

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
(Assets)			(Liabilities)		
Cash and due from banks	1,315,200	666,401	Borrowings	21,564,012	17,644,700
Cash	1	1	FILP borrowings	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	Bonds	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	Other liabilities	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	Total liabilities	35,902,011	33,202,621
Other tangible fixed assets	4,557	1,016			
Accumulated depreciation(△)	△ 3,225	△ 488	(Net assets)		
Accumulated impairment loss(△)	△ 0	△ 1	Capital	697,655	656,663
Extraordinary losses	8,325	—	Government investment	697,655	656,663
Guarantee obligation reversal	866,850	751,009	Capital surplus	△ 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
			Loss carry forward	△ 372,035	△ 249,566
			Valuation and conversion adjustments	94	△ 2,771
			Deferred gains or losses on hedges	94	△ 2,771
			Total net assets	325,231	403,920
Total assets	36,227,242	33,606,541	Total liabilities and net assets	36,227,242	33,606,541

Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
Ordinary income	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
Ordinary expenses	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
Extraordinary profit	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	—
Extraordinary losses	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
Gross income (or loss)	△ 36,590	132,324

Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
I Cash flow from operating activities		
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
Cash flow from operating activities	2,779,835	1,785,418
II Cash flow from investing activities		
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
Cash flow from investing activities	△ 1,112,749	248,351
III Cash flow from financing activities		
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
Cash flows from financing activities	△ 3,064,020	△ 2,682,567
IV Decrease in cash	△ 1,396,934	△ 648,798
V Opening balance of cash	2,712,133	1,315,200
VI Closing balance of cash	1,315,200	666,401

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
I Operating expenses		
(1) Expenses recorded in income statement		
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
(2) (Deductions) non-subsidy revenue, etc.		
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
Total operating expenses	122,323	915
II Accumulated impaired loss not included in profit and loss	—	66
III Difference on sales not included in profit and loss	—	△ 2,476
IV Expected increase in retirement benefits not included in allowances	7	7
V Opportunity costs		
Opportunity costs related to items such as central and local government investments	11,476	6,946
VI Administrative cost	133,807	5,458

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 scheme houses and the outstanding loan management special account and loans related to transferred claims (from pension) described in Notes 1 (2) and that are part of the housing loan account paid a guarantee fee when placing the corresponding loan guarantee fee into trust with the Housing Loan Guarantee Corporation as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as 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.

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).

	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
Total assets	32,462,779,192,142	33,721,014,672,051	1,258,235,479,909
(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
Total liabilities	31,093,468,379,994	32,869,446,585,430	1,775,978,205,436
Financial derivative products (*3)	(12,499,362,599)	(12,499,362,599)	0
Total financial derivative products	(12,499,362,599)	(12,499,362,599)	0

(*1) Amounts of general and individual reserves for possible loan losses for purchased loans and GHLC originated loans are deducted. Since reserves for possible loan losses for claims for indemnity and transferred claims (from pension) are less important, their values are subtracted from the amounts on the balance sheet.
 (*2) Since bond issue premiums are less important, the values are subtracted from the amount on the balance sheet.
 (*3) The values of financial derivative products listed as assets or liabilities are indicated 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

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
Total		739,452,430,040	758,714,024,400	19,261,594,360

(2) Other securities

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

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.

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
(Assets)			(Liabilities)		
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	Total liabilities	7,500,114	9,783,779
Guarantee obligation reversal	261,018	244,556			
Reserve for possible loan losses(△)	△ 50,767	△ 48,610	(Net assets)		
			Capital	515,655	474,063
			Government investment	515,655	474,063
			Capital surplus	△ 484	△ 405
			Capital surplus	—	30
			Accumulated impaired loss not included in profit and loss(△)	△ 484	△ 436
			Loss carry forward	△ 50,920	△ 17,090
			Unappropriated loss	△ 50,920	△ 17,090
			(of which, gross income or loss)	(△ 25,843)	(33,830)
			Total net assets	464,251	456,567
Total assets	7,964,365	10,240,347	Total liabilities and net assets	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
I Cash flow from operating activities		
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
Cash flow from operating activities	△ 1,835,699	△ 2,229,989
II Cash flow from investing activities		
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
Cash flow from investing activities	△ 148,028	45,814
III Cash flow from financing activities		
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
Cash flows from financing activities	1,969,232	2,300,728
IV Increase (or decline) in cash	△ 14,495	116,553
V Opening balance of cash	48,438	33,943
VI Closing balance of cash	33,943	150,496

