Impairment loss	—	26
Provision of allowance for designated housing loan insurance	15,865	—
Subtotal	1,314,412	1,082,370
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
Income from asset management	△ 1,059,524	△ 967,274
Income from insurance underwriting	△ 112,092	△ 104,752
Income from service transactions	△ 1,381	△ 1,149
Other ordinary income	△ 291	△ 6,562
Gain on bad debt recovered	△ 965	△ 1,667
Gain on sale of securities	△ 5,499	—
Reimbursement of allowance for refund of guarantee fees	△ 2,448	—
Reversal of reserve for mortgage transfer registration	△ 5,482	—
Reimbursement from insolvent customers based on restructuring plan	△ 451	△ 50
Gain on allotment of stock from demutualization of group credit life insurance underwriters	△ 3,958	—
Subtotal	△ 1,192,089	△ 1,081,455
<b>Total operating expenses</b>	<b>122,323</b>	<b>915</b>
<b>II Accumulated impaired loss not included in profit and loss</b>	<b>—</b>	<b>66</b>
<b>III Difference on sales not included in profit and loss</b>	<b>—</b>	<b>△ 2,476</b>
<b>IV Expected increase in retirement benefits not included in allowances</b>	<b>7</b>	<b>7</b>
<b>V Opportunity costs</b>		
Opportunity costs related to items such as central and local government investments	11,476	6,946
<b>VI Administrative cost</b>	<b>133,807</b>	<b>5,458</b>

## Significant Accounting Policies (overall agency)

- Application of revised incorporated administrative agency accounting standards, etc.  
Revised "incorporated administrative agency accounting standards," "incorporated administrative agency accounting standards annotation," and "Q & A concerning incorporated administrative agency accounting standards and incorporated administrative agency accounting standards annotation" (hereinafter referred to as revised incorporated administrative agency accounting standards, etc.) 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 - 50 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," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.  
c. For "normal borrowers," "borrowers requiring caution" and "the other borrowers requiring caution," an amount is recorded based on the historic expected loss rate during a particular period.  
(2) Allowance for Bonuses  
In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.  
(3) Allowance for Retirement Benefits  
In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year. Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated. Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.
- Allowance for Refund of Guarantee Fees  
Parties who receive loans that are part of the account for loans for building accumulation saving schemes 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 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 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). 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 2012, 0.985% 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  
(1) Accounting for the impairment of general depreciable assets  
Until the previous fiscal year, impairment losses of general depreciable assets that accrued despite the management as arranged in the mid-term target had been recorded as capital surplus in the item of accumulated impaired loss not included in profit and loss. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded as extraordinary loss in the item of impairment loss from this fiscal year.  
As a result, when compared to the results recorded in the previous method, gross income decreased by ¥26,455,445 and capital surplus increased by the same amount. This had no effect on actual costs for administrative services.  
(2) Accounting related to the disposal of non-depreciable assets  
With regard to the disposal of non-depreciable assets for which the acquisition of alternative assets is not planned, the balance from such disposal had been recorded as profit or loss on disposal of tangible fixed assets in extraordinary income or loss until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., such a balance has been recorded as capital surplus in the item of difference on sales not included in profit and loss from this fiscal year.  
As a result, when compared to the results recorded in the previous method, gross income increased by ¥87,850,000, and capital surplus decreased by the same amount. This had no effect on actual costs for administrative services.
- Change in presentation of accounts  
Presentation of the reversal of reserves  
The reversal of reserve for possible loan losses, reversal of reserve for bonuses, reversal of reserve for retirement benefits, reversal of reserve for refund of guarantee fees and reversal of reserve for mortgage transfer registration had been recorded in extraordinary income until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded in ordinary income from this fiscal year.

## 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	8,038,397,718,275	MBS	6,833,967,659,346
Housing Loan Account	GHLC originated loans	45,259,836,782	MBS	53,926,516,796
Outstanding Loan Management Special Account	GHLC originated loans	3,472,749,166,341	MBS	3,235,766,476,858
Total		11,556,406,721,398		10,123,660,653,000

#### (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 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.

### 2. Matters relating to income statement

#### Interest on borrowings

Interest on borrowings includes compensation relating to the advanced redemption of borrowings from the Fiscal Investment and Loan Program (¥104,942,176,006).

### 3. 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 : ¥666,401,399,520  
Closing balance of cash : ¥666,401,399,520

#### (2) Material Non-cash Transactions

During FY 2011, the value of newly-recorded assets and liabilities related to finance leases were both ¥340,632,228.

#### (3) Income from government payment

The ¥8,325,000,000 in income from government payment (general account) was to cover extraordinary losses based on Paragraph 2, Article 9 of the Supplementary Provisions of JHF Law and was used to reduce the extraordinary loss based on Paragraph 3 of the same supplementary provisions.

### 4. 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.

### 5. 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, 2012
Retirement benefit obligation	(A)	△ 44,057,414,634
Pension assets	(B)	10,149,325,686
Unfunded retirement benefit obligations	(C) = (A) + (B)	△ 33,908,088,948
Unrecognized prior service obligations	(D)	0
Unrecognized actuarial differences	(E)	6,830,872,568
Net amount recorded in balance sheet	(F) = (C) + (D) + (E)	△ 27,077,216,380
Prepaid pension costs	(G)	0
Reserve for retirement benefit	(F) - (G)	△ 27,077,216,380

#### (3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2011 to March 31, 2012
Service cost	1,177,725,652
Interest cost	548,157,403
Expected return on plan assets	△ 141,810,441
Amortization of prior service obligations	0
Amortization of actuarial differences	383,727,955
Other (such as extra retirement benefit)	0
Net pension expenses	1,967,800,569

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

Category	As of March 31, 2011
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.4%
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 unrecognized 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.)

### 6. Impairment losses on fixed assets

#### Assets in which impairment is recognized

The employee dormitories listed below (buildings, etc., and land) are planned to be disposed due to material deterioration in usability, so impairment is recognized in this fiscal year. Impairment losses relating to buildings, etc. are recorded in the income statement, while impairment losses relating to land are not recorded in the income statement as they are treated as impaired loss not included in profit and loss.

(Unit: yen)

Agency branch designation	Dormitory designation	Location	Book value			impairment losses	
			Buildings, etc.	Land	Total	Buildings, etc.	Land
1 Tokai	Minamigaoka No. 1 Dormitory	Nagoya city, Chikusa-ku	11,736,400	36,363,600	48,100,000	5,921,027	18,336,400
2 Tokai	Minamigaoka No. 2 Dormitory	Nagoya city, Chikusa-ku	22,169,600	64,430,400	86,600,000	10,146,771	29,869,600
3 Shikoku	Kita Dormitory	Takamatsu city	8,755,600	14,844,400	23,600,000	10,387,647	17,555,600
Total			42,661,600	115,638,400	158,300,000	26,455,445	65,761,600

(Note 1) Book values are carrying values as of the end of the period under review.

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

### 7. Financial Products

#### (1) Matters Relating to the Situation of Financial Products

##### a. Policy on Financial Products

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	666,401,399,520	666,401,399,520	0
(2) Receivables under resale agreements	56,990,971,770	56,990,971,770	0
(3) Money in trust	773,938,854,054	776,301,875,132	2,363,021,078
(4) Securities			
Securities held to maturity	739,452,430,040	758,714,024,400	19,261,594,360
Other securities	675,000,000,000	675,000,000,000	0
(5) Purchased loans	8,609,872,917,011		
Reserve for possible loan losses (*1)	△ 48,543,910,861		
	8,561,329,006,150	8,591,310,046,891	29,981,040,741
(6) GHLC originated loans	21,355,489,345,205		
Reserve for possible loan losses (*1)	△ 493,248,022,166		
	20,862,241,323,039	22,062,694,649,805	1,200,453,326,766
(7) Claims for indemnity (*1)	8,634,262,830	8,634,262,830	0
(8) Transferred claims (from pension) (*1)	118,790,944,739	124,967,441,703	6,176,496,964
<b>Total assets</b>	<b>32,462,779,192,142</b>	<b>33,721,014,672,051</b>	<b>1,258,235,479,909</b>
(1) Borrowings	17,644,700,378,000	18,967,753,706,750	1,323,053,328,750
(2) Bonds (*2)	13,145,193,661,994	13,598,118,538,680	452,924,876,686
(3) Accounts payable	303,574,340,000	303,574,340,000	0
<b>Total liabilities</b>	<b>31,093,468,379,994</b>	<b>32,869,446,585,430</b>	<b>1,775,978,205,436</b>
Financial derivative products (*3)	(12,499,362,599)	(12,499,362,599)	0
<b>Total financial derivative products</b>	<b>(12,499,362,599)</b>	<b>(12,499,362,599)</b>	<b>0</b>

(\*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 in bloc. The changes in values of assets/liabilities caused by transactions are indicated on a net basis, and if the sum of them results in negative, the item is indicated in parentheses.

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

Assets

(1) Cash and due from banks

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

(2) 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.

8. 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	231,894,069,847	246,577,929,000	14,683,859,153
	Municipal bonds	159,019,075,958	165,610,528,800	6,591,452,842
	Government guaranteed bonds	24,810,478,318	25,445,392,600	634,914,282
	Corporate bonds	249,862,432,657	260,137,451,000	10,275,018,343
	Subtotal	665,586,056,780	697,771,301,400	32,185,244,620
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	60,040,811	59,804,000	△ 236,811
	Municipal bonds	251,202,482	250,925,000	△ 277,482
	Government guaranteed bonds	1,804,971,508	1,799,860,000	△ 5,111,508
	Corporate bonds	71,750,158,459	58,832,134,000	△ 12,918,024,459
	Subtotal	73,866,373,260	60,942,723,000	△ 12,923,650,260
<b>Total</b>		<b>739,452,430,040</b>	<b>758,714,024,400</b>	<b>19,261,594,360</b>

(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	675,000,000,000	675,000,000,000	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	Difference
Government Bonds	37,806,274,450	40,050,985,500	2,244,711,050
Municipal bonds	3,352,842,141	3,482,360,800	129,518,659
Government-guaranteed bonds	49,541,003	52,891,000	3,349,997
Corporate bonds	6,802,586,897	6,988,906,000	186,319,103
<b>Total</b>	<b>48,011,244,491</b>	<b>50,575,143,300</b>	<b>2,563,898,809</b>

Reason for the sale: The securities were sold for payments to the national treasury in connection with unnecessary assets. The said sales have been designated by the competent minister as transactions whose difference on sales is not recorded in income statements.

9. Material Liability Incurring Activities

There is nothing to report.

10. Important subsequent events

None.

11. 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

a) Type

Cash, deposits and securities

b) Book value

Cash and deposits ¥4,056,538,000 Securities ¥48,011,244,491

(2) Cause of redundancy of funds

As the result of a review of the execution of capital, based on the future expected business volume, it was found that the above assets are unnecessary to conduct the business without uncertainty.

(3) Method of payment into the national treasury

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

(4) Income from the transfer of assets for which payment was made in cash.

50,575,143,300 yen

(5) Amount paid into the national treasury

54,345,685,044 yen

(6) Date of payment into the national treasury

March 16, 2012

(7) Amount of reduction in capital

51.9 billion yen

# Securitization Support Account

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

In FY 2011, the loan purchasing account posted a gross profit of ¥32.6 billion, an increase of ¥40.4 billion from FY 2010. This was a result of an increase in the income from interest on purchased loans due to the increased outstanding balance of the loans resulting from the booming Flat 35 business, and a decrease in the reserve for possible loan losses. The gross profit of the MBS guarantee account was ¥1.3 billion, an increase of ¥19.3 billion from FY 2010. This was due to the reversal of policy reserve and an increase in collected amounts after payment of insurance claims.

As a result, JHF posted a gross profit of ¥33.8 billion in the securitization support account.

## Balance Sheet

(unit: million yen)

Item	FY 2010	FY 2011	Item	FY 2010	FY 2011
<b>(Assets)</b>			<b>(Liabilities)</b>		
Cash and due from banks	33,943	150,496	Loans from other account	451,400	530,143
Cash	0	0	Short-term loan from other account	241,700	—
Due from banks	1,228	100,250	Long-term loan from other account	209,700	530,143
Agency deposits entrusted	32,714	50,245	Bonds	5,566,139	7,841,866
Money in trust	546,620	565,424	Mortgage-backed securities	4,994,143	6,833,968
Securities	452,706	390,242	General mortgage bonds	572,224	939,354
Government bonds	184,597	139,807	Housing land bonds	—	68,746
Local government bonds	75,231	70,750	Bond issue premiums(△)	△ 228	△ 202
Government guaranteed bonds	11,360	10,216	Reserve for insurance	15,865	13,677
Corporate bonds	181,518	169,469	Policy reserve	15,865	13,677
Purchased loans	6,437,220	8,609,873	Subsidies payable, etc.	544,864	560,549
Other assets	247,780	293,958	Subsidies payable for emergency measures to facilitate housing finance	543,788	557,871
Accrued revenue	8,423	9,935	Subsidies received for securitization business	1,076	489
Financial derivative products	209,343	238,389	Subsidies payable for emergency measures including loans for disaster mitigation	—	2,190
Financial derivative product loss carry forward	27,841	42,599	Other liabilities	648,216	580,235
Accrued insurance premiums	37	28	Accrued expenses	7,520	10,006
Other assets	1,173	2,042	Financial derivative products	220,949	249,683
Accounts receivable for other accounts	964	965	Financial derivative product gain carry forward	17,891	14,905
Tangible fixed assets	35,844	34,407	Accounts payable	398,807	303,574
Buildings	15,622	15,604	Other liabilities	1,784	959
Accumulated depreciation(△)	△ 2,794	△ 3,312	Accounts payable for other accounts	1,265	1,106
Accumulated impairment losses(△)	△ 42	△ 26	Allowance for bonuses	266	265
Land	22,168	22,048	Allowance for retirement benefits	11,416	11,762
Accumulated impairment losses(△)	△ 441	△ 436	Reserve for mortgage transfer registration	929	726
Other tangible fixed assets	4,557	1,016	Guarantee obligation	261,018	244,556
Accumulated depreciation(△)	△ 3,225	△ 488			
Accumulated impairment losses(△)	△ 0	△ 1	<b>Total liabilities</b>	7,500,114	9,783,779
Guarantee obligation reversal	261,018	244,556			
Reserve for possible loan losses(△)	△ 50,767	△ 48,610	<b>(Net assets)</b>		
			<b>Capital</b>	515,655	474,063
			Government investment	515,655	474,063
			<b>Capital surplus</b>	△ 484	△ 405
			Capital surplus	—	30
			Accumulated impaired loss not included in profit and loss(△)	△ 484	△ 436
			<b>Loss carry forward</b>	△ 50,920	△ 17,090
			Unappropriated loss	△ 50,920	△ 17,090
			(of which, gross income or loss)	(△ 25,843)	(33,830)
			<b>Total net assets</b>	464,251	456,567
<b>Total assets</b>	7,964,365	10,240,347	<b>Total liabilities and net assets</b>	7,964,365	10,240,347

## Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
Ordinary income	140,499	205,734
Income from asset management	128,162	160,780
Interest on purchased loans	120,091	153,435
Interest and dividends on securities repurchase agreement.	8,017	7,329
	54	16
Interest on deposits	1,048	2,575
Income from underwriting insurance	500	387
Net insurance premium revenue	548	—
Reversal of policy reserve	—	2,188
Net insurance premium revenue Income from service transactions	27	25
Guarantee fee	27	25
Other subsidies	10,220	41,132
Subsidies for emergency measures to facilitate housing finance	10,131	40,559
Proceeds from securitization business subsidies	89	512
Subsidies for emergency measures including loans for disaster mitigation	—	61
Other ordinary income	1,042	1,222
Reversal of reserve for retirement benefits accompanying transfer between accounts	—	52
Reversal of reserve for mortgage transfer registration	—	121
Other ordinary income	1,042	1,049
Ordinary expenses	155,343	171,864
Fund raising expenses	89,988	127,091
Interest on bonds	88,999	123,546
Other interest paid	500	531
Interest on loans of other accounts	489	3,013
Insurance underwriting expenses	3,498	1,631
Net insurance paid	3,498	1,631
Service transaction expenses	8,167	11,194
Service expenses	8,167	11,194
Other operating expenses	10,485	13,483
Amortization of bond issuing expenses	6,422	8,550
Financial derivatives expenses	2,798	3,827
Other operational expenses	1,265	1,106
Business expenses	10,126	10,055
Other ordinary expenses	33,079	8,410
Provision for reserve for possible loan losses	33,079	8,409
Other ordinary expenses	0	1
Ordinary income (or loss)	△ 14,844	33,870
Extraordinary gain	5,233	55
Gain on written-off claims recovered	0	5
Gain on sale of securities	4,629	—
Other extraordinary gain	603	50
Reversal of reserve for mortgage transfer registration	153	—
Reimbursement from insolvent customers by restructuring plans	451	50
Extraordinary losses	16,232	95
Loss on disposal of tangible fixed assets	—	69
Impairment loss	—	26
Other extraordinary losses	16,232	—
Provision for allowance for retirement benefits	367	—
Provision of policy reserves for special housing loan insurance	15,865	—
Net income (or loss)	△ 25,843	33,830
Gross income (or loss)	△ 25,843	33,830

## Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Cash flow from operating activities</b>		
Outlays on the purchase of loans	△ 2,567,624	△ 2,881,999
Outlays on personnel expenses	△ 4,408	△ 4,236
Outlays on insurance	△ 3,498	△ 1,631
Other operating outlays	△ 13,705	△ 16,131
Income from collection of purchased loans	421,480	603,548
Income from interest on purchased loans	118,627	151,714
Income from insurance premiums	508	396
Income from other operations	1,669	1,128
Income from treasury subsidies	294,666	57,250
Outlays on the repayment of treasury subsidies	—	△ 1,077
Subtotal	△ 1,752,285	△ 2,091,038
Interest and dividends received	64,318	61,537
Interest paid	△ 147,732	△ 200,488
<b>Cash flow from operating activities</b>	<b>△ 1,835,699</b>	<b>△ 2,229,989</b>
<b>II Cash flow from investing activities</b>		
Outlays on acquisition of securities (bonds)	△ 30,528	△ 1,506
Income from redemption of securities (bonds)	17,370	15,720
Income from sale of securities (bonds)	151,889	50,575
Outlays on acquisition of tangible fixed assets	△ 140	△ 70
Income from disposal of tangible fixed assets	—	32
Outlays on the increase of money in trust	△ 293,500	△ 56,250
Income from the decrease of money in trust	6,880	37,306
Other income	2	7
<b>Cash flow from investing activities</b>	<b>△ 148,028</b>	<b>45,814</b>
<b>III Cash flow from financing activities</b>		
Income from issuance of bonds (negative decline)	2,103,926	2,798,124
Outlays on repayment of bonds	△ 397,363	△ 530,975
Outlays on the payment of lease obligation	△ 1,086	△ 1,126
Income from government investments	12,355	10,308
Outlays for payments to national treasury concerning unnecessary assets	△ 200,000	△ 54,346
Net change in short-term loan from other accounts (negative decline)	241,700	△ 241,700
Income from borrowings of long-term loan from other account	209,700	320,443
<b>Cash flows from financing activities</b>	<b>1,969,232</b>	<b>2,300,728</b>
<b>IV Increase (or decline) in cash</b>	<b>△ 14,495</b>	<b>116,553</b>
<b>V Opening balance of cash</b>	<b>48,438</b>	<b>33,943</b>
<b>VI Closing balance of cash</b>	<b>33,943</b>	<b>150,496</b>