Statement of Appropriation of Loss

(unit: million yen)

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

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
I Operating expenses		
(1) Expenses recorded in income statement		
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
(2) (Deductions) non-subsidy revenue, etc.		
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
Total operating expenses	36,063	7,302
II Accumulated impaired loss not included in profit and loss	—	66
III Difference on sales not included in profit and loss	—	△ 2,476
IV Expected increase in retirement benefits not included in allowances	3	3
V Opportunity costs		
Opportunity costs related to items such as central and local government investments	8,847	5,151
VI Administrative cost	44,913	10,046

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.

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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 related 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

(Unit: yen)

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.

(Unit: yen)

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.

(Unit: yen)

	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

(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	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

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

Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
Ordinary income	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
Ordinary expenses	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
Ordinary income (or loss)	2,660	3,649
Extraordinary gain	279	—
Gain on sale of securities	279	—
Extraordinary losses	106	—
Other extraordinary losses	106	—
Provision for allowance for retirement benefits accompanying transfer between accounts	106	—
Net profit (or loss)	2,833	3,649
Gross profit (or loss)	2,833	3,649

Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
I Cash flow from operating activities		
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
Subtotal	△ 66,287	△ 37,358
Interest and dividends received	2,459	2,968
Cash flow from operating activities	△ 63,828	△ 34,390
II Cash flow from investing activities		
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
Cash flow from investing activities	46,588	40,871
III Cash flow pertaining to financial transaction		
Income from government investment	14,000	—
Cash flow pertaining to financial transaction	14,000	—
IV Increase (decrease) in cash	△ 3,240	6,481
V Opening balance of cash	7,780	4,540
VI Closing balance of cash	4,540	11,021

Statement of Appropriation of Loss

(unit: million yen)

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

● Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
I Operating expenses		
(1) Expenses recorded in income statement		
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
(2) (Deductions) non-subsidy revenue, etc.		
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
Total operating expenses	16,976	△ 1,324
II Expected increase in retirement benefits not included in allowances	0	0
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	1,619	1,281
IV Administrative cost	18,595	△ 44

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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
	Corporate bonds	27,853,864,446	28,587,710,000	733,845,554
	Subtotal	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
	Corporate bonds	9,912,138,105	7,756,944,000	△ 2,155,194,105
	Subtotal	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
(Assets)			(Liabilities)		
Cash and deposits	7,533	9,789	Borrowings	143,600	122,200
Cash	0	0	Borrowings from private institutions	143,600	122,200
Deposits	2,969	5,024	Bonds	636,765	539,749
Agency deposits entrusted	4,563	4,765	Asset formation housing bonds	637,400	540,200
Money in trust	—	569	Bond issue premiums(△)	△ 635	△ 451
GHLC originated loans	824,438	707,644	Subsidies payable, etc.	—	569
Loans on bills	9	9	Subsidies payable for emergency measures including loans for disaster mitigation	—	569
Loans on deeds	824,430	707,635	Other liabilities	213	232
Other assets	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
Reserve for possible loan losses(△)	△ 4,930	△ 2,233	Allowance for retirement benefits	1,072	1,105
			Allowance for refund of guarantee fees	1,151	941
			Reserve for mortgage transfer registration	994	655
			Total liabilities	783,819	665,477
			(Net assets)		
			Profit surplus	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)
			Total net assets	44,460	51,319
Total assets	828,280	716,796	Total liabilities and net assets	828,280	716,796

Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
Ordinary income	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
Ordinary expenses	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
Ordinary income	2,406	6,858
Extraordinary income	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	—
Net income	2,631	6,858
Gross income	2,631	6,858

Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
I Cash flow from operating activities		
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
Subtotal	134,634	129,234
Interest and dividends received	23	17
Interest paid	△ 9,619	△ 7,727
Cash flow from operating activities	125,038	121,524
II Cash flow from investing activities		
Outlays on the increase of money in trust	—	△ 570
Income from the decrease of money in trust	—	1
Cash flow from investing activities	—	△ 569
III Cash flow from financing activities		
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
Cash flows from financial activities	△ 125,301	△ 118,698
IV Increase (or decline) in cash	△ 263	2,256
V Opening balance of cash	7,796	7,533
VI Closing balance of cash	7,533	9,789