## Statement of Appropriation of Loss

(unit: million yen)

<b>I Unappropriated loss</b>			
Gross income		33,830	△ 17,090
Loss carry forward (from previous year)	△ 50,920		
<b>II Loss carry forward (to next year)</b>			<b>△ 17,090</b>

# Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
Fund raising expenses	89,988	127,091
Insurance underwriting expenses	3,498	1,631
Service transaction expenses	8,167	11,194
Other operation expenses	10,485	13,483
Business expenses	10,126	10,055
Other ordinary expenses	33,079	8,410
Loss on disposal of tangible fixed assets	—	69
Impairment loss	—	26
Provision for allowance for retirement benefits accompanying transfer between accounts	367	—
Provision of policy reserves for special housing loan insurance	15,865	—
Subtotal	171,575	171,960
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
Income from asset management	△ 128,162	△ 160,780
Income from insurance underwriting	△ 1,048	△ 2,575
Income from service transactions	△ 27	△ 25
Other ordinary income	△ 1,042	△ 1,222
Gain from bad debt recovered	△ 0	△ 5
Gain on sale of securities	△ 4,629	—
Reversal of reserve for mortgage transfer registration	△ 153	—
Reimbursement from insolvent customers by restructuring plans	△ 451	△ 50
Subtotal	△ 135,512	△ 164,658
<b>Total operating expenses</b>	<b>36,063</b>	<b>7,302</b>
<b>II Accumulated impaired loss not included in profit and loss</b>	—	66
<b>III Difference on sales not included in profit and loss</b>	—	△ 2,476
<b>IV Expected increase in retirement benefits not included in allowances</b>	3	3
<b>V Opportunity costs</b>		
Opportunity costs related to items such as central and local government investments	8,847	5,151
<b>VI Administrative cost</b>	<b>44,913</b>	<b>10,046</b>

## Significant Accounting Policies (Securitization Support Account)

- Application of revised incorporated administrative agency accounting standards, etc.  
Revised "incorporated administrative agency accounting standards," "incorporated administrative agency accounting standards annotation," and "Q & A concerning incorporated administrative agency accounting standards and incorporated administrative agency accounting standards annotation" (hereinafter referred to as revised incorporated administrative agency accounting standards, etc.) 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 - 50 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," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.  
c. For "normal borrowers," "borrowers requiring caution" and "the other borrowers requiring caution," an amount is recorded based on the historic expected loss rate during a particular period.  
(2) Allowance for Bonuses  
In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.  
(3) Allowance for Retirement Benefits  
In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year. Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated. Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.  
(4) Reserve for Mortgage Transfer Registration  
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to 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). 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 2012, 0.985% 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  
(1) Accounting for the impairment of general depreciable assets  
Until the previous fiscal year, impairment losses of general depreciable assets that accrued despite the management as arranged in the mid-term target had been recorded as capital surplus in the item of accumulated impaired loss not included in profit and loss. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded as extraordinary loss in the item of impairment loss from this fiscal year.  
As a result, when compared to the results recorded in the previous method, gross income decreased by ¥26,455,445 and capital surplus increased by the same amount. This had no effect on actual costs for administrative services.  
(2) Accounting related to the disposal of non-depreciable assets  
With regard to the disposal of non-depreciable assets for which the acquisition of alternative assets is not planned, the balance from such disposal had been recorded as profit or loss on disposal of tangible fixed assets in extraordinary income or loss until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., such a balance has been recorded as capital surplus in the item of difference on sales not included in profit and loss from this fiscal year.  
As a result, when compared to the results recorded in the previous method, gross profit increased by ¥87,850,000, and capital surplus decreased by the same amount. This had no effect on actual costs for administrative services.
- Change in presentation of accounts  
(1) Presentation of the reversal of reserves  
The reversal of reserve for possible loan losses, reversal of reserve for bonuses, reversal of reserve for retirement benefits and reversal of reserve for mortgage transfer registration had been recorded in extraordinary income until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded in ordinary income from this fiscal year.  
(2) Presentation of the provision and reversal of reserve for retirement benefits accompanying transfer between accounts  
The provision and reversal of reserve for retirement benefits accompanying transfer between accounts had been recorded in extraordinary loss or extraordinary income until the previous fiscal year. However, they have been recorded in ordinary expenses or ordinary income from this fiscal year based on the fact that the said provision or reversal of reserve ordinarily accrues in every fiscal year.

Overview of JHF

Corporate Governance

Details and Features of Line of Business

CSR activities by JHF

Financial data

# 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 : 150,496,018,227 円  
Closing balance of cash : 150,496,018,227 円
- (2) Material Non-cash Transactions  
During FY 2011, the value of newly-recorded assets and liabilities related to finance leases were both ¥340,632,228.

## 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, 2012
Retirement benefit obligation (A)	△ 19,138,540,917
Pension assets (B)	4,408,867,078
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 14,729,673,839
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	2,967,331,043
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 11,762,342,796
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 11,762,342,796

## (3) Matter Relating to Retirement Benefit Expenses

Category	From April 1, 2011 to March 31, 2012
Service cost	511,604,023
Interest cost	238,119,576
Expected return on plan assets	△ 61,602,456
Amortization of prior service obligations	0
Amortization of actuarial differences	155,661,380
Other (such as extra retirement benefit)	0
Net pension expenses	843,782,523

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

Category	As of March 31, 2012
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.4%
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 in which impairment is recognized  
The employee dormitories listed below (buildings, etc., and land) are planned to be disposed due to material deterioration in usability, so impairment is recognized in this fiscal year. Impairment losses relating to buildings, etc. are recorded in the income statement, while impairment losses relating to land are not recorded in the income statement as they are treated as impaired loss not included in profit and loss.

JHF	Dormitory designation	Location	Book value		Impairment losses		
			Buildings, etc.	Land	Buildings, etc.	Land	
1	Tokai Minamigaoka No. 1 Dormitory	Nagoya city, Chikusa-ku	11,736,400	36,363,600	48,100,000	5,921,027	18,336,400
2	Tokai Minamigaoka No. 2 Dormitory	Nagoya city, Chikusa-ku	22,169,600	64,430,400	86,600,000	10,146,771	29,869,600
3	Shikoku Kita Dormitory	Takamatsu city	8,755,600	14,844,400	23,600,000	10,387,647	17,555,600
Total			42,661,600	115,638,400	158,300,000	26,455,445	65,761,600

(Note 1) The stated value is the book value at the end of the period under review.  
(Note 2) The impairment losses are calculated according to the real estate appraisal values based on the net selling values.

## 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.

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	150,496,018,227	150,496,018,227	0
(2) Money in trust	565,424,481,914	567,707,654,631	2,283,172,717
(3) Securities			
Securities held to maturity	390,241,718,926	400,852,488,400	10,610,769,474
(4) Purchased loans	8,609,872,917,011		
Reserve for possible loan losses (*1)	△ 48,543,910,861		
	8,561,329,006,150	8,591,310,046,891	29,981,040,741
Total assets	9,667,491,225,217	9,710,366,208,149	42,874,982,932
(1) Loans from other accounts	530,142,513,747	533,805,751,070	3,663,237,323
(2) Bonds (*2)	7,841,866,000,740	8,076,679,730,672	234,813,729,932
(3) Accounts payable	303,574,340,000	303,574,340,000	0
Total liabilities	8,675,582,854,487	8,914,059,821,742	238,476,967,255
Financial derivative products (*3)	(11,293,291,209)	(11,293,291,209)	0
Total financial derivative products	(11,293,291,209)	(11,293,291,209)	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 in bloc. The values of assets/liabilities caused by transactions are indicated on a net basis, and if the sum of them results in negative, the item is indicated in parentheses.

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

- Assets
- (1) Cash and due from banks  
All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.
- (2) Money in trust  
The market price was based on values provided by counterparty financial institutions.
- (3) Securities  
The market price of bonds was based on market prices, including quotation by market makers, released by industry groups.
- (4) Purchased loans  
The future cash flow of purchased loans was estimated in terms of their type, borrowers and maturities. The figure obtained was discounted at a rate that would be applied to a similar new purchase to calculate the market price. Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of bad loans was estimated based on an expected recoverable amount from the collateral, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

## 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 prices of 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.
- (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 are an interest-rate swap agreement. The market price was calculated based on discount cash flows.

## 7. Securities

### (1) Securities held to maturity

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	139,746,704,467	148,275,597,000	8,528,892,533
	Municipal bonds	70,498,474,735	74,179,312,800	3,680,838,065
	Government guaranteed bonds	9,511,846,215	9,852,368,600	340,522,385
	Corporate bonds	117,485,819,480	124,559,391,000	7,073,571,520
	Subtotal	337,242,844,897	356,866,669,400	19,623,824,503
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	60,040,811	59,804,000	△ 236,811
	Municipal bonds	251,202,482	250,925,000	△ 277,482
	Government guaranteed bonds	704,601,364	699,860,000	△ 4,741,364
	Corporate bonds	51,983,029,372	42,975,230,000	△ 9,007,799,372
	Subtotal	52,998,874,029	43,985,819,000	△ 9,013,055,029
Total		390,241,718,926	400,852,488,400	10,610,769,474

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

Type	Cost	Proceeds	Difference
Government bonds	37,806,274,450	40,050,985,500	2,244,711,050
Municipal bonds	3,352,842,141	3,482,360,800	129,518,659
Government-guaranteed bonds	49,541,003	52,891,000	3,349,997
Corporate bonds	6,802,586,897	6,988,906,000	186,319,103
Total	48,011,244,491	50,575,143,300	2,563,898,809

Reason for the sale: The securities were sold for payments to the national treasury in connection with unnecessary assets. The said sales have been designated by the competent minister as transactions whose difference on sales is not recorded in income statements.

## 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 and deposits and securities
- b) Book value  
Cash and deposits ¥4,056,538,000 Securities ¥48,011,244,491
- (2) Cause of redundancy of funds  
As the result of a review of the execution of capital, based on the future expected business volume, it was found that the above assets are unnecessary to conduct the business without uncertainty.
- (3) Method of payment into the national treasury  
Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraphs 1 and 2 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).
- (4) Income from the transfer of assets for which payment was made in cash.  
¥50,575,143,300
- (5) Amount paid into the national treasury  
200 billion yen
- (6) Date of payment into the national treasury  
March 16, 2012
- (7) Amount of reduction in capital  
51.9 billion yen

# Housing Loan Insurance Account

In FY 2011, the gross income of the housing loan insurance account was ¥3.6 billion, an increase of ¥0.8 billion from FY 2010. This was mainly due to an increased outstanding balance of insurance, which eliminated loss carried forward.

## Balance Sheet

(unit: million yen)

Item	FY 2010	FY 2011	Item	FY 2010	FY 2011
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Cash and deposits</b>	4,540	11,021	<b>Insurance policy reserves</b>	57,704	59,695
Cash	0	0	<b>Reserve for outstanding claims</b>	504	52
Deposits	4,540	11,021	<b>Policy reserve</b>	57,199	59,643
<b>Money in trust</b>	47,363	4,734	<b>Subsidies payable, etc.</b>	44,394	3,984
<b>Negotiable securities</b>	151,459	147,607	<b>Subsidies payable for emergency measures to facilitate housing finance</b>	44,394	3,984
Government bonds	57,173	56,581	<b>Other liabilities</b>	130	132
Local government bonds	48,164	47,245	<b>Accrued expenses</b>	27	37
Corporate bonds	6,053	6,014	<b>Other liabilities</b>	16	8
Certificates of deposit	40,069	37,766	<b>Accounts payable for other accounts</b>	87	87
<b>Loans to other account</b>	26,475	31,975	<b>Allowance for bonuses</b>	18	19
Long-term loans to other account	26,475	31,975	<b>Allowance for retirement benefits</b>	766	834
<b>Other assets</b>	1,648	1,449	<b>Total liabilities</b>	103,011	64,663
Accrued revenue	379	380	<b>(Net assets)</b>		
Accrued insurance premiums	1,152	1,004	<b>Capital</b>	130,000	130,000
Other assets	117	65	Government investment	130,000	130,000
			<b>Surplus carried forward (or loss carried forward)</b>	△ 1,526	2,123
			<b>Unappropriated income (or loss)</b>	△ 1,526	2,123
			(of which, gross income (or gross loss))	(2,833)	(3,649)
			<b>Total net assets</b>	128,474	132,123
<b>Total assets</b>	231,485	196,786	<b>Total liabilities and net assets</b>	231,485	196,786

## Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>Ordinary income</b>	29,714	11,803
Income from asset management	2,348	2,755
Interest and dividends on securities	2,239	2,168
Interest on receivables under repurchase agreement	—	3
Interest on deposits	23	3
Interest from loans to other account	85	581
Income from underwriting insurance	7,552	6,718
Net insurance premium revenue	7,456	6,265
Reimbursement of unused reserve for outstanding claims	96	453
Other subsidies	19,809	2,325
Subsidies for emergency measures to facilitate housing finance	19,809	2,325
Other ordinary income	5	5
Other ordinary income	5	5
<b>Ordinary expenses</b>	27,054	8,154
Insurance underwriting expenses	26,371	7,392
Net insurance paid	3,539	4,948
Provision for policy reserve	22,831	2,444
Service transaction expenses	2	3
Service expenses	2	3
Other operating expenses	682	706
Other ordinary expenses	—	54
Provision of reserve for retirement benefits accompanying transfer between accounts	—	54
Other ordinary expenses	—	0
<b>Ordinary income (or loss)</b>	2,660	3,649
<b>Extraordinary gain</b>	279	—
Gain on sale of securities	279	—
<b>Extraordinary losses</b>	106	—
Other extraordinary losses	106	—
Provision for allowance for retirement benefits accompanying transfer between accounts	106	—
<b>Net profit (or loss)</b>	2,833	3,649
<b>Gross profit (or loss)</b>	2,833	3,649

## Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Cash flow from operating activities</b>		
Outlays on personnel expenses	△ 319	△ 319
Outlays on insurance	△ 3,539	△ 4,948
Other operating outlays	△ 340	△ 408
Income from insurance premiums	7,906	6,412
Income from other operations	5	5
Outlay from transfer of treasury subsidies to other accounts	△ 70,000	△ 38,100
<b>Subtotal</b>	△ 66,287	△ 37,358
Interest and dividends received	2,459	2,968
<b>Cash flow from operating activities</b>	△ 63,828	△ 34,390
<b>II Cash flow from investing activities</b>		
Outlays on acquisition of securities (bonds)	△ 33,188	—
Income from redemption of securities (bonds)	4,340	3,640
Income on sale of securities (bonds)	9,273	—
Outlays on the increase of money in trust	△ 14,615	—
Income from the decrease of money in trust	107,252	42,731
Outlays for long-term loans to other account	△ 26,475	△ 5,500
<b>Cash flow from investing activities</b>	46,588	40,871
<b>III Cash flow pertaining to financial transaction</b>		
Income from government investment	14,000	—
<b>Cash flow pertaining to financial transaction</b>	14,000	—
<b>IV Increase (decrease) in cash</b>	△ 3,240	6,481
<b>V Opening balance of cash</b>	7,780	4,540
<b>VI Closing balance of cash</b>	4,540	11,021

## Statement of Appropriation of Loss

(unit: million yen)

<b>I Unappropriated loss</b>			2,123
Gross loss		3,649	<u>          </u>
Loss carry forward (from previous year)	△ 1,526		<u>          </u>
<b>II Appropriated income</b>			
Voluntary reserve fund			<u>          </u> <u>          </u>

## ● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
Insurance underwriting expenses	26,371	7,392
Service transaction expenses	2	3
Business expenses	682	706
Other operation expenses	—	54
Provision for allowance for retirement benefits accompanying transfer between accounts	106	—
Subtotal	27,160	8,154
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
Income from asset management	△ 2,348	△ 2,755
Income from insurance underwriting	△ 7,552	△ 6,718
Other ordinary income	△ 5	△ 5
Gain on sale of securities	△ 279	—
Subtotal	△ 10,184	△ 9,479
<b>Total operating expenses</b>	16,976	△ 1,324
<b>II Expected increase in retirement benefits not included in allowances</b>	0	0
<b>III Opportunity costs</b>		
Opportunity costs related to items such as central and local government investments	1,619	1,281
<b>IV Administrative cost</b>	18,595	△ 44

Overview of JHF

Corporate Governance

Details and Features of Line of Business

CSR activities by JHF

Financial data

### Significant Accounting Policies (Housing Loan Insurance Account)

- Application of revised incorporated administrative agency accounting standards, etc.  
Revised "incorporated administrative agency accounting standards," "incorporated administrative agency accounting standards annotation," and "Q & A concerning incorporated administrative agency accounting standards and incorporated administrative agency accounting standards annotation" (hereinafter referred to as revised incorporated administrative agency accounting standards, etc.) 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). 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 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 2012, 0.9851% 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
  - Presentation of the reversal of reserves  
The reversal of reserve for bonuses and reversal of reserve for retirement benefits had been recorded in extraordinary income until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded in ordinary income from this fiscal year.
  - Presentation of the provision and reversal of reserve for retirement benefits accompanying transfer between accounts  
The provision and reversal of reserve for retirement benefits accompanying transfer between accounts had been recorded in extraordinary loss or extraordinary income until the previous fiscal year. However, they have been recorded in ordinary expenses or ordinary income from this fiscal year based on the fact that the said provision or reversal of reserve ordinarily accrues in every fiscal year.

## 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 : ¥11,021,163,297  
Closing balance of cash : ¥11,021,163,297

### 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, 2012
Retirement benefit obligation (A)	△ 1,356,968,371
Pension assets (B)	312,599,231
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 1,044,369,140
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	210,390,875
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 833,978,265
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 833,978,265

#### (3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2011 to March 31, 2012
Service cost	36,273,950
Interest cost	16,883,248
Expected return on plan assets	△ 4,367,761
Amortization of prior service obligations	0
Amortization of actuarial differences	8,188,483
Other (such as extra retirement benefit)	0
Net pension expenses	56,977,920

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

Category	As of March 31, 2012
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.4%
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	11,021,163,297	11,021,163,297	0
(2) Money in trust	4,734,467,291	4,749,550,404	15,083,113
(3) Securities			
Securities held to maturity	147,606,645,562	151,770,706,000	4,164,060,438
(4) Loans to other accounts	31,974,764,420	33,283,393,218	1,308,628,798
Total assets	195,337,040,570	200,824,812,919	5,487,772,349

#### (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	56,581,404,922	60,245,788,000	3,664,383,078
	Municipal bonds	47,244,972,403	49,062,030,000	1,817,057,597
	Government guaranteed bonds	6,014,265,686	6,118,234,000	103,968,314
Subtotal	Corporate bonds	27,853,864,446	28,587,710,000	733,845,554
		137,694,507,457	144,013,762,000	6,319,254,543
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	0	0	0
	Municipal bonds	0	0	0
	Government guaranteed bonds	0	0	0
Subtotal	Corporate bonds	9,912,138,105	7,756,944,000	△ 2,155,194,105
		9,912,138,105	7,756,944,000	△ 2,155,194,105
Total		147,606,645,562	151,770,706,000	4,164,060,438

### 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

In FY 2011, the gross income of the account for loans for property accumulation saving scheme-tied houses was ¥6.9 billion, an increase of ¥4.2 billion from FY 2010. This was because that income from asset management far exceeded fund raising expenses in a sequel to the previous year and that the reversal of reserve for possible loan losses was recorded by reviewing the reserve for possible loan losses relating to the Great East Japan Earthquake through close examination of damage situation.

### ● Balance Sheet

(unit: million yen)

Item	FY 2010	FY 2011	Item	FY 2010	FY 2011
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Cash and deposits</b>	7,533	9,789	<b>Borrowings</b>	143,600	122,200
Cash	0	0	Borrowings from private institutions	143,600	122,200
Deposits	2,969	5,024	<b>Bonds</b>	636,765	539,749
Agency deposits entrusted	4,563	4,765	Asset formation housing bonds	637,400	540,200
<b>Money in trust</b>	—	569	Bond issue premiums( △ )	△ 635	△ 451
<b>GHLC originated loans</b>	824,438	707,644	<b>Subsidies payable, etc.</b>	—	569
Loans on bills	9	9	Subsidies payable for emergency measures including loans for disaster mitigation	—	569
Loans on deeds	824,430	707,635	<b>Other liabilities</b>	213	232
<b>Other assets</b>	1,239	1,027	Accrued expenses	101	127
Accrued revenue	1,231	1,020	Other liabilities	44	39
Other assets	8	7	Accounts payable for other accounts	67	67
Accounts receivable for other accounts	0	—	Allowance for bonuses	25	25
<b>Reserve for possible loan losses( △ )</b>	△ 4,930	△ 2,233	<b>Allowance for retirement benefits</b>	1,072	1,105
			<b>Allowance for refund of guarantee fees</b>	1,151	941
			<b>Reserve for mortgage transfer registration</b>	994	655
			<b>Total liabilities</b>	783,819	665,477
			<b>(Net assets)</b>		
			<b>Profit surplus</b>	44,460	51,319
			Voluntary reserve fund	41,829	44,460
			Unappropriated profit	2,631	6,858
			(of which, gross profit of the current year)	(2,631)	(6,858)
			<b>Total net assets</b>	44,460	51,319
<b>Total assets</b>	828,280	716,796	<b>Total liabilities and net assets</b>	828,280	716,796

## Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>Ordinary income</b>	16,001	15,974
Income from asset management	15,976	13,408
Interest on GHLC originated loans	15,953	13,391
Interest and dividends on securities	—	6
Interest on receivables under repurchase agreement	—	5
Interest on deposits	23	6
Income from service transactions	17	14
Other operating income	17	14
Other subsidies	—	1
Subsidies for emergency measures including loans for disaster mitigation	—	1
Other ordinary income	8	2,551
Reversal of reserve for possible loan losses	—	2,413
Reversal of reserve for retirement benefits accompanying transfer between accounts	—	6
Reversal of reserve for mortgage transfer registration	—	123
Other ordinary income	8	8
<b>Ordinary expenses</b>	13,595	9,116
Fund raising expenses	9,920	7,989
Interest on borrowings	2,475	2,132
Interest on bonds	7,443	5,856
Interest on other account borrowings	2	1
Service transaction expenses	316	285
Service expenses	316	285
Other operating expenses	16	8
Amortization of bond issuing expenses	16	8
Business expenses	804	789
Other ordinary expenses	2,539	46
Provision for reserve for possible loan losses	2,498	—
Increase in allowance for refund of guaranteed fees	41	46
Other ordinary expenses	—	0
<b>Ordinary income</b>	2,406	6,858
<b>Extraordinary income</b>	226	1
Recoveries from written off balance	0	1
Other extraordinary income	225	—
Reimbursement of allowance for retirement benefits accompanying transfer between accounts	27	—
Reversal of reserve for mortgage transfer registration	198	—
<b>Net income</b>	2,631	6,858
<b>Gross income</b>	2,631	6,858

## Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Cash flow from operating activities</b>		
Loan disbursement	△ 1,063	△ 467
Outlays on personnel expenses	△ 415	△ 393
Other operating outlays	△ 1,065	△ 1,080
Income from collection of GHLC originated loans	120,968	116,978
Income from interest on GHLC originated loans	16,183	13,602
Loan origination fees and other revenue	16	13
Income from other operations	9	11
Income from treasury subsidies	—	570
<b>Subtotal</b>	134,634	129,234
Interest and dividends received	23	17
Interest paid	△ 9,619	△ 7,727
<b>Cash flow from operating activities</b>	125,038	121,524
<b>II Cash flow from investing activities</b>		
Outlays on the increase of money in trust	—	△ 570
Income from the decrease of money in trust	—	1
<b>Cash flow from investing activities</b>	—	△ 569
<b>III Cash flow from financing activities</b>		
Income from long-term borrowings from private institutions	143,600	122,200
Outlays on repayment of long-term borrowings from private institutions	△ 165,600	△ 143,600
Income from issuance of bonds (after deducting issuance expense)	123,999	53,702
Outlays on repayment of bonds	△ 227,300	△ 151,000
<b>Cash flows from financial activities</b>	△ 125,301	△ 118,698
<b>IV Increase (or decline) in cash</b>	△ 263	2,256
<b>V Opening balance of cash</b>	7,796	7,533
<b>VI Closing balance of cash</b>	7,533	9,789

## Statement of Appropriation of income

(unit: million yen)

<b>I Unappropriated income for the current fiscal year</b>		6,858
Gross income	6,858	
<b>II Appropriate income</b>		
voluntary reserve fund		6,858

## ● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
<b>Fund raising expenses</b>	9,920	7,989
<b>Service transaction expenses</b>	316	285
<b>Other operating expenses</b>	16	8
<b>Business expenses</b>	804	789
<b>Other ordinary expenses</b>	2,539	46
<b>Subtotal</b>	13,595	9,116
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
<b>Income from asset management</b>	△ 15,976	△ 13,408
<b>Income from service transactions</b>	△ 17	△ 14
<b>Other ordinary income</b>	△ 8	△ 2,551
<b>Gain on bad debt recovered</b>	0	△ 1
<b>Reimbursement of allowance for retirement benefits accompanying transfer between accounts</b>	△ 27	—
<b>Reversal of reserve for mortgage transfer registration</b>	△ 198	—
<b>Subtotal</b>	△ 16,227	△ 15,974
<b>Total operating expenses</b>	△ 2,631	△ 6,858
<b>II Expected increase in retirement benefits not included in allowances</b>	0	0
<b>III Administrative cost</b>	△ 2,631	△ 6,858

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

- Application of revised incorporated administrative agency accounting standards, etc.  
Revised "incorporated administrative agency accounting standards," "incorporated administrative agency accounting standards annotation," and "Q & A concerning incorporated administrative agency accounting standards and incorporated administrative agency accounting standards annotation" (hereinafter referred to as revised incorporated administrative agency accounting standards, etc.) 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," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.
    - 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.
  - 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 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 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 2011, 0.985% 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
  - Presentation of the reversal of reserves  
The reversal of reserve for possible loan losses, reversal of reserve for bonuses, reversal of reserve for retirement benefits, reversal of reserve for refund of guarantee fees and reversal of reserve for mortgage transfer registration had been recorded in extraordinary income until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded in ordinary income from this fiscal year.
  - Presentation of the provision and reversal of reserve for retirement benefits accompanying transfer between accounts  
The provision and reversal of reserve for retirement benefits accompanying transfer between accounts had been recorded in extraordinary loss or extraordinary income until the previous fiscal year. However, they have been recorded in ordinary expenses or ordinary income from this fiscal year based on the fact that the said provision or reversal of reserve ordinarily accrues in every fiscal year.

## 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:	¥9,789,047,270
Closing balance of cash:	¥9,789,047,270

### 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, 2012
Retirement benefit obligation (A)	△ 1,797,542,517
Pension assets (B)	414,092,488
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 1,383,450,029
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	278,699,601
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 1,104,750,428
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 1,104,750,428

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2011 to March 31, 2012
Service cost	48,051,207
Interest cost	22,364,822
Expected return on plan assets	△ 5,785,866
Amortization of prior service obligations	0
Amortization of actuarial differences	16,346,082
Other (such as extra retirement benefit)	0
Net pension expenses	80,976,245

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

Category	As of March 31, 2012
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.4%
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	9,789,047,270	9,789,047,270	0
(2) Money in trust	569,492,998	569,649,229	156,231
(3) GHLC originated loans	707,643,606,480		
Reserve for possible loan losses (*1)	△ 2,228,855,804		
	705,414,750,676	715,318,712,067	9,903,961,391
Total assets	715,773,290,944	725,677,408,566	9,904,117,622
(1) Borrowings	122,200,000,000	122,200,000,000	0
(2) Bonds (*2)	539,749,207,663	543,013,982,312	3,264,774,649
Total liabilities	661,949,207,663	665,213,982,312	3,264,774,649

(\*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) Money in trust

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

(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.

#### 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 corporation.

In FY 2011, the gross income of the housing loan operation account was ¥1.0 billion, a decrease of ¥2.3 billion from FY 2010. This was mainly because the provision of reserve for possible loan losses increased by reviewing self-assessment criteria although the income from interest on originated loans increased as a result of an increase in the outstanding balance of loans.

The gross income of the account for operations taken over from the Housing Loan Guarantee corporation was ¥3.4 billion, an increase of ¥6.0 billion from FY 2010. This was mainly because that an amount of ¥0.9 billion was recorded as a reversal of reserve for possible loans losses by advancing the disposal of claims for indemnity. The reversal of special purpose reserves for allocation to the operations of group credit life insurance was ¥9.9 billion.

## Balance Sheet

(unit: million yen)

Item	FY 2010	FY 2011	Item	FY 2010	FY 2011
<b>(Assets)</b>			<b>(Liabilities)</b>		
Cash and due from banks	322,730	79,175	<b>Borrowings</b>	5,079	21,501
Cash	0	0	<b>FILP borrowings</b>	5,079	21,501
Due from banks	310,041	59,529	<b>Bonds</b>	1,159,119	1,193,621
Agency deposits entrusted	12,688	19,646	<b>Government guaranteed bonds</b>	95,000	95,000
Receivables under resale agreement	—	56,991	<b>Mortgage-backed securities</b>	62,385	53,927
Money in trust	—	188,766	<b>General mortgage loans</b>	552,876	587,746
Securities	243,726	426,604	<b>Housing land bonds</b>	449,066	457,130
Government bonds	40,565	35,566	<b>Bond issue premiums( △ )</b>	△ 208	△ 181
Municipal bonds	45,773	41,276	<b>Subsidies payable, etc.</b>	—	188,809
Government guaranteed bonds	19,413	10,385	Subsidies payable for emergency measures including loans for disaster mitigation	—	188,809
Corporate bonds	137,976	114,378	<b>Other liabilities</b>	75,037	72,603
Certificates of deposit	—	225,000	<b>Accrued expenses</b>	16,255	16,815
Purchased loans	877,272	945,849	<b>Advanced earnings</b>	50,052	46,552
Loan on bills	90,048	70,460	<b>Financial derivative products</b>	161	1,379
Loans on deeds	787,224	875,390	<b>Other liabilities</b>	8,178	7,462
Loans to other account	38,804	38,804	<b>Accounts payable for other accounts</b>	391	395
Long-term loan to other account	38,804	38,804	<b>Allowance for bonuses</b>	134	137
Other assets	223,558	154,470	<b>Allowance for retirement benefits</b>	5,738	6,092
Claims for indemnity	69,702	20,038	<b>Allowance for refund of guarantee fees</b>	232	190
Transferred claims (pension)	141,612	121,690	<b>Reserve for mortgage transfer registration</b>	448	343
Accrued revenue	2,791	2,453	<b>Guarantee obligation</b>	605,832	506,452
Financial derivative products	259	173			
Other assets	9,194	10,116	<b>Total liabilities</b>	1,851,619	1,989,750
Guarantee obligation reversal	605,832	506,452			
Reserve for possible loan losses( △ )	△ 82,417	△ 37,263	<b>(Net assets)</b>		
			<b>Capital</b>	42,400	43,000
			<b>Government investment</b>	42,400	43,000
			<b>Profit surplus</b>	335,392	329,870
			<b>Group credit life insurance rider long-term stabilization reserve</b>	316,881	307,026
			<b>Reserve</b>	17,853	18,510
			<b>Unappropriated income (of which, gross income)</b>	657	4,334
			(b) (657)	(657)	(4,334)
			<b>Valuation and translation adjustments</b>	94	△ 2,771
			<b>Deferred gains or losses on hedges</b>	94	△ 2,771
			<b>Total net assets</b>	377,886	370,099
<b>Total assets</b>	<b>2,229,505</b>	<b>2,359,848</b>	<b>Total liabilities and net assets</b>	<b>2,229,505</b>	<b>2,359,848</b>

## Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>Ordinary income</b>	234,091	226,186
Income from asset management	32,457	34,034
Interest on GHLC originated loans	22,893	24,891
Charges on claims for indemnity	378	211
Interest on transferred claims (pension)	5,321	4,620
Interest and dividends on securities	3,297	3,437
Interest on receivables under repurchase agreement.	74	28
Interest on deposits	343	80
Interest on other account GHLC originated loans	151	767
Income from underwriting insurance	200,465	190,676
Fee from group credit life insurance riders	96,031	89,581
Revenue from group credit life insurance	101,143	96,860
Dividends on group credit life insurance	3,291	4,234
Income from service transactions	1,077	924
Guarantee fee	457	377
Other service income	620	548
Income from subsidiaries	—	111
Subsidies for emergency measures including loans for disaster mitigation	—	111
Income from other operating activities	3	—
Proceeds from financial derivative products	3	—
Other ordinary income	90	440
Reversal of reserve for refund of guarantee fees	—	28
Reversal of reserve for mortgage transfer registration	—	57
Other ordinary income	90	355
<b>Ordinary expenses</b>	242,890	232,373
Fund raising expenses	15,523	16,078
Interest on borrowings	95	101
Interest on bonds	15,428	15,977
Insurance underwriting expenses	210,235	202,270
Group credit life insurance premium paid	107,983	104,384
Payment of group credit life insurance claims	102,252	97,886
Service transaction expenses	2,134	2,004
Service expenses	2,134	2,004
Other operating expenses	559	545
Amortization of bond issuing expenses	530	213
Financial derivatives expenses	—	306
Other operating expenses	29	25
Business expenses	7,071	6,964
Other ordinary expenses	7,367	4,512
Provision for reserve for possible loan losses	7,367	4,363
Provision of reserve for retirement benefits accompanying transfer between accounts	—	149
Other ordinary expenses	0	0
Ordinary losses	△ 8,799	△ 6,187
<b>Extraordinary income</b>	5,068	666
Gain on bad debt recovered	418	666
Gain on sale of securities	591	—
Other extraordinary income	4,058	—
Reimbursement of allowance for refund of guaranteed fees	26	—
Reversal of reserve for mortgage transfer registration	74	—
Gain on allotment of stock from demutualization of group credit life insurance underwriters	3,958	—
<b>Extraordinary losses</b>	82	—
Other extraordinary losses	82	—
Provision for allowance for retirement benefits accompanying transfer between accounts	82	—
<b>Net loss</b>	△ 3,813	△ 5,522
Transfer from reserve for special purpose	4,471	9,856
<b>Gross income</b>	657	4,334

## Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Cash flow from operating activities</b>		
Loan disbursement	△ 338,385	△ 281,860
Outlays on personnel expenses	△ 2,237	△ 2,145
Outlays on group credit life insurance premium	△ 108,110	△ 104,670
Outlays on payment of group credit life insurance claims	△ 102,067	△ 98,514
Other operating outlays	△ 18,177	△ 14,011
Income from collection of GHLC originated loans	212,626	213,197
Income from interest on GHLC originated loans	4	3
Loan origination fees and other revenue Income from fees from group credit life insurance riders	93,226	86,610
Income from group credit life insurance	101,285	96,800
Dividends received from group credit life insurance	8,060	3,291
Income from other operations	44,306	33,882
Income from treasury subsidies	—	188,830
<b>Subtotal</b>	△ 86,775	146,489
Interest and dividends received	3,967	4,539
Interest paid	△ 14,151	△ 17,110
<b>Cash flow from operating activities</b>	△ 96,958	133,918
<b>II Cash flow from investing activities</b>		
Outlays on acquisition of securities (bonds)	△ 89,321	—
Income from redemption of securities (bonds)	24,000	42,000
Income from sales of securities (bonds)	17,474	—
Net change in securities (certificates of deposit) (negative: △ )	—	△ 225,000
Net change in receivables under repurchase agreement (negative: △ )	—	△ 56,991
Outlays on the increase of money in trust	—	△ 188,830
Income on the decrease of money in trust	—	64
Outlays for long-term loans to other account	△ 38,804	—
<b>Cash flow from investing activities</b>	△ 86,651	△ 428,757
<b>III Cash flow from financing activities</b>		
Income from issuance of bonds (after deducting issuance expense)	151,039	56,947
Outlays on repayment of bonds	△ 20,028	△ 22,685
Income from FILP borrowings	—	16,800
Outlay on repayment of FILP borrowings	△ 312	△ 378
Income from government investments	—	600
Outlays for payments to national treasury concerning unnecessary assets	△ 30,000	—
<b>Cash flows from financial activities</b>	100,699	51,284
<b>IV Decrease in cash</b>	△ 82,911	△ 243,555
<b>V Opening balance of cash</b>	405,641	322,730
<b>VI Closing balance of cash</b>	322,730	79,175

## Statement of Appropriation of income

(unit: million yen)

<b>I Unappropriated income for the current fiscal year</b>		4,334
Gross income	4,334	
<b>II Reversal for voluntary reserve fund</b>		307,026
Group credit life insurance rider fee long-term stabilization reserve	307,026	
<b>III Appropriated profit</b>		311,359
Voluntary reserve fund		311,359

## ● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
Fund raising expenses	15,523	16,078
Insurance underwriting expenses	210,235	202,270
Service transaction expenses	2,134	2,004
Other operating expenses	559	545
Business expenses	7,071	6,964
Other ordinary expenses	7,367	4,512
Provision for allowance for retirement benefits accompanying transfer between accounts	82	—
Subtotal	242,972	232,373
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
Income from asset management	△ 32,457	△ 34,034
Income from insurance underwriting	△ 200,465	△ 190,676
Income from service transactions	△ 1,077	△ 924
Income from other operating activities	△ 3	—
Other ordinary income	△ 90	△ 440
Gain on bad debt recovered	△ 418	△ 666
Gain on sale of securities	△ 591	—
Provision for allowance for refund of guaranteed fees	△ 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	△ 239,159	△ 226,740
<b>Total operating expenses</b>	<b>3,813</b>	<b>5,633</b>
<b>II Expected increase in retirement benefits not included in allowances</b>	<b>2</b>	<b>2</b>
<b>III Opportunity costs</b>		
Opportunity costs related to items such as central and local government investments	890	420
<b>IV Administrative cost</b>	<b>4,705</b>	<b>6,055</b>

### Significant Accounting Policies (Housing Loan Account)

- Application of revised incorporated administrative agency accounting standards, etc.  
Revised "incorporated administrative agency accounting standards," "incorporated administrative agency accounting standards annotation," and "Q & A concerning incorporated administrative agency accounting standards and incorporated administrative agency accounting standards annotation" (hereinafter referred to as revised incorporated administrative agency accounting standards, etc.) 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, 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," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.
    - 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.
  - 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 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 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 2012, 0.985% 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
  - Presentation of the reversal of reserves  
The reversal of reserve for possible loan losses, reversal of reserve for bonuses, reversal of reserve for retirement benefits, reversal of reserve for refund of guarantee fees and reversal of reserve for mortgage transfer registration had been recorded in extraordinary income until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded in ordinary income from this fiscal year.
  - Presentation of the provision and reversal of reserve for retirement benefits accompanying transfer between accounts  
The provision and reversal of reserve for retirement benefits accompanying transfer between accounts had been recorded in extraordinary loss or extraordinary income until the previous fiscal year. However, they have been recorded in ordinary expenses or ordinary income from this fiscal year based on the fact that the said provision or reversal of reserve ordinarily accrues in every fiscal year.