Statement of Appropriation of income

(unit: million yen)

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

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	9,920	7,989
Service transaction expenses	316	285
Other operating expenses	16	8
Business expenses	804	789
Other ordinary expenses	2,539	46
Subtotal	13,595	9,116
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 15,976	△ 13,408
Income from service transactions	△ 17	△ 14
Other ordinary income	△ 8	△ 2,551
Gain on bad debt recovered	0	△ 1
Reimbursement of allowance for retirement benefits accompanying transfer between accounts	△ 27	—
Reversal of reserve for mortgage transfer registration	△ 198	—
Subtotal	△ 16,227	△ 15,974
Total operating expenses	△ 2,631	△ 6,858
II Expected increase in retirement benefits not included in allowances	0	0
III Administrative cost	△ 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
(Assets)			(Liabilities)		
Cash and due from banks	322,730	79,175	Borrowings	5,079	21,501
Cash	0	0	FILP borrowings	5,079	21,501
Due from banks	310,041	59,529	Bonds	1,159,119	1,193,621
Agency deposits entrusted	12,688	19,646	Government guaranteed bonds	95,000	95,000
Receivables under resale agreement	—	56,991	Mortgage-backed securities	62,385	53,927
Money in trust	—	188,766	General mortgage loans	552,876	587,746
Securities	243,726	426,604	Housing land bonds	449,066	457,130
Government bonds	40,565	35,566	Bond issue premiums(△)	△ 208	△ 181
Municipal bonds	45,773	41,276	Subsidies payable, etc.	—	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	Other liabilities	75,037	72,603
Certificates of deposit	—	225,000	Accrued expenses	16,255	16,815
Purchased loans	877,272	945,849	Advanced earnings	50,052	46,552
Loan on bills	90,048	70,460	Financial derivative products	161	1,379
Loans on deeds	787,224	875,390	Other liabilities	8,178	7,462
Loans to other account	38,804	38,804	Accounts payable for other accounts	391	395
Long-term loan to other account	38,804	38,804	Allowance for bonuses	134	137
Other assets	223,558	154,470	Allowance for retirement benefits	5,738	6,092
Claims for indemnity	69,702	20,038	Allowance for refund of guarantee fees	232	190
Transferred claims (pension)	141,612	121,690	Reserve for mortgage transfer registration	448	343
Accrued revenue	2,791	2,453	Guarantee obligation	605,832	506,452
Financial derivative products	259	173			
Other assets	9,194	10,116	Total liabilities	1,851,619	1,989,750
Guarantee obligation reversal	605,832	506,452			
Reserve for possible loan losses(△)	△ 82,417	△ 37,263	(Net assets)		
			Capital	42,400	43,000
			Government investment	42,400	43,000
			Profit surplus	335,392	329,870
			Group credit life insurance rider long-term stabilization reserve	316,881	307,026
			Reserve	17,853	18,510
			Unappropriated income (of which, gross income)	657	4,334
			(b) (657)	(657)	(4,334)
			Valuation and translation adjustments	94	△ 2,771
			Deferred gains or losses on hedges	94	△ 2,771
			Total net assets	377,886	370,099
Total assets	2,229,505	2,359,848	Total liabilities and net assets	2,229,505	2,359,848

Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
Ordinary income	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
Ordinary expenses	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
Extraordinary income	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	—
Extraordinary losses	82	—
Other extraordinary losses	82	—
Provision for allowance for retirement benefits accompanying transfer between accounts	82	—
Net loss	△ 3,813	△ 5,522
Transfer from reserve for special purpose	4,471	9,856
Gross income	657	4,334

Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
I Cash flow from operating activities		
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
Subtotal	△ 86,775	146,489
Interest and dividends received	3,967	4,539
Interest paid	△ 14,151	△ 17,110
Cash flow from operating activities	△ 96,958	133,918
II Cash flow from investing activities		
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	—
Cash flow from investing activities	△ 86,651	△ 428,757
III Cash flow from financing activities		
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	—
Cash flows from financial activities	100,699	51,284
IV Decrease in cash	△ 82,911	△ 243,555
V Opening balance of cash	405,641	322,730
VI Closing balance of cash	322,730	79,175

Statement of Appropriation of income

(unit: million yen)