## 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: ¥79,175,018,387

Closing balance of cash: ¥79,175,018,387

### 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, 2012
Retirement benefit obligation (A)	△ 9,912,918,293
Pension assets (B)	2,283,598,279
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 7,629,320,014
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	1,536,946,328
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 6,092,373,686
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 6,092,373,686

#### (3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2011 to March 31, 2012
Service cost	264,988,271
Interest cost	123,335,416
Expected return on plan assets	△ 31,907,349
Amortization of prior service obligations	0
Amortization of actuarial differences	77,405,149
Other (such as extra retirement benefit)	0
Net pension expenses	433,821,487

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

Category	As of March 31, 2012
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.4%
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	79,175,018,387	79,175,018,387	0
(2) Receivables under resale agreement	56,990,971,770	56,990,971,770	0
(3) Money in trust	188,765,966,447	188,826,500,269	60,533,822
(4) Securities			
Securities held to maturity	201,604,065,552	206,090,830,000	4,486,764,448
Other securities	225,000,000,000	225,000,000,000	0
(5) GHLC originated loans	945,849,449,771		
Reserve for possible loan losses (*1)	△ 10,932,295,477		
	934,917,154,294	961,274,155,967	26,357,001,673
(6) Loans for other account	38,803,725,182	40,568,597,057	1,764,871,875
(7) Claims for indemnity (*1)	8,634,262,830	8,634,262,830	0
(8) Transferred claims (pension) (*1)	118,790,944,739	124,967,441,703	6,176,496,964
Total assets	1,852,682,109,201	1,891,527,777,983	38,845,668,782
(1) Borrowings	21,501,378,000	21,710,223,004	208,845,004
(2) Bonds (*2)	1,193,621,469,162	1,256,575,344,924	62,953,875,762
Total liabilities	1,215,122,847,162	1,278,285,567,928	63,162,720,766
Financial derivative products (*3)	(1,206,071,390)	(1,206,071,390)	0
Total Financial derivative products	(1,206,071,390)	(1,206,071,390)	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) Receivables under resale agreements

Since contracts are for short-term and fair value approximate 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) 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.

#### (6) 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.

#### (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 (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	35,565,960,458	38,056,544,000	2,490,583,542
	Municipal bonds	41,275,628,820	42,369,186,000	1,093,557,180
	Government guaranteed bonds	9,284,366,417	9,474,790,000	190,423,583
	Corporate bonds	104,522,748,731	106,990,350,000	2,467,601,269
	Subtotal	190,648,704,426	196,890,870,000	6,242,165,574
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	0	0	0
	Municipal bonds	0	0	0
	Government guaranteed bonds	1,100,370,144	1,100,000,000	△ 370,144
	Corporate bonds	9,854,990,982	8,099,960,000	△ 1,755,030,982
	Subtotal	10,955,361,126	9,199,960,000	△ 1,755,401,126
Total		201,604,065,552	206,090,830,000	4,486,764,448

#### (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	225,000,000,000	225,000,000,000	0

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

### 7. Material Liability Incurring Activities

There is nothing to report.

### 8. Material Subsequent Events

There is nothing to report.

# Outstanding Loan Management Account

In FY 2011, the gross income of the outstanding loan management account was ¥83.7 billion, an increase of ¥100.5 billion from FY 2010. This was mainly because that the gap between interest income and interest expenses continued to improve for the two consecutive years from FY 2010 and that the provision of reserve for possible loan losses decreased by reviewing the reserve for possible loan losses relating to the Great East Japan Earthquake through close examination of damage situation.

JHF will strengthen its efforts to curb non-performing loans, improving the balance.

## Balance Sheet

(unit: million yen)

Item	FY 2010	FY 2011	Item	FY 2010	FY 2011
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Cash and due from banks</b>	946,454	415,920	<b>Borrowings</b>	21,415,333	17,500,999
<b>Cash</b>	0	0	<b>FILP borrowings</b>	21,415,333	17,500,999
<b>Due from banks</b>	719,455	220,645	<b>Bonds</b>	4,493,435	3,569,957
<b>Agency deposits entrusted</b>	226,999	195,275	<b>Government guaranteed bonds</b>	110,000	—
<b>Money in trust</b>	—	14,444	<b>Mortgage-backed securities</b>	3,973,566	3,235,766
<b>Receivables under resale agreement</b>	249,936	—	<b>Bond issue premiums</b>	418,825	339,337
<b>Securities</b>	800,016	450,016	<b>Deposit subsidies, etc.( △ )</b>	△ 8,956	△ 5,147
<b>Stock</b>	16	16	<b>Subsidies payable, etc.</b>	—	14,239
<b>Certificates of deposit</b>	800,000	450,000	<b>Subsidies payable for emergency measures including loans for disaster mitigation</b>	—	14,239
<b>GHLC originated loans</b>	23,645,628	19,701,996	<b>Other liabilities</b>	138,772	92,369
<b>Loan on bills</b>	44,657	33,882	<b>Accrued expenses</b>	136,933	90,657
<b>Loans on deeds</b>	23,600,972	19,668,114	<b>Other liabilities</b>	1,390	1,271
<b>Loans for other account</b>	386,122	459,364	<b>Accounts payable for other accounts</b>	449	442
<b>Short-term loan for other account</b>	241,700	—	<b>Allowance for bonuses</b>	167	164
<b>Long-term loan for other account</b>	144,422	459,364	<b>Allowance for retirement benefits</b>	7,150	7,284
<b>Other assets</b>	75,529	64,820	<b>Allowance for refund of guarantee fees</b>	38,667	30,670
<b>Accrued revenue</b>	68,919	59,261	<b>Allowance for refund of guarantee fees</b>	23,583	15,510
<b>Other assets</b>	5,314	4,427	<b>Reserve for mortgage transfer registration</b>		
<b>Accounts receivable for other accounts</b>	1,295	1,132	<b>Total liabilities</b>	26,117,107	21,231,191
<b>Extraordinary losses</b>	8,325	—			
<b>Reserve for possible loan losses( △ )</b>	△ 684,744	△ 481,558	<b>(Net assets)</b>		
			<b>Capital</b>	9,600	9,600
			<b>Government investment</b>	9,600	9,600
			<b>Loss carry forward</b>	△ 699,441	△ 615,788
			<b>Unappropriated loss</b>	△ 699,441	△ 615,788
			<b>(of which, gross profit (or loss))</b>	( △ 16,869)	(83,653)
			<b>Total net assets</b>	△ 689,841	△ 606,188
<b>Total assets</b>	25,427,266	20,625,003	<b>Total liabilities and net assets</b>	25,427,266	20,625,003

## Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>Ordinary income</b>	934,863	847,244
Income from asset management	881,966	760,141
Interest on GHLC originated loans	878,503	757,250
Interest and dividends on securities	933	792
Interest on receivables under repurchase agreement	213	153
Interest on deposits	2,063	280
Interest on loans for other account	254	1,666
Income from service transactions	260	186
Other service income	260	186
Income from government subsidies	51,233	79,000
Other subsidies	—	815
Subsidies for emergency measures including loans for disaster mitigation	—	815
Income from government subsidies	1,404	7,102
Reversal of reserve for refund of guarantee fees	—	2,861
Reversal of reserve for retirement benefits accompanying transfer between accounts	—	144
Reversal of reserve for mortgage transfer registration	—	2,825
Other ordinary income	1,404	1,271
<b>Ordinary expenses</b>	960,341	764,624
Fund raising expenses	800,640	743,421
Interest on borrowings	702,685	669,115
Interest on bonds	97,955	74,306
Service transaction expenses	14,079	11,857
Service expenses	14,079	11,857
Other operating expenses	0	—
Amortization of bond issuing expenses	0	—
Business expenses	7,957	7,719
Other ordinary expenses	137,665	1,627
Provision for reserve for possible loan losses	137,660	1,627
Other ordinary expenses	4	0
<b>Ordinary income (or loss)</b>	△ 25,478	82,619
<b>Extraordinary income</b>	8,609	1,034
Gain on bad debt recovered	560	1,034
Other extraordinary income	8,049	—
Provision for allowance for refund of guaranteed fees	2,463	—
Provision for allowance for retirement benefits accompanying transfer between accounts	529	—
Reversal of reserve for mortgage transfer registration	5,057	—
<b>Net income (or loss)</b>	△ 16,869	83,653
<b>Gross income (or loss)</b>	△ 16,869	83,653

## Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Cash flow from operating activities</b>		
Loan disbursement	△ 489	△ 313
Outlays on personnel expenses	△ 2,775	△ 2,595
Other operating outlays	△ 29,456	△ 26,711
Income from collection of GHLC originated loans	4,518,547	3,739,132
Income from interest on GHLC originated loans	888,995	766,853
Loan origination fees and other revenue	252	181
Income from other operations	4,674	3,385
Income from government subsidies	82,000	79,000
Income from government payment	20,000	8,325
Income from treasury subsidies	—	15,050
Subtotal	5,481,748	4,582,307
Interest and dividends received	3,392	2,945
Interest paid	△ 833,858	△ 790,897
Cash flow from operating activities	4,651,282	3,794,355
<b>II Cash flow from investing activities</b>		
Net change in securities (certificates of deposit) (negative_decline)	△ 740,000	350,000
Net change in receivables under repurchase agreement (negative_decline)	△ 249,936	249,936
Outlays on the increase of money in trust	—	△ 15,050
Income from the decrease of money in trust	—	606
Net change in short-term loans on other accounts (negative_decline)	△ 241,700	241,700
Outlays for long-term loans for other account	△ 144,422	△ 314,943
Cash flow from investing activities	△ 1,376,057	512,249
<b>III Cash flow from financing activities</b>		
Income from issuance of bonds (after deducting issuance expense)	△ 0	—
Outlays on repayment of bonds	△ 1,435,863	△ 922,805
Outlays on repayment of FILP borrowings	△ 3,123,921	△ 3,914,334
Outlays on repayment of borrowings from the former Kanpo Life Insurance	△ 11,465	—
Cash flows from financial activities	△ 4,571,249	△ 4,837,139
<b>IV Decrease in cash</b>	△ 1,296,025	△ 530,534
<b>V Opening balance of cash</b>	2,242,479	946,454
<b>VI Closing balance of cash</b>	946,454	415,920

## Statement of Appropriation of Loss

(unit: million yen)

<b>I Unappropriated loss for the current fiscal year</b>		△ 615,788
Gross loss	83,653	
Loss carry forward (from previous year)	△ 699,441	
<b>II Loss carry forward (to next year)</b>		△ 615,788

## Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
Fund raising expenses	800,640	743,421
Service transaction expenses	14,079	11,857
Other operating expenses	0	—
Business expenses	7,957	7,719
Other ordinary expenses	137,665	1,627
Subtotal	960,341	764,624
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
Income from asset management	△ 881,966	△ 760,141
Income from service transactions	△ 260	△ 186
Other ordinary income	△ 1,404	△ 7,102
Gain on bad debt recovered	△ 560	△ 1,034
Reversal of allowance for refund of guarantee fees	△ 2,463	—
Reversal of allowance for retirement benefits accompanying transfer between accounts	△ 529	—
Reversal of reserve for mortgage transfer registration	△ 5,057	—
Subtotal	△ 892,238	△ 768,463
<b>Total operating expenses</b>	68,102	△ 3,838
<b>II Expected increase in retirement benefits not included in allowances</b>	2	2
<b>III Opportunity costs</b>		
Opportunity costs related to items such as central and local government investments	120	95
<b>IV Administrative cost</b>	68,225	△ 3,742

### Significant Accounting Policies (Outstanding Loan Management Account)

- Application of revised incorporated administrative agency accounting standards, etc.  
Revised "incorporated administrative agency accounting standards," "incorporated administrative agency accounting standards annotation," and "Q & A concerning incorporated administrative agency accounting standards and incorporated administrative agency accounting standards annotation" (hereinafter referred to as revised incorporated administrative agency accounting standards, etc.) 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," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.
    - 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.
  - 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 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 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 2012, 0.985% 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
    - Presentation of the reversal of reserves  
The reversal of reserve for possible loan losses, reversal of reserve for bonuses, reversal of reserve for retirement benefits, reversal of reserve for refund of guarantee fees and reversal of reserve for mortgage transfer registration had been recorded in extraordinary profit until the previous fiscal year. However, in line with the revision of incorporated administrative agency accounting standards, etc., they have been recorded in ordinary income from this fiscal year.
    - Presentation of the provision and reversal of reserve for retirement benefits accompanying transfer between accounts  
The provision and reversal of reserve for retirement benefits accompanying transfer between accounts had been recorded in extraordinary loss or extraordinary income until the previous fiscal year. However, they have been recorded in ordinary expenses or ordinary income from this fiscal year based on the fact that the said provision or reversal of reserve ordinarily accrues in every fiscal year.

## Notes (Outstanding Loan Management Account)

### 1. Matters Relating to the Balance Sheet

#### 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. Matters relating to income statements

#### Interest on loans

Interest on loans includes compensation on an advanced redemption of borrowings from the Fiscal Investment and Loan Program (¥104,942,176,006).

### 3. 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: ¥415,920,152,339  
Closing balance of cash: ¥415,920,152,339

#### (2) Income from government payment

The ¥8,325,000,000 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.

### 4. 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.

### 5. 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, 2012
Retirement benefit obligation (A)	△ 11,851,444,536
Pension assets (B)	2,730,168,610
Unfunded retirement benefit obligations (C)=(A) + (B)	△ 9,121,275,926
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	1,837,504,721
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 7,283,771,205
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 7,283,771,205

#### (3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2011 to March 31, 2012
Service cost	316,808,201
Interest cost	147,454,341
Expected return on plan assets	△ 38,147,009
Amortization of prior service obligations	0
Amortization of actuarial differences	126,126,861
Other (such as extra retirement benefit)	0
Net pension expenses	552,242,394

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

Category	As of March 31, 2012
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.4%
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.)

### 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 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).

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	415,920,152,339	415,920,152,339	0
(2) Money in trust	14,444,445,404	14,448,520,599	4,075,195
(3) Securities			
Other securities	450,000,000,000	450,000,000,000	0
(4) GHLC originated loans	19,701,996,288,954		
Reserve for possible loan losses (*1)	△ 480,086,870,885		
	19,221,909,418,069	20,386,101,781,771	1,164,192,363,702
(5) Loans to other accounts	459,364,024,145	459,953,760,795	589,736,650
Total assets	20,561,638,039,957	21,726,424,215,504	1,164,786,175,547
(1) Borrowings	17,500,999,000,000	18,823,843,483,746	1,322,844,483,746
(2) Bonds (*2)	3,569,956,984,429	3,721,849,480,772	151,892,496,343
Total liabilities	21,070,955,984,429	22,545,692,964,518	1,474,736,980,089

(\*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) Money in trust

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

##### (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.

#### 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 price of mortgage-backed securities was 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.

### 7. 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	450,000,000,000	450,000,000,000	0

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

### 8. Material Liability Incurring Activities

There is nothing to report.

### 9. Material Subsequent Events

There is nothing to report.

## Details

### ● Investment in JHF capital and its funding sources (FY 2011)

In FY 2011, JHF received ¥10.9 billion in government capital from the government's general account. With regard to ¥51.9 billion capital injection money from the government's general account, since the said amount has been re-examined and approved unnecessary for the reliable implementation of operations, it was returned to the national treasury in March 2012.

Therefore, the balance of capital at the end of FY 2011 was ¥656.7 billion and its breakdowns are ¥567.8 billion from the general account, ¥54.5 billion from Fiscal Investment and Loan Program special account, and ¥34.4 billion as reserve fund for interest rate change.

Of the capital, ¥36.4 billion shall be redeemed to the national treasury in FY 2012 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	598,155	10,908	41,300	567,763
Special account for the Fiscal Investment and Loan Program	99,500	-	10,600	88,900
Capital from the special account for the Fiscal Investment and Loan Program	54,500	-	-	54,500
Reserve fund for interest rate change	45,000	-	10,600	34,400
<b>Total</b>	<b>697,655</b>	<b>10,908</b>	<b>51,900</b>	<b>656,663</b>

### ● Major assets and liabilities (FY 2011)

#### Long-term borrowings

In FY 2010, JHF borrowed ¥16.8 billion from Fiscal Investment and Loan Program, ¥122.2 billion from the private institutions. Since ¥3,914.7 billion was repaid to Fiscal Investment and Loan Program, and ¥143.6 billion to the private institutions, the outstanding balance of long-term borrowings at the end of FY 2011 was ¥17,644.7 billion and its breakdowns are ¥17,522.5 billion from Fiscal Investment and Loan Program, ¥122.2 billion from the 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	21,420,412	16,800	3,914,712	17,522,500
Borrowings from the private institutions	143,600	122,200	143,600	122,200
<b>Total</b>	<b>21,564,012</b>	<b>139,000</b>	<b>4,058,312</b>	<b>17,644,700</b>

#### Details of bonds issued by JHF

In FY 2011, ¥2,829 billion (par value, same as below) in Japan Housing Finance Agency bonds, ¥53.8 billion in property accumulation saving scheme-tied houses bonds, and ¥34.8 billion in housing land bonds were issued. In addition, ¥1,389 billion in Japan Housing Finance Agency bonds, ¥151 billion in Japan Housing Finance Agency - property accumulation saving scheme-tied houses bonds, and ¥91.9 billion in Japan Housing Finance Agency - housing land bonds were redeemed. Therefore the total outstanding balance of bonds at the end of FY2011 was ¥13,151 billion - ¥11,903.4 billion in Japan Housing Finance Agency bonds, ¥540.2 billion in Japan Housing Finance Agency - property accumulation saving scheme-tied houses bonds, and ¥707.6 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	10,463,335	2,829,031	1,389,001	11,903,365
Japan Housing Finance Agency - Property accumulation saving scheme-tied houses bonds	637,400	53,800	151,000	540,200
Japan Housing Finance Agency - housing land bonds	764,749	34,806	91,946	707,609
<b>Total</b>	<b>11,865,484</b>	<b>2,917,637</b>	<b>1,631,948</b>	<b>13,151,174</b>

## 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	822,858	11,986	265,179	569,665
Allowance for bonuses	609	611	609	611
Allowance for retirement benefits	26,142	1,968	1,032	27,077
Allowance for refund of guarantee fees	40,050	-	8,250	31,800
Reserve for mortgage transfer registration	25,954	-	8,720	17,234

## ● Acquisition and disposal of fixed assets and depreciation costs (FY 2011)

(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	15,622	64	81	15,604	3,312	530	26	12,267
	Other tangible fixed assets	4,552	345	3,885	1,012	488	1,148	1	523
	Total	20,174	409	3,967	16,616	3,800	1,678	26	12,790
Non-depreciable assets	Land	22,168	-	120	22,048	-	-	436	21,612
	Other tangible fixed assets	5	-	-	5	-	-	-	5
	Total	22,172	-	120	22,052	-	-	436	21,617
Total tangible fixed assets		42,346	409	4,087	38,669	3,800	1,678	462	34,407

## ● 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
<b>Housing Support Information System Co., Ltd. (specific affiliated company)</b>	Development, operation and maintenance of software; Internet related operations; system related services, etc.	System development, etc.	April 1997	¥24.9 million
<b>Jutaku Loan Service, Ltd. (specific affiliated company)</b>	Management and recovery of the specific monetary claims, etc.	Loan servicing	August 2004	¥500 million
<b>Funen Kosha (specific public interest company, etc.)</b>	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	1965	970
1951	230	1966	971
1952	310	1967 – 1997	972
1953	368	1998	1,522
1954	418	1999 – 2000	1,662
1955 _ 1956	425	2001 – 2004	1,687
1957	455	2005	2,237
1958	480	2006	2,537
1959	525	2007	3,197
1960	575	2008	4,057
1961	665	2009	9,013
1962	760	2010	6,977
1963	855	2011	6,567
1964	955		

(Note) ¥51.9 billion capital injection money from the government's general account has been re-examined and approved unnecessary for the implementation of operations, therefore, it was returned to the national treasury in March 2012.

## ● Capital adequacy ratio

(Unit: 100 million yen)

Category	FY 2010	FY 2011
Net capital	3,153	3,762
Reserve for possible loan losses	798	752
Owned capital (A)	3,951	4,514
Assets (on balance sheet)	116,503	109,514
Off balance sheet transactions	8,974	7,809
Amount equivalent to operational risk	2,161	2,944
Risk weighted assets total (B)	127,638	120,268
Capital adequacy ratio ((A) / (B)) x 100	3.10%	3.75%

(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 2010	FY 2011
Expenses* (A)	567	589
Average balance of loans (B)	329,242	311,865
Overhead ratio (A) / (B)	0.1723%	0.1887%

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

## ● Details of business expenses

(Unit: million yen)

Category	FY 2010	FY 2011
Overhead expenses	10,889	10,919
Management travel expenses	84	57
Various management expenses	2,943	2,841
Entertainment expenses	0	0
Tax	276	269
Fixed asset depreciation expenses	594	554
Leased asset depreciation expenses	1,087	1,124
Operational travel expenses	80	76
Various operating costs	3,927	3,867
Expenses for special servicing of loans	782	900
Reparations and repayments	–	–
Other expenses including bond issuance costs and trust fees	150	168
System operation outsourcing costs	4,866	4,493
Total	25,677	25,268

## ● 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 Corporation

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

JHF aims to achieve a surplus in single-year revenues and expenditures by the final year for the first medium-term target, and to eliminate loss carried forward by the final year for the second medium-term target for the overall account excluding “operations taken over from the Housing Loan Guarantee Corporation” and the outstanding loan management account. The current status is as shown in the table below.

(Unit: million yen)

	FY 2010		FY 2011	
	Gross profit/loss (△)	Surplus/loss carried forward (△)	Gross profit/loss (△)	Surplus/loss carried forward (△)
<b>Securitization support account</b>	△ 25,843	△ 50,920	33,830	△ 17,090
Account for transfer of claims	△ 7,808	△ 28,342	32,556	4,214
Account for loan guarantees	△ 18,035	△ 22,578	1,274	△ 21,304
<b>Housing loan insurance account</b>	2,833	△ 1,526	3,649	2,123
<b>Account for loans for property accumulation saving scheme-tied houses</b>	2,631	44,460	6,858	51,319
<b>Housing loan account</b>	657	335,392	4,334	329,870
Account for housing loans	3,293	△ 20,529	981	△ 19,549
Account for operations taken over from the Housing Loan Guarantee Corporation	△ 2,635	355,921	3,353	349,419
<b>Overall agency (excluding the outstanding loan management account and account for operations taken over from the Housing Loan Guarantee Corporation)</b>	△ 17,086	△ 28,515	45,318	16,803

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

(Unit: million yen)

Type	Purpose	Total at the end of FY 2011	Total at the end of FY 2012 (estimate)
Securitization support	Credit risk management, support scheme for acquiring high-quality housing, ALM risk management, interest rate fluctuation risk management, management of interest to be paid to originators before replenishment	474,063	516,121
Housing loan insurance	Insurance risk management	130,000	102,000
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	43,000	42,900
Outstanding loan management	Implementation of special preferential measures of repayment condition changes (lowering interest rate)	9,600	9,600
<b>Total</b>		656,663	670,621

The figures are estimated amounts reflecting ¥7.745 billion relating to the securitization support account, ¥2.8 billion relating to the housing loan insurance account and ¥0.7 billion relating to the housing loan account, which were repaid to the national treasury pursuant to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the Cabinet on December 7, 2010)

## ● Reference - Status of long-term bonds being held

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 account	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 account	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 loan account	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

FY 2011

(Unit: 100 million yen)

Type	Classification (purpose)	At the end of FY 2011				
		Government bonds	Municipal bonds	Government guaranteed bonds	FILP agency bonds, etc.	
Securitization support account	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)	3,902	1,398	707	102	1,695
Housing loan insurance account	Investments by the government (bonds held as a capital investment for insurance risk management)	1,225	541	417	19	248
	Mandatory policy reserves (bonds held as a reserve investment for future insurance payments)	251	25	55	41	130
Housing loan account	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	122	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)	1,593	234	291	103	964
Total		7,395	2,320	1,593	266	3,216

\* 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 2011, the agency sold long-term bonds worth ¥48 billion to deal with the redemption of part of its capital to the national treasury and for other reasons.

## Reference - List of subsidies

(Unit: million yen)

Type	Purpose	Amount received in FY 2011	Amount received in FY 2012 * 2
Subsidies for emergency measures to facilitate housing finance * 1	Expansion of interest rate lowering range in the support scheme for acquiring high-quality housing in the securitization business Insurance premium rate discount in the housing loan insurance business	15,900	–
Subsidies for securitization support	Interest rate reduction in the support scheme for acquiring high-quality housing, etc.	1,000.4	10,309
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 the people affected by the Great East Japan Earthquake.	206,700	53,900

\* 1 The amount of ¥15,900 million in FY 2011 was the total of subsidies received in a lump sum to lowering interest rates on housing loans for promoting recovery from the Great East Japan Earthquake and energy conservative housing.

\* 2 The amounts received for FY 2012 are budgeted amounts.

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

Subsidies for emergency measures to facilitate housing finance are grants received in a lump sum to lowering interest rate on housing loans for promoting recovery from the Great East Japan Earthquake and energy conservative housing as prescribed in the Emergency Economic Countermeasures for Future Growth and Security (approved by the Cabinet on December 8, 2009) and in the Three-Step Economic Measures for the Realization of New Growth Strategy (approved by the Cabinet on September 10, 2010). Every time the cost for interest rate discount is accrued, it is posted as an expense.

### ① Results of applications accepted and purchases

#### ● Securitization business

- Expansion\* of interest rate discount in the support scheme for acquiring high-quality housing based on the Emergency Economic Countermeasures for Future Growth and Security and the Three-Step Economic Measures for the Realization of New Growth Strategy (the application period ended on September 30, 2011, results from February 15, 2010 to March 31, 2012)

\* First 10 years  $\triangle$  0.3%  $\rightarrow$   $\triangle$  1.0%

Number of loans purchased/insured amount	Subsidies used		
	Past fiscal years	This fiscal year	Total
198,189 ¥5,146.7 billion	¥10.2 billion	¥40.55 billion	¥50.75 billion

- Expansion of interest rate discount in the support scheme for acquiring high-quality housing to promote recovery from the Great East Japan Earthquake and energy conservative housing (in operation since December 1, 2011, results until March 31, 2012)

\* First 5 years  $\triangle$  0.3%  $\rightarrow$   $\triangle$  1.0% (areas affected by the Great East Japan Earthquake)

Number of applications accepted and their amount	Number of loans purchased/insured and their amount
2,429 (15,408) ¥64 billion (¥422 billion)	419 (3,939) ¥9.1 billion (¥93.2 billion)

\* The figures in brackets ( ) indicated the numbers for regions other than areas affected by the Great East Japan Earthquake (first 5 years:  $\triangle$  0.3%  $\rightarrow$   $\triangle$  0.7%)

Expenses for unaffected areas are ineligible for emergency housing subsidies.

\* The "number of applications accepted and their amount" indicate the number obtained by adding the number of applications made and unexecuted (not declined) to the number of loans purchased/insured.

- Housing loan insurance business (premium rate reduction (ended with loan approval on December 30, 2010), results from January 29, 2010 to March 31, 2012)

Number of loans purchased/ insured and their amount	Subsidies used		
	Past fiscal years	This fiscal year	Total
19,570 ¥447.5 billion	¥25.71 billion	¥2.32 billion	¥28.03 billion

## ② Use of subsidies

### ● Securitization business

- Expansion of interest rate discount in the support scheme for acquiring high-quality housing based on the Emergency Economic Countermeasures for Future Growth and Security and the Three-Step Economic Measures for the Realization of New Growth Strategy (the application period ended on September 30, 2011, usage status from February 15, 2010 to March 31, 2012)

(Unit: 100 million yen)

Amount / as of	March 31, 2009	March 31, 2010	March 31, 2011
<b>Subsidies received</b>	2,600.0	2,235.0	–
<b>Transfer from housing loan insurance business</b>	–	700.0	381.0
<b>Amount carried forward</b>	–	2,599.3	5,437.9
<b>Accrued interest income</b>	0.0	4.9	6.4
<b>(Accumulated gains)</b>	(0.0)	(4.9)	(11.3)
<b>Subtotal</b> ①	2,600.0	5,539.2	5,825.3
<b>Expenses for interest rate discount</b> ②	0.7	101.3	405.5
<b>(Accumulated expenses for interest rate discount)</b>	(0.7)	(102.0)	(507.5)
<b>Balance of subsidies</b> ① – ②	2,599.3	5,437.9	5,419.8
<b>Estimate required amount of subsidies for the following years</b> ③	–	–	5,419.8
<b>Planned repayment to the national treasury for the following year</b> ① – ② – ③	–	–	0.0

- Expansion of interest rate discount in the support scheme for acquiring high-quality housing to promote recovery from the Great East Japan Earthquake and energy conservative housing (in operation from December 1, 2011, usage status until March 31, 2012)

Amount / as of	March 31, 2011
<b>Subsidies received</b>	159.0
<b>Amount carried forward</b>	–
<b>Accrued interest income</b>	0.04
<b>(Accumulated gains)</b>	(0.04)
<b>Subtotal</b> ①	159.04
<b>Expenses for interest rate discount</b> ②	0.1
<b>(Accumulated expenses for interest rate discount)</b>	(0.1)
<b>Balance of subsidies</b> ① – ②	158.9

- Housing loan insurance business (premium rate discount (ended with loan approval on December 30, 2010), usage status from January 29, 2010 to March 31, 2012)

(Unit: 100 million yen)

Amount / as of	March 31, 2009	March 31, 2010	March 31, 2011
<b>Subsidies received</b>	1,400.0	–	–
<b>Amount carried forward</b>	–	1,341.0	443.9
<b>Accrued interest income</b>	0.0	1.0	0.1
<b>(Accumulated gains)</b>	(0.0)	(1.0)	(1.2)
<b>Subtotal</b> ①	1,400.0	1,342.0	444.1
<b>Expenses for premium rate discount</b> ②	59.0	198.1	23.2
<b>(Accumulated premium rate discount)</b>	(59.0)	(257.1)	(280.3)
<b>Transfer to the securitization business</b> ③	0.0	700.0	381.0
<b>Balance of subsidies</b> ① – ② – ③	1,341.0	443.9	39.8
<b>Estimate required amount of subsidies for the following years</b> ④	–	–	0.4
<b>Planned transfer to the securitization support account for the following year</b> ⑤	–	–	39.4
<b>Planned repayment to the national treasury for the following year</b> ① – ② – ③ – ④ – ⑤	–	–	0.0

## Reference - Use of subsidies for emergency measures including loans for disaster mitigation

Subsidies for emergency measures including loans for disaster mitigation are grants received in a lump sum to provide housing loans or discount interest rate on housing loans for people affected by the Great East Japan Earthquake. Every time the cost for interest rate discount is accrued, it is posted as an expense.

### ① Results of loans, etc.

- Actual applications accepted and loans provided relating to loans for disaster mitigation (interest rate discount) (results until March 31, 2012)

Number of applications accepted and their amount	Number of loans provided and their amount
4,921	1,067
¥70.89 billion	¥16.52 billion

The “number of loans provided” indicates the number of loans on deeds.

- Application results of loan modifications (interest rate discount) (results until March 31, 2012)

Number of loan modifications applied	3,648 cases
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### ② Use of subsidies

- Use of subsidies relating to housing loans for disaster mitigation (interest rate discount) (usage status until March 31, 2012)

Amount / as of	March 31, 2011
Subsidies received	1,884.0
Amount carried forward	-
Accrued interest income	0.9
(Accumulated gains)	(0.9)
Subtotal ①	1,884.9
Expenses for interest rate discount ②	0.9
(Accumulated interest rate discount)	(0.9)
Balance of subsidies ① - ②	1,884.0

- Use of subsidies relating to loan modification (interest rate discount) (usage status until March 31, 2012)

Amount / as of	March 31, 2011
Subsidies received	183.0
Amount carried forward	-
Accrued interest income	0.05
(Accumulated gains)	(0.05)
Subtotal ①	183.1
Expenses for interest rate discount ②	8.9
(Accumulated interest rate discount)	(8.9)
Balance of subsidies ① - ②	174.1

# Product Outline

## Product outline of Flat 35 (Purchase Program)

As of April 1, 2011

<p><b>Application requirements</b></p>	<ul style="list-style-type: none"> <li>● Be less than 70 years of age (if the two-generation loan repayment scheme (there are certain requirements) is applied, this loan applies also to people aged 70 years and over).</li> <li>● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>● 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, but the repayment period may be extended).</li> </ul> <table border="1" data-bbox="316 450 887 510"> <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> <p>* 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).</p> <ul style="list-style-type: none"> <li>● 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</li> </ul> <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 2012, the income must be based on income between January and December 2011 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					
<p><b>Purpose of the loan</b></p>	<ul style="list-style-type: none"> <li>● Loans for construction/purchase of a new home or purchase of an existing home for occupation by the applicant or relatives</li> <li>● Loans for construction/purchase of a house for weekends (a second house) to be used by the applicant</li> </ul> <p>(Note) This loan cannot be offered for reform of a house.</p>						
<p><b>House covered by loan</b></p>	<ul style="list-style-type: none"> <li>● Houses that satisfy the technical criteria set by JHF</li> <li>● Have a floor area*<sup>1</sup> of 70 m<sup>2</sup> or more for a detached house, a terrace house style including semi-detached house and a flat **style, <sup>2</sup> or 30 m or more for a condominium style, etc.</li> </ul> <table border="1" data-bbox="316 790 1077 846"> <thead> <tr> <th>Detached house, terrace house style including semi-detached house, flat style</th> <th>70 m<sup>2</sup> or more</th> </tr> </thead> <tbody> <tr> <th>Apartment complex (condominium and similar)</th> <th>30 m<sup>2</sup> or more</th> </tr> </tbody> </table> <p>* 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.</p> <ul style="list-style-type: none"> <li>● Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax).</li> <li>● No conditions on the size of land for the house</li> </ul>	Detached house, terrace house style including semi-detached house, flat style	70 m <sup>2</sup> or more	Apartment complex (condominium and similar)	30 m <sup>2</sup> or more		
Detached house, terrace house style including semi-detached house, flat style	70 m <sup>2</sup> or more						
Apartment complex (condominium and similar)	30 m <sup>2</sup> or more						
<p><b>Amount of the loan</b></p>	<p>One to 80 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 90% or less of construction or purchase cost (excluding costs for the nonresidential space)*.</p> <p>* 100% or less if Flat 35S Eco is used, but this value is planned to be changed to 90% or less from the day after the end of the expanded program based on the FY 2011 third supplementary budget (please visit the Flat 35 website (www.flat35.com) for more information).</p>						
<p><b>Duration of the loan</b></p>	<ul style="list-style-type: none"> <li>● 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over at the *<sup>1,2</sup>time the application is filed) or over, and whichever is shorter between 1) and 2) below (increment: 1 year)</li> <li>① 80 years minus the age of the applicant at the time the application is filed with the part of the period less than one year counted as one year.</li> <li>* 1 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower.</li> <li>* 2 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower.</li> <li>② 35 years</li> </ul> <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>						
<p><b>Borrowing rate</b></p>	<ul style="list-style-type: none"> <li>● Fixed rate*<sup>1</sup></li> <li>● The borrowing rate **<sup>2,3</sup> applicable to loans of 20 years and under is different from the rate applicable to loans of 21 **<sup>4</sup> years and over.</li> <li>* 1 Under Flat 35S, the interest rate is reduced for a certain period (please visit the Flat 35 website for more information).</li> <li>* 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).</li> <li>* 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.</li> <li>* 4 Some financial institutions offer the same borrowing rate regardless of the duration of the loan.</li> </ul>						
<p><b>Amortization</b></p>	<ul style="list-style-type: none"> <li>● Monthly principal and interest equal repayment or monthly principal equal repayment.</li> <li>● 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.</li> </ul>						
<p><b>Collateral</b></p>	<ul style="list-style-type: none"> <li>● JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> </ul> <p>(Note) Fees for closing the mortgage (registration license tax, compensation for an escrow agents, etc.) shall be paid by the borrower.</p>						
<p><b>Surety</b></p>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>						
<p><b>Group credit life insurance</b></p>	<ul style="list-style-type: none"> <li>● The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events.</li> </ul> <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>						
<p><b>Fire insurance</b></p>	<ul style="list-style-type: none"> <li>● 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.</li> <li>● The insurance amount must at least equal the loan amount (Note) and the subject of indemnification must be fire damage to the building.</li> <li>(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.</li> <li>● If a mortgage is placed on the lot, the insurance period, premium payment method and requirements for a pledge vary by the financial institution offering the loan.</li> <li>● If a mortgage is not placed on the lot, the maturity date of the insurance policy shall be the day of the final repayment or later, 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.</li> </ul> <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>						
<p><b>Fees for the Origination of the loan Fees for the inspection of the property</b></p>	<ul style="list-style-type: none"> <li>● Origination fees *<sup>1,2</sup> may differ between financial institutions offering loans.</li> <li>● Different institutions/experts that certify suitability impose different fees for inspecting properties.*<sup>2</sup></li> <li>* 1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>* 2 Origination fees and property inspection fees shall be paid by the borrower.</li> </ul>						
<p><b>Guarantee Fee and Prepayment penalty</b></p>	<ul style="list-style-type: none"> <li>● Not required.</li> </ul> <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