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

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
I Operating expenses		
(1) Expenses recorded in income statement		
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
(2) (Deductions) non-subsidy revenue, etc.		
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
Total operating expenses	3,813	5,633
II Expected increase in retirement benefits not included in allowances	2	2
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	890	420
IV Administrative cost	4,705	6,055

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

Income Statement

(unit: million yen)

Item	FY 2010	FY 2011
Ordinary income	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
Ordinary expenses	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
Ordinary income (or loss)	△ 25,478	82,619
Extraordinary income	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	—
Net income (or loss)	△ 16,869	83,653
Gross income (or loss)	△ 16,869	83,653

Cash Flows Statement

(unit: million yen)

Item	FY 2010	FY 2011
I Cash flow from operating activities		
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
II Cash flow from investing activities		
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
III Cash flow from financing activities		
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
IV Decrease in cash	△ 1,296,025	△ 530,534
V Opening balance of cash	2,242,479	946,454
VI Closing balance of cash	946,454	415,920

Statement of Appropriation of Loss

(unit: million yen)

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

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2010	FY 2011
I Operating expenses		
(1) Expenses recorded in income statement		
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
(2) (Deductions) non-subsidy revenue, etc.		
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
Total operating expenses	68,102	△ 3,838
II Expected increase in retirement benefits not included in allowances	2	2
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	120	95
IV Administrative cost	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
Total	697,655	10,908	51,900	656,663

● 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
Total	21,564,012	139,000	4,058,312	17,644,700

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
Total	11,865,484	2,917,637	1,631,948	13,151,174

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
Housing Support Information System Co., Ltd. (specific affiliated company)	Development, operation and maintenance of software; Internet related operations; system related services, etc.	System development, etc.	April 1997	¥24.9 million
Jutaku Loan Service, Ltd. (specific affiliated company)	Management and recovery of the specific monetary claims, etc.	Loan servicing	August 2004	¥500 million
Funen Kosha (specific public interest company, etc.)	Construction and transfer of rental homes; financing guarantees, etc. Jutaku Loan Service, Ltd.	Financing guarantees, etc.	January 1961	¥1.35 million

● Transition in capital

(Unit: 100 million yen)

Fiscal year	Capital	Fiscal year	Capital
June 1950	136	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 (△)
Securitization support account	△ 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
Housing loan insurance account	2,833	△ 1,526	3,649	2,123
Account for loans for property accumulation saving scheme-tied houses	2,631	44,460	6,858	51,319
Housing loan account	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
Overall agency (excluding the outstanding loan management account and account for operations taken over from the Housing Loan Guarantee Corporation)	△ 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
Total		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
Subsidies received	2,600.0	2,235.0	–
Transfer from housing loan insurance business	–	700.0	381.0
Amount carried forward	–	2,599.3	5,437.9
Accrued interest income	0.0	4.9	6.4
(Accumulated gains)	(0.0)	(4.9)	(11.3)
Subtotal ①	2,600.0	5,539.2	5,825.3
Expenses for interest rate discount ②	0.7	101.3	405.5
(Accumulated expenses for interest rate discount)	(0.7)	(102.0)	(507.5)
Balance of subsidies ① – ②	2,599.3	5,437.9	5,419.8
Estimate required amount of subsidies for the following years ③	–	–	5,419.8
Planned repayment to the national treasury for the following year 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
Subsidies received	159.0
Amount carried forward	–
Accrued interest income	0.04
(Accumulated gains)	(0.04)
Subtotal ①	159.04
Expenses for interest rate discount ②	0.1
(Accumulated expenses for interest rate discount)	(0.1)
Balance of subsidies 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
Subsidies received	1,400.0	-	-
Amount carried forward	-	1,341.0	443.9
Accrued interest income	0.0	1.0	0.1
(Accumulated gains)	(0.0)	(1.0)	(1.2)
Subtotal ①	1,400.0	1,342.0	444.1
Expenses for premium rate discount ②	59.0	198.1	23.2
(Accumulated premium rate discount)	(59.0)	(257.1)	(280.3)
Transfer to the securitization business ③	0.0	700.0	381.0
Balance of subsidies ① - ② - ③	1,341.0	443.9	39.8
Estimate required amount of subsidies for the following years ④	-	-	0.4
Planned transfer to the securitization support account for the following year ⑤	-	-	39.4
Planned repayment to the national treasury for the following year 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