<p><b>Application requirements</b></p>	<ul style="list-style-type: none"> <li>In principle, the applicant for loan refinance is the same person as the borrower of the outstanding loan. However, a co-borrower can be added at the time of refinancing (the number of borrowers is limited to two people).             <ul style="list-style-type: none"> <li>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.</li> </ul> </li> <li>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.</li> <li>Be less than 70 years of age (if the two-generation loan repayment scheme is applied (there are certain requirements), this loan applies also to people aged 70 years and over).</li> <li>Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>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)</li> </ul> <table border="1" data-bbox="263 369 837 414"> <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"> <li>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).</li> <li>Those who have not missed a repayments on an outstanding loan for at least one year from the loan agreement date (*) to the refinance application date.</li> <li>The loan agreement date is the date when a new borrower is registered in case the original borrower is changed due to inheritance or other reason (excluding the addition of a borrower).</li> </ul> <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 2011 in the case of FY 2012) 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					
<p><b>Purpose of the loan</b></p>	<ul style="list-style-type: none"> <li>Refinancing for the housing loan of either ① or ② outlined below             <ul style="list-style-type: none"> <li>Construction/purchase of a house that is owned and occupied by the applicant                 <ul style="list-style-type: none"> <li>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.</li> </ul> </li> <li>Construction/purchase of a house that is owned by the applicant and occupied by relatives</li> </ul> </li> </ul> <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>						
<p><b>Requirements for the housing loan and house that are subject to refinancing</b></p>	<ul style="list-style-type: none"> <li>The amount of the original loan taken out at the acquisition of a house shall meet the following requirements:             <ul style="list-style-type: none"> <li>80 million yen or less</li> <li>The total LTV (loan to value**1-2) ratio is 100% or less.                 <ul style="list-style-type: none"> <li>*1 The cost for acquiring the lot is included.</li> <li>*2 The charges incurred at the acquisition of the house is excluded.</li> </ul> </li> </ul> </li> <li>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).</li> <li>Have either of the following floor area: *1</li> </ul> <table border="1" data-bbox="263 817 1029 862"> <tbody> <tr> <td>A detached house, a terraced house (including a semi-detached house) and a flat**2</td> <td>70 m<sup>2</sup> or more</td> </tr> <tr> <td>A condominium, etc.</td> <td>30 m<sup>2</sup> or more</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>*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.).</li> <li>*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.</li> <li>No conditions on the size of land for the house</li> <li>Houses that satisfy the technical criteria etc. set by JHF.</li> </ul>	A detached house, a terraced house (including a semi-detached house) and a flat**2	70 m <sup>2</sup> or more	A condominium, etc.	30 m <sup>2</sup> or more		
A detached house, a terraced house (including a semi-detached house) and a flat**2	70 m <sup>2</sup> or more						
A condominium, etc.	30 m <sup>2</sup> or more						
<p><b>Amount of the loan</b></p>	<ul style="list-style-type: none"> <li>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)</li> <li>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 JHF's group credit life insurance (for the first year); and ⑥ fees for the inspection of the property for Flat 35</li> </ul>						
<p><b>Duration of the loan</b></p>	<ul style="list-style-type: none"> <li>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)             <ul style="list-style-type: none"> <li>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.                 <ul style="list-style-type: none"> <li>* 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.</li> <li>* 2 If the two-generation loan repayment scheme is applied (there are certain requirements), the loan conditions shall be based on the age of the successor regardless of any co-borrower.</li> </ul> </li> <li>② 35 years less the month elapsed on the outstanding mortgage rounded at one year increment                 <ul style="list-style-type: none"> <li>* 1 Starting date of the calculation is the date of closing on the outstanding mortgage</li> <li>* 2 This treatment may not be applicable at some financial institutions. Please ask the financial institution originating the loan.</li> </ul> </li> </ul> </li> <li>(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).</li> <li>(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.</li> </ul>						
<p><b>Borrowing rate</b></p>	<ul style="list-style-type: none"> <li>Fixed rate</li> <li>The borrowing rate *1,2 applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years*3 and over.             <ul style="list-style-type: none"> <li>* 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).</li> <li>* 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.</li> <li>* 3 Some financial institutions offer the same borrowing rate regardless of the duration of the loan.</li> </ul> </li> </ul>						
<p><b>Amortization</b></p>	<ul style="list-style-type: none"> <li>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.</li> </ul>						
<p><b>Collateral</b></p>	<ul style="list-style-type: none"> <li>JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> </ul> <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>						
<p><b>Surety</b></p>	<ul style="list-style-type: none"> <li>Not required.</li> </ul>						
<p><b>Group credit life insurance</b></p>	<ul style="list-style-type: none"> <li>The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events.</li> <li>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 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.</li> </ul> <p>(Note 1) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions.          (Note 2) If customers who have JHF credit life insurance have paid off the housing loan at refinancing, etc., premiums paid are not refunded.</p>						
<p><b>Fire insurance</b></p>	<ul style="list-style-type: none"> <li>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.</li> <li>Thea 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.</li> <li>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.</li> <li>If a mortgage is placed on the lot, the insurance period and premium payment method and requirements for a pledge vary by the financial institution offering the loan. If a mortgage is not placed, the maturity date of the insurance policy shall be the day of the final repayment or later, 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.</li> <li>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 on the final repayment or later. In addition, JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits.</li> </ul> <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>						
<p><b>Fees for loan origination and property inspection</b></p>	<ul style="list-style-type: none"> <li>Origination fees *1,2 may differ between financial institutions offering loans.</li> <li>Fees for the inspection of the property are*2 necessary to certify the conformity with technical standards prescribed by JHF in a document. Different institutions/experts that certify suitability impose different fees for inspecting properties*2.</li> <li>* 1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>* 2 Origination fees and property inspection fees shall be paid by the borrower.</li> </ul>						
<p><b>Guarantee Fee and Prepayment penalty</b></p>	<ul style="list-style-type: none"> <li>Not required.</li> </ul> <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>						
<p><b>Special matters in the case of refinance</b></p>	<ul style="list-style-type: none"> <li>Flat 35 S is not applicable to loan refinancing.</li> <li>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.</li> </ul>						

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 2007 to FY 2011

(Unit: 100 million yen, %)

Category	FY 2007				FY 2008				FY 2009			
	Outstanding loans* <sup>1</sup>	Purchased loans, etc.* <sup>2</sup>	Claims* <sup>3</sup>	Total	Outstanding loans* <sup>1</sup>	Purchased loans, etc.* <sup>2</sup>	Claims* <sup>3</sup>	Total	Outstanding loans* <sup>1</sup>	Purchased loans, etc.* <sup>2</sup>	Claims* <sup>3</sup>	Total
Loans to borrowers in default (A)	2,562	20	432	3,014	2,163	38	252	2,453	1,980	65	210	2,256
Seriously delinquent loans (B)	9,105	66	2,165	11,335	8,362	138	1,444	9,944	8,054	251	999	9,304
Loans past due 3 months or more (C)	865	29	0	894	1,091	59	0	1,149	1,436	169	0	1,605
Subtotal (D) = (A) + (B) + (C)	12,531	115	2,597	15,243	11,616	235	1,696	13,547	11,471	485	1,209	13,165
Ratio: (D) / (G) x 100	3.31	0.26	100	3.58	3.49	0.47	100	3.52	4.05	0.82	100	3.83
Loans under mitigation (E)	20,235	208	0	20,443	17,456	216	0	17,672	15,677	332	0	16,009
Total (F) = (A) + (B) + (C) + (E)	32,767	323	2,597	35,686	29,072	451	1,696	31,218	27,148	817	1,209	29,174
Ratio: (F) / (G) x 100	8.65	0.72	100	8.37	8.73	0.89	100	8.10	9.59	1.38	100	8.49
Balance of principle (G)	378,949	44,772	2,597	426,318	332,983	50,543	1,696	385,221	283,175	59,143	1,209	343,527

(Unit: 100 million yen, %)

Category	FY 2010				FY 2011			
	Outstanding loans* <sup>1</sup>	Purchased loans, etc.* <sup>2</sup>	Claims* <sup>3</sup>	Total	Outstanding loans* <sup>1</sup>	Purchased loans, etc.* <sup>2</sup>	Claims* <sup>3</sup>	Total
Loans to borrowers in default (A)	1,769	65	128	1,961	1,191	71	33	1,296
Seriously delinquent loans (B)	7,022	517	569	8,108	5,600	562	168	6,330
Loans past due 3 months or more (C)	1,466	168	0	1,634	1,397	193	0	1,590
Subtotal (D) = (A) + (B) + (C)	10,257	750	697	11,704	8,188	827	200	9,215
Ratio: (D) / (G) x 100	4.34	0.91	100	3.66	4.16	0.80	100	3.06
Loans under mitigation (E)	14,946	482	0	15,428	13,664	595	0	14,259
Total (F) = (A) + (B) + (C) + (E)	25,203	1,232	697	27,132	21,852	1,422	200	23,474
Ratio: (F) / (G) x 100	10.66	1.49	100	8.48	11.09	1.37	100	7.80
Balance of principle (G)	236,456	82,805	697	319,959	197,020	103,851	200	301,071

(Note) The totals may differ due to the figures being rounded off.

JHF discloses risk-monitored loans based on the results of internal rating asset.

\*1 "Outstanding loans" are loans for which applications were accepted in and before FY 2004 (excluding loans for property accumulation saving scheme-tied houses).

\*2 "Purchased loans, etc." are purchased loans and loans receivable excluding "outstanding loans".

\*3 "Claims" are loans acquired by liquidating the liabilities that were inherited, together with rights, from the defunct Housing Loan Guarantee Corporation when JHF 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 147.3 billion yen.

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

5. Remark

Not all of the disclosed outstanding amount result in losses because JHF's loans are covered by the first lien upon the property or equivalent collateral.

### [Loans under mitigation]

JHF provides consultations on loan repayment and offers loan modification according to the circumstances for supports people who have difficulties in repaying their loans due to changes in the living environment and large-scale natural disasters, such as the Great Hanshin Awaji Earthquake and the Great East Japan Earthquake, so that they can continue to live in their homes, a basic necessity of human life.

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 61%, 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 2011

(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	Substantially defaulted borrowers 1,200	Portions secured by collateral and guarantees 577		Provision for portions excluding those secured by collateral and guarantees 623		Specific reserve for possible loan losses 623 (100%)	Loans to borrowers in default 1,191	
	Borrowers in default 2,638	Portions secured by collateral and guarantees 1,213		Provision for portions excluding those secured by collateral and guarantees 1,424			1,424 (100%)	Seriously delinquent loans 5,600
	Borrowers with high probability of default 2,998	Portions secured by collateral and guarantees 1,604		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 1,394			815 (58.5%)	
	Watch-list borrowers	Borrowers requiring caution 15,245	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 15,245				General reserve for possible loan losses 1,503 (9.9%) 176 (4.0%)	Loans past due 3 months or more 1,397
		Other borrowers requiring caution 4,377	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 4,377					Restructured loans 13,664
	Normal borrowers 171,085	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 171,085				274 (0.2%)		
Purchased loans, etc.	Substantially defaulted borrowers 72	Portions secured by collateral and guarantees 32		Provision for portions excluding those secured by collateral and guarantees 40		Specific reserve for possible loan losses 40 (100%) 267 (100%)	Loans to borrowers in default 71	
	Borrowers in default 439	Portions secured by collateral and guarantees 172		Provision for portions excluding those secured by collateral and guarantees 267			Seriously delinquent loans 562	
	Borrowers with high probability of default 129	Portions secured by collateral and guarantees 83		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 46			19 (41.2%)	
	Watch-list borrowers	Borrowers requiring caution 813	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 813				General reserve for possible loan losses 88 (10.9%) 77 (1.8%)	Loans past due 3 months or more 193
		Other borrowers requiring caution 4,377	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 4,377					Restructured loans 595
	Normal borrowers 98,145	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 98,145				157 (0.2%)		
Claims	Substantially defaulted borrowers 33	Portions secured by collateral and guarantees 10		Provision for portions excluding those secured by collateral and guarantees 23		Specific reserve for possible loan losses 23 (100%) 91 (100%)	Loans to borrowers in default 33	
	Borrowers in default 168	Portions secured by collateral and guarantees 78		Provision for portions excluding those secured by collateral and guarantees 91			Seriously delinquent loans 168	

○ The figures are rounded off.

○ 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 GHLC originated loans, purchased loans, interest on GHLC loans receivable, interest on purchased loans receivable, suspense payable, and advance payments while risk-monitored loans cover GHLC originated loans and purchased 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 made by related organizations as follows: (1) set certain premises (future interest rates, business scale, etc.) for businesses using Fiscal Investment and Loan Program to estimate future cash flow; (2) based on this, determine discounted present value by subtracting the amount to be repaid to the national treasury (repayment to the national government) from the amount of subsidies to be provided by the national government for the implementation of projects under the program (subsidies from the national government); and (3) add the amount of the interest payment-reduction effect of capital and other investments already made (opportunity cost for the government).

The results for FY 2011 were announced by the Ministry of Finance in July 2011 after the Fund Operation Council's Sub-committee on Fiscal Investment and Loan 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  $\triangle$  ¥400 million as 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 fiscal investment and loan plan for FY 2011 with no such business being conducted in FY 2012 and thereafter and (2) repaying all investments to the national government in FY 2037, 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 Fiscal Investment and Loan Program in FY 2011	Estimated balance in FILP account at the end of FY 2010
300	216,599

(The estimated balance in FILP account at the end of FY 2010 also includes balances other than that of disaster mitigation loans)

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

- Results of loan origination  
Number of houses: 202,633 units  
Amount: ¥1.6843 trillion  
(As of the end of FY 2009, contract base)
- 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
- 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	Fiscal year	Number of dwellings	Amount
FY2001	1,128	11,416	FY2006	84	979
FY2002	329	4,564	FY2007	71	726
FY2003	855	9,365	FY2008	26	292
FY2004	395	3,562	FY2009	7	26
FY2005	411	4,060	FY2010	$\triangle$ 94	$\triangle$ 1,468

\* Negative figures  $\triangle$  in the results of loan origination represent situations where the amount of loans declined or canceled in this fiscal year (including loans that were approved in previous fiscal years but were canceled in this fiscal year) surpassed amount of loans approved.

- Measures for the Great Hanshin Awaji Earthquake
  - Results of loan origination for disaster mitigation concerning the Great Hanshin Awaji Earthquake  
Number of houses: 70,619 units  
Amount: ¥1,5032 billion  
(As of the end of FY 2010, contract base)

## 4. Values estimated in policy cost analysis for the business

[Policy cost] (Unit: 100 million yen)

Category	FY 2010	FY 2011	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	1	4	+ 3
Subtotal of 1 to 3	1	4	+ 3
4. Reduction in loss	-	-	-
Total of 1 to 4 = policy cost (A)	1	4	+ 3
Analysis period (year)	27	27	-

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

Category	FY 2010	FY 2011	Change
(A) Policy cost (relisting)	1	4	+ 3
(A') Policy cost obtained by recalculating (A) at the same interest rate applied in the analysis for FY 2009	1	5	+ 4
(B) Of (A'), policy cost to accrue after FY 2010	1	5	+ 4

The policy cost for 2011 was  $\triangle$  ¥400 million. Comparing the figure after eliminating the influence from premise interest changes in FY 2010 and FY 2011 with the policy cost that will accrue in and after FY 2011, the actual policy cost is considered to be increased by ¥0.4 billion from FY 2011.

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 (+¥0.2 billion)
- Cost increase from a growing number of write-offs (+¥0.2 billion)

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

(Unit: 100 million yen)

Category	FY 2010	FY 2011	Change
(A) Policy cost (relisting)	1	4	+ 3
① Opportunity cost for investment provided by the start of analysis	42	38	$\triangle$ 4
② Newly estimated policy cost during the period of analysis	$\triangle$ 41	$\triangle$ 34	+ 7
Subsidies from the national government	-	-	-
Fund transfer to the national treasury	-	-	-
Policy cost accrued depending on changes in surplus	$\triangle$ 41	$\triangle$ 34	+ 7
Opportunity cost for investment	-	-	-

[Breakdown of policy cost in terms of accrual factor]

(Unit: 100 million yen)

(A) Policy cost in FY 2011 (relisting)	4
① Prepayment	$\triangle$ 1
② Credit loss	19
③ Other (interest margin, etc.)	$\triangle$ 15

[Sensitivity analysis (when 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%	3 ( $\triangle$ 1)	6 (+ 2)
Of the changes, a change in opportunity cost	$\triangle$ 1	+ 2
Amount of write-offs + 10%	6 (+ 2)	
Change in opportunity cost	+ 2	

(Reference) FY 2011 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 2011.
- ② The analysis period was set as 27 years during which all disaster mitigation loans under the business plan for FY 2011 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
Prepayment ratio	3.80	1.32	1.88	1.50	1.14	2.80	3.64	3.64	3.64	3.64	3.64
Write-off of nonperforming loans	—	—	—	0.1	0.1	0.1	21.6 (Sum of in and after 2011)				
FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prepayment ratio	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64
FY	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	
Prepayment ratio	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.48	

## 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 government's 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Policy cost	△ 4,349	△ 5,434	△ 810	△ 69	17	10	△ 7	△ 11	1	4

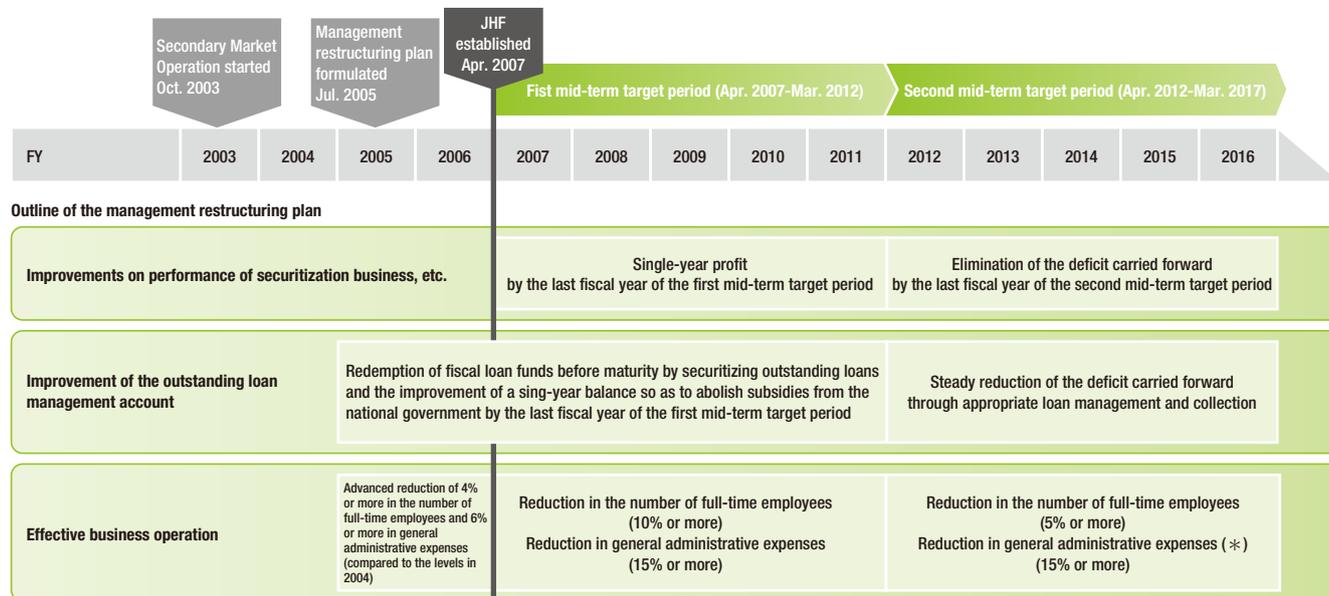
(Note 1) The figures in FY 2001 to 2004 indicate the policy cost in the housing loan origination business excluding loans for property accumulation saving scheme-tied houses.

(Note 2) The figure in 2005 indicates the policy cost in disaster mitigation loans (those accepted in and after 2005) and the securitization support business.

(Note 3) 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 steadily enhanced business performance and improved management by streamlining operations and cutting costs to support and complement private financial institutions as an independent organization in the housing market. As a result, JHF turned a single-year net income into surplus on the outstanding loan management account in FY 2011, and government subsidies were abolished. It also turned a single-year net income into surplus on aggregated accounts excluding the outstanding loan management account less the account related to operations taken over from the defunct Housing Loan Guarantee Association as well, and eliminated the deficit carried forward, a target to be achieved by the last fiscal year of the second mid-term target period.



\* Personnel expenses and tax and public dues and the like are not included in the general administrative expenses in the second mid-term target period.

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

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General administrative expenses	¥16,369 million	¥15,070 million	¥14,491 million	¥13,857 million	¥12,900 million	¥12,674 million
Reduction rate (compared to the end of FY 2006)	—	△ 7.9%	△ 11.5%	△ 15.3%	△ 21.2%	△ 22.6%
Personnel expenses	¥11,397 million	¥10,411 million	¥10,118 million	¥9,867 million	¥9,584 million	¥9,478 million
Reduction rate (compared to the end of FY 2006)	—	△ 8.7%	△ 11.2%	△ 13.4%	△ 15.9%	△ 16.8%
Non-personnel expenses	¥4,972 million	¥4,659 million	¥4,373 million	¥3,990 million	¥3,316 million	¥3,197 million
Reduction rate (compared to the end of FY 2006)	—	△ 6.3%	△ 12.0%	△ 19.8%	△ 33.3%	△ 35.7%

## ● Reduction in information system expenses

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Main system expenses	¥12.76 billion	¥9.42 billion	¥9.49 billion	¥7.77 billion	¥7.39 billion	¥6.81 billion
(Difference from FY 2006)	—	¥3.34 billion	¥3.27 billion	¥4.99 billion	¥5.37 billion	¥5.95 billion
(Rate compared to FY 2006)	—	△ 26.2%	△ 25.6%	△ 39.1%	△ 42.1%	△ 46.6%

## ● Reduction in personnel

	FY 2007		FY 2008		FY 2009		FY 2010		FY 2011	
	Beginning	End	Beginning	End	Beginning	End	Beginning	End	Beginning	End
Number of full-time employees	1,021 people	970 people	984 people	951 people	963 people	938 people	944 people	915 people	923 people	918 people
Reduction rate (compared to the beginning of FY 2009)	—	△ 5.0%	—	△ 6.9%	—	△ 8.1%	—	△ 10.4%	—	△ 10.1%

## ● Income Statements

(Unit: ¥100 million)

	Gross profit/loss					Surplus/deficit carried forward				
	FY 2007 closing account	FY 2008 closing account	FY 2009 closing account	FY 2010 closing account	FY 2011 closing account	FY 2007 closing account	FY 2008 closing account	FY 2009 closing account	FY 2010 closing account	FY 2011 closing account
Securitization support account	△ 33	△ 28	△ 58	△ 258	338	△ 165	△ 193	△ 251	△ 509	△ 171
Housing loan insurance account	3	△ 16	20	28	36	△ 47	△ 63	△ 44	△ 15	21
Account for loans for property accumulation saving scheme-tied houses	60	58	45	26	69	316	374	418	445	513
Housing loan account	94	△ 63	△ 29	7	43	3,766	3,486	3,392	3,354	3,299
Outstanding loan management account	△ 1,693	△ 97	△ 1,445	△ 169	837	△ 5,284	△ 5,381	△ 6,826	△ 6,994	△ 6,158
<b>Overall Agency</b>	<b>△ 1,569</b>	<b>△ 146</b>	<b>△ 1,468</b>	<b>△ 366</b>	<b>1,323</b>	<b>△ 1,414</b>	<b>△ 1,777</b>	<b>△ 3,310</b>	<b>△ 3,720</b>	<b>△ 2,496</b>
Overall Agency (excluding the outstanding loan management Account)	124	△ 50	△ 22	△ 197	487	3,869	3,604	3,516	3,274	3,662
Overall Agency (excluding the outstanding loan management account and the account for operations taken over from the Housing Loan Guarantee Association)	42	△ 15	12	△ 171	453	△ 111	△ 126	△ 114	△ 285	168

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

## ● 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).

### Review of clerical processes and business operations

Clerical processes / business operations	Steps to be taken	Time of implementation	Specific content	Response measures
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.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	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.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
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.	With regard to the housing loan insurance business, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to Flat 35 loans) have been implemented since FY 2012, and will be continued until they can be substituted by the private sector. As for unnecessary government funds, procedures for repayment to the national treasury are now being undertaken.
	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.	In line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011), the housing loan insurance business has been implemented to cover upfront admission fees for serviced housing for the elderly when private financial institutions' provide such funding under reverse mortgage program.
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.	With regard to loan origination related to the supply of highly energy-saving rental housing, acquisition of which has been particularly promoted at the securitization business as well, operations have been implemented since FY 2011, and will be continued 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.	In line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011) on October 20, 2011, loan origination has been implemented for serviced rental housing for the elderly since November 7, 2011.
	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.	With regard to town development loan origination, operations have been implemented since FY 2012 exclusively for condominium rebuilding projects (which involve complexity of property rights adjustment among owners and whose procedure would likely to last for a long term) conducted by small and medium-sized enterprise, and will be continued until they can be substituted by the private sector. As for unnecessary government funds, procedures for repayment to the national treasury are now being undertaken.
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.).	Operations were terminated at the end of March, 2011 except for the housing information website service, which was also terminated on July 26, 2011.

## Review of assets and operations, etc.

Steps to be taken	Time of implementation	Specific content	Response measures	
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.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	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.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
	¥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.	Repaid to the national treasury on March 14, 2011.
	¥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.	Repaid to the national treasury on March 14, 2011.
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.	JHF reviewed the necessity of each offices in FY 2010 from perspectives of consistency with the mandates and establishment purpose of the agency, the appropriateness of asset value, the need for the current location, level of utilization of the assets and economical rationality. From now on, a specific execution plan will be formulated within this year to review and reduce dormitory facilities based on the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012). In addition, a review plan for holding offices and other facilities is scheduled to be formulated within this year. The mid-term target also refers to a review of the branch structure including consolidation and realignment to make an efficient and effective structure according to the amount of business. Based on this, a review will be conducted.
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.	Kitayoko Dormitory was already sold out on February 20, 2012 based on the Incorporated Administrative Agency Rationalization Plan (approved by the Cabinet on December 24, 2007). As a result, the disposal of all dormitories based on the plan was completed. An effective disposal has been planned for Kouko General Sport Ground, which is now being prepared to be sold with adjacent national land, and the sellout procedures are scheduled to start in FY 2012. In line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012), an examination will be conducted for a review.
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.	Give that the agency's business is centered on securitization and other financial operations, it is necessary to retain talented personnel with special financial technique and expertise, and the personnel must be appropriately compensated for their abilities. As a result, their remuneration levels exceed those of national government employees. To ensure appropriate remuneration levels, the following measures were taken in FY 2011: (1) the retirement age system for management positions (for employees who were over 55 years old at the end of FY 2011) and (2) the reduction of the maximum allowance for management positions. Also personnel and salary systems including a revised pay structure were introduced to be implemented in or after FY2012. A comprehensive review will be continuously conducted with regard to remunerations including basic salaries and allowances so that the pay levels will be balanced with those of national government employees, and necessary measures will be taken. To decline the pay-scale to equivalent to that of the national government employees after adjusting regional differences and educational level by FY 2016, the following measures will be phased in and after FY 2012: (1) the continuation of the retirement age system for management positions; (2) the reduction of the current maximum pay-scale from FY 2012; and (3) the abolishment of the current job category (operational work) and the creation of a new job category (business career work) from FY 2014 (approximately 10% reduction in the salary level compared to the current level)

## ● Basic Policies for Reviewing the Business and Organizational Structure of Incorporated Administrative Agencies

The Basic Policies for Reviewing the Business and Organizational Structure of Incorporated Administrative Agencies were approved by the Cabinet on January 20, 2012. Based on these basic policies, a study committee was established to discuss what JHF should be as an incorporated administrative agency, and a report was compiled on June 27, 2012.

### Basic Policies for Reviewing the Business and Organizational Structure of Incorporated Administrative Agencies (excerpt relating to JHF)

To more effectively implement the operations of this agency, an advisory panel consisting of outside experts shall be established within the Cabinet Office to examine on what the agency should be as well as the introduction of governance prescribed in the Corporate Law, and basic issues shall be discussed in this fiscal year to reach a conclusion by the summer of 2012. Since the financial market is in a state of uncertainty, due consideration shall be given to avoid confusion in the MBS market and subsequent serious issues such as rising interest rates of long-term fixed-rate housing loans.

# 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)
<b>Competitive contracts</b>	(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
<b>Non-competitive direct appointments</b>	(17%) 213	(6%) 3,253,661	(14%) 170	(5%) 2,652,593
<b>Total</b>	(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)
<b>Competitive contracts</b>	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)
<b>No changes were made for the contract method, (Note 1) but conditions, etc. were amended</b>	(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
<b>Review of the contract method</b>	(12%) 12	(49%) 8,290,988
<b>Other reviews</b>	(40%) 41	(2%) 310,105
<b>Contracts that did not need to be reviewed</b>	(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 JHF
- ④ Securement of a sufficient notification period, etc. Securement of sufficient notification/preparation periods according to the term of the contract
- ⑤ Use of multiple-year contracts Making use of multiple-year contracts for integrated operation when it is more efficient to make multiple contracts with a single business, such as the lease contract and maintenance contract of copiers, and when the first bidding winner has an advantage in the subsequent bids
- ⑥ Interview survey from non-participating bidder Holding of interviews with businesses that did not participate in bidding despite their receipt of bidding documents, etc. to understand the reasons for their nonattendance. The results are reflected in the improvement of procedures for similar bidding as needed.

### (4) Appropriate planned price setting

Setting of appropriate planned prices by collecting a broad range of information on market prices, etc.

(Reference) The outlines of the contracts indicated in Note 3 of the table in section 1 (1) are shown as below.

Item	Description	Contract form	Contract amount
<b>Housing loans purchase contract</b>	Contract of purchasing long-term, fixed housing loans originated by private financial institutions for securitization	Competitive bidding	¥724.7 billion
<b>Group credit life</b>	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)
<b>Interest-rate swap contract</b>	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.
<b>Consignment contract for loans for property accumulation saving scheme-tied houses</b>	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

# Executive Compensation and Salaries of Employees

## I Executive Compensation

### 1. Fundamental policy on executive compensation

#### ① Linking operation results and FY 2010 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  
In line with the revision for the remuneration of national civil servants in designated positions, a reduction in the monthly base salary (revision rate:  $\triangle 0.5\%$ ) was implemented.

### 2. Compensation for Directors

Position	Total amount of annual remunerations, etc., for FY 2011				Inauguration and retirement		Previous position
	Remuneration(salary)	Bonus	Other (details)	Inauguration	Retirement		
President	Thousand yen 19,729	Thousand yen 13,307	Thousand yen 3,722	Thousand yen 2,408 293 (Regional adjustment) (Commuting allowance)	April 1		※
Senior Executive Vice President	Thousand yen 3,378	Thousand yen 2,853	Thousand yen 0	Thousand yen 525 (Regional adjustment)	January 1		◇
Executive Vice President	Thousand yen 17,863	Thousand yen 11,093	Thousand yen 4,571	Thousand yen 2,008 191 (Regional adjustment) (Commuting allowance)	April 1		◇
Senior Executive Director A	Thousand yen 16,085	Thousand yen 10,044	Thousand yen 4,138	Thousand yen 1,818 85 (Regional adjustment) (Commuting allowance)	April 1		◇
Senior Executive Director B	Thousand yen 16,286	Thousand yen 10,044	Thousand yen 4,138	Thousand yen 1,818 286 (Regional adjustment) (Commuting allowance)		March 31	
Senior Executive Director C	Thousand yen 16,173	Thousand yen 10,044	Thousand yen 4,138	Thousand yen 1,818 172 (Regional adjustment) (Commuting allowance)			◇
Senior Executive Director D	Thousand yen 15,525	Thousand yen 10,046	Thousand yen 3,584	Thousand yen 1,818 77 (Regional adjustment) (Commuting allowance)	April 1		※
Senior Executive Director E	Thousand yen 16,224	Thousand yen 10,044	Thousand yen 4,138	Thousand yen 1,818 224 (Regional adjustment) (Commuting allowance)		March 31	※
Auditor General A	Thousand yen 14,609	Thousand yen 9,090	Thousand yen 3,745	Thousand yen 1,645 129 (Regional adjustment) (Commuting allowance)			
Auditor General B	Thousand yen 14,643	Thousand yen 9,090	Thousand yen 3,745	Thousand yen 1,645 163 (Regional adjustment) (Commuting allowance)			*
Auditor General C	Thousand yen 14,046	Thousand yen 9,092	Thousand yen 3,183	Thousand yen 1,645 126 (Regional adjustment) (Commuting allowance)	April 1		※

(Notes) 1. The special regional allowance is paid to executives working in areas with high private-sector wages.  
2. 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 6,124	Year 4	Month 0	March 31, 2011	0.9	The total payment is an amount when a provisional performance rate (0.9) is applied, and will be decided by a performance rate to be determined at the Performance Assessment Committee for incorporated administrative agencies, which will assess performance in FY 2010.	
Executive Vice President	Thousand yen 2,557	Year 1	Month 9	March 31, 2011	1.0	The total payment is an amount when a provisional performance rate (1.0) is applied, and will be decided by a performance rate to be determined at the Performance Assessment Committee for incorporated administrative agencies, which will assess performance in FY 2010.	*
Senior Executive Vice President	Thousand yen 4,864	Year 4	Month 0	March 31, 2011	0.9	The total payment is an amount when a provisional performance rate (0.9) is applied, and will be decided by a performance rate to be determined at the Performance Assessment Committee for incorporated administrative agencies, which will assess performance in FY 2010.	※
Senior Executive Director A	Thousand yen 4,263	Year 3	Month 9	March 31, 2011	0.9	The total payment is an amount when a provisional performance rate (0.9) is applied, and will be decided by a performance rate to be determined at the Performance Assessment Committee for incorporated administrative agencies, which will assess performance in FY 2010.	*
Senior Executive Director B	Thousand yen 3,368	Year 2	Month 8	March 31, 2011	1.0	The total payment is an amount when a provisional performance rate (1.0) is applied, and will be decided by a performance rate to be determined at the Performance Assessment Committee for incorporated administrative agencies, which will assess performance in FY 2010.	*
Auditor General C	Thousand yen 4,572	Year 4	Month 0	March 31, 2011	1.0	The total payment is an amount when a provisional performance rate (1.0) is applied, and will be decided by a performance rate to be determined at the Performance Assessment Committee for incorporated administrative agencies, which will assess performance in FY 2010.	※

(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 \* , Seconed 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 management

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:

- a. Compared to FY 2006 general management costs of the Government Housing Loan Corporation, the predecessor of JHF, and the Housing Loan Guarantee Corporation, the rights and liabilities of which JHF inherited, general management costs will be reduced by at least 15% by the final year of the mid-term target period.
- b. 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 JHF, and the Housing Loan Guarantee Corporation, the rights and liabilities of which JHF inherited.

In addition, reform of labor costs will continue through FY2011 based on FY 2006 Basic Policies for Economic and Fiscal Policy, Management and Structural Reform (adopted by the Cabinet on July 7, 2006) and the reform of the salary structure of national civil servants.

#### ② Basic policy on determining the salary of employees

- a. Items taken into consideration when setting salary levels and the rationale for taking those items into consideration

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 October 28, 2011) that appropriate salary levels be set in the agency's self-governing and autonomous labor-management relations by considering the agency's business, operation and characteristics and taking necessary measures while monitoring the trend of salary level revision of national civil servants.

- b. Rationale behind the method for reflecting employee skills and work performance in salaries

Paragraph 1, Article 63 of the General Rules Law stipulates that the salary of an employee must take into consideration the employee's work performance; therefore based on 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"> <li>· Periodic pay raises are determined based on annual work performance evaluations.</li> <li>· Promotions (pay raise accompanying a promotion) are determined based on skill evaluations for a set period of time.</li> </ul>
Diligence allowance	<ul style="list-style-type: none"> <li>· The pay rate for the diligence allowance is determined based on the work performance evaluations for a six month period.</li> </ul>

- c. Main revisions to the salary system in FY 2011

- Reduction in the maximum amount of allowance for officials above the director level (¥140,000 → ¥139,300)
- Introduction of reviewed personnel and salary systems (sequential implementation in and after 2012)

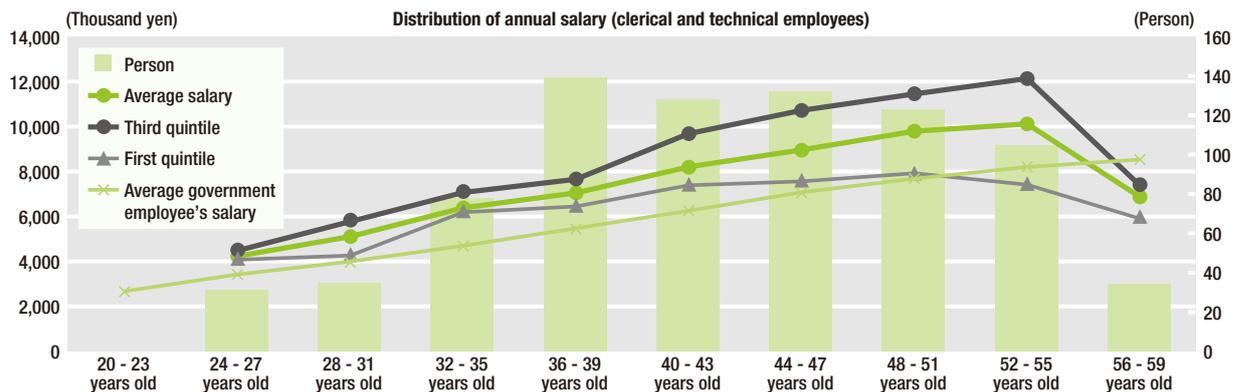
## 2. Employee salaries

### ① Salary by type of work

Type	Employees	Average age	FY 2011 annual salary (average)			
			Total amount	Contract earnings	Commuting allowance	Bonus
Full-time employees	Persons 806	Age 43.6	Thousand yen 8,254	Thousand yen 6,195	Thousand yen 145	Thousand yen 2,059
Clerical/technical	Persons 805	Age 43.6	Thousand yen 8,257	Thousand yen 6,196	Thousand yen 146	Thousand yen 2,061
Others	Persons 1	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)



(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	Average		Third quartile	Average
Representative position	Persons	Age	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen
Director at head office	130	47.9	10,230	10,430	11,103		
Clerk at head office	40	33.0	4,184	4,610	5,057		

(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.

### ③ Employee by grade (as of April 1, 2012) (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)	Persons 805	Persons —	Persons 71 (8.8%)	Persons 93 (11.6%)	Persons 363 (45.1%)	Persons 233 (28.9%)	Persons 44 (5.5%)
Age (youngest - oldest)		Age —	Age 46 ~ 24	Age 59 ~ 26	Age 59 ~ 30	Age 59 ~ 38	Age 57 ~ 47
Scheduled annual salary (low - high)		Thousand yen —	Thousand yen 4,375 ~ 2,808	Thousand yen 5,392 ~ 3,157	Thousand yen 7,061 ~ 4,005	Thousand yen 9,216 ~ 5,555	Thousand yen 10,355 ~ 8,052
Annual salary (low - high)		Thousand yen —	Thousand yen 5,708 ~ 3,736	Thousand yen 7,086 ~ 4,202	Thousand yen 9,362 ~ 5,347	Thousand yen 12,644 ~ 6,659	Thousand yen 13,958 ~ 10,876

(Note) Information only about "standard position" is provided because there is only one staff member in the first grade category, and detailed information could be a personal identifier.

### ④ Bonuses (FY 2011) assessed portion (clerical and technical employees)

Rank		Summer bonus (paid in June)	Winter bonus (paid in December)	Total
Managing grade employees	Constant payment (year-end bonus)	% 61.0	% 63.9	% 62.5
	Evaluation-based payment (diligence allowance) (average)	% 39.0	% 36.1	% 37.5
	Upper - lower	% 100.0 ~ 24.5	% 100.0 ~ 29.8	% 100.0 ~ 28.5
General employees	Constant payment (year-end bonus)	% 63.5	% 66.3	% 65.0
	Evaluation-based payment (diligence allowance) (average)	% 36.5	% 33.7	% 35.0
	Upper - lower	% 100.0 ~ 30.1	% 100.0 ~ 28.1	% 100.0 ~ 30.4

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

National civil servant comparative index: 125.1

Other agencies comparative index (clerical and technical employees): 118.3

(Note) The National Personnel Agency calculates the index based on the salaries JHF is presently paying and setting to 100 the salary level if 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 JHF employees.

# Reference items for the salary level comparative index

## ○ Clerical and technical employees

Item	Details																																	
Index	Comparison with national civil servants			125.1																														
	Reference	Regional differences		115.5																														
		Academic history		121.3																														
		Regional differences and academic history		112.8																														
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 JHF and financial institutions with a similar number of employees and offices, shows that the salary levels are in general the same.</p> <p><b>Comparison of average salary (FY 2010)</b></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>944</td> <td>11</td> <td>42.8</td> <td>8,384</td> </tr> <tr> <td>Financial institution A</td> <td>1,493</td> <td>29</td> <td>39.7</td> <td>7,709</td> </tr> <tr> <td>Financial institution B</td> <td>1,505</td> <td>18</td> <td>40.3</td> <td>7,636</td> </tr> <tr> <td>Financial institution C</td> <td>1,067</td> <td>12</td> <td>37.8</td> <td>7,690</td> </tr> <tr> <td>Financial institution D</td> <td>1,102</td> <td>10</td> <td>38.3</td> <td>10,807</td> </tr> </tbody> </table> <p>(Notes) Data such as average salaries for private institutions were taken from the particular institution's FY 2010 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>· 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 115.5 from 116.7), 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 121.3 from 121.8; and eliminating the effect of regional differences and higher education reduces the national civil servant comparative index to 112.8 from 114.2), and benefits in order to keep talented employees.</p> <p><b>[Result of the inspection by the competent minister of state]</b> Based on the result of examination in FY 2011, in addition to the measures to be taken in the future, JHF must ensure a steady implementation of salary reduction in accordance with the revision for the remuneration of national civil servants, and must make a substantial improvement on a salary system for executive and employees to gain public understanding and approval.</p>					Employees	Offices	Average Age	Average salary (thousand yen)	JHF	944	11	42.8	8,384	Financial institution A	1,493	29	39.7	7,709	Financial institution B	1,505	18	40.3	7,636	Financial institution C	1,067	12	37.8	7,690	Financial institution D	1,102	10	38.3	10,807
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Verification of the appropriateness of wage levels	<p><b>[National government financial support]</b> National government financial support as percentage of total projected expenditures: 3.1% (national government financial support - ¥321.8 billion; total projected expenditures - ¥10,372.1 billion [FY 2011 budget, after the second supplementation])</p> <p><b>[Examination result]</b> Out of ¥321.8 billion in fiscal spending from the state, ¥222.6 billion were allocated from a supplementary budget to deal with the Basic Policies for Recovery from the Great East Japan Earthquake (approved by the Great East Japan Earthquake Restoration Headquarters on July 29, 2011). Moreover, among fiscal expenses from the state, an amount of ¥99.2 billion instituted in the original budget for FY 2011 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 (formulated on July 6, 2005) (in the following, Management Improvement Plan) and the mid-term plan of the agency, they were discontinued by the final year of the first mid-term target period (FY 2011) after necessary amounts were set.</p>																																	
	<p><b>[Accumulated losses]</b> Accumulated loss: ¥249.6 billion (FY 2011) * Outstanding loan management account: ¥615.8 billion, other accounts: N/A (earned surplus: ¥366.2 billion)</p> <p><b>[Results of the verification]</b> Concerning the outstanding loan management account, based on the Management Improvement Plan and its mid-term plan, JHF used funds raised through securitization of outstanding housing loans to implement advanced redemption of borrowings from the Fiscal Investment and Loan Program, and subsidies from the national government were abolished by the final year (FY 2011) of the first mid-term period after necessary amounts were set. In other accounts, JHF recorded retained earnings in total.</p>																																	

Measures	<p><b>[Details of measures]</b> 1. Efforts by JHF (FY 2006 - FY 2011) The following efforts have been made to normalize wage levels since the time of the Government Housing Loan Corporation, the predecessor of JHF:</p> <p>(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 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) · Introduce a retirement system for management positions (for staff members who will turn 55 years or older at the end of FY 2011) · Lower maximum amount of allowance for officials above the director level · Introduce personnel and salary systems including a revision of the salary structure (sequential implementation in and after FY 2012)</p> <p>2. Measures to be taken by JHF (FY 2012) Terminate periodic pay raises of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank (FY 2014) Abolish a current type of work (operational work) and create a new type of work (business career work) (approx. 10% reduction in salary level)</p> <p><b>[Present effect and projected national civil servant comparative index]</b> For FY 2011, the index declined 13.2 percentage points after eliminating the effects of regional differences and higher education (9.9 percentage points if only age is taken into consideration) compared to FY 2005 as a result of efforts to normalize wage levels. In the future, aiming to reduce the index after eliminating the effects of regional differences and higher education to the national civil servant level, personnel and salary systems including a revision of the salary structure introduced in FY 2011 must be implemented in and after 2012.</p>
	Other reference items

## III Total Personnel Expenses

Rank	Current fiscal year (FY 2011)	Current fiscal year (FY 2010)	Comparative increase △ decrease	Change compared to figure at the start of the medium △ term plan (FY2008)
<b>Total payments of salary and bonus, etc.</b> (A)	Thousand yen 8,047,255	Thousand yen 8,096,813	Thousand yen (%) △ 49,558 (△ 0.6)	Thousand yen (%) △ 835,688 (△ 9.4)
<b>Payment of retirement benefits</b> (B)	Thousand yen 210,738	Thousand yen 570,141	Thousand yen (%) △ 359,403 (△ 63.0)	Thousand yen (%) △ 890,506 (△ 80.9)
<b>Salary of non-permanent directors and employees, etc.</b> (C)	Thousand yen 963,690	Thousand yen 963,510	Thousand yen (%) 180 (0.0)	Thousand yen (%) △ 438,555 (△ 31.3)
<b>Welfare expenses</b> (D)	Thousand yen 1,183,422	千円 1,234,694	Thousand yen (%) △ 51,272 (△ 4.2)	Thousand yen (%) △ 259,319 (△ 18.0)
<b>Personnel expenses at the broadest base</b> (A + B + C + D)	Thousand yen 10,405,105	Thousand yen 10,865,158	Thousand yen (%) △ 460,053 (△ 4.2)	Thousand yen (%) △ 2,424,068 (△ 18.9)

## Reference items for the overall labor costs

- Reason for year-on-year changes in total compensation, including salary, and broadly-defined labor costs
  - The total compensation, including salary, shrank 0.6% or around ¥50 million from the previous year, mainly due to a reduction in the number of employees, and broadly defined labor costs declined 4.2%, or around ¥460 million from the previous year mainly due to a reduction in retirement benefits.
- On 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 the FY 2006 Basic Policies for Economic and Fiscal Policy, Management and Structural Reform (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. 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 the FY 2006 Basic Policies for Economic and Fiscal Policy, Management and Structural Reform (adopted by the Cabinet on July 7, 2006) and the reform of the salary structure of national civil servants.
  - 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 FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b>Total compensation, including salary (thousand)</b>	9,755,681	8,882,943	8,580,740	8,384,312	8,096,813	8,047,255
<b>Percent reduction in labor costs (%)</b>		△ 8.9	△ 12.0	△ 14.1	△ 17.0	△ 17.5
<b>(Adjusted) percent reduction in labor costs (%)</b>		△ 9.6	△ 12.7	△ 12.4	△ 13.8	△ 14.1

- (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 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 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 Nationalpersonnel 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) stipulates a personnel expense reduction of at least 5.0% in the five years from FY 2006. The FY 2006 Basic Policies for Economic and Fiscal Policy, Management and Structural Reform (adopted by the Cabinet on July 7, 2006) prescribes the continuation of a personnel expense reform until FY 2011. This objective has been already reached by JHF, reflecting appropriate efforts.

## IV History of GHLC and JHF

The following measures have been and will be taken in line with the salary revision of national civil servants based on the Act on the Salary Revision of National Civil Servants and Interim Special Measures (Act No. 2 of 2012).

(Executives)

- The salary payment was lowered at a rate (9.77% of the monthly base salary) from April 2012 in accordance with the salary reduction of national civil servants (until March 2014).
- The monthly base salary was lowered by 0.5% on average in March 2012 in line with the revision for the remuneration of national civil servants (the reduction amount between April 2011 and February 2012 was adjusted with the salary in March 2012).

(Employees)

- Labor negotiations are being held to take measures in accordance with the revision for the remuneration of national civil servant.

# Corporate Data

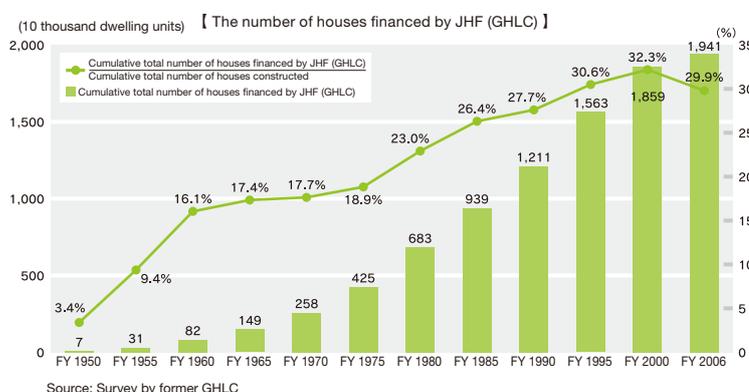
## History of GHLC and JHF

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 JHF Law
April 2000	Establishment of loan scheme for urban rehabilitation	April 2007	Abolition of GHLC Establishment of JHF

## (Reference) Roles Former GHLC has Played

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

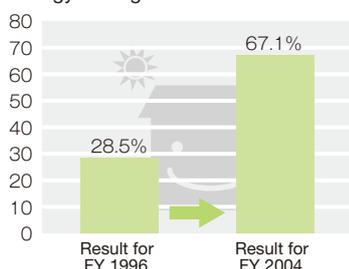
The achievements of the Government Housing Loan Corporation loans reached 19.41 million dwellings for 57 years from its establishment in 1950 to its closure by the end of FY 2006. This accounts for approximately 30% of dwellings built after World War II.



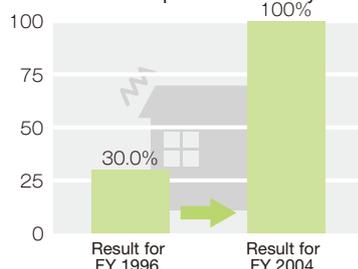
- **JHF promotes measures to secure and improve the quality of houses.**

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.

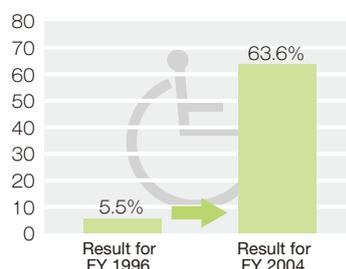
Energy-saving houses



Houses with improved durability



Barrier-free accessible houses



【 Increase of good quality houses financed by the GHLC 】 Source: Survey on size, specifications, etc., of houses financed by JHF (former GHLC)

**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.

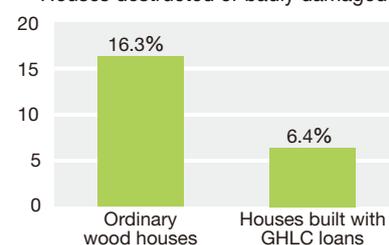
### Ordinary wood houses

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.

Houses destroyed or badly damaged



Source: Survey on the damage of the Southern Hyogo Prefecture Earthquake on houses built with loans from the Government Housing Loan Corporation in 1995 Report by the Committee for the survey of the damage of the Hanshin-Awaji Earthquake, which occurred in 1995

# Executives and Organization Chart

Overview of JHF

Corporate Governance

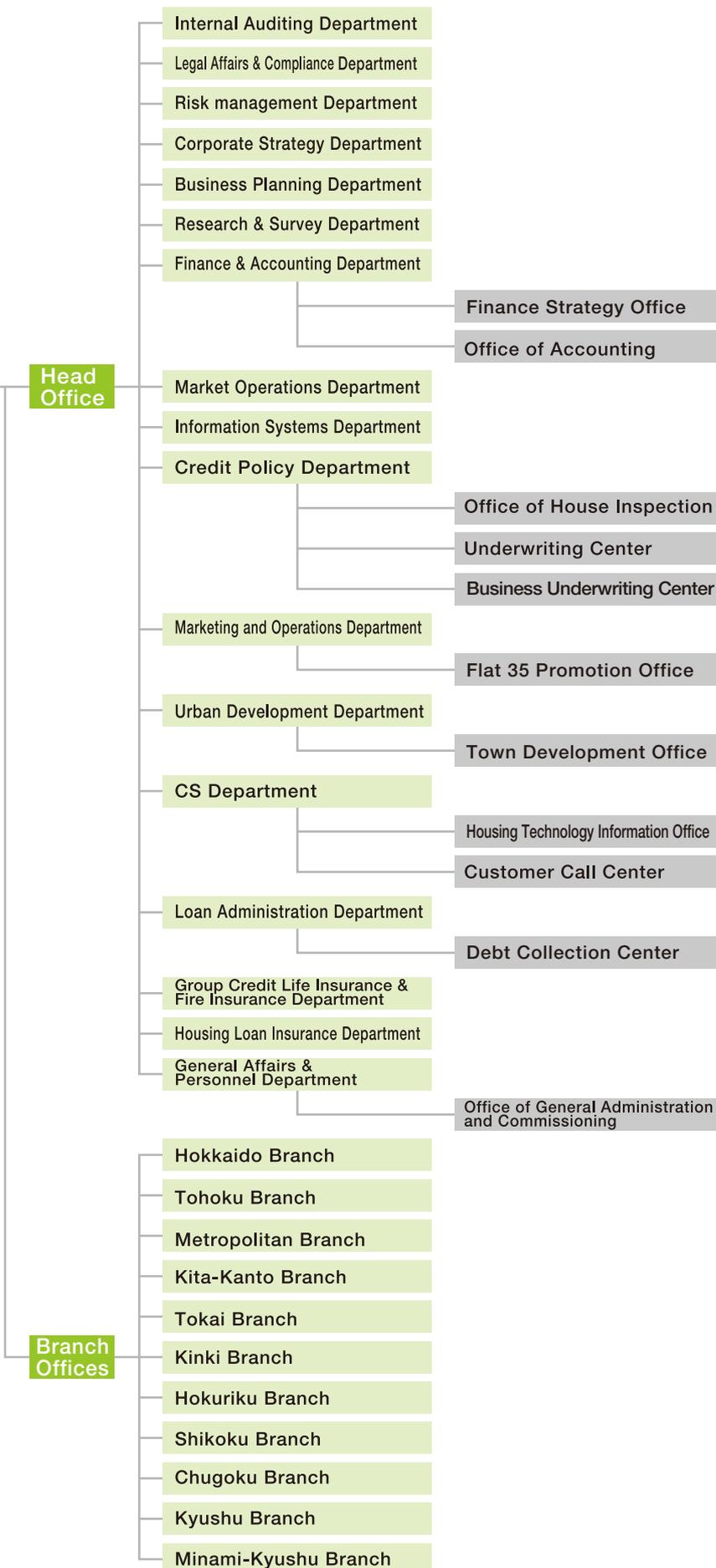
Details and Features of Line of Business

CSR activities by JHF

Financial data



Executives	
<b>President</b>	: Shinya Shishido
Senior Executive Vice President	: Hiroshi Fujioka
Executive Vice President	: Masato Koumura
Senior Executive Director	: Takashi Hosoda
Senior Executive Director	: Takeshi Isokawa
Senior Executive Director	: Junichi Gohda
Senior Executive Director	: Yukimasa Hachino
Senior Executive Director	: Kimio Watanabe
Auditor General	: Masanori Ishizuka
Auditor General	: Fujiki Hayashi
Auditor General	: Itsuo Houki

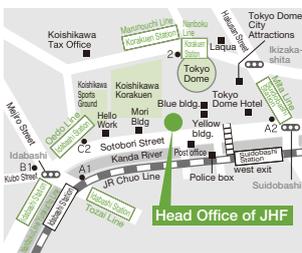


(As of July 1, 2012)

# Location of Head Office and Regional Offices

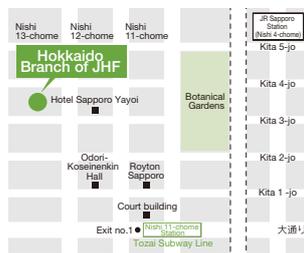
(As of July 1, 2012)

## Head Office



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

## Hokkaido Branch (Hokkaido Pref.)



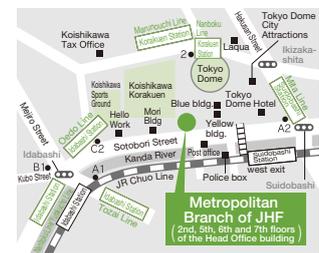
3-13, Kita 3-jo Nishi 13-chome,  
Chuo-ku, Sapporo-shi 060-0003  
Tel: 011-261-8301 (operator)

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



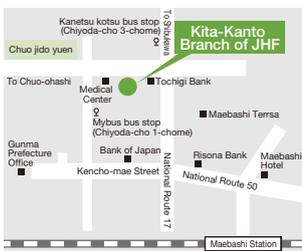
1-3-18 Katahira, Aoba-ku,  
Sendai-shi 980-0812  
Tel: 022-227-5012 (operator)

## Metropolitan Branch (Ibaraki, Saitama, Chiba, Tokyo, Kanagawa, Yamanashi, Shizuoka and Okinawa Pref.)



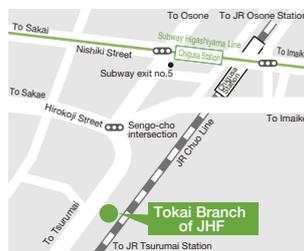
1-4-10 Koraku, Bunkyo-ku,  
Tokyo 112-8671  
Tel: 03-5800-9300 (operator)

## 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.)



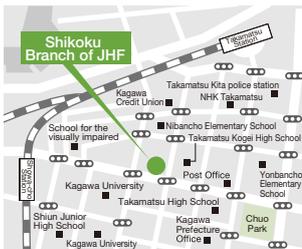
Sumitomo Seimei Bldg.,  
4-5-20 Minami-Honmachi,  
Chuo-ku, Osaka-shi 541-8546  
Tel: 06-6281-9260 (operator)

## Hokuriku Branch (Toyama, Ishikawa and Fukui Pref.)



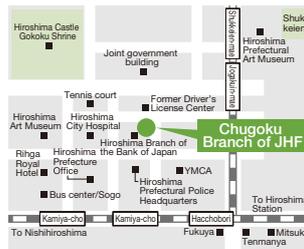
Kanazawa Chuo Bldg.,  
4-12 Marunouchi,  
Kanazawa-shi 920-8637  
Tel: 076-233-4251 (operator)

## 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.)



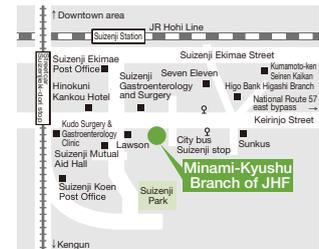
8-3, Moto-machi, Naka-ku,  
Hiroshima-shi 730-0011  
Tel: 082-221-8694 (operator)

## 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**

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- 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

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